Duke SANFORD | CENTER *for* CHILD & FAMILY POLICY

RESEARCH BRIEF

May 2024

Beyond Parental Wealth: Grandparental Wealth and the Transition to Adulthood

Minjee Kim, *Undergraduate Student,* Christina Gibson-Davis, PhD

BACKGROUND

This brief summarizes the findings from “Beyond parental wealth: Grandparental wealth and the transition to adulthood” in the journal, Research in Social Stratification and Mobility. [1] The authors investigate whether differences in parental wealth and grandparental wealth predict young adult outcomes.

The authors used multi-decade data from the Panel Study of Income Dynamics to construct measures of parental wealth, grandparental wealth, and four outcomes for young adults at age 20: college attendance, lack of idleness, steady employment, and the absence of an early nonmarital birth.

The study provides evidence that parental wealth and grandparental wealth are associated with improved outcomes for young adults and that grandparental wealth is especially important when parental wealth is lower.

OVERVIEW

The transition to adulthood, ages 18 to 25, is a critical stage in the lives of young adults. During this time, many young adults make consequential decisions about their education, employment, and personal relationships. Decisions made during the transition to adulthood can have repercussions that last beyond age 25—educational and employment outcomes for adults in their 30s, 40s, and beyond are often a consequence of decisions made during young adulthood. Experiences between the ages of 18 and 25 therefore speak to levels of economic mobility, as those who can successfully navigate young adulthood may have better life outcomes than those who do not.

A contributing factor to young adult outcomes is parental economic support. Though traditionally defined in terms of income, economic support can also refer to transfers of wealth. Parents who have higher levels of wealth (defined as a household’s assets minus its debts) are better positioned to cushion the inherent uncertainty of young adulthood. When education, employment, and personal relationships are uncertain, young adults can rely on parental wealth as a backstop. During a time of financial crisis, for example, young adults may be able to turn to parents to provide housing, financial support, or as the guarantor or co-signer for an apartment, car or loan. Having parents with high levels of wealth may also ease the psychological stress associated with young adulthood. In short, through their wealth, parents can provide psychological, logistical, and monetary support to help their children transition to adulthood.

[1] *Zang, E., Gibson-Davis, C., & Li, H. (2024). Beyond parental wealth: Grandparental wealth and the transition to adulthood. Research in Social Stratification and Mobility, 89. https://doi.org/10.1016/j.rssm.2023.100878*

Parents are not the only family members who provide economic support to young adults—grandparents can also contribute. Though most people think of grandparents as providing wealth to grandchildren through an inheritance, grandparents can also provide assets to grandchildren while the grandparents are still alive. Grandparents may provide wealth to their grandchild—through monetary gifts or as a guarantor or co-signer for an apartment, car or loan—even if the grandchild receives support from their parents. Indeed, grandparent wealth may be particularly important if parental wealth is low—grandparents can step in to provide resources if parents cannot provide enough wealth for their children. Grandparental and parental wealth are also modestly associated, suggesting that grandparents may be an important, but overlooked, source of support for young adults.

DEFINITIONS

College attendance:
whether an individual has completed more than 12 years of schooling by age 20.

Steady employment:
whether an individual reports having worked at least 910 hours per year at age 20.

Idleness:
if an individual has not been employed full-time or attended college at age 20.

Early nonmarital birth:
whether an individual reports being an unmarried parent before age 20.

Parental wealth:
sum of the individual's household assets in the previous year minus debts, converted to 2018 dollars.

Grandparental wealth:
average household wealth of the individual's grandparents.

THIS STUDY

Young adulthood encompasses a number of decision points around education, employment, and fertility. To capture this complexity, this study examines how multigenerational wealth is related to four outcomes: college attendance, steady employment, early nonmarital birth, and idleness. This study thus extends previous work which more narrowly concentrated on wealth and education but, in so doing, implicitly ignored the 60 percent of young adults who do not attend college. The authors use data from the Panel Study of Income Dynamics, following children who were ages 12 to 16, until the age of 20. Data for children comes from the 1984-2019 waves.

KEY FINDINGS

OUTCOMES	PARENTAL WEALTH	GRANDPARENTAL WEALTH
COLLEGE ATTENDANCE	MORE LIKELY	MORE LIKELY
STEADY EMPLOYMENT	NO EFFECT	MORE LIKELY
NONMARITAL BIRTH	LESS LIKELY	NO EFFECT
IDLENESS	LESS LIKELY	LESS LIKELY

**Findings relay what happens as parental or grandparental wealth increases*

TAKEAWAYS

1. **Parental wealth shapes the transition to adulthood through both educational and non-educational outcomes for young adults.** Higher parental wealth is modestly associated with an increase in college attendance, as well as a decrease in idleness and early nonmarital births. Parental wealth is not significantly predictive of employment.

2. **Grandparental wealth can help the transition to young adulthood, independent of the effect of parental wealth.** Higher grandparental wealth is significantly associated with an increase in employment and a decrease in idleness. For educational outcomes, grandparental wealth is associated with an increase in college attendance, but the association is not as strong as with parental wealth. These findings show that the grandparent-grandchild relationship may be distinct from the parent-child relationship.

3. **Associations between grandparent wealth and young adult outcomes are generally the largest when parental wealth is low.** The effect of grandparental wealth had stronger effects on college attendance for children whose parents did not have much wealth. This suggests that grandparental wealth can act as a buffer when parents have less resources.

4. **Both immediate and extended family wealth were associated with the likelihood of positive outcomes for young adults at age 20.** Young adults whose families have more resources are more likely to have better outcomes at age 20. Having fewer family resources, whether at the parental or grandparental level, is associated with poorer young adult outcomes.

POLICY IMPLICATIONS

Family wealth impacts young adults' economic, educational, and family outcomes. Both parental and grandparental wealth influence youths' transition to adulthood. Policies aimed at supporting young adults should go beyond targeting the desired outcomes directly by, for instance, providing job training. They should also consider the contextual factors that may be contributing to unequal outcomes among young adults.

The findings also suggest that policymakers need to look beyond parental resources when developing policies to improve young adults' pathways to adulthood. Because the U.S. has a weaker social safety net compared to peer countries, the support of multiple generations is likely to be important in the transition to adulthood. Young adults whose parents and grandparents both have low wealth may be especially vulnerable. Improving the financial standing of older generations may also benefit their grandchildren.