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Does Family Care for the Young Come at the Expense of the Old?

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Introduction

Demographic trends, most notably disability and fertility trends, affect supply of and demand for familial intergenerational resource transfers . In spite of a slight decline in disability rates in the past decade, some of the gains in life expectancy at older ages are years accompanied by chronic disabling conditions and co-morbidity, specifically those related to obesity (Cai & Lubitz, 2007; Freedman, Schoeni, Martin, & Cornman, 2007). As a result, elderly family members have prolonged periods with needs for care. At the same time, fertility rates have shown a constant decline (except for the "baby boom" years between 1946 and 1964). This trend along with increasing rates of divorce and female labor force participation, decrease the supply of familial caregivers at a time when demand for care may be rising. At the same time financial support provided by middle-aged parents to young adult children is important in an adult child's acquisition of key assets such as housing and education and in helping to smooth consumption when a child is faced with an income shock. Research found parents provide significant amounts of financial transfers to children in college (Zissimopoulos & Smith, 2009) and that parental support allows young adults to pursue higher education (Goldscheider, Thornton, & Yang, 2001). Parental monetary transfers for education are likely increasing in importance as the costs of higher education continue to rise. The importance of familial financial transfers for housing down-payment and to smooth income shocks may grow if markets for credit continue to tighten and unemployment remains high as a result of the current financial crisis.

Goals of this Paper

The goal of this paper is to empirically investigate how middle age individuals, with family members that include both elderly parents and young adult children, allocate money across the old and young generations. More specifically, we:
1. Investigate monetary giving to children and parents among families that span these three generations and the proportion of households giving exclusively to parents, exclusively to children, simultaneously to both children and parents, or not giving at all.
2. Estimate age patterns of simultaneous giving up and down the generations.
3. Investigate socio economic and demographic factors associated with the various giver types.
4. Study whether middle age individuals substitute money to parents with money to children.

Methods

Our research relies on the Health and Retirement Study (HRS), a nationally representative sample of about 7,600 households (12,654 individuals). Pooling data from the most recent five waves (1998-2006) on all households with at least one surviving parent or parent-in-law and at least one child, provides us with 16,676 household observations. We use these data to study the proportion and magnitude of giving to parents and children and then further distinguish between giving to parents only, children

only, both parents and children, and not giving. We utilize the long panel to study upstream monetary transfers to parents and children over the lifecycle disentangling age and cohort effects.

We employ multivariate analysis of the factors associated with giving to parents only, children only, both parents and children or not giving. We estimate a multinomial logit model that includes socio economic and demographic characteristics of the 'receiving' elderly parent and the 'giver' respondent and children's ages. The characteristics of the 'receiving' parent include age, health care needs, number of parents in the household, marital status, gender, and financial needs. The characteristics of the 'giver' household include age, household type and gender, income and wealth, health, race, and cohort of birth. We include age of children to examine whether parents with children at or near college age substitute transfers to elderly parents with transfers to children.

Preliminary Results

Proportion and Magnitude of Households Monetary Giving to Parents
Table 1 provides an overview of the proportion and magnitude of giving to parents and children. Overall, respondents are more likely to give to children and give more to children than to parents. Forty-seven percent of middle age households give to children while seventeen percent give to aging parents. Average amount given to parents is low, about $700 or about $470 per parent over two years. On average, they give to all children about $5,900 or just under $2,000 per child over two years. Conditional on giving, middle age parents give more to children than elderly parents and giving to both generations is highly unequal. Ten percent give $8,000 or more to parents or about $5,300 per parent over two years. Ten percent of respondents give $30,000 or more to children or about $10,000 per child over two years.

Age Patterns in Giving Behavior Up and Down the Generations Across Cohorts
Both the probability (not shown here) and the magnitude of monetary gift (Figure 1) to children across the entire lifecycle is higher than that to parents. Giving to children decreases over the life course with later born cohorts providing higher levels of financial support than earlier born cohorts. This declining pattern is consistent with predictions of a lifecycle model of giving and declining needs of children. Giving money to parents, however, is fairly constant across the lifecycle for all birth cohorts.

Household Giver Types and Magnitude of Giving by Giver Type
Table 2 summarizes the distribution of giver types in the sample. Over half of households give to either parents, children or both. About 7 percent of the sample provides transfers exclusively to parents, while a much larger proportion, about 37 percent provide monetary support exclusively to children. Ten percent of households provide monetary transfers to both generations and these households give more to both parents and children compared to the amounts when giving is exclusively to parents or to children (results not shown). We explore explanations for amounts of giving utilizing multivariate analysis.

Multivariate Analysis Results: The Factor Associated with Giver Type
   The paper discusses the results from a multinomial logit regression analysis of the factors associated with three types of giving: exclusively to parents, exclusively to children, to both parents and children, not giving. We focus specific attention on how age of child and elderly parent's health, as proxies for need, and givers' financial resources explain giving patterns.

References

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Table 1: Probability of Giving and Distribution of Amount Given to Elderly Parents and Children [ab]

	Transfers to parents	Transfers to children
Unconditional on giving in $ amounts		
Percentile		
10	0	0
25	0	0
50	0	0
75	0	4,267
90	1,370	15,000
95	3,416	28,447
99	13,706	74,706
Mean amount	705	5,905
Probablity	0.17	0.47
No. observations	16,468	16,525
Transfer amount conditional on giving at least $500 over two years in $ amounts		
Percentile		
10	560	1,000
25	878	2,000
50	1,921	4,683
75	3,922	12,368
90	8,039	30,000
95	13,358	48,000
99	37,104	113,313
Mean amount	3,946	12,661
No. observations	2,666	7,057

SOURCE: Author's calculations based on 1998-2006 HRS
NOTES: a. Sample sizes differ slightly due to missing observations on transfers data on given amounts. Sample is households with living parent(s) and child(ren). Data weighted using HRS household analysis weights. b. Transfers dollar amounts are CPI adjusted to $2006.

Table 2 – Proportion of Types of Givers [a]

Type of Giving	
Giving to	Proportion (%)
Exclusively to parents	6.67
Exclusively to children	36.86
Both parents and children	9.78
Not giving at all	46.69
Total	100.00
No. observations	16,676

SOURCE: Author's calculations based on 1998-2006 HRS
NOTES: a. Sample is households with living parent(s) and child(ren). Data weighted using HRS household analysis weights.

Figure 1- Unconditional Amount of Money ($) Given to Parent(s) and child(ren) by Respondent's Age and Birth Cohort
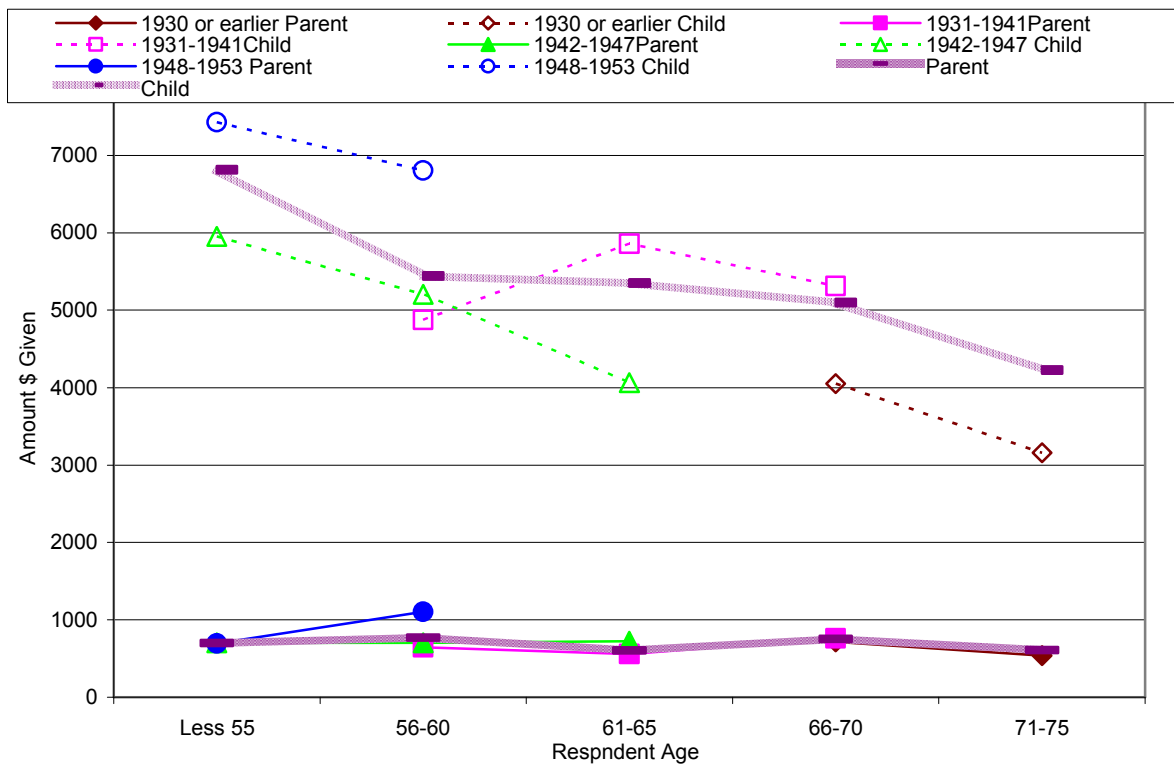
SOURCE: Author's calculation from 1998-2006 HRS.
NOTE: Sample includes households with both living parents and children. Total amounts reflect amounts unconditional on giving. Transfers dollar amounts are CPI adjusted for 2006.