

Bequests and Gifts: How do They Shape the Wealth Distribution?

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Abstract

This descriptive study evaluates the effect of intergenerational transfers on the wealth distribution in Germany. By means of regression analysis, it controls for three confounding factors the literature typically neglects: The age structure of society, households' saving adjustments due to expectations about future transfers and - closely related to this - variations in the immediate consumption from transfers. The paper resorts to quartile-wise predicted wealth in order to identify the distributional implications of these factors. Results suggest that the propensity to consume from transfers varies over the wealth distribution and tends to reinforce the equalizing effect of transfers on inequality in wealth. Effects of age structure and expectations turn out to have only negligible effects on wealth inequality. After all, results indicate a robust equalizing effect of transfers on wealth.

Keywords: Bequests, saving, wealth distribution, inequality.

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