**Summary of inheritance/bequest papers**

1)

Authors: MariaCristina De Nardi. Fang Yang

Title: Bequests and heterogeneity in retirement wealth

Journal: European Economic Review

Year: 2014

Summary: studies the role of intergenerational links, in the form of intergenerational transmission of

ability and both accidental and voluntary bequests, in shaping wealth dispersion at retirement and its correlation with

lifetime income.

Our main finding is that the model with intergenerational links matches the data well. incomplete-market life-cycle model with intergenerational links of bequests and earnings ability

we assume that the productivity of worker i at age 55 is

transmitted to children j at age 20 as with constantly( not very dynamic). They include intergenerational persistence in earnings.

2)

Author: Lutz Hendricks

Title: Bequests and Retirement Wealth in the United States

Journal:

Year: 2001

Summary : Finds that The top 2% of households receive nearly 70% of lifetime inheritances. (ii) For the vast majority of households inheritances are not a significant source of lifetime

resources. 70% of households receive no bequests. Only 5% of households inherit more than 5% of lifetime earnings. (iii) Households who inherited more than 5% of mean earnings in the past hold 2.5

times more wealth at retirement. However, only a small fraction of this gap is due to inheritances. (iv) Large wealth holdings are dispersed when their owners die. The children of the richest 2% of estates

receive only 40% of parental terminal wealth. For the children of the very rich with estates greater

than $20 million, the fraction inherited by children is only 15%. These findings tentatively suggest that

inheritances are not an important source of wealth concentration.

He multiplies household wealth with

the mortality probabilities of both spouses to obtain an estimated of the fraction of wealth that could

be bequeathed each year.

Alternatively, for households with surviving spouses he sets the fraction bequeathed to 20%. The

aggregate bequest flow then amounts to 2.1% of GNP. However, the results are sensitive to the assumed

fraction bequeathed when a surviving spouse is present. If this fraction is increased to 30%, then

aggregate bequests rise to 2.7% of GNP.

Finds and summarizes the distribution of lifetime inheritances over different income groups, and finds that a large majority of households receive very small or no inheritances. Fewer than 10% of the population receives an inheritance larger than two mean annual earnings (about $62,000 in 1988). Second, the distribution of inheritances is very skewed. The top 2% receive nearly 70% of all inheritances. He summarizes this in table 3 and 8 but it wasn't part of the paper.

3)

Author: Lutz Hendricks

Title: Wealth Distribution and Bequests

Journal: Just a slidshow

Year: 2014

Summary:

Bequests account for around 2% of GDP. 70% never inherit.

Top 2% account for 70% of inheritances. Tackles which bequest motives are important. Cites De Nardi that bequests greatly improve the model’s ability to account for top 1%

of wealth holdings. “There are no rich households without inheritances” haha.

4)

Author: Nishiyama

Title: Wealth Distribution and Bequests

Journal: Review of Economic Dynamics

Year: 2002

4-period lived agent model, with mortality risk. Since a parent household is altruistic toward its

child households, and the children know that their parents are altruistic, the decisions of a parent and children are dependent on each other. The parent cares about its children proportionally to the number n of its children. The degree of parental altruism η shows how much the parent cares about each of its adult child relative to how

much it cares about itself in the same period.

This paper decomposes φ into the degree of time preference β and the

degree of parental altruism η (per child) or ηn (in total) through the calibration using the aggregate statistics of national wealth and intergenerational transfers.

In the calibration of the model, the target variable for the size of inter-

generational transfers is the sum of bequests and inter vivos transfers, and the target value is set to 1.32 as a percentage of total private wealth.

Age 3 households with age 1 children give inter-vivos transfers, and age 4 households with age 2 children leave inheritances.

5)

Author: Felix Reichling, and Charles Whalen

Title: Review of Estimates of the Frisch Elasticity of Labor Supply

Journal: Working Paper

Year: 2012

Summary: I didn't see much relevance to our paper regarding the calculation/use of the distribution of inheritances

6)

Author: Gokhale, Kotlikoff

Title: Simulating the transmission of wealth inequality via

bequests

Journal: Journal of Public Economics 79

Year: 2001

Summary:

Uses 88 period OLG model to study intergenerational transfers.how much one inherits depends both on the number

of one’s siblings sharing the bequest and on the amount of non-annuitized wealth

one’s parents accumulate prior to their deaths. When a married oldster dies, his or her spouse retains all the marital wealth.

When a widowed oldster dies or if both spouses in a married couple die at the

same time, the decedent(s’) wealth is evenly divided among the children.

7)

Author: Rios-Rull, Kotlikoff

Title: Simulating the transmission of wealth inequality via

bequests

Journal: Journal of Public Economics 79

Year: 2001

Summary:

every household inherits the estate of the previous member of its dynasty at the beginning of the first period of its working life. At the beginning of the following period, the deceased household's estate is liquidated, and the household's descendant inherits a fraction 1 - TE{Z,) of this estate. Note that the variable z, denotes the value of the household's stock of wealth at the end of period t and TE is a single marginal tax rate.

8)

Author: Zilcha

Title: Intergenerational transfers, production and income

distribution

Journal: Journal of Public Economics 87

Year: 2003

Summary:

Intergenerational transfers from parents to their children are motivated by ‘altruism’. They distinguish between two types of transfers:

Investment of parents in the education of their offspring, and capital transfer (the ‘gift-bequest motive’). They show that the intensity of each type of altruism, and hence the

composition of the two types of transfers, affect significantly the equilibrium output and the

intragenerational income distributions.

They consider economies from the same initial distributions of capital

transfers and human capital. Higher education-inclined altruism results in different outputs at different times. Two economies starting from the same initial distributions of capital transfers and human capital. Higher education-inclined altruism results in:

(a) More or less of an equal intragenerational income distribution, in each date depending on the elasticity of substitution

9)

Author: Zhu

Title: Age, Luck and Inheritance

Journal: NBER Working Paper Series

Year: 2008

Summary:

The newborn whose parents have a bequest motive receives an inheritance. They define the inheritance which the newborns receive from their parents after estate tax is a function of their wealth.

Certain people have bequest motive and others don't. Children with parents who don't have a bequest motive don't receive one, and others receive bequests according to the wealth that their parents have.

Within the same age cohort, even though the agents have the same age, they differ in their starting wealth levels at age 0 due to inheritance.

\*A side note for our wealthinit.py : They use the data of net worth of wealth in the U.S. 2004 Survey of Consumer Finances (SCF) to draw the empirical wealth distribution. The net worth of households in SCF is obtained by subtracting debt from asset. The assets of households consists of stock, primary residence, real estate investments, and business equity etc

10)

Author: De Nardi

Title: Wealth Inequality and Intergenerational Links

Journal: The Review of Economic Studies Limited

Year: 2004

Summary:

Agent doesn't receive a bequest before parent is of age 60, and the parent then has a positive probability of dying and thus the individual inherits parents wealth at the age when their parent dies.

11)

Author: Villanueva

Title: The Effect of Parental Income on Wealth and

Bequests

Journal:

Year: 2002

Summary:

Parents form their own

households at age a 1 in year t ( a 1 ) . At that time they receive an initial stock

of wealth W 1 from their parents and other sources.

The bequest B is equal to W a in the year when the second parent dies. For

simplicity consider the case in which the husband and wife are the same age and

suppose that conditional on having had children the husband and wife survive

to 60 with probability 1. the bequest to the children occurs when both parents

are dead. There are different probabilities of when that happens in the paper.

12)

Author: Kotlikoff, Summers

Title: The Role of Intergenerational Transfers in Aggregate Capital Accumulation

Journal: Journal of Political Economy

Year: 1981

Summary:

3 period model with identical individuals in each age cohort. If the economy is in a steady-state, net intergenerational transfers received at a given age are constant through time. T is equal to the yearly net flow of transfers from old to young cohorts, where the equation for T is given in the paper.

13)

Author: Wolff

Title: Inheriting Wealth in America: Future Boom or Bust.

Year: 2015

Summary:

Main point is that wealth transfers are equalizing because they usually go from rich to less rich. Two main types of wealth transfers: inter-vivos and bequest at death. Most theoretical models focus on the donor of wealth and not the recipient. Theory models can be divided into three groups (i) altruism, (ii) exchange, and (iii) insurance.

1. Altruism (others’ utility enters into own utility function): Barro (1974), Becker (1974), Becker and Tomes (1979), and Tomes (1981) transfer income is directly linked to financial need, parents to children.
2. Exchange (no others’ utility, but care about services): Bernheim, Shleifer, and Summers (1985), Cox (1987) parents give or promise bequests in exchange for some service.
3. Insurance (no others’ utility but care about precautionary savings): Cox (1990), Cox and Jappelli (1990), and Kochar (1997) a person may give a transfer in response to financial shock in order for some quid pro quo when they might have a shock in the future.

14)

Author: Picketty, Saez

Title: Progressive Estate Taxation

Year: 2013

Summary:

Individual ti (from dynasty i living in generation t) receives pre-tax inheritance b\_ti > 0 from generation t — 1 at the beginning of period t. The initial distribution of bequests b\_0i is exogenously given.

We use the joint micro-level distribution of bequests received, bequests left, and lifetime labor earnings (b\_ti, b\_t+1i, yL\_ti) from the survey of consumer finance data to compute the distributional parameters b\_received, b\_Ieft, and yL using definition (4). This requires specifying social welfare weights g\_ti.

The weights g\_ti are normalized to sum to 1. g\_ti measures the social

value of increasing consumption of individual ti by $1. Under standard redistributive preferences, g\_ti is low for the well-off (those with high bequests received or high earnings) and high for the worse-off.

Bequests received is defined as the sum of bequests and gifts received by both spouses divided by 2.