

Familial Financial Assistance to Young Adults

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The transition to adulthood has changed greatly in recent years: increasingly fragmented educational and career trajectories and delayed marriages. There is evidence that parents are, if not facilitating, then at least supporting their young adult children as they delay economic and social autonomy (Settersten, 2010; Schoeni & Ross, 2005). This paper uses the Transition to Adulthood (TA) supplement to the Panel Study of Income Dynamics (PSID) to describe the financial relationship between young adults and their parents. Using logit and Heckman selection models, respectively, we examine the different types of assistance and their value as well as disparities in support by family socio-economic status. We also investigate the association between childhood characteristics and parental transfers and use sibling fixed-effects models to examine variation in support within families and across children. Finally we also examine how this relationship has been effected by the “Great Recession” that began late 2007.

The PSID is a longitudinal, nationally representative study of American households that began in 1968. In 1997, children ages 0-12 were recruited into the Child Development Supplement (CDS), designed to complement the PSID’s economic data with information on children’s cognitive and socio-emotional development and the home environment. The TA study began in 2005 and consists of CDS participants who have finished high school and covers transition-to-adulthood period. It provides information on an increasingly distinct and crucial developmental phase and includes data on educational attainment, early labor market behavior and relationship formation. Moreover, in combination with the CDS and core surveys, this information can be supplemented with data on childhood behavior, household economic resources and parental characteristics. As a result we are able to examine in detail the association between these factors and the financial support young adults receive from their

parents. Our sample consists of the pooled observations on college-aged (19-22) respondents from the 2005, 2007 and 2009 interviews.

Respondents are asked to describe the financial and material assistance received from parents (and other relatives). Categories include tuition, vehicles, bills, rent, loans and gifts. Preliminary descriptive statistics are presented in Table 1 and as can be seen, the majority of young adults receive some form of assistance. Moreover, the amounts being transferred are substantial. While a small proportion of young adults receive very large transfers (such as tuition assistance) it is also true that the share of youth that received even modestly large sums is substantial: half received transfers valuing over \$5,500 and a quarter received more than \$15,000.

The results from a preliminary logit model of the receipt of any transfer the results are presented in Figure 1. They indicate, not surprisingly, that family SES and college attendance are the biggest factors associated with parental assistance. The odds of receiving help also appear to be greater among respondents who scored higher on Woodcock Johnson tests of cognitive abilities (administered as part of the CDS), even controlling for college attendance. Finally, these findings also indicate that the recession has not significantly affected transfers to young adults.

Table 1: Parental Transfers in the PSID-TA

	Sample			Bottom 25 % Income		Top 25% Income		
	Receiving	Mean	Conditional Mean	Conditional Median	Receiving	Mean (>0)	Mean (>0)	
Any type	62.0%	7522	12141	5500	44.2%	2023	4572	84.0%
.	.	(15025)	(17560)	.	.	(5536)	(7598)	.
Tuition	52.2%	5650	10817	7000	23.5%	1391	5910	73.1%
.	.	(9437)	(10708)	.	.	(4193)	(6988)	.
Bills	38.8%	646	1663	900	25.1%	245	977	61.4%
.	.	(1744)	(2479)	.	.	(851)	(1476)	.
Vehicles	21.9%	2042	9308	6000	16.6%	977	5887	30.9%
.	.	(5774)	(9189)	.	.	(3960)	(8142)	.
Rent	20.0%	723	3623	2400	9.1%	190	2098	36.0%
.	.	(2379)	(4228)	.	.	(1089)	(3036)	.
Loans	10.4%	169	1632	500	9.6%	82	855	10.8%
.	.	(1484)	(4353)	.	.	(581)	(1701)	.
Gifts	7.2%	662	9209	3000	7.2%	294	4063	8.4%
.	.	(8971)	(32450)	.	.	(1570)	(4412)	.
Housing	0.5%	490	98918	89000	0.0%	9	50533	0.4%
.	.	(7903)	(55372)	.	.	(729)	(24876)	.
Sample size	2098	.	.	.	640	.	.	429

Figure 1:

