The Strength and Nature of Bequest Motives in the United States

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Abstract

In this paper, we analyze the strength and nature of bequest motives in the United States using data from the 2000 Health and Retirement Study (HRS). The results of our analysis suggest that bequest motives are very strong in the United States and that they are altruistically motivated. This suggests that the altruism (or dynasty) model applies in the United States and that the selfish life cycle model does not apply. Moreover, our results also suggest that older, wealthier, married, more highly educated, Caucasian, healthy, and non-religious individuals are more likely to leave a bequest than other individuals.

1. Introduction

Different theoretical models of household behavior have different implications for bequest motives. For example, the selfish life-cycle model assumes that individuals care only about themselves, and thus it implies that individuals will either not leave any bequests at all, leave only unintended bequests arising from lifespan uncertainty, or leave only selfish bequests (bequests that are a quid pro quo for care and financial support during old age). By contrast, the altruism or dynasty model assumes that individuals harbor intergenerational altruism toward their children, and thus it implies that individuals will leave altruistic bequests (bequests that do not involve any quid pro quo). Thus, by analyzing the strength and nature of bequest motives, we can shed light on which model of household behavior applies in the real world. In this paper, we conduct such an analysis for the United States using data from the 2000 Health and Retirement Study (HRS).

The HRS asks respondents about the probability that they will leave a bequest to their children and about whether or not they have received or given or expect to receive or give financial support to or from their

children. We can assess the strength of the bequest motive by looking at how likely individuals are to be planning to leave a bequest, and we can assess the nature of the bequest motive by looking at the impact of financial help and transfers to and from children on the likelihood of leaving a bequest. If we find that respondents who have received or expect to receive financial support from their children are more likely to leave a bequest to their children, we can surmise (though we cannot definitively say) that one is a quid pro quo for the other, that bequests are selfishly motivated, and that the selfish life cycle model holds. Otherwise, we can conclude that bequests are altruistically motivated and that the altruism or dynasty model holds.

The results of our analysis suggest that bequest motives are very strong in the United States and that they are altruistically motivated. This suggests that the altruism (or dynasty) model applies in the United States and that the selfish life cycle model does not apply. Moreover, our results also suggest that older, wealthier, married, more highly educated, Caucasian, healthy, and non-religious individuals are more likely to leave a bequest than other individuals.

2. The Strength of the Bequest Motive

As can be seen from Tables 1 and 2, the average probability of leaving a bequest of 100,000 dollars or more is 52.4% (1~100 scale), and 30.4% of the sample plan to leave a bequest of 100,000 dollars or more with 100% probability. Only 27.3% reported that they plan to leave a bequest of 100,000 dollars with a probability of zero. (Refer to Table 2 for the results for those under 65 and those 65 or older, which are broadly similar to the results for all ages.) Thus, bequest motives appear to be quite strong in the United States.

Moreover, other intra-family intergenerational transfers (especially transfers from parents to children) are also relatively common in the United States. For example, as can be seen from Table 2, the average probability of giving financial help totaling 5,000 dollars or more to their children during the next ten years is 35.7% (1~100 scale), while the average probability of receiving financial help totaling 5,000 dollars or more from their children during the next ten years is 9.1% (1~100 scale). With respect to financial help given or received in the past, 22.4% of respondents have already given transfers to their children, while 2.6% of respondents have already received transfers from their children. In terms of the amounts of these transfers,

transfers given to children averaged 5,869 dollars, while transfers received from children averaged 3,056 dollars (not shown in Table 2). (Refer to Table 3 for the results for those under 65 and those 65 or older, which are broadly similar to those for all ages.)

3. The Nature of the Bequest Motive

In this section, we analyze the determinants of the probability of leaving a bequest of 100,000 dollars or more. The results for the full sample are shown in Table 4, and the results for those aged less than 65 and those aged 65 or older are shown in Table 5. As can be seen from these tables, age, net wealth, marital status, educational attainment, race, self-reported health, and religion have a statistically significant impact on the probability of leaving a bequest of 100,000 dollars or more. In particular, we find that older, wealthier, married, more highly educated, Caucasian, healthy, and non-religious individuals are more likely to leave a bequest than other individuals.

In terms of the variables of most interest to us, those who expect to give major financial help to their children and those who have already made transfers to their children are more likely to leave a large bequest although the latter result is statistically significant only at the 10% level and is significant only in the full sample. These results suggest that individuals who are altruistic are more likely to have already made transfers to their children and are also more likely to be planning to give financial help as well as bequests to their children in the future, which in turn suggests that Americans are altruistic.

By contrast, those who expect to receive major financial help from their children are less likely to leave a large bequest. If individuals are selfishly motivated, they should be more likely to leave a large bequest if their children provide them with major financial help because one is a quid pro quo for the other, and the fact that the direction of impact is the opposite suggests that individuals are altruistic: parents are actually more willing to leave a large bequest to their children if their children are too poor (or unwilling for some other reason) to give them major financial help, and children are actually more willing to give major financial help to their parents if their parents are too poor (or unwilling for some other reason) to leave them a major bequest.

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The only result that is consistent with the selfish life cycle model is the result that those who have already received major transfers from their children are more likely to leave a bequest. This is consistent with the selfish life cycle model because it suggests that one is a quid pro quo for the other. However, this result is also consistent with the altruism model if both parents and children are altruistic. Moreover, this result is statistically significant only at the 10% level and is significant only in the full sample and in the sample of those aged less than 65.

Thus, all of the results are consistent with the altruism model, at least if we assume that both parents and children are altruistic. Only one result is consistent with the selfish life cycle model, but that result is not a very strong result, is not significant in all of the samples, and is also consistent with the altruism or dynasty model if we assume that both parents and children are altruistic.

4. Summary and Conclusions

This paper has analyzed the strength and nature of bequest motives in the United States using data from the 2000 Health and Retirement Study, and our results suggest that bequest motives are very strong in the United States and that they are altruistically motivated. This suggests that the altruism or dynasty model applies in the United States and that the selfish life cycle model does not apply. This is in sharp contrast to Japan, where the selfish life cycle model is found to apply (see, for example, Hayashi (1995), Horioka et al. (1998, 2000, 2001)). Our results also suggest that older, wealthier, married, more highly educated, Caucasian, healthy, and non-religious individuals are more likely to leave a bequest than other individuals.

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Table 1

Probability of Leaving $100,000 [a] or More to Children or Family Members

Probability (0~100 %)	All [b]	Age 65+	Under Age 65
	Frequency (%)	Frequency (%)	Frequency (%)
0	3,724 (27.3%)	2,082 (30.2%)	1,642 (24.5%)
1~99	5,749 (42.3%)	2,599 (37.7%)	3,150 (46.9%)
100	4,131 (30.4%)	2,207 (32.0%)	1,924 (28.6%)

[a] In the 2000 HRS (Health and Retirement Study) data, respondents were asked "Including property and other valuables that you might own, what are the chances that you (and your husband/wife/partner) will leave an inheritance totaling $100,000 or more?" [b] 13,604 of the total respondents answered this question. The total number of respondents in the 2000 HRS was 19,580.

Table 2
Variable Measurement [a] and Sample Characteristics: All Respondents (N=19,580)

Variable	Measurement	Percent	Mean (Median)
Dependent Variables			
Expects to leave $100,000	Self-reported probability of leaving $100,000 or more on a scale 0 ~100%		52.4 (50.0)
Independent Variables			
Household Type:			
Age 65 or older		54.7%	
(Age under 65)		45.3%	
Net Worth	Total household assets minus household debt in 2000.		$113,956 (15,000)
Children	# of children		3.2 (3.0)
Financial Transfers:			
Expect to give help	Expectation of giving financial help totaling $5,000 or more to children over the next 10 years (0 ~ 100)		35.7 (20.0)
Expect to receive help	Expectation of receiving financial help totaling $5,000 or more from children over the next 10 years (0 ~ 100)		9.1 (0.0)
Have transferred $ to child	1 if $ amount transferred to child greater than zero, 0 otherwise	22.4%	
Have transferred $ from child	1 if $ amount transferred from child greater than zero, 0 otherwise	2.6%	
Marital Status:			
Married	1 if married, 0 otherwise	63.9%	
Separated/Divorced	1 if separated/divorced, 0 otherwise	11.1%	
Widowed	1 if widowed, 0 otherwise	21.3%	
(Never married/others) [b]	1 if never married/others, 0 otherwise	3.6%	
Education:			
Less than high school	1 if less than high school, 0 otherwise	29.4%	
High school	1 if high school graduates, 0 otherwise	33.5%	
Some college	1 if some college educa., 0 otherwise	18.7%	
(College grad & more)	1 if college & post college, 0 otherwise	18.3%	
Race:			
White	1 if white, 0 otherwise	82.1%	
Black	1 if black, 0 otherwise	13.8%	
(Others)	1 if others, 0 otherwise	4.1%	
Self-reported health :			
Excellent	1 if excellent, 0 otherwise	28.3%	
Very good	1 if very good, 0 otherwise	59.0%	
(Fair/Poor)	1 if fair/poor, 0 otherwise	12.6%	
Religiosity:			
Strong	1 if very strong, 0 otherwise.	10.4%	
Moderate	1 if moderate, 0 otherwise.	24.8%	
(No religion)	1 if no religiosity, 0 otherwise	64.8%	

[a] This table presents variables included in the multivariate analyses.
[b] Reference categories are presented in parentheses

Table 3

Financial Transfers and Economic Status: A Comparison of Age 65 + and Age Under 65 Groups

Variables	Age 65+ (n=10,713)	Age Under 65 (n=8,867)
Expectation of Financial Transfers: (0~100 scale)	Mean (Median)	Mean (Median)
Give financial help to child	31.2 (10.0)	40.5 (30.0)
Receive financial help from child	7.0 (0.0)	11.5 (0.0)
Transferred Amount:	Mean (Median)	Mean (Median)
Transfer to child $ amount	$6,089 (2,000)	$5,604 (2,000)
Transfer from child $ amount	$2,995 (1,000)	$3,130 (1,000)
Presence of Financial Transfers:		
Have transferred $ to child	14.8%	31.6%
Have transferred $ from child	1.7%	3.7%
Economic Status:	Mean (Median)	Mean (Median)
Household total income	$41,035 (2,300)	$45,259 (23,000)
Net worth	$100,149 (14,600)	$121,342 ($15,000)
Liquid Financial Debt	$8,078 (3,000)	$9,024 (3,000)

Table 4
OLS Regression Results of All Respondents (N= 19,580):
Probability of Leaving $ 100,000 or More to Children or Family Members

Variables	Leaving $100,000 or more (0-100% probability)	
	Coefficients	SE
Household Type:		
Age 65 and older	4.271***	.934
(under age 65)		
Net Worth	1.13E-6***	4.83E-7
# of children	0.105	0.193
Financial Transfers:		
Expect to give help to child	0.317***	0.012
Expect to receive help from child	-0.109***	0.019
Transfer $ to child	1.635[+]	0.897
Transfer $ from child	4.091[+]	2.183
Marital Status:		
(Married)		
Separated/Divorced	-8.202***	1.330
Widowed	-8.407***	1.459
Never married/others	-10.891***	2.327
Education:		
Less than high school	-23.131***	1.415
High school	-13.563***	1.147
Some college	-6.837***	1.246
(College & post college)		
Race:		
Black	-13.795***	1.377
Other race	-2.549	2.331
(White)		
Self-reported health:		
Excellent	17.321***	1.493
Very good	8.184***	1.159
(Fair/Poor)		
Religiosity:		
Strong	-6.937***	1.405
Moderate	-3.869***	1.519
(No religion)		
Constant	49.565***	2.051
F-value	120.82***	
Adj-R^2	.23	

[+]p<.10, *p<.05, **p<.01, ***p<.001

Table 5
OLS Regression Results: A Comparison of Age 65+ and Age under 65 Respondents:
Probability of Leaving $ 100,000 or More to Children or Family members

Variables	Age 65+ (n=10,713)		Age Under 65 (n=8,867)	
	Coefficients	SE	Coefficients	SE
Net Worth	2.63E-6	1.73E-6	9.84E-7*	4.99E-7
# of children	0.692*	0.358	-0.129	0.229
Financial Transfers:				
Expect to give help to child	0.313***	0.021	0.317***	0.014
Expect to receive help from child	-0.150***	0.039	-0.095***	0.023
Transfer $ to child	2.283	1.604	1.427	1.085
Transfer $ from child	2.085	3.825	4.842$^+$	2.665
Marital Status:				
(Married)				
Separated/Divorced	-9.241***	2.934	-7.873***	1.490
Widowed	-7.854***	2.123	-8.765***	2.057
Never married/others	-9.713*	4.573	-11.399***	2.700
Education:				
Less than high school	-22.149***	2.450	-23.274***	1.742
High school	-11.195***	2.101	-14.541***	1.370
Some college	-5.227*	2.362	-7.464***	1.468
(College & post college)				
Race:				
Black	-19.047***	2.555	-11.620***	1.637
Other race	-0.655	4.625	-3.214	2.695
(White)				
Self-reported health:				
Excellent	16.069***	2.816	17.997***	1.777
Very good	5.143***	2.008	9.485***	1.424
(Fair/Poor)				
Religiosity:				
Strong	-6.921***	2.549	-6.857***	1.686
Moderate	-2.377	2.794	-4.418*	1.811
(No religion)				
Constant	52.964***	3.567	49.618***	2.472
F-value	40.21***		88.57***	
Adj-R^2	.23		.23	

$^+$p<.10, *p<.05, **p<.01, ***p<.001