

NAVIGATING BEQUESTS: THE STRATEGIC ROLE OF FINANCIAL ADVISORS IN BEQUEST MOTIVES

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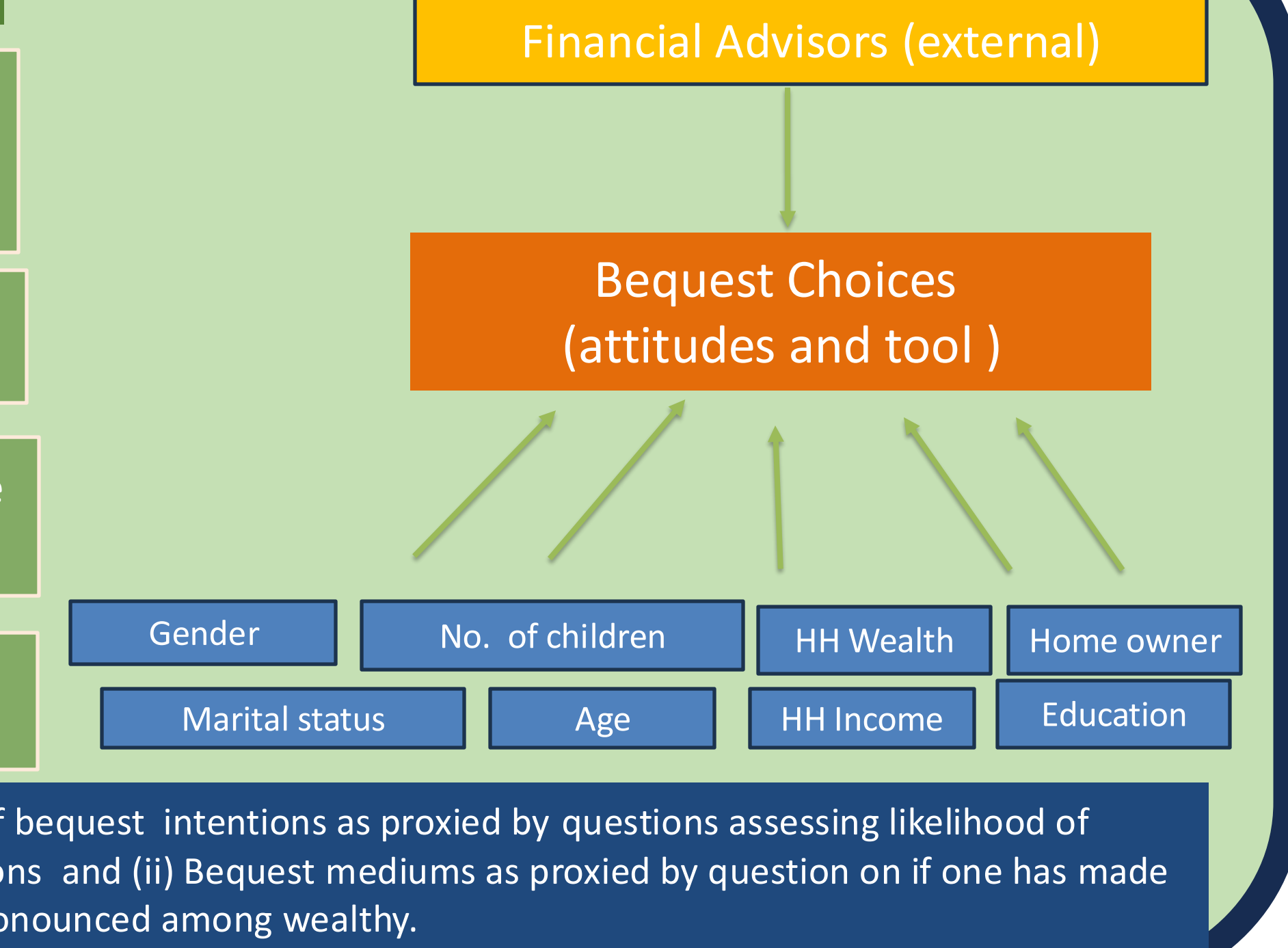
INTRODUCTION

Using data from DHS (Dutch Household Survey) between 2005 to 2022, we show the role which financial advisors play in driving bequest choices. Specifically, we find that reliance on financial advisors for household (HH) financial decisions increase the likelihood of bequeathing by 3 to 6% conditional on one having the intention to bequeath. Additionally, we identified the 2013 collapse and bank run of SNS Bank as a shock to reliance on financial advisors and show that treat individuals see a fall in their bequest intentions post event period. Last, we analyse the special module survey in HRS in 2016 and find that individuals who rely on financial advisors are 12.0 percentage points more likely to make a will, and 16.0 percentage points more likely to leave an inheritance of more than \$10,000.

METHODS

Database: DHS and HRS

- 1) DHS base case regression
12,125 respondents
2005 to 2022 time period
- 2) Proxy for Insurance Agents
- 3) DiD event shock to reliance on financial advisors
- 4) HRS 2016 special module



RESULTS

(a) Reliance on financial advisors (FA) for HH financial decisions increase likelihood of bequeathing by 3-6%.

- Using question in DHS which asks respondents if they would leave behind inheritance of various amounts, conditional on bequeathment (logged).
- 62,265 respondent year obs, and 12,125 unique respondents

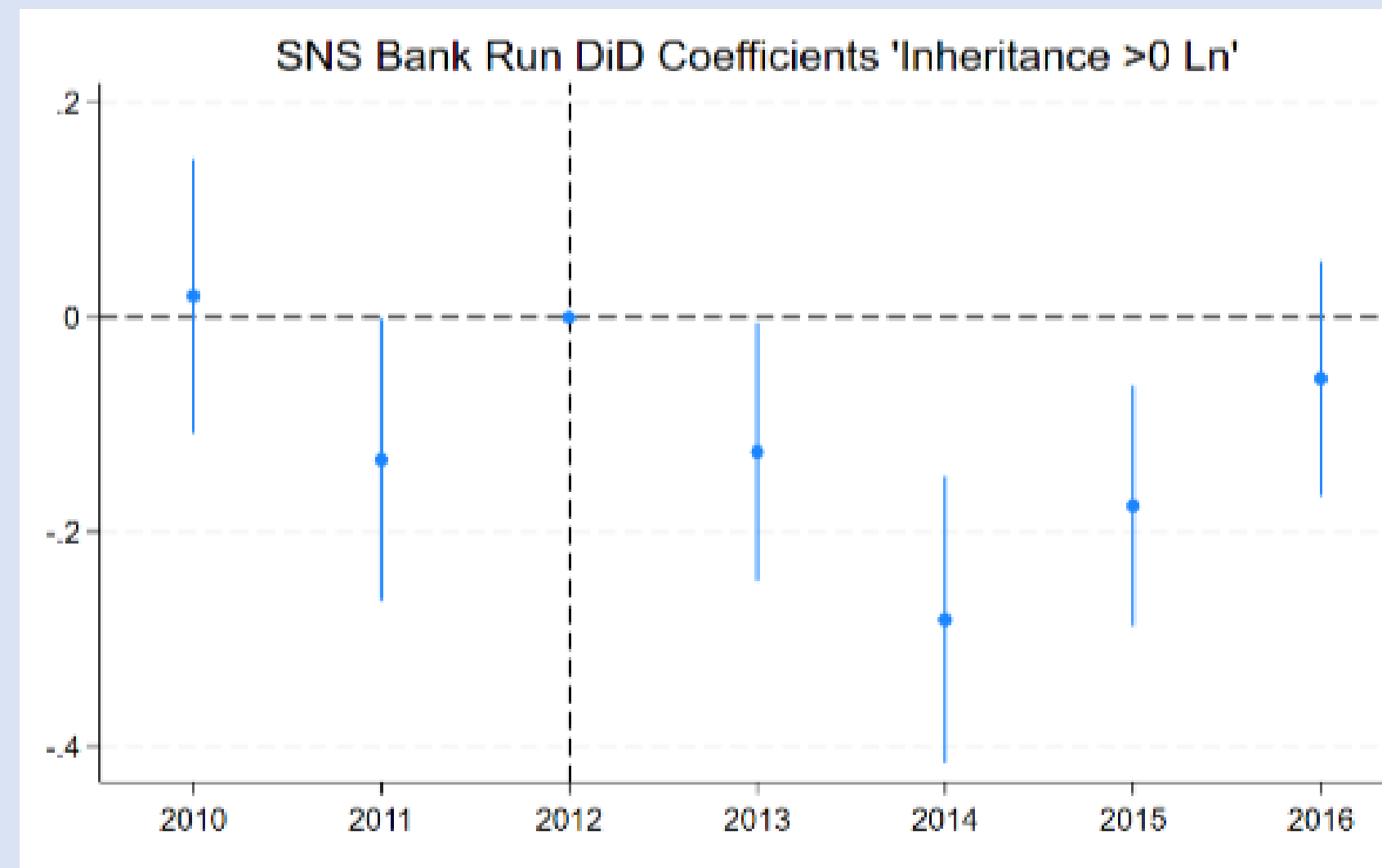
Table 1: Financial Advisor Indicator and association with Bequests

VARIABLES	(1)	(2)	(3)	(4)
	OLS	OLS	OLS	OLS
	Inheritance > 10,000 (Log)	Inheritance > 100,000 (Log)	Inheritance > 500,000 (Log)	Inheritance > 0 (Log)
Financial Advisor	0.011 (0.015)	0.040** (0.015)	0.063** (0.026)	0.031** (0.013)

(b) DiD analysis: 2013 bank run of SNS Bank shows Treat group reduced bequest probability

- Lead to a 17% decrease in likelihood of bequeathing anything for Treat group (individuals who have SNS Bank account in 2012 only) compared to Control that has SNS Bank account and at least one other account; incremental impact of more concentrated SNS exposure.

Figure 1: Event Study DiD Graph for pre and post 2012



(c) DiD analysis: Heterogeneity test with Treat x Post x Wealthy term implies wealthy driving decrease in bequest intention post event

- Wealthy sorted into upper and lower halves of wealth in 2012; with wealthier within Treat group driving decrease in bequest intentions. Moreover, results only significant for higher bequest amounts of 100,000.

Table 2: DiD Heterogeneity Test

VARIABLES	OLS (1)	OLS (2)
	Inheritance > 100,000 > 50%	Log (Inheritance >) 100,000
Treat x Post	0.223** (0.058)	0.311* (0.130)
Treat x Post x Wealthy	-0.291 (0.154)	-0.627** (0.221)

(d) Instrumental Variable (IV) analysis instruments reliance on FA with value of endowment insurance

- F statistic of 11.0. Life and term insurance usually used to proxy for bequest motives in literature but not endowment plus such plans are for meeting life savings goals and not legacy planning purposes.

(e) HRS 2016 Special Module results complement findings from DHS; additionally shows impact of advisor on bequeathment mediums such as wills, trust

- Cross-sectional regression of much smaller sample ~ 400 respondents; HRS sample is much older, wealthier and better educated
- 12 and 16 percentage points more likelihood of making a will and leaving inheritance of >10,000 respectively.

Table 3: HRS Survey Data

VARIABLES	Made Will Dummy		Inheritance > 10,000 dummy
	(1) OLS	(2) Probit	(6) OLS
Financial advisor MM advice	0.150*** (0.047)	0.409*** (0.149)	0.157*** (0.030)

DISCUSSION

- First attempt to understand role of financial advisors in bequest choices besides their role in investment decisions
- Find influence of FA to be more pronounced in bequest decisions among wealthier but FAs have less impact on bequeathment decisions involving personal attitudes towards bequests (e.g. whether one would only bequeath if taken care of at old age)
- FAs can influence intensity of bequest motives via causality event shock of 2013 SNS Bank run and IV analysis
- Results from DHS between 2005 to 2022 is complemented by HRS 2016 special module survey

Future Tests:

- Examine why impact of FAs are more pronounced among the wealthy. Current hypothesis is that wealthy have more complex bequest needs which impact the depth of reliance of them on FAs. No noticeable differences in number of banking accounts.

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