4.3 Financial Transfers
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Introduction
Current debates on the growing numbers of older people sometimes portray this demographic trend as a financial burden for society. Older people are seen as a drain on resources, particularly in terms of state pensions and health care. But this negative perception ignores the role that older people have in helping their children through difficult financial periods or the potential for the downward transfer of wealth within families. Previous research has shown the importance of financial intergenerational transfers within the family and their consequences for capital accumulation and wealth inequality (Arrondel and Masson 2001). This research has begun to show that the bulk of private money transfers between the generations occurs inter vivos—in other words from living family members and not in the form of inheritance wealth. Determining whether older Europeans give and/or receive financial help from their family and social network is therefore a central task for designing social policy that promote intergenerational solidarity (Bengtsson and Achenbaum 1993).

In the previous contribution, it was shown that practical help can take many forms. The same is true for financial transfers by older Europeans. Such transfers can be made directly by cash or in the form of gifts and in these cases the value of the transfer can be ascertained or estimated. In other cases, financial transfers are indirect with the donors often paying a third party on behalf of the recipient (an example would be a parent paying for the university fees of a child, or an adult child paying for the residential care fees of an elderly parent). The SHARE survey is designed to capture both of these types of financial transfers. In this contribution we focus on financial transfers that have occurred during the past 12 months. SHARE respondents were asked ‘Not counting any shared housing or shared food, have you or your husband/wife/partner given or received any financial or material gift or support to any person inside or outside this household amounting to 250 euros or more?’ The interviewer was given instructions to include the giving and receiving of money, material gifts and indirect transfers such as payments for medical care or insurance, schooling or a down payment for a home (loans were not included). For each transfer, the respondent provided information about the donor and recipient, the value, and the motive.

Patterns of financial family transfers are characterised by their direction (who gives to whom, and who receives from whom), their amount and their motives. We first compare the direction of transfers across countries, then examine the motives according to the direction of transfers. Finally, we examine differences in the value of the transfers by taking into account both the direction and motives.

Financial Transfers Flow Mainly from Parents to Children

Figure 1 shows that about 28% of the SHARE respondents reported having given a financial or material gift worth €250 or more within the last 12 months to their family or other members of their social network (ranging from 11% in Spain to 37% in Sweden). Older Europeans were much less likely to receive a financial gift than to give one. In all countries, rates decreased significantly with increased age. On average, only 6% received money (ranging from 3% in the Netherlands to 12% in Greece). Although these rates of financial transfers at first sight appear to be rather low, it should be remembered that the threshold of €250 excludes multiple transfers of lesser sums whilst at the same time capturing more important transfers.
At first glance, it is not easy to interpret these differences. They do not follow a specific pattern, such as a grouping of different systems of welfare (social democratic, liberal or family-corporate) or a geographical north-continental-Mediterranean divide reflecting different cultures. Greek respondents were just as likely to give a gift as Swedish respondents, and more likely to give a gift than Swiss or German respondents, while rates of financial transfers were particularly low in Spain. Danish respondents were much less likely to have given financial support than their Swedish neighbours. The general trend therefore, is that older Europeans are much more likely to give financial gifts than receive them, and that financial transfers are predominantly directed to descending generations—children and grandchildren. This pattern applies to all the SHARE countries, with some differences appearing only in the likelihood of giving and receiving and the amount.

Although country differences in the rates of giving and receiving a financial or material gift do not follow any clear pattern, important North/South divides are found in the composition of the donors and recipients. Figure 2 shows the clear trend in all countries of downward flowing transfers, where children (and to a lesser extent grandchildren) are the main recipients. The age at which older Europeans are most likely to make a financial transfer is around 60, with rates decreasing steadily thereafter. But with increasing age, older Europeans are more likely to make financial transfers to their grandchildren—around 8% of the recipients of transfers made by respondents below the age of 75 are grandchildren compared to 28% when the respondent is aged above 75.

When older Europeans give important gifts, children and grandchildren are therefore the main beneficiaries. But when older Europeans receive gifts, the network of donors is more diverse, as can be seen in Figure 3. On the one hand, in the Mediterranean countries, and especially in Spain and Italy, children are much more likely to make a financial transfer to a parent than in the continental and northern countries. On the other hand, parents are important donors in these latter countries. These differences clearly reflect demographic and institutional influences at work. SHARE respondents in the northern countries are more likely to have a parent alive than in the Mediterranean countries. At
the same time, in countries with developed pensions systems and high per capita wealth, SHARE respondents are more likely to receive a gift from a parent who benefits from a high pension (mostly built up during the periods of full employment immediately after the Second World War). In southern countries, where there are more people with a low level of pensions, financial help from their children is an important family transfer.

**Figure 2** Network of recipients of financial transfers (to whom do older respondents give €250 or more?)

**Figure 3** Network of donors of financial transfers (who gives to respondents?)

**Motives and Determinants for Financial Transfers**

Most donors of financial gifts tended to report general motives for having made a gift, such as meeting basic needs, a major family event or for no particular reason. However, the motives differed according to who received the gift. On the one hand, when the recipients were parents or non-family members such as friends and acquaintances, financial gifts
seem to be made for basic needs, suggesting that the income and wealth of these recipients is low. On the other hand, when older Europeans made a gift to a child or grandchild, the range of motives was much more diverse and included reasons such as ‘for study’, ‘housing’ or ‘a large item or expenditure’. These reasons have less to do with poverty than promoting human capital and economic investment (in this case the life chances of descendants). However, whether older Europeans make a gift because someone is in need or to promote their life chances, it is likely that the gift is made in the context of a reciprocal and symbolic pattern of exchange among close family members who have strong affective ties. This central question of the reciprocity of family gifts will form a key part of future analyses of the SHARE data.

Since family financial transfers flow mostly from parents to children, we now focus on some of the characteristics of both the parents (respondents) and their children in order to explain these transfers. Several explanations have been suggested concerning the motives for such transfers, and this issue has important implications for the effectiveness of public transfers. The two main models are altruism and exchange. According to the altruistic explanation, the donor cares primarily about the well-being of the recipient. Thus transfers flow from the least to the most financially needy generation independent of any present or future reciprocating help. In the exchange model, financial transfers from one generation reflect the payment of services and visits provided by the other generation. Services and their financial counterpart are embedded in current or future obligations of reciprocity. Recent theoretical studies have reached different conclusions concerning these two hypotheses and at the present time, it is not clear whether family motives are driven by altruism or exchange.

The analyses are made both on aggregate data and for each country. To summarise the preliminary results, parents seem motivated to give money to their children for two reasons, although elements of both are present in each type of transfer. The first one deals with human capital considerations. Children who are helped financially by their parents appear to be following further education and therefore not to have attained financial independence. They are helped on the road to independence, no doubt by the expectations of their parents who want to see their children succeed. This is confirmed by the evidence that parents are more likely to give money to children who live far away from them than to children who live nearby. This finding is not in line with exchange explanations for the motives of transfers, which presupposes that children living close to their parents are more likely to receive money. On the one hand, geographic proximity strongly reduces the cost of providing time-related resources and services to parents (the ‘exchange’ service for the money received). On the other hand, the finding that higher proportions of more distant children received money from their parents could be explained by the parent’s wish to further the chances of their children—for instance, parents who pay for the rent or home for an adult child who has recently completed higher education.

The second reason concerns more altruistic transfers, directed towards less well-off children such as those who are unemployed. At the same time, these same parents may also be motivated in helping their children to get established in a career and adult independence. These two primary motivations to financially help children exist in all SHARE countries. However, there appears to be a greater emphasis on human capital investment in Nordic countries. There is also a larger gender difference in the Netherlands, with daughters receiving preferential treatment. The same tendency exists in other countries, but without statistical significance. This is most likely to be related to country differences
in the higher education and labour market participation rates of women, as well as parental commitment to help change the traditional role of women.

**Value of Gifts Given and Received**

The amount of inter-vivos gifts is strongly correlated with the identity of the recipients. Financial transfers are not only infrequently made to elderly parents, they also have a lower value. As we have seen above, children are the most likely recipients of gifts, and the mean value per child is about 50 per cent higher than for a parent. In fact, the greater the generation distance, the lower the value of the transfer, since respondents tend to give their grandchildren gifts of low value. Respondents who are grandparents would certainly think that the financial responsibility of the youngest generation (their grandchildren) should be born by the parents of these grandchildren, and therefore it is possible that gifts made by respondents to their children (where these children are themselves parents) are also indirect gifts to grandchildren. Where respondents give gifts to other family members, the values are about the same as those gifts given to non-family members.

![Figure 4: Network of donors and recipients of financial transfers (who gives to respondents and who receives from respondents)](image)

![Figure 5: Motives for financial transfers (who gives to respondents and who receives from respondents)](image)
The value of gifts given by respondents is also correlated with the living standards of the recipients. Low transfers amount are directed towards less well-off recipients, either to meet basic needs or because they are unemployed. Gifts made for family events also have a low value. Conversely, transfers related to investment in human capital are significantly higher than those for basic needs—for example well off parents are more likely to make a gift to their children for educational purposes. A similar finding is observed for transfers related to the purchase of a dwelling. Buying a house requires much more resources for the buyers, and respondents therefore tend to make larger gifts.

Conclusion

European data on family financial transfers before SHARE are almost exclusively from single country surveys and it has not been clear to what extent they reflect particularities of the social and economic context or are aspects of institutional structures such as taxation. For the first time, the SHARE data provide simultaneous information on inter-vivos transfers from countries with very different taxation and financial market structures. This enables transfer patterns to be seen that are either specific to some countries or general to most countries. Among the major findings of this contribution are:

- Confirmation that intergenerational transfers clearly flow downwards. This is undoubtedly due to the fact that all countries have in place minimum systems of retirement pensions. Older Europeans are for the most part financially independent and so they are able to pass on some of their wealth to their children and grandchildren.

- Older Europeans are most likely to make financial transfers around the age of 60 and when they are making the transition to retirement.

- Older Europeans give mainly to their children, but, with increasing age they give more to grandchildren.

- The North/South country variation exists in the composition of the networks of recipients: younger respondents receive more from parents in the North, older respondents recipients from children in the South. This means that differences in the levels of welfare systems still influence the direction of transfers, older needy people in the weak welfare regime being still partially at the charge of the children. Moreover, older people with great financial difficulties receive a little more often and larger amounts of money, but except in this difficult situation, they receive smaller amounts on average than the younger who receive from their parents. Cash gifts from parents to their children are mainly directed towards children who are currently completing their education and to a lesser extent to those who are unemployed. This suggests that there is some intergenerational redistribution of resources within the family.

Longitudinal data will help especially to look for the consequences of the transfers in different respects (inequality, social mobility, consumption levels, etc.) They also will capture the interplay between private and public transfers. Current changes in welfare policy both create and respond to new patterns of family solidarity. By following the impact of new welfare measures and pension system reforms in specific countries, the continuation of the SHARE data would enable accurate empirical tools to be developed to address the
important question of the complementarity or substitution of family support with public and other forms of help external to the family (Attias-Donfut and Wolff 2000). The current SHARE data allow a glimpse of these complex processes, but the full story can only be told by following the course of individuals and their families over time as they interact with the rapid social change of European societies.

References