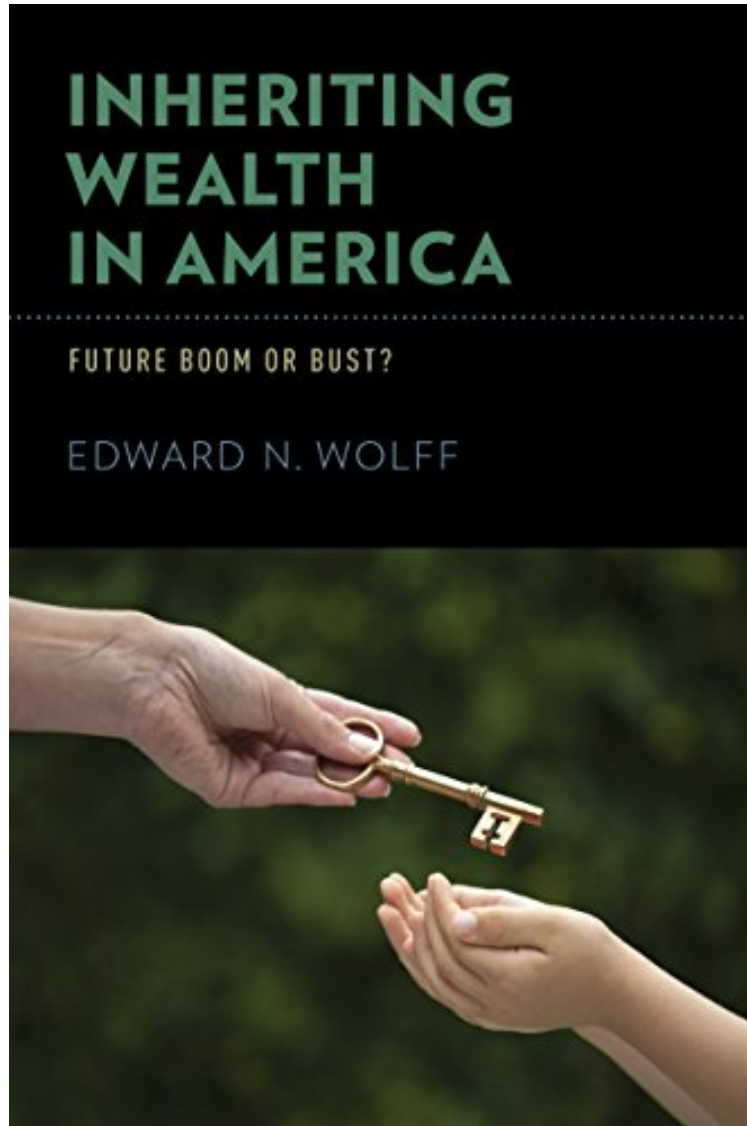


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Inheriting Wealth in America: Future Boom or Bust?

Edward N. Wolff

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Edward N. Wolff : Inheriting Wealth in America: Future Boom or Bust? before purchasing it in order to gage whether or not it would be worth my time, and all praised Inheriting Wealth in America: Future Boom or Bust?:

Inheritances are often regarded as a societal "evil," enabling great fortunes to be passed from one generation to another, thus exacerbating wealth inequality and reducing wealth mobility. Discussions of inheritances in America bring to mind the Vanderbilts, Rockefellers, and "trust fund babies"---people who receive enough money through

inheritances or gifts that they do not have any need to work during their lifetime. Though these are, of course, extreme outliers, inheritances in America have a reputation for being a way the rich keep getting richer. In *Inheriting Wealth in America*, Edward Wolff seeks to counter these misconceptions with data and arguments that illuminate who inherits what in the United States and what results from these wealth transfers. Using data from the Survey of Consumer Finances---a triennial survey conducted by the Federal Reserve Board that contains detailed information on household wealth, inheritances, and gifts---as well as the Panel Study of Income Dynamics and a simulation model over years 1989 to 2010, Wolff reports six major findings on the state of inheritances in America. First, wealth transfers (inheritances and gifts) accounted for less than one quarter of household wealth. However, for persons age 75 and over, the figure was about two-fifths since they have more time to receive wealth transfers. Indirect evidence, derived from the simulation model, indicates a figure closer to two-thirds at end of life - probably the best estimate. Second, despite prognostications of a coming "inheritance boom," it has not materialized yet. Only a small (and statistically insignificant) uptick in average wealth transfers was observed over the period, and wealth transfers were actually down as a share of household wealth. Third, while wealth transfers are greater in dollar amount for richer households than poorer ones, they constitute a smaller share of the accumulated wealth of the rich. Fourth, contrary to popular belief, inheritances and gifts, on net, reduce wealth inequality rather than raising it. The rationale is that inheritances and particularly gifts typically flow from richer to poorer persons, thus lowering wealth inequality. Fifth, despite a rapid rise in income inequality, the inequality of wealth transfers shows no discernible time trend from 1989 to 2010, neither upward nor downward. Sixth, among the very wealthy, the share of wealth accounted for by wealth transfers is surprisingly low, only about a sixth, and this share has trended significantly downward over time. It is true that inheritances and gifts are unequal, with only one fifth of families receiving wealth transfers and these transfers benefitting the rich far more than the middle class and the poor. That, however, is not the whole picture of inheritances in America. Clearly-written and illuminating, this book expertly distills an abundance of data on inheritances into important takeaways for all who wonder about the current state of inheritances and gifts in the United States.

"A 'Must Read' for anyone interested in recent trends in wealth ownership and inheritance in the USA. Ed Wolff's comprehensive analysis builds the intellectual case for taxing large wealth transfers as income in the hands of recipients and exempting the small gifts and inheritances, which he shows to be surprisingly important for middle class families." -- Lars Osberg, McCulloch Professor of Economics, Dalhousie University "A fine piece of scholarship by the nation's leading expert on household wealth, this book offers a rich analysis of how wealth is transferred across generations in the U.S. and explains how inheritances relate to rising inequality and declining financial security." -- Martha A. Starr, Professor of Economics, American University "Examines the distributional effects of wealth transfers -- that is, the combination of inheritances and gifts -- in the US from the 1980s through 2010. With data and arguments that illuminate who inherits what in the US -- and what results from these wealth transfers -- the author's findings reveal that roughly a fifth of the population receives a wealth transfer at some point. Recommended." -- CHOICE

About the Author Edward Wolff received his doctorate from Yale University in 1974. He is currently professor of economics at New York University and a Research Associate at the National Bureau of Economic Research. He served as Managing Editor of the *Journal of Income and Wealth* (1987-2004) and was a Senior Scholar at the Levy Economics Institute of Bard College (1999-2011), a Visiting Scholar at the Russell Sage Foundation (2003-2004), President of the Eastern Economics Association (2002-2003), a council member of the International Input-Output Association (1995-2003), and a council member of the International Association for Research in Income and Wealth (1987-2012).