Inheritance Dissipation and the Case tor Time-Phased Estate Planning: An Empirical Assessment from HRS Data

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Abstract

This study investigates whether inheritances are managed differently than other financial windfalls, testing predictions from Terror Management Theory. Using Health and Retirement Study data (2010–2018), we analyze 3,005 inheritance receipts compared to 1,285 other windfalls (e.g., gifts, lawsuits, insurance settlements). Overall, inheritors were similarly likely (42% vs. 44%) to have spent their entire windfalls when measured about one year later (next survey wave). However, when adjusting for inheritances being nearly three times larger, regressions revealed that inheritors were 24% more likely to immediately spend the entire windfall (OR = 1.24, $p < .05$). Overall, each inherited dollar increased next-wave net worth by only $0.61. These findings suggest rapid dissipation of bequests is common, perhaps due to an avoidance response to the death-related source of funds. Consequently, advisers and estate planners might better meet client objectives through phased or recurring income distributions instead of lump-sum transfers.

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Introduction

As members of the Baby Boomer and Silent Generations prepare to pass along substantial wealth, it is increasingly important to understand these inheritances' financial effects on future generations. While inheritances share financial similarities with other large windfalls, they differ in one crucial way: they stem from the death of a loved one. This reality brings mortality salience (the heightened awareness of personal mortality) into play, potentially influencing spending and saving habits in line with Terror Management Theory (Greenberg & Arndt, 2012; Arndt et al., 2004).

According to Terror Management Theory (TMT) (Greenberg & Arndt, 2012; Arndt et al., 2004), reminders of death trigger "proximal" avoidance behaviors (aimed at pushing the thought out of consciousness) and "distal" behaviors that pursue symbolic immortality (e.g., legacy building). Because an inheritance is inseparable from the benefactor's death, it is a strong mortality cue. This may fuel either avoidance (through immediate dissipation) or legacy building (through perpetual retention). Alternative approaches simply recognize the heightened emotional dimension of an inheritance transfer

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(stemming from a loved one's death) relative to other financial windfalls. In either case, inheritances warrant special scrutiny different from other lump-sum receipts. Building on this framework, we specifically explore whether inheritances prompt "extreme" financial decisions, such as quickly spending the entire inheritance or, conversely, saving it all. This paper provides an empirical assessment of inheritance dissipation and supports the practical case for time-phased transfers using five biennial waves (2010-2018) of the Health and Retirement Study (HRS). We analyze 3,005 inheritance events and 1,285 other windfalls (gifts, lawsuit awards, insurance settlements) received by adults aged 50+. Our approach combines (i) logistic models of "spend-all" versus "save-all" responses with (ii) OLS estimates of the dollar-for-dollar effect on next-wave net worth. We explicitly control for windfall size, prior wealth, and demographic factors, allowing a clean comparison across windfall types.

The results extend prior empirical findings in three ways. First, this is the first study to compare inheritances with other windfalls. After adjusting for their roughly three-times larger average size, inheritances are 24 percent more likely than other windfalls to be fully spent prior to the next biennial survey wave – an average of 12 months later. Second, this study extends previous findings among younger heirs aged 20-50 (Zagorsky, 2013) by adding heirs age 50+. Similar to those findings, each inherited dollar raises roughly one-year subsequent net worth by just under $0.61, implying that nearly 40% of bequest value disappears almost immediately. Third, this study adds information for specific groups of heirs. Dissipation is most pronounced among renters and lower-educated households, groups for whom liquidity constraints and financial illiteracy are likely strongest.

Taken together, the evidence challenges the presumption that simple lump-sum bequests reliably enhance long-term financial security. Understanding this can be of practical value to clients and advisers. For clients who do not prefer such rapid dissipation of their lifetime accumulations, the use of time-phased, installment, or income-provision distributions (such as testamentary spendthrift trusts, staggered account payouts, or annuitized beneficiary designations) as tools to preserve more of the intended intergenerational transfer becomes essential. Moving beyond the standard plan of a simple lump-sum distribution at death can determine whether those inheritances are retained or rapidly dissipated. The use of such instruments can shape the success of client's estate planning goals, beneficiaries' long-term financial security, and advisers' value.

The remainder of the paper situates these results within the literature on sudden-wealth effects, details the HRS data and estimation strategy, presents the empirical findings, and concludes with implications for estate design and financial-planning practice.

Literature Review

Inheritance and Wealth Accumulation

Inheritances can significantly boost beneficiaries' financial outlooks, often assisting with major financial goals such as homeownership and investments, and ultimately bolstering long-term security (Levy, 2003). They also serve as the key means of intergenerational wealth transfer, often profoundly impacting national distribution of household wealth (Salas-Rojo & Rodríguez, 2022; Spiteri & von Brockdorff, 2023).

Despite these generally positive financial effects, previous research suggests that inheritances are often spent rapidly. Zagorsky (2013) examined inheritors in their 20s, 30s, and 40s and found that only about 55 cents of every inherited dollar was retained when measured about a year later (Zagorsky, 2013). Similarly, a Danish study using administrative records of those aged 25 to 50 inheriting relatively large amounts from an unexpected sudden death found that heirs' net worth spikes in the year of inheritance but returns to its pre-inheritance trend within nine years, indicating that most of the windfall is ultimately dissipated (Druedahl & Martinello, 2022). Additional evidence suggests that while rapid dissipation is less common among the very wealthiest heirs, it is pronounced among typical inheritors (Elinder, Erixson, & Waldenström, 2018; Nekoei & Seim, 2023). Aside from rapid spending, a large inheritance often results in ceasing employment (Holtz-Eakin, Joulfaian, &

Rosen, 1993), matching the common behavior of lottery winners (Cesarini et al., 2017). Such rapid dissipation is unlikely to be desired by those planning for intergenerational transfers, and its anticipation may warrant additional estate planning strategies.

By their 50s and 60s, most individuals confront several key factors: (i) an increased risk of healthcare needs and a shorter timeframe for financial planning, which heightens the importance of precautionary savings; (ii) larger retirement savings and home equity, which alleviate liquidity constraints and allow for discretionary spending; and (iii) more options for leaving the workforce, making it possible for bequests to support early retirement. These age-related factors may affect the likelihood for older heirs to adopt the extreme approaches of either spending all or saving all compared to the younger cohorts studied in previous research.

In contrast to lottery winnings or insurance payouts, inheritances are uniquely tied to the death of a loved one, which increases awareness of mortality. Also, heirs often anticipate these inheritances well in advance, allowing them to plan their spending or saving in advance. Additionally, heirs can feel a strong emotional attachment to the inherited assets, which may lead them to keep these items for sentimental reasons. This combination of emotions related to death, foresight, and attachment helps explain why inheritances might be treated differently than other financial windfalls.

Spiteri and von Brockdorff (2023) suggest that heirs' consumption follows a standard rational life cycle pattern. However, their empirical results actually do not contradict earlier findings of rapid inheritance dissipation (Zagorsky, 2013). Their analysis lacked any before-and-after comparisons but instead captured only a snapshot of wealth and consumption many years after an inheritance. They observed standard consumption patterns in some spending categories but these were measured years after inheritance dissipation would have already occurred. Similarly, the higher wealth observed among heirs compared to non-heirs likely reflects the underlying characteristics of households that receive inheritances (Druedahl & Martinello, 2022), rather than savings resulting from the inheritance itself.

Mortality Salience and Terror Management Theory

Underpinning the economic facets of financial inheritances is a unique psychological dimension: mortality salience. Inherited wealth is directly tied to the death of a benefactor, making it a potent trigger of mortality salience for recipients (Arndt et al., 2004). This can profoundly influence how individuals perceive and manage financial inheritances. Terror Management Theory (TMT) posits that death reminders create existential anxiety. This anxiety then results in the proximal response of avoidance and/or the distal response of pursuit of symbolic immortality (Pyszczynski, Greenberg, & Solomon, 1999). Financially, some individuals respond to mortality salience with increased consumption to bolster self-worth, while others might engage in saving strategies to maintain a sense of security and control (Arndt et al., 2004; Salisbury & Nenkov, 2016).

Confrontation with mortality can prompt avoidance behaviors (Becker, 1973; Solomon et al., 1991), potentially leading individuals to shun financial planning and instead spend inherited assets to distance themselves from thoughts of death triggered by the death-associated wealth. A pattern of "mortality salience avoidance spending" (Greenberg & Arndt, 2012) can manifest in material purchases, leisure experiences, or other expenditures that divert attention from existential anxiety. Salisbury and Nenkov (2016) demonstrate that mortality reminders affect financial choices in annuities. Increasing death-related phrasing when describing annuities results in avoidance of annuity purchases. This avoidance behavior is fully explained or mediated by the change in death-related thoughts resulting from the death-reminder language. This reaction may stem from the desire to mitigate unsettling thoughts associated with death. Similarly, James (2016a) found that interest in making a charitable bequest gift in a last will and testament dropped significantly when it was described by adding the phrase "that will take effect at my death". Further, James (2016b) argued that this result reflected mortality-salience avoidance and suggested

alternative permanence-related language to align with symbolic immortality. Psychologically, the association of the inherited funds with the death of a loved one may lead to the desire to rapidly dissipate the funds in order to avoid the constant death reminder.

Conversely, TMT also suggests that the alternate or distal response to mortality salience is the pursuit of symbolic immortality (Pyszczynski, Greenberg, & Solomon, 1999). Thus, death reminders can also lead to a preference in financial decisions that result in a lasting or permanent impact (James, 2016b, 2019; Williams & James, 2019). Although TMT often highlights impulsive or avoidance-based spending, some individuals may instead save or invest the entire inheritance as a means of attaining long-term security or symbolically extending their loved ones', or their own, legacy (Greenberg & Arndt, 2012). This desire for permanence might lead to a different type of distorted consumption behavior: permanently preserving the entire inheritance (Greenberg & Arndt, 2012). By carefully preserving the windfall, recipients may feel they are honoring the memory of the deceased while buffering mortality concerns through financial stability, which can also serve as a psychological defense against existential anxiety. This underscores the complex interplay between financial decisions and existential considerations, highlighting how inheritances are not merely economic transactions but are deeply intertwined with human psychology.

Psychological and Emotional Dimensions

Even without accepting a TMT approach, it remains undeniable that inheriting a large amount of money is not just about the financial benefits. It also brings a host of emotional, psychological, and social challenges. According to Levy (2003), people who come into wealth this way often struggle with guilt, alienation, power dynamics, mistrust, low motivation, the pressure to preserve their fortune, and questions about identity and self-worth. These feelings associated with inherited wealth can influence how individuals manage wealth. For example, Levy (2003) points out that concerns about self-esteem and identity may shape whether someone decides to spend or save, creating differences between people who inherit money and those who receive it through other means. Beasley (2022) finds that heirs frequently experience psychological burdens such as guilt, anxiety, and fear of being judged, revealing that inherited wealth can create internal conflict rather than straightforward benefit. Similarly, Hamilton and McCabe (2016) highlight the emotional tension between inherited privilege and societal ideals of meritocracy, as many recipients struggle to reconcile passive wealth with values of personal achievement. Together, these studies illustrate that the meaning of inheritance extends beyond simple financial transfers.

Because the emotional side of inheritance is intertwined with the financial side, some heirs may find the situation overwhelming and avoid important decisions. As a result, managing inherited wealth can become an emotional and financial stress and may even jeopardize a person's long-term security and well-being. Since the HRS does not directly measure guilt, coping style, or self-control, we include TMT simply as a possible, rather than an exclusive, explanation, which is further discussed in the limitations section.

Research Gap and Study Contribution

This study addresses several missing pieces in the existing literature. First, the age coverage in Zagorsky (2013) focuses on heirs in their 20s-40s, yet the bulk of the "Great Wealth Transfer" will flow to adults in their 50s, 60s, and older. Second, prior work does not benchmark inheritances against other large windfalls such as gifts, lawsuit awards, or insurance settlements, making it difficult to isolate whether any observed behavior is specific to the death-related bequest context. Recent large-scale inheritance studies by Elinder, Erixson, and Waldenström (2018) and Nekoei and Seim (2023) compare heirs with non-heirs; however, they do not evaluate inheritances alongside other forms of windfall income, such as insurance settlements, gifts, or lottery winnings. Our study addresses this gap by offering a direct side-by-side comparison of these different types of financial windfalls. Third, panel studies document the average inheritance retention rates but seldom quantify the prevalence of extreme responses (spending or saving 100 percent) or

explore estate-design implications such as time-phased transfers. The present study addresses these by using before-and-after wealth measures to estimate (i) the marginal propensity to dissipate inherited dollars, (ii) the odds of "spend-all" and "save-all" outcomes relative to other windfalls of comparable size, and (iii) heterogeneity by demographic factors such as housing status and educational attainment. By linking these results to Terror Management Theory, we show why such lump-sum bequests may be particularly vulnerable to rapid erosion and provide an empirical rationale for time-phased or installment distributions as a practical tool for preserving intergenerational wealth.

Methods

Data and Sample

Data for this study were drawn from the Health and Retirement Study (HRS), a biennial nationally representative longitudinal survey of individuals aged 50 years and older. This study analyzes longitudinal data from the HRS's 2010, 2012, 2014, 2016, and 2018 waves. The dependent variable and other key measures were operationalized using the RAND HRS Longitudinal File. The regression includes only observations without missing data for all variables in the regression. The total number of HRS respondents (and the regression sample) was 2010: 15,749 (13,006); 2012: 20,554 (17,282); 2014: 18,747 (16,155); 2016: 16,494 (14,152); 2018: 17,146 (14,599). After applying list-wise deletion to address missing data, the final sample consisted of 75,194 observations across the five survey waves.

Outcome Variable

The RAND HRS provides longitudinal net-worth data for each survey wave, measuring total assets (e.g., real estate, vehicles, retirement accounts, businesses, investments) minus all debts. The outcome variable is the change in respondents' net worth following an inheritance, computed as the difference between inflation-adjusted net worth in consecutive survey waves immediately prior to and after the receipt of an inheritance. Survey waves occur every two years, thus resulting in an approximate average time between receipt of inheritance and subsequent net-worth measurement of about 12 months.

Two additional dummy outcome variables indicate if respondents spent or saved the entire inheritance. Full spending occurs if post-inheritance net worth does not exceed the previous wave's pre-inheritance level (adjusted for inflation). Full saving occurs if post-inheritance net worth exceeds the prior wave's net worth plus the inheritance amount, adjusted for inflation. Descriptive statistics (Table 2) show that only 15% of heirs exhibit partial saving within the sample, so we retain binary spend-all/save-all outcomes to keep the analysis focused on the extreme behaviors predicted by Terror Management Theory.

Explanatory Variable

Respondents are asked whether they have received any lump-sum payments since their last survey interview. A "large windfall" is a lump-sum payment of $10,000 or more which is further probed by asking respondents to specify its source. Respondents were given several options to indicate the source of their large windfall, including *insurance settlement, pension settlement, inheritance (or trust), gift, lawsuit, and other (specify)*, along with the choices *DK (Don't Know), NA (Not Ascertained)*, and *RF (Refused)*. This categorization enables the isolation of financial inheritance as the central focus. Those who received an inheritance since the previous survey wave were coded as 1 for inheritance or 0 for non-receipt.

Subsequently, respondents are asked to report the size of the windfall. For those who affirmatively indicate a windfall and select a category (insurance settlement, pension settlement, inheritance, gift, lawsuit, or other), the monetary value is recorded as a continuous variable. Respondents who indicated receiving a windfall of $10,000 or more at the first question but did not provide the exact amount (did not respond, refused to answer, or entered a value of one or zero) were assigned a default value of $10,000. This change was applied to 646 of 4,211 respondents reporting a windfall. Alternative approaches of deleting these responses or making estimations of the imputed windfall size based upon respondent wealth, educational attainment,

and other relevant covariates produced similar findings.

For respondents selecting "less than $50k" without specifying an exact amount, an imputed value was derived from the weighted average of continuous responses within the $10,000 to $50,000 range. For example, in the 2014 wave, 312 respondents in this range had a weighted average of $24,531, which was then assigned to individuals who only indicated "below $50k." Similarly, for respondents indicating "above $50k" without an exact amount, the imputed value was based on the weighted average of all continuous responses exceeding $50,000 for that wave. In the 2010 wave, for instance, 607 respondents reported exact amounts above $50,000 with a weighted average of $221,627; this value was used to impute missing data in the "above $50k" category. These imputation methods were applied consistently across all survey waves.

This strategy ensured a comprehensive and accurate representation of windfall amounts including inheritances. The resulting variable allows us to examine how receiving a financial inheritance, or other windfall, affects subsequent wealth changes, providing insight into the financial decision-making processes of inheritance recipients.

Control Variables

To examine the relationship between key variables of interest and inheritance outcomes, the analysis employs a comprehensive set of control variables spanning demographic, economic, and social factors measured in the wave immediately prior to receipt of the inheritance. Specifically, these include age (along with a squared term to capture non-linear effects), gender, racial identity, educational attainment, the number of children in the household, and homeownership status. As a robustness check, we tested an age × health interaction; results were substantively unchanged, so this interaction is not included in the final models. By incorporating these dimensions, the model adjusts for potentially confounding influences that could otherwise obscure the true effect of inheritance receipt on wealth changes.

Guided by life-cycle consumption theory, age, and age-squared account for the possibility that individuals accumulate wealth until they near retirement and then begin to draw down resources thereafter. Gender is binary (female = 1, male = 0). Racial identity is coded into three categories: White/Caucasian, Black/African American, and "other," with White/Caucasian as the reference group. Educational attainment is likewise captured through multiple categorical levels (from GED to college degree or higher). Housing status differentiates between owners, renters, and those living rent-free, with homeowners as the omitted (reference) category. Finally, marital status is coded as one if legally married or remarried and zero for all other statuses (partnered, widowed, divorced, or never-married).

In some models, dollar amounts were transformed using the inverse hyperbolic sine (IHS) function to account for a highly skewed distribution and to retain observations with zero or negative values. This transformation approximates the logarithmic transformation for large values while remaining defined at and near zero, allowing us to include the full range of net worth and inheritance values in the analysis.

Model

This study employs cross-sectional ordinary least squares (OLS) models, cross-sectional logistic regressions, and a pooled cross-sectional approach to investigate how inheritances influence wealth trajectories. These multiple strategies allow for (1) an examination of inheritance effects at discrete points in time (wave-by-wave) and (2) more robust inferences by pooling together data from multiple waves.

Analysis

Change in Wealth OLS and Logistic Regressions

In each wave, cross-sectional OLS regressions estimate the association between receiving an inheritance (or another form of windfall) and next wave changes in net worth. (See Table 6 for variable explanations.)

Also, two logistic regressions are estimated in each wave to provide additional insight into how inheritances are managed: one in which the change-in-wealth outcome variable equals 1 if

the entire inheritance was spent (and 0 otherwise), and another where the outcome equals 1 if the entire inheritance was saved (and 0 otherwise). Explanatory variables remain largely the same as in the OLS specification, but the dependent variable is now binary, capturing a more discrete financial behavior.

Pooled Analysis

Although wave-by-wave cross-sectional models reveal how inheritances affect respondents in a given period, the study also utilizes a pooled cross-sectional analysis. In this approach, observations from multiple waves are combined into one dataset, which increases statistical power and allows for more precise estimates. Each observation still represents a single respondent in a single wave (with previous wave wealth included in the wealth change variable) but pooling draws on all available data to strengthen inference.

For both the OLS (change in wealth) and logistic (spent 100% vs. saved 100%) specifications, the same set of explanatory variables is used, but the data includes all relevant waves in a single regression framework. The resulting estimates thus represent average cross-sectional effects over the pooled time span.

By combining (1) wave-by-wave logistic models, (2) pooled logistic models to examine more extreme spending or savings behaviors, and (3) OLS models of next-wave wealth changes, this framework provides a comprehensive perspective on how inheritances shape financial outcomes across time.

Descriptive Statistics

This study compares the financial and demographic characteristics of individuals who did not receive an inheritance since the previous survey wave (Table 1) with those who did receive an inheritance (Table 2). Both tables report wave-by-wave information (2010, 2012, 2014, 2016, and 2018) and overall panel averages across all five survey waves.

Table 1. Descriptive statistics of those who DID NOT receive an inheritance since the previous wave reporting mean values

Year	2010	2012	2014	2016	2018	Pooled
N=	13,006	17,282	16,156	14,152	14,599	75,195
No Net Increase in Wealth	61%***	56%***	48%***	48%	45%***	52%***
Average Change in Wealth	(58,189)**	(3,019) *	41,140***	50,207***	89,664***	24,938***
Net Worth Current Wave	473,037 ***	409,738***	461,747***	524,695 ***	564,204***	483,486***
Income	60,868 ***	68,017***	70,831***	73,675***	81,691***	71,105***
1.male	41%***	42%	41%	41%	41%	41%
2.female	59%***	58%	59%	59%	59%	59%
Single	40%***	41%***	42%***	43%***	45%	42%***
Married	60%***	59%***	58%***	57%***	55%	58%***
White/Caucasian	80%***	71%	71%	70%	66%	71%***
Black/African American	15%***	21%	20%	21%	23%	20%***
Other	5%***	9%	9%	9%	11%	9%***
No degree	19%***	18%	17%	17%	15%	17%***
HS Degree	52%***	52%	52%	52%	51%	52%***
College Degree	28%***	30%	30%	31%	34%	31%***
Age	70.67 ***	66.88***	68.30***	69.37***	67.38***	68.41***
Does not Own a Home	21%***	26%***	26%***	27%***	29%***	26%***
Homeowner	79%***	74%***	74%***	73%***	71%***	74%***
Children in Home	3.2***	3.10***	3.1***	3.11***	3.0***	3.11***

*Note. ***p < .01, **p < .05, *p < .10 (As compared with inheritors using two-sample t-tests for continuous variables; χ^2 tests for categorical variables. See Table 2 for comparison means). For each wave column the test compares non-inheritance recipients to inheritance recipients in that wave (Table 2). The pooled column reports the same comparison for the combined 2010–2018 sample (N = 75,195).*

Table 2. Descriptive statistics of individuals who received an inheritance [non-inheritance windfall] since the previous wave reporting mean values

Year	2010	2012	2014	2016	2018	Pooled
N	544 [226]	667 [272]	630 [272]	556 [243]	608 [272]	3005 [1285]
Spent Entire Windfall	50% [55%]	45% [51%]	41% [39%]	36% [40%]	37% [38%]	42% [44%]
Saved Entire Windfall	37% [34%]	38% [47%]	46% [45%]	50% [47%]	45% [46%]	43% [44%]
Windfall Total Amount	108,489.0 [47,906.3]	79,572.4 [15,135.1]	94,408.2 [58,314.8]	226,305.8 [55,146.0]	169,363.7 [62,802.1]	133,234.3 [47,694.8]
Change in Wealth	-8,787.0 [-66,625.1]	42,904.0 [-27,923.5]	101,298.1 [82,442.7]	282,275.2 [119,404.2]	284,250.1 [87,801.5]	138,909.7 [40,987.7]
Net Worth Current Wave	893,218.0 [629,400.7]	773,462.3 [393,539.3]	909,356.4 [549,067.2]	1,172,421.0 [575,094.6]	1,161,468.0 [559,465.1]	975,954.4 [537,397.7]
Income	143,014.6 [84,107.4]	147,779.6 [93,613.0]	159,887.1 [104,414.2]	209,205.4 [95,607.2]	188,376.9 [113,597.2]	169,034.7 [98,834.8]
Male	44% [36%]	45% [38%]	45% [38%]	44% [37%]	43% [42%]	45% [38%]
Female	56% [64%]	55% [62%]	55% [63%]	56% [63%]	57% [58%]	55% [62%]
Single	25% [55%]	27% [46%]	26% [53%]	26% [56%]	30% [50%]	27% [52%]
Married	75% [45%]	73% [54%]	74% [47%]	74% [44%]	70% [50%]	73% [48%]
White/ Caucasian	95% [84%]	89% [73%]	90% [76%]	89% [74%]	87% [70%]	90% [75%]
Black/African American	3% [13%]	5% [20%]	5% [16%]	5% [20%]	6% [18%]	5% [17%]
Other	2% [4%]	6% [7%]	5% [8%]	6% [6%]	7% [12%]	5% [7%]
No degree	4% [12%]	3% [12%]	4% [7%]	4% [7%]	3% [7%]	4% [9%]
HS Degree	49% [56%]	48% [52%]	48% [54%]	40% [54%]	44% [57%]	46% [55%]
College Degree	47% [33%]	49% [36%]	48% [39%]	55% [38%]	53% [36%]	50% [36%]
Age	66.9 [69.2]	64.1 [65.9]	65.6 [67.6]	66.1 [69.0]	65.5 [65.0]	65.6 [67.2]
Homeowner	90% [85%]	89% [79%]	87% [81%]	90% [82%]	89% [77%]	89% [80%]
Children in Home	2.7 [3.1]	2.7 [3.0]	2.8 [2.9]	2.5 [3.1]	2.6 [3.1]	2.7 [3.0]

The total number of non-inheritors in each wave ranged from just over 13,000 in 2010 to nearly 14,600 in 2018. Individuals receiving an inheritance in each wave ranged from 544 (in 2010) to 687 (in 2012) for just over 3,000 observations across the panel. Those receiving a substantial non-inheritance windfall totaled 1,285 individuals.

Those who received inheritances were different from non-inheritors as well as from those receiving a non-inheritance windfall. Inheritors were more highly educated, more likely to have a college degree, own a home, and be married while

they were less likely to be of minority racial status than non-inheritors or those receiving a non-inheritance windfall. Among inheritors, 90% were white compared with 75% of those receiving some other windfall and 71% of those receiving no inheritances. Among inheritors, 50% had a college degree compared with 36% of those receiving some other windfall, and 31% for non-inheritors. The average net worth was $975,954 for inheritors, $537,397 for those receiving a non-inheritance windfall, and $483,486 for non-inheritors.

Windfall Utilization

Table 2 reports the change in net worth compared to the windfall size. On average 42% of inheritors saw their real net worth fall (or remain unchanged) between survey waves despite the receipt of an inheritance. With survey waves occurring every two years, the average time between inheritance receipt and subsequent wealth measurement is expected to average about 12 months. Similarly, those receiving a non-inheritance windfall saw a decrease (or no change) in net worth in 44% of the cases. This similarity in the likelihood of spending the entire windfall is notable given that inheritances were about three times larger than non-inheritance windfalls ($133,234 vs $47,695). The share of those whose wealth grew by more than the value of the windfall (i.e., saving the entire windfall) was similar for both inheritors and other windfall recipients.

Regression Analysis

This section presents three complementary sets of regression results. Tables 3 and 4 show wave-by-wave logistic regressions from 2010 to 2018, along with a sixth pooled column that models whether individuals spent (as shown in Table 3) or saved (as shown in Table 4) their entire windfall. Table 5 provides ordinary least squares (OLS) estimates for the change in wealth, featuring five wave-specific columns and one pooled column. In all models, key explanatory variables include an inheritance dummy (1 = inheritance, 0 = non-inheritance windfall) and relevant controls (e.g., net worth in the previous wave, demographic attributes, homeownership, and number of children in the household). In the logistic regressions, an odds ratio (OR) above 1.0 implies a greater likelihood of "spending" or "saving" entirely, whereas an OR below 1.0 indicates a reduced likelihood.

Table 3. Logistic Regression predicting spending entire windfall among those receiving a windfall (reporting odds ratios)

Year	2010	2012	2014	2016	2018	Pooled
N =	761	930	887	783	850	4211
Pseudo R^2	0.0352	0.0107	0.0558	0.0482	0.0573	0.0371
Inheritance Dummy	1.035 (0.1852)	1.1346 (0.2839)	1.5959 (0.2694)**	1.0812 (0.1976)	1.3066 (0.2246)	1.2403 (0.0976)**
Windfall Amount IHS transformed	0.8208 (0.0413)***	0.9691 (0.023)	0.8663 (0.0395)**	0.9293 (0.0219)**	0.9153 (0.0388)**	0.9453 (0.011)***
Net Worth IHS transformed (previous wave)	1.0427 (0.0282)	0.9753 (0.0134)	0.9409 (0.0143)***	0.9477 (0.015)**	0.9409 (0.0138)***	0.9561 (0.0066)***
Female	1.122 (0.1761)	1.08 (0.1481)	1.0127 (0.1506)	1.0456 (0.1686)	0.9963 (0.1533)	1.0367 (0.069)
Married (Base: Single)	1.0715 (0.1965)	0.9535 (0.1485)	0.9183 (0.1543)	0.8231 (0.1491)	0.7098 (0.1225)**	0.8712 (0.0658)
Black/African American	0.9881 (0.33)	0.9322 (0.22)	1.2721 (0.3536)	1.3945 (0.3911)	1.3063 (0.3357)	1.206 (0.1443)

Other Race	0.9062 (0.4525)	0.9566 (0.2738)	1.1961 (0.3725)	1.2328 (0.4067)	1.2541 (0.3437)	1.0934 (0.1537)
No HS Degree (Base: HS Diploma)	2.8596 (1.0393)**	1.2703 (0.3879)	1.1614 (0.394)	1.0009 (0.3611)	0.7758 (0.2937)	0.8213 (0.1229)
College Degree	1.3055 (0.2072)	1.0291 (0.1431)	0.7917 (0.1184)	1.0455 (0.1729)	1.0677 (0.1672)	0.8288 (0.1264)
Age	0.8934 (0.0833)	1.0554 (0.0715)	1.0137 (0.0837)	0.9926 (0.0941)	0.9493 (0.079)	0.9912 (0.0358)
Age^2	1.001 (0.0007)	0.9996 (0.0005)	1.0001 (0.0006)	1.0002 (0.0007)	1.0006 (0.0006)	1.0002 (0.0003)
Homeowners (Base: Non-Owners)	0.7428 (0.1896)	0.8283 (0.1822)	0.7717 (0.1696)	0.5445 (0.1325)**	0.7128 (0.1705)	0.7343 (0.0759)**
Children Living in HH	1.0217 (0.0431)	0.996 (0.0379)	0.9247 (0.0401)	0.9371 (0.0434)	1.0182 (0.0416)	0.9804 (0.018)
2010 (Base 2012)	N/A	N/A	N/A	N/A	N/A	1.4376 (0.1503)**
2014 (Base 2012)	N/A	N/A	N/A	N/A	N/A	0.8798 (0.0891)
2016 (Base 2012)	N/A	N/A	N/A	N/A	N/A	0.731 (0.0765)**
2018 (Base 2012)	N/A	N/A	N/A	N/A	N/A	0.7581 (0.0791)**

*Note. Robust standard errors in parentheses. * p < .10. ** p < .05. *** p < .01. In some waves, N is smaller than in Table 1 because the logit models employ list-wise deletion; any observation missing one or more covariates (age, education, home ownership, lagged net worth, etc.) is dropped automatically by Stata.*

Table 4. Logistic Regression predicting saving the entire windfall among those receiving a windfall (reporting odds ratios)

Year	2010	2012	2014	2016	2018	Pooled
N =	761	930	887	783	847	4208
Pseudo R^2	0.0215	0.0216	0.0344	0.0359	0.0779	0.0343
Inheritance Dummy	1.0866 (0.2013)	1.1681 (0.3072)	0.9363 (0.1508)	0.8211 (0.1458)	0.7641 (0.13)	0.9291 (0.0728)
Windfall Amount IHS transformed	0.9217 (0.0467)	0.9246 (0.0231)**	0.8642 (0.0386)**	0.9553 (0.0225)	0.837 (0.0377)***	0.9255 (0.011)***
Net Worth IHS transformed (previous wave)	0.9681 (0.0262)	1.0169 (0.0145)	1.0253 (0.0152)	1.0169 (0.0158)	1.0314 (0.016)**	1.0177 (0.0071)**
Female	0.9687 (0.1565)	0.8967 (0.1254)	1.0045 (0.145)	0.9295 (0.1431)	0.8441 (0.127)	0.9309 (0.0615)
Married (Base: Single)	1.0459 (0.1984)	0.991 (0.1584)	1.1503 (0.1895)	1.0465 (0.184)	1.265 (0.2171)	1.1039 (0.0836)
Black/African American	0.9145 (0.3157)	0.7133 (0.1753)	0.6294 (0.1766)	0.4363 (0.1296)**	0.4905 (0.1353)**	0.6178 (0.077)***
Other Race	1.7893 (0.8662)	0.9345 (0.2731)	0.781 (0.2415)	0.8348 (0.2654)	0.8499 (0.2351)	0.9106 (0.1272)
No HS Degree (Base: HS Diploma)	0.3699 (0.1501)**	0.8777 (0.2775)	0.5219 (0.1922)	0.8941 (0.324)	1.2244 (0.471)	1.3477 (0.2118)
College Degree	1.0562 (0.1714)	1.1098 (0.1577)	1.4466 (0.2095)**	1.1577 (0.1822)	1.1048 (0.1693)	1.5684 (0.2504)**
Age	1.0734 (0.108)	0.9395 (0.0651)	0.9661 (0.0778)	0.942 (0.0885)	1.099 (0.0908)	0.9825 (0.0357)
Age^2	0.9994 (0.0007)	1.0004 (0.0005)	1.0001 (0.0006)	1.0003 (0.0007)	0.9991 (0.0006)	1 (0.0003)
Homeowners (Base: Non-Owners)	1.6501 (0.455)	1.2911 (0.2962)	1.4197 (0.3139)	2.059 (0.5273)**	4.0805 (1.1439)***	1.7852 (0.1949)***
Children Living in HH	1.0132 (0.0443)	0.982 (0.0384)	1.044 (0.0441)	0.9714 (0.0441)	0.9832 (0.0404)	0.9967 (0.0184)
2010 (Base 2012)	N/A	N/A	N/A	N/A	N/A	0.9816 (0.1058)
2014 (Base 2012)	N/A	N/A	N/A	N/A	N/A	1.5783 (0.1608)***
2016 (Base 2012)	N/A	N/A	N/A	N/A	N/A	1.694 (0.1774)***
2018 (Base 2012)	N/A	N/A	N/A	N/A	N/A	1.5608 (0.1624)***

*Note. Robust standard errors in parentheses. * p < .10. ** p < .05. *** p < .01. In some waves, N is smaller than in Table 1 because the logit models employ list-wise deletion; any observation missing one or more covariates (age, education, home ownership, lagged net worth, etc.) is dropped automatically by Stata.*

Table 3 reports the odds that a respondent spent an entire windfall (inheritance or otherwise) by survey wave and in a pooled sample column. When controlling for the windfall amount and other characteristics, the combined pool shows an odds ratio of 1.2403 for those who received an inheritance windfall as compared with a non-inheritance windfall. Thus, heirs are 24% more likely to spend their entire windfall as compared with similar others receiving a similar sized non-inheritance windfall. Wave-by-wave results tell the same story: the inheritance dummy is positive in every survey year and reaches significance in 2014 (OR = 1.59, $p < .05$). Likewise, the IHS-transformed windfall-amount coefficient is below 1.0 in every wave (significant in 2010, 2014, 2016, and 2018), showing that larger windfalls systematically reduce the odds of spending everything.

Homeownership and pre-windfall wealth were generally associated with lower odds of full consumption, though statistical significance varies by year. The demographic variables such as age, race, and marital status were not significant overall.

Table 4 shifts the perspective to examine who fully saves a windfall, i.e., experiences an increase in net worth that exceeds the value of the windfall. Inheritors were not significantly different from other windfall recipients in their likelihood of saving the entire windfall. Homeowners, those with a college degree, and those beginning with greater wealth prior to the windfall were more likely to have saved the entire windfall.

Finally, Table 5 presents ordinary least squares (OLS) estimates using the full sample, followed by wave-specific columns, showing how inheritances and other windfalls are associated with changes in wealth. Although varying from wave to wave, the pooled analysis finds that, on average, 61 cents of each dollar of an inheritance remains when measured in the following survey wave, approximately one year later. In one wave, the retention of non-inheritance windfalls was higher, reaching 85 cents in 2014, but these coefficients were negative in 2012 and 2018 and not statistically significant in other waves. However, the overall pooled analysis indicates no significant impact on subsequent wealth from non-inheritance windfalls.

Table 5. OLS Regression Results for Individuals Change in Wealth

Year	2010	2012	2014	2016	2018	Pooled
N =	13,006	17,282	16,155	14,152	14,599	75,194
Adjusted R^2	0.3573	0.1123	0.0611	0.0667	0.0053	0.039
Inheritance Total	1.2894 (0.1238)***	0.9307 (0.1675)***	0.3687 (0.1353)**	0.6244 (0.0212)***	0.7997 (0.1662)***	0.6067 (0.0283)***
Non-Inheritance Windfall Total	0.2473 (0.3592)	-1.0853 (0.3780)**	0.8480 (0.2293)***	0.00038 (0.2905)	-0.6195 (0.4767)	-0.0632 (0.1644)
Net Worth IHS transformed (previous wave)	-14409.4 (1458.9)***	-6460.9 (890.2)***	-2556.2 (830.8)***	-2691.4 (979.4)**	-1.5055 (2417.5)	-4288.3 (611.7)***
Female	-555.2 (13216.1)	-6952.3 (10743.1)	-2906.3 (9958.1)	-20084.8 (10924.9)	21167.9 (26716.2)	-835.7 (6871)
Married	38362.7 (14531.5)**	22420.6 (11794.7)	27101.8 (10878.9)*	39274.6 (11921.4)***	17779.6 (28962.6)	27656.4 (7508.7)***
Black/African American	23461.3 (18522.2)	-10817.8 (13886.1)	-22148.8 (12895.3)	-30769.6 (13942.0)*	-52941.3 (33551.2)	-21877.9 (8915.0)*
Other	-352.6 (28614.3)	-25522.5 (19430.7)	-13394.8 (17890.6)	-1247.9 (19255.9)	31161.4 (43072.8)	-1485.3 (12335.2)
No HS degree	16584.8 (17479.9)	2609.1 (14743.4)	-12298.0 (13791.2)	-369.5 (15168.2)	-23582.9 (38509.3)	551.5 (9491.2)
College degree	-43331.8 (14890.9)**	568.1 (12052.0)	33994.4 (11112.1)**	54205.6 (12073.6)***	74107.9 (29283.7)*	27842.9 (10645.1)**
Age	-3290.9 (6715.6)	-1462.5 (4685.1)	1553.2 (4537.3)	3767.6 (5407.5)	3130.2 (11962.9)	1828.1 (3155.8)
Age^2	12.07 (47.03)	15.63 (34.01)	-21.54 (32.39)	-32.78 (38.16)	-24.19 (86.19)	-16.67 (22.55)
Homeowner	60062.1 (18465.2)***	56470.2 (14199.9)***	56789.5 (13036.1)***	67218.9 (14366.7)***	97746.6 (35422.1)**	69245.2 (9123.9)***
Children living in HH	-4728.5 (3105.2)	-1984.0 (2628.0)	-5173.8 (2441.3)*	-2558.4 (2682.3)	-5286.8 (6699.2)	-3774.1 (1678.5)*
2010 (Base 2012)	N/A	N/A	N/A	N/A	N/A	-52692.2 (10589.6)***
2014 (Base 2012)	N/A	N/A	N/A	N/A	N/A	44588.3 (9895.6)***
2016 (Base 2012)	N/A	N/A	N/A	N/A	N/A	52509.9 (10288.8)***
2018 (Base 2012)	N/A	N/A	N/A	N/A	N/A	92826.4 (10715.2)***

*Note. Robust standard errors in parentheses. * p < .10. ** p < .05. *** p < .01*

Table 6. Variable Definitions

Variable	Label/Notation	Definition
Net Worth	NW_{it}	The total amount of assets minus liabilities for individual *i* at time *t,* as reported in the HRS.
Change in Wealth	ΔNW_{it+1}	The difference in net worth for individual *i* between two consecutive survey waves.
Inheritance	$Inheritance_{it+1}$	A binary variable indicating whether the windfall received by individual *i* at time *t* was specifically classified as an inheritance or other windfall type (1= inheritance windfall, 0 = other windfall type)
Windfall Amount	$Windfall\ Amount_{it+1}$	The total dollar value of any financial windfall received by individual *i* at time *t.*
Inheritance x Amount Interaction	$Inheritance\ \&\ Amount_{it+1}$	An interaction term capturing how inheritance effects may differ depending on the total dollar value of the windfall.
Age	Age_{it}	The individual's age and its squared term, included to capture non-linear life-cycle effects.
Female	$Female_{it}$	A binary variable indicating whether individual is female or male (1 = female; 0 = male)
Race	$Race_{it}$	A set of categorical variables representing racial identity (White/Caucasian is the omitted reference category).Each indicator equals 1 if the respondent is in that category and 0 otherwise (e.g. Black/African American, Other).
Marital Status	$Married_{it}$	A binary indicator coded 1 if legally married or remarried and 0 otherwise (partnered, widowed, divorced, or never-married).
Home Ownership	$Homeowner_{it}$	A set of dummy indicators for housing with Homeowners as the omitted (reference) category: Renter (1/0) and Rent-free (1/0).
Education	$College\ Degree_{it}$	A set of dummy indicators for educational attainment (each coded 1 if in category; 0 otherwise), spanning GED through college degree or higher, with high school diploma as the omitted (reference) category.
Children in the Home	$Children\ in\ Home_{it}$	The number of children residing with the individual at time *t*.
Error Term	ε_{it}	The residual or disturbance term for individual *i* at time *t*.

Note: i is the individual household observation, t references the time for data collected at the initial wave immediately prior to the windfall, t+1 references the time for data collected at the wave immediately following the inheritance. All dummy indicators are coded 1 if the condition is met and 0 otherwise. For categorical variables, the listed indicator categories are included in models, and the reference category is omitted.

Discussion and Implications

Our initial descriptive results reveal a striking bifurcation: most heirs either spend the entire inheritance or preserve it intact. TMT predicts this pattern of extreme proximal and distal defenses precisely when mortality reminders are salient. For older adults who simultaneously confront their health shocks and the loss of a parent, both impulses intensify: immediate consumption can mute death-related thoughts. At the same time, total preservation offers a symbolic extension of self and family legacy.

More advanced analysis lends stronger empirical support to the proximal defense of avoidance by immediately spending all of the inheritance. This tendency is significantly greater for inheritance windfalls than non-inheritance windfalls once controlling for the size of the transfer and other demographic factors. However, the tendency to save the entire windfall is essentially the same as that found with other non-inheritance windfalls (both in analyses with and without controls). Nevertheless, the average change in wealth from a $1 increase in inheritance is greater than that from the same increase in a non-inheritance windfall. This odd combination of 1) greater average savings among heirs combined with 2) a greater propensity to spend everything among heirs but not 3) a greater propensity to save everything among heirs suggests that a sub-segment of heirs is experiencing wealth increases far beyond the amount of the received inheritance. This would be consistent with mortality salience leading to a distal reaction among only a small share of population that is expressed as a greater tendency to retain their wealth in every area of the portfolio not just from the inheritance itself.

Separate from this, the results reveal practically important findings for financial planners. Overall, among this age 50+ sample each additional dollar of inherited funds was associated with an average net worth increase of roughly 61 cents when measured about one year later. These findings match with Zagorsky's (2013) finding that 55 cents of every inherited dollar was retained when measured in a similar timing among recipients under age 50. Although the overall retention was 61 cents in this study compared to 55 cents in Zagorsky (2013), this retention varied widely across different survey waves, dropping as low as 37 cents in the 2014 wave. Thus, the retention rates appear roughly similar across the different age groups.

This average retention rate does not necessarily reflect typical behavior. Among inheritance recipients 42% spent the entire windfall ending with a net worth at or below previous wave levels. At the same time, 43% saved the entire windfall, growing their net worth by more than the amount of the inheritance. Thus, while the overall predicted outcome was retaining 61 cents of each inherited dollar, only 15% of the sample actually fell into the partial saving category.

This extreme behavior appears to provide support for the predictions of TMT that the death reminders associated with an inheritance will lead to an increased propensity to either spend the entire inheritance (reflecting a proximal avoidance response) or save the entire inheritance (reflecting a distal pursuit of symbolic immortality).

Here, the comparison with other windfalls is instructive. Other windfalls (such as gifts, lawsuits, or insurance settlements) would not typically be associated with death. Although the overall propensity to spend the entire windfall initially appears similar across inheritances and other windfalls, this changes once controlling for the much larger size of inheritance windfalls along with other demographic differences. In that analysis, inheritors are found to be 24% more likely to spend the entire windfall.

Conversely, an inheritance leads to an increase in the next wave wealth of 61 cents for each inherited dollar while a non-inheritance windfall had no statistically significant impact on subsequent wealth. This suggests an overall greater propensity to save from an inheritance than from other windfall types. These simultaneous findings are consistent with an increase in behaviors at both extremes as predicted by TMT.

Nevertheless, when converted to a binary outcome, no support is found for the proposition that inheritors are more likely to save the entire windfall than other windfall recipients. Thus, the

evidence for an increased likelihood of high retention behavior predicted by the distal symbolic immortality response is mixed.

Implications for Practice: Why Distribution Timing Matters

The receipt of a bequest occurs at the precise moment when beneficiaries are most vulnerable to mortality-salience-driven avoidance spending. Put differently, the worst possible time to hand over a large inheritance may be the moment of a loved one's death. Accordingly, the results document that rapid depletion of inheritances is common.

This suggests the importance of time-phased or installment estate planning strategies for clients who care about the ultimate use of their wealth. This could take the form of staggered principal releases, e.g., one-third outright at settlement, one-third after five years, the balance at age-based milestones. This allows for an initial liquidity cushion while deferring most assets until grief-related impulse spending subsides. Separately, inter vivos gifts made while the benefactor is alive can be paired with guidance and monitoring, giving the heir a "practice run" at asset management. (Although, such lifetime strategies still ignore the emotional reality of receiving "death money.")

One powerful approach is to define estate planning goals in terms of an income benefit to the heirs, rather than a one-time transfer of assets. Providing ongoing income, rather than a one-time transfer of disposable wealth at death, delivers many practical advantages. It avoids the risk of sudden wealth syndrome by replacing the sudden windfall with a predictable income stream. This is more likely to functionally support long-term goals. Additionally, such a strategy opens up the opportunity for a more lasting impact through the use of spendthrift trust protections. These provisions can protect the income stream from outside creditors. They also prevent the frustration of the decedent's plans through immediate conversion of lifetime income into a spendable lump sum. This may be especially important among heirs who are renters or are without a college degree as these heirs experienced the greatest immediate dissipation.

This also allows advisers to better serve clients and heirs by changing the structure of the discovery conversation. Ask estate planning clients not only "whom" and "what share" but also "when." Additionally, reframing estate transfer goals in terms of ongoing income may help wealthy clients to more easily tackle the question of "how much is enough" for heirs. Instead of asking "How much money should I leave my children?" advisers may help clients to frame the question as "How much annual income should my children have from my legacy?" People can more intuitively imagine a sufficient amount of income to provide for desired lifestyle outcomes, rather than selecting an arbitrary lump sum. By ensuring heirs have a steady income rather than a sudden jackpot, benefactors can strike a balance between heirs' personal consumption and the preservation of family values like industriousness and financial responsibility.

Crucially, defining a bequest in income terms can also liberate the giver's own financial management. Once clients determine what annual support is "enough" for their heirs, they can calculate the assets needed to fund that income (for example, via investment yields or an annuity). Any assets beyond that can be seen as truly excess for the clients. This realization can give clients permission to use more of their wealth during their lifetime (on personal consumption or charitable goals), knowing that their loved ones' future income is secured.

For habitual wealth accumulators, defining estate goals in income terms may be more likely to lead to excess or free wealth. Behaviorally, habitual wealth accumulators rarely define a final amount of wealth that is "enough" for themselves – they tend to just keep accumulating. However, they often live relatively frugally in their current expenditures. Transferring this same mindset to the estate transfer decision, it may also be less likely that they could define a final amount of wealth that is "enough" for heirs. However, they could more easily define an amount of ongoing income that would be "enough" for heirs. For instance, it may be easier for parents to decide they want to guarantee an adult child, say, $100,000 per year for life or for a number of years rather than to target an arbitrary lump sum.

Incorporating these behavioral biases in defining the bequest goal, can free clients to enjoy more of their money or support personally meaningful charitable causes (either during life or in the estate plan), rather than reflexively hoarding assets "just in case" for the children. Doing so can reduce guilt, provide peace of mind, and even accelerate philanthropic plans, all while still meeting family obligations.

By aligning distribution mechanics with the well-documented psychological stresses surrounding bereavement, planners can convert inheritances from volatile windfalls into durable building blocks of family security and help fulfill both the client's intent and the beneficiary's long-term interests all while increasing the client's feeling of freedom regarding the use of their own wealth.

Limitations and Future Research

Given these empirical results, qualitative methods (e.g., in-depth interviews or focus groups) could investigate the emotional processes such as grief, guilt, or a desire to honor a loved one's legacy, that drive windfall utilization. Investigating how individual attitudes toward money, risk tolerance, and obligations to family members shape inheritance decisions would also refine our understanding of how mortality salience interacts with broader financial planning behaviors. Through these avenues, future studies can broaden the application of practical strategies and yield more targeted recommendations for financial counseling and planning. A significant limitation is that the HRS does not incorporate direct indicators of guilt, coping style, or self-control. As a result, we cannot empirically distinguish these mechanisms from the mortality-salience effects in these observations. Nevertheless, future research may profitably employ the vast range of psycho-social measurements available in the HRS as well as the possibility of longer-range measurements both prior to and following the receipt of an inheritance.

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