The Future of Wealth Transfer: How Demographics Shape Inheritance Expectations in America

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Over 200 years after Benjamin Franklin said, “In this world, nothing can be said to be certain, except death and taxes,” the observation continues to resonate. More recently, a term known as the “Great Wealth Transfer” has surfaced across media outlets. This phenomenon defines the over $95 trillion in wealth transfers anticipated between 2021 and 2048 (Horton, 2024). Baby Boomers (those born between 1946 and 1964) hold the largest net worth of any American generation, or 51.8% of all U.S. wealth. In contrast, Millennials (those born between 1980 and1994) possess just 9.2% of the country's wealth (The Fed, 2024). The Great Wealth Transfer signifies a shift in the demographics of asset holders, as additional demographics begin to accrue significant wealth for the first time. This research aims to investigate how the expectations for inheritance vary across demographics, illustrating the potential for disparities in wealth transfer.

The importance of understanding who benefits from wealth transfers and how it may shape future financial inequalities is significant. For example, in a professional capacity, discerning key characteristics and their relationships to inheritance expectations will give financial advisors insight as they continue developing relationships with the next generation of clients. This discernment will position advisors to deliver tailored advice regarding future transfers of wealth.

Notably, individuals with a higher financial risk tolerance are more likely to receive inheritances, which may be associated with possession of a higher net worth. Therefore, they are positioned to invest and grow their inherited wealth, further compounding inequality across generations (Berns et al., 2023; Coe & Webb, 2009). Moreover, these households have clear connections to financial and educational access and acumen (Coe & Webb, 2009). Inheritances and pre-death gifting are the primary contributors to wealth inequality, accounting for about a quarter of total household wealth accumulation in the U.S. (Berns et al., 2023; Wolff & Gittleman, 2014). These financial transactions are more notable as net worth increases, permitting wealthier households to grow their wealth while low-asset households must focus on educational attainment. However, research has also found that in addition to financial resources, social and structural position may impact prospective financial well-being (Benton & Keister, 2017). Thus, the aforementioned interconnected factors are associated with collectively driving higher inheritance expectations and intergenerational wealth concentration.

Furthermore, family structure is associated with how intergenerational-wealth transfers may be constructed and utilized. Receiving financial support as a child is positively associated with inheritance expectations due to downward transfer patterns in bequests (Kim et al., 2013). This may correlate to parental altruistic motivation or an assumption that children need the same financial assistance after a parental death (Kim et al., 2013). Furthermore, the child who becomes the caregiver to aging parents can often be predicted by past financial transfers (Caputo, 2005). Therefore, the all-encompassing parent-child relationship may influence the wealth transfer method.

Familial obligation and inheritance are more likely to motivate sons, while daughters, with less likelihood of inheritance, have a tendency to support their parents (Caputo, 2005). However, bilineal inheritances are more substantial for women, which may correlate to expressive bequests as these bequests are correlated to close emotional relationships (Nauck, 2010). Additionally, children with higher education and better health have an increased likelihood of receiving inheritance (Caputo, 2005). In general, children are more likely to base inheritance expectations on personal financial status and are less likely to expect inheritances from fathers, whereas parents plan for bequests regardless of their children's financial status (Kim et al., 2013). These factors highlight the complex nature of family dynamics and personal notions surrounding inheritance expectations.

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Prior literature suggests that various factors, including family structure and net worth, influence inheritance expectations (Kim et al., 2013). The higher a family's socioeconomic status, the more likely the younger members, children in particular, expect to receive an inheritance (Nauck, 2010). As for women, bilinear family structure and expressive requests increase inheritance expectations (Nauck, 2010). However, as the family grows in number or parents' age increases, the inheritance expectation decreases (Kim et al., 2013). To bridge the gap in the literature on expected inheritances, our analysis investigates salient factors that are associated with inheritance expectations.

We have based our study on Becker's (1991) Altruism theory, which suggests that parents give financial support, including inheritances, to their children out of love, care, and a sense of duty (Becker, 1992). This theory posits that parents, especially those who are wealthy, want to help their children, particularly if they are in need. It also helps explain age-related differences in inheritance expectations. Younger adults, who often experience greater financial instability, are more likely to anticipate financial support from parents or grandparents. On the other hand, older generations, such as Baby Boomers, may no longer expect such support due to financial independence. Gender and family dynamics further influence these expectations; daughters, for example, might be associated with expressive bequests tied to emotional closeness, while sons may have higher expectations for financial transfers based on traditional notions of filial obligation (Nauke, 2010). Becker's theoretical lens offers insight into how wealth transfer expectations are influenced not just by financial conditions but also by familial relationships and altruistic motives.

This study used the Financial Industry Regulatory Authority Foundation's 2021 National Financial Capability Study (NFCS) State-by-State dataset. Information on the respondent's diverse characteristics, including their financial knowledge, behaviors, and attitudes, was compiled. A total of 20,218 respondents were included in the original sample, and after analysis, this number was reduced to 7,701 respondents who expected to receive inheritances. National sampling weights available in the 2021 NFCS datasets were used to be representative of the respondents' age, gender, ethnicity, education, and Census Division based on the American Community Survey (Lin et al., 2022). Therefore, this weighted sample provides nationally representative data on inheritance expectations and associated financial characteristics.

Sociodemographic variables, including race/ethnicity, education, employment status, marital status, homeownership, and household income, were controlled. Other household financial information was also included, such as objective and subjective financial knowledge. The major dependent variable, "inheritance expectation," was defined based on questions from the NFCS survey (Table 1). Respondents were asked, "Do you expect to inherit (or have you already inherited) $10,000 or more?" The possible responses to this question were "(1) Yes," "(2) No," "(98) Don't know," and "(99) Prefer not to say." The variable was coded as 1 if yes and as 0 if otherwise. Only respondents who reported "Yes," which indicates the expectation to receive inheritance, were captured in this study.

Upon analysis, it was determined that household characteristics, including age, gender, education level, income, and financial risk tolerance, play a crucial role in shaping financial decision-making behaviors. In Table 1 (see appendix), the descriptive statistics of the variables analyzed in the study are showcased. About 31% of respondents expected to receive an inheritance of $10,000 or more. The sample's demographic composition was roughly 54% female and 74% non-Hispanic White. Approximately 26% of respondents had some college experience, 11% held associate degrees, and about 25% were college graduates. Around 13% of respondents had income less than $15,000, 18% had income between $50,000 and $75,000, and over 6% had an income higher than $150,000. Living arrangements and employment status were also notable factors, with approximately 39% of participants employed full-time and 22% being retired. Additionally, nearly 60% were homeowners. The average objective financial knowledge score of the sample was 4.82 (on a scale of 1 to 7), whereas the average subjective financial knowledge was 5.06 (on a scale of 1 to 7). Overall, the average financial investment risk was 5.05 (on a scale of 1 to 10).

On the other hand, Table 2 (see appendix) shows the odds ratio from the logistic regression, estimating the expectations of inheritance. Respondents aged 18-24 had 47% higher odds to expect inheritance than those aged 35-44. Controlling for other factors, respondents aged 45-54 had 24% lower odds of expecting inheritance than those aged 35-44. Notably, women had about 15% higher odds of expecting inheritances than men. However, being a racial minority led to 41% lower odds of expecting an inheritance than white respondents.

Those with an education level higher than high school, such as some college, a bachelor's degree, a master's degree, or higher educational attainment, exhibited increased odds of expecting inheritances compared to those who did not complete high school. In contrast, respondents with some college had 1.32 times the odds of expecting inheritances than individuals with up to a high school-level education or diploma. Respondents with bachelor's degrees had 1.94 times the odds of expecting inheritances, and postgraduates had about 2.33 times the odds than those with a high school diploma. Income level was another significant predictor of expectations. Compared to those earning less than $15,000, respondents with higher than $300,000 in income had 2.17 times the odds of expecting inheritances, followed by those in the $150,000 to $200,000 (odds ratio = 1.72) and $100,000 to $150,000 income levels (odds ratio = 1.68). Respondents with an income level of $75,000 to $100,000 had 1.33 times the odds of expecting inheritances than those with income less than $15,000. Respondents with a higher financial risk tolerance were also more likely to expect an inheritance. Strikingly, after controlling for other factors, homeowners had 42% lower odds of expecting an inheritance compared to renters.

Data indicates that younger adults (ages 18-24 who are typically Gen-Z) are more likely to expect an inheritance than those ages 35-44 (who are Millennials), while older adults (ages 45-54 who are Gen-X) are less likely to do so than the 35-44 age group. These findings point to potential significance of younger adults receiving inheritances from grandparents, with those expectations decreasing as the younger generation achieves financial independence and/or awareness of their parent's financial circumstances. This age dynamic could indicate that significant wealth flows are concentrated in families with established financial legacies, while others may be excluded from the wealth transfer.

During analysis, four trends relating to gender, education, income, and risk tolerance emerged. First, women are more likely to expect an inheritance than men, possibly due to longer life expectancy and/or familial caregiving roles. However, women may also face additional financial challenges such as gender pay gaps and longer retirements, which could complicate how they manage inherited wealth. Next, compared to high school graduates, those with bachelor's or postgraduate degrees have a greater expectation to receive inheritances. Similarly, higher-income earners (above $100,000) are more likely to expect to inherit than low-income earners. These findings suggest that wealth transfer will disproportionately benefit already affluent and educated households, perpetuating existing wealth inequalities. Lastly, individuals with a higher financial risk tolerance are more likely to expect inheritances. As a matter, it is possible that their inheritance expectations have influenced their financial risk tolerance. These risk-takers may be better positioned to invest and grow their inherited wealth, further compounding inequality across generations. These trends reveal characteristics that identify potential and existing clients who may receive inheritances, allowing advisors and financial planners to offer tailored advice.

By examining how demographic factors influence inheritance expectations and receipts, this research provides a deeper understanding of who stands to benefit the most from the upcoming transfer of wealth. These insights are crucial for financial planners, policymakers, and economists seeking to address wealth inequality and ensure a more equitable distribution of assets across society. With these findings, financial planners now have the ability to adapt their practice to better suit client needs.

From a policy perspective, legislators may seek to address how limited taxation of inheritances benefits wealthier families, potentially reinforcing inequality. Only six states have taxation based upon everything the deceased owned or had a certain interest in—upon death at fair market value—and as of 2011, estates of decedents survived by spouses may elect to pass the decedent's unused exemption to surviving spouses (IRS, 2024). Furthermore, the generation-skipping transfer tax introduced by the federal government in 1986 was designed to "skip" taxation on a wealth transfer to children by bequeathing wealth directly to grandchildren (Hines, 2013). In light of demographic factors' impact on inheritance expectations, policymakers may reevaluate current estate/inheritance taxation laws, promoting more equitable policies.

This exploratory study recognizes the narrow scope of the inheritance question at the center of this research. With the expectation of inheritance set at $10,000, the results only shed light on the demographic characteristics of inheritance, leaving insights regarding the magnitude of expected inheritance outside of this study's scope. Future research should pose a similar question, incorporating focus groups across different demographics that identify their intentions to give as well as posits the expected amount of the inheritance within relative ranges. Further studies should also explore the current invested population and gauge their intentions to leave an inheritance. Comparing the older generations' intentions to leave money with the younger generations' expectations to receive inheritance could prove useful in illustrating a potential disconnect between the two groups. Expanding research in these areas

would deepen understanding of how demographic characteristics influence inheritance expectations, exposing underlying patterns and inequities in transfers of wealth from one generation to the next.

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Table 1

Summary Statistics

Key Variables	%
Expects or have received an inheritance	31.24
Does not expect or has not received an inheritance	68.76
Control Variables	
Objective Financial Literacy	
0	0.32
1	3.1
2	7.47
3	11.81
4	15.1
5	21.38
6	24.54
7	16.28
Subjective Financial Literacy	
1 (Very Low)	2.31
2	2.28
3	6.26
4	17.53
5	32.71
6	24.85
7 (Very high)	14.06
Investment Risk	
1 - Not At All Willing	14.4
2	7.64
3	9.98
4	9.19
5	14.61
6	11.75
7	12.68
8	8.58
9	3.62
10 - Very Willing	7.56
Employment	
1-Self-employed	46.45
2-Work full-time	8.7
3- Work part-time	23.26
4-Homemaker	21.59

Age	
18-24	11.1
25-34	17.32
35-44	16.83
45-54	17.03
55-64	17.45
65+	20.29
Gender	
Male	45.97
Female	54.03
Ethnicity	
White non-Hispanic	73.98
Non-White	26.02
Employment	
Self-employed	7.9
Work full-time	38.55
Work part-time	8.7
Homemaker	6.71
Full-time student	2.8
Permanently sick, disabled	5.65
Unemployed or temporarily laid off |	8.1
Retired	21.59
Education Level	
Did not complete high school	2.72
High school graduate	17.79
High school graduate - GED or alternate	7
Some college, no degree	26.05
Associate's degree	10.85
Bachelor's degree	24.64
Post graduate degree	10.95
Income	
Less than $15,000	12.27
At least $15,000 but less than $25,000 |	10.85
At least $25,000 but less than $35,000	10.76
At least $35,000 but less than $50,000 |	14.19
At least $50,000 but less than $75,000	18.46
At least $75,000 but less than $100,000	13.16
At least $100,000 but less than $150,00	12.8
At least $150,000 but less than $200,00	4.47
At least $200,000 but less than $300,00	2.07

$300,000 or more	0.98

Table 2

OLS Regression Results on Inheritance Expectations

Variable	Odds Ratio
Age 18-24	1.4723 (0.1801)**
Age 25-34	1.068 (0.0974)
Age 45-54	0.769 (0.0681)**
Age 55-64	0.9808 (0.0887)
Age 65+	1.1007 (0.1197)
Gender: Female	1.1552 (0.0641)**
Ethnicity: Non-White	0.5813 (0.036)***
Marital: Married	0.9825 (0.0709)
Marital: Separated	0.7607 (0.1938)
Marital: Divorced	1.0247 (0.1059)
Marital: Widowed/Widower	1.1784 (0.172)
Employment: Work full-time	0.9602 (0.0857)
Employment: Work part-time	1.1868 (0.148)
Employment: Homemaker	0.782 (0.1335)
Employment: Full-time student	1.1395 (0.2375)

Education: Did not complete high school	0.8309 (0.2494)
Education: GED	1.0603 (0.1635)
Education: Some college, no degree	1.3282 (0.1325)**
Education: Associate's degree	1.2302 (0.1411)
Education: Bachelor's degree	1.9452 (0.189)***
Education: Postgraduate degree	2.3271 (0.2502)***
Income: At least $15,000 but less than $25,000	1.067 (0.1665)
Income: At least $25,000 but less than $35,000	0.9987 (0.1501)
Income: At least $35,000 but less than $50,000	1.0666 (0.1532)
Income: At least $50,000 but less than $75,000	1.2375 (0.1718)
Income: At least $75,000 but less than $100,000	1.1371 (0.1907)**
Income: At least $100,000 but less than $150,000	1.4701 (0.2145)**
Income: At least $150,000 but less than $200,000	1.6836 (0.2713)**
Income: At least $200,000 but less than $300,000	1.7157 (0.3176)**
Income: $300,000 or more	2.1708 (0.4816)***
Financial Literacy: 1	1.2869 (0.596)
Financial Literacy: 2	1.0579 (0.4979)
Financial Literacy: 3	0.8776 (0.3032)

Financial Literacy: 4	0.6757 (0.3023)
Financial Literacy: 5	0.724 (0.2328)
Financial Literacy: 6	0.79 (0.3956)
Financial Literacy: 7	0.971 (0.4442)
Sub financial know: 1	1.5027 (0.6847)
Sub financial know: 2	1.3903 (0.3824)
Sub financial know: 3	1.2719 (0.4822)
Sub financial know: 4	1.2808 (0.4742)
Sub financial know: 5	1.288 (0.7411)
Sub financial know: 6	1.5236 (0.562)
Sub financial know: 7	1.7567 (0.6486)
Homeowner	0.5848 (0.039)***
Constant	0.3518 (0.211)
Observations	7,592
Pseudo R2	0.0869