

## **Between- and Within-Family Variation in Parental Financial Support to Adult Children across Three Generations**

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**\*\*\*PRELIMINARY RESULTS\*\*\***

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## **Abstract**

Parental financial support plays a major role in aspects of social inequality and varies not only across families but within them as well. Drawing from the life course perspective of linked lives as well cumulative advantage theory, we investigate the patterns of parental financial support across three generations. Using the newly-available Family Roster and Transfer Module (2013) from the Panel Study of Income Dynamics, we examine between- and within- family variation in parental financial support to adult children (for education, buying a home, and/or other financial help) across three generations. We use multilevel models to investigate two aims. Aim 1 is to assess between-family differences in parental financial support (whether both, neither, or one parental generation(s) provided financial support to children). Aim 2 is to examine within-family differences in differential parental financial support (i.e. whether parents provided support to none, some, or all children) across three generations. In terms of between-family variation (Aim 1), we find that in 44% of three-generation triads at least one of the parent generations provides some kind of financial support for adult children, and in 13% of triads both parent generations provided support for adult children. Further, we find that patterns of parental support are strongly associated with socioeconomic characteristics (education and/or household income) of parent generations. Turning to within-family variation (Aim 2), we find that parents in generation one were more likely to give to some children (versus none or all) compared with parents in generation two. Further, whether generation two's parents provided financial support to none, some, or all of generation two children was associated with whether generation two provided financial support to none, some, or all of generation two's own children. This work contributes to an emerging body of research on the role of multigenerational family processes in social stratification and the intergenerational transmission of advantage.

## **Introduction**

Parental financial support plays a major role in aspects of social inequality and intergenerational mobility (Becker and Tomes, 1979) and varies not only across families (Blau and Duncan, 1967) but within them as well (McGarry and Schoeni, 1995). As families become increasingly complex, scholars (e.g., Bengston 2001; Mare, 2011; Seltzer et al., 2005) also theorize that aspects of multigenerational (i.e. more than one generation of parents and children) families are growing in importance for a variety of socioeconomic, health, and other outcomes. Given that financial transfers are a key way that parents transmit advantage to their children, examining financial transfers in multigenerational perspective is particularly important. Research has been limited, however, by a lack of transfer data across more than two generations, potentially causing researchers to miss how parental financial support may amplify advantage and disadvantage across successive generations of parents and children.

Using the newly-available Family Roster and Transfer Module (2013) from the Panel Study of Income Dynamics, we examine variations in parental financial support across three generations between and within families<sup>1</sup>, which provides a more complete picture of the role of the multigenerational family in the intergenerational transmission of socioeconomic advantage. In addition, we are able to identify the presence of financial transfers for specific investments related to human capital (education) and financial capital (home ownership) as well as for “other” purchases and overall parental financial support. Because educational attainment plays a large role in many life chances (health, family formation, wages) and home ownership is a major savings vehicle for many Americans (Spilerman, 2000) parental financial support for these items is particularly important to examine.

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<sup>1</sup> We define “between family variation” as differences between distinct G1-G2-G3 triads (Aim 1). We define “within family variation” as differences between individuals who share a common parent or grandparent (Aim 2).

In this work we explore parental financial support to adult children (for education, buying a home, and/or other financial help) across three generations. First, we examine what factors predicted between-family variation in parental financial support to adult children (Aim 1). Second, in families with two or more children, we examine within-family variation in patterns of support from parents to specific children (Aim 2, part 1). Specifically, we identify families in which parents provided financial support to none, some or all of their children. Finally, we examine how within-family variation in receipt of support impacts parents' provision of support to their own children (i.e. whether individuals' receipt of support from their parents is associated with whether they provide support to none, some, or all of their children) (Aim 2, part 2). Throughout this paper we refer to the oldest generation as generation one (G1), the middle generation as generation two (G2), and the youngest generation as generation three (G3).

## **Background**

*Parental Financial Support and the Intergenerational Transmission of Advantage: Implications of Multigenerational Processes*

Understanding the mechanisms that shape individuals' socioeconomic status is essential to understanding the intergenerational transmission of advantage and more broadly, the determinants of social inequality. Previous studies document high parent-child correlations along a variety of dimensions of socioeconomic status, including education (e.g., Mare, 1981), income (Mazumder, 2008; Wightman & Danziger, 2014), and wealth (Pfeffer & Killewald, 2015). Though parental socioeconomic status may influence children's socioeconomic status through many pathways, a number of previous studies show that parental financial support is a major mechanism through which parents transmit important markers of advantage, including education

(e.g., Charles, Roscigno, & Torres, 2007; Steelman & Powell, 1991) and home ownership (e.g., Charles & Hurst, 2002; Hall & Crowder, 2011). Simply put, parental financial support matters because when parents give money to their children, children can more easily make purchases they could not otherwise afford, such as paying for school or buying a home. As such, parental financial support is one way in which parents' financial resources are connected to their children's, consistent with a linked lives perspective (Elder, 1994). Given increasing life expectancies, inter vivos parental transfers (rather than bequests after death) may be increasingly important in the transmission of advantage. To date however, research on parental financial support and adult children's socioeconomic status has only used data from two successive generations of parents and their children (G1-G2 only).

Emerging work (e.g. Bengston, 2001; Mare, 2011; Pfeffer, 2014) has called for scholars to move beyond two-generation parent-child paradigms in order to understand the intergenerational transmission of advantage. In the case of parental financial support a three-generation model is critical because what parents transmit to their own children may be impacted by what parents received from their own parents (Steelman & Powell, 1991). Cumulative advantage theory (e.g., Dannefer, 2003) conceptualizes advantages accruing over time—typically across an individual's life course. However, advantages may also accrue across generations.

Parents' provision of financial support for their adult children operates through two major channels: the transfer of financial resources and the transfer of values. First, parents' likelihood of providing support is conditional on parental financial resources (Schoeni & Ross, 2005). For example, if G1 parents help G2 children pay for college, G2 children are more likely to graduate from college and have better-paying jobs, which leaves the G2 generation better-positioned

financially to assist their own children (G3) with paying for college. This example also exemplifies how advantage can accumulate across generations. Consistent with cumulative advantage theory, the initial advantage of a college degree in G2 is converted into additional advantage for G2's children.

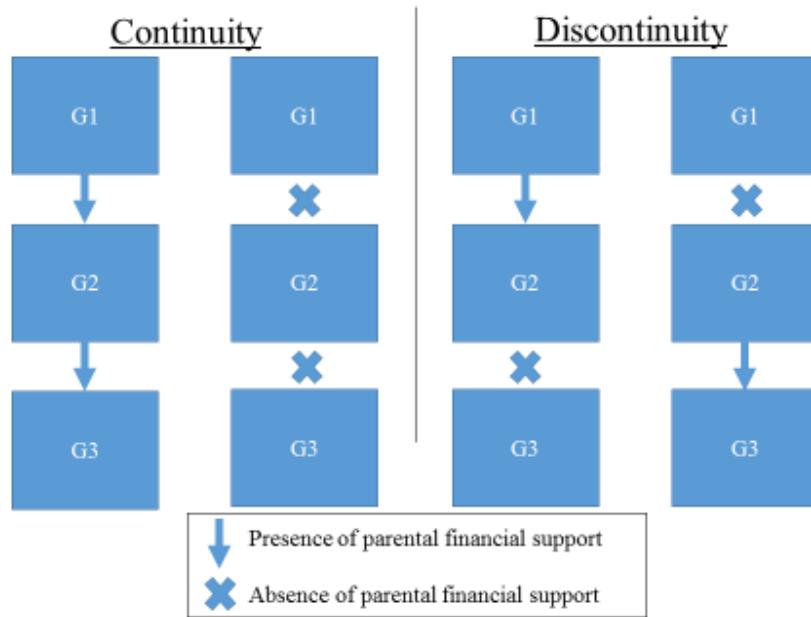
Second, parents not only transmit financial resources but norms and attitudes as well (Blau & Duncan, 1967; Schoeni, 1997). An examination of patterns of parental financial support enables a more complete investigation of the intergenerational transmission of values (such as the importance of a college education or owning a home), that may be important for a variety of outcomes over and above absolute levels of financial support. For example, when children grow up in families in which there is a history of parental financial support for college across generations, the knowledge of this legacy of support may promote college aspirations independent of the magnitude of the financial transfer itself. Another component of parental beliefs and values that may be transmitted across generations are values regarding the equal treatment of children (supporting all children or none) versus differential treatment (supporting only some children). That is, an individual's experience growing up in a family where parents provided financial support to none, some, or all children may influence that individual's own parenting behavior (i.e. whether they provide financial support to none, some, or all of their own children).

#### *Aim 1: Patterns of Parental Financial Support Between Families Across Three Generations*

Aim 1 examines three-generation patterns of parental support for adult children (i.e., whether a G1 parent provided financial support to a specific G2 child as well as whether that G2 individual provided support to a specific G3 child). The three-generation model that we examine

contains four potential patterns of parental financial support (see Figure 1). Two of these patterns reflect generational continuity in which parental financial support is either provided or not provided to the child generation in both G1- G2 and G2-G3 parent-child pairs (i.e., both G1-G2 and G2-G3 transfers occurred or neither G1- G2 nor G2-G3 transfers occurred). The other two patterns reflect generational discontinuity in which one parent generation provided financial support to adult children and the other did not (i.e., only G1-G2 transfers occurred or only G2-G3 transfers occurred).

Figure 1. Aim 1: Patterns of Parental Financial Support Across Three Generations



*Aim 1: Determinants of Between-Family Differences in Parental Financial Support across Three Generations*

Prior research identifies several predictors of parental financial support. A previous study finds that parental financial assistance with the purchase of a home is patterned by race, with Blacks less likely to receive parental financial assistance (Charles & Hurst, 2002). Turley and

Desmond (2010) find that marital status predicts parental contributions to college costs. Prior work also suggests that parental financial assistance is positively associated with parental income and inversely related to family size (e.g., Fingerman, et al., 2015; Steelman & Powell, 1989).

### *Aim 1 Hypotheses*

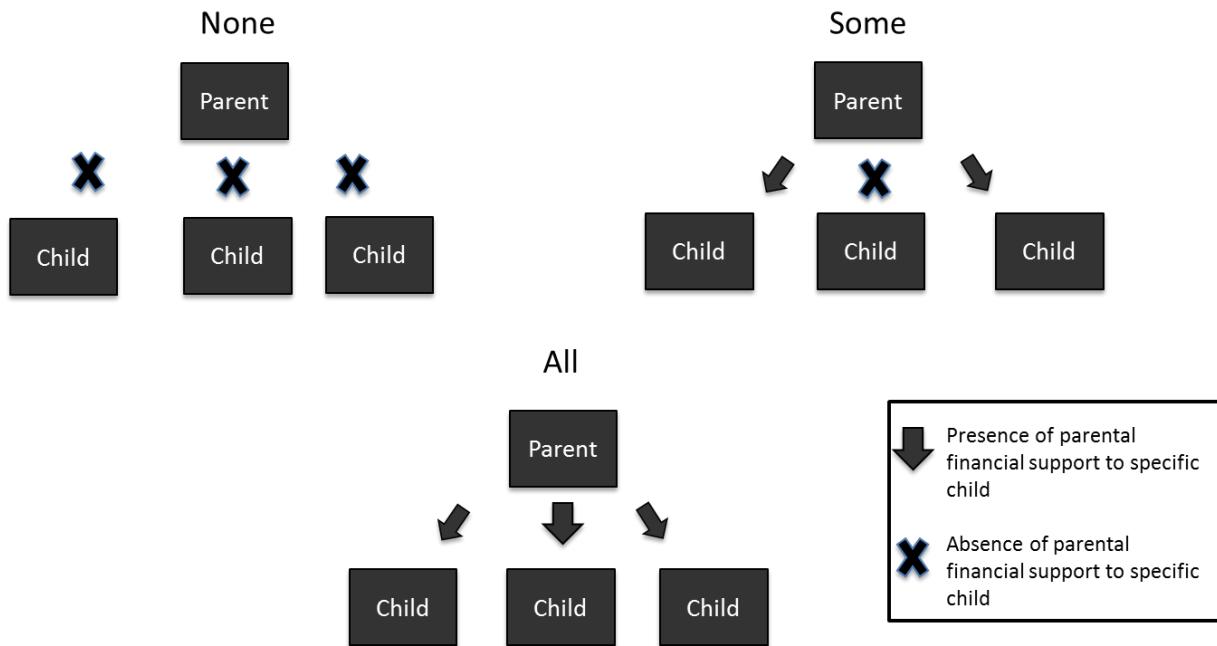
Based on prior empirical work and theory outlined above, we expect the following:

- Families with more initial social and economic advantage (higher educational attainment and household income, married household heads, and those who are White) will be more likely to provide financial support to adult children.
- Families with more children will be less likely to provide financial support.

### *Aim 2: Patterns of Parental Financial Support Within Families*

We also look at patterns of parental support within families (see Figure 2). In particular, we explore two research questions. First, we examine patterns of within family support from parent to children for each parent-children generation pair (G1-G2 and G2-G3). Three possible patterns exist: parents gave to none of their children, some of their children, or all of their children. Second, we investigate the impact of G2's receipt of support on their support provision to their own children (i.e. whether G2's receipt of support from their G1 parents affects whether they (G2) provide support to none, some, or all of their G3 children).

Figure 2. Aim 2: Patterns of Parental Financial Support Within Families



#### *Aim 2: Intergenerational Transmission of Parental Financial Support Within Families*

Previous research has found continuity across generations in both positive (Belsky, Jaffe, Sligo, Woodward & Silva, 2005; Neppl, Conger, Scarmella & Ontai, 2009) and negative parenting behavior (Birditt, Tighe, Fingerman, & Zarit, 2012; Brook, Whiteman & Zheng, 2002; Neppl et al., 2009). Further, recent research demonstrates that parental differential treatment in terms of emotional and instrumental support is transmitted across generations. However, the recent work also indicates that adult children who received less financial and practical support from their parents were more likely to try to provide these types of support equally to their own children (Jensen, Whiteman, Rand, & Fingerman, 2016).

### *Aim 2 Hypotheses*

Based on this previous work, we expect transmission in patterns of financial support from G2-G3 based on G2's receipt of support. In particular, we expect the following:

- G2 adult children who receive financial support from their parents (in both families where all children receive support and in families in which some children receive support) will be more likely to provide support to all of their children.
- G2 adult children who do not receive support from their parents (in both families where no children receive support and in families in which some children receive support) will be more likely to support none of their children.

### **Data and Methods**

Analyses for both Aim 1 (between-family differences) and Aim 2 (within-family differences) are based on data from the Panel Study of Income Dynamics (PSID). Begun in 1968, the PSID is the longest ongoing, nationally-representative survey of American households. The survey collects information on successive generations of the descendants of original respondents, including children and grandchildren. This enables us to consider between- and within-family patterns of parental financial support overall as well as for specific investments related to the formation of human capital (education) and financial capital (home ownership). We define "between family variation" as differences between distinct G1-G2-G3 triads (Aim 1). We define "within family variation" as differences between individuals who share a common parent or grandparent (Aim 2).

The PSID is the only nationally-representative longitudinal dataset that contains detailed information on the socioeconomic characteristics of multiple generations in the same family.

Further, the PSID oversample of African American families facilitates the examination of how patterns of parental financial support differ by race.

Analyses also use data from the PSID Main File from 1968-2013 which allow us to account for socioeconomic and other characteristics of G1 and G2 at key points in the life course of each generation (see *Independent Variables* section). The survey was conducted annually from 1968-1997, and then biennially (1999-2013). All analyses capitalize on the newly-available Family Roster and Transfer (RT) Module (2013), from which we derive our dependent variables (described below). The RT Module contains information on parental financial transfers to adult children (since the age of 18) for education, home purchase, and “other” purchases, as well as transfers individuals received from their own parents since the age of 18. A key strength of the RT Module over previous surveys is that information on parent-child transfers is collected regardless of whether children have formed their own households separate from parents or still live with parents. This distinction is particularly important given that children may continue to live with parents while receiving financial support for school as well as because children from families with higher parental income are more likely to postpone establishing their own household (Schoeni & Ross, 2005).

By examining parent-child transfers among children who have and have not established their own households, we are able to examine between- and within-family differences in patterns of parental financial support across the entire socioeconomic spectrum. An additional advantage of the RT Module in conjunction with the PSID Main File is that because the genealogical design follows subsequent generations of the same family, we have detailed financial information on three generations—one set of grandparents (G1), G2 parent(s), and children in G3. Most parents

of G2 spouses were not original PSID families, and as a result detailed financial measures were not collected continuously.

*Aim 1 (Between-Family) Dependent Variable: Patterns of Parental Financial Support across Three Generations*

Our Aim 1 dependent variable—patterns of parental financial support across three generations—captures parental financial support to help adult children (since the age of 18) pay for school, buy a home, or make “other” purchases. The analytical unit on this measure is a three generation triad (G1-G2-G3) reflecting whether G1 provided support to a specific G2 child, and whether that same G2 individual provided support to a specific G3 child. This categorical measure reflects whether parents in 1). Neither generation one nor two provided financial support for a specific adult child (neither G1-G2 nor G2-G3 transfers), 2). Generation one but not generation two provided financial support for a specific adult child (G1-G2 transfer only), 3). Generation two but not generation one provided financial support for a specific adult child (G2-G3 transfer only), or 4). Both generation one and two provided financial support for a specific adult child (both G1-G2 and G2-G3 transfers). We have constructed separate parental financial support measures for any support, as well as specific measures for educational expenses, buying a home, and “other” expenses. Because parental support for “other” purchases (such as a wedding) may serve as a substitute for assistance for a home purchase and free up children’s own financial resources for home purchase or educational expenses, we also examine parental support for home or other purchases (combined) (see Table 1, below).

*Aim 2 (Within-Family) Dependent Variables: Parental Financial Support to None, Some, or All Children (G1-G2 and G2-G3)*

Our Aim 2 dependent variables reflect whether parents provided support to none, some, or all of their children. We construct separate measures for G1-G2 parent-child generations and for G2-G3 parent-child generations. We restrict these analyses to families in with at least two children in the child generation, as there must be at least two children for the possibility of parents providing support to only some children<sup>2</sup>. As for Aim 1, we construct distinct measures for any parental financial support, as well as specifically for educational expenses, buying a home, and “other expenses” as well as for either home or “other” purchases (see Table 4, below).

*Independent Variables*

We include independent variables that prior literature has identified as predictors of patterns of parental financial support for Aim 1. For future analyses we also plan to include these variables in analyses for Aim 2. These independent variables include: (G1) race, (G1 and G2) education, (G1 and G2) household income, (G1 and G2) marital status, and (G1-G2 and G2-G3) family size. For parental characteristics (race, education, household income, and marital status), we use values for these measures from the survey year in which the oldest child in the family (G2 for G1-G2 family, G3 for G2-G3 family) turned 17<sup>3</sup>. We employ this strategy for two reasons. First, because we are assessing parental transfers to children at age 18 or later, this

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<sup>2</sup> The average family size for G2 (count of G2 children) is 1.86 children; 55% (n=740) G2 individuals and their G1 parent (out of 1,343 total) are excluded because G2 does not have any siblings in the RT file. The average family size for G3 (count of G3 children) is 2.38 children; 29% (n=734) of G3 individuals and their G2 parent (out of 2,505 total) are excluded because G3 does not have any siblings (i.e. G2 only names one G3 child).

<sup>3</sup> The PSID transitioned from an annual to a biennial survey beginning in 1997. In families in which the oldest child turned 17 in an even year (i.e. a year in which a PSID survey did not occur), we derive parental characteristics from the survey wave immediately preceding the year in which the oldest child turned 17 (e.g. for a family in which the oldest child turned 17 in 2010, parental data comes from the 2009 wave).

strategy enables us to ensure that parental characteristics precede the transfer in question. Second, given that age 18 marks an important transition for many adolescents and decision-making regarding school and work, parental characteristics immediately preceding this age are likely to influence decisions and actions regarding the transition to adulthood. We focus on the parental characteristics when the *oldest* child turns 17 in order to ensure that parental characteristics precede all children turning 18. In addition, the experiences of oldest siblings may indirectly impact the experiences of younger siblings. For example, parental financial resources provided to the eldest child may promote that child's college attendance, which in turn serves as a model for later-born children's college attendance. We also expect that, except in the case of income and perhaps marital status, parental characteristics will be similar for all siblings at age 17. We will conduct sensitivity analysis to test this assumption.

*Race* (White (reference) versus Black) is based on the racial identification of the G1 household head and is assumed to carry over to all subsequent G2 and G3 individuals, as per PSID convention. Because other racial and ethnic groups did not comprise a large proportion of the United States population in 1968, the year of the PSID's inception, we have limited statistical power to examine groups besides Whites and Blacks and restrict our analysis to these two groups. *Education*, *total family household income*, and *marital status* of the G1 and G2 household head are measured in the year when the oldest child in the next generation (G2 and G3) turned 17. Education is coded as: less than high school (reference), high school, and more than high school. *Total family household income* is coded into quintiles (bottom quintile—reference). Marital status is dichotomized as unmarried (reference) versus married. We also account for *family size* based on the number of records of G2 and G3 children nested within their respective G1 and G2 parental households.

### *Analytic Strategy*

Aim 1: We first examine descriptive statistics for three-generation patterns of parental financial support (any support, as well as for specific purchases: educational expenses, buying a home, “other” purchases, and a combined category of buying a home and “other” purchases). We employ three-level multilevel models (MLM) and multinomial logistic regression to examine the predictors of between-family differences in patterns of parental financial support across three generations. Each level corresponds to a generation. Level 1 is G3, which is nested within Level 2 (G2), which is nested within Level 3 (G1). Three-level multilevel models allow us to consider characteristics of each generation and to account for the nesting of adult children (G2 and G3) within families (i.e., the fact that multiple children may be present within G2 and G3 and thus observations are not independent). Three-level multilevel models (MLM) accounts for this intra-family dependence by including a unique random effect at the G1 and G2 levels, which is accounted for when estimating standard errors.

Our analytic sample is based on 4,917 triads in which the oldest G2 sibling turned 17 in 1968 or later (necessary to include G1 household head information on key covariates since the PSID began in 1968). We use listwise deletion to arrive at a final analytic sample size of approximately 3,800 (sample size varies slightly depending on specific type of parental financial support examined). Approximately 1,100 cases were lost due to missing data on key covariates (about 23%). Supplementary analysis will assess the robustness of our results to missing data.

Aim 2: For within-family differences in parental financial support, we present preliminary descriptive statistics showing whether G1 provided financial support to none, some, or all adult children and whether G2 provided financial support to none, some, or all adult children. We examine differential financial parental support in terms of any support, as well as

for specific purchases: educational expenses, buying a home, “other” purchases, and a combined category of buying a home and “other” purchase. These analyses are restricted to families in which there are at least two individuals in the child generation, as there can only be differential financial parental treatment if there are multiple children. We also conduct preliminary analysis to examine how G2 children’s financial support of their own children varies by whether their own parents provided financial support to none, some, or all of G2 and their siblings. In this case, there must be at least two individuals in *both* child generations (G2 and G3). Future analyses will use the independent variables described above to examine the role of race, parental characteristics, and family size/child gender composition to predict differential parental financial support.

### **Aim 1 Results: Between-Family Differences in Patterns of Parental Support across Three Generations**

Table 1 shows the distribution of patterns of parental financial support for specific giving categories (any, education, home purchase, “other” purchase, assistance with any of the previous three categories, and a combined category for home or “other” purchases). For each type of parental support, approximately 3,800 triads (patterns of parental financial support across three generations: G1-G2-G3) are nested within about 950 families (at the G1-level). First looking at “any” financial support (for education, home purchase, or “other” purchase), we find that in 56% of triads neither the G1 nor G2 parent generation provided financial support to adult children. However, in 44% of three-generation triads we find that at least one of the parent generations provides some kind of financial support for adult children. Examining discontinuity in giving, we see that in 9% of triads G1 parents gave but G2 parents did not, while in 22% of triads G2

parents gave but G1 parents did not. Finally, in 13% of triads both parent generations (G1 and G2) provided support for adult children.

We next compare patterns of parental financial support for specific purchases: education, home purchase, and “other” purchase. Parental financial support at either G1, G2, or both levels is highest for education. At least one parental generation provided support for education in 31% of triads, compared with 6% providing financial support for home purchase and 25% providing financial support for “other” purchase. We also consider patterns of parental financial support for buying a home or other non-educational expenses. This is due to the low prevalence of parental financial support for home purchase, and the fact that parental financial support for expenses besides education or buying a home (e.g., wedding costs) may free up children’s financial resources for purchases such as a home. At least one parental generation provided support for either home purchase or “other” purchase in 28% of triads—nearly rivaling parental support for education in at least one generation.

Turning to detailed patterns of parental financial support reveals additional insights. Of particular interest are triads in which both G1-G2 and G2-G3 transfers from parents to children occur. The percentage of triads in which both parental generations provided financial support to adult children are modest. Both parent generations provided any financial support for adult children in 13% of triads, while in 8% of triads both parental generations provided financial support for education and in 5% of triads both parental generations provided financial support for “other” purchases. Support for home purchase in both parental generations was less than 0.1% (n=5).

A detailed examination of generational discontinuity in which one parent generation provided financial support to adult children and the other did not (i.e., only G1-G2 transfers

occurred or only G2-G3 transfers occurred) reveals that in general, G2 parents are more likely to give to their children than G1 parents. For example, G1 parents (but not G2 parents) provided any financial support in 9% of triads, while G2 parents (but not G1 parents) provided any financial support in 22% of triads. G2 parent giving (both not G1) is more common than G1 parent giving (but not G2) for education (G2 only: 19% versus G1 only: 5%) and “other” purchases (G2 only: 12% versus G1 only: 8%). An exception to this generality is home purchase, in which case G1-only giving is more common than G2-only giving, though both patterns are rare (G1 only: 4% versus G2 only; 2%).

Tables 2 and 3 include three columns of relative risk ratios (RRR) for patterns of parental financial support across three generations; the first shows the RRRs of G1-G2 transfer only, the second shows G2-G3 transfer only and the third shows both G1-G2 and G2-G3 transfers. Comparisons are to families in which neither G1-G2 transfers occurred nor G2-G3 transfers occurred. We only discuss associations significant at the 0.05 level or below.

The findings for patterns of parental financial support for education are presented in Table 2. As shown in column 1, none of the G1, G2, nor G3-level characteristics predicted patterns of G1-G2 transfers only. As shown in column 2, families in which G2 had more than a high school education and families in which G2s had higher household incomes were more likely to engage in G2-G3 transfers only ( $RRR=1.535$  and  $1.189$ ). In contrast, families with a larger number of children in G3 were less likely to engage in G2-G3 transfers only ( $RRR=.908$ ). As shown in column 3, families in which G1 had more than a high school education and families in which G1 had higher incomes were more likely to engage in both G1-G2 and G2-G3 transfers ( $RRR=1.391$  and  $RRR=1.11$ ). Similarly, families in which G2 had more than a high school

education and families in which G2 had higher incomes were also more like to engage in both G1-G2 and G2-G3 transfers (RRR=1.475 and RRR=1.13).

Table 3 presents the findings for patterns of parental financial support for home or other purchases. As shown in column 1, families in which G1 had higher household incomes were more likely to engage in G1-G2 transfers only (RRR=1.119). As shown in column 2, families in which G2 had a higher household income were more likely to engage in G2-G3 transfers only (RRR=1.096). In contrast, families with a larger number of children in G3 were less likely to engage in G2-G3 transfers only (RRR=.905). Finally, as shown in column 3, families in which G1 had more than a high school education were more likely to engage in both G1-G2 and G2-G3 transfers (RRR=1.46). G1-G2 and G2-G3 transfers were less likely to occur in families with a larger number of G3 children (RRR=.91).

## **Aim 2 Results: Within-Family Differences in Parental Financial Support (Support to None, Some, or All Children, G1-G2 and G2-G3)**

Table 4 shows within-family differences in parental financial support to none, some, or all children for G1-G2 and G2-G3 parent-child generation pairs, respectively. First, there are important differences between parental generations (G1-G2 versus G2-G3). Across all of the different financial support categories, we see that parental financial support for some children (versus none or all) is higher among G1 parents (to their G2 children) compared with G2 parents (to their G3 children). In addition, for most categories of support, a greater percentage of G2 parents provided support to all of their children compared to G1 parents.

We also see differences in parental financial support by category of support, both overall and by parent (G1 or G2) generation. First, we see that the proportion of parents providing

support for some children varies among specific categories of support (education, home, “other” purchase), with support for some children greatest for education. Twenty-five and twenty percent, of G1 and G2 parents, respectively, provided support for education for some children (versus none or all). This percentage for education is much higher than the percentage of parents providing support for home purchase for some children (versus all or none). Twelve percent of G1 parents and three percent of G2 parents provided financial support for some children for home purchase.

We also observe differences in parental support by parental generation for specific categories of support. First, the percentage of parents providing financial support for “other purchase” is much higher for G1 parents versus G2 parents. Thirty-one percent of G1 parents provided financial support for “other” purchase for some children, compared with 13% of G2 parents. Finally, echoing findings in Table 1 for between-family differences, we see that parental support for education (either for some or all children) is higher for G2 parents versus G1 parents.

Table 5 shows G2’s treatment of their own children (i.e. whether G2 gave to none, some, or all of their G3 children) by the treatment they received from their own parents (i.e. whether G1 parents provided financial support to none, some, or all of their own G2 children). For this analysis, we examine whether individuals in the child generation received any type of financial support (for education, home purchase, or “other” purchase). In addition, for those G2s whose parents provided support to some of their children, we also examine whether the G2 individual specifically received support or not. Across categories, we see that G2 individuals whose own parents gave to none of their children were more likely not to give to any of their children compared to G2 individuals whose parents provided support to some or all of their children.

Sixty-one percent of G2 individuals whose parents did not provide support to any of their children in turn did not provide any support to their own G3 children, compared with 47% of G2 individuals whose parents provided support to some children and 21% of G2 individuals whose parents provided support to all children.

However, examining those G2 individuals whose parents provided support to some children, we observe that the behavior of G2 individuals who received support from their parents (while other siblings did not) differs substantially from those who did not receive support from their parents while other siblings did. Twenty-eight percent of G2 individuals who received preferential financial treatment from their parents gave to none of their own children, compared with 57% of G2 individuals who did receive this preferential treatment.

Just as G2 individuals whose parents did not provide financial support to any children were more likely to give to none of their own children, G2 individuals whose parents provided financial support to all children were more likely to give to all of their own children. Fifty-two percent of G2 individuals whose parents who gave to all their children in turn gave to all of their own children, compared with 27% of G2 individuals whose parents gave to some children and 16% of G2 individuals whose parents gave to none of their children.

In terms of G2 individuals giving to some children, there are quite modest differences overall—among G2 individuals whose parents gave to none of their children, 23% gave to some themselves, compared with 26% and 27% of G2 individuals whose parents gave to some or all children, respectively. There are, however, notable differences among G2 individuals whose parents gave to some children based on whether G2 specifically was the recipient of parental support or not. Thirty-two percent of G2 individuals who received support from their parents

while other siblings did not give to only some of their own children, compared with 26% of G2 individuals who did not receive support from their parents while their siblings did.

In future analysis we will examine how these patterns differ for specific types of parental financial support (education, home purchase, “other” purchase, and home/ “other” purchase) versus any support, as it may be that parents engage in more differential treatment when examining certain types of support (say, education) than others (say, “other” purchase). Further, patterns of differential treatment with regards to specific purchases may tend to equalize in the aggregate. For example, Mary and Jerome’s parents may provide support for education for Mary but not Jerome. However, they may “make up for this” by helping Jerome with a down payment for a house.

## **Discussion and Future Directions**

Drawing from the life course perspective of linked lives as well cumulative advantage theory, this study examines patterns and predictors of parental financial support for adult children across three generations. Using data from the Panel Study of Income Dynamics (PSID), we examine both between and within family variation in parental financial support for education, home purchase and “other” purchases. To our knowledge, this is the first study to examine these patterns across three generations (G1-G2, G2-G3), expanding upon prior work that examines two generations (e.g., Blau & Duncan, 1967; McGarry & Schoeni, 1997). We address two specific aims. First, we examine what factors predicted between-family variation in parental financial support to adult children (Aim 1). Second, in families with two or more children, we examine within-family variation in patterns of support from parents to specific children (Aim 2, part 1). Specifically, we identify families in which parents provided financial support to none, some or

all of their children. Finally, we examine how within-family variation in receipt of support impacts parents' provision of support to their own children (i.e. whether individuals' receipt of support from their parents is associated with whether they provide support to none, some, or all of their children) (Aim 2, part 2).

With regards to between-family variation in patterns of parental financial support across three generations (Aim 1), we find that the norm is for neither parental generation to provide parental financial support for adult children. However, in a sizable minority of triads, at least one parental generation provides some financial support for adult children (44% of triads). Among the three types of parental financial support, parental financial support for education in at least one generation is most-common (31% of triads). Turning to detailed patterns of parental financial support, we find evidence that the prevalence of parental financial support is greater for more-recent generations. This may in part reflect rising college costs (College Board, 2010) and the extended transition to adulthood (Fussell & Furstenberg, 2005; Newman, 2012). In addition, we find that the prevalence of the pattern of both G1 and G2 parents giving to their adult children—of particular interest given cumulative advantage theory would predict these children to have the best outcomes—is relatively modest. Both parent generations provided any financial support for adult children in only 13% of triads. This group likely represents the most-advantaged families, a point that we return to below.

Our results from multilevel multinomial logistic regression models examining predictors of between-family variation in parental financial support for education demonstrate that families that are advantaged in terms of education and income are more likely to exhibit both G1-G2 and G2-G3 transfers versus neither G1-G2 and G2-G3 transfers (reference category). That is, higher levels of education and income in both the G1 and G2 parent generations are positively

associated with both parent generations giving to their children. We also see differences in predictors of parental financial support for home and “other” purchase compared with education. While no G1 parental characteristics predict G1 only support for education, in the case of the combined support measure for home purchase and/or “other” purchase, G1 household income is positively associated with G1 only support, compared with neither G1 nor G2 parental support (reference category). In both Tables 2 and 3, race was not associated with patterns of parental financial support. However, sensitivity analysis (not shown) suggests that the role of race may be completely mediated by education and income. Future analyses will explore potential mediating pathways between variables of interest (e.g., the role of education operating completely via family income).

This project focuses not only on between-family variation in parental financial support but also within-family variation in parental financial support. Much attention has been paid to inequality between families, but less attention has been directed toward inequality within the family (Conley, 2004). While socioeconomic outcomes of siblings are positively correlated (e.g. Conley & Glauber, 2008), a substantial amount of variation exists between siblings. Researchers often focus on the role of individual endowments (e.g. intelligence), however, the family may also be a mechanism for promoting inequality among siblings (Frijters, Johnston, Shah, & Shields, 2013). Within family analyses allow us to examine variation of socioeconomic outcomes of children within the same family.

Turning to Aim 2, we first examine within-family variation in patterns of support from one generation of parents to their specific children (i.e. whether parents gave to none, some, or all of their children, among families with two or more children). Descriptive analyses yield three major findings. First, the later parent generation (G2) is less likely to engage in differential

treatment than the earlier parent generation (G1). Prior work documents cultural variation in aspects of parental favoritism (e.g, race) (Sechrist, Suitor, Riffin, Taylor-Watson, & Pillemer, 2011). Our work suggests that there may also be cohort variation in terms of the acceptability of parental favoritism itself, with later cohorts eschewing favoritism in favor of equal treatment of all children. Our future research will explicitly test this by examining trends in the proportion of parents providing to some children (versus none or all) by birth cohort of parents and/or children. Second, for most categories of support, we find that there is greater parental support (to either some or all children) for G2 parents compared to G1 parents. This echoes findings for between-family analysis that also found that triads of G2-G3 support (22%) were more common than G1-G2 support (9%). Increases in parental financial support across generations (which again, will be explicitly tested by examining trends by birth cohort) may reflect a combination of factors including: changing parenting norms, increases in costs for adult children to launch into adulthood, and increases in parental economic prosperity. Third, among categories of giving, differential treatment (i.e. giving to some children) is more common for education than home purchase for both G1 and G2 parents. Among the motives identified in both inter vivos giving and bequests literatures are compensation (i.e., giving to the neediest child) and reinforcement (i.e., giving to the child perceived as most promising or talented). Because all children within a family likely have similar financial need for assistance with college (holding college cost constant), our finding suggests that parents may be focusing financial resources towards the education of the children they perceive to have the most potential. Future research should investigate potential confounders such as child academic ability and college choice.

Finally, drawing from the literature on intergenerational transmission of parenting behavior, we examine how patterns of within family support are associated across parent-child

generation pairs. We find that whether G2's own parents gave to none, some, or all of G2 individuals is associated with G2's behavior towards their own children. Specifically, G2 individuals whose parents did not provide support to them or any of their other siblings (the "none" group), were the most likely to not provide support to any of their children. Likewise, G2 individuals whose parents provided support to G2 and all of G2's siblings (the "all" group) were the most likely to provide support to all of their children. Two potential mechanisms might explain these findings. First, the parental support G2 individuals receive from their parents may promote G2's socioeconomic attainment, leaving them better-positioned to support their own children. In addition, because socioeconomic attainment is associated (or synonymous) with financial resources, G2 individuals who receive support from their parents may have sufficient financial resources that enable them to support all children as opposed to strategically invest in certain children (Conley, 2004). This explanation is consistent with prior work (Conley & Glauber, 2008) that finds that sibling correlations in socioeconomic status are smaller at the socioeconomic distribution. A second mechanism that might explain why G2 individuals who did not receive from their parents are least likely to give to their own children (and G2 individuals who received from their parents are most likely to give to their own children) is the intergenerational transmission of the importance of parental financial support for adult children. Future analysis that includes parental socioeconomic characteristics will help adjudicate between these pathways.

The parenting behavior of G2 individuals whose parents provided support to some children depends on whether the G2 individual himself or herself was the recipient of support or not. G2 individuals who received support while other siblings did not were more likely to differentially support their own children (i.e. support some versus none or all) than G2

individuals who did not receive support while other siblings did. This suggests that if he or she is the beneficiary of differential support, one finds differential support more acceptable.

Like any study, this work has limitations. First, we do not know at what age parents made transfers to adult children, which makes it difficult to assess whether parental financial support causes or responds to child characteristics. For example, parental financial support for “other” purchases may be used by children for health promotion. Alternatively, parents may provide money in response to an adult child’s serious illness. This limitation has been acknowledged by other scholars examining parental differential treatment (e.g., Frijters, Johnston, Shah, & Shields, 2013). Second, we do not examine the size of financial transfers from parents to children in either between- or within-family analysis because amounts are reported in nominal dollars without a reference year. To the extent that parents provide different amounts of financial support to children they do support, our results are a conservative estimate of parental differential treatment with regards to financial support for adult children. Finally, while wave-to-wave attrition in the PSID is modest, attrition over a more than 40-year study accumulates to a substantial amount and must be assessed. Of particular interest in the present analyses is the fact that G2s (who are respondents themselves) have had the opportunity to attrit, while their children (for whom information is gathered via G2) have not. This may explain why the average family size is larger in G3 than G2 (see footnote 2).

A linked lives perspective (Elder, 1994) highlights that family members’ lives and characteristics are interconnected. Our results for parental financial support for adult children are consistent with this perspective. Further, cumulative advantage theory (Dannefer, 2003) can be extended to propose that advantages may accumulate across generations. Inter vivos transfers from parents to children are a critical pathway through which familial advantage is transmitted

(Schoeni & Ross, 2005). However, only examining transfers from one generation of parents to children may cause researchers to miss the full impact of how parental financial support shapes the life chances of young adults today. Taken together, our findings and these theoretical perspectives invite future analyses to examine the implications of patterns of parental financial support for outcomes in the third generation, including educational attainment, home purchase, and debt levels.

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**Table 1.** Patterns of Parental Financial Support across Three Generations, Rosters and Transfers File, Panel Study of Income Dynamics (PSID), 2013

Parental Financial Support	Any		Education		Home Purchase		Other Purchase		Home Purchase or Other	
	n	Proportion	n	Proportion	n	Proportion	n	Proportion	n	Proportion
Any (G1 only, G2 only, G1 and G2)	1662	0.44	1174	0.31	217	0.06	958	0.25	1052	0.28
None	2119	0.56	2615	0.69	3572	0.94	2823	0.75	2729	0.72
Detailed Patterns										
neither G1 nor G2 gave	2119	0.56	2615	0.69	3572	0.94	2823	0.75	2729	0.72
G1 gave, G2 did not	323	0.09	181	0.05	154	0.04	314	0.08	364	0.10
G2 gave, G1 did not	829	0.22	706	0.19	58	0.02	453	0.12	462	0.12
both G1 and G2 gave	510	0.13	287	0.08	5	0.00	191	0.05	226	0.06
Total	3781		3789		3789		3781		3781	

**Table 2.** Multilevel Multinomial Logistic Regression of Predictors of Patterns of Parental Financial Support for Education, Panel Study of Income Dynamics (PSID), 1968-2013 (n=3,789)

	1 G1 only	2 G2 Only	3 Both G1 and G2 RRR
Black (v. White)	0.93	0.898	0.863
G1 Married (v. unmarried)	0.995	0.942	0.942
G1 High school (v. less than high school)	1.022	1.017	1.118
G1 More than high school (v. less than high school)	1.22	1.213	1.391 *
G1 Household income quintile (v. bottom quintile)	1.049	1.063	1.11 *
G2 Family size	0.97	0.985	0.979
G2 Married (v. unmarried)	0.894	1.118	1.029
G2 High school (v. less than high school)	0.899	1.142	0.844
G2 More than high school (v. less than high school)	1.22	1.535 **	1.475 *
G2 Household income quintile (v. bottom quintile)	1.086	1.188 **	1.13 *
G3 Family Size	0.98	0.908 **	0.942

Note: reference category is neither G1 nor G2 provided parental financial support. \*p<0.05, \*\*p<0.01. RRR=relative risk ratio.

**Table 3.** Multilevel Multinomial Logistic Regression of Predictors of Patterns of Parental Financial Support for Home or Other Purchase, Panel Study of Income Dynamics (PSID), 1968-2013 (n=3,783)

	1 G1 only	2 G2 Only	3 Both G1 and G2
	RRR	RRR	RRR
Black (v. White)	1.035	0.933	0.989
G1 Married (v. unmarried)	0.978	0.954	1.105
G1 High school (v. less than high school)	1.216	1.128	1.136
G1 More than high school (v. less than high school)	1.255	1.268	1.46 **
G1 Household income quintile (v. bottom quintile)	1.119 *	0.991	0.997
G2 Family size	0.978	1.021	0.985
G2 Married (v. unmarried)	0.947	0.901	0.972
G2 High school (v. less than high school)	0.853	1.08	0.938
G2 More than high school (v. less than high school)	1.04	1.256	1.05
G2 Household income quintile (v. bottom quintile)	0.98	1.096 *	0.998
G3 Family Size	0.945	0.905 **	0.91 **

Note: reference category is neither G1 nor G2 provided parental financial support. \*p<0.05, \*\*p<0.01. RRR=relative risk ratio.

**Table 4.** Within-Family Differences in Parental Financial Support (Support to None, Some, or All Children; G1-G2 and G2-G3), Rosters and Transfers File, Panel Study of Income Dynamics (PSID), 2013

Parent Giving to Own Children (%)	Any		Education		Home Purchase		Other Purchase		Home/Other Purchase	
	G1-G2	G2-G3	G1-G2	G2-G3	G1-G2	G2-G3	G1-G2	G2-G3	G1-G2	G2-G3
none	51	53	73	63	88	96	68	78	62	75
some	43	24	25	20	12	3	31	13	35	15
all	6	23	2	17	1	1	2	9	3	10
n	603	1,771	603	1,771	603	1,771	603	1,771	603	1,771

**Table 5.** G2 Differential Parental Financial Support (Any-education, home purchase, or "other" purchase) to Children (%)  
by G2's Receipt of Parental Financial Support, Rosters and Transfers File, Panel Study of Income Dynamics (PSID), 2013

G2 Giving to Own G3 Children (%)	<u>None</u>	G1 Support for G2 Children				<u>All</u>	
		Total	<u>Some</u>		G2 did not receive		
			G2 received	G2 did not receive			
None	61	47	28	57		21	
Some	23	26	32	23		27	
All	16	27	39	20		52	
n		1,030	560	195	365	172	