

# How does the future-orientedness of grandparents explain inequality of lifetime savings?

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## Executive summary

Recent research has established that wealth inequality at the household level is driven, in part, by unexplained family factors that persist over many generations. This study contributes to that ongoing inquiry by exploring how the “future-orientedness” of married people in the 1970s helps to explain wealth inequality among their adult children and grandchildren today.

Our previous study formalized and measured future-orientedness as a collection of personality traits that help explain an individual’s future wealth as influenced by intertemporal decision-making. We used data from the Panel Study on Income Dynamics to distinguish the effects of future-orientedness of spouses from other factors that might influence savings and wealth accumulation, such as income, business ownership and financial acumen.

The current study examines the intergenerational transmission of future-orientedness. First, we find evidence that offspring of parents with higher future-orientedness not only save more but are also less likely to marry as teenagers, less likely to have children before the age of 21, and, if they marry, are less likely to divorce. We conclude that inequality in the extent to which a person is able to take the future into account is passed from parents to children.

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To explore the mechanism of this transmission, we examine the link between parent-child interactions in the 1997 Childhood Development Survey and the projected wealth of their adult grandchildren in middle age. We show that projected wealth is linked to the future-orientedness of grandparents and that this link operates partly through a correlation with parental characteristics (such as education and income) and partly through a correlation with

parent-child practices (such as the parent's educational goals for the child and the child's participation in sports and community groups). We conclude that children from future-oriented families are more likely to participate in activities associated with higher future income, as well as favorable nonfinancial outcomes. The research thus highlights the broad and lasting impact of future-orientedness across generations.

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