Junior Scholar Research Brief

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The Impact of Social Security Eligibility on Transfers to Elderly Parents and Wealth-building among Adult Children

Andria Smythe, Howard University

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Summary

This study evaluates the impact of social security eligibility on transfers between adult children and elderly parents and the resulting impact on wealth-building among adult children. The relationship between these factors is explored across different racial and socioeconomic groups. This study seeks to measure the impact of these transfers once elderly parents have met the threshold age of social security eligibility. By reducing the reliance of parents on their adult children, Social Security may contribute to wealth-building among the adult children generation. This study uses data from the Panel Study of Income Dynamics to analyze the impacts of these transfers.

Key Research Findings

- All demographic groups reduce their money transfers once parents are eligible to receive Social Security.
- Parents reaching the Social Security eligibility age reduces dependence on their children. This allows for higher wealth trajectories for their children after crossing this threshold. The increase is strongest for children from low-income parents.
- The probability for reducing children to parent transfers is higher for disadvantaged groups once their parents reach the age for Social Security eligibility.
- Black, female, and low-income parents are more likely than their counterparts to receive transfers and less likely to give before Social Security eligibility age.

Implications for Policy and Practice

Any reductions in Social Security benefits or increases in the Social Security eligibility age will reduce this positive downstream effect on family members. While increases in the Social Security age may lead to a larger benefit amount for the recipients in later years, policy assessment might consider this additional strain on the children and family members. In addition, findings in this paper suggest that the intercept of the child's wealth curve increases at the parents' social security eligibility age, putting the wealth of the child on a higher trajectory. Thus, policies that delay this effect may have negative compounding effects on child wealth.

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