

## Wealth Holdings: Impact of Bequest Motives and Receiving Inheritance

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### Abstract

Using data from the 2006 Health and Retirement Study (HRS), the purpose of this study was to address the question pertaining to what extent the bequest motives and inheritance expectation positively or negatively influenced the levels of savings among individuals nearing retirement. To clearly understand the impact of intergenerational wealth transfers on savings behavior among near retirees, respondents who were never married and had no children were excluded in the study. This procedure resulted in a sample of 5,631 near retirees between ages of 51 and 64. To measure the impact of bequest motives and inheritance expectation on the level of savings, this study included the level of net worth as a dependent variable in the OLS regression model. The probability of leaving a bequest totaling \$100,000 or more and probability of receiving an inheritance are two intergenerational wealth transfer factors. Other than these two intergenerational wealth transfer variables, variables reflecting the characteristics of the near-retiring individuals consisted of cohort type, family size, household income, gender, education, job tenure, self-reported health status, race, and marital status.

The results of the OLS regression analysis show that the effects of intergenerational family wealth transfers on the levels of net worth were significant and positive, indicating that those with higher probability of leaving an inheritance to their children and those with higher probability of receiving an inheritance from parents were positively associated with the levels of net worth. Other than intergenerational wealth transfer variables, boomer, low income, female, education, job tenure, health status, race, divorced, and widowed status were strongly associated with the levels of net worth among near retirees. For example, those with lower levels of household income had a net worth of \$68,931 less than did those with income higher than median income. The effect of gender on the level of net worth was significant and positive, indicating that all else being equal, the level of net worth for females was significantly higher than for males. Near-retirees with higher levels of education and longer period of job tenure reported significantly higher levels of net worth than those with lower levels of education and shorter job tenure.

The aging population is growing rapidly in the United States. Understanding the effects of intergenerational wealth transfer motives on the levels of net worth among near retirees is important because it can help answer some of the questions regarding how bequest motives and the perceived probability of receiving an inheritance is related to wealth accumulation. Thus, the implications of the results of a study such as this can be far reaching. Families and financial consultants may be able to help increase families' savings and wealth accumulation by instilling a desire to bequeath wealth to their children or grandchildren. Likewise, families may be able to increase their net worth as a result of their belief that they will one day receive an inheritance. The results of a study such as this may also be beneficial to financial planners and other family consultants.

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