

## **Bequest Motive, Cognitive Ability, and Stock Ownership Among the Elderly: Evidence from the Health and Retirement Study**

Eun-Jin Kim, Tarleton State University<sup>1</sup>  
Sherman D. Hanna, Ohio State University<sup>2</sup>

**Objectives:** The purpose of this study is to investigate factors related to stock ownership and recent stock investment among the elderly. This study focuses on the aging related variables such as the bequest motive and cognitive ability.

**Methods:** A total of 5,763 elderly (age 65 and over) from the 2004 Health and Retirement Study were included. Multivariate logit analysis was used.

**Results:** One in every three households held stock assets, and 36% had recently acquired stock assets. Stock ownership increases with the bequest motive and cognitive ability in addition to income, education, private health insurance, good health status, and a longer financial planning timeline. Unlike stock ownership, an expectation that income will keep up with inflation and an expectation that medical expenses will use up savings were significantly related to recent stock investment.

**Discussion:** High ownership and low selling of stock assets among the elderly suggests that fears of a negative impact of the baby boomers retirement on the stock market might be exaggerated. The strong effect of the bequest motive and cognitive ability on stock ownership suggests that stock assets might be held for bequests rather than to prepare future medical expenses. Holding some stock assets is appropriate considering increasing life expectancies, but alternative ways of participating in stock returns, such as low cost variable annuities, may be a wise choice for those who worry about decreasing cognitive ability.

---

<sup>1</sup> Assistant Professor, Box T-0380 Human Sciences, Tarleton State University, Stephenville, TX 76402, 254-968-9197, kim@tarleton.edu

<sup>2</sup> Professor, Consumer Sciences Department, 1787 Neil Avenue, Columbus, OH 43210, 614-292-4584, hanna.1@osu.edu.

This paper won the AARP Public Policy Institute 'Financial Services and the Older Consumer Award' at the 2008 ACCI conference.