The paper’s objective

- **Key objective**: Establish the presence of a bequest motive as an important determinant of net wealth
  - Separately from other motives, e.g., precautionary

- **Key insight**: exploit exogenous shock of terminal illness, establish effects on net worth at (or near) death, and assign this to early transfer of wealth to descendants/beneficiaries

- **Recipients** of liquidations are not observed directly
  - Link partly established by showing relevance of the economic condition of children (although presence of children themselves fails to be significant)
Key findings


- **Length of terminal illness lowers net worth** (near to the) end of life but only for married males and (almost solely) for terminal illness longer than 10 years.

- **Effect especially strong** for those:
  - at the top of the net worth distribution
  - younger (less than 65 years)
  - with children with lowest incomes

- The **presence or number of children** do not matter.

- Excellent data, careful application, useful extension, interesting results.
The key challenge

- Show that effects of the length of terminal illness on net worth at (or near) death are not due to other factors

- Candidate factors:
  - Health expenditures (rely on insurance in NL)
  - Shock to income/earning ability (rely on disability benefits in NL)
  - Shortening of horizon
    - Even without bequests, they should accelerate liquidations
    - The very rich are maximally dependent on assets for future consumption and thus maximally affected by the change in horizon
The key challenge (ctd)

- **Preference shift** in favor of liquidation
  - e.g., joint vacations (it takes two!); or optional treatments
  - Can the authors exploit variation according to medical condition and ability to do this?

- **Saving motives other than bequests**
  - **Saving for an objective**: abandonment of previous goals rendered infeasible
  - **Precautionary saving**: with terminal illness they qualify for health insurance payments and entitlements and State takes over part of what they would have had to provide for themselves
    - Reduced reliance on children and greater ability to spend more on their own, possibly in addition to giving to children
    - Control over precautionary assets can be passed on to children:
      - Precautionary wealth becomes bequest
      - **Dual purpose of assets**: switchover rather than decomposition
A new motive?

- Introduction of bequest motive that did not exist before
  - Would it be there without the illness?
  - Two findings support this:
    - Effect is stronger for younger people
    - Effect is stronger for people at the lower end of the wealth distribution (those previously “ineligible” for bequests)
  - The relationship to the kids’ economic condition is important, although one cannot rule out that they "discovered" their kids because of the shock.
  - Is there evidence of previous engagement with the kids? Or altruistic behavior?
Further points

- **Quantile regression**: effects stronger at the higher end of the wealth distribution
  - Is this because these are the most likely to leave a bequest
  - Or because these are the least likely to have transferred assets prior to the onset of the terminal condition?
  - Or because these are more likely to have access to a financial advisor alerting them to the possibility?

- The presence and number of children do not matter but their condition does
  - Puzzling: how to reconcile? Only conditional?
  - Is there some independent evidence of altruism (e.g., charity work)