The Division of Bequests
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Actual bequests, as measured in the AHEAD wave 2 exit interview, are divided equally in about 80% of the families where there are two or more children.   Although we believe we can learn about bequest motives from data on the 20% where bequests are not equally divided, until recently we have not had enough sample size to study the determinants of unequal bequests. But by combining the exit interviews from AHEAD waves 2-5 as well as those from other HRS cohorts through the 2002 interview, we estimate that we will have approximately 5300 exit interviews, which will be adequate for estimation. Furthermore, we can develop addition estimation power by combining the exit interview data on actual bequests with the core HRS questions about wills: those questions inquire about the division of estates.

In this paper we will first simply document the pattern of bequests. Because of the lack of data before the availability of the exit interviews, we do not even know the basic facts. We will find how bequest inequality varies with the number of children, the age of the decedent, the size of the bequest and so forth. Once we have established the basic patterns we will study the determinants of the propensity to bequeath unequally, and, given that the bequest is unequal, the determinants of the division of the estate. Because of the extensive information about the division in the exit interview our main data source will be the exit interview. Altruistic theory suggests that in families where the children have very unequal economic resources estates will tend to be unequally divided. Reciprocity suggests that when there were prior unequal upward transfers of time or money estates will be unequally divided. By combining the core HRS data with the exit interview data we will be able to conduct a direct test of which of these theories best explain the data.

These theories also predict that when estates are unequally divided the child who has fewest economic resources or who has provided the most time or money will be given the larger part of the estate. We will directly test these competing hypotheses.

These analyses will be complemented with analyses based on the core HRS questions about wills. These questions ask directly about which child or grandchild has been named in the will, and except for the lack of amounts they directly parallel the information in the exit interviews. Therefore we will be able to conduct a panel analysis in which we can observe the trajectory of intended bequests as measured by wills. Because these data are available for the entire HRS panel we will have considerable more statistical power than when we restrict estimation to the exit interviews themselves. Furthermore we can track whether the propensity for unequal bequests varies over time and in reaction to other events. For example, we will find whether an onset of disability leading to care giving by a child is reflected in an alteration of the will to favor that child, and whether the actual bequest as observed in the exit interview confirms the data from wills. Thus, these analyses will control for fixed family effects.

In prior analyses of the probability that a bequest will exceed several target amounts, we developed and implemented a method for estimating expected bequests. By combining these data with the information about wills we can find whether the propensity to bequeath equally varies with the overall level of bequests.

We will study the effect of bequests on the distribution of wealth by finding how bequests alter the distribution of wealth in the recipient population.