PRESS RELEASE

MAX PLANCK INSTITUTE
FOR DEMOGRAPHIC RESEARCH

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Kinship Inequalities

Family as a Wealth Factor

Study reveals how generational change and family events are associated with a person's wealth

A new study conducted by the Max Planck Institute for Demographic Research (MPIDR), the University of Cologne, GESIS and the Norwegian Institute of Public Health explores how an individual's financial wealth changes in relation to generational transitions within the family. The results indicate that those who become parents and grandparents later in life, and, particularly if they experience the loss of their parents later, tend to accumulate the most wealth. In contrast, families spanning four generations experience the smallest increase in wealth. A person's financial wealth is deeply interconnected with intergenerational family transitions, such as the birth of grandchildren or the death of parents, and is tied to the family structure as a whole.

Rostock, Germany. Wealth is one of the strongest indicators of social status, acting as a key indicator of social inequality and influencing access to education, health care and professional success. In a study, researchers from the Max Planck Institute for Demographic Research, the University of Cologne, GESIS and the Norwegian Institute of Public Health examined how financial wealth changes related to various generational transitions within families. The study used data from Norwegian registries and focused on people born in 1953.

Investigating changes in wealth within the family

The researchers examined how people's wealth fluctuated in relation to experiencing certain family events and the timing of these events, including the death of parents, becoming a parent or grandparent, or remaining childless. “The aim of the study was to describe how the interplay of different intergenerational family events are associated with a person's lifetime wealth accumulation,” explains Bettina Hünteler of the MPIDR.

The timing of different family events is crucial

The results of the study show that people who lose their parents late in life (at age 60, on average), become parents late (at age 28) and become grandparents late (at age 60) accumulate the most wealth. Childless individuals start at the bottom of the ranking (measured from the age of 40), but .in the long run, they overtake those who became parents (at 23 age) and grandparents (at age 50) early, especially if those without children experience the death of their parents later in life. Early parenthood and grandparenthood are the only patterns in which wealth declines in the long term compared to the other family patterns. In addition, losing their second parent later in life (from the mid-50s onwards), is associated with relatively more wealth, regardless of whether and when people become parents or grandparents.

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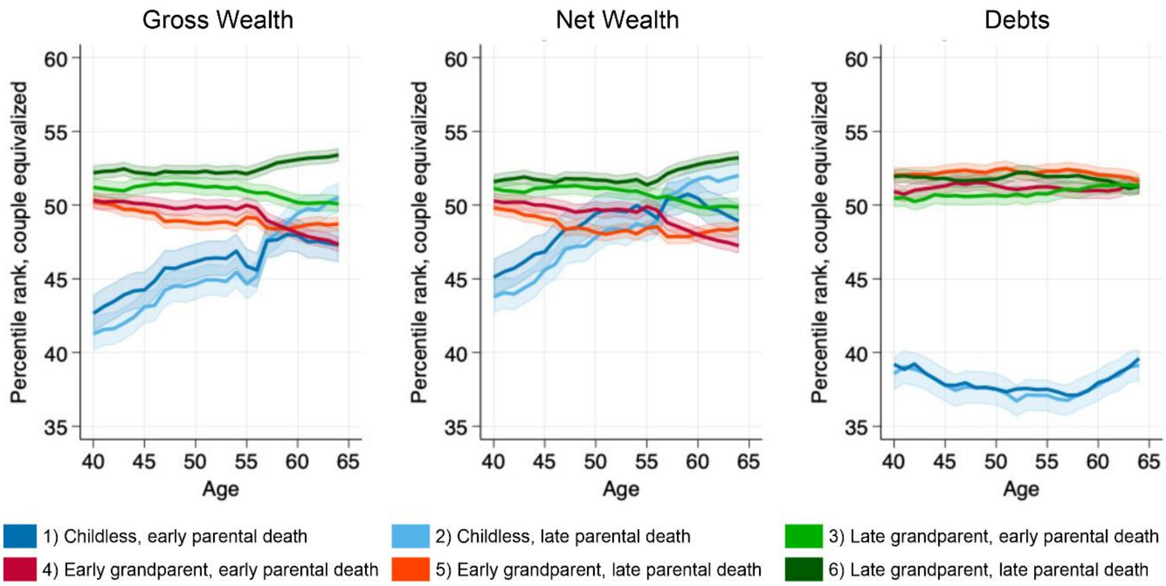

Predicted Wealth Percentile Ranks Across Age by Family Cluster, After Accounting for Gender and Education (95% Confidence Intervals) Note: N = 47,945; † Mean age at death of second parent; * Mean age at birth of first grandchild. © MPIDR/Bettina Hünteler

Considering the family structure as a whole, families with four living generations fare the worst related to wealth. They experience the relatively smallest increases in wealth or even decreases in wealth compared to other generational structures. In contrast, childless individuals, particularly those with a late death of the parents, see the comparatively largest wealth increase. The highest and most stable wealth position over the entire observation period is found in three-generation families with late family transitions.

Bettina Hünteler and colleagues conclude “that a person's financial well-being depends on the interaction of several family events. Moreover, individual wealth is linked to the broader family context which means that wealth is tied to the number of living relatives and how it is distributed within the family and between generations.”

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This press release and figures can be downloaded at www.demogr.mpg.de/go/FamilyWealth

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About the MPIDR

The Max Planck Institute for Demographic Research (MPIDR) in Rostock investigates the structure and dynamics of populations. The Institute's researchers explore issues of political relevance, such as demographic change, aging, fertility, and the redistribution of work over the life course, as well as digitization and the use of new data sources for the estimation of migration flows. The MPIDR is one of the largest demographic research bodies in Europe and is a worldwide leader in the study of populations. The Institute is part of the Max Planck Society, the internationally renowned German research organization. www.demogr.mpg.de