# Do Racial Disparities in Private Transfers Help Explain the Racial Wealth Gap? New Evidence from Longitudinal Data

Signe-Mary McKernan
Caroline Ratcliffe
Margaret Simms
Sisi Zhang

The Urban Institute
2100 M Street, NW
Washington, DC 20037

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Abstract

How do private transfers differ by race and ethnicity and do such differences explain the racial and ethnic disparity in wealth? Using the Panel Study of Income Dynamics, this study examines private transfers by race and ethnicity in the United States and explores a causal relationship between private transfers and wealth. Our empirical approach uses panel data and a family-level fixed effect model to control for the endogeneity of private transfers. We examine private transfers in the form of financial support received and given from extended families and friends, as well as large gifts and inheritances. Our findings highlight important differences in private transfers by race and ethnicity: African Americans and Hispanics (both immigrant and non-immigrant) receive less in private transfers than non-Hispanic whites. Private transfers in the form of large gifts and inheritances (but not net support received) are importantly related to increases in wealth overall and for whites and black non-Hispanics. In total, we estimate that the African American shortfall in large gifts and inheritances accounts for 12 percent of the white-black racial wealth gap.

# I. Introduction

Differences in wealth holdings by race and ethnicity are well documented (Bricker et al. 2011; Bucks et al. 2009; Carasso and McKernan 2008; Oliver and Shapiro 1995, among others) and persist even after controlling for income and demographic characteristics (e.g., Conley 1999). Intergenerational transfers have been found to play an important role in overall wealth holdings (Gale and Scholz 1994; Kessler and Masson 1989; Kotlikoff and Summers 1981, 1988; Modigliani 1988). These transfers help explain, but do not fully address differences between whites and blacks, using historical cross-sectional data (Menchik and Jianakoplos 1997; Wilhelm 2001).

This study uses the 1999 through 2007 waves of the Panel Study of Income Dynamics (PSID) to answer the following question: How do private transfers differ by race/ethnicity and do such differences help explain the racial and ethnic disparity in wealth? The answer to this question helps us understand the large wealth gap between white and minority families in the United States. Although the literature is informative especially on the role of intergenerational transfer, gaps remain in understanding the causal relationship between various types of private transfers and wealth accumulation.

This article builds upon a long-lasting debate on how intergenerational transfers account for wealth accumulation (Kotlikoff and Summers 1981, 1988; Modigliani 1988) and provides new information on the role that intergenerational transfers and inter vivos transfers play in helping recipients accumulate wealth and in explaining the racial disparity in wealth. Our main contributions to the literature are as follows: First, we examine various types of private transfers (i.e., support to and from extended families and friends, large gifts and inheritances) and net support received based on transfers received and given, which allow for the possibility that private transfers can not only increase wealth (when received), but also depress wealth (when given). Second, we examine disparities in transfers and how that in turn explains wealth disparity by a combination of race, ethnicity, and immigration status, rather than a dichotomous white-black or white-nonwhite gap. Third, our empirical strategy based on family-level panel data enables us to explore causal relationships between private transfers and wealth.

Our findings highlight important differences in private transfers by race and ethnicity: African Americans and Hispanics (both immigrant and nonimmigrant) receive less in private transfers than non-Hispanic whites. Private transfers in the form of large gifts and inheritances (but not net support received) are importantly related to increases in wealth overall and for whites and black non-Hispanics. Large gifts and inheritances account for 12 percent of the white-black racial wealth gap.

The structure of the article is as follows. Section II provides a summary of the literature on racial differences in private transfers and the relationship between private transfers and wealth. Sections III, IV, and V describe the conceptual framework, data, and empirical approach.

Section VI presents the detailed results and section VII concludes with some policy implications based on the findings.

## II. Literature

In this section we discuss existing studies on private (interhousehold) transfers and the relationship between private transfers and wealth directly and indirectly through kin networks.

### *Private Transfers*

Most studies on private transfers focus on the relationship a transfer has with the recipient's or giver's income. These studies generally try to identify the motivation for private transfers (e.g., altruism, insurance). Empirical studies find varying results: some studies find that higher-income people receive less in the way of transfers (Altonji, Hayashi, and Kotlikoff 1997; McGarry and Schoeni 1995; Schoeni 1997, Wolff, Spilerman, and Attias-Donfut, 2007), while others find they receive more (Cox 1987; Cox and Rank 1992; Zissimopoulos 2001). The amount of private transfers and the likelihood of transfers are also associated with other characteristics of donors or recipients, such as age, educational attainment, family composition, and number of siblings and parents living (Cox and Rank 1992; Gale and Scholz 1994; Schoeni 1997).

Studies that have examined racial differences in private transfers generally find black and Hispanic families are less likely to receive transfers or receive less. Cox and Rank (1992), using the 1987–88 National Survey of Families and Households (NSFH), find that black families are less likely to receive transfers than white families, but they do not differ significantly in the amount of transfers received. These results are also found in Cox (1987), Gale and Scholz (1994), and McGarry and Schoeni (1995). Based on multivariate logit models using the 1987–88 NSFH, Lee and Aytac (1998) find that Hispanic families are more likely to give and less likely to receive transfers, compared with their white non-Hispanic counterparts, while black families are less likely to receive. Schoeni (1997), using the 1988 PSID, finds that nonwhite families receive less monetary support than white families. Wilhelm (2001), using the 1987–89 PSID, finds that white households have only a modestly higher incidence of transfer receipt but a substantially larger amount received, conditional on having received.

Studies on inheritances and bequests again focus on its relation to income, as a test of motives for transfers. Wilhelm (1986), using the Estate-Income Tax Match data for 1980–82, finds that parents tend to give equal bequests to their children, rather than giving larger bequests to children with lower earnings. Wilhelm (2001), based on PSID 1984–89, reports that both the incidence of inheritance and the amount of inheritance for blacks are much lower than for whites. Using a more recent data set, the 2000 Health and Retirement Study, Lee and Horioka (2004) show that white, older, wealthier, married, more highly educated, healthy, and nonreligious individuals are more likely to leave a bequest than other individuals.

## *Private Transfers and Wealth*

There has been a longstanding debate on how much, quantitatively, intergenerational transfers play a role in wealth. Estimating the role of intergenerational transfers by comparing estimated household saving (based on data on earnings and consumption) with observed aggregate wealth, Kotliloff and Summers (1981, 1988) conclude that intergenerational transfers account for about 80 percent of aggregate capital accumulation, while Modigliani (1988) estimates no more than 20 percent. Kessler and Masson (1989) reconcile some of the puzzles (including different measures and data) and point out that it is difficult to separate life-cycle savings from bequest savings. Thus, "there is no single correct decomposition of wealth into inherited and self-accumulated parts" (147). Some recent studies use microdata on self-reported inheritance to estimate the role of bequests on wealth accumulation (Chiteji and Stafford 1999; Gale and Scholz 1994; Wilhelm 2001). For example, using data from the 1983–86 Survey of Consumer Finances (SCF), Gale and Scholz (1994) find that bequests account for 31 percent of net worth.

Intergenerational transfers help explain but do not fully address wealth differences by race. Avery and Rendall (1997) conclude that roughly 20 percent of the racial disparity in average wealth between black and white families can be accounted for by inheritance (as cited in Wilhelm 2001). Similarly, Menchik and Jianakoplos (1997) ascribe 10 to 20 percent of wealth disparity to inheritance.

Fewer studies examine how noninheritance transfers contribute to wealth, and findings are mixed. Some studies suggest that gifts are only of minor importance, with the possible exception of the wealthiest individuals (Tomes 1988). However, others find that a broader measure of transfers, including in-kind or in-cash transfers received by any "adult" child (even in the same household) make them more important than inheritance (Cox 1987; and Cox and Raines 1985). Gale and Scholz (1994) also find that noninheritance transfers are important, accounting for at least 20 percent of U.S. wealth.

Most of these studies on wealth and transfers are limited by the cross-sectional nature of the data, hence the potential endogeneity of private transfers is not well controlled for. For example, Cox (1987) uses the President's Commission on Pension Policy survey from 1979, Jayakody (1998) uses the 1988 wave of the PSID, Wilhelm (2001) uses the 1989 wave of the PSID to examine the relation between wealth and private transfers, and Menchik and Jianakoplos (1997) use the 1989 cross-sectional SCF and the 1976 wave of National Longitudinal Survey of Mature Men.

## *Kin Characteristics and Wealth*

Some studies indirectly look at the relationship between private transfers and wealth through kin-level characteristics. Chiteji and Hamilton (2005), using the PSID wealth data for 1984, 1989, 1994, and 1999, find that poverty of siblings or parents is associated with lower levels of wealth and less ownership of bank accounts and stock. This study infers transfers or gifts due to poverty of siblings, but does not examine transfer income directly. Other research finds that kin-

level characteristics are important for explaining racial disparities in bank account ownership, though not homeownership (Heflin and Pattillo 2002). Goldstein and Warren (2000) find that network diversity and reach are related to an improved sense of financial security; that is, families with more diverse or broader networks are more likely to be satisfied with their present financial situation. Sarkisian and Gerstel (2004), using the NSFH 1992–94, show that blacks and whites have different patterns of kin support involvement: blacks are more involved in practical support (including help with housework, transportation, and child care), while whites report greater financial and emotional kin support.

Although the literature is informative, gaps remain in the understanding of how private transfers affect racial disparities in wealth. Using recent panel data, we go beyond the existing literature by examining racial disparities in various types of private transfers (i.e., large gifts and inheritances, and support received by and given to parents, relatives, and friends), how these transfers affect wealth accumulation, and to what extent racial differences in private transfers explain the racial gap in wealth.

# III. Conceptual Framework

## *Private Transfer Motives*

Existing studies have developed several models of private (interhousehold) transfer motives and behavior, including altruism, exchange, and insurance. In the altruism model, which was brought to prominence by Barro (1974) and Becker (1974), financial need is linked directly to income transferred. Specifically, the model predicts that the amount of private transfers received decreases as income of the recipient increases, because the recipient's financial need decreases. In other models, private transfers may not be motivated by pure altruism but instead by exchange or self-interest (impure altruism). In the exchange model (Bernheim, Shleifer, and Summers 1985; Cox 1987) parents may give their child money or the promise of a future bequest in exchange for housework or companionship, for example. Similarly, transfers can flow from an adult child to a parent (or other adult) in return for child care or the hopes of a future inheritance. Transfers can also be used as a type of insurance (Cox 1990; Cox and Jappelli 1990; Kochar 1997). For instance, a person gives money to his unemployed relative (or friend) as insurance for receiving similar help in the future when he faces a financial emergency (i.e., quid pro quo).[1]

[1] A key difference between these three models is the relationship between the utility of the giver and the receiver: In the (pure) altruism model, the donor cares directly about the recipient's utility (i.e., the recipient's utility enters directly into the donor's utility function). In the exchange model, which is generally referred to as an impure altruism model, the donor cares about the recipient's utility as well as the services they receive in exchange for the transfer income, such as time spent on companionship or housework. The insurance model assumes that the donor does not care about the recipient's utility (nonaltruism model), so the recipient's utility does not enter into the donor's utility function. In this model, individuals cannot self-insure to smooth consumption, due to credit market constraints, so they enter a reciprocity contract to receive assistance when needed.

Findings from the literature suggest no clear motive for private transfers. The empirical evidence generally rejects *pure* altruism as a motive for transfers but does provide support for impure altruism and exchange, as well as insurance motives (Laferrere and Wolff 2006; McKernan, Pitt, and Moskowitz 2005). The goal of this article is not to test which transfer model dominates but, rather, to use this literature to inform our empirical specification.

Based on these theories, the needs and resources of the givers and receivers play an important role in private-transfer motives. If altruism plays a role in transfers, then larger transfers go to people with greater needs. That is, more dollars will be transferred to people with lower incomes (current and permanent) and greater need (i.e., people who are disabled, have more children, are single parents). Coresidence is a form of private transfer and is expected to decrease monetary private transfers. If altruism is not a motivator, then people with greater need may not receive more transfer income. In fact, if transfers are given as a form of insurance against unexpected future events, then transfers may be less likely to go to persons with low permanent income because of their lower likelihood of providing resources when an emergency arises (i.e., providing insurance). So, while it is important to control for these factors, their expected effect on transfer behavior is ambiguous.

Many transfers occur within families (e.g., from parents to adult children and vice versa), so characteristics of the extended family are also important—such as the number of siblings living and whether the parents are alive. Having a living parent may increase transfers received, as transfers often go from parents to children. Having a living parent may also reduce transfers to siblings, for example, because the parent can play that role. On the other hand, having an older parent in need could increase the amount of transfers given.

Race and ethnicity may also be related to private transfers. If people reside in networks made up primarily of people of their own race or ethnicity, then the current unequal distribution of income by race would have important implications for transfers by race. On average, minorities have lower incomes than nonminorities, so if transfers are related to own income and the ability of others to repay in the future (i.e., provide insurance), then we would expect fewer transfers given to and received by minorities, as compared with nonminorities. On the other hand, if minorities are more likely to have networks beyond their immediate families and include a broader circle of extended family and friends (Heflin and Pattillo 2002), then this broader network may result in more transfer activity. Thus, the relationship between race and transfer behavior is ambiguous. Similarly, immigrants may have smaller social networks in the United States so receive less transfer income than nonimmigrants. Many immigrants, particularly those from less developed countries, often send remittances to extended family members in their home country, so may give more transfers than similarly situated nonimmigrants.

## *The Role of Private Transfers in Wealth Building*

Private transfers are important for families, as transfers both received and given can have implications for wealth building. Transfers received can be saved and immediately added to

wealth. The funds could also be invested in education or used for the purchase of a home, which are expected to facilitate future (versus current) wealth gains as benefits of the investment pay off over time (Beverly et al. 2008; Shapiro 2004).[2] Private transfers can also be used to fund unexpected needs (e.g., car repair or medical bill), to pay for expenses in the face of an adverse event (e.g., job loss), or for other consumption. While none of these uses results in an immediate increase in wealth, the availability of monetary resources in an emergency and the avoidance of hardship (e.g., eviction) can have long-term implications for family stability and asset building.

The availability of transfer income can also lower wealth holdings. If families rely on private transfers to meet their emergency needs, rather than saving for an emergency, then their savings will be lower on average. While there are offsetting effects, greater private transfers are expected to increase wealth (Beverly et al. 2008).

On the reverse side, giving income to extended family and friends can result in a direct reduction in dollars available to save and, thus, wealth. Also, if an individual expects that extended family and friends will ask for financial help if they have savings, the individual may choose to increase his or her consumption rather than save it. However, if transfers given to others come directly out of consumption, then there would be no reduction in wealth. Overall, giving transfers is hypothesized to reduce wealth.

By and large, the characteristics of family or extended family that are hypothesized to affect private transfers are also hypothesized to affect wealth. We do not, however, include information about the family head and spouse/partner's siblings and parents—number of siblings and parents that are living—because these variables should affect wealth only through their effect on private transfers.

## IV. Data

The data for this study come from the PSID, a longitudinal survey that began in 1968 with a nationally representative sample of about 5,000 families and that interviewed respondents annually from 1968 to 1997 and biennially thereafter. Data on wealth and private transfers have been collected at each interview since 1999, and we use all available waves of data from 1999 forward (1999, 2001, 2003, 2005, and 2007).[3] All dollar values for our analysis are in real 2007 dollars.[4] Our analysis includes 33,947 family-year observations from 1999 to 2007.

Beyond wealth and private-transfer income given and received, the PSID survey collects a host of other information on individuals and families, including total income and components of

[2] There are fixed costs associated with the purchase of a home, so the benefits of the home purchase would be observed over time.
[3] Prior to 1999, wealth information was only collected in 1984, 1989, and 1994.
[4] Dollars are adjusted using the Consumer Price Index—All Urban Consumers (Current Series) by the Bureau of Labor Statistics.

income, family composition and size, educational attainment, whether in school, disability status, age, gender, immigrant status, and race/ethnicity.[5] The PSID also provides information on parents and siblings, including number of siblings who are living and number of parents who are living (in 2007).[6] All family household composition and demographic variables are collected at the time of the interview, as is wealth. Family income (and thus private transfers) is collected for the year prior to the interview year. We provide additional information on our key measures—private transfer income and wealth—in turn below.

*Private transfer income.* At each interview, data on family income, along with transfer income given and received, are collected. One series of transfer income questions is aimed at capturing money given and received to *support* or *help* families. We use this information to construct net support received in the prior calendar year.[7] The focus of these questions on support suggests that the values reported do not include gifts. For transfer income given, we construct a measure that captures the amount of money family members gave toward the *support* of people not living with them, excluding required payments such as child support and alimony.[8] For transfer income received, we construct a measure that captures the amount of money the family head and spouse/partner received in *help* from friends and relatives. One difference between these measures is that "transfers given" captures all transfers by family members, while "transfers received" are those received by the family head and his or her spouse/partner.[9]

The PSID also provides information on whether anyone in the family received a large gift or inheritance over $10,000 in each year since the last interview. The value of each gift/inheritance (if there are multiple) and the year it was received is captured. The questionnaire does not allow us to separately identify large gifts from inheritances. Because of the different nature (support versus large gifts and inheritances) and size of the transfers, we examine large gifts and inheritances separately from other transfers. One weakness of the PSID is that it does not capture whether family members received gifts or inheritances of less than $10,000.

Based on the PSID data available, our empirical analyses focus on four transfer outcome variables measured at the family level:

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[5] Our analysis by race and ethnicity is based on the race and ethnicity of the head of the household. Interracial marriage is not common in the PSID sample. For example, in our 2007 sample, only 75 out of a total of 4,482 families are headed by a white person with a black spouse, and 21 families are headed by a black person with a white spouse.

[6] We only have information on number of parents living as reported in 2007, so this variable is not time varying in our empirical models.

[7] When the PSID shifted to biennial interviewing, it began collecting many, but not all, data items for each of the two prior years. While income support received from two years ago is collected, income support given is only collected from the past year, not two years ago. Thus, we are not able to construct a measure of net support received two years ago.

[8] Our measure does not include loans or charitable contributions to organizations.

[9] The PSID does not provide information that allows us to separate out transfers given by the family head and spouse/partner's and other family members.

- value of support received (i.e., help from friends/relatives not living with family),
- value of support given (i.e., support to people not living with family),
- value of net support received (support received minus support given), and
- value of large gifts and inheritances received.[10]

*Wealth.* The PSID provides information on the value of wealth holdings at the time of the interview, not the prior calendar year (as with the income and transfer variables). Our analysis uses family net worth, which is defined as assets minus liabilities. The PSID has relatively few asset and liability questions (compared with the SCF and the Survey of Income and Program Participation, for example), but generally provides a good accounting for the major components of net worth. Analyses do, however, suggest that the PSID does a better job capturing the wealth of low-wealth families as compared to higher-wealth families (i.e., the top 5 to 10 percent of the wealth distribution) (Ratcliffe et al. 2008).[11]

Consistent with the literature (Carasso and McKernan 2008; Shapiro 2004; Wolff 2001), we find large differences in wealth holdings by race and ethnicity. Median net worth for black non-Hispanic and Hispanic families is less than one-sixth and one-fourth (respectively) the median net worth of white non-Hispanic families ($18,181 for black non-Hispanics, $33,619 for Hispanics, and $122,927 for white non-Hispanics).[12] These huge wealth disparities cannot be explained solely by income disparities and are the motivation for this article.[13]

## V. Empirical Approach

Our empirical analyses examine the determinants of private transfer income, with a focus on differences by race and ethnicity, as well as how private transfers influence wealth holdings. The models used to address these research areas differ, so we describe them separately below.

### *Private Transfers and Differences by Race and Ethnicity*

The empirical model measures the relationship between private transfers and race/ethnicity, taking account of family economic and social factors. We examine four family-level private

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[10] For support received, support given, and large gifts and inheritances, the top 0.25 percent of outliers among those who reported transfers are trimmed. Net support received is calculated from these trimmed values.

[11] We trim the top and bottom 0.25 percent of outliers in net worth.

[12] These large differences in net worth stem from lower asset holdings for minorities not higher debt. To benchmark wealth by race/ethnicity in our data, we compare median net worth in the 2007 PSID with median net worth in the 2007 SCF. Median net worth in 2007 is $122,000 for white non-Hispanic families and $20,000 for non-white or Hispanic families in the PSID (author's calculations) and $170,000 and $27,800 in the SCF, respectively (Bucks et al. 2009).

[13] The wealth differences by race and ethnicity remain large and statistically significant when measured with means instead of medians. For example, mean wealth for black non-Hispanics, Hispanics, and white non-Hispanics was $75,571, $129,686, and $311,214, respectively, during the 1999 through 2007 time period.

transfer variables: (1) value of net support received (i.e., support received minus support given), (2) value of support received, (3) value of support given, and (4) value of large gifts and inheritances received. We estimate separate models for each of these four transfer measures. The regression model for the value of private transfers ($Y_{ft}$) for family *f* in year *t* is as follows:

$$Y_{ft} = \alpha + \beta_1 R_f + \beta_2 I_{ft} + \beta_3 X_{ft} + \varepsilon_{ft} \quad [1]$$

Using net support received as an example, $Y_{ft}$ indicates the value of net private support received by family *f* in year *t*. We use five waves of data from the PSID (1999, 2001, 2003, 2005, and 2007), so the time element *t* indicates that families are included in the regression model up to five times (i.e., in the five years).[14] To account for the fact that families enter the model multiple times, we cluster our standard errors by family.

The explanatory variables are drawn from the conceptual framework described above. $R_f$ is a set of variables that represents family race/ethnicity (white non-Hispanic, black non-Hispanic, Hispanic, and other) and immigrant status (immigrant versus nonimmigrant). $I_{ft}$ represents family nonprivate-transfer income in year *t*.[15] $X_{ft}$ represents other family economic and demographic factors in year *t* including family head's age and educational attainment, family composition and size, whether the family head is in school, whether the family head or spouse/partner is disabled, and whether extended family or adult children live with the family. In this model, $X_{ft}$ also includes information about the family head and spouse/partner's siblings and parents (number of siblings that are living and number of parents that are living).

*Functional form.* Our analysis of net support received uses a weighted least squares (WLS) model, with the dependent variable ranging from −$160,785 (dollars received is less than dollars given) to $112,062 (dollars received is greater than dollars given). For our analyses of the other three transfer measures (i.e., transfers given, transfers received, and large gifts and inheritances received) we use a Tobit model, which takes account of the large proportion of families that do not give or receive money in a given year (90.8 percent, 86.6 percent, and 96.5 percent, respectively). The estimated coefficients from the Tobit model do not have a straightforward interpretation, so we present the marginal effect.[16]

## *Private Transfers and Wealth*

For this analysis we examine how private transfers influence wealth. If private-transfer income received (in net) increases wealth holdings, then lower receipt of transfers by minorities could

[14] As described in the data section, all income variables capture income in the calendar year prior to the interview. So, for example, the 2007 interview collects information about income and income sources in calendar year 2006. Other family characteristics, such as family composition and size, are captured as of the interview date.

[15] We also estimate a model using a measure of permanent family income, as discussed below.

[16] The marginal effect is calculated as $\partial E(y|x)/\partial x_j = \beta_j \Phi(\frac{x\beta}{\sigma})$.

partially explain differences in wealth holdings by race. We separately examine net support received and large gifts/inheritances, since the propensity to spend versus save and invest these transfers may differ.

Our empirical approach uses panel data and a family-level fixed-effect model to control for the endogeneity of private transfers. When estimating the effect of private transfers on wealth, endogeneity concerns arise because people who give/receive private transfers may differ from people who do not give/receive transfers in unobserved ways, such as in their propensity to save. For example, families that are "savers" (i.e., are able to delay gratification) are expected to have higher wealth holdings and be more able to provide private transfers, all else equal. In this case, providing transfers would be positively associated with wealth, but giving transfers is not causing wealth to increase. Our family-level fixed-effect model eliminates time-invariant unobserved differences between families.

Time varying characteristics, such as a change in economic circumstances, can also affect both private transfers and wealth holdings. The onset of an economic emergency could result in an increase in private transfers received and reduced wealth, but the private transfers received are not causing wealth to decline. Our model controls for some important time varying characteristics, including family income and disability status of the head/spouse, but may omit other relevant time-varying characteristics. Under the assumption that time-varying unobservable characteristics do not influence both private transfers and wealth, our model captures the effect of private transfers on wealth. If there are time-varying unobservable characteristics that influence both private transfers and wealth, the family-level fixed-effect model captures the relationship between private transfers and wealth holdings. Our analysis of large gifts and inheritances may suffer less from omitted variable bias, since the transfer of a large gift or inheritance (vesus net support) is less likely to be influenced by current family economic circumstances (i.e., more likely to be exogenous).

Our wealth model examines wealth holdings this year (*t*) and private transfers received in the last one to two years (*t-1*, *t-2*). The timing elements in this model are partly dictated by the availability of PSID data. Wealth and net private transfers are only available every other year, with wealth holdings collected at the time of the survey (*t*) and net transfer income available for the prior calendar year (*t-1*).[17] Respondents are asked to provide the value of large gifts and inheritances received since the last PSID interview, which we denote as *t-1* and *t-2*. With this information, the model is specified as follows:

$$W_{ft} = \alpha + \beta_1 T_{f,t-1} + \beta_2 G_{f,t-1,t-2} + \beta_3 I_{ft} + \beta_4 X_{ft} + \mu_f + \varepsilon_{ft} \quad [2]$$

[17] Recall that while transfer income received at *t-2* is collected, transfer income given at *t-2* is not collected.

$W_{ft}$ is the natural log of wealth held by family *f* in year *t*. We specify the dependent variable as the natural log of wealth to make it less sensitive to outlying observations and to mitigate its skewed distribution (wealth holding is highly skewed toward high-wealth families).[18] $T_{f,t-1}$ is the value of net support received by family *f* last year (*t-1*) and $G_{f,t-1,t-2}$ is the value of large gifts and inheritances received by family *f* since the last interview. The model would ideally include net support received two years ago (*t-2*), as these transfers could influence families' current wealth holdings. However, as discussed above, net support received two years ago is not available in the PSID. Also, the PSID only captures gifts and inheritances of $10,000 or more, so gifts and inheritances that are still substantial but less than $10,000 are not captured.

In this model, $\mu_f$ is the family-level fixed effect. By including the family-level fixed effect, time invariant characteristics are controlled for by the fixed effects and drop out of the model. The control variables in the model—$I_{ft}$, and $X_{ft}$—are as specified in the model above, except that $X_{ft}$ does not include time-invariant characteristics (i.e., race and ethnicity) or information about the family head and spouse/partner's siblings and parents. The extended family variables are excluded from the wealth model because these variables should affect wealth only through their effect on net support received and gifts/inheritances.

Under the assumption that time-varying unobservable characteristics do not influence both private transfers and wealth, the coefficient $\beta_1$ measures the effect of net support received on wealth holdings and $\beta_2$ measures the effect of large gifts and inheritances on wealth holdings. We estimate this model for the full sample and by race—white non-Hispanics, black non-Hispanics, and Hispanics.

For comparison purposes, we also estimate a model that excludes the family-level fixed effect. This model does not control for unobserved time-invariant family-level characteristics and is more similar to the approach taken in the prior literature. Because the amount of transfers a family receives can be related to their wealth holdings, this model also includes a lagged value of wealth (wealth at *t-2*).[19] We interpret these models as capturing the relationship between private transfers and wealth holdings.

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[18] The dependent variable is set to zero for the 5.5 percent of families that have zero net worth and the 11.4 percent of families that have negative wealth, since the natural log is not defined for negative or zero values. We test whether our results are sensitive to treating families with negative wealth and zero wealth as having zero log wealth versus dropping them. Dropping these observations from the fixed-effect model produces qualitatively similar results: the effect of large gifts/inheritance on wealth remains positive and highly statistically significant ($p$=0.00), though the coefficient is slightly smaller. The relationship between net support received and wealth remains insignificant.

[19] We test whether our results are sensitive to using a measure of permanent family income (average income from 1998 to 2006), rather than family income last year; they are not. The measured relationship between wealth and large gifts and inheritance remains identical in magnitude to those shown in table 2, column 1. The measured relationship between net support received and wealth remains negative and insignificant.

### *Private Transfers' Role in the Racial Wealth Gap*

To quantify how much of the racial wealth gap is explained by racial differences in private transfers, we apply the Oaxaca decomposition developed in Oaxaca (1973). The difference in average wealth between whites and blacks (or Hispanics) can be decomposed into two components: (1) the racial wealth gap due to differences in mean observed characteristics, such as age, education, and large gifts and inheritances; and (2) the racial wealth gap due to differences in estimated parameters between the regression on whites and the regression on blacks (or Hispanics). The following equation takes the white-black wealth gap as an example.

$$W_w - W_b = \ Z_w - Z_b \ \beta_w - Z_b(\beta_w - \beta_b) \quad [3]$$

and alternatively,

$$W_w - W_b = \ Z_w - Z_b \ \beta_b - Z_w(\beta_w - \beta_b) \quad [4]$$

$W_{\mathrm{w}}$ is the weighted average of log net worth among white families and $W_b$ is the weighted average of log net worth among black families. $\beta_w \text{ and } \beta_b$ are vectors of estimated coefficients from separate regressions on the sample of white families and black families. $Z_w \text{ and } Z_b$ are vectors of mean observed characteristics. We calculate $(W_{\mathrm{w}} - W_b)$ from equation [3] and equation [4], and then take the average, as done in prior studies (e.g., Menchik and Jianakoplos 1997). Focusing on large gifts and inheritances, the estimated portion of the white-black wealth gap explained by large gifts and inheritances (*G*) is

$$(G_w - G_b)(\beta_w + \beta_b)/2(W_w - W_b) \quad [5]$$

## VI. Results

### *Private Transfers by Race and Ethnicity*

Descriptively, there are large differences in private transfers by race and ethnicity (figures 1 and 2). Compared with white non-Hispanic families, black non-Hispanic families are more likely to receive support (though they received much less, conditional on receiving) and Hispanic families are less likely to receive support (and received less, conditional on receiving).[20] On net, Hispanic families receive less support than white non-Hispanic families. In fact, Hispanic families have negative net support received because they give more than they receive. There is no statistically significant difference between net support received for whites and blacks; the difference between whites and blacks emerges in the regression analysis, once income and other factors are controlled for. Both black non-Hispanic and Hispanic families are five times less likely to receive large gifts and inheritance than white non-Hispanic families. These findings are largely consistent with Wilhelm's (2001) earlier PSID findings that black families received

[20] Given immigrant status's potentially important role in private transfer differences, we examine differences in private transfers by immigrant status, as well as race and ethnicity, in our regression results below.

substantially less in inter vivos gifts in 1987 (conditional on receiving)[21] and were substantially less likely to ever inherit, and to inherit less when they did inherit, than white families. Interestingly, we find that Hispanic families are more likely to give support (though they give less, conditional on giving) than white non-Hispanic families. This likely results because Hispanics are more than five times as likely to support their parents than white non-Hispanics (9.5 percent versus 1.7 percent, not shown).

The regression estimates suggest that private transfers differ importantly by race and ethnicity after controlling for family economic and demographic factors. Differences by race and ethnicity are found for net support received, support received, support given, and large gifts and inheritances, with the overall result being that minority families receive less in private transfers than white families.

Hispanic immigrant, Hispanic non-immigrant, and black (non-Hispanic, nonimmigrant) families receive an average of $278 to $589 less per year in net support than white (non-Hispanic ,nonimmigrant) families (column 1, table 1). This is because all three minority groups receive less in support, and Hispanic families give more in support than white families. Hispanic immigrant and nonimmigrant families receive $208 and $126 less per year in support than white families, and give $1,078 and $363 more per year in support, respectively. Black families receive $365 less in support and give $520 less in support than white families (table 1, columns 2 and 3).[22, 23]

Turning from support to large gifts and inheritances, the differences get substantially larger. Hispanic immigrant and non-Hispanic immigrant families receive $2,123 and $1,772 less in large gifts and inheritances, on average, than white (non-Hispanic,nonimmigrant) families. Black (non-Hispanic, nonimmigrant) families receive an astounding $5,013 less in large gifts and inheritances, on average, than white families (column 4, table 2). These average differences in large gifts and inheritances, which are measured over a two-year period, add up to substantial amounts over time and, as we discuss below, play an important role in wealth disparity.

*Family economic and demographic characteristics.* We find evidence that private transfers go to people with greater need, with a few exceptions. Families that have lower (nonprivate transfers)

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[21] Our more recent results differ slightly from Wilhelm's (2001) in that we find black non-Hispanic families are more likely to receive support that white non-Hispanic families, while Wilhelm finds that black families are slightly less likely to receive inter vivos gifts than white families. As noted, we both find that conditional on receiving support or gifts, blacks receive substantially less than whites.

[22] The "support received" coefficients less the "support given" coefficients do not equal the net "support received" coefficients exactly, because net transfers received are estimated using WLS regression, while support received and given are estimated using Tobit regressions. The estimated coefficients do sum up exactly when WLS is used for all three regressions, in part because the black "support given" coefficient becomes positive and insignificant.

[23] Table 1 presents the marginal effects and associated standard errors from the Tobit model. The estimated coefficients and standard errors from the Tobit model are presented in appendix table A.1.

income and are unmarried, younger, disabled, and in school (as measured by the head or spouses status), receive more support than their counterparts (column 2, table 1). Notable exceptions are that families with a less-educated head are less likely to receive support and families with more children are no more likely to receive support than their counterparts. It is also interesting to note that higher-income families receive more in large gifts/inheritance than lower-income families. As expected, living with extended family or adult children (which is a form of nonmonetary private transfer) reduces monetary private transfers.

Characteristics of the extended family are also important determinants of private transfers in much the way expected. Private transfers, in the form of both support and large gifts/inheritances, decrease with the number of siblings of the head and spouse who are living, suggesting that they share the support of their parents. Support received increases when a parent is living, but large gifts/inheritances decrease.[24]

## *Private Transfers' Influence on Wealth*

Our hypothesis is that overall private-transfer income in the form of net support received, large gifts, and inheritances help families accumulate wealth. Our finding that black non-Hispanics and Hispanics receive less in private transfers than whites suggests that private transfers may indeed help explain the racial wealth disparity, if transfers increase wealth. How then do private transfers influence wealth and to what extent do private transfers explain the racial wealth gap? Our results suggest that private transfers in the form of large gifts and inheritances, but not net support received, increase wealth. Overall, we find that large gifts and inheritance explain 12 percent of the white-black wealth gap.

The non-fixed-effect specification estimates that $1,000 in large gifts and inheritances in a year is associated with a 0.40 percent ($p$=0.00) increase in wealth the next year. Evaluating this percent increase at the median of wealth for the sample ($83,360) suggests that the additional $1,000 in private transfers is associated with an additional $331 in wealth (table 2, column 1).[25, 26] Net support received is marginally negatively related to wealth in this specification ($p$=0.09). Separating net support received into support received and support given provides some insight into the counterintuitive negative relationship between net support received and wealth in the non-fixed-effect specification: giving support is associated with increases in wealth (coefficient=0.01; $p$=0.04, not shown). This finding suggests that wealthier people are more likely to provide support and highlights the importance of controlling for the endogeneity of

[24] To better understand the role of characteristics of the extended family, we estimate a specification that excludes these variables. When the extended family variables are excluded, the point estimates on the race/ethnicity/immigration status variables are larger in magnitude (by roughly 5 to 38 percent) but are by and large not statistically significantly different from the coefficients presented in table 1. Regression results are available upon request.

[25] We calculate the dollar change in net worth as (exp(0.004)-1)*83,360, where 83,360 is the weighted median of net worth.

[26] The full set of coefficients and standard errors are presented in appendix table A.2.

private transfers—especially support given. This counterintuitive relationship disappears in the fixed-effect specification, which controls for this endogeneity.

Results from the fixed-effect specification suggest that large gifts and inheritances increase wealth. The magnitude of the relationship is smaller than the non-fixed-effect specifcation: a $1,000 increase in large gifts and inheritances results in a 0.25 percent, or $209, increase in wealth (evaluated at median wealth; table 2, column 2). Net support received does not influence wealth. This lack of relationship between financial support and wealth continues to hold when support received and support given enter this specification individually, rather than as net support received ($p$=0.30 and $p$=0.40 respectively, not shown).

Large gifts and inheritance are especially important in accumulating wealth for black non-Hispanics (table 2, columns 3–5). A $1,000 increase in large gifts and inheritance results in a $691 increase in net worth for black non-Hispanics and $295 for white non-Hispanics. This effect for Hispanics is not statistically significant, which may result from the smaller sample of Hispanics.

Using the Oaxaca decomposition described above, we find that 12 percent of the difference in wealth between white non-Hispanic and black non-Hispanic families can be explained by the difference in their average large gifts and inheritance received during the past 10 years.[27] Our estimate is consistent with other studies in the literature. For example, Menchik and Jianakoplos (1997) find that racial differnces in inheritance explain about 10 to 20 percent of the average racial difference in wealth, while Avery and Rendall (1997) find that roughly 20 percent of the wealth disparity between black and white families can be accounted for by inheritance. We do not find evidence that disparity in average wealth between Hispanic and white non-Hispanic families can be accounted for by large gifts and inheritances.

## VII. Conclusions and Policy Implications

Motivated by racial differences in wealth, this study fills gaps in knowledge about how private transfers differ by race and relate to wealth. Using Panel Study of Income Dynamics data from 1999 through 2007, we present new findings on the differences in private transfers by race and ethnicity, and the effect of private transfers on wealth controlling for (time-invariant) differences across families.

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[27] This finding is based on estimates of equation [5] where the weighted average of log net worth is 10.4 for white non-Hispanics and 7.2 for black non-Hispanics. The weighted averages of large gifts and inheritances accumulated between 1997 and 2007 are $21,320 for white non-Hispanics and $2,914 for black non-Hispanics. Since large gifts and inheritances are a rare event, we use their accumulated value over the past 10 years—between 1997 and 2007—to measure their cumulative effect on wealth.

We find that minority families receive less in private transfers than white families. Controlling for income and other factors, Hispanic and black non-Hispanic families receive $270 to $600 less per year in net support than white non-Hispanic families. This is because both minority groups receive less in support, and Hispanic families—especially immigrant Hispanic families—give more in support than white non-Hispanic families. Turning from support to large gifts and inheritances, the shortfalls in private transfers for minorities (versus nonminorities) move from hundreds of dollars to thousands of dollars. Immigrant families receive about $2,000 less in large gifts and inheritances, on average, than white (non-Hispanic, non-immigrant) families. Black (non-Hispanic, nonimmigrant) families receive about $5,000 less. These average differences in large gifts and inheritances, which are measured over a two-year period, add up to substantial amounts over time and can play an important role in wealth accumulation.

Overall, we estimate that private transfers in the form of large gifts and inheritances increase wealth and explain 12 percent of the white-black wealth gap. Private transfers made to support families had no statistically significant effect on wealth. These transfers are likely being consumed, not saved or invested, and so may be important in alleviating immediate economic hardship. They may also have long-term implications for family stability and asset building.

The findings suggest that programs that provide additional income to low-income families (such as cash welfare benefits or the earned income tax credit) will help minorities who are disproportionately poor but will not close the wealth gap. Even after controlling for differences in income, minorities receive fewer private transfers and these transfers result in less wealth accumulation. More than income-based policies are needed to close the racial wealth gap.

Large gifts are often used to finance higher education or make a down payment for a house. Public policies that provide or subsidize education, for example, could enable families without sources of these large gifts acquire a college education. That would increase their earning capacity and with it, their ability to accumulate wealth. Increased Pell Grants or refundable education tax credits might be good approaches. Policies that facilitate the accumulation of down payments for houses or alter the terms of such would be another way to reduce the wealth gaps.[28] Wealth in the form of housing is usually the largest single asset families have. Strategies to reduce barriers to homeownership would reduce racial wealth gaps, while recently proposed policies to increase down-payment requirements have the potential to aggravate wealth disparities. Education scholarships and down-payment assistance targeted at minorities move beyond income and thus could help close the wealth gap.

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[28] See McKernan, Steuerle, and Lei (2010) for a broader discussion of wealth-building policies that are inclusive of low-income and minority families.

## VIII. References


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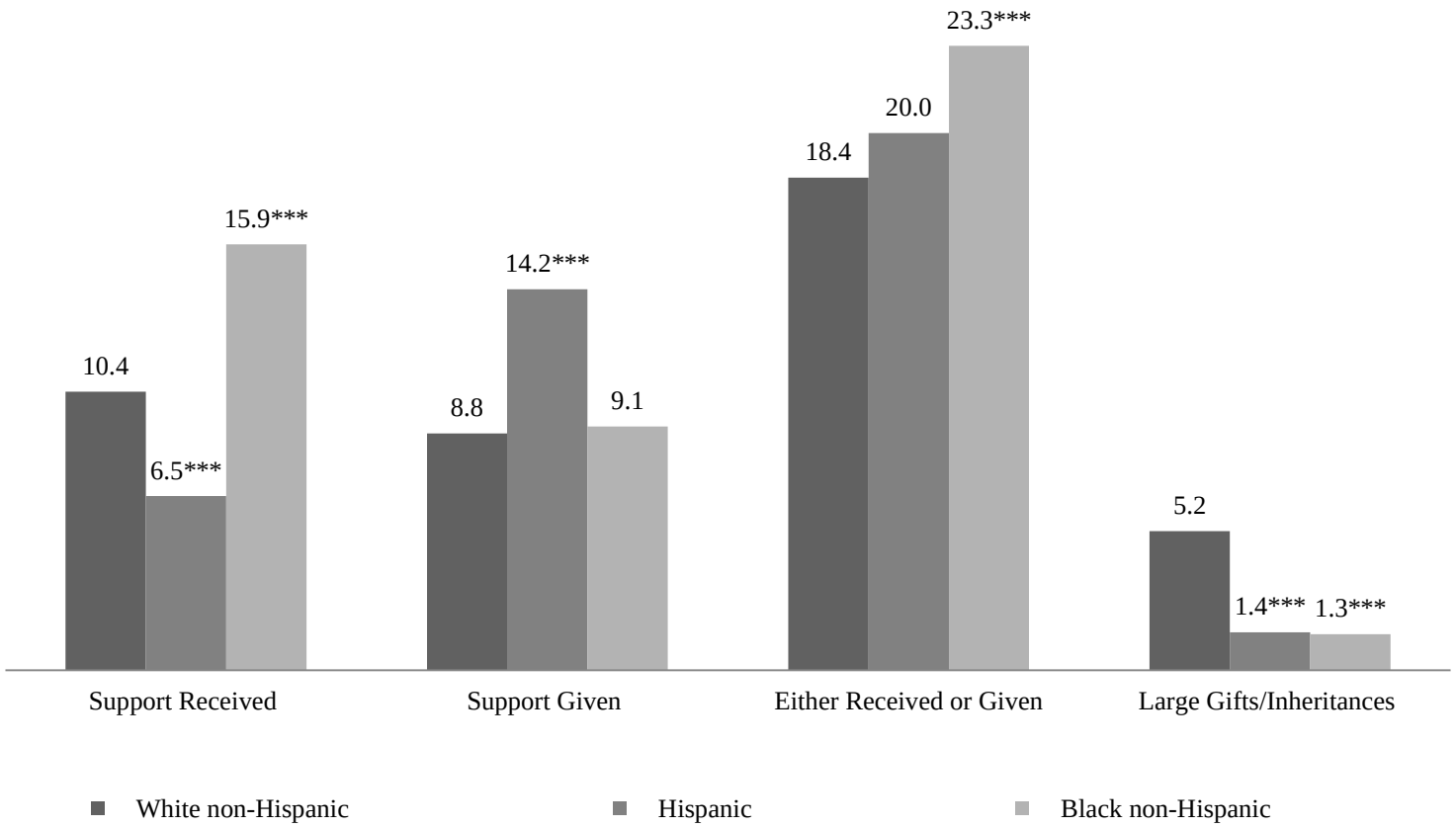
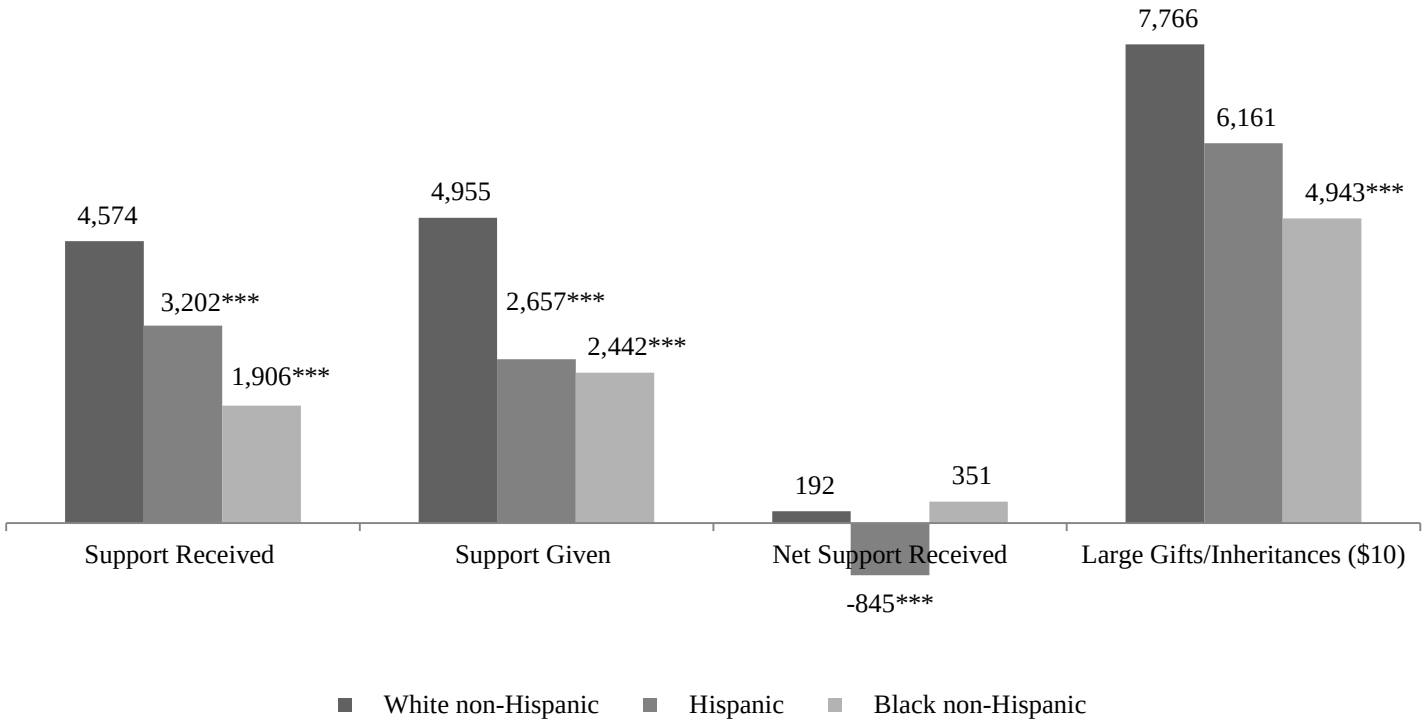
**Figure 1. Percent Likelihood of Receiving or Giving Support in the Past Year and Large Gifts/Inheritances in the Past Two Years**




*Source:* Author's calculations from the Panel Study of Income Dynamics 1999–2007.
*Notes*: (1) Statistics are weighted proportions using PSID family core weight. (2) Sample includes 33,947 family-year observations; 19,914 are white non-Hispanics, 2,338 are Hispanics, and 10,719 are black non-Hispanics. (3) Significance tests are reported between white non-Hispanic and Hispanic, and between white non-Hispanic and black non-Hispanic.
*** $p<0.01$, ** $p<0.05$, * $p<0.1$

## Figure 2. Mean Value of Private Transfers in the Past Year and Large Gifts/Inheritances in the Past Two Years




*Source:* Author's calculations from the Panel Study of Income Dynamics 1999–2007.
*Notes*: (1) Statistics are weighted means using PSID family core weight. (2) Four categories of weighted means are calculated: means among those families who report positive support received, positive support given, support either received or given, positive large gifts/inheritances. (3) For support received, support given, and large gifts/inheritances, the top 0.25% of outliers among those who reported transfers are trimmed. Net support received is calculated from these trimmed values. (4) Significance tests are reported between white non-Hispanic and Hispanic, and between white non-Hispanic and black non-Hispanic.
*** $p<0.01$

**Table 1. The Determinants of Private Transfers**

| | Net support received WLS (1) | Support received Tobit (2) | Support given Tobit (3) | Large gifts/ inheritances Tobit (4) |
|---|---|---|---|---|
| **Race, ethnicity, and immigration status** | | | | |
| (Omitted: white non-Hispanic nonimmigrant) | | | | |
| Hispanic immigrant (0/1) | -589.41*** | -207.68*** | 1,077.64*** | -2,123.41*** |
| | (91.46) | (37.32) | (201.90) | (237.20) |
| Hispanic nonimmigrant (0/1) | -383.05** | -126.27** | 363.00** | -484.50 |
| | (191.45) | (59.62) | (181.87) | (576.18) |
| Black non-Hispanic nonimmigrant (0/1) | -278.03*** | -365.07*** | -520.16*** | -5,012.91*** |
| | (63.70) | (30.06) | (54.76) | (414.50) |
| Other race non-Hispanic nonimmigrant (0/1) | 228.23 | 113.11 | 11.12 | 32.83 |
| | (227.59) | (134.68) | (142.19) | (755.37) |
| Non-Hispanic immigrant (0/1) | -66.77 | 67.84 | 493.35*** | -1,771.96*** |
| | (190.86) | (73.18) | (118.48) | (230.07) |
| **Characteristics of givers/recipients** | | | | |
| Income ($10,000) | | | | |
| Family nontransfer income | -113.34*** | -69.94*** | 52.22*** | 124.39*** |
| | (20.58) | (6.40) | (8.11) | (37.46) |
| Family nontransfer income squared | 1.05 | 1.20*** | -0.64*** | -1.65** |
| | (0.67) | (0.12) | (0.17) | (0.78) |
| Age | | | | |
| Age of head | -26.59** | -15.75*** | 36.70*** | 245.89*** |
| | (12.10) | (4.71) | (7.17) | (48.62) |
| Age of head squared | 0.05 | 0.07 | -0.24*** | -2.10*** |
| | (0.12) | (0.05) | (0.06) | (0.45) |
| Education (Omitted: above high school) | | | | |
| Head less than high school (0/1) | -91.37 | -178.26*** | -193.02*** | -1,699.43*** |
| | (81.78) | (30.69) | (47.60) | (302.24) |
| Head high school diploma (0/1) | -181.03** | -223.71*** | -168.60*** | -1,248.58*** |
| | (70.57) | (30.15) | (41.74) | (251.74) |
| Family composition (Omitted: married) | | | | |
| Single-female headed (0/1) | 116.55 | 362.50*** | 175.47*** | 715.79** |
| | (99.30) | (55.24) | (59.36) | (359.19) |
| Single-male headed (0/1) | -282.63*** | 163.55*** | 298.81*** | 86.38 |
| | (98.25) | (45.80) | (69.11) | (342.90) |
| Number of children | 87.13*** | -21.75 | -195.84*** | -458.41*** |
| | (28.03) | (13.25) | (25.70) | (131.66) |
| Head is student (0/1) | 1,501.62*** | 527.86*** | 362.69 | 5,001.04 |
| | (554.45) | (185.79) | (342.75) | (5,130.00) |
| Head or wife disabled (0/1) | 140.02** | 226.17*** | 53.29 | 271.65 |
| | (70.27) | (39.15) | (38.14) | (256.55) |
| Lives with extended family or adult child (0/1) | 96.89 | -106.16** | -202.67*** | -835.55*** |
| | (90.38) | (41.25) | (45.18) | (285.04) |

**Table 1. The Determinants of Private Transfers *(continued)***

| | Net Support Received WLS (1) | Support Received Tobit (2) | Support Given Tobit (3) | Large Gifts/ Inheritances Tobit (4) |
|---|---|---|---|---|
| **Characteristics of extended family** | | | | |
| Number of siblings living | -30.71*** | -32.14*** | 10.92** | -162.60*** |
| | (9.66) | (5.51) | (5.26) | (42.80) |
| Parents living (Omitted: no parent living) | | | | |
| At least one parent living (0/1) | 358.88*** | 120.97*** | -115.84** | -1,622.76*** |
| | (94.84) | (43.24) | (48.92) | (335.47) |
| Don't know if parents are living (0/1) | 245.79*** | 44.65 | -112.22** | -1,164.89*** |
| | (89.37) | (51.59) | (53.19) | (272.39) |
| Constant | 1,856.36*** | | | |
| | (338.49) | | | |
| Observations | 33,947 | 33,947 | 33,947 | 33,947 |

*Source* : Author's calculations from the Panel Study of Income Dynamics 1999–2007.

*Notes:* (1) Weighted least squares (WLS) coefficients and Tobit marginal effects are reported with the associated robust standard errors clustered by family in parentheses. The Tobit marginal effects are calculated as $\partial E(y|x)/\partial xj=\beta j\ \Phi(x\beta/\sigma)$. The Tobit coefficients and standard errors are presented in appendix table A.1. (2) The top and bottom 0.25% of net worth and family nontransfer income are trimmed, as are the top 0.25% of support received, support given, and large gifts/inheritances (among those who reported transfers). Net support received is calculated from these trimmed values.

*** $p<0.01$, ** $p<0.05$

## Table 2. How Private Transfers Influence Wealth?

| | Non-fixed effect | Fixed effect | | | |
|---|---|---|---|---|---|
| | All | All | White, non-Hispanic | Black, non-Hispanic | Hispanic |
| | (1) | (2) | (3) | (4) | (5) |
| **Private transfers** | | | | | |
| Net support received *t-1* ($1,000) | | | | | |
| | -0.0092* | -0.0062 | -0.0058 | -0.0322 | 0.0007 |
| | (0.0055) | (0.0049) | (0.0051) | (0.0362) | (0.0209) |
| | [-$763] | [-$515] | [-$711] | [-$576] | [$24] |
| Large gifts/inheritances *t-1* and *t-2* ($1,000) | | | | | |
| | 0.0040*** | 0.0025*** | 0.0024*** | 0.0373*** | 0.0013 |
| | (0.0005) | (0.0004) | (0.0004) | (0.0114) | (0.0032) |
| | [$331] | [$209] | [$295] | [$691] | [$44] |
| Observations | 27,226 | 31,826 | 18,773 | 9,939 | 2,157 |

*Source* : Author's calculations from the Panel Study of Income Dynamics 1999–2007.

*Notes:* (1) In all models, the dependent variable is the natural log of wealth at time $t$ and is estimated using weighted least squares regressions. Robust standard errors clustered by family are in parentheses and the dollar change in net worth, which is calculated as ([exp($\beta$)-1]* median wealth) in brackets. (2) Number of observations differs: column 1 includes family-year observations in 2001–2007 and column 2 includes family-year observations in 1999–2007 with families appear more than once in five interviews. (3) The top and bottom 0.25% of net worth and family nontransfer income are trimmed, as are the top 0.25% of support received, support given, and large gifts/inheritances (among those who reported transfer). Net support received is calculated from these trimmed values. (4) All models include controls for family nontransfer income and income squared, age of head, age of head squared, whether head has less than a high school diploma, whether head has high school diploma only, whether a family is single-female headed, whether a family is single-male headed, number of children, whether head is a student, whether head or spouse/partner is disabled, and whether extended family or an adult child live with the family. Appendix table A.2 shows the full set of results.

*** p<0.01, * p<0.1

**Appendix Table A.1. Tobit Coefficients on the Determinants of Private Transfers**

| | Support received Tobit | Support given Tobit | Large gifts/ inheritances Tobit |
|---|---|---|---|
| **Race, ethnicity, and immigration status** | | | |
| (Omitted: white non-Hispanic nonimmigrant) | | | |
| Hispanic immigrant (0/1) | -3,162.01*** | 7,522.56*** | -269,466.38*** |
| | (747.10) | (1,131.43) | (60,331.34) |
| Hispanic nonimmigrant (0/1) | -1,695.59* | 3,357.51** | -25,041.71 |
| | (948.79) | (1,372.50) | (33,757.73) |
| Black non-Hispanic nonimmigrant (0/1) | -6,578.78*** | -10,601.44*** | -714,007.24*** |
| | (639.85) | (1,510.49) | (78,655.43) |
| Other race non-Hispanic nonimmigrant (0/1) | 1,161.72 | 129.83 | 1,498.67 |
| | (1,243.67) | (1,644.07) | (34,228.85) |
| Non-Hispanic immigrant (0/1) | 726.59 | 4,253.47*** | -173,360.62*** |
| | (735.00) | (835.32) | (38,398.56) |
| **Characteristics of givers/recipients** | | | |
| Income ($10,000) | | | |
| Family nontransfer income | -802.72*** | 615.61*** | 5,719.38*** |
| | (77.52) | (99.69) | (1,654.69) |
| Family nontransfer income squared | 13.80*** | -7.51*** | -75.65** |
| | (1.38) | (2.09) | (35.13) |
| Age | | | |
| Age of head | -180.74*** | 432.68*** | 11,305.78*** |
| | (53.66) | (85.17) | (2,132.65) |
| Age of head squared | 0.82 | -2.78*** | -96.52*** |
| | (0.52) | (0.75) | (20.12) |
| Education (Omitted: above high school) | | | |
| Head less than high school (0/1) | -2,361.32*** | -2,570.89*** | -105,536.09*** |
| | (454.28) | (717.94) | (20,710.15) |
| Head high school diploma (0/1) | -2,825.72*** | -2,105.98*** | -63,843.23*** |
| | (396.44) | (551.80) | (12,698.09) |
| Family composition (Omitted: married) | | | |
| Single-female headed (0/1) | 3,562.23*** | 1,941.98*** | 30,804.93** |
| | (462.84) | (614.66) | (14,346.49) |
| Single-male headed (0/1) | 1,694.60*** | 3,049.87*** | 3,924.75 |
| | (424.73) | (628.31) | (15,354.89) |
| Number of children | -249.63* | -2,308.81*** | -21,077.11*** |
| | (151.24) | (313.70) | (5,604.35) |
| Head is student (0/1) | 4,079.44*** | 3,322.09 | 122,985.20 |
| | (1,031.39) | (2,521.72) | (76,858.72) |
| Head or wife disabled (0/1) | 2,312.49*** | 613.86 | 12,121.12 |
| | (366.83) | (429.49) | (11,057.23) |
| Lives with extended family or adult child (0/1) | -1,356.86** | -2,844.15*** | -46,079.44** |
| | (586.60) | (743.13) | (18,375.66) |

**Appendix Table A.1. Tobit Coefficients on the Determinants of Private Transfers *(continued)***

| | Support received Tobit | Support given Tobit | Large gifts/ inheritances Tobit |
|---|---|---|---|
| **Characteristics of extended family** | | | |
| Number of siblings living | -368.86*** | 128.69** | -7,476.17*** |
| | (62.56) | (62.32) | (1,964.62) |
| Parents living (Omitted: no parent living) | | | |
| At least one parent living (0/1) | 1,358.88*** | -1,384.70** | -77,207.25*** |
| | (478.72) | (595.43) | (14,108.24) |
| Don't know if parents are living (0/1) | 492.58 | -1,446.92* | -70,393.16*** |
| | (549.96) | (751.01) | (19,986.09) |
| Constant | -299.33 | -31,034.01*** | -587,459.69*** |
| | (1,417.20) | (3,552.11) | (63,215.98) |
| Observations | 33,947 | 33,947 | 33,947 |

*Source* : Author's calculations from the Panel Study of Income Dynamics 1999–2007.

*Notes:* (1) Tobit coefficients are reported with the associated robust standard errors clustered by family in parentheses. (2) The top and bottom 0.25% of net worth and family nontransfer income are trimmed, as are the top 0.25% of support received, support given, and large gifts/inheritances (among those who reported transfers).

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

**Appendix Table A.2. How Private Transfers Influence Wealth**

| | Non-Fixed Effect | Fixed Effect | | | |
|---|---|---|---|---|---|
| | All | All | White, non-Hispanic | Black, non-Hispanic | Hispanic |
| | (1) | (2) | (3) | (4) | (5) |
| Net support received *t-1* ($1,000) | | | | | |
| | -0.009* | -0.0062 | -0.0058 | -0.0322 | 0.0007 |
| | (0.005) | (0.0049) | (0.0051) | (0.0362) | (0.0209) |
| Large gifts/inheritances *t-1* and *t-2* ($1,000) | | | | | |
| | 0.004*** | 0.0025*** | 0.0024*** | 0.0373*** | 0.0013 |
| | (0.000) | (0.0004) | (0.0004) | (0.0114) | (0.0032) |
| Lagged wealth *t-2* | | | | | |
| | 0.489*** | | | | |
| | (0.010) | | | | |
| **Race, ethnicity, and immigration status** | | | | | |
| (Omitted: white non-Hispanic nonimmigrant) | | | | | |
| Hispanic immigrant (0/1) | 0.043 | | | | |
| | (0.129) | | | | |
| Hispanic nonimmigrant (0/1) | -0.264 | | | | |
| | (0.175) | | | | |
| Black non-Hispanic nonimmigrant (0/1) | -0.652*** | | | | |
| | (0.091) | | | | |
| Other race non-Hispanic nonimmigrant (0/1) | -0.186 | | | | |
| | (0.201) | | | | |
| Non-Hispanic immigrant (0/1) | 0.032 | | | | |
| | (0.146) | | | | |
| **Characteristics of givers/recipients** | | | | | |
| Income ($10,000) | | | | | |
| Family nontransfer income | 0.217*** | 0.1183*** | 0.1066*** | 0.2539*** | 0.2241*** |
| | (0.009) | (0.0107) | (0.0114) | (0.0644) | (0.0566) |
| Family nontransfer income squared | -0.004*** | -0.0018*** | -0.0016*** | -0.0047*** | -0.0056*** |
| | (0.000) | (0.0002) | (0.0002) | (0.0015) | (0.0016) |
| Age | | | | | |
| Age of head | 0.152*** | 0.3138*** | 0.2975*** | 0.3115*** | 0.4355*** |
| | (0.010) | (0.0255) | (0.0283) | (0.0928) | (0.1008) |
| Age of head squared | -0.001*** | -0.0024*** | -0.0023*** | -0.0021** | -0.0036*** |
| | (0.000) | (0.0002) | (0.0002) | (0.0010) | (0.0010) |
| Education (Omitted: above high school) | | | | | |
| Head less than high school (0/1) | -0.464*** | 0.2731 | 0.9022 | -0.3512 | 1.0096 |
| | (0.080) | (0.4426) | (0.6518) | (0.9502) | (0.8519) |
| Head high school diploma (0/1) | 0.089 | 1.0109** | 1.2952*** | 0.5411 | 1.7594** |
| | (0.056) | (0.3963) | (0.4860) | (0.9218) | (0.8280) |

**Appendix for Table A.2. How Private Transfers Influence Wealth *(continued)***

| | Non-Fixed Effect | Fixed Effect | | | |
|---|---|---|---|---|---|
| | All | All | White, non-Hispanic | Black, non-Hispanic | Hispanic |
| | (1) | (2) | (3) | (4) | (5) |
| **Characteristics of givers/recipients *(continued)*** | | | | | |
| Family composition (Omitted: married) | | | | | |
| Single-female headed (0/1) | -0.604*** | -0.4992 | -2.2076** | 0.5741 | 1.4437 |
| | (0.066) | (0.6050) | (0.8950) | (0.9964) | (1.0410) |
| Single-male headed (0/1) | -0.469*** | -0.5978*** | -0.6145*** | -0.8364* | -0.2124 |
| | (0.075) | (0.1271) | (0.1431) | (0.4552) | (0.4280) |
| Number of children | 0.102*** | 0.1118*** | 0.1242*** | 0.0783 | 0.0946 |
| | (0.024) | (0.0396) | (0.0436) | (0.1150) | (0.1319) |
| Head is student (0/1) | -0.649 | -0.0726 | 0.2289 | -1.6831* | 2.4741** |
| | (0.465) | (0.3717) | (0.4356) | (0.9092) | (1.1390) |
| Head or spouse/partner disabled (0/1) | -0.308*** | -0.0371 | -0.0549 | 0.2152 | -0.0325 |
| | (0.058) | (0.0695) | (0.0736) | (0.2784) | (0.2742) |
| Lives with extended family or adult child (0/1) | -0.026 | 0.1760* | 0.1278 | 0.0122 | 0.3915 |
| | (0.077) | (0.1019) | (0.1177) | (0.2642) | (0.3337) |
| Constant | -0.682*** | | | | |
| | (0.245) | | | | |
| Observations | 27,226 | 31,826 | 18,773 | 9,939 | 2,157 |

*Source* : Author's calculations from the Panel Study of Income Dynamics 1999–2007.

*Notes:* (1) In all models, the dependent variable is the natural log of wealth at time $t$ and is estimated using weighted least squares regressions. Robust standard errors are clustered by family in parentheses. (2) Number of observations differs: column 1 includes family-year observations in 2001-2007 and column 2 includes family-year observations in 1999–2007 with families that appear more than once in five interviews. (3) The top and bottom 0.25% of net worth and family nontransfer income are trimmed, as are the top 0.25% of support received, support given, and large gifts/inheritances (among those who reported transfer). Net support received is calculated from these trimmed values.

*** $p$ <0.01, ** $p$ <0.05, * $p$ <0.1