

Intervivos Transfers and Bequests

A little on time transfers

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Financial support from the National Institute on Aging is gratefully
acknowledged

Magnitude of bequests and inter vivos financial transfers

Especially intergenerational

Interesting question: how much of Social Security and Medicare/Medicaid transfers offset by bequests and inter vivos transfers?

Why (sort of) hard

Differential mortality: Can't use life tables

Not all wealth goes to younger generation

- Couples: most (but not all) to surviving spouse
- Singles including widows and widowers
 - some have no children
 - some wealth goes to charity, other relatives etc

Some wealth lost to medical and death-related expenses

Use **Health and Retirement Study**

Large panel, age 51 or over, ongoing since 1992.

About 20,000 interviews every two years

Domains

Health

Labor market

Economic status

Family links

Cognition

...

Linked to administrative data

HRS 2002

8405 households with someone 65 or older

\$324.3k in 2002 net worth including housing but not including claims to pensions, Social Security etc

HRS exit interview

Survivor or informant of deceased HRS respondent

Asks about value of estate and disposition

1053 deaths 2004 to 2006.

12.5% “household” mortality rate

\$211.9k net worth in 2002 among those households where someone died.

\$340.5k net worth among those households that survived from 2002 to 2004

(But not evidence of differential mortality)

Singles. Mortality 2002-2004 and average wealth
(thousands) in 2002

	N	Wealth
Single alive in 2004	3992	206.3
Single died	638	156.2
Single man died	188	189.7
Single woman died	450	142.2

13.8% two-year mortality rate

Couples. Mortality 2002-2004 and average wealth in 2002

	N	Wealth
Couple alive in 2004	3360	499.8
Spouse died	415	297.7
Husband died	285	308.6
Wife died	108	277.3
Both died	22	255.7

In exit interview

952 out of 1053.

Not-in-exit have higher 2002 wealth (41% higher), but only 9.6%

In exit interview

2002 wealth = \$204.0 thousand

Bequeathed = \$209.1 thousand

Life insurance and death expenses make up difference

Assets and amounts bequeathed 2002-2004

	Couples	Singles
Assets in HRS 2002	272.3	167.7
Total estate	273.7	178.4
Amount to spouse	220.1	2.0
Amount to children	50.6	135.4
Amount to others	2.9	40.8
<i>N</i>	362	537

Singles: 88.4% have children

Couples: 96.7% have children

“Children” includes grandchildren

“Cascade” ..some to children at death of first spouse

Some consumed by widow(er)

Most left to children at death of surviving spouse

Distribution pattern

Average disposition of estate (percent distribution)		
	Married	Single
Total estate	100.0	100.0
Percent to spouse	80.4	1.1
Percent to children	18.5	75.9
Percent to others	1.1	22.9

Use these distribution rules to find total distributions
(Don't have exit interviews of all, but do know who died)

Average amounts (thousands) per household alive in
2002

	Amounts	Percent of 2002 assets
Assets in 2002	324.3	
Adjusted wealth	325.0	
Bequeathed	27.2	8.4
To children	12.0	3.7
To spouse	12.3	3.8
To other	2.9	0.9

Additional years

Assets in base year and two-year bequests (thousands)			
	2000	2002	2004
Assets in base year	305	324	387
To children	18	12	13
To spouse	18	12	16
To other	3	3	2

Fraction of baseline wealth bequeathed in two years

	2000	2002	2004	Average
To children	6%	4%	3%	4%
To spouse	6%	4%	4%	5%
To other	1%	1%	1%	1%

Financial transfers

HRS 2004...transfers over last two years.
\$500 or more to any child/grandchild

Singles: 88.4% have children

Couples: 96.7% have children

Among singles with children 29.0% gave transfer in last two years

Among couples with children 37.1% gave transfer in last two years

Among givers, amount given over two years to children

	Mean	Median
Singles	12,052	5,000
Couples	12,772	5,000

Upward financial transfers among those with children

Singles: 7.9%

Couples: 4.1%

Average about \$5,000

Averaged over all

Gave: \$3910

Received: \$265

Medicare in 2004

Transfer part: nets out premiums and other minor items

Per person 65 or over

Part A: \$3742

Part B: \$2385

Medicaid: \$1626

Total A, B and Medicaid: \$7752

Put on annual basis

Summary of transfers to children and program transfers.
Per household 2004

Intervivos		bequests	SS income	Medicare/ M'caid	Total
Give	received				
1955	-133	6000	-12528	-11234	-15940

Thus intervivos and bequests offset about \$8,000 of \$24,000

But: redistributions

- Child from poor family will get no bequests or inter vivos transfers yet pay Social Security and Medicare taxes
 - About 20% of estates had no value
- Child from large family will get few bequests and inter vivos, yet pay same Social Security and Medicare taxes

Caveats

Very wealthy not represented

But \$\$ go to foundations not bequests

Miss small intervivos transfers

Time help

Upward

Help with activities of daily living
Chores, errands

Quality and intensity of two very different

Getting any help

Singles: 53%

Couples: 47%

About half from children

Annual hours when help from children: 1980

Average over all: about 500 hours per year

Valuation??

Conclusions

Downward financial transfers important

In aggregate modest compared with Social Security and Medicare and Medicaid

Highly skewed distribution...important for some recipients

But note: to call Social Security and M/M pure tax and transfer not accurate...earned component

Upward time transfers important, hard to value

The End