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Is the inheritance boom changing the distribution of wealth in the United States?

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Inheritances and gifts play a major role in the distribution of wealth, accounting for an estimated one-quarter of total household wealth accumulation in the United States. Such wealth transfers are also an important source of both business and home ownership. The conventional wisdom is that inheritances contribute to the overall inequality of household wealth. Moreover, it is commonly believed that inheritances impede intergenerational wealth mobility and play an important role in accounting for the intergenerational transmission of economic and social privilege.

In “Inheritances and the distribution of wealth or whatever happened to the great inheritance boom?” (*The Journal of Economic Inequality*, November 2013), Edward N. Wolff of New York University and Maury Gittleman of the Bureau of Labor Statistics investigate two main questions: First, have inheritances and other wealth transfers become more important over time? Second, how much, if at all, do inheritances and other wealth transfers contribute to overall wealth inequality? Their research makes use of data for 1989 to 2007 from the Federal Reserve Board’s Survey of Consumer Finances (SCF).

With regard to the first question, there is some reason to think that wealth transfers as a share of net worth have been rising over time because the current generation of elderly is now the richest in history. Wolff and Gittleman, however, do not find much evidence that the value of inheritances rose over the years that they examine. Indeed, if anything, inheritances and other wealth transfers as a share of household net worth fell over this period. Calculations from the SCF indicate that the present value of wealth transfers (gifts and inheritances) as a share of current net worth declined from 29 percent to 19 percent between 1989 and 2007.

As for the second question, the authors acknowledge that it is beyond the scope of their paper to fully simulate the effects of eliminating wealth transfers on the distribution of wealth. To facilitate the analysis, they are forced to make a number of unrealistic behavioral assumptions. Some of these are gradually relaxed as the authors seek, in a series of steps, to address the question of the impact of eliminating transfers on the distribution of wealth. Their results suggest that wealth transfers decrease wealth inequality rather than increasing it, though they apply a number of caveats to this result.