THE IMPORTANCE OF GIFTS AND
INHERITANCES AMONG THE AFFLUENT

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ABSTRACT

Using data from the 1964 Survey of the Economic Behavior of the
Affluent, we estimate directly the fraction of household assets which come
from inheritances and the fraction from gifts. These data are well suited
for this calculation because the survey is heavily weighted toward
households with high incomes, and because the respondents were directly
asked about the sources of their wealth. We estimate that 15-20% of
household wealth came from inheritances and 5-10% from gifts. Even in
households with very high incomes, very few people say that a large
fraction of their assets wre inherited or were given to them. According to
the responses in this survey, it is not creditable that as much as 50% of
household assets came from gifts and inheritances. Using data from the
1983 Survey of Consumer Finances with high income supplement, we roughly
confirm the 1964 results, although the 1983 data are much less complete
than the 1964 data.

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1. Introduction.

Although the Life Cycle Hypothesis of Consumption (LCH) has for many years been the standard model for theoretical and empirical analysis of consumption behavior, recently a number of empirical studies have cast doubt on its empirical accuracy. In cross-section data, wealth is often found to increase with age even at advanced ages (Mirer (1979), Menchik and David (1983), Kurz (1984)). These results are taken to mean that even the very elderly continue to save, which is not consistent with the LCH under uncertainty about the date of death. We quote from Danziger et al (1982): "the elderly not only do not dissave to finance their consumption during retirement, they spend less on consumption goods and services (save significantly more) than the nonelderly at all levels of income. Moreover, the oldest of the elderly save the most at given levels of income."

White (1978, 1984), and Darby (1979), among others, have simulated the paths of consumption and earnings of representative consumers. They find that under plausible assumptions about the form of the utility function the difference between the two paths, which is life cycle savings, can only account for a fraction of the wealth held by households.

In a widely cited paper, Kotlikoff and Summers (1981) estimated, using historical data, the consumption and earnings paths of the 1974 population. From these paths they calculated a number of estimates of life cycle savings, which depended on various assumptions about interest rates and intragenerational transfers. Their best guess is that only 20% of the assets held by the household sector came from life cycle saving.

These and other empirical results have generated interest in a model in which utility is derived both from consumption and from bequests; that is, consumers have a bequest motive for saving (Menchik and David (1983), and Modigliani (1986)). This would explain the cross-section results: it seems plausible that if the bequest motive is strong enough, even the very elderly will continue to save. It would explain the simulations and the Kotlikoff and Summers findings: if only 20% of the wealth held by households comes from life cycle saving, the other 80% must have come from bequests.

The extent of a bequest motive has important implications for theoretical and empirical work and for economic policy. We give several examples of the latter. Increases in Social Security benefits will have substantially different effects on capital formation according to the strength of a bequest motive: with a strong bequest motive the elderly will tend to save the increase; otherwise they will consume it. The response of consumers to bond versus tax financing will depend on the bequest motive. The demand for government-sponsored indexed annuities will vary with the strength of a bequest motive.

When the date of death is uncertain people will leave bequests under the LCH even if they have no bequest motive. To understand the strength of a bequest motive one needs to study savings decisions in a model that allows for both uncertainty and a desire to leave bequests. One could, then, separate intended from unintended bequests. Our goal in this paper is more modest. We aim to present data that will suggest the strength of the bequest motive. The first and most important result is an estimate of fraction of assets from in-

tergenerational transfers. Our estimate can be compared with that of Kot-
likoff and Summers. The comparison is important because their result has been
widely, if somewhat mistakenly, interpreted to be strong evidence against the
LCH. Our method of estimation is very different from theirs. They estimated
intergeneration transfers as the difference between household assets and life
cycle savings; we directly estimate the fraction of assets from gifts and be-
quests.[1] While a finding that a large fraction of household assets comes from
bequests does not prove that people have a bequest motive, it certainly sug-
gests that at least part of bequests are intended and that one ought to study
models that emphasize intergenerational transfers. A finding that only a
small fraction of assets come from intergenerational transfers would cast
doubt on the Kotlikoff and Summers result; furthermore, it would be consistent
with the LCH when the date of death is uncertain.

Our second result documents motives for saving as reported by individuals.
While it may not be possible to develop a formal test for a bequest motive
from these kinds of data, they do suggest how individuals view their own rea-
sons for saving. One would imagine that if individuals have a strong bequest
motive they would report a desire to leave a bequest as a reason for saving.

Our main source of data is the 1964 survey The Economic Behavior of the
Affluent (Barlow, et al, 1966). Respondents were asked the fraction of their
assets from inheritances and gifts. We also use the 1983 Survey of Consumer
Finances with the high income supplement, which, while not as detailed as the
1964 data, does have some information on intergenerational transfers.

Using the 1964 data, we estimate that 15-20% of household wealth came from
inheritances and about 5-10% from gifts. Even in households with very high

incomes very few people say that a large fraction of their assets were in-herited or given to them. It is not creditable that anything approaching 80% of the wealth held by the people in the sample could be the result of inter-generational transfers.

2. Results from 1964 Survey on the Economic Behavior of the Affluent.

The survey was conducted in the Spring of 1964 by the Michigan Survey Re-
search Center. The probability of selection into the sample was roughly pro-
portional to 1961 income. Completed interviews were eventually obtained for
957 high income households (income over $10,000) and 94 low income households.
In the population about 90% of households are low income households. Sampling
weights allow one to estimate population averages. Extensive questions were
asked on varibles such as the source of assets, attitudes towards risk,
philanthrophy, extent of portfolio management, economic reactions to taxes,
and work patterns. In this paper we are most interested in the questions on
size of portfolio, sources of wealth, objectives of saving, and extent of be-
quests.

In Table 1, we present information about the distribution of portfolio
size by income class and the population weights of each income class. Port-
folios include holdings of fixed-yield assets (savings accounts, corporate
bonds, preferred stock, savings bonds, government bonds, notes and bills,
mortgages and land contracts), common stocks and mutual fund shares, and in-
terests in real estate and unincorporated businesses (including farms but ex-
cluding owner occupied housing). The major wealth components that are missing
are housing, consumer durables, claims to pension and retirement funds, and
(possibly) consumer debt. Because the underlying questions from which the
portfolio size was calculated only gave intervals for the various assets, the
portfolio classification has overlapping intervals. Some examples will show

the difficulty of finding total assets. Someone who has less than $10,000 in each of the three asset categories (but has positive holdings in each category) will have less than $30,000 in total assets. Someone who has $10,000 to $100,000 in one asset category but none in the others cannot be said to have less than $30,000; yet he cannot be said to have more than $30,000. That is, his assets are in the range $10,000 to $100,000. Someone who has from $10,000 to $100,000 in each of the three asset categories will have from $30,000 to $300,000 in total assets. Someone who has more than $100,000 in one of the assets categories and less than $100,000 in the others will have more than $100,000 in total assets. Altogether there are 42 possible combinations. To make a usable asset variable the SRC calculated an indicator of total assets that takes values in the intervals shown in Table 1.

As would be expected, the fraction of households with large asset holdings in an income class rises with income class. Among those in the highest income classes the fraction having large wealth holdings is substantial: in the highest income class 60% had more than $500,000 in assets. In the lowest income class, which represents about 90% of all households, 67% of the households had portfolios of less than $30,000. Even in the next income class, which goes up to the 97th income percentile, only about 65% of the income class had portfolios greater than $30,000. The table confirms in a qualitative way a highly skewed wealth distribution. However, because there is not a good way to assign mean values to the two largest portfolio intervals, the calculation of a wealth distribution can be, at best, only approximate.

In Table 2 we give information about the fraction of total assets received as gifts. Unlike the asset variable, this fraction apparently refers to total assets. Although gifts become increasingly important as income rises, even in the highest income class only 6% of the respondents said gifts accounted for more than 50% of their assets. The more usual situation is found in the first income classes, which accounts for about 90% of the households: 88% of the households in that income class either had less than $1,000 in assets or received no gifts. We note that the fraction of missing values rises with income class: apparently the very well-to-do are less willing to be interviewed. This, of course, has the potential to bias estimates of population averages. In this case, however, even if the missing values are assigned the highest fraction, the fraction of households with more than 50% of assets in gifts is still small. The general impression from this table is that for almost everyone, the amount of wealth transferred through gifts is unimportant.

Table 3 has information about the importance of inheritances. The data are responses to the question: "Now, speaking about the inheritance, about what fraction of your total assets today does it account for?" In general inheritances appear to be more important than gifts. For example, the unweighted fraction having 15% or more in inheritances was 17% compared with 8% for gifts. Even in the lowest income class 15% of households have received some inheritance. However, it is still the case that most people even in the high income classes received no inheritances. The magnitude of most inheritances apparently is not large. For example in the highest income class, which represents less than 0.05% of all households, the percent of households

having more than 50% in inheritances is just 8%. Even assigning all the missing values to the highest category raises the percentage to just 15%.

Although, of course, one cannot directly aggregate gifts and inheritances from the data in Tables 2 and 3, it seems inconceivable that anything approaching 50% of wealth could have come to households through gifts and bequests. The general impression is that the total fraction must be considerable less than 50%.

In Tables 4 and 5 we give data on the fraction of assets from gifts and inheritances, but cross-classified by asset level. Even in the highest asset category, gifts are not an important source of wealth: only 2% said they had received more than 75% of the wealth from gifts. The frequency of missing values rises with asset level, but assigning the missing values to the highest gift category certainly does not change the general impression that gifts cannot explain a substantial fraction of assets.

Although inheritances are more important than gifts, they still do not seem to be the source of a great deal of wealth. In the highest asset class 42% said they had received no inheritances; just 16% said inheritances accounted for more than 50% of assets. Again it is difficult to see in these data that gifts and inheritances could account for even half of assets.

To estimate the fraction of assets from gifts and inheritances we would like to take, in each income class, a weighted average of the fraction of assets in gifts, where the weights would be total assets. This would be average wealth received from gifts in the income class. Then, using the income class weights we could calculate average gifts in the population. In a similar way

we could calculate average assets in each income class and average assets in the population. The two numbers would provide an estimate of the fraction of assets received as gifts. Our data, however, do not allow such a precise calculation: for the fraction in gifts we have only a range; for the asset level we have, in some cases, a range and in others an open-ended interval. Our method is to assign the midpoint of the reported gift range, and a point in the reported asset interval. Assigning the midpoint of the gift interval surely overstates the average gift fraction in the interval because the distribution of gift fractions is highly skewed toward zero. The point we assign for assets is certainly arbitrary, and surely misstates the assets of any individual, especially those in the open-ended asset categories. However, a large fraction of the individuals in the open-ended asset categories are in the income classes that have very small weight, so the error in the population fractions is probably small.[2]

The questions on the fractions of assets in gifts and inheritances have an ambiguity: it is not clear whether a respondent reports the value of his gifts, at the time he received them, as a fraction of his assets today, or the value to which his gifts have grown as a fraction of his assets.[3] Because we do not have a convincing way to decide between them, we present estimates based on both interpretations. For the first interpretation, we calculate, using an average Baa corporate interest rate over the post-war period, the present value of the gift from information on the reported date of the gift. In Table 6 this is called the average present value of the gift. For the second interpretation we take the fraction as reported in the data. In Table 6

this is called the simple average of the gift. There is a substantial dif-
ference between the two averages, roughly a factor of two because many people
reported they received the gifts before 1949. For these people we used 25
years, which, at our interest rate of 4.3%, increases the value of the gifts
by a factor of almost 3. The estimates of gifts mostly increase with income
class, reaching rather substantial values in the higher classes. The weighted
averages show that the top 10% of the income distribution has about 63% of
gifts as measured by the present value. No one in the highest income class
(five observations) reported any gifts.

Estimated inheritances are reported in Table 7. They are substantially
larger than gifts. They increase sharply with income class. The difference
between the present value and the simple estimates is about two. The receipt
of inheritances is even more skewed than the receipt of gifts: the top 10% of
the income distribution received about 82% in both present value and simple
value of the total inheritances. The third income group accounts for the
largest fraction of inheritances.

We estimate total assets per household to be $27.3 thousand. Thus our
estimates of the fractions of assets from gifts and inheritances is

	Present Value	Simple
Gifts	7.7%	4.0%
Inheritances	19.9%	11.1%
Total	27.6%	15.1%

It is not clear which of these numbers to compare to the 80% figure of Kot-
likoff and Summers. Although Kotlikoff and Summers refer to their estimate as
the magnitude of intergenerational transfers, it is probably closer to an
estimate of the magnitude of bequests. This is because, in their method,
gifts do not appear as intergenerational transfers as long as the giver is
alive: if the giver is alive, his accumulation of life cycle savings are,
in principle, recorded in the data, and the gift is recorded in the assets
of the household sector. Therefore, the gift is part of life cycle savings,
not part of intergenerational transfers. After the giver's death, his life
cycle accumulation is no longer recorded and the gift is no longer explained
as life cycle savings. Were Kotlikoff and Summers able to account for this,
their 80% figure would be even higher.

Our two estimates of bequests, while quite different from each other,
are far below the 80% estimate of Kotlikoff and Summers. Even our estimates
of total intergenerational transfers are very much less. Although one could
argue about the precise weights applied to the fractions from gifts and in-
heritances, and, in particular, the values assigned to the open-ended asset
categories, it is inconceivable that any reasonable weights could raise the
transfer fraction to anything approaching 80%. This, of course, can be seen
almost directly from the earlier tables. However, we did do some sensitivity
analysis of our assignment of asset values. For example when we assigned 15,
150 and 250 (thousands) rather than 10, 50 and 200 to asset categories 2, 3
and 4, the average asset holdings increased substantially, but the percent of

assets from gifts and inheritances decreased to 22.2% in the present value averages and 12.0% in the simple averages.

There is no particular reason to choose between the present value estimates and the simple estimates because both show the fraction of wealth from intergenerational transfers is moderate. We tend to favor the simple estimates for reasons to be discussed later.

In Table 8 we show our estimates of the assets in each income class and the percent of assets from gifts and inheritances. Average assets are, $27,300, the sum of weighted assets. The upper 10% of the income distribution had, according to these estimates, about 40% of assets; the upper 1% had about 15% of assets. The percent of wealth in gifts and inheritances is substantial in the high income classes, so that if wealth were more concentrated among the high income groups, the average percent would, of course, rise. Again, it is hard to see that the average percent could approach the 80% of Kotlikoff and Summers.

We now present some other indicators of the importance of gifts and be- quests. We take them to be supportive of the results we have already given.

In a separate question respondents were asked if they had ever received any money or property as a gift or inheritances from parents or others. 9% said they had received gifts, 31% inheritances, and 7% said both.[4] These are weighted averages over the top 10% of the income distribution. They are quite consistent with the distributions in Table 2 and 3. They show that even among the affluent, intergenerational transfers are by no means universal.

The respondents were asked about the source of most of their assets. In Table 9 we give two distributions of the answers to this question. The weighted distribution is over the top 10% of incomes; the unweighted distribution is over the entire sample ignoring the sampling weights. In the unweighted distribution, 6% say gifts or inheritances. In Table 2 about 3% of the high income group (income over $10,000) say that gifts were more than half of wealth; in Table 3 about 9% say that inheritances accounted for more than half of wealth. Thus the fraction having "most" of their assets from gifts and inheritances in Table 9 is smaller than the fraction implied by Tables 2 and 3. The fraction in Table 9 saying gifts or inheritances, or gifts or inheritances and appreciation is about 11%, which is very close to the fraction implied by Tables 2 and 3. This lends mild support to the view that the fractions in Tables 2 and 3 include appreciation from the gift or inheritance, and that, therefore, the calculations of transfers which use simple sums rather than present values are more accurate. The general impression from Table 9 is that over the households in the top 10% of the income distribution, the great majority of their assets resulted from savings out of income and appreciation.

The results already given concern the fraction of assets from gifts and inheritances. We now give some information on what individuals say their motives for saving are. In Table 10 the column labelled "primary" gives the respondents primary reason for saving, and similarly for the second and third columns. These distributions are not weighted according to the probability of sample selection so they are dominated by the answers of very high income families. The last column gives, over the top 10% of the income distribution,

a weighted average of the fraction of households that mentioned one of the reasons. We see that retirement is given most often as a reason for saving. The interpretation of the fraction of households saving for bequests is ambiguous in the context of intergenerational transfers because at least part of the saving is to provide for the wife at the husband's death. Even so, only 23% of the respondents mentioned such a saving motive. Again, the general impression from this table is that saving for bequests is not an important motive.

The respondents were asked if they had given any large gifts "within the last couple of years." Over the high-income households 8% had given to individuals, 7% to churches or charitable organizations, and 4% to both.[5] The types of individuals given to were children 7%, other 2%, and children and other 1%. The fraction giving to grandchildren rounded to 0%. The reasons for the gifts were taxes, 4%, beneficiary needed, 2%, and other 5%. Since the time period is not well-specified, the interpretation is ambiguous. It does appear that most giving is very conventional, to children and organizations. In these data, as in other data, there is little evidence that the family provides an annuity for the elderly should they live past their life expectancy.

Our impression from these data is that while a substantial number of people receive gifts and inheritances, the amounts received are not large even among the very well-to-do. Our best estimate of the fraction of household wealth due to intergenerational transfers is about 20%. For most families, inheritances are more important than gifts even though over this

period there were, for wealthy individuals, substantial tax advantages for <u>in-</u>
<u>tervivos</u> giving.

3. Results from the 1983 Survey of Consumer Finances.

The 1983 Survey of Consumer Finances of 3,824 households was supplemented by 438 high-income households.[6] Although extensive questions were asked about income and assets, details on the sources of assets and attitudes toward saving are considerably fewer than in the 1964 data. In particular, the data cannot be used to estimate the fraction of wealth that came from intergenerational transfers. We can, however, make a rough comparison with some of our results from the 1964 data, and with the Kotlikoff and Summers results.

In Table 11, we give the response of households to the following question: "Overall did most of your (family's) savings come for your regular income, or did they come originally from gifts and inheritances, or other sources?" Even at high income levels the great fraction households said that most of their savings came from earnings (including pensions and Social Security). For example, of the households in the top 10% of the earnings distribution only about 6% said most of their assets came from gifts and inheritances. Even if one adds in another 3% for "earnings and other," which includes gifts and inheritances, the fraction of the high income households having most of their assets from intergeneration transfers is only 9%. The impression certainly is that saving from earnings is by far the most important way to accumulate assets.

The survey asked people their reasons for saving. The question did not ask people to choose among given categories; rather it was open-ended. The primary reasons given by the respondents are given in Tables 12 and the

secondary reasons in Table 13. Apparently the specific reason "bequests" was not given by the respondents as it is not listed as a separate category.

Saving for emergency ("rainy days," for "security") was mentioned by the greatest fraction of households at all income levels. In the top 10% of the income distribution about 40% mentioned retirement either as a primary reason or secondary reason. Responses that could be interpreted to mean saving for bequests might be saving "for the children," and "get ahead, for the future," and, possibly, "make investments." But even the sum of these categories does not add to a large fraction of households. For example, in the $50,000 to $200,000 income group, which is approximately the top 10% of the income distribution, about 12% mentioned "for the children" or "get ahead, for the future" as either a primary or secondary reason for saving. Adding "make investments" would include about 21% of families. Thus, even a very broad interpretation of the meaning of the questions finds a modest fraction of families that save for bequests.

In Table 14 we report the percent of households that expect a large gift or inheritance. Overall, the percent is small, about 13%; in the top 10% of the income distribution the percent is larger, about 21%, but still far below what one would expect were gifts and inheritances an important part of the source of most households' assets.

4. Conclusions.

In the 1964 data even in the top 10% of the income distribution, very few households said more than half of their assets were from gifts or inheritances: about 3% from gifts and 9% from inheritances or about 12% from intergenerational transfers (Tables 2 and 3). Although the 1983 data are much less precise, this result was roughly confirmed: in the upper 10% of the income distribution at most 9% of the households said most of their assets came from intergenerational transfers (Table 11). If anything the general impression from comparing Tables 9 and 11 is that saving from earnings has become more important.

In both surveys the reasons for saving seem mostly to be for emergencies, for retirement, and for education. Rather than specifying consumption models in which a bequest motive is important, as called for by Kotlikoff and Summers, these data suggest that if one wants to modify the LCH the modification should include a precautionary motive for saving.

Table 1

Distribution of Portfolio Size by Income Class

Portfolio Size (1964)	1961 Income (thousands)											
	Less Than 10		10 – 15		15 – 25		25 – 50		50 – 100		More Than 100	
less than 1,000	26	28%	19	11%	6	3%	2	1%	1	1%	0	0
less than 30,000	37	39%	41	24%	34	16%	4	2%	1	1%	0	0
10,000–300,000	27	29%	94	56%	114	53%	85	38%	26	14%	6	4%
more than 100,000	4	4%	13	8%	54	25%	105	47%	96	52%	60	37%
more than 500,000	0	0	2	1%	7	3%	29	13%	60	33%	98	60%
Total	94	100%	169	100%	215	100%	225	100%	184	100%	164	100%
Income Class Weight	.903		.067		.020		.008		.002		less than .0005	

Note: Except for the last row the entries in each column are the number of households in each income class and the percent of income class.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 2

Distribution of Fraction of Wealth Received as Gifts by Income Class

Percent Received as Gift	1961 Income (thousands)													
	Less Than 10,000		10,000 To 15,000		15,000 To 25,000		25,000 To 50,000		50,000 To 100,000		100,000 And Above		Unweighted Total	
None or no assets	83	88%	147	87%	174	81%	171	76%	142	77%	117	71%	834	79%
Less than 5%	3	3%	5	3%	10	5%	13	6%	9	5%	9	5%	49	5%
5% - 14%	4	4%	7	4%	11	5%	19	8%	10	5%	13	8%	64	6%
15% - 49%	1	1	5	3%	9	4%	16	7%	12	7%	10	6%	53	5%
More than 50%	3	3%	3	2%	8	3%	6	3%	4	2%	10	6%	34	3%
Missing	0	0	2	1%	3	1%	0	0	7	4%	5	3%	17	2%
Total	94	100%	169	100%	215	100%	225	100%	184	100%	164	100%	1051	100%
Income Class Weight	.903		.067		.020		.008		.002		Less than .0005			

Note: Except for the last row the entries in each column are the number of households in each income class and the percent of income class.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 3

Distribution of Fraction of Wealth Received as Inheritance by Income Class

Percent Received as Inheritance	1961 Income (thousands)													
	Less Than 10,000		10,000 To 15,000		15,000 To 25,000		25,000 To 50,000		50,000 To 100,000		100,000 And Above		Total	
None or no assets	80	85%	109	65%	121	56%	128	57%	89	48%	85	52%	612	58%
Less than 5%	3	3%	9	5%	21	10%	31	14%	31	17%	24	15%	119	11%
5% - 14%	4	4%	16	10%	28	13%	21	10%	21	11%	15	9%	105	10%
15% - 49%	4	4%	16	10%	19	9%	17	8%	21	11%	15	9%	92	9%
More than 50%	2	2%	14	8%	22	10%	18	8%	16	9%	13	8%	85	8%
Missing	1	1%	5	3%	4	2%	10	4%	6	3%	12	7%	38	4%
Total	94	100%	169	100%	215	100%	225	100%	184	100%	164	100%	1051	100%
Income Class Weight	.903		.067		.020		.008		.002		less than .0005			

Note: Except for the last row the entries in each column are the number of households in each income class and the percent of income class.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 4

Distribution of Fraction of Wealth Received
as Gifts by Portfolio Size

Percent Received as Gift	Portfolio Size (1964)									
	Less Than $1,000		Less Than $30,000		$10,000 – $300,000		More Than $100,000		More Than $500,000	
0 or no assets	54	100%	101	86%	292	83%	257	77%	130	66%
Less Than 5%	0	0	7	6%	11	3%	18	5%	13	7%
5–14%	0	0	5	4%	22	6%	19	6%	18	9%
15–24%	0	0	1	1%	6	2%	9	3%	7	4%
25–49%	0	0	2	2%	7	2%	11	3%	10	5%
50–74%	0	0	1	1%	10	3%	11	3%	5	3%
75%+	0	0	0	0	1	0	2	1%	4	2%
Missing	0	0	0	0	3	1%	5	2%	9	5%
Total	54	100%	117	100%	352	100%	332	100%	196	100%

Note: The entries in each column are the number of households in each portfolio
category and the percent of the portfolio category.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the
Affluent.

Table 5

Distribution of Fraction of Wealth Received as Inheritances by Portfolio Size

Percent Received as Inheritance	Portfolio Size (1964)									
	Less Than $1,000		Less Than $30,000		$10,000 – $300,000		More Than $100,000		More Than $500,000	
0 Or No Assets	54	100%	89	76%	214	61%	173	54%	82	42%
Less Than 5%	0	0	10	9%	34	10%	50	15%	25	13%
5–14%	0	0	9	8%	39	11%	32	10%	25	13%
15–24%	0	0	2	2%	15	4%	16	5%	12	6%
25–49%	0	0	3	3%	15	4%	23	7%	6	3%
50–74%	0	0	1	1%	21	6%	14	4%	15	8%
75%+	0	0	2	2%	4	1%	13	4%	15	8%
Missing	0	0	1	1%	10	3%	11	3%	16	8%
Total	54	100%	117	100%	352	100%	332	100%	196	100%

Note: The entries in each column are the number of households in each portfolio category and the percent of the portfolio category.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 6

Gifts by Income Class

1961 Income (in thousands)	Weight	Average		Weighted Average	
		Present Value	Simple	Present Value	Simple
Less Than $5	.565	0	0	0	0
5 – 10	.338	2.32	1.33	.78	.45
10 – 15	.067	3.15	1.80	.21	.12
15 – 25	.020	25.3	13.8	.51	.28
25 – 50	.008	38.1	16.7	.31	.13
50 – 100	.002	98.6	35.0	.20	.07
100 – 150	.00027	167	61.5	.05	.02
150 – 500	.00019	234	84.3	.04	.02
500 – 1,000	.00002	265	84.4	.01	.00
More Than 1,000	.00001	0	0	0	0
Gifts per household				2.11	1.09

Note: Gifts in thousands.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 7

Inheritances by Income Class

1961 Income (in thousands)	Weight	Average Present Value	Average Simple	Weighted Average Present Value	Weighted Average Simple
Less Than 5	.565	.04	.01	.02	.01
5 - 10	.338	2.77	1.56	.94	.53
10 - 15	.067	30.8	21.4	2.06	1.43
15 - 25	.020	50.5	23.5	1.01	.47
25 - 50	.008	94.4	38.8	.76	.31
50 - 100	.002	258	108	.52	.22
100 - 150	.00027	197	93.9	.05	.03
150 - 500	.00019	343	132	.07	.03
500 - 1,000	.00002	220	102	.00	.00
More Than 1,000	.00001	51.3	16.1	.00	.00
Inheritances per household				5.43	3.03

Note: Inheritances in thousands.

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

Table 8

Assets, and Percent of Assets from Gifts
and Inheritances by Income Class

1961 Income (in thousands)	Weight	Assets (in thousands) Unweighted	Assets (in thousands) Weighted	Percent from Gifts and Inheritances Present Value	Percent from Gifts and Inheritances Simple
Less than 5	.565	10.3	5.82	0.4	0.1
5 - 10	.338	31.4	10.61	16.2	9.2
10 - 15	.067	63.4	4.25	53.6	36.6
15 - 25	.020	127	2.54	59.7	29.4
25 - 50	.008	306	2.45	43.3	18.1
50 - 100	.002	601	1.20	59.3	23.8
100 - 150	.00027	787	.21	46.2	19.7
150 - 500	.00019	1,110	.21	52.0	19.5
500 - 1,000	.00002	1,094	.02	44.3	17.0
More than 1,000	.00001	1,314	.01	3.9	1.2

Assets per household   27.3

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Source: Authors' calculations from the 1964 Survey on the Economic Behavior
          of the Affluent.

Table 9

Distribution of Source of Most of Assets

	Unweighted*	Weighted**
Gifts or Inheritances	6%	6%
Savings out of Income	37%	49%
Appreciation of Assets	14%	7%
Gifts or Inheritances and Savings	3%	7%
Gifts or Inheritances and Appreciation	5%	4%
Savings out of Income and Appreciation	24%	15%
Gifts or Inheritances, Savings and Appreciation	5%	3%
Not Reported	1%	1%
Assets Less Than 1,000	5%	8%

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* This column from the authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

** This column from p.227 Barlow, et.al. (1966). High income households only.

Table 10

Purposes for Saving
by Ranking of Importance

	Primary	Second	Third	Weighted Percent Mentioning*
Retirement	28%	14%	2%	53
Children's Education	16	7	1	31
Buy a House	1	1	0	3
Give to Charitable Organization	1	2	1	1
Travel	3	3	2	11
Buy Stocks, Business, Real Estate, Equipment	10	2	1	10
Bequeath or Provide for Family in Case of Death	18	10	2	23
Emergencies	9	16	10	35
Pay Bills	2	3	3	10
None Given	3	36	76	0
NA, Other	9	5	2	13
Total	100%	100%	100%	**

Source: Authors' calculations from the 1964 Survey on the Economic Behavior of the Affluent.

* This column from p.198 Barlow, et.al. (1966). High income households only.

** Adds to more than 100 because some give more than one reason.

Table 11

Source of Most of Savings

Source	Missing	0-10	10-25	25-50	50-64	64-200	200 +	Total
				1982 Income (thousands)				
Earnings	81%	72%	81%	86%	84%	87%	79%	81%
Gifts and Inheritances	6%	8%	7%	7%	6%	6%	9%	7%
Investment Income	2%	1%	2%	2%	5%	2%	5%	2%
Earnings and Other	2%	1%	2%	2%	3%	3%	5%	2%
Other, Missing	5%	4%	3%	2%	1%	1%	1%	3%
No Savings	5%	13%	5%	2%	1%	0%	0%	5%
Total	100% (647)	100% (762)	100% (1,192)	100% (943)	100% (148)	100% (304)	100% (265)	100% (4,261)
Income Class Weight	—	.167	.369	.355	.059	.05		1.00

Note: Except for the last row the entry in each column is the percent in each income class.

Source: Authors' calculations from the 1983 Survey of Consumer Finances.

Table 12

Primary Reason for Saving

Reason	Missing	0-10	10-25	25-50	50-64	64-200	200 +	Total
Education	6%	6%	6%	8%	12%	11%	5%	7%
Purchase Durables/House	10%	11%	13%	13%	8%	7%	3%	11%
In Case of Illness	9%	20%	11%	8%	6%	4%	3%	10%
Make Investments	3%	1%	2%	2%	1%	10%	18%	4%
Retirement	21%	7%	15%	19%	27%	25%	22%	17%
Emergencies	28%	24%	33%	32%	34%	29%	30%	30%
To Get Ahead; Future	6%	4%	6%	7%	3%	6%	8%	6%
For the Children/Family	3%	4%	2%	2%	1%	1%	3%	2%
No Saving	4%	7%	2%	2%	0%	2%	2%	3%
Bills, Travel, Other	11%	15%	9%	6%	7%	6%	8%	10%
Total	100% (647)	100% (762)	100% (1,192)	100% (943)	100% (148)	100% (304)	100% (265)	100% (4,261)
Income Class Weight	—	.167	.369	.355	.059	.05		1.00

Note: Except for the last row the entry in each column is the percent
      in each income class.

Source: Authors' calculations from the 1983 Survey of Consumer Finances.

Table 13

Secondary Reason for Saving

Reason	1982 Income (thousands)							
	Missing	0-10	10-25	25-50	50-64	64-200	200 +	Total
Education	4%	3%	5%	8%	7%	7%	7%	6%
Purchase Durables/ House	8%	9%	10%	11%	6%	7%	3%	9%
In Case of Illness	9%	14%	12%	10%	7%	5%	2%	10%
Make Investments	3%	1%	1%	2%	4%	5%	8%	2%
Retirement	9%	3%	6%	9%	14%	16%	11%	8%
Emergencies	7%	6%	9%	10%	14%	10%	6%	8%
To Get Ahead; Future	2%	2%	3%	2%	5%	3%	7%	3%
For the Children/ Family	3%	2%	2%	2%	3%	3%	9%	3%
No Saving	3%	6%	4%	2%	1%	0%	1%	3%
Bills, Travel, Other	9%	9%	10%	10%	11%	10%	5%	9%
None Given	43%	44%	39%	34%	28%	33%	41%	39%
Total	100% (647)	100% (762)	100% (1,192)	100% (943)	100% (148)	100% (304)	100% (265)	100% (4,261)
Income Class Weight	—	.167	.369	.355	.059		.05	1.00

Note: Except for the last row the entry in each column is the percent in
         each income class.

Source: Authors' calculations from the 1983 Survey of Consumer Finances.

Table 14

Expect Ever to Receive Large Inheritance

| | 1982 Income (thousands) | | | | | | | |
	Missing	0-10	10-25	25-50	50-64	64-200	200 +	Total
Yes	8%	7%	13%	18%	22%	21%	16%	13%
No	87%	90%	85%	80%	76%	78%	83%	84%
Other	4%	3%	1%	1%	3%	1%	1%	2%
Total	100% (647)	100% (762)	100% (1,192)	100% (943)	100% (148)	100% (304)	100% (265)	100% (4,261)
Income Class Weight	-	.167	.369	.355	.059	.05		1.00

Note: Except for the last row the entry in each column is the percent in each income class.

Source: Authors' calculations from the 1983 Survey of Consumer Finances.

Footnotes

1. Following Kotlikoff and Summers, we do not include in intergenerational transfer amounts spent on consumption and education of the children when they are young.

2. We assigned the following values for the gift and inheritance intervals which are given in Tables 2–5: 0, .025, .1, .2, .375, .625, .8. For the portfolios, which are given in Tables 1, 4 and 5, we assigned the following values (in thousands) .5, 10, 50, 200, 1,500.

3. The question about gifts was: "Speaking of the gifts, about what fraction of your total assets do they account for?" The question about inheritances was: "Now, speaking about the inheritance, about what fraction of your total assets today does it account for?"

4. p. 227 of Barlow, et.al. (1966).

5. These and the other percentages in this paragraph are weighted percentages over high income households. The numbers come from Barlow, et.al. (1966) pp. 233–235.

6. Information about the sample can be found in Avery, et.al., (1984).

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