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Legacies of Homeownership: Housing Wealth and Bequests *

Jaclene Begley^{†‡}

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Abstract

This paper examines the effect of housing price shocks during the recent housing boom and bust on the bequest behavior of older homeowners. Prior studies find that illiquid assets have a strong expected influence on bequests, which suggests volatile housing markets will alter bequest expectations, particularly since housing is generally the largest share of household wealth. I calculate shocks to housing wealth as the deviation in values from their growth trend over the last three years, and I exploit the geographic variation in housing market volatility to explore the relationship between housing value shocks and bequest expectations over the housing boom and bust. I find that housing price shocks, and especially negative shocks, have a consistent influence on bequest expectations for homeowners, particularly for older homeowners, and for those without stocks. A complementary analysis of elasticities also reveals a larger influence of housing prices on bequests than other forms of wealth.

JEL Classifications: J14, R20, R31, D14, G01

Keywords: Housing Markets, Homeownership, Wealth, Bequests, Older Adults

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