The Effects of Independent and Facility Moves on Intergenerational Transfers of Wealth in the United States

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Studies of elderly migration have focused on the age schedule of migration, common destinations, causes of migration, the relationship between migration and health, and the consequences of migration for the sending and receiving communities. From these studies we learn a great deal about the selectivities of elderly migration and the policy relevant consequences for the migrants themselves and for communities. In this paper, we expand our knowledge to cover the consequences of elderly migration for the families of migrants. Specifically, we explore the ways in which the elderly migration affects intergenerational transfers of wealth while the migrant is still living using data from the Health and Retirement Study (HRS). This work builds on our knowledge both about elderly migration and about transfer behavior among the elderly.

The residential mobility of the elderly has the potential to affect transfers of wealth to children and grandchildren through several mechanisms. Much of the wealth held by any household in the United States is in the form of housing equity. For the elderly this is especially true because the elderly have had more time to pay mortgages and build up equity. Moving from one home to another thus provides an opportunity for dissaving, potentially resulting in immediate transfers to children (or in higher levels of consumption and lower lifetime transfers to children). Alternatively, moving could have a negative immediate effect on transfers to children through the diversion of money that would have been transferred into moving expenses.

In addition to these potential effects of mobility between independent residences, movement into a nursing home or other type of care facility could impact monetary transfers to children or grandchildren. Nursing home, assisted living and other facilities are substantially more expensive than living alone and therefore are likely to reduce the level of transfers to children (controlling for wealth). Of particular interest here are continuing care retirement communities. These communities involve a substantial buy-in fee from residents but guarantee care for the rest of the residents' lives. Movement into this type of facility will effectively end inter vivos transfers from many elders. Even if the elder has money remaining that could be transferred after movement into the facility, many of these facilities explicitly prohibit such transfers because of their guarantee of lifetime care regardless of ability to pay.

This paper will examine the effects of five types of migration on inter vivos transfers from persons over 50 in the HRS to their children or grandchildren. First, we will examine the effects of moves between houses and/or apartments in which the mover lives apart from children and out of any facility both before and after the move. Second, we will examine the effects of moves from independent living to living with children. Third, we will examine the effects of moves from independent living or living with children into nursing homes. Fourth, we will examine the effects of moves from independent living or living with children into assisted living facilities. Finally, we will examine the effects of moves from any other situation into a CCRC.

In each case, we will examine the effects of the moves on inter vivos transfers. The HRS (including those respondents who were originally a part of the Assets and Health Dynamics of the Oldest Old (AHEAD) study) surveys respondents every two

years (with one longer interval for AHEAD respondents who were merged with the HRS sample in 1996). We will use the longitudinal nature of the data to examine the effects of migration in a given two-year interval between surveys on transfers to children or grandchildren in the next interval (migration between 1992 and 1994 predicting transfers between 1994 and 1996, etc.). Migration is inherently a household action, and transfers to children or grandchildren are measured in the HRS at the household level. Thus, the unit of observation for our analysis is the household. We are currently working with HRS data from 1992 to 2000, but anticipate adding the 2002 wave of data for this paper. Using 1992 to 2002 gives us potentially four observations per household. The AHEAD data are on off-years from the HRS data until 1996 and we will control for the origin of the respondent (HRS vs. AHEAD) and for the length of the intervals to avoid any bias due to the single longer interval for AHEAD respondents.

To estimate the effects of each type of migration, we will use regression models with the inter vivos transfer to children during an interval as the dependent variable and dummy variables indicating each type of migration in the previous interval as the key independent variables. We will also control for relevant characteristics of the respondents and their children (age, race, employment status, wealth, health, number of children, past transfers from and to children, marital status of HRS household including whether it is a couple and whether it is the first marriage for both, etc.). We will explore using different types of regression models, in order to account for the high proportion of respondents making no transfers and for the multiple observations per household.

To examine the effects of so many zero values on the dependent variable, we will estimate OLS and Tobit regressions for all households and then will estimate a logit model predicting any transfers along with an OLS predicting the amount for those who do transfer. It is unlikely that we will be able to estimate any sort of selection model given the scarcity of variables that would predict transfers but not the amount of the transfer.

To examine the effects of multiple observations per household, we will first estimate the models described above with Huber-White standard errors to account for heterskedasticity resulting from the non-independence of observations. We will subsequently explore using random effects and fixed effects models to control for the underlying propensity of the household to make transfers. These models have the potential to be problematic because of the small number of observations per household, but we will explore them to assess the sensitivity of our results to these different specifications.