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**Inter-Generation Transfers of Wealth**

**and the theory of saving**

**James Tobin and Harold W. Guthrie**

**November 22, 1960**

Inter-Generation Transfers of Wealth  
and the Theory of Saving\*

James Tobin and Harold W. Guthrie

"...but the chief motive of saving is family affection." (marginal note)  
"But were it not for the family affections, many who now work hard and save carefully would not exert themselves to do more than secure a comfortable annuity for their own lives; either by purchase from an insurance company, or by arranging to spend every year, after they had retired from work, part of their capital as well as all their income. In the one case they would leave nothing behind them: in the other only provision for that part of their hoped-for old age, from which they had been cut off by death. That men labour and save chiefly for the sake of their families and not for themselves, is shown by the fact that they seldom spend, after they have retired from work, more than the income that comes in from their savings, preferring to leave their stored up wealth intact for their families; while in this country alone twenty millions a year are saved in the form of insurance policies and are available only after the death of those who save them.

"A man can have no stronger stimulus to energy and enterprise than the hope of rising in life, and leaving his family to start from a higher round of the social ladder than that on which he began."\*\*

In contrast to Marshall's emphasis on the bequest motive, contemporary writers on the theory of consumption have shown little interest in the propensity to make bequests as a determinant of saving. Duesenberry\*\*\* emphasizes

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\* This paper presents the results of a research project which was conceived and planned in the Yale Workshop in Quantitative Economic Research in 1956-57. The Workshop was designed to give graduate students who were preparing for the Ph.D. degree some useful experience in defining a meaningful economic problem and designing the research processes required to arrive at a solution to the problem. The students in the Workshop: Charlotte DeMonte Phelps, Kazuo Sato, and Robert Wen, share the responsibility for any merits to be found in the results. Their teachers in the Workshop, the authors, bear the responsibility for any wrong turns we took in an experiment in designing and conducting empirical economic research. The field work was carried out by National Analysts, Inc., Philadelphia, Pennsylvania, and Mr. Harry Waller Daniels, of their staff, was especially helpful in the preparation of questionnaires. Robert Wen was responsible for coding and tabulating the results.

\*\* Marshall, Alfred, Principles of Economics, London: Macmillan and Co., Limited, 1936, eighth edition, p. 228.

\*\*\* Duesenberry, James, Income, Saving, and the Theory of Consumer Behavior, Cambridge: Harvard University Press, 1949.

the effect of interdependence among consumers on the utility of current consumption. The utility of future consumption (current saving) is also affected by the social norms of interdependence, no matter what motive impels the saving. Thus interdependence of consumers supersedes the specific motives for saving in the structure of Duesenberry's theory.

Modigliani and Brumberg\* include the desire to accumulate an estate among

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\* Modigliani, Franco, and Brumberg, Richard, "Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data," Post Keynesian Economics, Kenneth K. Kurihara, ed., New Brunswick: Rutgers University Press, 1954, pp. 388-436.

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four motives for saving. Their model maximizes utility of consumer units over an entire life span. The bequest motive for saving is assumed to be inoperative in order to simplify the development of the model and its implications.

In the most recent major contribution to the theory of consumer behavior Friedman\*\* does not include the desire to transfer wealth to the succeeding

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\*\* Friedman, Milton, A Theory of the Consumption Function, Princeton: Princeton University Press, 1957.

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generation among the motives for saving. Unlike the other contemporary writers, he does specify the motive to save because of the yield to be gained from accumulated assets.\*\*\* It is possible that this motive implies an estate

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\*\*\* Duesenberry and Modigliani-Brumberg both mention this effect in other connections but not as a specific motivating force.

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motive if the interest income is used for consumption during retirement without diminishing the assets.

Extensive empirical studies described by Katona\* indicate that some consumers say that one of their motives for saving is to transfer wealth to their children.

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\* Katona, George, The Powerful Consumer, New York: McGraw-Hill Book Company, Inc., 1960.

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These studies have not been directed toward evaluating the roles of various motives in determining current levels of saving.

The dispersion of emphasis on the bequest motive through time, from Marshall to contemporary writers, and among the contemporary writers themselves, poses interesting but difficult questions. Has society changed so markedly in our century that Marshall's insight can no longer be true? Have family affections weakened to the point suggested by some, the point at which the older generation no longer wants to transfer wealth to their children? Although these broad questions cannot be easily answered with evidence, they lead to other questions about motivations for saving, and the study reported here was directed toward these general questions:

1. Is the bequest motive an important determinant of aggregate consumer saving?
2. Given that there are several inter-related motives for saving, is the bequest motive amenable to empirical study?
3. What descriptive characteristics of consumers are associated with varying levels of the bequest motive.

#### A Model for the Study of Motivations for Saving

Analysis of the propensity to bequeath requires visualizing the consumer as making spending-saving decisions over an entire life-span. Current saving at any point over the life span is therefore subject to three competing motives to satisfy short- and long-run desires:

1. The desire to maintain consumption at a relatively stable level during the working life of the consumer unit. A stable level of consumption can be maintained only if savings (or recourse to debt) are sufficient to insure against two kinds of uncertainty:
  - a. The possibility that income may decline in the short-run, or even become zero because of disablement.
  - b. The incidence of emergencies which require unusually large expenditures.
2. The desire to maintain a stable level of consumption after retirement. This level may be the same as the prior level of consumption, or it may be higher or lower. Savings are still required to insure against variations in income and expenditures but there is an additional element of uncertainty -- the life span is unknown.
3. The desire to improve the welfare of the succeeding generation.

Thus, for purposes of this study, saving serves only three purposes: it is a means of meeting uncertainty, it is a means of deferring consumption, or it tends to cumulate wealth which is to be transferred to the succeeding generation. If the consumer's horizon covers a period less than the life span, the desire for yield from assets would also have to be admitted as a motive for saving. Given the life span horizon, there are only two possible ultimate dispositions of assets: they are converted to consumption or transferred. The transfer of assets to the succeeding generation may be deliberate (gifts during the life of the donor, bequests specified in a will) or they may be an unused residual of assets intended for consumption. Inter-generation transfers can therefore be an unintended consequence of overly cautious reaction to uncertainty among all consumers. Saving behavior over the life span of an individual consumer unit is summarized by the identity:

$$\Delta W \equiv W_T - W_0 \equiv Y_L - C_L$$

where:  $\Delta W$  = net intergeneration transfers

$W_T$  = wealth transferred by bequest or gift to the succeeding generation

$W_0$  = wealth inherited or received in gifts from the preceding generation

$Y_L$  = life-time income

$C_L$  = life-time consumption

$W_T$  and  $W_0$  take negative values for transfers in the reverse direction.

$W_T$  becomes negative if the consumer unit receives more from than it gives to the succeeding generation.  $W_0$  becomes negative if the consumer unit gives more to the preceding generation than is received from it. The examples below illustrate the flow of intergeneration transfers.

<u>Generation</u>	<u>Activity</u>	<u><math>Y_L</math></u>	<u><math>C_L</math></u>	<u><math>W_T</math></u>	<u><math>W_0</math></u>	<u><math>\Delta W</math></u>
1	Accumulates estate	10	8	2	0	2
2	Consumes wealth transferred from parents	10	12	0	2	-2
3	Consumes wealth transferred from children	10	12	-2	0	-2
4	Supports parents	10	8	0	-2	2

A historical cumulation of wealth can result from positive values of transfers ( $\Delta W$ ), but this is not a necessary condition for growth. The aggregate wealth of the economy can also be increased by:

1. Population growth.
2. Increasing income combined with a secular lag in consumption among retired people compared to non-retired people.

Population growth is relevant insofar as it alters the proportions of people in the earning-saving years relative to the retired-dissaving years. With given life expectancy and retirement age, the proportions of people in the earning-saving ages will rise as population grows. This will result in a positive aggregate saving ratio, related to the rate of population growth. But population may also grow by an increase in life expectancy, used to prolong retirement rather than earning years; at the same time the retirement age itself may be lowered. The effects of these phenomena depend on whether or not they are anticipated. If they are anticipated, then presumably they add to the saving of the young as well as to the dissaving of the old; there is no reason to modify the first conclusion. But if they are unanticipated -- if each generation finds, on retirement, that it has made insufficient provision for its needs, -- then there will be some net dissaving to offset the saving due to population growth itself.

Consider the consequences of growth of income with a stationary population. Assume -- as is perhaps realistic -- that the growth of income is a growth in labor income, and that a given volume of wealth will support no more consumption than before. Earners will increase their saving (and their consumption) in order to increase their prospective retirement standard of living. But retired persons will have no more resources than they were able to save out of the lower incomes they earned before. Thus growth in income, like growth in population, produces a positive net saving in the aggregate.

This conclusion depends, however, on a lag of retirement standards of consumption behind general standards of consumption. The retired gear their consumption to their own prior consumption experience, not to the consumption of contemporary younger persons. If this lag does not exist, then the retired

may raise their consumption above what they had planned, using wealth they would otherwise bequeath or accepting gifts from their children. In this case, growth of income does not produce a net positive balance of retirement saving.

Thus the historical accumulation of assets can be attributed to several causes and the relative importance of the motive to save for bequest purposes is not obvious. If it were possible to observe consumer units in successive generations and over their life span, several hypotheses could be tested.

For example:

1.  $\Delta W = 0$  . Each generation consumes its life-time income. Some consumers may transfer assets to the succeeding generation but the value of these assets is offset by the debts left by other consumers.
2.  $\Delta W = K Y_L$  . A constant share of life-time income will be added to wealth regardless of the size of income or initial wealth.
3.  $\Delta W = K(Y_L + W_0) - W_0$  . Of the total resources available to a generation a fraction  $K$  will be passed on to the next generation. The historical course of  $\frac{\Delta W}{Y_L}$  would then depend on changes in  $\frac{W_0}{Y_L}$  . If the rate of growth between generations of inherited wealth is greater than the rate of growth of income, the saving ratio would fall over time.
4.  $\Delta W = K_1 Y_L + (K_2 - 1)W_0$  . This hypothesis is the same as Hypothesis 3, except that the propensity to bequeath income ( $K_1$ ) is not assumed identical to the propensity to bequeath inherited wealth ( $K_2$ ).  $K_2$  is presumably greater than  $K_1$  .



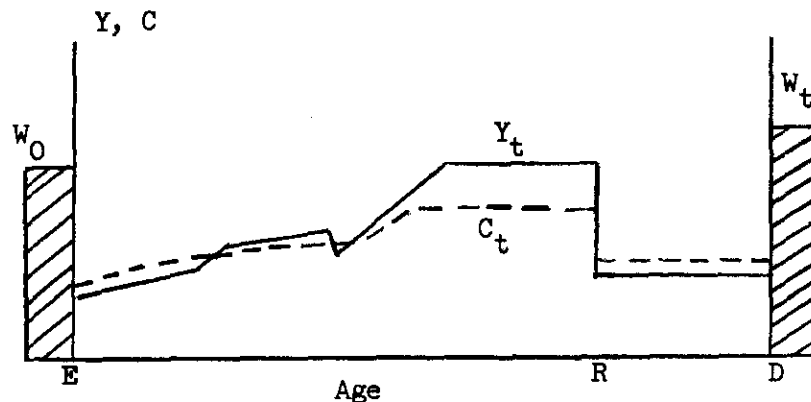
$$5. \frac{\Delta W}{Y_L} = S\left(Y_L, \frac{W_0}{Y_L}\right)$$

- a.  $S_1 > 0$  . Given  $\frac{W_0}{Y_L}$  , the ratio of saving to income would increase when  $Y_L$  increases.
- b.  $S_2 < 0$  . Given  $Y_L$  , an increase in  $\frac{W_0}{Y_L}$  will reduce  $\frac{\Delta W}{Y_L}$  as in Hypothesis 3.

The net effect of secular increases in income over successive generations would then be a gradual increase in the saving ratio if this tendency is not offset by the contrary effect of bequests increasing more rapidly than income.

Empirical Analysis of Motivations for Saving

It is obviously impossible in the short run to observe the saving behavior of consumer units through succeeding generations. It is not feasible, therefore, to test the hypotheses suggested above and a compromised empirical study design must be sought. For purposes of the present study, then, a consumer unit is visualized as going through a life process similar to that suggested by the following diagram:



The consumer unit enters the labor force at E and his annual income and consumption are traced out by  $Y_t$  and  $C_t$  over his life span. The areas under  $Y_t$  and  $C_t$  represent life-time income and consumption,  $Y_L$  and  $C_L$  .

He inherits wealth  $W_0$ . He retires, with a reduction in income and consumption, at  $R$  and death occurs at  $D$ , leaving an estate,  $W_T$ . The value of the estate will equal  $W_0 + Y_L - C_L$ .

A population of consumers at a given point of time contains consumer units at all stages of the life process described above. In order to restrict the observations to the segments of the life span which seemed more strategic for the purposes of the study, two segments were selected for the study.

The younger consumer units containing husband, wife, and children were selected because they represent the younger generation and, at the same time, they are relatively homogeneous with respect to some important economic characteristics. They are still in the process of establishing a household; typically they can expect future income to be higher than current income; and they are establishing habits and making decisions as to their standard of living.

The other selected group, those who have retired or are approaching retirement are relatively homogeneous in other important characteristics. Typically, their children have left home to establish independent households; they have already reached their highest expected incomes. If they have retired, their general standard of living during retirement has been established. If they have not yet retired they can be expected to be aware of any economic stresses associated with retirement.

The sample for the study was designed to include these two segments of life span in two linked generations. Briefly, the sampling procedure followed was:

1. Staff members of National Analysts, Inc., selected from the results of prior studies based on area sampling techniques the addresses in the Philadelphia Metropolitan Area of respondents who met the following criteria:

- a. The household contained husband, wife and children.
  - b. The husband was 40 years old or younger.
  - c. The annual income was more than \$3500.
2. Interviewers who visited these households used a screening device to determine whether or not the families met the above criteria. If the criteria were met, the families were interviewed. If the characteristics of the family did not meet these criteria, no interview was made. The resulting interviews constitute Sample A, a sample of a relatively young generation of consumer units.
  3. As each interview was completed the respondent was informed that the study was designed to include older persons as well as younger people. The name and address of both sets of parents was then requested.
  4. If the parents lived in the Philadelphia Metropolitan Area, the interviewers visited them and requested an interview. The resulting interviews comprise Sample B, a sample of the older generation of consumer units.

The total sample obtained consists of 86 interviews conducted in person by trained interviewers in May and June 1957. Of the total, 64 interviews are matched pairs -- 32 representing younger families and 32 representing the parents of either the husband or wife in the younger family. An additional 22 interviews with younger generation families could not be matched because the parents of the husband and wife were deceased, lived outside the Philadelphia Metropolitan Area, or could not be interviewed.

The final sample is a random, controlled sample with specified limitations. It represents a compromise between a difficult and expensive survey operation, if the study were to be based on a national cross-section of consumers, and

the limited resources available to the Yale Workshop in Quantitative Economic Research. The small size of the sample, and other limitations described below, serve to emphasize that the study must be regarded as an experiment in conducting empirical research in an area of economic theory which itself has not been fully developed. The results suggest rather than test behavioral hypotheses.

A theory of saving which admits a propensity to save for purposes of intergeneration transfers necessarily requires a horizon which includes a total life span. The economic analyst's preference for data describing past behavior cannot be satisfied completely. More than usual reliance must be placed on the consumer's expression of expectations and attitudes. This study uses all three kinds of data, descriptions of past behavior, expectations, and attitudes as they are expressed in the respondent's description of social norms.

A final characteristic of the theoretical model which was important in developing the empirical study is the wide range of possibilities for substitution among the motivations for saving. Savings accumulated as a result of a desire to be able to meet contingencies can easily be diverted to consumption during retirement, intergeneration transfers, etc. Empirical studies of motives for saving must therefore include all of the major alternative dispositions of income and wealth -- analysis of a single motive leaves too many unanswerable questions.

The concept of intergeneration transfers of wealth must also take into account the major alternative means for satisfying the desire to improve the economic welfare of the succeeding generation. In addition to bequests, intergeneration transfers is meant to include major gifts during the life of the parents, continuing and substantial contributions to the support of either the preceding or succeeding generation, and expenditures for education beyond the high school level.

Some Basic Descriptive Results

The results of the sample survey are described below in the form of frequency tables of responses with three kinds of "cross-breaks": Generation, Income, and Accumulation Rate. Responses are shown separately for each of two classes within these control variables.

The responses from the 32 interviews in Sample B are indicated under Older Generation. The responses from the 32 matching interviews with the children of respondents in Sample B are indicated under Younger Generation. Differences in responses between these two groups are therefore independent of differences between lineal families.

An approximation of life-time income was obtained by asking a series of questions. The respondent was asked to describe the first full time job he ever held, in what year he began working at that job and the annual income from it. Similar questions were asked for whatever job was held at succeeding five-year intervals. The result is a crude time-series observation of income over the respondent's life span to date. The secular rise in labor income is obvious in the responses and there are few declines. The declines are in many cases due to military service. The midpoint of the time series of annual incomes is used to classify families as High Income (\$3,000 or more) or Low Income (less than \$3,000). Table 1 shows the distribution of High and Low Income units between the two samples.

Table 1

Number of Interviews Classified by Sample and Income

Sample	Income			Total
	High	Low	NA	
A, matched by B	17	14	1	32
A, not matched by B	13	8	1	22
B	<u>9</u>	<u>16</u>	<u>7</u>	<u>32</u>
Total	39	38	9	86

The Accumulation Rate is a ratio of accumulated wealth to life-time aggregate income as measured from the time series described above. Accumulated wealth is measured in gross form. It includes the market value of: equity in unincorporated business, equity in an owner-occupied house, equity in other real estate, stocks and corporate bonds, government bonds, demand and savings deposits, and other cash. The value of any inheritances received was subtracted from the total value of these assets and the difference is accumulated wealth. Non-mortgage debt was not ascertained. Table 2 shows the distribution of the Accumulation Rate for the total sample and Table 3 shows the distribution of High (9% or more) and Low (8% or less) Accumulation Rates between the two samples.

Table 2

Number of Interviews Classified by Accumulation Rate

Accumulation Rate	Number of Interviews
0	7
1-8%	31
9-20%	25
21-50%	10
51% or more	3
Not ascertained	<u>10</u>
Total	86

Table 3

Number of Interviews Classified by Sample and Accumulation Rate

Sample	Accumulation Rate			Total
	High	Low	NA	
A, matched by B	15	16	1	32
A, not matched by B	11	9	2	22
B	<u>12</u>	<u>13</u>	<u>7</u>	<u>32</u>
Total	38	38	10	86

The Choice Between Consumption and Saving

The respondents were asked a series of questions about the disposition of extraordinary funds by abstracting from the real conditions of the respondents' financial situation. In each question the respondent was asked what he thinks other people should do in the given circumstances. The social norms expressed in the responses indicate that young people are expected to save rather than consume inherited money. The principal reason they should save is to make the future more secure or comfortable, the risks to be reduced unspecified. No one mentioned a moral obligation to conserve inheritances for subsequent bequests, although this attitude may be secondary to the other.

There is less agreement among the respondents about what middle-aged people should do with extraordinary funds. Saving for retirement and contingencies is prescribed for older people but there is also strong support for a hedonistic view: "Later they may be too (old, ill) to enjoy spending," or they should spend the money to compensate for past denial of luxuries.

When the possibility that an older couple may want to sell their house is raised, another attitude is strongly expressed: Parents should not be dependent upon their children. Most respondents agree that if the house is sold the proceeds should be saved rather than consumed. In general they think that older couples should not sell their houses, primarily because it affords them financial security and independence from children.

Questions specifically directed at the propensity to make intergeneration transfers were answered in positive terms -- people do save for this purpose. Apparently the U.S. consumer in the mid-twentieth century is quite different, however, from Marshall's British consumer of the latter nineteenth century. Intergeneration transfers do not play a dominant role among the people interviewed in determining savings. Very few replies to the open questions on the use of extraordinary funds mentioned intergeneration transfers.

The younger generation is particularly conscious of debts as indicated in the following table.

Table 4

Now suppose we were talking about an average young couple who have just inherited money from their parents. What is the very best they could do with it?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Current consumption	5%	--	6%	5%	5%	8%	3%
Repay debts	19	28%	9	21	16	13	14
Save in other forms	90	88	97	87	87	92	86
Depends on amount	1	3	--	--	3	--	3
Not ascertained	2	--	3	3	--	--	3
Total*	117%	119%	115%	116%	111%	113%	109%
No. of cases	86	32	32	39	38	38	37

\* Total percentages exceed 100 because some respondents mentioned more than one use of funds.

The respondents were also asked, "What are your reasons for saying that?" The replies indicate that the younger generation and those families with high accumulation rates are especially aware of the possible yield from accumulated savings.



Table 5

Reasons for Saving an Inheritance

	Total Sample	Generation		Income		Accumulation Rate	
		Younger <sup>1</sup>	Older	High	Low	High	Low
Provide for contingencies	9%	6%	19%	8%	10%	11%	8%
Provide for retirement	--	--	--	--	--	--	--
Provide for intergeneration transfers	5	6	6	5	3	8	--
Provide increased income	21	28	13	26	21	34	14
Makes future more secure, comfortable (less specific than contingencies)	40	31	41	33	45	29	51
Other reasons	10	10	6	10	11	10	11
No reason - preferred consumption	1	--	3	3	--	3	--
Reasons N.A.	14	19	12	15	10	5	16
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 6

Should (a middle aged couple) indulge themselves in some of the luxuries they may have missed or save for their retirement?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Spend for current consumption	62%	56%	59%	64%	61%	61%	68%
Save for retirement	65	78	56	62	66	68	57
Depends on amount	1	3	--	3	--	3	--
Not ascertained	3	3	6	5	3	3	5
Total	131%	140%	121%	134%	130%	135%	130%
No. of cases	86	32	32	39	38	38	37

The younger generation expresses a greater preference for saving for retirement than the older generation. The largest frequency of respondents who recommend consumption occurs among those who have low accumulation rates and the reason they mention most frequently is the uncertainty of life or health. Their attitude is apparently consistent to some degree with their own past behavior.

Table 7  
Reasons for spending or saving by a middle-aged couple.

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
<u>Reasons for spending</u>							
Uncertainty (life, health)	17%	15%	22%	15%	23%	8%	30%
Compensation for past self-denial	17	6	19	13	20	18	15
Enjoy life (less specific reason)	17	19	19	21	14	21	15
<u>Reasons for saving</u>							
Intergeneration transfer	1	3	--	--	3	--	3
Specific problems associated with retirement	7	9	6	--	14	5	5
Prepare for contingencies	8	3	6	5	12	11	5
Prepare for future (general)	30	41	34	28	32	26	32
Other reasons for spending or saving	6	9	3	8	5	5	8
Not ascertained	9	12	3	15	3	16	3
Total	112%	117%	112%	105%	126%	110%	116%
No. of cases	86	32	32	39	38	38	37

The results for the question referring to older families cannot be compared directly with the responses to the question about middle-aged couples because of the difference in context of the decision to consume or save. The question shown in Table 6 was posed in terms of income previously committed to consumption related to children but now no longer committed-supernumerary income. The question about still older families asked what should be done with the proceeds after liquidation of a real asset.

Table 8

(Consider) an older couple who decide to sell their home. What do you think they ought to do with the money?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Current consumption	26%	31%	25%	26%	24%	18%	29%
Save	72	72	66	74	71	76	70
Depends on amount	1	3	--	--	3	3	--
Not ascertained	9	9	16	5	13	8	11
Total	108%	115%	107%	105%	111%	105%	110%
No. of cases	86	32	32	39	38	38	37

If the desire to transfer wealth to the succeeding generation were very strong one might expect the responses to be almost unanimously, "Save." About one out of four respondents, however, say that a real asset should be converted to consumption. Several reasons for saving are given by the 3 in 4 who recommend saving the proceeds from selling a house.

Table 9

Reasons for saving (% of those who mention saving in response to previous question).

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
For contingencies	23%	26%	14%	21%	26%	24%	23%
For security in retirement	10	9	14	7	15	7	15
Intergeneration transfers	3	4	--	--	7	3	4
For increased income	13	17	14	14	7	14	8
To buy another house	15	17	5	17	15	21	12
Other reasons	32	26	43	21	41	31	31
Not ascertained	18	13	19	24	11	14	19
Total	114%	112%	109%	104%	122%	114%	112%
No. of cases	62	23	21	29	27	29	26

Tables 10 and 11 indicate how the respondents feel about the question of whether the older family should sell their house. Two out of three recommend not selling and the dominant reason given is to be financially secure or independent of children.

Table 10

Do you think (the older couple) should sell their house or not?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Should sell	12%	12%	13%	16%	8%	13%	11%
Should not sell	66	66	66	59	71	63	68
Depends on factors related to parents	6	3	6	5	8	3	8
Depends on other factors	12	16	9	15	10	18	8
N. A.	4	3	6	5	3	3	5
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 11

Why do you feel that way?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
<u>Reasons for selling</u>							
Health, better climate	2%	3%	--	3%	3%	3%	--
Maintenance cost or effort	15	16	12	15	18	16	16
House too large for needs	6	16	--	8	5	5	8
<u>Reasons for not selling</u>							
Financial security, independence from children	49	50	47	49	55	58	49
Other reasons for selling or not selling	31	31	37	26	32	27	30
Not ascertained	5	--	9	8	--	3	5
Total	108%	116%	105%	109%	113%	112%	108%
No. of cases	86	32	32	39	38	38	37

### Lifetime Consumption

Consumers' preferences between current consumption and deferred consumption or intergeneration transfers can be measured, theoretically, by the accumulation of wealth over the life span or by lifetime consumption. The two measures are complementary within the life span horizon. Intergeneration transfers are a planned or unplanned residual, fully measurable only after the death of the consumer unit.

The accumulation rate shown in the tables above is obviously an imperfect measure of consumers' preferences with respect to intergeneration transfers. Imperfections arise from the fact that at the time of observation the story cannot be completely told; plans and expectations based upon the latter years of life have not yet been fulfilled. Moreover, the accumulation rates estimated for the families interviewed in this study are only crude approximations even for an intermediate point in the life span. The omission of debts undoubtedly results in an upward bias in the estimated accumulation rates for many families, particularly the younger generation. The use of labor income received only by the husband results in understatement of lifetime income for families which had substantial property income or which received income earned by members other than the husband. The omission of property income and capital gains, and the consequent upward bias in the accumulation rate probably affects most the data for older families.

Given these difficulties in measurement of the accumulation of wealth there is some advantage in a tentative exploration of the complementary concept, lifetime consumption. The difficulties in measuring consumption in detail for a relatively short accounting period are formidable; to extend the period to the full life span of a consumer unit makes a staggering task.

The purpose of considering a detailed measure of lifetime consumption is to permit differentiation between consumer units who spend freely, who consume at high levels over time and consumer units who are more cautious, who consume at low levels over time. Empirically, it seems more feasible to find indicators of a general level of consumption than to measure consumption in detail over long periods. The meaning of such indicators, if they can be found remains to be demonstrated, of course. In this study five kinds of indicators were considered:

1. Relatively short trade-in cycle on new cars.
2. Ownership of recently introduced durable goods.
3. Frequent use of consumer credit as a measure of impatience.
4. Relatively high expenditures for vacation trips.
5. Increasing cost of vacation trips.

Each of these kinds of consumer behavior is posited as being a characteristic of high levels of long-run consumption. Obviously the list is incomplete. Also obviously, the suggestion that a list of these activities can be meaningful ventures dangerously close to a clear distinction between "necessities" and "luxuries." It is not our purpose to attempt to make such a distinction, but, rather, to use these indicators as examples of some class of activities associated with high levels of lifetime consumption.

With respect to consumption of new automobiles, there are no startling differences between groups observed if sampling errors between small groups are considered. The data suggest that consumers who have high rates of accumulation of wealth also have high frequency of ownership of cars purchased as new cars. It is possible, however, that this group tends to keep cars longer than the consumers who have low rates of accumulation of wealth. Thus they may devote less of their income to new car ownership than low accumulators.

Table 12

Ownership of cars bought as new cars

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Owens one or more cars bought new	38%	41%	31%	49%	32%	50%	32%
Owens no cars which were bought new	62	59	69	51	68	50	68
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 13

Trade-in cycle reported by owners of new cars

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Less than three years	24%	23%	40%	26%	25%	21%	33%
Three years or more	70	69	60	69	67	74	59
Not ascertained	6	8	--	5	8	5	8
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	33	13	10	19	12	19	12

The younger generation leads the older generation consumers in adopting innovations in durable goods. This relative readiness to buy new durables may reflect a higher level of consumption by younger consumers or it may simply reflect a cultural lag on the part of the older families.



Table 14

Ownership of recently introduced durable goods

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Automatic washer	56%	66%	38%	61%	55%	66%	54%
Automatic drier	16	16	6	23	11	24	11
Dishwasher	2	3	--	3	3	5	--
Air conditioner	14	22	9	18	13	24	8
Television	87	94	81	92	87	92	89
No. of cases	86	32	32	39	38	38	37

The younger generation's greater willingness, compared to the older generation, to contract debt for the purchase of durable goods is shown in Table 15. There is also a significant difference between consumers who have high rates of accumulation of assets and those who have low accumulation rates; the latter group uses installment credit much more frequently. The high accumulation group shows a greater propensity to purchase durable goods (see Table 14), but they are more likely to defer purchases until they can pay cash. This difference between high accumulators and low accumulators is consistent with the hypothesized "personality correlation" implicit in the search for indicators of differences in the lifetime level of consumption.

Table 15

Frequency of use of installment credit

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Always	12%	19%	6%	15%	11%	5%	22%
Usually	28	31	19	18	39	26	32
Sometimes	25	25	22	33	21	27	27
Hardly ever	15	9	22	13	18	16	14
Never	20	16	31	21	11	26	5
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

The data on vacation trips do not support the hypothesized "personality correlation." Although the differences are not statistically significant, the data suggest that those who are in the high accumulation class are more likely to go on vacation trips and spend more compared to those in the low accumulation class. Thus more past accumulation seems to lead to higher, rather than lower, levels of current consumption.

Table 16

Cost of vacation trip in 1956

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
No vacation trip	62%	50%	72%	54%	63%	52%	65%
Less than \$100	8	13	6	8	11	8	11
\$100-299	20	34	10	23	21	24	19
\$300-499	6	3	6	7	5	8	5
\$500 or more	3	--	3	8	--	8	--
Cost not ascertained	1	--	3	--	--	--	--
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 17

Cost of 1956 vacation trip relative to other vacations

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
More than others	34%	38%	34%	33%	36%	39%	31%
Same as others	30	25	22	33	21	28	31
Less than others	27	31	33	28	29	22	31
First vacation	9	6	11	6	14	11	7
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	33	16	9	18	14	18	13

In addition to contrasting the consumption behavior of the high and low accumulator groups, the consumption indicators also suggest a tentative conclusion about the older generation consumers. If the older group were seriously concerned about their support during retirement or about a desire to make substantial intergeneration transfers they might be expected to begin to reduce their levels of consumption before or during retirement. Except for the lower frequency of ownership of durable goods and use of installment credit there is no evidence that the older generation is under any severe restraint in their consumption expenditures compared to the younger generation. Thus their propensity to transfer assets to the younger generation apparently does not extend to the point of significant sacrifice of their own consumption.

Some Social Norms Concerning Intergeneration Transfers

The transfer of assets between generations is a complex process involving many decisions and much uncertainty. Replies to questions probing this process reveal a wide range of attitudes among consumers. There is substantial agreement among consumers, however, on the preferred type of intergeneration transfer. About half of the respondents mentioned educational support as the best way of providing for the future of children.\* Bequests were mentioned by only

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\* Attitudes toward education are described in greater detail below.

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sixteen per cent of the respondents.

Table 18

Most people would like to provide for their children's future. What do you think is the best way of doing this?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Financial transfers during parents' life	10%	6%	6%	13%	8%	11%	11%
Educational support	49	53	38	46	55	53	49
Bequests	16	22	12	18	16	24	11
Other responses	24	22	28	26	21	16	30
Not ascertained	6	--	16	5	3	3	5
Total	105%	103%	100%	108%	103%	107%	106%
No. of cases	86	32	32	39	38	38	37

Many of those interviewed replied in non-financial terms (e.g., "teach them to fear God") and their answers are tabulated in the "Other responses" category of Table 18.

Tables 19 and 20 indicate a wide band of varying attitudes on the question of the point at which parental support of children should stop and the point at which children are expected to contribute to the support of their parents (negative intergeneration transfers).

Table 19

How long do you think that parents should continue to help (their children) financially once their children are working full time?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
No help	33%	31%	31%	28%	42%	32%	41%
Help until marriage	14	12	16	15	11	10	16
Conditional help after marriage	10	13	6	8	13	13	8
Conditional help, no reference to marriage	19	25	13	15	21	21	16
Help after marriage, unconditional	2	--	3	5	--	--	5
Other responses	20	16	28	26	10	21	14
Not ascertained	2	3	3	3	3	3	--
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 20

Should unmarried children who are working full-time help their parents financially?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
<u>Yes, should help</u>							
Share household costs	20%	12%	19%	26%	13%	26%	13%
Obligation to parents	16	9	28	17	16	5	27
Develop responsibility	15	22	6	22	11	19	14
If parents need help	29	35	29	19	45	29	32
Other or no reasons given	9	16	6	8	10	8	11
<u>No, should not help</u>	6	3	6	3	5	8	3
Not ascertained	5	3	6	5	--	5	--
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

One-third of the respondents think that children should be financially independent of the parents when they begin full-time work. About half of the respondents approve of parental support after the children begin working. Thus there is no clear line of demarcation between supporting children up to some point of maturity or independence and intergeneration transfers. The point of time at which support of children becomes a transfer of assets cannot be clearly defined by prevailing attitudes and a model which includes the concept of intergeneration transfers would have to define arbitrarily an empirically useful line of demarcation.

There is general agreement that unmarried children should help to support their parents. Many would approve of this reversal of support only if the parents need help and this condition is imposed most frequently by respondents with low incomes. There is also an interesting difference between the younger and older generations in the reasons that they offer for support of their parents by children. More of those in the older generation say that the children have an obligation to their parents. More of those in the younger generation justify a reversal of support by the idea that this helps to develop a feeling of responsibility, this feeling presumably being a benefit to the children.

For the consumer unit which does want to make bequests there is a broad choice of asset forms available. The most highly specialized form of asset to serve the purpose of bequests is probably ordinary life insurance, but there are many alternatives, each with its own qualitative characteristics. It is tempting to think of assets having characteristics which are peculiarly appropriate for particular motives for saving. A close correspondence between motives and the attributes of various forms of assets would allow a reading of the motives for saving from a given portfolio. The results of this study suggest that this approach is not fruitful.

Table 21

What do you think is the best kind of (asset) to pass along to your children (as a bequest)?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Cash, bank accounts, insurance	48%	53%	47%	44%	55%	58%	43%
Home, other real estate	43	47	44	46	39	42	41
Securities	10	19	6	15	5	16	5
Unincorporated business, farm	6	12	3	3	11	3	11
Not ascertained	6	3	9	5	5	5	5
Total	113%	134%	109%	113%	115%	124%	105%
No. of cases	86	32	32	39	38	38	37

Table 22

Advantages of assets preferred for bequests

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Liquidity	16%	22%	6%	10%	26%	16%	22%
Yield	14	19	6	21	11	18	14
Safety	8	9	9	9	8	8	8
Real value	8	16	3	10	8	5	11
Divisibility	23	25	28	18	26	29	16
Illiquidity	13	9	16	13	13	16	11
Other	19	12	16	23	13	21	16
Not ascertained	6	3	16	5	5	5	5
Total	107%	115%	100%	109%	110%	118%	103%
No. of cases	86	32	32	39	38	38	37

Liquid assets and real estate are the most favored forms of assets for bequest purposes. The characteristic of liquid assets which is most appealing is divisibility. The respondents expressed a strong desire to avoid family quarrels over the division of an estate among heirs and chose liquid assets as the most appropriate form of bequest, primarily for this reason. Thus liquid assets, the most flexible of all asset forms, is preferred to satisfy a motive for long range saving, a motive which, a priori, would seem to require consideration of maintenance of real value, yield, and other attributes of the asset.



The data suggest an interesting divergence of views of characteristics of assets between the older and younger generations. Divisibility is mentioned most frequently in each group but there are significant differences in the frequency of mention of other advantages. The older generation tends to be conservative in its attitudes -- illiquidity ranks high. The younger generation is relatively more aware of other advantages, e.g., liquidity, yield, and real value.

#### Parents' Financial Support of Education

Support of education beyond high school is a very important form of inter-generation transfer as measured by the extent of the population affected. Other forms of transfers such as bequests may involve larger aggregate money values but it is possible that an increasing proportion of all capital transfers are taking the form of human investment in the education of the younger generation. The attitudes expressed by the parents interviewed and the expectations of the respondents of the younger generation indicate a high degree of concern with financial support of education.

Tables 23-25 summarize parents' expressions of social norms regarding the desirability of college education, the extent to which parents should try to influence their children to go to college, and the role parents should play in paying the costs. Compared to the older generation, the respondents of the younger generation express more strongly the view that parents should at least encourage their children to go to college and be willing to pay the expenses.

Table 23

What do you think about children finishing their schooling? Should they finish high school? Should they finish college?

Attitudes toward finishing college	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Strong positive (highly desirable, necessary)	26%	31%	22%	31%	23%	31%	22%
Positive (advantageous, they should finish)	41	41	44	41	45	37	51
Neutral (if they want to, advantages and disadvantages)	17	16	16	18	16	21	14
Negative (not important)	8	9	9	2	8	3	5
Not ascertained	8	3	9	8	8	8	8
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 24

How far should parents go in trying to get their children to go on farther in school?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Strong positive (as far as they can, persuade them)	35%	47%	31%	38%	37%	42%	35%
Positive (encourage them)	28	28	19	39	21	31	27
Neutral (let children decide)	22	16	28	15	24	16	24
Negative (children should not go to college)	5	--	13	--	5	3	--
Not ascertained	10	9	9	8	13	8	14
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 25

Should parents pay for a college education?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Strong positive (pay all, make great effort)	19%	28%	9%	18%	21%	16%	24%
Positive (pay part, do what they can)	56	50	63	51	60	66	46
Neutral (should help)	18	16	19	23	16	16	24
Negative	2	3	3	3	--	--	3
Not ascertained	5	3	6	5	3	2	3
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

When respondents of the younger generation were questioned about their own children, about three-fourths of them said they expect their children to have some further education after high school. Practically all of this group expect to contribute to the costs, and about half of them reported that past or future savings would be used to finance the additional education. Tables 26-28 report the expectations of the respondents in the younger generation.

Table 26

Do you plan for your children to have some kind of education or training after they leave high school?

	Younger Generation Families
Yes	78%
Undecided	2
No	20
Total	100%
No. of cases	54

Table 27

Who will pay for this further training?

	Younger Generation Families
Parents will	63%
Parents will share costs with children	35
Other person will share costs	2
Total	100%
No. of cases	43

Table 28

How do you plan to meet this cost?

	Younger Generation Families
Out of savings	49%
Endowment insurance	7
Borrowing	5
Out of income	7
Combination of above	23
Undecided	2
Not ascertained	7
Total	100%
No. of cases	43

Non-Education Transfers Between Generations

Considering the high frequency of ownership of life insurance in the United States, very few respondents reported that they had inherited an

estate.\* Only 25% of the older generation reported receiving an inheritance but 41% reported that they have drawn up a will. Anticipation of bequests to the extent of making a will is most frequent among families with high incomes or high accumulation rates. About one-fourth of the families interviewed expect to make intergeneration transfers in the form of gifts.

\* It is very possible that the number who reported receiving an inheritance would have been higher if the question had mentioned life insurance benefits explicitly.

Table 29

Did you inherit any money, property, or securities from your parents?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Yes	12%	6%	25%	8%	10%	5%	8%
No	42	16	75	36	45	37	46
Inapplicable, one parent of each set still living	46	78	--	56	45	58	46
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Table 30

Have you drawn up a will? (Excluding widows)

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Yes	25%	22%	41%	32%	15%	40%	9%
No	74	78	54	68	85	60	91
Not ascertained	1	--	5	--	--	--	--
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	76	32	22	38	33	35	34

Table 31

Do you expect to give your children any fair-sized gifts of money or property during your lifetime?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Yes	24%	28%	19%	26%	26%	29%	22%
Undecided	3	--	6	5	3	3	5
No	69	69	72	64	71	63	73
Not ascertained	4	3	3	5	--	5	--
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	86	32	32	39	38	38	37

Partial support of the older generation by the younger generation (negative intergeneration transfers) is undoubtedly less frequent now than it has been in the past. The changes in the family as an economic unit and the growing importance of social welfare programs are well known. It is somewhat surprising, therefore, to find that about one-fourth of the families in the younger generation were contributing to the support of their parents by regular contributions or gifts. This kind of transfer is reported most frequently by families with high incomes or high accumulation rates.

Table 32

If both parents of husband or wife are living: Do you contribute to the support of your parents either by regular contributions or gifts of things they need?

	All Younger Generation	Income		Accumulation Rate	
		High	Low	High	Low
Yes	22%	37%	5%	36%	9%
No	74	63	86	60	87
Parents not living	2	--	9	4	4
Not ascertained	2	--	--	--	--
Total	100%	100%	100%	100%	100%
No. of cases	54	30	22	28	23

### Saving for Contingency Purposes

The theoretical model described above included the uncertainty of the incidence of economic emergencies such as reduction of income or unforeseen expenditures, and the consequent possibility of reduction of the level of consumption below a desired level, as one of the principal motives for saving. Furthermore, empirical studies in which consumers have been asked directly why they save result in a high frequency of responses which indicate contingencies are important. The measurement of saving for this purpose remains one of the more difficult tasks in an evaluation of several motives for saving. The results achieved in the present study offer no important substantive findings. Thus the emphasis here will be on methodological issues which arise in a study of this kind.

It seems to be very difficult to obtain a measure of lifetime income which would reveal fluctuations in income among consumers, except, perhaps, for entrepreneurs who maintain records of their income. The device used in this study, that of observing only labor income by recall at five year intervals, did not yield useful reports of reductions in income. Some of the few declines reported resulted from military service and seemed inappropriate for the purposes of the study. Thus the hypothesis that saving is positively related to the variability of income over the life span cannot be tested.

As for unforeseen expenditures which might arise from illness, injury, accidents resulting in property damage, etc., most of the more common risks are insurable. A single question asking how the respondents would meet various emergencies was not very enlightening. The possibility of illness attracted the attention of the respondents and they answered, almost unanimously, in terms of medical insurance and liquid assets. Further investigation of saving

for unforeseen expenditures should probably include an extensive series of questions about insurance coverage and premiums paid. Premiums paid for insurance to cover the risk of emergency expenditures do not result in an accumulation of equity and they are therefore classified as consumption. At the same time such premium payments serve as a substitute for saving a reserve for self-insurance. A study of motivations for saving must therefore cross the more or less rigid line we usually draw between saving and consumption in household accounting.

#### Saving for Consumption During Retirement

The stage of the consumer unit's life span which begins with retirement from the labor force requires many adjustments by the consumer unit and it is therefore especially significant for a theory of saving. The decline in current income and the change in patterns of life furnish new conditions which can result in sharp shifts in consumer behavior. This study was directed toward four aspects of retirement:

1. The form of assets preferred for saving in preparation for retirement.
2. The amount of income expected from pensions and annuities.
3. The relationship between accumulation rate and income expected from pensions and annuities.
4. Expected levels of consumption during retirement relative to levels of consumption before retirement.

Liquidity, safety, and yield are the important characteristics of assets accumulated for retirement purposes, according to the respondents. The maintenance of real value was mentioned less often in connection with saving for retirement than it was in connection with saving for bequests. The younger generation and the higher income group show a relatively greater preference for securities, but their preference is based on yield and safety considerations



rather than consideration of real values. These results should be contrasted with those in Table 22 where the respondents in talking about the forms of assets preferred for bequest purposes, stressed real value more and safety much less.

Table 33

If a middle-aged couple wanted to save for retirement what do you think would be the best kind of savings for them?

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Liquid assets	62%	62%	62%	56%	62%	53%	73%
Insurance, annuities	20	19	22	15	26	26	16
Securities	16	25	6	26	11	24	14
Real estate	8	3	12	10	3	8	5
Not ascertained	5	--	6	8	3	--	8
Total	111%	109%	108%	115%	105%	111%	116%
No. of cases	86	32	32	39	38	38	37

Table 34

Advantages of the preferred asset

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Safety	59%	69%	50%	67%	58%	58%	70%
Yield	36	53	28	41	34	47	27
Liquidity	23	22	28	18	26	21	24
Real value	1	--	3	3	--	--	3
Other advantages	16	9	19	15	16	24	8
Total	135%	153%	128%	144%	134%	150%	132%
No. of cases	86	32	32	39	38	38	37

About half of the families interviewed said that they were covered by an annuity or pension program other than the Old Age and Survivors Insurance program. About four out of five were not making any other provision for retirement. When asked specifically if they were covered by OASI, and if so, the amount of benefits they expected to receive, 63% of the families covered did not know what their benefits would amount to. This lack of knowledge may indicate a lack of concern with their level of income during retirement.

Table 37 shows the distribution of retirement benefits (R) to median lifetime income, R representing the sum of benefits expected from annuities, pensions, and OASI benefits, if known. The ratio is understated in 10 cases where it is known that the respondent will receive benefits from one of the three sources but the amount is unknown. More than 50% of the respondents will apparently have during retirement an income amounting to less than half of their median lifetime income. A scatter diagram for the small sample indicates no relationship between accumulation rate and  $R/Y_M$ .

Table 35

Do you have annuity policies or company pension plans? (Excluding widows who are not employed)

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Annuity and pensions	4%	3%	5%	6%	3%	9%	--
Pension only	45	47	41	44	50	43	53%
Annuity only	4	6	--	8	--	8	--
Neither	47	44	54	42	47	40	47
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	78	32	24	38	35	36	35

Table 36

Are there any other ways you are providing for retirement? (Excluding widows who are not employed)

	Total Sample	Generation		Income		Accumulation Rate	
		Younger	Older	High	Low	High	Low
Yes	17%	22%	8%	26%	9%	28%	6%
No	81	78	84	71	91	72	91
Not ascertained	2	--	8	3	--	--	3
Total	100%	100%	100%	100%	100%	100%	100%
No. of cases	78	32	24	38	35	36	35

Table 37

R/Y <sub>M</sub>	Total Sample	Generation	
		Younger	Older
0	14%	8%	23%
1-49%	40	62	15
50-79%	26	15	31
80% +	20	15	31
Total	100%	100%	100%
No. of cases	35	13	13

An earlier section, A Model for Studying the Motivations for Saving, suggested that one of the important aspects of long-run consumer saving is the norm used for reference in determining the level of consumption during retirement. Given a secular increase in income aggregate saving will be greater if retired people set their consumption according to their own previous

levels of consumption than it will be if retired people attempt to emulate the consumption standards of the younger generation. A relatively complete empirical study of this issue could be the subject of an extensive study by itself. In the current study only 22 of the older generation males had not yet retired, and they were asked about their expected levels of consumption after retirement. Although Table 37 indicated a substantial reduction in income upon retirement for many of the older generation, about 80% of the respondents do not expect to make any changes in their standard of living when they retire. Whether the gap is to be closed by a planned consumption of assets saved for that purpose and what the effect on intergeneration transfers will be remain open questions.

Table 38

Do you think you will make any changes in your standard of living when you retire? (Excluding widows who are not employed and men already retired)

	All Older Generation
Yes	18%
No	82
Total	100%
No. of cases	22

Table 39

Do you think you will continue to go on vacations after you retire? (Exclusions as above)

	All Older Generation
Yes	36%
No	23
Has never gone on vacations	36
Not ascertained	5
Total	100%
No. of cases	22