Intra-Family Cash Transfers in Older American Households

By Sudipto Banerjee, Ph.D., Employee Benefit Research Institute

AT A GLANCE

- This study reports the frequency and extent of intra-family cash transfers: both transfers from older households to their children and grandchildren, and vice versa. It also shows how these transfers are correlated with income levels and compares the asset and income levels of households that make such transfers and those that don’t.

- The results show that a very small portion of older households receive transfers from their younger generations, while a much larger section of older households transfer money to their younger generations. The amounts transferred by older households are much higher than what they receive. These transfers are highly correlated with income. The average annual transfer amounts are large enough to be considered as a major spending item in a household budget.

- From 1998 through 2010, there has been an increasing trend of transfers going from older households (those where at least one member of the household is ages 50 and above) to their family members.

- Very few older households (4 percent to 5 percent) receive cash transfers from their families, compared with those who transfer money (38 percent to 45 percent) to their younger family members.

- Among those ages 50 and above, relatively younger households are more likely to transfer money to their families and relatively older households are more likely to receive such transfers.

- The amount transferred from older Americans to their children and grandchildren generally goes down with age. During a two-year period between 2008 and 2010, the average amounts transferred by households who had at least one member between ages 50–64 and ages 85 or above were $8,350 and $4,787 respectively.

- The average transfer amounts from younger family members to older households are much smaller. During the same two-year period, households who had at least one member ages 85 or above received the highest average transfers among all age groups and the average amount was $359.

- Higher-income households are more likely to transfer money to their family members.

- Households in the top income quartile transfer much larger amounts to their family members than those in the lower quartiles.

- Older households that transfer money to their families have much higher income and assets compared to those that do not make such transfers.
Sudipto Banerjee is a research associate at the Employee Benefit Research Institute (EBRI). This Issue Brief was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author, and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Intra-Family Cash Transfers in Older American Households
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Introduction
Most of the economic research on intergenerational transfer of wealth (Gale and Scholz, 1994; Kotlikoff, 1988; Modigliani, 1988) has been concentrated on bequests left by people at the time of their death. But transfer of cash to family members during the lifetime of a person is less studied, although it is a common occurrence—as shown in this analysis.

These intra-family transfers can have different implications for retirement security of a household: First, if made as a gift, a transfer reduces the amount of assets available in retirement by those making the gift. Second, if older households face liquidity constraints, then sudden needs to transfer money would be met by accessing long-term investments, which may reduce investment returns and increase tax liability. Finally, it might be useful for the retirement-savings-adequacy models to incorporate these transfers as they might have important implications on retirement security of these households. Therefore, it is important to understand the nature of these transfers.

This study reports the frequency and extent of intra-family cash transfers: both transfers from older households to their children and grandchildren, and vice versa. It also shows how these transfers are correlated with income levels and compares the asset and income levels of households that make such transfers and those that don’t. The results show that a very small portion of older households (those with at least one member ages 50 or above) receive transfers from their younger generations, while a much larger section of older households transfer money to their younger generations. The amounts transferred by older households are also much higher than what they receive. These transfers are highly correlated with income. Over time, the percentage of older households transferring money to their families has risen.

Data
The data for this analysis come from the Health and Retirement Study (HRS), a study of a nationally representative sample of U.S. households with at least one member of the household ages 50 and above. It is the most comprehensive survey of older Americans in the nation and covers topics such as health, assets, income, and labor-force status in detail. It is a biennial longitudinal survey with survey waves in even-numbered years beginning in 1992. The initial sample consisted of individuals born between 1931 and 1941 and their spouses, regardless of their birth year. Newer cohorts have been added in the following years. RAND Corporation provides an easily accessible version of the core HRS survey data. For the purpose of this study, the individual and family level RAND data files have been used. The study is sponsored by the National Institute on Aging (NIA) and the Social Security Administration (SSA) and administered by the Institute for Social Research (ISR) at the University of Michigan.

Data from the 1998 through 2010 surveys are used for this study. As HRS is a biennial survey, all the results (unless otherwise mentioned) are for two-year periods. All the transfer amounts are converted to constant 2014 dollars. The definition of transfers as defined in the survey instrument is as follows:

“By financial help we mean giving money, helping pay bills, or covering specific types of costs such as those for medical care OR insurance, schooling, down payment for a home, rent, etc. The financial help can be considered support, a gift or a loan.”

Cash Transfer Rates From Older Households to their Families
Figure 1 shows the percentage of older households, 50 and above, that have made cash transfers to their children and grandchildren in the past two years between 1998 and 2010. It shows that, first, a significant percentage of older households make cash transfers to their families. Second, the percentage of older households making cash transfers to
their families has increased with time, from 38.6 percent in 1998 to 44.6 percent in 2010. There are also two notable drops during this period: One between 2000 and 2002, and the other between 2006 and 2008, both of which coincide with financial-market drops. Finally, the largest increase in percentage of older households transferring cash to their families is shown between 2002 and 2004. It should be noted that in 2004, HRS for the first time included part of the Baby-Boomer generation in the study (Early Baby Boomers, those born between 1948 and 1953). Therefore, part of the time trend Figure 1 captures could be a result of a cohort effect.

Figure 2 breaks down Figure 1 by different age groups of the older households that made cash transfers. The entire sample (in Figure 2 and some later figures) is divided into four age groups: 50–64 (Age Group I), 65–74 (Age Group II), 75–84 (Age Group III), and 85 and above (Age Group IV). First, there is a clear trend with respect to age and cash transfers: Relatively younger households are much more likely to have made such transfers. Households in Age Group I have the highest transfer rates: In 2010, more than half (51.3 percent) of households in Age Group I made cash transfers to their families. Typically, most people in this age group are working and have higher income than the older age groups. The transfer rates go down monotonically with age. For example, in 2010, Age Groups II, III, and IV had transfer rates of 38.9 percent, 33.3 percent, and 28.4 percent, respectively. Second, within each age group, there is an increasing time trend. Age Groups II and IV had the highest increases between 1998 and 2010 in the percentage of households making cash transfers; from 30.7 percent to 38.9 percent for Age Group II, and from 19.7 percent to 28.4 percent for Age Group IV. Finally, Age Group I, which included the Early Baby Boomers in 2004, had the highest increase between 2002 and 2004.

**Cash Transfer Rates From Families to Older Households**

Figure 3 shows the percentage of older households, ages 50 and above, that received cash transfers from their family members in the two-year periods between 1998 and 2010. There are a couple of important observations.
Figure 2
Percentage of Older Households (Ages 50 and Above) That Made Transfers in Past Two Years to Their Children/Grandchildren, by Age Group, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 3
Percentage of Older Households (Ages 50 and Above) That Received Transfers in Past Two Years From Their Children/Grandchildren, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
First, a very small number of older households receive cash transfers from their families, compared with how many (in Figure 1) make cash transfers to their families. Between 2000 and 2010, only between 4 and 5 percent of older households received cash transfers (it should be noted that all transfers are self-reported by the older households, so to the extent they are unwilling to reveal to the interviewer that they received help from their children or grandchildren, there could be some underreporting of these transfers).

Second, unlike Figure 1, there is no clear time trend in the percentage of older households receiving cash transfers from their families. In 1998, only 3.8 percent of older households reported receiving cash transfers, increasing slightly to 4.2 percent in 2010. But there is one similarity with Figure 1: There are two notable drops in Figure 1, first between 2000 and 2002 and then between 2006 and 2008. In Figure 3, there are also two notable increases, exactly during those same two periods. This means that both types of intra-family transfers are correlated with financial market movements.

Figure 4 breaks down Figure 3 by age group of the older-recipient households. Here also there is an age pattern, which is just the opposite of Figure 2. Older households are more likely to receive transfers from their families. For example, in 2010, 3.8 percent of households in Age Group I received cash transfers, compared with 5.7 percent among those in Age Group IV. Also, there is no clear time trend within the age groups. Between 2006 and 2008, the youngest age group (those between ages 50 and 64) experienced the highest increase in cash transfer receipts (1.1 percentage points).

**Average Cash Transfers From Older Households to Their Families**

Figure 5 shows the average transfer amounts, in 2014 dollars, from older households to their younger family members. It is important to note that the reported averages are for two-year periods. From 2004 onwards, Age Group I stands out from the rest (it should be noted again that in 2004 the Early Baby Boomers were included in the sample for the first time). In 2010, the average transfer amount for Age Group I was $8,350 during the preceding two-year period, while the average transfer amount for all other groups was somewhere near $5,000 ($5,300, $4,891, and $4,787 for Age Groups II, III, and IV respectively). Also, from 2004 onward there has been a general pattern between age and average transfer amount: Older households are more likely to transfer less, on average. One exception has been the oldest cohort, Age Group IV, between 2006 and 2008. These averages are high enough to be considered a major expenditure category for older households. A formal comparison between different major expenditure categories and cash transfers has been provided at the end of the report, but suffice it to say that cash transfer to families is an important discretionary spending item in the budgets of older households.

Figure 6 also shows the average transfer amounts, but with one difference: Here the average cash transfers are calculated only for those who reported a non-zero transfer. First, the average conditional transfers are much higher. This is intuitive, as all the zeros are removed from the calculation. So, for older households that actually transfer money to their families, the average is more than $10,000 during a two-year period for each age group, and sometimes significantly higher. Also, in recent years the difference between age groups has been relatively small. For example, in 2010, the average transfer amounts were $16,272, $13,639, $14,704, and $16,835 for Age Groups I, II, III, and IV respectively.

**Average Cash Transfers From Families to Older Households**

Figure 7 shows the two-year average transfer amounts from families to older households. The averages are shown by the age group of the recipients. First, it can be noted that in comparison with the amounts transferred from the older households to their younger families (Figure 5), the amounts transferred are very small.

For example, in 2010, the oldest age group transferred $4,787 on average in the preceding two-year period and received $359 on average during the same period. For the youngest age group, those between ages 50 and 64, the respective transfer amounts were $8,350 and $126 during the same period. Second, there is a relationship between
Figure 4
Percentage of Older Households (Ages 50 and Above) That Received Transfers in Past Two Years From Their Children/Grandchildren, by Age Group, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 5
Average Transfer Amounts (in 2014 $s) in Past Two Years From Older Households (Ages 50 and Above) to Their Children/Grandchildren, by Age Group, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
Figure 6
Average Transfer Amounts (in 2014 $s and Conditional on a Non-Zero Transfer) in Past Two Years From Older Households (Ages 50 and Above) to Their Children/Grandchildren, by Age Group, 1998–2010

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<td>85+</td>
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<td>$23,360</td>
<td>$13,405</td>
<td>$14,917</td>
<td>$16,926</td>
<td>$16,835</td>
</tr>
</tbody>
</table>

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 7
Average Transfer Amounts (in 2014 $s) Received by Older Households (Ages 50 and Above) in Past Two Years From Their Children/Grandchildren, by Age Group, 1998–2010

<table>
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<td>$582</td>
<td>$722</td>
<td>$324</td>
<td>$389</td>
<td>$359</td>
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</table>

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
age of the recipients and the transfer amounts: Older households receive higher transfer amounts. This holds true for all the years analyzed, even though the differences were small in some years. Again, using the data from 2010 as an example, in the two-year period preceding the 2010 survey, Age Group I received $126 on average, which went up to $349 for Age Group III and then increased only marginally to $359 for Age Group IV. Finally, the average transfer amounts went down during the period analyzed for all age groups except Age Group III (75–84). For Age Group I, the average fell from $217 in 1998 to $126 in 2010. For the oldest cohort, Age Group IV, the average transfer amount dropped from $491 to $359 during the same period.

As in Figure 6, Figure 8 shows the conditional transfer amounts (conditional on receiving a non-zero transfer) from younger families to older households. Here also it can be noted that the averages are much higher than in Figure 7. For example, in Figure 7, the unconditional averages for the oldest group (85 and above) in the sample were $491 in 1998 and $359 in 2010. In Figure 8, for the same periods the conditional averages were $8,205 and $6,303. The trend with respect to increasing transfers with age is present here for most years (with the exception of 2004 and 2006). Also, the time trend of decreasing transfer amounts is more pronounced in Figure 8. Here, all age groups experienced significant drops in average transfer amount during the 1998–2010 period. Age Group I experienced the highest drop, from $6,137 in 1998 to $3,293 in 2010. Other age groups also experienced significant drops.

The Relationship Between Transfers and Household Income
This section shows how intra-family transfers are correlated with the income of the older households. First, Figure 9 shows the percentage of older households that transferred money to their families by income quartiles within each age group, and looking at any age group it is obvious that transfers are strongly correlated with income. In fact, the relationship is almost linear. For example, in the youngest age group (50–64) in 2010, 31.2 percent of those in the bottom-income quartile made a transfer, which monotonically increased to 70.0 percent for the top-income quartile. Among the oldest (85 and above), only 12.2 percent in the bottom-income quartile made a transfer in the two years preceding the 2010 survey, while 43.1 percent in the top-income quartile did so. The income trends were similar for the two other age groups in between. But even among the high earners, the transfer rates go down with age. For example, among the top-income quartiles in each age group, the transfer rates were 70.0 percent, 56.1 percent, 51.3 percent, and 43.1 percent in 2010 for Age Groups I, II, III, and IV, respectively.

Figure 10 shows transfers from younger families to older households, by income quartile within each age group. As can be expected, the results are exactly opposite to Figure 9: There is a negative correlation between income and the probability of receiving transfers from family members. This is true for all the age groups. In Age Group I, 7.1 percent in the bottom-income quartile received transfers from their family members in 2010 while only 1.1 percent in the top-income quartile did so. Among the oldest, 9.0 percent in the bottom-income quartile and 2.2 percent in the top-income quartile received such transfers in 2010.

Figure 11 shows the conditional (on a non-zero transfer) average transfer amounts for different income quartiles within each age group for the transfers going from older households to their younger family members. Again, as in Figure 9, there is a positive relationship between income and average transfer amounts. Within each age group, the average transfer amounts generally rise with income, and there is a striking difference in the average transfer amounts of the top-income quartile and those of the rest. The 2010 numbers are as follows: Among the youngest group (50–64), the conditional average for the bottom three quartiles are $7,419, $7,411, and $13,616, respectively in 2010, which then more than doubles to $27,378 for the top-income quartile. For Age Group II, again the amount nearly doubles in 2010 from the third-income quartile ($10,990) to the top-income quartile ($21,072). For Age Group III, the average transfer amount more than doubles between the third- and top-income quartile ($9,436 to $22,864). And finally for the oldest age group, the average transfer amounts for the four income quartiles from bottom to top are $6,574, $13,474, $13,547, and $24,601.
Figure 8
Average Transfer Amounts (in 2014 $s and Conditional on a Non-Zero Transfer) Received by Older Households (Ages 50 and Above) in Past Two Years From Their Children/Grandchildren, by Age Group, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 9
Percentage of Older Households (Ages 50 and Above) That Made Transfers in Past Two Years to Their Children/Grandchildren, 1998–2010, by Income Quartiles and Age Group

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
Figure 10
Percentage of Older Households (Ages 50 and Above) That Received Transfers in Past Two Years From Their Children/Grandchildren, 1998–2010, by Income Quartiles (of Recipients) and Age Group

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 11
Average Transfer Amounts (in 2014 $s and Conditional on a Non-Zero Transfer) in Past Two Years From Older Households (Ages 50 and Above) to Their Children/Grandchildren, by Age Group and Income Quartile, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
Income and Asset Differences of Those Who Transfer and Those Who Don’t

This section shows how older households that transfer money to their younger family members differ financially from those that don’t. Figure 12 shows the median non-housing assets (in 2014 dollars) of the older households that did and did not transfer money to their younger family members, and the differences are very large: Clearly, those that transferred money to their families had much higher non-housing or financial assets. In 2006, before the financial crisis hit, among the youngest households (50–64), those that made a transfer had median non-housing assets of $124,020, compared with $40,658 for those who did not make a transfer. For the same year (2006), among the oldest households (85 and above), the respective median asset levels were $210,015 and $27,203.

Figure 13 shows the similar differences in median total assets of the older households that did and did not transfer money to their younger family members. As with the non-housing assets shown in Figure 12, there are large differences in total assets as well between the two groups. In 2010, Age Group I had the highest transfer rate (as seen in Figure 2) and also the highest difference (in percentage terms) in total assets of those that did and did not transfer money to their families. In 2010, median total assets of those that made a transfer were $163,500, compared with $48,688 for those that did not. Among the oldest, in 2010, the respective total asset medians were $288,850 and $108,564.

Figure 14 shows the income differences of the two groups. Much like Figures 12 and 13, Figure 14 tells the same story: Those that transfer money to their younger families were more likely to have higher income. This is true for all age groups. In 2010, among the youngest households, the median household incomes were $81,209 and $38,368, respectively, for those that did and did not transfer money to their families. Among the oldest households in 2010, the respective median incomes were $34,182 and $20,967. To summarize the results from Figures 12, 13 and 14, it is clear that households that transfer money to their families are in much better financial health—which, of course, makes them more likely to be able to afford these transfers.

Comparing Transfers With Other Major Household Expenditure Items

Expenditures are one of the biggest concerns of retirement planning. Existing research provides estimates for different categories of expenditure (Banerjee, 2014), but none of the estimates include income transfers, since they are not seen as an “expenditure” category. Rather, transfers are a form of discretionary spending that, as shown above, is highly correlated with income and asset levels.

But parts of other major expenditure categories could also be discretionary in nature and correlated with income or assets, such as expenses on travel and entertainment, choice of long-term care facilities, etc. Keeping this in mind, Figure 15 shows how transfers compare with other major spending categories. In particular, the average annual amount transferred between the 2008 and 2010 surveys are compared with the 2009 average-household expenditure on different categories reported from the Consumption and Activities Mail Survey (CAMS). As the results show, for every age group the average transfer amounts are larger than at least one major spending category: clothing. For Age Group I, the average transfer amount is also higher than the “other” expenditure category, which includes all the miscellaneous items in a household budget. And, for the oldest age group, transfers are higher than transportation, clothing and entertainment.

Therefore, transfers are actually a significant expense when compared with other items in a household budget, even though they are not traditionally thought of as a budget item. But as the results in this analysis show, much of the transfers take place in high-income, high-asset households that are generally better prepared for retirement. Whether these transfers would have any significant effect on their retirement readiness is a matter of further investigation, but for the low- or middle-income households such transfers could be a threat to their retirement security.
### Figure 12
**Median Non-Housing Assets (in 2014 $s) for Households That Did and Did Not Make Any Transfers to Children/Grandchildren, 1998–2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>50–64</th>
<th>65–74</th>
<th>75–84</th>
<th>85+</th>
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<td>1998</td>
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<td>2008</td>
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<td>$174,400</td>
<td>$142,245</td>
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Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

### Figure 13
**Median Total Household Assets (in 2014 $s) for Households That Did and Did Not Make Any Transfers to Children/Grandchildren, 1998–2010**

<table>
<thead>
<tr>
<th>Year</th>
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<th>85+</th>
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<tr>
<td>2004</td>
<td>$126,250</td>
<td>$163,125</td>
<td>$177,500</td>
<td>$324,720</td>
</tr>
<tr>
<td>2006</td>
<td>$164,034</td>
<td>$197,145</td>
<td>$207,090</td>
<td>$415,935</td>
</tr>
<tr>
<td>2008</td>
<td>$120,560</td>
<td>$164,670</td>
<td>$188,870</td>
<td>$103,400</td>
</tr>
<tr>
<td>2010</td>
<td>$48,688</td>
<td>$144,752</td>
<td>$364,605</td>
<td>$288,850</td>
</tr>
</tbody>
</table>

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
Figure 14
Median Income (in 2014 $s) for Households That Did and Did Not Make Any Transfers to Children/Grandchildren, 1998–2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).

Figure 15
Comparing the 2009 Average Household Expenditure Items From Consumption and Activities Mail Survey (CAMS) With the Annualized Transfers Between 2008 and 2010

Source: Employee Benefit Research Institute estimates from Health and Retirement Study (HRS).
Conclusion

This study reports the frequency and average amounts of intra-family cash transfers and examines both transfers from older households to their younger family members and transfers from younger family members to these older households. Intergenerational transfers are common for a large section of the population and such transfers may have important implications for the retirement preparedness of many households, but not much is known about such transfers. This study tries to address this issue and shed light on the nature and extent of these transfers. More work is needed to fully understand how this affects the retirement preparedness of older Americans.

The main findings of the study are as follows:

- This study reports the frequency and extent of intra-family cash transfers: both transfers from older households to their children and grandchildren, and vice versa. It also shows how these transfers are correlated with income levels and compares the asset and income levels of households that make such transfers and those that don’t.

- The results show that a very small portion of older households receive transfers from their younger generations, while a much larger section of older households transfer money to their younger generations. The amounts transferred by older households are much higher than what they receive. These transfers are highly correlated with income. The average annual transfer amounts are large enough to be considered as a major spending item in a household budget.

- From 1998 through 2010, there has been an increasing trend of transfers going from older households (those where at least one member of the household is ages 50 and above) to their family members.

- Very few older households (4 percent to 5 percent) receive cash transfers from their families, compared with those who transfer money (38 percent to 45 percent) to their younger family members.

- Among those ages 50 and above, relatively younger households are more likely to transfer money to their families and relatively older households are more likely to receive such transfers.

- The amount transferred from older Americans to their children and grandchildren generally goes down with age. During a two-year period between 2008 and 2010, the average amounts transferred by households who had at least one member between ages 50–64 and ages 85 or above were $8,350 and $4,787 respectively.

- The average transfer amounts from younger family members to older households are much smaller. During the same two-year period, households who had at least one member ages 85 or above received the highest average transfers among all age groups and the average amount was $359.

- Higher-income households are more likely to transfer money to their family members.

- Households in the top income quartile transfer much larger amounts to their family members than those in the lower quartiles. Older households that transfer money to their families have much higher income and assets compared to those that do not make such transfers.

References


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