Giving With a Warm Hand:
Evidence on Estate Planning and Bequests

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Retirement-savings puzzle: Retired individuals do not decumulate wealth as much as the basic life-cycle model would predict (De Nardi et al., 2016 ARE).
Introduction

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3. In countries where out of pocket medical expenditures are not relevant (e.g. the Netherlands), we still observe the retirement-savings puzzle (van Ooijen et al., 2015 DE).
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- We contribute to the literature by empirically studying the presence of a bequest motive using administrative data for the Netherlands.

- To that end, we build on and expand the previous work by Kopczuk (2007 QJE).
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- Given a bequest motive, individuals may engage in early bequests due to tax reasons and/or to exert control over how a bequest is spent/invested (McGarry, 2013 AER).
Kopczuk (2007)

- Kopczuk uses US data on estate tax returns to regress net worth at time of death on length of terminal illness. Controls for:
  - Age
  - Lifetime Income
  - Gender
  - Marital Status
- He finds an effect for married males. However, there are two relevant concerns he cannot fully account for:
  - Medical Expenditures
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- We observe the whole net worth distribution and thus we are able to apply quantile regression.
- We can generate a more refined measure for length of terminal illness.
- The Dutch institutional context prevents any issue caused by medical expenditures and/or income shocks.
- We can connect every individual in our sample with his/her children.
We use Dutch administrative data coming from different sources (all provided to us by Statistics Netherlands):

- Death Register
- Tax Register
- Hospital Discharge Register
- Municipal Administration Records

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Splitting the sample into gender-marital status groups, we see that all distributions are highly skewed as expected.
Table 1 Net Worth at the End of Life by Gender and Marital Status

<table>
<thead>
<tr>
<th></th>
<th>Avg</th>
<th>p10</th>
<th>p25</th>
<th>p50</th>
<th>p75</th>
<th>p90</th>
<th>p99</th>
<th>Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Females</td>
<td>158</td>
<td>0</td>
<td>5</td>
<td>22</td>
<td>170</td>
<td>429</td>
<td>1592</td>
<td>2559</td>
</tr>
<tr>
<td>Single Males</td>
<td>161</td>
<td>0</td>
<td>4</td>
<td>24</td>
<td>215</td>
<td>455</td>
<td>1342</td>
<td>1313</td>
</tr>
<tr>
<td>Married Females</td>
<td>241</td>
<td>2</td>
<td>19</td>
<td>130</td>
<td>325</td>
<td>579</td>
<td>1719</td>
<td>1759</td>
</tr>
<tr>
<td>Married Males</td>
<td>282</td>
<td>3</td>
<td>20</td>
<td>142</td>
<td>349</td>
<td>590</td>
<td>2142</td>
<td>3892</td>
</tr>
<tr>
<td>All</td>
<td>224</td>
<td>1</td>
<td>11</td>
<td>64</td>
<td>288</td>
<td>543</td>
<td>1701</td>
<td>9523</td>
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LoTI = \[31^{st} \text{ Dec year (} t - 1)\] − \[\text{date } 1^{st} \text{ COD-related intake}\].
Figure 1 Histogram Length of Terminal Illness in Years

Note: Zeros are excluded from the figure. Their frequency is 5661.
We observe yearly total income at the household level for the period between 2003 and the year previous to death.

- If the main income source at year $t-1$ is not pension income, take the average of equivalized household income between 2003 and $t-1$.
- If the main income source at year $t-1$ is pension income, take the equivalized household income at year $t-1$. 

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\[ NW_i = \beta_0 + D_i'\beta_1 + X_{1i}'\beta_2 + X_{2i}'\beta_3 + t_i'\beta_4 + \varepsilon_i. \]
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We thus have three binary treatments and one discrete treatment.
We run separate regressions for single females, single males, married females, and married males.

Quantile regression has two main advantages over OLS:

- It is not sensitive to outliers.
- It allows differentiating the effect according to net worth level.

The second aspect is specially pertinent, since we expect estate planning to be particularly relevant among the rich.
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- For p75 $D_{4i}$ has a negative effect of $46 \, \text{K€} \, ** (13\% \text{), at p95 of 76 K€ (12\% \text{) and at p99 of 477 K€ *** (22\%).}
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- Conditional on children $> 0$, we find a stronger effect for those with children in the $1^{st}$ income quartile (10.9 M € ***), compared to the $2^{nd}$ (201 K € **), the $3^{rd}$ (359 K € *), and the $4^{th}$ (99 K €).
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We thus conclude that the bequest motive is a very promising explanation for the fact that Dutch individuals do not withdraw their wealth during retirement, as shown by van Ooijen et al. (2015).
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THANKS FOR YOUR ATTENTION