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THE PATTERN OF INHERITANCE IN IRELAND: HOUSEHOLD SURVEY EVIDENCE

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EVIDENCE

1. *Introduction*

Little is known about the pattern of inheritance in Ireland: who receives inheritances, how substantial wealth transfers across generations are, and how important an influence inheritance is on the distribution of wealth. Here we look at some new evidence, from the 1987 ESRI Survey on Income Distribution Poverty and Usage of State Services. The level and composition of asset holdings in this sample has already been examined, in Nolan (1991) and Honohan and Nolan (1992). Here this information on wealth and its composition, and the wide range of other characteristics of the households obtained in the survey, is used together with responses to questions about inheritance also included in the survey. This allows the characteristics of inheritors to be analysed and inheritance to be related to the observed pattern of wealth holdings.

2. *The Data*

The 1987 ESRI survey has been described in detail elsewhere (esp. Callan, Nolan, *et al.*, 1989). The range of information obtained on assets and liabilities of different types held by each household has been described, and its use and reliability fully discussed, in Nolan (1991). Here we simply describe the additional information on inheritances, used for the first time in the present paper. This information consists of responses to two separate questions.

The first was included in the questionnaire covering *inter alia* household composition, tenure, and housing costs. This household questionnaire was generally answered by the household head or spouse, and asked all owner-occupiers how they came to own the house - by having it built, by purchase, or without purchasing it (e.g., by inheritance or gift).

The second question was included in the full individual questionnaire completed by most adults in responding households;

"Have you ever inherited or received a gift of

(a) a house or other property,

(b) all or part of a business or farm?"

Those who replied that they had were asked when they inherited/received this property/business, and what the market value of the inheritance/gift was at the time. A further question was then put:

(c) "Apart from property, business and farms, have you in the last five years received an inheritance or gift worth more than £500?"

Again, those who had were asked when it was received and how much it was worth at the time.

It should be noted that this question cover both inheritances and gifts. Confining attention to transfers at death could mislead as to the pattern of transfers across generations, particularly if gifts were extensively used to minimise liability to inheritance tax. This was a particularly effective strategy at the time when inheritance was subject to a much more stringent tax regime than gifts

inter vivos. Since 1976, in the Irish case, inheritances and gifts both come under Capital Acquisitions Tax (CAT), and the incentive to channel transfers through gifts rather than inheritances has been considerably reduced. Nonetheless, in general a gift is currently liable for CAT at only 75 per cent of the rate applicable to an inheritance. (Where a donor dies within two years of making a gift, it is regarded as an inheritance and full rates of tax apply).

It should also be mentioned that the inheritances and gifts in the survey responses will not necessarily be transfers across generations. This reflects the fact that some gifts and inheritances will be, for example, between siblings or spouses. Further, it is possible that some of the transfers may not be from persons outside the household: for example, a household member may receive a gift, or take over a farm/business, from another person living in the same household. This complicates the interpretation of the pattern shown, though it appears to apply to only a small proportion of those who have received an inheritance or gift.

The full individual questionnaire containing the general question about inheritances was administered to about 80 per cent of the 8,500 adults in sample households. It was not included in the abbreviated questionnaire, which the remaining 20 per cent completed for a variety of reasons. The specific question to owner-occupiers about how the household came to own the house was asked of all responding households.

3. *Receipt of Inheritances/Gifts in the Sample*

The analysis of the survey responses on inheritance can be carried out at either individual or household level: that is, we can examine either individuals who have received gifts/inheritances, or households containing such individuals. The most satisfactory unit of analysis depends partly on the questions to be addressed, but is also influenced by the nature of the data available. A serious problem with the data at an individual level on gifts/inheritances in the ESRI survey emerged in the course of analysis, and must be taken into account in using the data. About 16 per cent of the households in the sample contain one (or more) individual(s) who reported, in responding to their personal questionnaire, that they had received a gift/inheritance of a house and/or business or farm. However, a *further* 10 per cent of households, not containing such an individual, were seen from the responses to the household questionnaire to have come by their current house without purchasing or building it, in effect by inheritance or gift.

There are a number of reasons why this might come about. First, in some households the household head did not complete a full individual questionnaire and thus would not have been posed the question about inheritance, responding only to the abbreviated questionnaire. This does not account for most of the cases in question. Rather, either deliberate non-response/mis-response to the question about inheritance, or misunderstanding, appear to be the main factors. Many of

the households involved are farm households and the farm and/or house may have been "in the family" for many years. Respondents in such a situation may not necessarily consider the house or farm to be relevant when asked about "gifts or inheritances". For example, the farm may effectively be transferred from one generation to the next prior to the death of the owner, but may not be reported as a "gift".

Whatever the explanation, it is clear that the individual responses alone do not provide a complete picture of the extent of transfers of property by gift and inheritance. This is of considerable interest in itself since some other studies have relied on individual responses to direct questions about inheritance in surveys. For example, Hammet (1991) uses survey responses to such a question for Britain to analyse patterns of housing transfer in the U.K. He finds only 9 per cent of households reporting receipt of an inheritance of over £1,000 and including house property. He notes that this is considerably lower than the percentage one would expect on the basis of Inland Revenue figures on estates assessed at death and containing residential property. The experience with the ESRI survey suggests that a question focusing specifically on how the current dwelling came to be owned may be needed to complement one directed at inheritance.

Here we focus then on the 25 per cent of households in the sample which *either* contain an individual who reports receiving a gift/inheritance of a house or business/farm, *or* came by the current house by gift or inheritance (or of

course both). The first point to be made is how important transfer of property clearly is in the Irish situation, reflected in this very significant percentage of all households affected. The high level of owner-occupation and the size of the farm sector are clearly the major influences here, with 78 per cent of all households (currently) owning their own home (with or without mortgage) and about 16 per cent of households owning a farm.

Looking at the composition of the property received in the form of inheritance/gift, 12 per cent of households received a house, 5 per cent received a business or farm without house, and 8 per cent appear to have received both a house and a farm or business. The value of the property received is obviously of great interest. Here the information available for those reporting the gift/inheritance on the personal questionnaire covers the date received and the estimated market value of the property *at the date of receipt*. It is necessary to bring properties received at different dates to a common base for comparative purposes. An estimate is therefore made in each case of what the amount received would have come to by 1987 if invested, applying the rate of return on government securities over the period from the date of receipt. The objective is not to estimate what the actual property or business inherited is itself currently worth, since the recipient may not have retained the inheritance in that form, and in any case had the option of not doing so. In cases where only the fact that the current dwelling was acquired by gift/inheritance is known, the

information on value when received is not available. However, estimates of the *current* market value of the house (and farm) were sought and will be used instead for these cases.

On this basis, the average value, in 1987 terms, of the inheritances/gifts of houses and/or businesses/farms for the 25 per cent of households which received them was about £91,000. As Table 1 shows, 10 per cent of the gifts/inheritances were worth less than £10,000, almost half were valued at between £10,000 and £50,000, and about a quarter were worth £100,000 or more. The relatively small number of very large amounts have a substantial impact on the mean: the median amount was only £37,500. The table also shows that the average value of the gift/inheritance was very much lower when a house alone was involved, rather than a business or farm with or without a house. Almost all of the gifts/inheritances of £200,000 or more included a business/farm, while two-thirds of cases involving house property alone were worth between £10,000 and £50,000.

The characteristics of the households which have benefited from inheritances/gifts are now examined. It must be noted that households change over time in terms of composition, the household is not a static unit (whereas the individual of course is). Thus some individuals may have received inheritances/gifts when in a different household/at a time when the household had rather different membership. Nonetheless, it is of interest to look at the characteristics of the current households which contain individuals who have benefited from gifts/inheritance, since these households can

Table 1: *Value (in 1987 Terms) of Inheritances/Gifts of House or/and Business Farm Received by Households.*

£	<i>House only</i>	<i>Business/farm only</i>	<i>House plus business/farm</i>	<i>Total</i>
	%	%	%	%
< £10,000	14.1	6.7	6.0	10.0
> 10,000 < 25,000	37.6	12.9	12.3	24.3
> 25,000 < 50,000	29.9	16.7	17.1	23.0
> 50,000 < 100,000	13.0	26.8	21.2	18.4
> 100,000 < 200,000	4.5	15.3	26.1	13.9
> 200,000 < 500,000	0.9	15.6	14.1	8.2
> 500,000	<u>0</u>	<u>6.0</u>	<u>3.2</u>	<u>2.2</u>
All	100.0	100.0	100.0	100.0
% of Households				
Mean amount received	33,025	147,493	139,088	90,765
Median amount received	23,000	68,400	80,000	37,534

in a broad sense be considered to be beneficiaries of that process.

We look first at the households which benefited in terms of the age of the household head. Table 2 shows that about half the households which benefited from inheritance/gift of a house or/and business/farm have a head aged between 55 and 74. The *incidence* of receipt - the percentage of households in each category benefiting - is seen to rise from 11-12 per cent for those aged under 35 to 33-36 per cent for those aged 55 or over. A similar pattern is seen when receipt of house property alone is examined. The mean value of the inheritance/gift is highest for households where the head is aged 45-64.

In interpreting this pattern a number of factors have to be kept in mind. First, the household head is not necessarily the individual who received the inheritance/gift - though in most cases the recipient does appear to be the household head or spouse. Secondly, the sample provides a snapshot of people at different ages, and for an individual the probability of having received a gift/inheritance up to the date of interview depends *inter alia* on their age. Someone interviewed when 70 clearly has had much greater opportunity, as it were, to have already received a gift/inheritance than someone aged 30. Even if probabilities were identical over the "completed" life for two individuals, then, the fact that we observe "uncompleted" lives is crucial to interpreting the results. This is a point to which we return in Section 5 when the characteristics of individual recipients are examined.

Table 2: *Inheritance/Gifts of House or/and Business/Farm by Age of Household Head*

<i>Age of Head</i>	<i>% Receiving House only</i>	<i>All</i>	<i>% of Recipients</i>	<i>Mean Value</i>
< 25	7.5	11.1	0.9	47,825
>25 <35	5.2	11.9	10.4	74,078
>35 <45	9.2	21.1	15.8	111,093
>45 <55	9.9	23.1	15.7	103,930
>55 <65	14.5	33.4	24.1	83,799
>65 <75	18.4	36.2	22.9	81,715
>75	21.0	34.2	10.3	96,592

The third point to be made, and also developed in Section 5, is that the age when the gift/inheritance was received rather than age when interviewed is of great interest.

About 80 per cent of households in the sample have a male head. There is very little difference between households with a male versus a female head in the percentage having benefited from inheritance/gift. (That is not to say that men and women have equal probabilities of benefiting, a point to which we return in Section 5). This comes about because the percentage of female-headed households having benefited from inheritance/gift of a house only significantly exceeds that for male-headed households, but for business/farm (with or without a house) the opposite is the case. The relatively high proportion of female-headed households (about 20 per cent) having received a house may partly reflect the impact of being widowed. This applies to only a minority of such households though, and only a small percentage of all households benefiting from gift/inheritance of house or business/farm fall into that category. Most of the gifts/inheritances being analysed do appear to represent transfers other than from deceased spouses, generally intergenerational transfers.

Focusing on social class, we categorise households by the social class of the household head using the CSO's six-category social class scale. It is important to note that farmers are categorised on the basis of farm size, with those having less than 30 acres counted as semiskilled manual, those with 30-49 acres as skilled manual etc. Table 3 shows

that the households benefiting from gift/inheritance of property or business are spread across the social classes. The probability of having benefited varies between 18-29 per cent but shows no consistent relationship with class, being lowest for the "top" higher professional/managerial class and the "bottom" unskilled manual one. This reflects rather different patterns for house property alone and for businesses/farms. Very few households in the unskilled manual class received a business or farm, which is not surprising since ownership of even a small farm will mean that the household is classified as semiskilled or skilled manual. For house property alone, on the other hand, as Table 3 shows, the probability of having benefited is in fact *highest* for the unskilled manual class, and is considerably higher for the semiskilled and unskilled classes than for the other four.

This finding is difficult to reconcile with the fact that the extent of owner-occupancy, though high by international standards for the unskilled/semiskilled classes in Ireland, is even higher for the professional/managerial ones. In the ESRI sample, over 90 per cent of households in the professional/managerial classes were owner-occupiers (with or without mortgage) compared with about 70 per cent of the semiskilled and 65 per cent of the unskilled manual class. Given the relatively limited degree of social mobility across the generations which is known to occur in Ireland, one would then expect household heads and spouses currently in the professional/managerial classes to have a higher

percentage of owner-occupying parents. However, in the ESRI sample fully 39 per cent of households in the unskilled manual class who own their own house inherited/received house property (alone), virtually all of whom came to own their current house in this way. Only 11 per cent of owner-occupiers in the higher professional class inherited/received house property alone, whereas a further 16 per cent inherited/received a house with business/farm. Only 22 per cent came to own their current house by inheritance/gift.

It is possible that house property is more likely to remain "in the family" across generations for the semiskilled and unskilled manual classes. House property in the higher social classes may more commonly be sold at time of death and the proceeds rather than the property itself passed on by inheritance. Depending on how respondents interpreted the question in the ESRI survey, this might not be considered as "inheriting a house" and could therefore be understated in the survey. Alternative explanations are not obvious, whether involving a particular pattern of response/representativeness bias in the sample or the way in which gifts/inheritances actually occur.

Returning to Table 3, the average value of inheritance/gift among households benefiting does have a consistent pattern across the classes, more in keeping with expectations, with the mean value rising from £33,000 for the unskilled manual class to £215,000 for the higher professional one. This is partly because of the relationship

Table 3: *Inheritance/Gifts of House or/and Business/Farm by Social Class of Head*

<i>Social Class of Head</i>	<i>% Receiving House only</i>	<i>All</i>	<i>% of Recipients</i>	<i>Mean Value</i>
Higher Professional	8.1	18.5	7.1	215,732
Lower Professional	9.8	23.9	11.1	146,165
Intermediate Non-Manual	7.8	29.1	19.5	126,907
Skilled Manual	7.3	21.5	19.2	73,411
Semiskilled Manual	13.9	28.3	22.0	51,004
Unskilled Manual	17.1	20.0	12.0	33,216

between class and the incidence of receipt of a business or farm, and the fact that those receiving (and still owning) large and thus more valuable farms will automatically be in the higher social classes. Even for house property alone, though, the mean value of the property among recipients rises consistently moving up the social class scale, from about £24,000 for the unskilled manual class to £60,000 for the higher professional one.

Focusing on the labour force status of the household head, Table 4 shows that over three-quarters of all households headed by a farmer benefited from inheritance of property, almost all receiving a farm and many including a house. These make up 38 per cent of all households benefiting. The percentage of households headed by a self-employed or retired person or someone in home duties, though much lower, is also relatively high at 21-28 per cent. For the self-employed about half have received a business (or farm) while the retired and even more so those in home duties have mostly received house property. The retired/home duties have had more opportunity to inherit than others, given their older age profile. Only 11 per cent of households headed by an employee, and about the same percentage headed by an unemployed person, have benefited from such an inheritance/gift. The average value of the inheritance/gift is much higher for farmers and other self-employed than others, and is low for the unemployed and ill.

Table 5 looks at the relationship between inheritances/gifts and the household's current tenure

Table 4: *Inheritance/Gifts of House or/and Business/Farm by Labour Force Status of Household Head*

	<i>% Receiving House only</i>	<i>All</i>	<i>% of Recipients</i>	<i>Mean Value</i>
Employee	8.4	11.3	17.3	62,980
Farmer	2.8	77.2	38.4	132,597
Self-employed	9.1	21.2	6.4	120,414
Unemployed	12.1	12.1	5.2	22,111
Ill	16.9	18.2	4.4	26,545
Retired	18.3	27.4	15.9	86,582
Home Duties	23.1	27.7	12.5	43,275

Table 5: *Inheritance/Gifts of House or/and Business/Farm by Tenure*

<i>Tenure</i>	<i>% Receiving</i>		<i>% of Recipients</i>	<i>Mean Value (£)</i>
	<i>House only</i>	<i>All</i>		
	<i>%</i>	<i>%</i>		
Owner Occupied Without Mortgage	22.8	47.5	87.0	90,894
Owner Occupied With Mortgage	3.6	7.6	10.5	95,874
Rented from Local Authority	0.2	2.6	1.5	67,884
Private Rented	1.1	3.9	0.9	56,982

situation. Almost half of all households which own their house without a mortgage have benefited from an inheritance/gift of property or a business. These are evenly divided between cases where a house property only, versus a house with business/farm, was received. About 40 per cent of all owner-occupiers without mortgage came to own their current dwelling without purchasing or building it. Finally 87 per cent of all households having benefited from inheritance/gift of a house or/and business/farm are currently owner-occupiers.

4. Inheritance/Gift and the Distribution of Income and Wealth

We now focus on the relationship between inheritance/transfer by gift of property and businesses and the income and wealth of households. First, households are classified by their position in the current disposable income distribution, by decile. Table 6 shows that the percentage of households benefiting from receipt of an inheritance/gift is highest for the bottom two deciles, and also relatively high for the third decile and for the top decile. This is also the case for house property only and for houses with a business or farm. A number of factors are at work in producing this result.

First, the elderly are relatively heavily concentrated towards the bottom of the income distribution, particularly in deciles two and three, and as we have seen there is a strong relationship between age and the probability of having received an inheritance/gift. Second, farm households are also relatively heavily concentrated towards the bottom of

Table 6: *Inheritance/Gift of House or/and Business/Farm by Current Disposable Income Decile*

<i>Decile</i>	<i>House only</i>	<i>Business/ farm only</i>	<i>% Receiving House plus business/farm</i>	<i>All</i>	<i>Mean Value (£)</i>
Bottom	21.3	5.7	11.6	38.7	72,012
2	20.7	6.0	10.3	37.0	61,231
3	13.3	4.7	9.4	27.4	78,556
4	10.1	4.4	9.4	23.9	76,597
5	8.8	4.4	7.8	21.0	93,603
6	8.3	4.6	8.2	21.0	102,436
7	9.4	3.7	6.0	19.1	66,372
8	5.7	3.5	5.2	14.5	138,687
9	9.3	4.0	5.8	19.1	132,996
Top	9.9	6.6	9.8	26.2	134,911

the income distribution, particularly in the ESRI survey because the year in question was a very bad one for farm incomes. Third, the relatively high incidence of inheritance/receipt of house property for the semiskilled and unskilled manual classes already described would also be associated with receipt by lower income groups.

The mean value of the property/business involved was significantly higher for the top three income deciles than for the rest of the distribution, as shown in Table 6. There is no consistent pattern of variation across the remaining deciles.

Classifying households by current income does not take into account the fact that households vary in terms of size and composition, and therefore "needs". Using adult equivalence scales to make such an adjustment, Table 7 shows the incidence of inheritance/gifts when households are categorised by equivalent disposable income decile. While the bottom decile still has the highest percentage having benefited, deciles 3-5 are now the next highest. This partly reflects the re-ranking of small households comprising elderly people up the distribution when equivalent rather than unadjusted income is used. The bottom decile continues to have a very high proportion benefiting largely because of the concentration of farm households there. The mean value of inheritance/gift is now highest for the top two deciles and the bottom decile. The bottom decile appears to have a high average value primarily because a number of households with large farms, or substantial businesses, reported very low

Table 7: *Inheritance/Gift of House or/and Business/Farm by Current Equivalent Disposable Income Decile*

<i>Decile</i>	% Receiving			<i>All</i>	<i>Mean Value (£)</i>
	<i>House only</i>	<i>Business/farm only</i>	<i>House plus business/farm</i>		
Bottom	9.0	9.9	16.9	35.8	122,892
2	10.0	4.2	7.5	21.6	90,563
3	18.4	2.2	7.6	28.2	43,785
4	16.3	2.9	7.9	27.1	50,259
5	15.7	6.0	6.6	28.4	65,150
6	11.1	5.0	8.7	24.7	74,848
7	9.2	3.5	9.0	21.6	85,612
8	8.7	4.5	7.0	20.1	90,227
9	7.8	4.6	5.8	18.2	127,072
Top	10.5	4.8	6.6	21.9	176,284

profits or losses in the year in question and are therefore at the bottom of the income distribution.

We now turn to the relationship between inheritance/gifts and current household wealth. Nolan (1991) and Honohan and Nolan (1992) describe in some detail the information obtained in the ESRI sample on household assets, and the observed pattern of holdings of these assets. Here we look at households in terms of their total stock of property and financial assets, net of financial liabilities. "Total wealth" is defined as the sum of

- i) the market value of house property owned, less mortgage debt outstanding;
 - ii) the value of any business owned;
 - iii) the value of farm land owned, less outstanding farm debt;
 - iv) the value of other property owned;
 - v) deposits in banks, building societies and other institutions;
 - vi) Savings Certificates, Instalment Savings and other forms of Government "small savings" schemes;
 - vii) gilts;
 - viii) equities;
 - ix) investment bonds, guaranteed income bonds etc.;
 - x) the estimated value of investments in recurring-premium life-assurance linked savings policies;
 - xi) credit balances in current accounts
- less
- xii) overdrafts on current accounts; and
 - xiii) outstanding term loans and hire purchase agreements.

(The wealth variable employed in Nolan (1991) did not include items (x), (xi), (xii) and (xiii): the additional

Table 8: *Inheritance/Gift of House or/and Business/Farm by Household Total Wealth*

<i>Decile</i>	<i>% Receiving</i>			<i>All</i>	<i>Mean Value (£)</i>
	<i>House only</i>	<i>Business/farm only</i>	<i>House plus business/farm</i>		
Bottom 2	1.2	0.5	0	1.6	25,984
3	14.6	2.1	2.3	19.0	14,032
4	16.1	1.6	1.7	19.4	21,430
5	16.7	2.7	3.7	23.1	40,223
6	15.1	3.4	6.0	24.6	41,973
7	16.2	3.9	6.8	26.8	49,279
8	10.2	6.4	15.0	31.6	70,058
9	10.5	12.1	16.3	38.9	109,507
Top	12.0	16.6	32.3	60.8	199,957

elements and the impact of their inclusion are described in Honohan and Nolan 1992).

When households are classified by total wealth defined in this way, Table 8 shows the incidence of inheritance/gifts of house property and/or business/farm. The bottom 20 per cent of the wealth distribution is very different from the remainder, receiving virtually no gifts/inheritances. With wealth in the form of housing (and farm land) being by far the most important component in total wealth for most households, the bottom 20 per cent or so do not own their own houses and have very little wealth. It is not surprising then that few have received gifts/inheritances of a house or land. Throughout the remainder of the wealth distribution, the percentage of households benefiting rises slowly from 19 per cent for the third decile to 32 per cent for the eighth decile, accelerating to 38 per cent for the second decile from the top and reaching 61 per cent for the top 10 per cent of wealth holders. This means that 41 per cent of all households benefiting from inheritance/gifts of house or business/farm are in the top 20 per cent of the wealth distribution, and 25 per cent are in the top decile, as shown in Table 9.

It is also interesting to look at the magnitude of the inheritances/gifts relative to estimated total wealth of households, keeping in mind the imprecision with which both are estimated in such a survey. Table 9 also shows the mean wealth of all households in the sample categorised by position in the total wealth distribution, and of households

Table 9: Mean Wealth of Households

	Mean Wealth		% of "inheritors" in decile
	all households	"inheritors"	
Bottom 2	329	1,134	1.3
3	8,400	8,916	7.6
4	15,272	15,406	7.8
5	21,104	20,415	9.3
6	26,962	27,221	9.9
7	34,280	33,537	10.9
8	45,243	45,461	12.8
9	66,032	66,978	15.6
Top	<u>156,616</u>	<u>161,565</u>	<u>24.7</u>
All	37,531	66,372	100.0

which benefited from inheritance/gifts. On average, households which benefited from inheritance/gifts had total wealth of £66,000 compared with £37,500 for all households in the sample. The Mean of inheritance/gifts, as we saw earlier, was £96,000 - significantly higher than mean current total wealth for recipient households. Comparing mean wealth by decile for recipients in Table 9 with the mean value of the inheritance/gift received in Table 8 we see that this is consistently the case across the deciles.

Such a pattern could come about in a variety of ways, including aspects of the estimation procedure. Where the inheritance/gift is valued on the basis of information on market value at time of receipt, respondents could overestimate the market value at that time relative to the estimate of current market value incorporated in the wealth variable. The method used to uprate to 1987 terms, applying the rate of return on government securities, could result in a higher or lower figure than the current market value of the property inherited/received if it is still owned. It could of course often be the case that recipients chose to finance consumption out of the inheritance/gift, at least in part, and it is therefore quite possible that total wealth now would be less than the amount received. Even if the property was retained, borrowing could be used to finance expenditure and would be netted off in arriving at total wealth. Whatever about the precision of the valuation of inheritance/gifts or total wealth, it is clear that the scale of transfer involved is very substantial relative to total wealth for the

households involved. Given that a quarter of all households in the sample benefited from such inheritance/gifts, the scale of transfer is also significant relative to total wealth in the sample.

5. Individual Recipients of Inheritances/Gifts

We would like to analyse not only the households which benefited from receipt of inheritances/gifts, but also the individual recipients and their characteristics. In particular, it would be of great interest to look at the timing of receipt, when transfers are generally received over the life-cycle. Where receipt of the inheritance/gift was reported by the individual respondent in the course of completing a full personal questionnaire, this information is available. For the households which stated that they had come by their current house by gift/inheritance but details were not reported on an individual questionnaire, we do not know the date of receipt nor even which household member was the recipient. This applies to 40 per cent of the households who have been treated as benefiting from gifts/inheritances of a house and/or property in the foregoing analysis.

It seems useful to focus on those cases for which we do have full individual information, bearing in mind that they may not necessarily be representative of all recipients. In doing so we take into account the fact that not all adults *were administered* a full personal questionnaire. To counteract any bias which this might introduce, the individual adults in the sample for whom full questionnaires

were available were reweighted. This was based on the individual's labour force status, age and sex, so that the reweighted sample accords with the Labour Force Survey in terms of a cross-tabulation by these variables. (This is in addition to the reweighting carried out at household level and used in analysis of the household level data here and in other research based on the ESRI survey).

Using the reweighted sample of adults in the survey, 5.3 per cent responded that they had received a gift or inheritance of a house or other property, and 4.3 per cent said they had received a business or farm. There was a good deal of overlap between the two: 2.1 per cent of adults had received *both* a house and a business/farm. Thus a total of 7.5 per cent of adults said they had received a house/property or a business/farm. This relates to gifts or inheritances received at any time in the recipient's life.

In addition, 1.9 per cent of adults said they had in the past 5 years received a gift or inheritance other than property, businesses or farms, worth more than £500. Only a small proportion of this group had also received a house or business/farm: over 90 per cent had not, so a total of over 9 per cent of all adults had *either* received a house/farm/business at some stage, *or* some other gift/inheritance worth more than £500 during the past 5 years. (This question was limited to the last five years because it would not have been possible to specify a meaningful lower limit to the value of such inheritances/gifts if some such cutoff had not been used).

Since these individuals live in households together with others, the percentage of *households* benefiting would be considerably higher. This is particularly the case since very few of the individual recipients are in households with other recipients: only 7.5 per cent are in a household which contains another reported recipient. Thus a total of 15.5 per cent of households contain at least one person who reported a gift/inheritance of a house or/and business/farm at some point, as we saw earlier. Since a further 10 per cent of households appear to have come to their house by gift/inheritance but don't contain an individual who reported receipt, the number of such individuals in the sample is clearly understated. Nonetheless, we can make use of the information provided, particularly on when the inheritance/gift was received, to enhance our knowledge.

Table 10 shows the age of individuals reporting receipt of a house or/and business farm *when interviewed*: there is a wide spread across the age ranges, though a very small proportion of those who benefited were under 25. The *incidence* of gifts/inheritances - the proportion of all the adults in each age group who had benefited - was highest in the 55-64 age range, and low in the under -35 and especially under -25 ranges. Looking at houses and business/farms separately, the table also shows that there is no very striking difference in the incidence of the two types of gifts/inheritances by age.

This relates to the age of the recipients when interviewed, *not* the age at which they received the

Table 10: *Inheritance/Gift of House or Business/Farm by Age of Recipient (When Interviewed)*

Age Group	House		Business/ Farm		House plus Business/Farm		All	
	% of recipients	% of age group	% of recipients	% of age group	% of recipients	% of age group	% of recipients	% of age group
Under 25	1.9	0.4	1.4	0.2	0.6	0.1	1.4	0.6
>25<35	17.6	2.4	16.9	1.5	14.6	1.3	16.6	5.2
>35<45	16.2	3.0	27.3	3.4	19.0	2.4	20.2	8.8
>45<55	17.4	4.0	12.4	2.0	21.7	3.4	17.2	9.4
>55<65	21.3	5.4	25.1	4.3	23.6	4.0	23.0	13.8
>65<75	18.5	5.2	12.1	2.3	14.8	2.8	15.6	10.3
>75	<u>7.0</u>	<u>4.3</u>	<u>4.6</u>	<u>1.9</u>	<u>5.6</u>	<u>2.3</u>	<u>6.0</u>	<u>8.5</u>
All	100.0	3.2	100.0	2.2	100.0	2.1	100.0	7.5

Table 11: *Age at Which Inheritance/Gift of House or Business/Farm was Received*

	<i>House</i> %	<i>Business/ Farm</i> %	<i>House plus Business Farm</i> %	<i>Total</i> %
< 25	19.2	22.6	19.0	20.1
>25<35	27.0	46.9	50.3	39.4
>35<45	24.6	19.9	19.5	21.8
>45<55	21.4	7.4	7.0	13.3
>55<65	6.3	3.0	2.7	4.3
>65<75	0.6	0.2	1.2	0.6
>75	<u>0.9</u> 100.0	<u>-</u> 100.0	<u>0.3</u> 100.0	<u>0.5</u> 100.0
Mean Age	37.0	31.8	32.8	34.2

gift/inheritance. Table 11 shows the distribution of latter. The mean age of receipt is 34, and for businesses/farms the figure is slightly lower. Over 80 per cent of the recipients were under 45 when they received the gift/inheritances, and for business/farm recipients the corresponding figure is close to 90 per cent. Of course, this is related to the fact that the sample provides a snapshot of the population of adults across the age ranges, not of the incidence of inheritance over "completed" lifetimes. Thus a majority of the adults in the sample - 57 per cent - were under 45 when interviewed, and any inheritances/gifts received by them must therefore have been received when they were less than that age.

The number of adults receiving a gift/inheritance at each age (i.e., the age of *receipt*) can be related to the number older than that age when interviewed - the latter being the subset of all adults in the sample who *could* potentially have inherited at the age in question. When an "inheritance rate" is calculated for each age in this way, we find that the proportion of potential beneficiaries actually receiving at each age does not vary all that much over the age distribution. It is highest however for the 25-40 age range, with an average of about 0.4 per cent of potential recipients benefiting at each age, compared with 0.3 per cent for the ages 40-54 and 0.2 per cent for ages 55-64. On the basis of this data one can calculate the mean age of expected receipt across completed lifetimes. In other words, if we observed the full life-span for all adults in the sample,

rather than a censored distribution where we know inheritance only up to the age when interviewed, what would be the mean age at which a gift/inheritance was received? (Closely analogous issues arise in the analysis of unemployment durations on the basis of data for a cross-section for which uncompleted spells are observed). The estimate produced by the sample for this mean age of receipt is 40 - as would be expected, considerably higher than the mean age of receipt of 34 reported by the sample.

The fact that we observe uncompleted lives also means that the percentage of adults reporting receipt of gifts/inheritances understates the percentage we would expect to be in receipt at some point over their full lifetimes. On the basis of the sample information, using the calculated inheritance rates by year of age, it can be estimated that a total of 14 per cent of the adults in the sample would be expected to be in receipt at some stage during their lives, compared with the 7.5 per cent who report receipt up to the point when they were interviewed. Given that the figure of 7.5 per cent itself appears to underrepresent the percentage, perhaps 20 per cent of adults would then be expected to benefit during their lifetimes.

6. Conclusions

This paper has described the information on inheritances obtained in the 1987 ESRI Household Survey, and analysed the pattern of inheritance shown. Despite certain problems identified with the data, they are revealing about the characteristics of inheritors and the importance of certain

forms of inheritance, particularly housing and farm land. Because of the role of these forms of asset-holdings, inheritance was seen to be of relevance across income groups and social classes rather than simply for the wealthy. Further work will use the data to explore in more detail the links between the pattern of inheritance and the distribution of wealth.

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