

So I bequeath a happy peace to you.¹⁷

William Shakespeare (1608). *Pericles, Prince of Tyre*

Chapter 6. Brief conclusions, and several ideas for future research

This dissertation develops and tests the idea that the experience of inheriting shapes bequest behavior. The foundation bequest (that is the first bequest in a dynasty) is left by parents without a family tradition to bequeath to begin with. Foundation bequests implant a family tradition to bequeath. Family tradition is operative when the utility of the recipient of an inheritance depends also on bequeathing in relation to inheriting: bequeathing less than inheriting hurts, bequeathing the same or more than what was inherited enchants. The concept of family tradition as a channel of intergenerational transmission of preferences is developed analytically, and is tested empirically.

Whether bequests are left accidentally or intentionally was investigated in this dissertation using different sources of data on wills. Data from the Survey on Health, Ageing and Retirement in Europe (SHARE) covering individuals aged 50 and more showed that 32% of respondents who deceased before 2007 drew a will. Results indicate that planning to bequeath is paramount in Europe.

Several predictions derived from the family tradition model of bequest behavior were tested. In particular, we attended to the following claims: the stronger the role that adherence to family tradition plays in shaping utility, the larger the optimal bequest, keeping other factors constant; the larger the inheritance, the larger the planned bequest, controlling for net wealth and other relevant factors; the positive impact of the inheritance on the planned bequest is more pronounced in the presence of family tradition than in its absence; the negative impact of inheritance taxes is less pronounced in the presence of a family tradition to bequeath than in its absence. A sample of individuals aged 50 and more with no living parents and at least one child was drawn from SHARE. Insights gained into bequest behavior in relation to inheritance in particular were presented and discussed.

The main findings are: the experience of inheriting impacts on planned bequests; there is a positive impact of inheritances on the planned bequests of heirs on top of the positive impact

¹⁷ Quoted from Shakespeare, William (1608). "Pericles, Prince of Tyre." In William Shakespeare *The complete works of William Shakespeare*. New York: Gramercy Books. (1997 Edition), p. 948.

of net wealth; the positive impact of net wealth on planned bequests is statistically significantly larger for heirs than for non-heirs; the planned bequests of individuals living in countries with a high percentage of Strong Traditionalists are larger than the planned bequests of individuals living in countries with a low percentage of Strong Traditionalists; no negative relation between the inheritance tax that heirs are expected to pay and planned bequests was observed in most of the estimations.

The family tradition approach to bequest behavior proved to be a fruitful concept for explaining planned bequests. A positive and statistically significant impact of the experience of inheriting on the planned bequests, controlling for net wealth, was found. Thus, it is not the case that the wealthier necessarily bequeath more because there is more around to be bequeathed.

The hypothesis that “the experience of inheriting affects bequest behavior in a predictable manner” received considerable empirical support. The experience of inheriting shapes the heir’s preferences to bequeath. The family tradition to bequeath is helpful in thinking about policies to tax bequests and about measures that affect the economic activity of the elderly.

Further research examining the differences between the planned bequests of individuals with and without a family tradition to bequeath is warranted, albeit using more refined data. Several interesting questions that could be addressed in future research include:

1. Whether the impact of the experience of inheriting on planned bequests differs with respect to the relationship between the testator and the heir: parents, parents-in-law, grandparents, siblings, and others.
2. Whether inheritances received from male and female testators impact equally on planned bequests.
3. Whether the age at which one experiences inheriting affects planned bequests differently.
4. Whether an inheritance by will has the same impact on planned bequests as an inheritance left intestate.
5. Whether unexpected inheritances influence planned bequests as do expected inheritances.
6. Whether adherence to family tradition in other spheres than bequeathing is a good predictor of planned bequests following in the steps of the experience of inheriting.

7. Whether inheriting a particular type of wealth (such as a house) impacts on the incidence and form of planned bequests.
8. Whether witnessing parents' receipt of inheritances already affects planned bequests of an individual whose parents are still alive, and who thus have not bequeathed themselves as yet.

Finally, under ideal circumstances, it would be very helpful to conduct a survey to find out directly what guides individuals in making their plans to bequeath, in what way those plans are affected by the experience of inheriting, and especially if and in what ways the plans are revised by various exogenous shocks such as adverse financial events.