

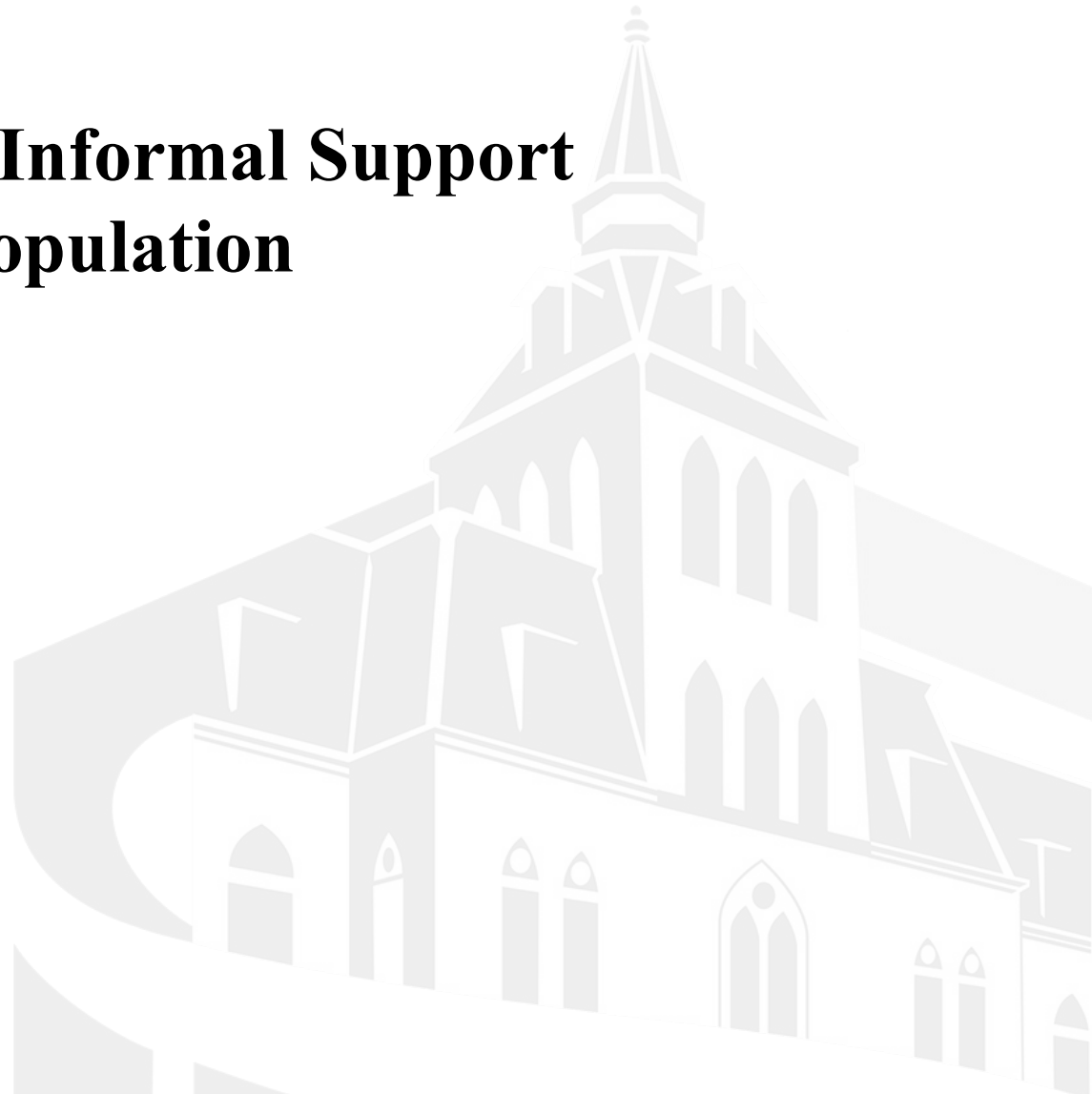


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The Tangible Value of Informal Support for America's Aging Population

Joelle Saad-Lessler
Karen Richman

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Questions

- How important is informal support for retirees?
- How important is informal support for pre-retirees?
- What is the impact of monetary help to family and friends on the wealth balances of pre-retirees?
- How has informal support evolved post pandemic?



Literature

- Anthropological research on reciprocity
 - Gift with strings attached (?) (Mauss 1925, Stack 1974, Browne 2015, Dow 2016)
 - Ways of coping with material insecurity (Vélez-Ibañez 1983, Scharff 1987 and Falicov 2001)
- Economic research on retirement savings
 - Why are people not saving enough for retirement? (Ghilarducci 2008, Choi, Laibson and Madrian 2004, Lusardi and Mitchell 2014, Chen and Zurlo 2022)
- Economic research on the value of informal transfers across households
 - Compare lifecycle savings with present day wealth (Kotlikoff and Summer 1981, Gale and Scoltz 1994, Brown and Weisbenner 2004)
- Research on Covid effects
 - How does family support affect contributors' own economic position (Francis and Weller 2021)



Data and methods

- Survey of income and Program Participation (SIPP), 2018 and 2022
- Ages 51+
- Pre-retirees vs Retirees
- Wealth includes formal assets and informal wealth
- Informal support: Cash + free housing
- Free housing measured using hedonic pricing model
- Short run vs long run



Incidence of informal support among retirees

	2018	2019	
Fraction receiving informal support	7.0%	6.7%	
Housing	5.7%	5.5%	
Money	1.5%	1.3%	*
Fraction giving informal support	17.8%	17.4%	
Housing	15.8%	15.0%	
Money	2.4%	2.9%	**



Importance of informal support for retirees: sources of income

	No support received			Informal support received		
	2018	2022		2018	2022	
Pension	19%	17%	***	8%	7%	
Earnings	7%	7%	*	3%	3%	
Social Security	57%	53%	***	40%	39%	
Other	4%	11%	***	3%	6%	***
Property	10%	9%		2%	3%	**
Transfers	2%	2%		4%	3%	*
Informal support	0%	0%		40%	39%	



Incidence of informal support received among pre-retirees

	2018	2019	
Fraction receiving informal support	5.4%	6.6%	**
Housing	4.4%	5.3%	
Money	1.1%	1.4%	
Fraction giving informal support	32.2%	29.8%	***
Housing	28.5%	25.5%	***
Money	5.4%	5.7%	



Importance of informal support received for pre-retirees

	2018	2022	
Formal net worth	\$13,000	\$22,912	**
One-time monetary support	\$2,000	\$2,654	*
Monetary support in perpetuity	\$53,811	\$74,297	*
One-time housing support	\$13,427	\$11,730	***
Housing in perpetuity	\$344,148	\$303,056	***
Ratio of one-time support to formal net worth	111%	124%	**
Ratio of informal support in perpetuity to formal net worth	327%	691%	**



Importance of informal support given for pre-retirees

	2018	2022	
Formal net worth	\$133,000	\$190,406	**
One-time monetary support given	\$3,300	\$3,185	
Monetary support given in perpetuity	\$85,364	\$74,479	
Ratio of monetary support given in perpetuity to formal net worth	98%	99%	



Conclusions

- In 2022, 6.7% of retirees relied on informal support from family and friends
- This support contributed 39 percent to their total income
- Among pre-retirees, 6.6% received informal support
- This support increased their total wealth balances by 24% in the short run, and by 591% in the long run
- Monetary support provided to family and friends had a negligible impact on givers' total wealth balances
- The relative importance of informal sources of support in pre-retirees' total wealth balances increased after the pandemic