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The Impact of Social Security Eligibility on Transfers to Elderly Parents and Wealth -building among Adult Children

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Abstract

In this study, I explore the impact of social security eligibility on transfers between adult children and elderly parents and the resulting impact on wealth-building among adult children. I also describe these relationships across different racial and socioeconomic groups. I use data from the PSID and a regression discontinuity approach where I describe the outcomes before and at the parents' social security eligibility age. The main findings show that almost all groups reduce transfers at the threshold age, but the reduction in the probability that a parent receives transfers is stronger for economically disadvantaged groups. I also find that wealth of adult children increases at the threshold age and this increase is strongest for children of low-income parents. These findings support the hypothesis that by reducing the reliance of parents on their adult children Social Security may contribute to wealth-building among the adult children generation.

Keywords: Social Security, Intergenerational Transfers, Wealth, PSID.

JEL classification: D140, D150

1 Introduction

In the US, it is well documented how wealth and economic advantages are transferred from parents to children. But what about the ways poverty and economic disadvantages are passed down to the next generation? Transfers from adult children to elderly parents leave fewer resources for their adult children to invest in their own retirement and invest in their children. If the adult child cannot build sufficient wealth, they may come to depend on the next generation, and the next generation will depend on the next. This life-cycle of child-to-parent transfers represents an important type of poverty trap, but it is not well-studied.

When households are stuck in a cycle of poverty, they usually require exogenous interventions to break the cycle. Often these interventions are in the form of social and welfare policies. Social security lifts more Americans above the poverty line than any other program in the US (Romig (2018)). Most people age 65 and older receive the majority of their income from Social Security. For about half of seniors, it provides at least 50 percent of their income, and for about 1 in 4 seniors, it provides at least 90 percent of income (Basics (2016)). By reducing poverty among the elderly, and thus reducing elderly parents' reliance on adult children, Social Security may be able to interrupt the cycle of poverty between generations.

Conclusions about optimal policies regarding social security should consider the burden of caregiving and monetary transfers placed on the next generation and the impact of Social Security on wealth-building among the next generation. Because economically disadvantaged groups rely more on income from Social Security, the disproportionate impact of social security on transfers and wealth-building among these groups is an especially important policy consideration.

As concerns increase about how to make social security sustainable, including proposals to change the age at which people qualify for benefits, this research is timely in that it looks at the downstream effects of Social Security on the next generation. If Social Security reduces upstream transfers and increases savings of the next generation, cutting benefits or increasing the retirement age of current retirees may lead to an increase in the number of people who will rely primarily on Social Security in the future.

This study contributes to the literature in three ways. One, it focuses mainly on transfers from adult children to elderly parents. Two, it considers the role of Social Security as a mediator between children-to-parents transfers and the resulting impacts on the wealth of the children. The role of parents-to-children transfers and the resulting impact on the wealth in the next generation is well documented. What is less documented is the role of children-to-parents transfers and its negative effect on wealth-building for the next generation. Finally, this study investigates these relationships across different demographic groups. Much of the literature looks at averages across the population, but disadvantaged groups rely more on Social Security income and are thus more likely to be affected by changes to Social Security and retirement policies.

This study uses data from the Panel Study of Income Dynamics (PSID) and employs a regression discontinuity (RD) approach to describe the relationships among intergenerational

money and time transfers and wealth-building among the child generation. The RD approach involves studying patterns of transfers and savings in the years before the social security eligibility threshold (age 62) versus these outcomes in the years that parents reach the Social Security eligibility age.

The main descriptive data support the hypothesis. Findings show a discontinuous increase in child wealth at the Social Security threshold and this effect is strongest for low-income, Black, and female groups- that is, for the most disadvantaged groups. The data also show a reduction in the probability that parents receive money or time transfers at the Social Security threshold. While the observed relationships cannot be concluded as causal, this descriptive study suggests that Social Security may play a role in wealth-building opportunities among traditionally disadvantaged households.

2 Theoretical Framework and Literature Review

The effect of child-to parent-transfers at the parent's Social Security eligibility age and the effect of parents' social security eligibility on child wealth-building are theoretically ambiguous and likely vary by demographic group. For example, the greater need among parents from poorer families would predict larger transfers from children but the lower resources would predict smaller transfers. It is not clear apriori which effect dominates.

There is a rich body of literature in this area and different strands of studies approach the topic differently. One set of work focuses on motivations for transfers between parents and children (Kohli and Künemund (2003); Yamada (2006) ;Jiménez-Martín and Vilaplana Prieto (2015))). Several motives for such transfers have been proposed. These include altruism, exchange, provision of self-insurance within families, and, in the sociological literature, reciprocity (examples, Cox and Rank (1992); and Henretta et al. (1997))).

Another set of work focuses on the effects of intergenerational transfers on wealth-building. Using data from the 1983 -86 Survey of Consumer Finances, Gale and Scholz (1994) found that intended transfers – such as gifts from parents to adult children living in a separate household –are the source of at least 20 percent of aggregate wealth. They argue that, by excluding inter vivos transfers, the popular life-cycle model does not explain an important component of US wealth accumulation. While parent-to-child inter vivos transfers are an important part of the wealth story, child-to-parent transfers have garnered less attention.

Some studies do explain variation in transfers by race, gender, or other demographic characteristics (examples, Sarkisian and Gerstel (2004); Berry (2006); Eggebeen and Hogan (1990)). Again, these studies tend to focus on parent-to-child transfers and tend to focus on the direction of transfers from parent to child. These studies do find that effects differ for different groups. For example, Robert Schoeni and Karen Ross find that compared with young adults (ages eighteen to thirty-four) from families in the bottom half of the income distribution, those in the top quartile received nearly three times as much financial support from parents (2005, 411) Rauscher (2016)). This one-directional focus of transfers misses an

important part of the equation. If those at the bottom of the income distribution are giving help to, instead of receiving help from, parents, then wealth is decreasing for these already disadvantaged and groups income inequality is likely increasing.

One type of parent-to-child transfers that has garnered attention is time and care-giving from children to parents and the resulting impacts on earning and ultimately wealth potential for the caregivers. For example, Loken et al. (2017)) uses the reform in the federal funding of care for the elderly in Norway to examine the effects of formal care expansion on the labor supply decisions of middle-aged children. They find a consistent and significant negative impact of formal care expansion on insured work absences for the adult daughters of single elderly parents. This signifies the effect of social interventions on time transfers to elderly parents, leading to more hours available for work, which results in higher incomes and more opportunities for savings/wealth.

Two closely related papers to the current study are Mukherjee (2018) and Sloan et al. (2002). Mukherjee (2018) examines the impact of Social Security benefits on both pecuniary and non-pecuniary intergenerational transfers. She finds that parents behave altruistically and view any type of resource transfer to their children as a normal good: parents with more social security benefits provide both more money and hours of care to their children. Children, on the other hand, appear to reduce both their provision of financial transfers and hours of help with increases in parental benefits. The patterns highlighted in this study suggest that changes to Social Security benefits and related policies will have significant impacts on the next generation Mukherjee (2018).

Sloan et al. (2002) use an altruistic model to examine substitutions between financial transfers and time transfers between middle-aged children and their parents using data from the Health and Retirement Study (HRS). Their results support the assumption that upstream financial transfers are motivated by altruism. Parents financially worse off than their middle-aged children receive more money and are more likely to live nearby or co-reside. Time transfers provide weaker support for their model than financial transfers. While Sloan et al. (2002) and others consider the impact of adult-child's wealth on transfers to parents, this current study considers the impact of transfers to parents on adult-child's wealth.

The current study adds to the literature by focusing especially on the impact of transfers from adult-children to parents and the resulting impacts on the wealth of the adult child. To my knowledge, no study has taken this approach to this topic. This study also contributes to the literature by assessing the role of Social Security in mediating this relationship between child-to-parent transfers and wealth. Additionally, this study investigates these relationships in different demographic groups.

3 Methods

To estimate the changes in transfers and wealth due to social security, I use exogenous rules regarding Social Security eligibility to compare individuals before versus after the Social

Security eligibility threshold.

The general form of the equations estimated by parent's demographic group, (X_i , given as :

$$Y_{ia} = \alpha + f(a) + \beta_1 TREAT_a + \epsilon_{ia}, \quad (1)$$

where Y_{ia} represents different outcomes for individual i at parental age a . The outcome variables considered are the probability of receiving any transfers, the conditional amount of transfers received, net transfer (transfers received minus transfers given), and savings/wealth of the adult child.

The effect of parental age on the outcome variables is captured by the function $f(a)$. The evaluation problem consists of estimating the effect of the treatment (Social Security eligibility) on the outcome variables. The key identification assumption that underlies the regression discontinuity (RD) strategy is that $f(a)$ is a smooth (continuous) function. Under this assumption, the treatment effect is obtained by estimating the discontinuity in the empirical regression function at the point where the treatment variable switches from 0 to 1 (age 62 in this case).

The assumption that $f(a)$ is a continuous function means that social security benefits are the only source of discontinuity in outcomes around age 62. To my knowledge, no other federal programs or pension policies have rules that change discontinuously at age 62.

$TREAT_{ia}$ is a dummy that represents Social Security threshold. It is defined as

$$TREAT_{ia} = \begin{cases} 0 & \text{if } a < 62 \\ 1 & \text{if } a \geq 62 \end{cases}$$

The coefficient on the $TREAT$ variable, (β_1), captures the changes in the outcomes for individuals at the age threshold, that is, a change in the intercept. X_i is a vector of socio-economic variables, which includes parental race, sex, and income group. I estimate the RD equations separately by demographic group.

Figure 7 demonstrates the discontinuity in the probability of claiming Social Security retirement benefits by age. Since only a fraction of individuals will claim social security at age 62, this is a "fuzzy" RD design. This graph would suggest a type II fuzzy design, in which some treatment group members do not receive treatment, and some comparison group members do. Individuals who receive the "treatment" prior to the threshold age are those who qualify for income from social security based on income or disability. Under the fuzzy RD setting, the age threshold is essentially an instrument for receipt of Social Security.

Since not everyone claims Social Security benefits at age 62, the estimates on the $TREAT_{ia}$ variable captures the effect of the treatment on the treated specifically (those who actually claim Social Security at 62), rather than the average treatment effects. Thus, these results cannot be generalized to what would happen to the average person if treated.

A major shortcoming of the current version of the paper is that I am not able to estimate the discontinuities very close to the threshold age since I have yearly age data. In a later

iteration of this study, I will use the month of birth data to estimate effects for those who turn 62 earlier during the year versus later during the year. This will capture more data points directly around the age threshold, which makes for more precise estimates.

The data demands for this approach are large. The ideal data would use the month (instead of the year) individuals become eligible for Social Security. However, using monthly data would require larger sample sizes. To overcome this, this study uses yearly data, but this makes the estimates less precise. In addition, sample sizes around the age threshold are still small using yearly data. To further overcome this, I use longer bandwidths around the age threshold, but this makes the estimates less precise. Since the discontinuity is not captured closely enough around the threshold age to support causal analysis, this study relies extensively on graphical and descriptive techniques to show the dynamics in the outcome variables around the time of the Social Security eligibility event.

This approach follows other studies using age-based eligibility thresholds to estimate the effect of an anticipated change in program eligibility in an intent-to-treat framework (For examples see Fitzpatrick and Moore (2018), Card et al. (2008), Carpenter and Dobkin (2009), Anderson et al. (2014), and Lemieux and Milligan (2008)).

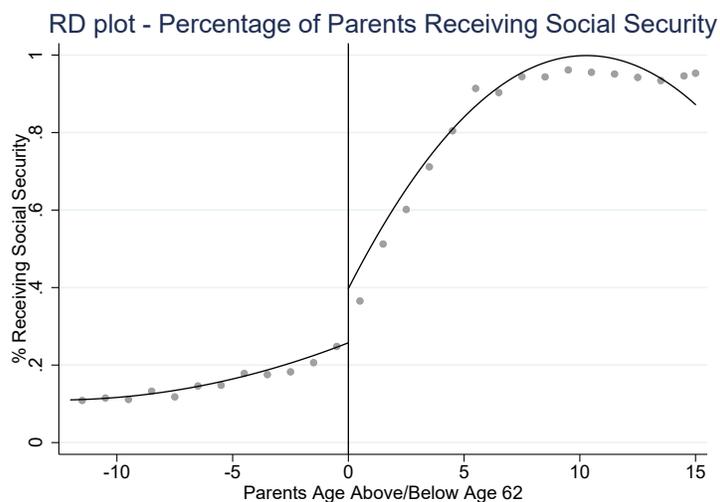


Figure 1: Probability of Claiming Social Security Years Before and After Age 62

4 Data

I use data from the Panel Studies of Income Dynamics (PSID). The PSID is the longest-running longitudinal study. It began in 1968 with a nationally representative sample of over 18,000 individuals living in 5,000 families in the US. It was collected annually until 1997 and biannually since then. The survey includes data on individual demographics, household finances, and family structures. It also includes periodic supplements such as the Rosters and

Transfers 2013 Module, which asks respondents about time and money transferred between parents and children. I use a selection of panel-level data from 1999 to 2017 along with the Rosters and Transfers Module 2013 cross-sectional supplement.

The main advantage of the panel dataset is that it allows me to calculate changes in variables over time, as well as captures the same individuals before and after the Social Security threshold. However, while it asks about transfers to relatives, it does not contain detailed information on transfers specifically to parents and detailed information on hours transferred. To account for these shortcomings, I supplement these data with the Rosters and Transfers cross-sectional dataset, which contains transfers specifically between parents and children and includes detailed hours/time transfers.

The Rosters and Transfers Module provides recent and long-term transfer information between parents and adult children from 9,107 families who participated in the 2013 survey. It contains detailed information on both hours and money transferred to and from parents. I focus on parents who over 55 years old. I link the 2013 supplement to individual and household information from the regular PSID 2013 surveys. This allows me to capture information about the parents and children that are not available on the supplement, such as race, wealth, and Social Security status. The shortcoming of the transfers module is that the cross-sectional nature of the data means studying outcomes around the age threshold means comparing different individuals.

For this paper, I use data for the head of the household and measure wealth at the household level. For this study, the panel dataset contains 3330 parent-child records and approximately 12500 record-period observations. The cross-sectional data contains 2000 parent-child individual matches.

Descriptive Statistics for some background variables for the cross-sectional data are displayed in 1 and for the panel dataset in Table 2. These statistics are displayed by the parent's race to highlight possible heterogeneity in the data by group. In both samples, Black households have lower income and lower wealth than their White counterparts. White households are more likely to receive Social Security, receive more Social Security income, be married, are older, and are less likely to be headed by women.

I do not have savings data, so I use the panel dataset to calculate changes in wealth from one survey year to the next. Wealth includes housing equity and all savings and retirement accounts. Net transfers received is calculated by subtracting the amount of time/money the individual gives from the amount of time/money received. Net transfers are calculated for everyone, regardless of whether they gave/received transfers. Thus, a net transfer of zero can mean individuals give as much as they receive, or they did not give or receive any transfer. All income and wealth measures are in real 2013 dollars.

| Variable | White | | Black | |
|------------------------------------|-------|-------|-------|------|
| | Mean | SD | Mean | SD |
| Child Family Income* (in \$1000) | 94.67 | 162 | 40.8 | 41 |
| Parent Family Income (in \$1000) | 72.59 | 83 | 34.6 | 34.6 |
| Child Family Wealth(in \$1000) | 267.8 | 112.8 | 43 | 274 |
| Parent Family Wealth(in \$1000) | 621 | 1810 | 63 | 174 |
| Parent Received Social Security(%) | 71 | | 59 | |
| Amount of Social Security | 19326 | 10159 | 11789 | 6968 |
| Age of Parent | 70.56 | 10.2 | 66 | 9.7 |
| Age of Child | 42.79 | 11 | 39.8 | 10.3 |
| Parent Currently Married(%) | 54 | | 40 | |
| Child Currently Married(%) | 69 | | 40 | |
| Parent Head Female(%) | 35 | | 64 | |
| Number of individuals | 1234 | | 684 | |

*All financial variables in real 2103 dollars

Table 1: Descriptive statistics By Race of Parents for Cross-Sectional Sample

| Variable | White | | Black | |
|-----------------------------------|--------|-------|-------|-------|
| | Mean | SD | Mean | SD |
| Child Family Income*(\$1000) | 108.26 | 135.7 | 55.4 | 45.4 |
| Parents Family Income (\$1000) | 89.9 | 115.5 | 45.6 | 41.8 |
| Child Family Wealth (\$1000) | 373.6 | 1553 | 75.8 | 365.8 |
| Parent Family Wealth(\$1000) | 687 | 2080 | 105.3 | 280.1 |
| Age of Parent | 68.8 | 9.6 | 64 | 8.5 |
| Age of Child | 37 | 11.5 | 35 | 11 |
| Parent Married(%) | 62 | | 35 | |
| Parent Head Female(%) | 28 | | 55 | |
| Parent Receive Social Security(%) | 58 | | 52 | |
| Amount of Social Security | 16723 | 9979 | 11964 | 8212 |
| Observations | 9278 | 9278 | 3270 | 3270 |
| Number of individuals | 2300 | | 1031 | |

*All financial variables in real 2103 dollars

Table 2: Descriptive Statistics By Race of Parents Longitudinal Sample.

5 Results

I present graphical analyses for variables that appear to have interesting patterns at or around the social security eligibility age. I also present descriptions in tables that show the average value or the proportion of the sample for each outcome before versus at the Social Security eligibility age with estimates of their statistical significance. While I am mostly interested in adult-children to parents transfers, that is, transfers given by children and transfers received by parents, I also present results for parents-to-children transfers as this type of transfer is important in the discussion of child wealth-building.

The results are derived from the estimation model in equation 1. Estimates are repeated for Black, White, Male, female, low-income, and high-income households. The low-high income categories are created by dividing family income into two halves. All results presented are from the panel data except the hours transferred variables. Both datasets show similar outcomes except for a few cases where they differ by a background variable. Descriptive outcomes from the cross-sectional dataset are displayed in Figures 7 to 8.1 in the appendix. I use results from the panel data sample since this dataset allows me to measure and use the wealth variable and because it includes both person and year observation, which leads to better estimates.

5.1 Giving and Receiving Transfers at Parents' Social Security Eligibility Age

The probability of receiving money transfers for parents is displayed in Figure 2. This figure appears to show a discontinuity in the percentage of parents receiving money transfers at the age threshold. However, the data points appear to show clearer discontinuities at age 65. It also appears that the underlying age equation is a second-degree polynomial. These plots are in no way prescriptive, but simply reveal the patterns that the equations are estimating.

Figure 5.1 shows the percentage of parents who give money transfers. The RD plots again show a discontinuity at the age threshold. In this case, the running age variable is decreasing over time, but this plot would suggest that the intercept changes at age 62. These patterns are similar for the percentage of children receiving money transfers, displayed in Figure 5.1. The percentage of children who give money is displayed in Figure 5.1. The RD plot shows a change in the intercept at the age threshold. The numerical and statistical significance of these numbers are displayed in the results tables.

Table 3 shows the probability of parents receiving and giving transfers by parents. The columns labeled "before Age 62" show the probability of the outcomes right before individuals turn 62. These columns show that for every demographic group, parents are more likely to give than receive. It also shows that more economically disadvantaged parents- Black, female, and low-income- are more likely to receive transfers and are less likely to give. The columns labeled "change at 62" show the change in the intercept at the age threshold. These columns

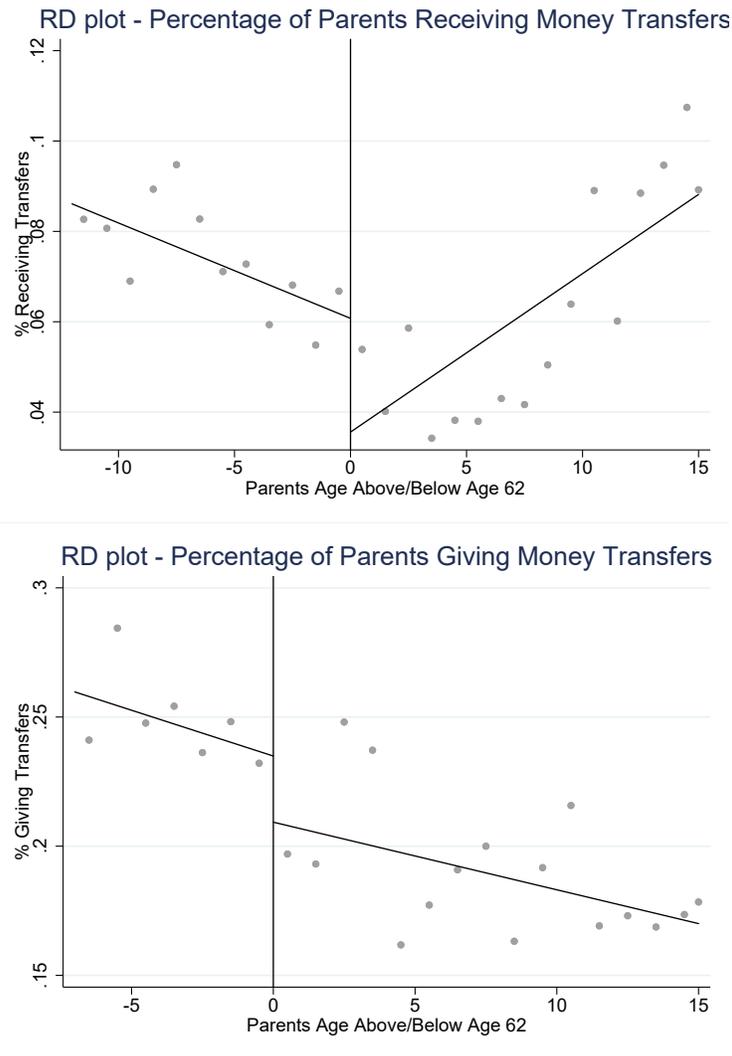


Figure 2: Probability of Receiving/Giving Money Transfers at Social Security Eligibility Age- Parents

show that every demographic group reduces their transfers at the age threshold. Also, note that the decline in the probability that parents receive monetary transfers is larger for these more disadvantaged groups, suggesting that parents qualifying for Social Security reduces the need to depend on the younger generation. However, as displayed in Figure 5.1, while the percentage of parents receiving transfers may fall around the retirement age, it increases as parents get older, suggesting that this reprieve on family members is temporary.

All the estimates are significant except for Black, low-income, and high-income parents for the “giving” variable.

| Group | Prob Parents Receive \$ Transfers | | Prob Parents Give \$ Transfers | |
|-------------|-----------------------------------|--------------|--------------------------------|--------------|
| | Before Age 62 | Change at 62 | Before 62 | Change at 62 |
| Full Sample | .09***(.01) | -.07***(.02) | .26**(.01) | -.07***(.03) |
| White | .067***(.01) | -.04***(.02) | .277***(.01) | -.07***(.03) |
| Black | .21***(.03) | -.24***(.06) | .22***(.03) | -.08(.07) |
| Female | .16***(.01) | -.09**(.04) | .22***(.02) | -.07*(.04) |
| Male | .06***(.01) | -.05***(.03) | .28***(.01) | -.07**(.03) |
| Low-Income | .16***(.02) | -.11***(.03) | .19***(.02) | -.05(.03) |
| High-Income | .045***(.01) | -.04**(.02) | .30***(.02) | -.06(.04) |

* $p < .1$, ** $p < .05$, *** $p < .01$

Robust standard errors are in parentheses

Table 3: Effect of Parents’ Social Security Eligibility Age on Money Transfers to and from Parents

Table 4 shows the estimates for the probability that an adult child receives and gives transfers and the change in these probabilities at the social security age threshold. Results are similar to the parental transfers. All groups are less likely to give or receive transfers at the threshold. The effect on probability of receiving transfers is significant only for children of low-income parents. This means that children with low-income parents are less likely to receive transfers at age 62. The coefficients for the probability that a child gives transfers are also negative at the threshold, but only for children whose parents are high income, male and White. This suggests that children of more advantaged parents are less likely to give transfers when their parents hit the Social Security threshold. These effects are also negative but not statistically significant for members of more disadvantaged groups. Overall, the estimates show that transfers of every kind and for almost all groups decrease at the social security age threshold.

5.2 Time Transfers

The panel data does not contain detailed information on hours of help given and received, but this information is contained in the cross-sectional data. Figure 4 shows the probability that parents receive time transfers before and at the parent’s Social Security eligibility age. This figure shows a sharp negative change in the percentage of parents receiving time transfers at age 62.

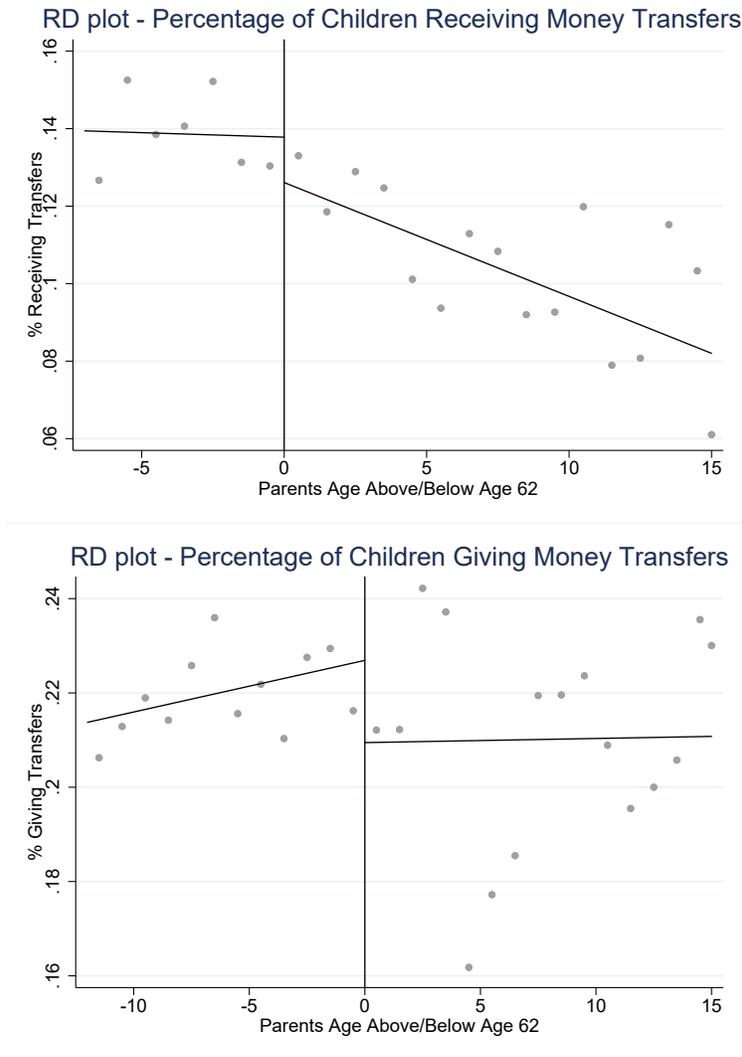


Figure 3: Probability of Receiving/Giving Money Transfers at Parents’ Social Security Eligibility Age- Children

| Group | Prob Children Receive \$ Transfers | | Prob Children Give \$ Transfers | |
|-------------|------------------------------------|--------------|---------------------------------|--------------|
| | Before Age 62 | Change at 62 | Before 62 | Change at 62 |
| Full Sample | .14***(.01) | -.03*(.02) | .25***(.01) | -.08***(.03) |
| White | .13***(.01) | -.02(.02) | .25***(.01) | -.09***(.03) |
| Black | .17***(.03) | -.08(.06) | .26***(.04) | -.04(.08) |
| Female | .14***(.02) | -.05(.04) | .25***(.03) | -.05(.05) |
| Male | .14***(.01) | -.03(.02) | .25***(.01) | -.09***(.03) |
| Low-Income | .16***(.02) | -.07**(.03) | .24***(.02) | -.04(.04) |
| High-Income | .13***(.01) | -.01(.03) | .26***(.02) | -.12***(.04) |

* $p < .1$, ** $p < .05$, *** $p < .01$

Robust standard errors are in parentheses

Table 4: Parents’ Social Security Eligibility Age and Money Transfers to and from Children

The coefficients on the estimates at the age threshold for the probability of giving and receiving time help are negative but not statistically significant. The estimates for the probability of giving/receiving any transfers and for net transfers received for the cross-sectional data are reported in the appendix. Overall, the direction of the effects is similar to the estimates using the panel data.

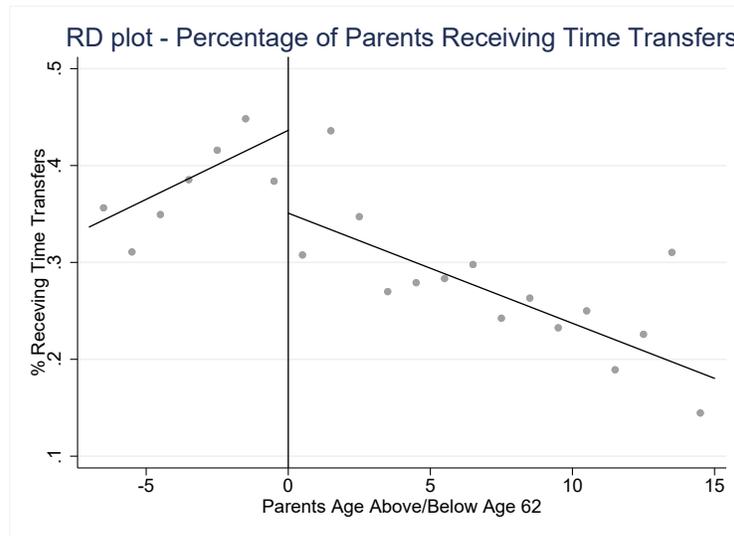


Figure 4: Probability that Parents Receive Time Transfers Before/After Parents' Social Security Eligibility Age

5.3 Net Money Transfers Received

Figure 5.3 shows the net amount of money received for parents and children. Net money received is calculated as the amount of money received minus the amount of money given, thus a negative number signifies that a group receives more money than it gives. There appears to be a small discontinuity for parents and no discontinuity for children in net money received. Table 5 shows that before the age threshold net money received is positive for all parental groups except for high-income groups. This means that parents overall receive more money than they give. The table also shows that Black and low-income parental groups have relatively higher net receipts from transfers at \$10000 and \$8000, respectively. High-income parental groups give more than they receive as demonstrated by the negative net receipts. On the other hand, children of Black and female parents appear to give more money than they receive, about \$4000 and \$3000 more, respectively. Although these groups are more likely to be disadvantaged, they appear to give more to their parents than they receive.

Children of male-headed households receive about \$5000 more than they give, but this decreases by about \$2700 at the age threshold. Adult-children with high-income parents seem to have very low net receipts. This could be due to low transfers overall between parents and children. Looking back at Table 2, it shows that less than .5% of high-income

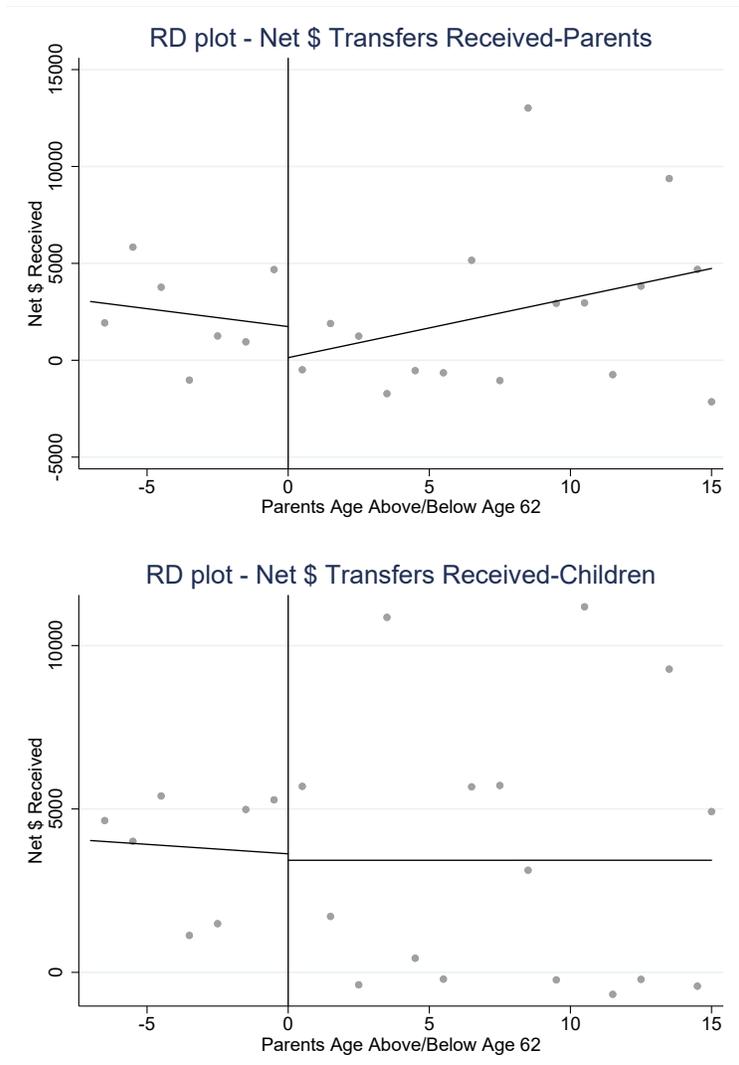


Figure 5: Net Money Transfers Received at Parents’ Social Security Eligibility Age

parents receive transfers from their children. The net money received increases for all groups except Black and White parents and for children of both low- and high-income parents. The changes at the age threshold are not statistically significant for any group except for children of female parents.

Table 5: Effect of Social Security Eligibility Age on Net Money Transfers Received (\$000)

5.4 Change in Children's Net Wealth at Parents' Social Security Eligibility Age

Finally, I consider the effect of the social security threshold on changes in adult-children's wealth. Figure 6 shows a small increase in the intercept at the age threshold. Table 6 shows that these estimates are indeed positive for all groups, except the high-income group, at the age threshold and the estimate for low-income parent group is statistically significant. Children with low-income parents appear to see a positive change in wealth once their parents reach the social security age threshold.

Also noteworthy is the fact that the change in wealth before the age threshold is very low or negative for children with Black, low-income, and female parents, which suggests that these groups are struggling to build wealth. The positive increase in wealth at the parent's social security age threshold means these groups may have the ability to begin building wealth once the parents become eligible for income from social security. The plot in Figure 6 shows that by increasing the intercept, parents reaching social security age places child wealth on a higher growth path.

While there are likely other mechanisms, the present findings that for these disadvantaged groups, parents are more likely to receive money and time transfers before the age threshold and are less likely to receive money transfers and time transfer at the threshold play a part in explaining positive changes in child wealth at the age threshold. One other explanation for the increase in child wealth at the parents' age threshold may be that parents may be more likely to give money at the threshold. However, the result that parents are less likely to give money at the Social Security age threshold means this explanation is not plausible.

While fewer parents give money at the age threshold, Table 5 shows that the net amount of transfers received increase at the age threshold for children of Black and female parents, but decreases for children of low-income parents. Since the increase in wealth at the age threshold is strongest for children of low-income parents, it is more plausible that the reductions in transfers to parents play a larger role than the increase in transfer to children.

These results also show that studying outcomes averaged over all the different groups will miss the heterogeneous outcomes for different socioeconomic groups.

6 Discussion and Conclusion

These main findings are that both parents and children from almost all demographic groups reduce their money transfers once parents reach the social security eligibility age. Results also show that more economically disadvantage parents, specifically, Black, female, and low-income, are more likely than their counterparts to receive transfers and less likely to give before the Social Security eligibility age. Importantly, while the probability of parents receiving transfers decreases for all groups at the social security age threshold, this probability

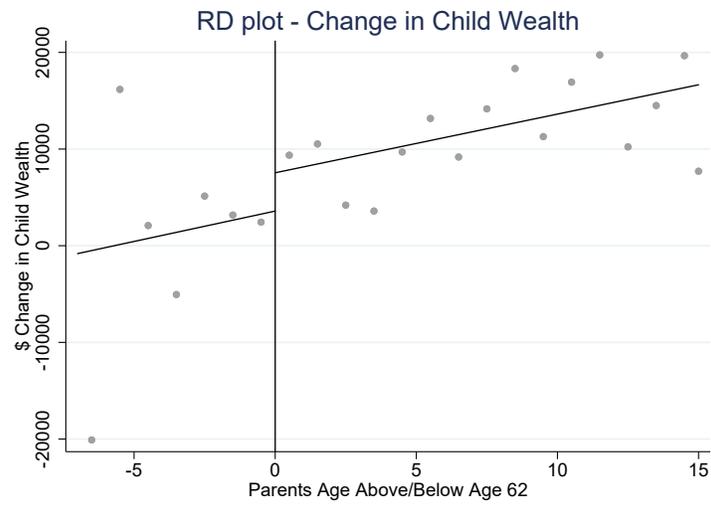


Figure 6: Change In Children's Net Wealth at Parents' Social Security Eligibility Age

| Group | Change in Adult Children's Wealth (\$000) | |
|-------------|---|------------------|
| | Before Age 62 | Change at Age 62 |
| Full Sample | 1.3(4) | 9.2(8.4) |
| White | 3.7(4.7) | 9(9.6) |
| Black | -1.5(8.7) | 1.3(17.2) |
| Female | -2.5(7.5) | 10.9(14) |
| Male | 1.8(5) | 10.9(11) |
| Low-Income | .046(2.4) | 13.3**(3.5) |
| High-Income | 5.9**(2.5) | 4.5(4.2) |

* $p < .1$, ** $p < .05$, *** $p < .01$

All financial variables are in real 2013 dollars. Robust standard errors are in parentheses

Table 6: Effect of Parents' Social Security Eligibility on Change in Adult Children's Wealth

more for those from disadvantaged groups. This means that parents reaching the Social Security eligibility age reduces parents' dependence on their children.

Any reductions in Social Security benefits or increases in the Social Security eligibility age will reduce this positive downstream effect on family members. While increases in the Social Security age may lead to a larger benefit amount for the recipients in later years, this analysis suggests that policy assessment might consider the additional strain on children and family members. In addition, findings in this paper suggest that the intercept of the child's wealth curve increases at the parents' social security eligibility age, putting the wealth of the child on a higher trajectory. Thus, policies that delay this effect may have negative compounding effects on child wealth. While there are likely other mechanisms for this wealth effect, the reductions in the percentage of parents receiving transfers and the reductions in the percentage of children giving transfers around the social security threshold age support the hypothesis that children to parent transfers matter for child wealth-building.

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8 Appendix

8.1 Figures from CrossSectional Data

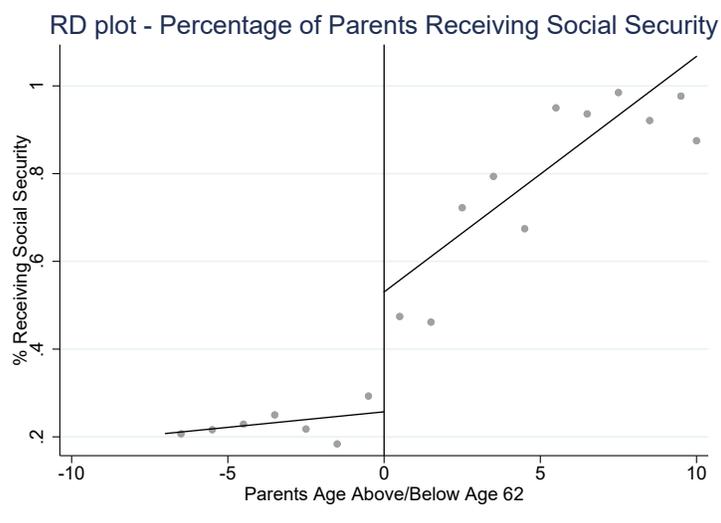


Figure 7: Probability of Claiming Social Security Years before and after Age 62- Cross Sectional

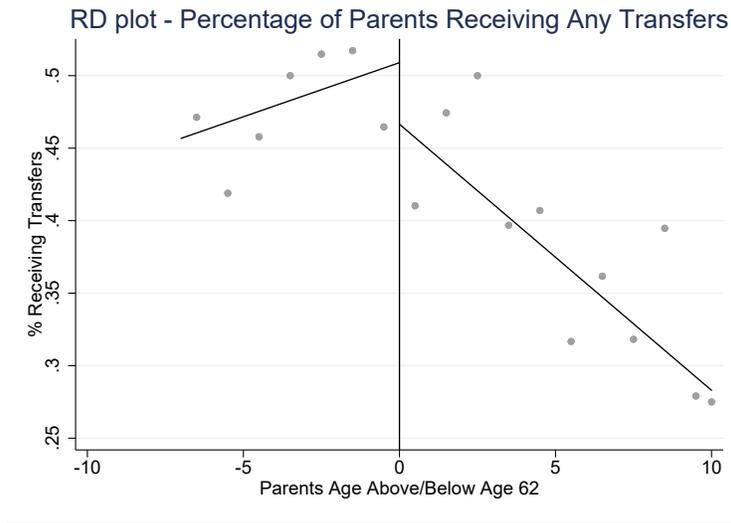


Figure 8: Probability of Receiving Time and any Transfers at Social Security Eligibility Age-Parents

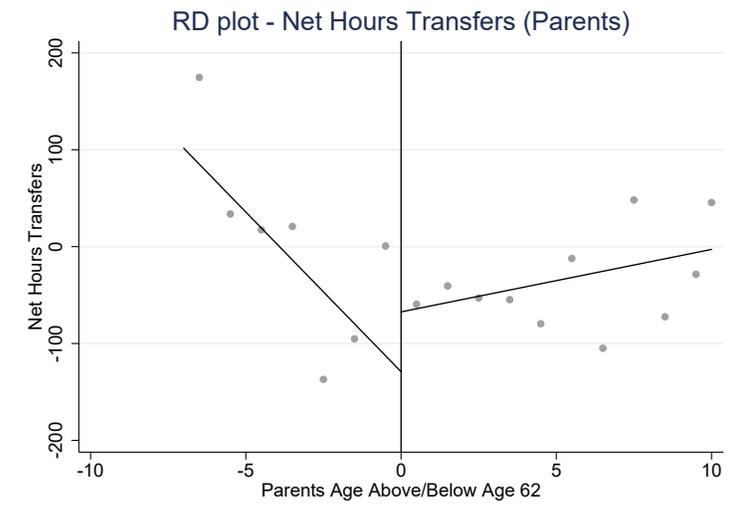


Figure 9: Net Hours Received by Parents before and after Parent's Social Security Eligibility Age

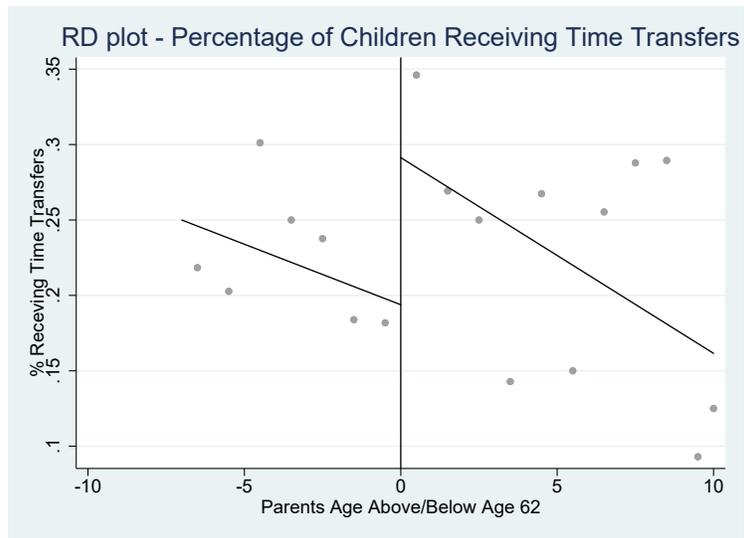
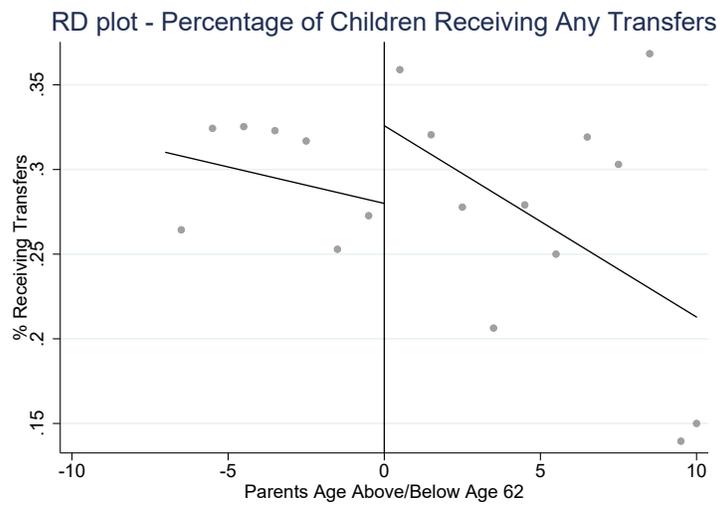


Figure 10: Probability of Receiving Time Transfers before and after Parent’s Social Security Eligibility Age- Children



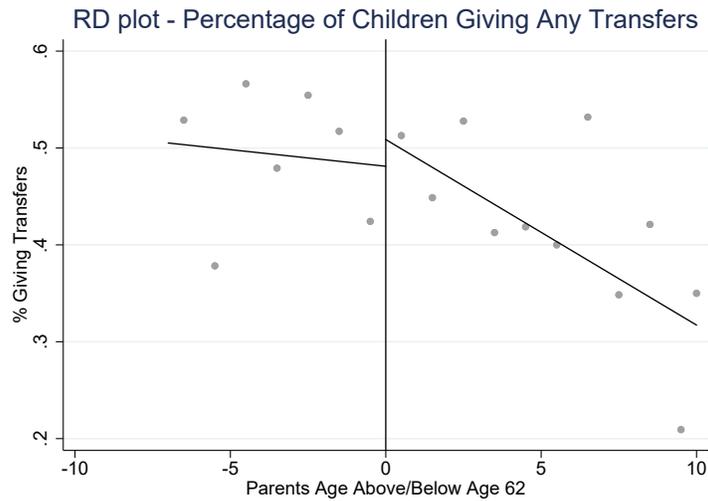


Figure 11: Probability of Receiving Time and any Transfers at Social Security Eligibility Age- Children

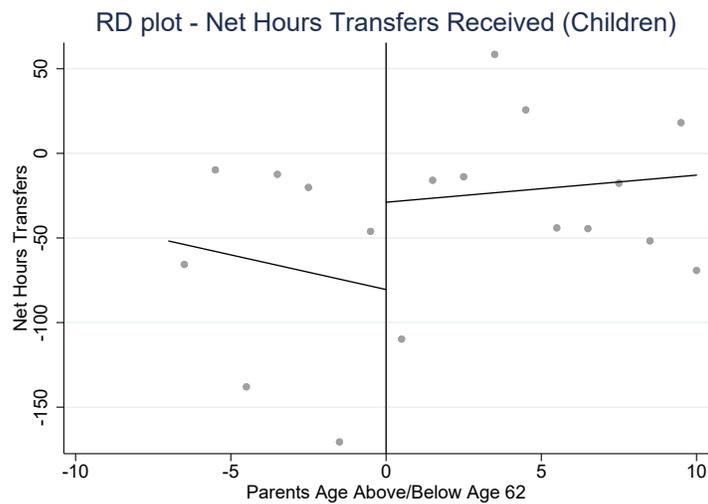


Figure 12: Net Hours Received by Children before and after Parent's Social Security Eligibility Age



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