

Proximity, Emotional Closeness, and Financial and Time Transfer between Parents and Their Adult Children

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This study examines how proximity, economic resources, and human resources affect intergenerational financial and time transfers using a framework based on self exchange theory, altruism theory, and intergenerational solidarity theory. The self-interested exchange model assumes that donors' transfer motives are to obtain services from the potential recipients (Bernheim, Shleifer, & Summers, 1991). By contrast, the altruism model assumes that the altruistic donors allocate their resources because they care about the well-being of the recipients. (Atonji, Hayashi, & Kotlikoff, 1992). Intergenerational solidarity theory highlights relational aspects in intergenerational transfers. According to intergenerational solidarity theory, affection is the 'single most salient construct' across all stages of the parent-child relationship (Rossi & Rossi, 1990), and, therefore, intergenerational 'affection' is the most strong motivation of intergenerational transfers between older parents and adult children (Bengtson & Schrader, 1982; Bengtson & Roberts, 1991). For intergenerational time and financial transfers, amount of time and financial transfers to children and amount of time and financial transfers from children were used. Proximity(living within 2 blocks, living between 2 blocks and 10 miles, living further than 10 miles), psycho-social factors (positive and negative social support, financial strain, and health problems), children's characteristics (age, marital status, presence of grand children for respondents, whether the children were currently attending school, employment status, frequency of parent-child contact, and income), and parents' characteristics (gender, race, educational attainment, marital status, age, number of children, logs of income and net worth, fulltime work status, and ADLs) were included.

The Health and Retirement Study (HRS) has been used for our study. The HRS is a nationally representative dataset of respondents born between January 1, 1931, and December 31, 1941 and their spouses or partners. This study used data from the 2004 wave of HRS. For this study, the households with at least one child and non-resident children 18 years older were included. Four OLS regression analyses were conducted with logged forms of the dependent variables for financial transfers from parents to children, time transfers from parents to children, financial transfers from children to parents and time transfers from children to parents.

The results showed that proximity was positively related to time and financial transfers from parents. Parents who reported receiving positive social support were more likely to make greater time and financial transfers to their children. Net worth and fulltime work were positively associated with making financial transfers to children but negatively related to making time transfers to children. Health conditions were negatively related to time and financial transfers. Proximity was significantly associated with time and financial transfers from children. Net worth was negatively related to financial transfers from children. Parents' health conditions were positively related to time transfers from children. Family solidarity theory most strongly explained the motivations of financial transfers from parents to children, time transfers from parents to children, and time transfers from children to parents. Effects of geographic proximity on intergenerational transfers were consistent with the hypothesis except financial transfer from child to parents. Parents' economic resources and children's characteristics showed the mixed effects of altruism theory and self exchange theory. This study has limitations in measuring parent's income and parent-child relations. Parents' wage rate in HRS data is hard to be measured. Instead of parents' wage rate, this study used annual household income including retirement pension benefits. Thus, current household income could be used only for parents' current consumption rather than accumulation or inter vivo transfers. Due to limitations of the dataset variations in relations across children could not be shown and therefore for this study the parent-child relations were measured by overall relation with children.

References

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Endnotes

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