Intergenerational Wealth Transfers and the Impact of Differential Access to Accumulated Wealth on Health and Wellbeing Outcomes: An Exploratory Australian Study

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Aim

- The project aimed to examine the relationship between income, wealth and health outcomes and the transfer of wealth between family members.

Background – SEP and health

Health and development vs. Socioeconomic position (SEP)

- Low SEP associated with low health and development.
- High SEP associated with high health and development.
Wealth and health

- A relatively small number of studies (≈ 35) most conducted in the US have investigated the association between wealth and health.
- Great majority of studies find a positive association between wealth and health, such that higher levels of wealth are associated with better health outcomes.
- Major methodological issues with the dubious validity of many of the health measures used and the temporal nature of many datasets.
- Sufficient evidence to prove that in high income countries poor health is a cause of low wealth, but no conclusive proof that low wealth causes poor health outcomes.

Income and wealth

- Wealth determines access to many opportunities.
- Wealth can enhance income by providing access to further education and higher paying jobs or through acquiring assets which generate income, such as shares or investment properties.
- Wealth also provides economic security, enabling those with higher wealth to maintain living standards during periods when other income is low.
- Furthermore, through the transfer of wealth between generations access to material goods and economic security is afforded to family members (Australian Council Of Social Services, 2015).
Major life events - economic insecurity

- Need for safety and security is common to all animal species
- Quest for security is embedded in all aspects of life including the economic system (Fischer, 2013; Hacker et al., 2012) as reflected in financial institutions, such as banking, insurance, and stock and commodities trading
- Economic security is defined as: the degree to which individuals are protected against hardship causing economic losses (Hacker et al., 2012)

Theory of allostasis/allostatic load

Environmental stressors (work, home, neighbourhood) → Major life events → Trauma, abuse

Perceived stress (threat, helplessness, vigilance) → Behavioural responses (fight or flight; personal behaviour – diet, smoking, drinking, exercise)

Individual differences (genes, development, experience) → Physiologic responses → Adaptation

Allostasis → Allostatic load

Redrawn from McEwen, 1998
Intergenerational wealth transfers

- Important determinant of economic security is wealth that is passed on from generation to generation
- Haveman and Wolfe (1994) - resources that are made available to children include financial, physical, human and social capital
- Scodellaro, Khlat, & Jusot (2012) used the first wave of data from the Generation and Gender survey conducted in France in 2005 to explore intergenerational wealth transfers

@BankwestCurtin  #WealthDivide
Data

- The analysis drew from the 2001-2013 Household, Income and Labour Dynamics in Australia (HILDA) Survey
- The first wave of HILDA interviews were conducted in 2001 on a sample of 19,914 individuals aged over 15 years within 7,682 households across Australia
- Respondents were then re-interviewed annually, resulting in a rich collection of longitudinal information that enables researchers to track individuals’ life course transitions and changes in their circumstances over time

Income and wealth

- Income = individual’s household financial year disposable income (equivalised using the modified OECD scale)
- Wealth = individual’s household net wealth, calculated by subtracting debts (debt secured against the primary home, other property debt, business debt, HECS debt, credit card loans, car loans, hire purchase agreements, personal loans, and overdue bills) from assets (primary home, other property, superannuation, business, equity and cash investments, bank accounts, trust funds, cash-redeemable life insurance, vehicles, and collectibles) (also equivalised)
Intergenerational transfer

- Inheritance or bequests received in the last financial year
- Income transfers from surviving parents in the last financial year

Health

- The HILDA Survey contains a set of questions from the SF-36 health survey with 36 questions and eight scales representing the areas of physical functioning, role-physical, bodily pain, general health perceptions, mental health, role-emotional, social functioning and vitality
- Values for each scale were transformed into a 0 – 100 index, with a higher index value representing a better health outcome (Ware et al., 2000)
- A physical health component summary score (PCS) and a mental health component summary score (MCS) were also derived
Economic security

- Individual’s level of perceived financial prosperity given current needs or financial responsibilities was measured on a six-point scale, ranging from very poor (1), poor, just getting along, reasonably comfortable, very comfortable or prosperous (6)

Control variables

- Disability – yes/no
- Age - years
- Marital status – single/married/defacto/separated/divorced/widowed
- Education no year 12/year 12/vocational/degree
- Employment – not/part-time/full-time
- Co-residence no/with mother only/with father only
- Number of household members by age – 0-4, 5-9, 10-14, 15-24, 25-64, 64+
- State – NSW/VIC/QLD/SA/WA/TAS/NT/ACT
- Urban/rural – inner regional/outer regional/remote
Modelling strategy

- Fixed effects regression analysis using the following model specification:

$$\text{Hit} = f (\text{Eit}, \text{Eit}^2, \text{Xit}, \text{PSi}, \text{Rit})$$

where i indexes individuals, t indexes time, H represents a health or wellbeing score, E represents one’s access to economic resource including income, wealth or intergenerational transfers, X represents a vector of controls, PS refers to person-specific fixed effects and R represents a random error term.

Income, wealth and intergenerational transfers by age group

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Median household income ($'000)</th>
<th>Median household wealth ($'000)</th>
<th>% received inheritance / bequest</th>
<th>Median inheritance / bequest ($'000)</th>
<th>% received parental transfers</th>
<th>Median parental transfers ($'000)</th>
<th>% co-residing with parents</th>
<th>N</th>
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<tbody>
<tr>
<td>15-20</td>
<td>32.2</td>
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<td>21-25</td>
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<td>26-30</td>
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<td>80.3</td>
<td>1.2</td>
<td>11.1</td>
<td>4.3</td>
<td>1.4</td>
<td>20.3</td>
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<tr>
<td>31-50</td>
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<td>180.3</td>
<td>1.3</td>
<td>24.9</td>
<td>1.8</td>
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<td>7.4</td>
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<td>51-64</td>
<td>37.1</td>
<td>349.6</td>
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<td>42.1</td>
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<td>2.7</td>
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<td>65+</td>
<td>20.7</td>
<td>297.2</td>
<td>1.1</td>
<td>55.5</td>
<td>0.1</td>
<td>*</td>
<td>0.3</td>
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<td>Total</td>
<td>34.0</td>
<td>206.6</td>
<td>1.2</td>
<td>27.7</td>
<td>5.5</td>
<td>1.2</td>
<td>18.9</td>
<td>39209</td>
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# Income, wealth and intergenerational transfers by state / territory

<table>
<thead>
<tr>
<th>State / territory</th>
<th>Median household income ($'000)</th>
<th>Median household wealth ($'000)</th>
<th>% received inheritance / bequest</th>
<th>Median inheritance / bequest ($'000)</th>
<th>% received parental transfers</th>
<th>Median parental transfers ($'000)</th>
<th>% co-residing with parents</th>
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<td>NSW</td>
<td>34.2</td>
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<td>VIC</td>
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<td>1.1</td>
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<td>SA</td>
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<td>5.6</td>
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<td>1.0</td>
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<td>1.1</td>
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<tr>
<td>TAS</td>
<td>28.1</td>
<td>114.9</td>
<td>1.4</td>
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<td>4.4</td>
<td>1.2</td>
<td>17.0</td>
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<td>NT</td>
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<td>255.7</td>
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<td>27.7</td>
<td>5.4</td>
<td>0.7</td>
<td>19.3</td>
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<td>ACT</td>
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<td>1.7</td>
<td>44.4</td>
<td>11.4</td>
<td>1.3</td>
<td>18.0</td>
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<tr>
<td>Total</td>
<td>34.0</td>
<td>206.6</td>
<td>1.2</td>
<td>27.7</td>
<td>5.5</td>
<td>1.2</td>
<td>18.9</td>
<td>39209</td>
</tr>
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# Income, wealth and intergenerational transfers by country of birth

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Median household income ($'000)</th>
<th>Median household wealth ($'000)</th>
<th>% received inheritance / bequest</th>
<th>Median inheritance / bequest ($'000)</th>
<th>% received parental transfers</th>
<th>Median parental transfers ($'000)</th>
<th>% co-residing with parents</th>
<th>N</th>
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</thead>
<tbody>
<tr>
<td>Native</td>
<td>34.8</td>
<td>212.2</td>
<td>1.4</td>
<td>27.8</td>
<td>6.2</td>
<td>1.1</td>
<td>21.7</td>
<td>28647</td>
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<tr>
<td>High income country migrant</td>
<td>32.1</td>
<td>232.2</td>
<td>1.5</td>
<td>22.2</td>
<td>2.4</td>
<td>1.4</td>
<td>6.7</td>
<td>5857</td>
</tr>
<tr>
<td>Low or medium income country migrant</td>
<td>30.8</td>
<td>145.1</td>
<td>0.2</td>
<td>*</td>
<td>5.0</td>
<td>4.3</td>
<td>17.1</td>
<td>4705</td>
</tr>
<tr>
<td>Total</td>
<td>34.0</td>
<td>206.6</td>
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<td>27.7</td>
<td>5.5</td>
<td>1.2</td>
<td>18.9</td>
<td>39209</td>
</tr>
</tbody>
</table>

* Denotes value not available.
Inheritance, bequests and parental transfers

- In adjusted analyses, intergenerational transfers were not statistically related to any aspect of physical or mental health, but there was a very strong statistical association between the amount of inheritance or bequest received and economic security perception.
- Median parental transfers, for those who received them, were only in the range of some $1,200 annually so the median amount was unlikely to make a substantial difference to the level of economic security perception.

Predictive values of financial security perception across different levels of inheritance or bequest.
Inheritance, bequests and parental transfers

- Inheritance and bequests, but not parental transfers, had an impact on economic security perception across all age groups.

- Parental transfers had the greatest positive impact on the economic security perception of those aged 31-50 years.

- The positive impact of inheritance or bequests on economic security perception fell as age increased.
Income, wealth, health and wellbeing

- In adjusted analyses, both income and wealth had positive and significant associations with a range of mental health domains. Wealth was more important across some domains.
- Associations between income and wealth and physical health were relatively weaker, remaining statistically insignificant across most domains.
- A threshold effect was observed for the relationships between both income and wealth and the mental health summary score, but very few individuals were above the thresholds for income and wealth.

Income, wealth and financial security perception

- Both income and wealth had strong statistical links with economic security perception, with income’s magnitude being greater than wealth.
- Those with higher incomes and wealth were more likely to report being “reasonably comfortable” or “prosperous”.
- Once again, a threshold effect was observed, but very few above.
- In terms of the control variables, co-residence with the father, but not the mother, has a very strong positive impact on economic security perception.
Predictive values of financial security across different levels of income

Predictive values of financial security across different levels of wealth
Discussion

- Intergenerational wealth transfers were not independently associated with health and wellbeing outcomes

- Scodellaro et al. used a single measure of self-rated health: “In general, would you say your health is: very good, good, medium, bad, or very bad?”

- Smaller transfers were not related to better health outcomes

Discussion

- Income, wealth as well as inheritance and bequests were associated with economic security perception

- Rohde et al. (2016) used three questions in the HILDA dataset to capture different aspects of economic insecurity: the potential loss of current household labour income, overall level of financial satisfaction, and how easily could individuals raise funds in an emergency if needed

- A one standard deviation shock to economic insecurity lowered an individual's mental health score by between 1.0 and 1.8 percentage points
Conclusion

- Some evidence that differential access to intergenerational wealth transfers will increase inequalities in Australian society over time – more analysis required

- Economic security is as important for health and wellbeing outcomes as the distribution of income and wealth

- Future research should focus on elucidating the pathways that explain how and why economic insecurity causes poor health

Policy implications

- Housing
- Superannuation
- Taxation
- Immigration
- Insurance
- Employment

Most concern for young adults and future generations
Acknowledgements

- This research was made possible by a grant awarded by the Bankwest Curtin Economics Centre (BCEC). The findings and views reported in this paper, however, are those of the authors and should not be attributed to BCEC.

- This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the authors and should not be attributed to either DSS or the Melbourne Institute.

References

References continued