Kinship structure and bequest inequalities between Black and white households in the United States, 1989–2022

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Given demographic fundamentals, what is the expected incidence and magnitude of bequests?

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Why is timing important?

- for recipients aged $50 - 70$ years: precautionary savings, own care needs, "sandwich" responsibilities (Alburez-Gutierrez et al., 2021)?
- . . . , incl. resource for child→grandchild financial support
- potentially important downstream effects in terms of group, cohort, or period differences

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Number of Black respondents with at least one child, Survey of Consumer Finances (1989-2022):

- age 70-74: 12-32 per wave
- age 85-89: 1-9 per wave

Our solution: survey wealth data + population microsimulations

1. estimate household net worth from the Survey of Consumer Finances
2. create a synthetic population for the period of interest in Socsim
3. assign household net worth to Socsim individuals
4. "observe" deaths in the simulation and distribute the estate to spouses/partners and children

Survey of Consumer Finances (SCF)

- triennial, 1989-2022
- dual frame with oversampling of rich households
- nationally representative of households when using replicate weights and imputations
- $\approx 3\,000$ households per wave
- net worth = assets - debts; assets excl. vehicles and certain pensions
- we estimate median household net worth by race/ethnicity, sex, and 5-year age interval for respondents with at least one living child

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Socsim

- microsimulation framework (Mason, 2016; Hammel et al., 1976)
- required inputs: mortality, fertility, and marriage/divorce rates
- calibrated with ACS/census measures of U.S. population 1900 – 2050 (Verdery and Margolis, 2017)

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- Ad break New R interface to Socsim: `Rsocsim` https://github.com/MPIDR/rsocsim

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Simulated bequests from parents to children (1989-2022)

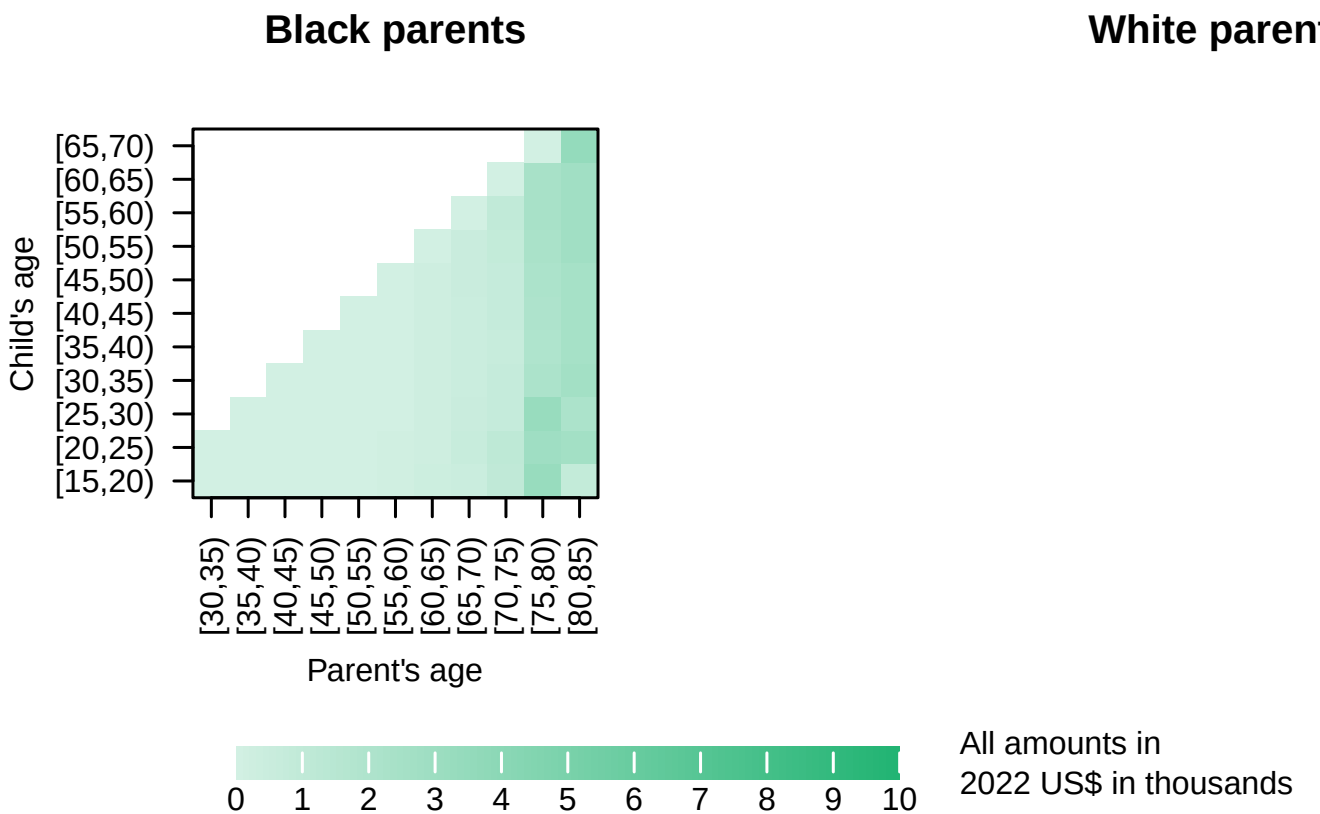

Figure: Mean bequest from parental age groups (x-axis) to child age groups (y-axis).

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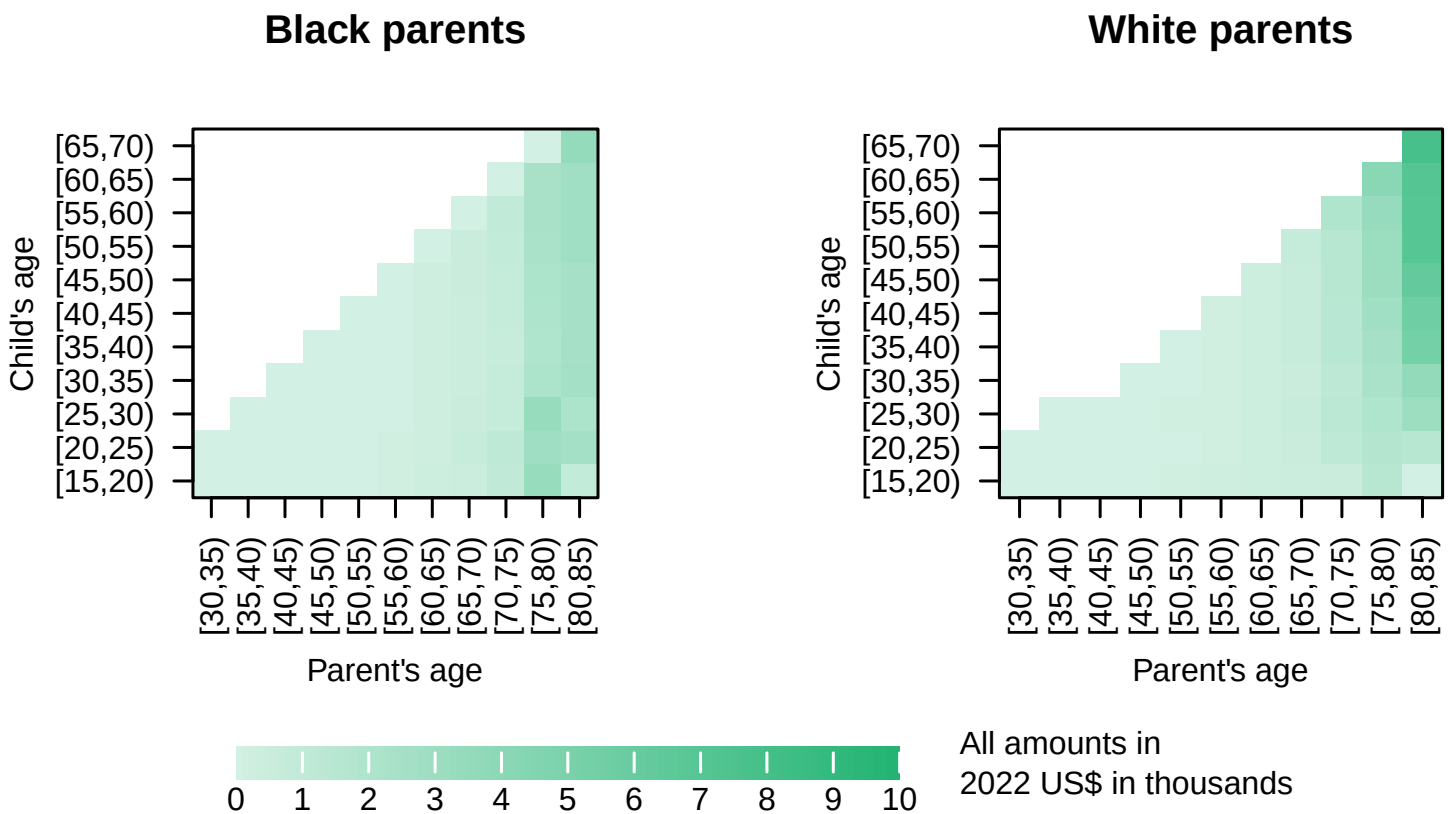

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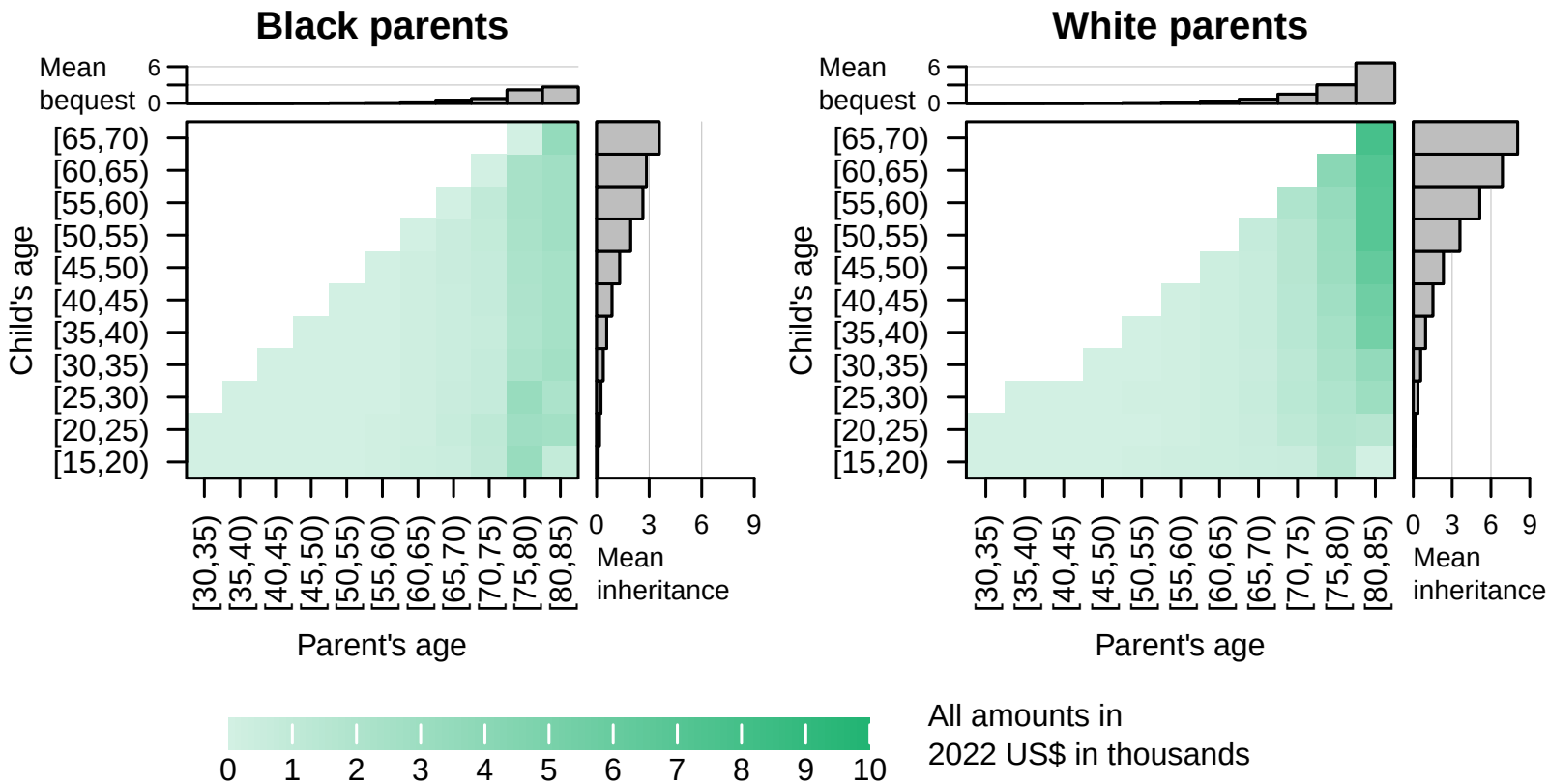

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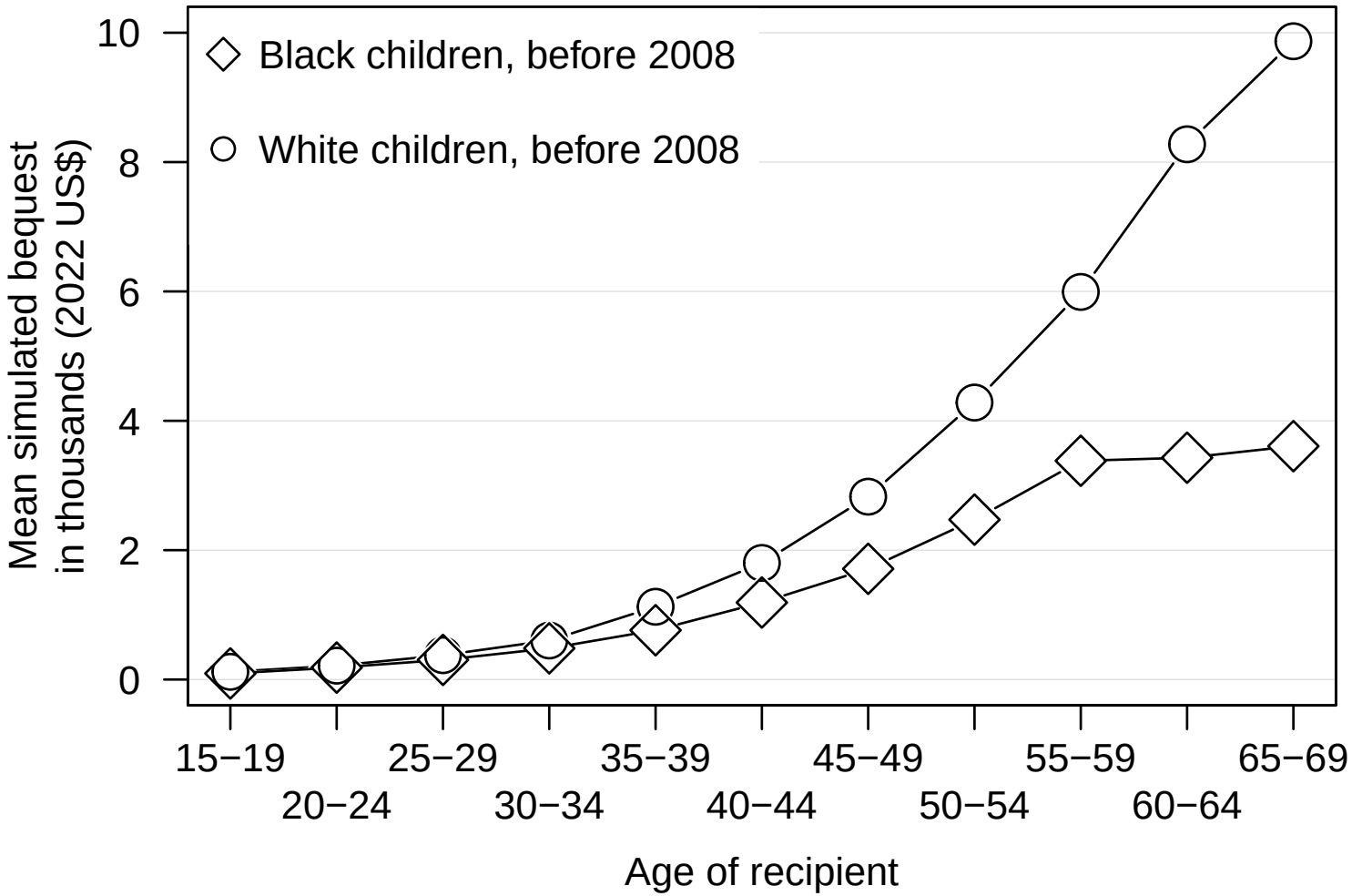
The Great Recession changed the level but not the shape of bequests



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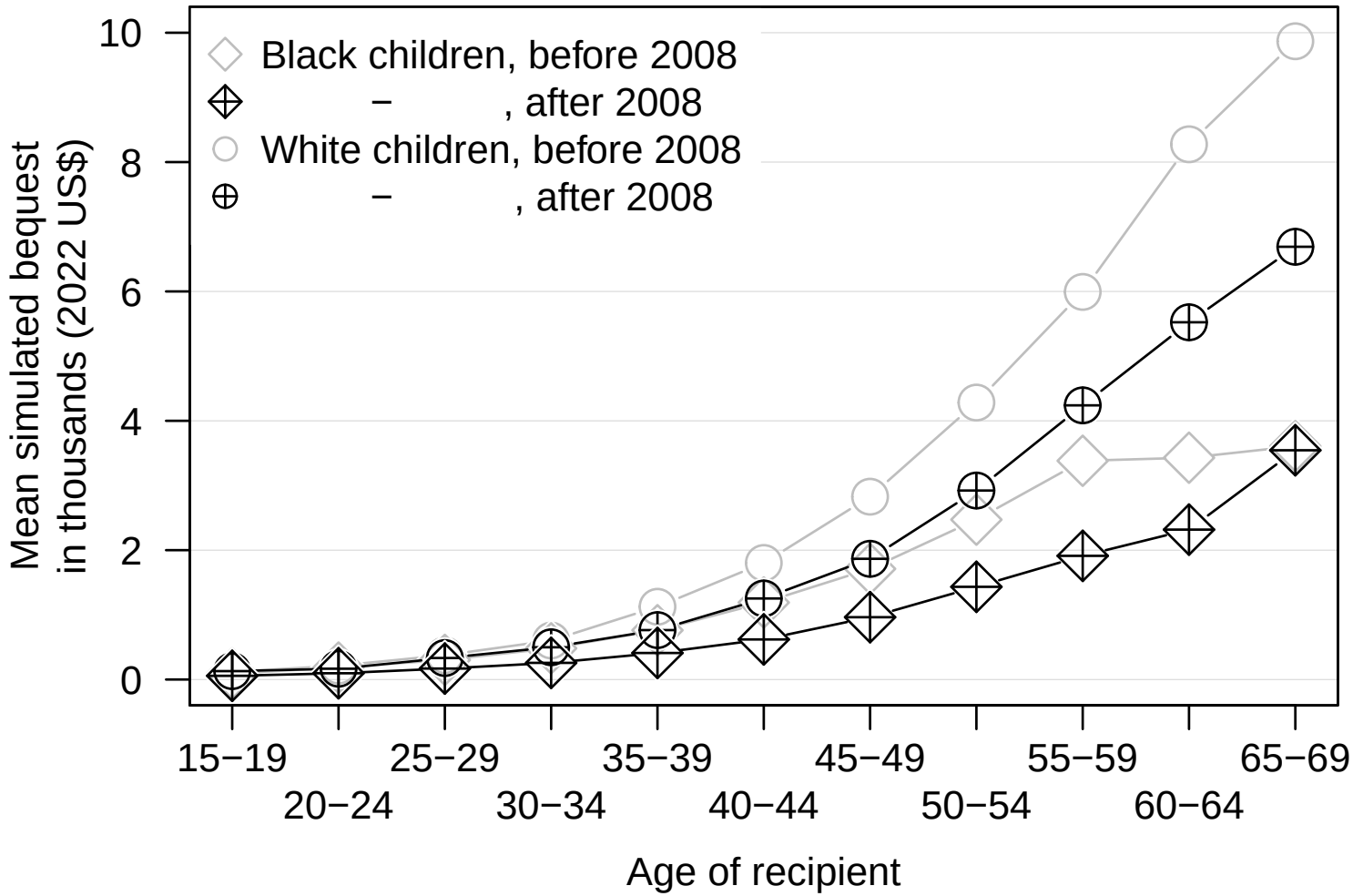

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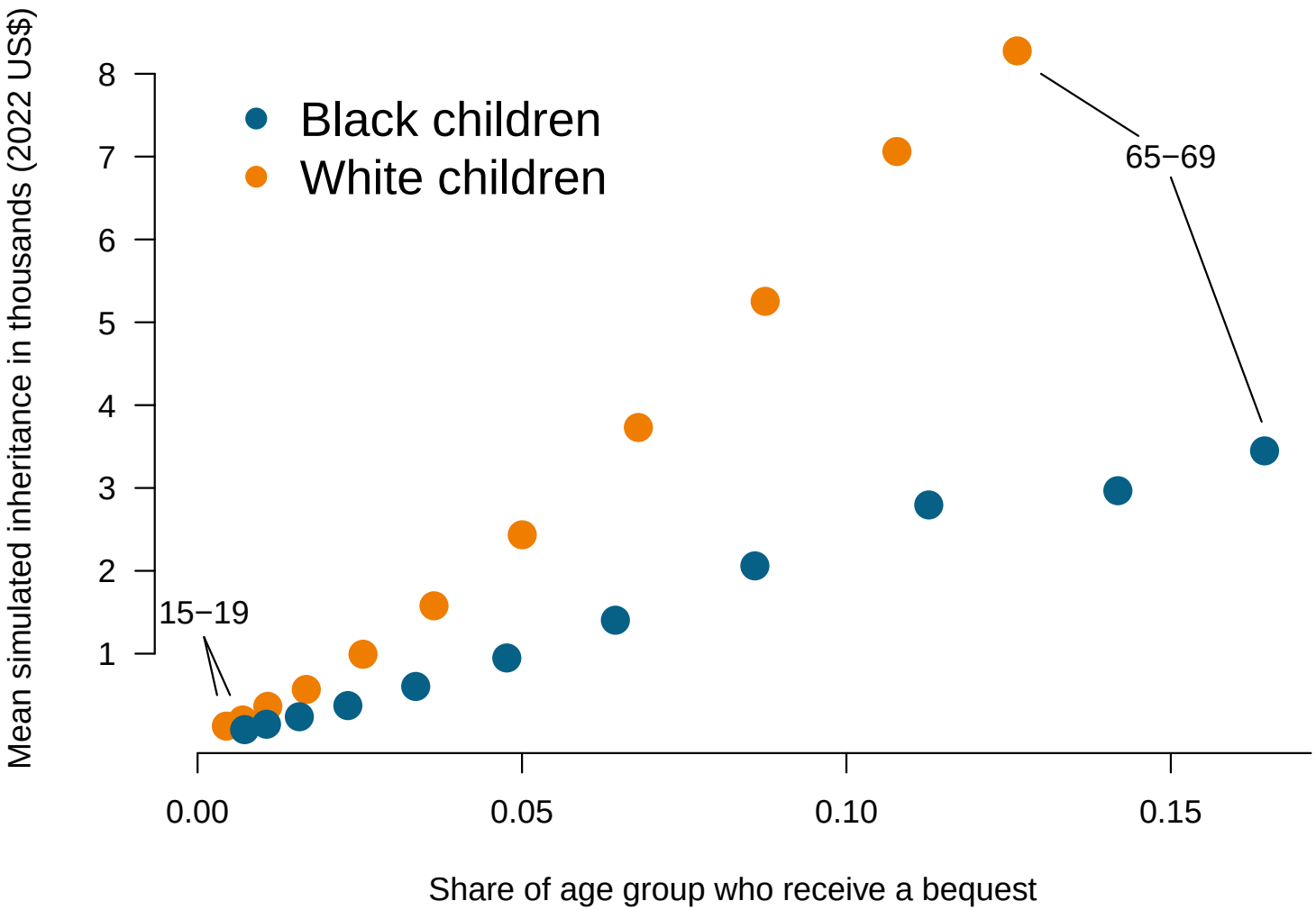
Lower mean bequests and more frequent parental loss among Black children



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Wrapping up

Limitations & ways forward

1. net worth and mortality uncorrelated
2. no decomposition
3. no net worth variability
4. too little demographic complexity
5. right-censoring

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Thank you

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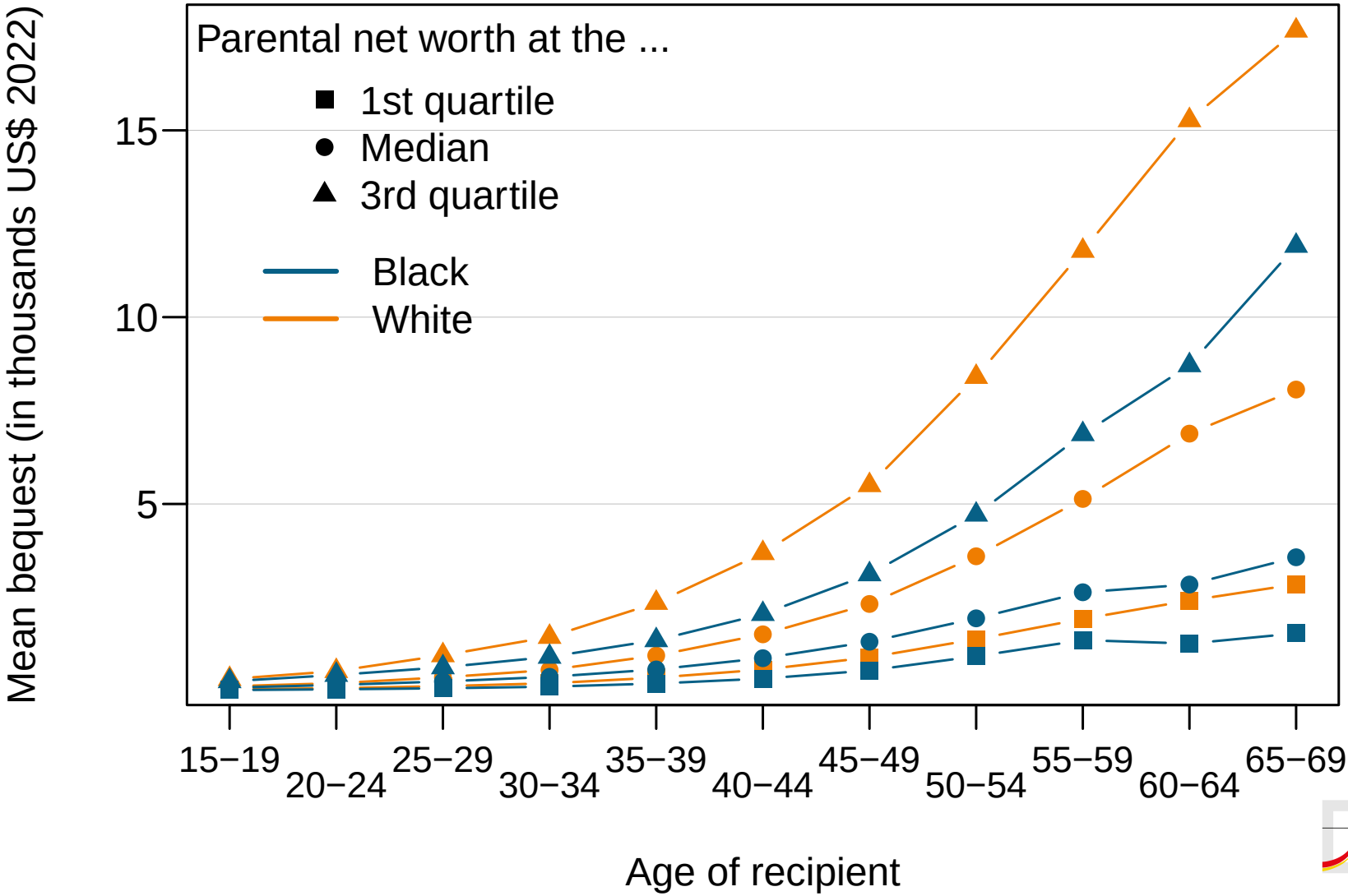
Bequests at different parental wealth quartiles



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Terminology

- bequest: a parent→child transfer due to the death of the parent, from the parent's point of view
- inheritance: . . . , from the child's point of view
- (inter vivos) gift: a transfer when both parties are alive

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How important are bequests?

Inheritances make up $20 - 80\%$ ($40 - 60\%$) of household's current net worth (for discussion of variation: Avery and Rendall, 2002).

Questions about financial transfers have high item non-response and are sensitive to wording, recall period, respondent identity (Kennickell, 2017; Emery and Mudrazija, 2015).

Large unexplained residual in descendants' outcomes (incl. wealth) after incl. large battery of parent/grandparent covariates (e.g. Pfeffer and Killewald, 2018).

Comparison with Avery and Rendall (2002)

Differences with Avery and Rendall (2002)

- retrospective instead of prospective
- greater focus on demographic influences, less on distributional outcomes
- more plausible demographic model
- less plausible wealth model

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