Stockholm School of Economics
Department of Economics
BE551 Degree project in economics
Fall 2025

Inheritance Receipt and Expectations: Effects on Saving and Owner-Occupancy

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Abstract

This paper examines the effect of anticipated inheritance receipt on saving behavior and owner-occupancy status using the 2001–2023 waves of the German Socio-Economic Panel (SOEP). Employing a two-way fixed effects model and an event-study framework, we find that the probability of saving decreases by approximately 10 percentage points two years prior to inheritance receipt. Following receipt, the probability of owner-occupancy increases by 11.69 percentage points, representing a 19.2 percent increase relative to the baseline. We further examine mortgage holding to understand the mechanisms underlying changes in owner-occupancy. We find evidence of heterogeneous effects by region and inheritance size: East German households are 35.68 percentage points more likely to hold a mortgage following inheritance receipt, while households receiving over €25,000 are 7 percentage points less likely to do so.

Keywords: Inheritance, Expectations, Homeownership, Saving

JEL: D15, D31, D84, D91, J10

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Date submitted:	December 8, 2025
Date examined:	December 15, 2025
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Acknowledgements

We would like to express our sincerest gratitude to our supervisor, Professor Jaakko Meriläinen, for his thoughtful feedback at pivotal stages in the research process and his expert guidance in navigating methodological challenges. Our gratitude also goes to Professor Jesper Roine for generously sharing his expertise in inequality research. Furthermore, our thesis writing cohort deserves recognition for their valuable feedback and stimulating discussions. Finally, our respective families and friends have provided invaluable support throughout this process, for which we are deeply grateful.

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1 Introduction

Inheritance has become increasingly important as a share of national income among developed economies (Piketty 2017). This development reflects the fact that, in recent decades, the rate of return on capital has generally exceeded the growth rate of the economy as a whole (Piketty 2017). Demographic change is expected to amplify this trend, with the volume of inheritances projected to continue rising in the coming years (Beznoska et al. 2020). Consequently, as the economic significance of inheritances increases, understanding households' behavioral responses to inheritance receipt becomes increasingly important.

Housing is particularly relevant in this context, as it constitutes the majority of household wealth in most developed economies (Causa et al. 2019). We therefore examine behavioral responses to inheritance receipt, focusing on owner-occupancy and mortgage holding, but also considering savings. Specifically, we examine households that expect an inheritance. This group is of particular relevance both because expected inheritances tend to be larger than unexpected ones (Doorley and Pestel 2020) and because economic theory suggests that anticipated wealth changes may shape household behavior even prior to receipt. As the volume of intergenerational transfers continues to grow, understanding the behavioral responses of expecting households becomes increasingly important. Our research question is therefore:

How does receiving an expected inheritance affect households' owner-occupancy status and savings behavior?

Following Doorley and Pestel (2020), we use data from the German Socio-Economic Panel (SOEP) and exploit a question asked in 2001 about whether respondents expect to receive an inheritance. This allows us to identify households with inheritance expectations. Among these households, those that subsequently report receiving an inheritance constitute our treatment group, while those that do not receive an inheritance serve as the control group.

We exploit the longitudinal structure of the data, using waves from 2001–2023 to estimate models with household and year-by-Bundesland fixed effects. Specifically, we employ a Two-Way Fixed Effects (TWFE) model to estimate the causal effect of inheritance receipt on our outcome variables. We also estimate an event study to examine the temporal dynamics of behavioral responses to inheritance receipt. Our outcome variables comprise the extensive and intensive margins of monthly savings, owner-occupancy status, and the extensive and intensive margins of mortgage holding.

We find that the probability of saving decreases by approximately 10 percentage points in the two years preceding inheritance receipt. West German households exhibit an increase in the probability of saving following inheritance receipt, while East German households exhibit a decrease. These regionally heterogeneous effects are not, however, robust to the restricted 2001–2010 sample.

For owner-occupancy, we find an 11.69 percentage point increase in the probability of owner-occupancy status following inheritance receipt, representing a 19.2 percent increase relative to the 2001 baseline. A result that is robust to our restricted 2001-2010 sample. On the extensive margin of mortgage holding, East German households are 35.68 percentage points more likely to take on a mortgage following inheritance receipt, while households receiving over €25,000 in inheritance are 7 percentage points less likely to hold a mortgage.

Previous literature has tended to examine behavioral responses either to the expectation of receiving an inheritance or to the receipt of an unexpected inheritance, focusing exclusively on ex-ante or ex-post adjustments rather than both. For example, Basiglio et al. (2023) and Belloc et al. (2025) examine how households that anticipate an inheritance adjust their savings on the extensive and intensive margins, respectively. Doorley and Pestel (2020), in contrast, study individuals' labor market responses to unexpected inheritances.

2 Background

2.1 Inheritance and Inequality

Many developed countries are currently experiencing slow economic and demographic growth, with few signs of reversal in the near term. This context underscores the relevance of the r > g framework developed by the French economist Thomas Piketty. The theory posits that if the rate of return on capital (r) exceeds the overall growth rate of the economy (g), wealth will accumulate faster than production and wages grow (Piketty 2017, 35). When this condition holds, the importance of inherited wealth increases: wealth accumulated in previous generations grows faster than what current generations can acquire through labour income alone (Piketty 2017, 35). Over time, this dynamic can concentrate capital to levels incompatible with meritocratic values and social equality - principles that are fundamental to modern democracies (Piketty 2017, 35). Furthermore, the rising importance of capital income relative to labor income may weaken incentives to work (Piketty 2017, 419).

The share of European wealth attributable to inheritance has followed a U-shaped pattern over the past century. Prior to 1910, this share was substantial, ranging between 70 and 80 percent. The shocks of the Two World Wars (1914-1945) precipitated a sharp decline, reducing the share to approximately 30-40 percent during the 1950-1980 period. Since then, inheritance has regained importance as a source of wealth, returning to 50-60 percent by 2010 and continuing to rise (Alvaredo et al. 2017).

As inheritance is the mechanism through which structural wealth inequalities are transmitted across generations (Christophers 2018), it has long been recognized as a natural intervention point for redistributive policy. Evidence from survey data reveals that expecting an inheritance is positively associated with the intention to leave a bequest (Basiglio et al. 2023), highlighting how intergenerational wealth transfers create

self-reinforcing dynamics that amplify inequality across multiple generations.

2.2 Inheritance and Inequality: The German Case

Germany is the biggest economy in the EU, accounting for 24.2% of the EU's total GDP (*Germany – EU country | European Union* n.d.). Like many other developed economies, Germany has experienced a prolonged period of low economic growth. It also displays a comparable pattern in terms of wealth inequality (Elinder, Erixson, and Waldenström 2018; Wei and Yang 2022; Albers et al. 2022). While inequality as measured by the Gini coefficient has not changed much, the underlying structure has shifted. Previously, the large divide was between the top decile and the rest. Now, the middle class (defined as 50-90% of the income distribution) has taken off mainly due to large capital gains in the housing market leaving the bottom 50% behind. In Germany housing prices increased by 50% between 2008 and 2018 (Albers et al. 2022). Wealth growth among the middle class has proportionally outpaced that of the top decile creating a relative equalizing effect. Inheritances have in this way reduced relative inequality, but widened the absolute wealth gap (Elinder, Erixson, and Waldenström 2018; Wei and Yang 2022; Albers et al. 2022).

Germany has a well-developed rental market and one of the lowest homeownership rates among OECD countries (see Figure A1 in the Appendix). Because building equity through housing investment is not default the typical wealth accumulation path in Germany differs from other countries (Graeber et al. 2023). Since homeownership is less prevalent and typically occurs later in life, Germany offers a unique setting where inheritance therefore plays a larger role in enabling homeownership (Dräger et al. 2025).

Empirical evidence confirms the substantial role of inheritances in German wealth inequality. Graeber et al. (2023) estimate that approximately 13-20% of inequality of opportunity in housing wealth in Germany is attributable to having received an inheritance or gift. For the inequality of opportunity in business wealth, the corresponding contribution is 7% in 2002, rising to 16% in 2019 (Graeber et al. 2023).

2.3 Historical Determinants

Germany's wealth landscape has been shaped by major historical shocks which has resulted in persistent regional and intergenerational differences. Even today wealth is about 10% lower among individuals born in cities or villages that were badly damaged during the Second World War (Halbmeier and Schröder 2025). Real estate was the type of wealth most damaged during the war (Halbmeier and Schröder 2025). This destruction of housing stock affects homeownership and real-estate wealth which constitutes a large part of wealth in Germany (Halbmeier and Schröder 2025).

The long division between East and West Germany also remains visible through persistent wealth disparities: in 2018, West German households held on average twice the wealth of their Eastern counterparts (Albers et al. 2022). This gap extends to housing wealth, which is also considerably lower in the East (Grabka 2014). These

persistent disparities motivate looking for heterogeneous effects in this dimension, between households residing in former East Germany and former West Germany.

2.4 Inheritance Tax in Germany

Today, Germany has an inheritance tax, but with rather generous exemptions. Only about 10% of the estates are taxed (OECD 2021), leading to a small contribution in tax revenue (below 0.2% of GDP in 2017) (Beznoska et al. 2020). Germany applies a double progressive tax system that depends on the value of the inheritance and the relation to the bequeather. There are three tax classes depending on the relation to the bequeathed and the rates range from 7% to 50% (Beznoska et al. 2020).

3 Theoretical Framework and Literature Review

3.1 Classical Consumption-Saving Theory

The Life Cycle Hypothesis (LCH) developed by Modigliani and Brumberg in 1954 proposes that individuals plan consumption and saving decisions over their lifetime in order to smooth utility. Wealth is accumulated during working life and decumulated during retirement (Modigliani and Brumberg 1954).

Milton Friedman developed the Permanent Income Hypothesis (PIH) in 1957 which complements the LCH by distinguishing between transitory and permanent changes in income. Permanent income is the income that individuals expect to receive over a life cycle, and transitory income shocks are unexpected one-time income shocks. Because these two types of income affect lifetime resources differently, shocks to each generate distinct behavioral responses (Friedman 1957). Inheritances, if they are expected, may be perceived as increasing an individual's permanent income, especially when the transfer is sizable. Under PIH, individuals adjust consumption gradually in response to such changes, which implies that a substantial share of inheritance wealth is saved or allocated to long-term asset accumulation rather than spent immediately (Friedman 1957). Anticipated inheritances can therefore be viewed as shifts in lifetime wealth and, in theory, should influence planned saving behavior rather than trigger additional adjustments at the time of receipt. An unexpected windfall, in contrast, creates immediate behavioral responses affecting labor and capital income at the receipt (Elinder, Erixson, and Ohlsson 2012). This creates differences in the timing of responses based on expectations. Expectations are therefore a central mechanism in our study.

In a review paper from 2010, Jappelli and Pistaferri evaluate empirical evidence in relation to these theories and find that consumption appears to respond to anticipated income increases much more than traditional theory can explain (Jappelli and Pistaferri 2010). Although this failure is not understood fully, liquidity constraints appear to be a key factor (Jappelli and Pistaferri 2010).

3.2 Marginal Propensity to Consume

Another important concept is the marginal propensity to consume (MPC). Jappelli and Pistaferri found in 2014 that there is substantial heterogeneity in MPC across households, where households facing liquidity constraints have a higher marginal propensity to consume, highlighting the importance of income risk and expectations on future constraints in making decisions on consumption (Jappelli and Pistaferri 2014). According to literature, shocks to permanent income lead to higher reaction in consumption level than transitory shocks do (Jappelli and Pistaferri 2010). This indicates that precautionary saving plays an important part in consumption (Jappelli and Pistaferri 2010).

We will use the insights from Jappelli to inform our decision to extend the theoretical framework used to interpret our results to a model incorporating insecurity and precautionary behavior.

3.3 Buffer-Stock Saving Theory

Introducing borrowing constraints and income uncertainty generate precautionary saving and "buffering" behavior (Deaton 1991). In other words, households accumulate assets partly to insure against adverse income shocks.

The buffer-stock saving framework was formalized and elaborated by Carroll in 1997 by introducing a target wealth-to-income ratio that the households try to maintain. He showed that consumers with income risk and impatience behave as "buffer-stock targeters". This means that every household has a target wealth-to-permanent-income ratio that they try to maintain. Households behave differently depending on how close they are to their target. If wealth is below the target, the precautionary motive will dominate impatience and the consumer will save, whereas if wealth is above the target, impatience dominates prudence and the consumer will dissave (consume) (Carroll 1997). Inheritances can push households above their target wealth-to-income ratio, predicting short-run increases in consumption or declines in labor supply.

Buffer-stock models also predict higher MPCs for households close to or below their target wealth level (i.e. liquidity constrained or precautionary-motivated households), which is consistent with empirical heterogeneity (Jappelli and Pistaferri 2014).

In a study from 2022, Druedahl and Martinello use the buffer-stock theory framework to interpret long run saving dynamics following inheritances. They find support for the model, where the long-run dynamics of net worth converges to the path established before the windfall, with one third remaining after nine years, but the model requires impatient consumers and strong precautionary motives to replicate the behavior found in the data (Druedahl and Martinello 2022).

3.4 The Role of Expectations

Theory identifies expectations as a key determinant of economic decisions, and they are central to our study. The studies most closely related to ours underscore the significance of expectations, both regarding inheritance receipt itself and regarding the anticipated magnitude of the transfer.

Basiglio et al. (2023) use Dutch survey data to estimate the role of expecting an inheritance on current savings. They find that expecting an inheritance leads individuals to reduce their current savings, consistent with perceiving the future transfer as an increase in permanent income. The reduction in savings is larger for individuals expecting larger inheritances (Basiglio et al. 2023).

In a working paper from 2025, Belloc et al, use survey data from Japan to measure the reduction in savings on the intensive margin attributable to inheritance anticipation. They find that specifically, men decrease the amount of their current savings by an average of 5.4 percent in anticipation of an inheritance. The results show more pronounced changes in households with higher levels of education and incomes, which are less likely to face liquidity constraints (Belloc et al. 2025).

By examining household data from 17 European countries, Malo and Sciulli (2023) show that households who expect an inheritance consume as if they were in a higher wealth decile compared to corresponding households who don't expect an inheritance. The gap in consumption differences between expecting and unexpecting households depends on household wealth. The average consumption of expecting households is comparable to that of unexpecting households up to three deciles higher in the wealth distribution. The relationship is non-linear with households in the middle-low and high deciles having a larger impact than the central wealth deciles (Malo and Sciulli 2023).

3.5 Inheritance Effect on Homeownership

The middle-class has made substantial gains on the real estate market for the past 70 years (Albers et al. 2022) and housing wealth stands for a significant part of their private wealth, an important factor distinguishing the middle class from the bottom 50% in wealth (Albers et al. 2022). Using data from the US, Killewald and Bryan (2016) confirm that homeownership generates substantial wealth benefits that extend beyond housing equity alone. Homeownership is also associated with increased non-housing wealth, suggesting that it may facilitate broader wealth accumulation through mechanisms such as reduced housing costs or change in savings rates (Killewald and Bryan 2016).

The role of inheritance in homeownership provides a rather unanimous picture concluding that intergenerational transfers are important drivers in promoting homeownership (Graeber et al. 2023; Dräger et al. 2025; Mathä et al. 2025). In a study on survey data from Luxembourg, Mathä et al. (2025) find that large wealth transfers (exceeding €100,000) increase the likelihood of homeownership by over 10 percentage points, while smaller inheritances have no significant effect (Mathä et al. 2025).

The entering into homeownership late in life in Germany creates a setting where

intergenerational wealth transfers play a particularly pronounced role (Dräger et al. 2025). Although Dräger et al.'s study is situated within broader social science research, it provides valuable insights into the link between inheritance and homeownership in Germany based on the German Socio-Economic Panel (SOEP). They compare homeownership outcomes across individuals with different socioeconomic backgrounds, as measured by the parents' occupations. They find that wealth transfers, both expected and received, explain a substantial share of homeowner disparities between different social classes. Transfers (inheritances and inter-vivos) account for 15-54% of the differences in homeownership transitions between social classes (Dräger et al. 2025). This evidence suggests that inheritances affect homeownership, and that the impact is heterogeneous between individuals with different socio-economic backgrounds (Dräger et al. 2025).

Looking at Danish administrative data, Druedahl and Martinello (2022) find that changes in housing equity following inheritance persists over time while liquid assets that are inherited disappear within seven years of parental death (Druedahl and Martinello 2022).

3.6 Inheritance Effect on Labor Supply

Leisure is often considered to be a normal good, in the sense that as income increases, demand for leisure also increases (Holtz-Eakin et al. 1993; Doorley and Pestel 2020). The decrease in labor supply following inheritances is commonly called the "Carnegie effect". In fact, empirical evidence from register data seems to confirm this phenomena, showing that following an inheritance, labor income decreases with considerable and persistent effect (Elinder, Erixson, and Ohlsson 2012). There are also anticipation effects, where the heirs reduce their labor supply already before the inheritance receipt (Elinder, Erixson, and Ohlsson 2012). The effect is larger for older heirs than for younger ones (Elinder, Erixson, and Ohlsson 2012) and individuals who receive larger inheritances (about 150 000 dollars) are four times more likely to leave the labor force compared to an heir receiving below 25 000 dollars (Holtz-Eakin et al. 1993). Adding to this, Brown et al. (2010) find that inheritance receipt is associated with a significant increase in the probability of retirement, especially when the inheritance is unexpected (Brown et al. 2010).

Results from survey data from Germany, Japan and the Netherlands all suggest that receiving an inheritance decreases the labor supply of women (Doorley and Pestel 2020; Niizeki and Hori 2019). The magnitude is found to be larger and more precisely estimated for households without children and for liquidity constrained households (Doorley and Pestel 2020).

3.7 Inheritance Tax Effect on Behavior

There is a strand of literature exploring behavioral responses following inheritance taxation that contribute to knowledge on tax salience, which is also important for policy. An empirical research review by Schratzenstaller (2025) suggests that responses in the

form of tax planning, avoidance and evasion seem to be more pronounced than real responses (such as changes in labor supply or investment choices) (Schratzenstaller 2025). Kindermann et al. (2020), however, estimate that in Germany, for each euro of bequest tax revenue generated, the government obtains an additional 9 cents in labor income tax revenue through increased labor supply among heirs, consistent with the hypothesis that inheritance taxation mitigates the Carnegie effect (Kindermann et al. 2020).

Responses to inheritance taxation appear to be more pronounced among the very wealthy, which could undermine the potential of the inheritance tax to act as a tool to make the wealth distribution more equal (Schratzenstaller 2025).

3.8 Research Gap

Existing literature focuses mainly on two situations:

(1) the behavioral responses to the receipt of unexpected inheritances, and
(2) pre-receipt behavioral responses to anticipated inheritances

However, much less attention has been paid to behavioral responses at the moment of receipt when the inheritance is expected. This thesis addresses this gap by examining the dynamics around the receipt of *expected* inheritances. We examine whether households adjust saving behavior and homeownership decisions when *anticipated* inheritances materialize.

4 Research Question and Theoretical Predictions

4.1 Research Question

How does receiving an expected inheritance affect households' owner-occupancy status and savings behavior?

4.2 Theoretical Predictions

Buffer-stock theory offers competing predictions regarding the effects of inheritance receipt on household behavior depending on the household's position with regards to their target wealth-to-income ratio and perceived income-risk (Carroll 1997). On one hand, receiving an inheritance resolves future income uncertainty, potentially reducing precautionary savings. Additionally, by increasing household wealth, inheritance receipt may push households above critical wealth-to-income thresholds that previously prevented homeownership or mortgage borrowing due to prudence.

On the other hand, for households already above their buffer-stock-target, facing limited uncertainties on future income, the anticipated windfall should already be incorporated into their permanent income. Consequently, the actual receipt should produce minimal behavioral responses. Consumption and savings should remain relatively smooth in accordance with the permanent income hypothesis.

These theoretical considerations suggest heterogeneous treatment effects: households below their target wealth level should exhibit larger behavioral responses to inheritance receipt than their unconstrained counterparts.

5 Data & Methodology

5.1 Data

We use micro-data from the German Socio-Economic Panel (SOEP), which is a longitudinal panel data set consisting of a representative sample of private households in Germany from 1984-2023. Every year approximately 30,000 individuals in 20,000 households are included in the panel and the topics focus on various aspects of societal change. All household members years 16 and above participate in a face-to-face individual survey. In addition, the head of the household answers a survey on the household level.

5.2 Variables

5.2.1 Inheritance Expectations

In 2001 respondents to the individual survey were asked: *'What do you think, are you going to inherit something or receive a gift of substantial value (again) in the future?'* Possible answers were *'Yes, that is certain', 'Yes, probably', 'No'* or *'Don't know'*.

By looking at the expectations of a windfall on the individual level we construct a binary variable on the household level (*HHexp*), defining a household as expecting a windfall if the head of the household answered *'Yes, that is certain'* or *'Yes, probably'*. For couple households we define a household as expecting an inheritance if either the head of the household or the partner or both answered *'Yes, that is certain'* or *'Yes, probably'*. We motivate this by the fact that couples tend to have consistent expectations (see tables A1 and A2 in the appendix).

Although expectations by definition entail uncertainty, they constitute an important mechanism in economic decision-making. Both theoretical and empirical evidence supports this view. However, expectations update over time. Since this question has only been asked once, in 2001, it limits our ability to trace updated expectations in subsequent years. Unobserved changes in expectations might cause adjustments in economic behavior that we can't trace.

5.2.2 Inheritance Receipt

Each year, the head of household is asked in the household level survey whether they or another member of the household received a large sum of money or other assets (car, house, etc.) as an inheritance, gift or lottery win in the last calendar year. If the head of the household answers in the affirmative, a question is asked about whether the windfall received was in the form of an inheritance, gift or lottery win. Finally they are asked about the value of the windfall.

Using the variable recording inheritance receipt at the household level, we match households that expected a transfer in 2001 to actual inheritance receipt in subsequent years. From this, we construct a binary indicator that equals one in the year a household receives an inheritance and zero otherwise (*Receive*). This variable serves as our treatment indicator.

The incidence of lottery receipts is very low in our data and because our objective is to isolate the effect of expected inheritances on savings and homeownership, we exclude households that receive lottery winnings. One might also argue that gifts should be included, since they often function as early transfers or advancements on future inheritances. However, gifts differ fundamentally from inheritances or lottery receipts in that they can be requested. A significant change to a household's economic circumstances, such as unemployment, child birth or other shocks, may induce the members of a household to request a gift. In those cases the direction of causality between receiving a windfall and savings behavior and owner-occupancy is unclear. Due to the above mentioned reasons we will in what follows be focusing exclusively on inheritance receipts.

5.2.3 Savings

In the household survey, the heads of households are asked about the savings behavior of the household every year. Before 2015 they were asked the following question: *"Do you usually have money left over at the end of the month that you can put aside for larger*

purchases, emergencies, or to build savings? If so, how much (euros per month)? From 2015 to 2020 the households were asked to differentiate between precautionary savings and savings for asset accumulation. From 2020 onwards the question was asked in the same way as before 2015.

We have created a harmonised variable (*hlc0119_h*) to record the extensive margin of saving. Meaning that for 2015 to 2020 households that report saving for asset accumulation or saving with a precautionary purpose or both are simply recorded as saving. For the harmonised variable recording the intensive margin (*hlc0120_h*), savings for asset accumulation and precautionary savings are added together for the years between 2015 and 2020.

Since the distribution of savings is typically heavily right-skewed, we transform the variable using the natural logarithm. This transformation reduces skewness, mitigates heteroscedasticity, and limits the influence of extreme outliers. In addition, the log specification facilitates interpretation, as coefficients can be read as approximate percentage changes.

5.2.4 Owner Occupancy

The variable *hlf0001_h* records the dwelling type of the household, with response categories including main tenant, subletter, owner, and nursing home. We construct a binary indicator equal to one if the household is an owner-occupant and zero otherwise.

5.2.5 Mortgage

Respondent households that are owner-occupants are further asked if they owe money, on a loan/mortgage, for the dwelling (*hlf0087_h*).

Among those households who owe money, a further question is asked about the amount of the monthly payments including interest. The amount is captured in the variable *hlf0088_h*. As with the savings variable, the mortgage payment variable is log-transformed. Mortgage payments display a right-skewed distribution with a concentration of relatively small payments and a long upper tail. The logarithmic transformation compresses this tail and reduces the influence of large values.

These variables provide insight into the mechanisms underlying changes in owner-occupancy. An increase in mortgage holding following inheritance receipt would suggest that the transfer facilitated a mortgage-financed purchase. Conversely, an increase in owner-occupancy without a corresponding rise in mortgage holding would suggest either that the inheritance itself comprised real estate or that liquid assets received facilitated outright acquisition.

5.2.6 Control Variables

We include the following time-varying controls:

Head of household's age at time of inheritance + age^2

We use the age of the head of household as a proxy for the household's life-cycle stage and include both age and age^2 to allow for non-linear patterns in economic behavior. This specification is motivated by life-cycle saving theory: the buffer-stock precautionary savings model predicts a hump-shaped age profile in savings, with savings low at younger ages, rising during working years, and declining in retirement. The effect of inheritance receipt may, therefore, vary depending on the life-cycle position of the head and, if present, their partner.

Parental Death Indicators

The reference dataset contains variables reporting the year of death for the respondent's father and mother. Using this information, we construct indicator variables (*i_fdead* and *i_mdead*) that capture whether the head of the household's father and mother, respectively, are deceased. Since inheritance receipts typically coincide with the death of a close relative, most often a parent. This may, by itself, affect economic behavior. To account for this, we will control for the deaths of the head of households' parents using these variables. Owing to attrition in the data, however, we are unable to control for the deaths of spouses' parents.

Children Living in the Household

We use the household typology variable (*hgtyp1hh*), which reflects the composition of the household. The typology variable, records if a household consists of a single person, a couple without children, a single parent or a couple with children of various ages. The presence of children in the household affects the economic situation of the household, as child-related expenditures may impose liquidity constraints. Since household composition frequently changes over time, we include this as a time-varying control.

5.3 Data Manipulation

5.3.1 Main Sample

We use the panel of households observed in the German SOEP waves 2001-2023. We restrict our sample to those households who were in the survey in 2001 and whose members have thus answered the question regarding the expectations of a future windfall. Of these households we retain households where the head of household and partner are between 18-64 in 2001 (not older than 65 in subsequent years) and that experience no more than one windfall in the form of an inheritance within the period. Multi-generational households are also excluded from the sample, since an inheritance in those cases may not affect the household level net assets.

A key enabler of our identification strategy is the use of fixed effects on the household level. The use of fixed effects on the household level requires that households are well-defined, stable units over time. Observable changes in household composition, such as the addition or departure of children can be controlled for. However, partner transitions are likely to produce substantially larger shifts in the household's unobserved characteristics that govern economic behavior. Such changes undermine the assumption that unobserved household traits remain time-invariant. For this reason, we exclude households once they experience a change in partnership status during the observation window.

5.3.2 Treatment and Control Groups

When designing the study, we considered adopting an approach similar to Doorley and Pestel (2020), comparing households that receive an inheritance unexpectedly to those that receive an anticipated inheritance. However, Table A3 in the appendix shows that households expecting an inheritance differ substantially from those that do not.

We use standardized differences to quantify these differences. Standardized differences are the difference between the average value of the control group relative to the treated group, scaled by the pooled standard deviation of the covariate (Caetano and Callaway 2024). According to conventions, standard differences around 0.1 or lower are considered small differences, values around 0.3 are considered medium differences and values of 0.5 or above are considered large differences (Caetano and Callaway 2024).

Applying this framework, we observe that two important predictors of socioeconomic status, monthly net income and years of education (American Psychological Association, Task Force on Socioeconomic Status 2007), exhibit substantial imbalance. Monthly net income shows a medium standardized difference, while average years of education displays a large difference. These systematic disparities indicate that households not expecting an inheritance are an unsuitable control group. Consistent with this pattern, Doorley and Pestel (2020) in their study find that households receiving an unexpected inheritance tend to receive smaller transfers than those who anticipate one (Doorley and Pestel 2020).

We therefore restrict the analysis to households that report expecting an inheritance, defining as the treatment group those that subsequently receive one and as the control group those that never do. Under this design, the primary distinction between the two groups of households is the timing of the death of the bequeather, which is plausibly exogenous to the households' economic behavior.

5.3.3 Data Cleaning

Between 2001 and 2015, respondents were asked whether they had received a windfall, the type of windfall, and the corresponding amount. We exclude three households due to inconsistencies in these survey years. The first reported receiving an inheritance but did not report the associated amount. The second did not report receiving a windfall or its type, yet provided a non-missing windfall amount. The third reported receiving

a windfall but did not indicate its category. These observations are removed to ensure internal consistency in the construction of the treatment variable.

Furthermore, our fixed-effects specification necessitates the removal of households that appear only once in the panel. Such "singleton" households do not contribute any within-household variation and therefore cannot help identify the fixed-effects model. We drop 127 households for this reason. In addition, the inclusion of year-by-Bundesland fixed effects creates a small number of state-year cells with only a single observation; these 40 singleton observations are also removed prior to estimation.

5.3.4 Summary Statistics

Our main estimation sample, thus, consists exclusively of households that report expecting an inheritance. Table 1 presents baseline summary statistics for the treatment and control groups in 2001. The sample contains 6,138 household-year observations corresponding to 793 unique households, of which 87 form the treatment group (households that both anticipate and subsequently receive an inheritance) and 706 form the control group (households that anticipate an inheritance but don't receive one in the observed period). For the estimation of the effects of inheritance receipt on the intensive margin of saving and mortgage payments, we additionally restrict the sample to households for which the corresponding outcome variables are non-zero. After applying this restriction, the saving and mortgage-payment samples consist of 3,525 and 1,938 household-year observations, respectively.

Tables 1 and 2 present descriptive statistics for the treatment and control groups, reporting general household characteristics and baseline outcomes in 2001, respectively. We again compare the groups using the standardized differences framework. The two groups are now very similar on the key socioeconomic predictors, monthly net income and years of education, both of which show only small standardized differences. This contrasts with the earlier comparison using the alternative treatment and control group, where the differences were medium and large, respectively. Some differences remain, however. Households in the control group are slightly more likely to be couple households and to be married than those in the treatment group. Household heads in the treatment group are, on average, slightly older. A pattern, which is not surprising given that inheritance receipt often happens at an older age. In addition, treated households exhibit a higher share of household heads whose parents are deceased.

Table 1:

Descriptive statistics by treatment status, households in 2001

	Full sample	Treatment	Control	Std. Diff.
Net income (monthly)	1462.639	1553.299	1451.467	0.085
	(43.544)	(125.539)	(46.411)	
Years of education	13.156	13.305	13.137	0.060
	(0.098)	(0.297)	(0.104)	
Age HH	40.897	45.586	40.319	0.540
	(0.356)	(1.026)	(0.374)	
Children in household	0.573	0.552	0.575	-0.047
	(0.018)	(0.053)	(0.019)	
	[454]	[48]	[406]	
East	0.198	0.161	0.203	-0.108
	(0.014)	(0.039)	(0.015)	
	[157]	[14]	[143]	
Couple household	0.793	0.862	0.785	0.204
	(0.014)	(0.037)	(0.015)	
	[629]	[75]	[554]	
Married	0.644	0.759	0.630	0.281
	(0.017)	(0.046)	(0.018)	
	[511]	[66]	[445]	
Father deceased HH	0.238	0.414	0.217	0.434
	(0.015)	(0.053)	(0.016)	
	[189]	[36]	[153]	
Mother deceased HH	0.081	0.126	0.075	0.171
	(0.010)	(0.036)	(0.010)	
	[64]	[11]	[53]	
Number of households	793	87	706	

Notes: Continuous variables: mean with standard error below. Discrete variables: share with binomial SE below; number of observations equal to one in brackets. Std. Diff. = (Treatment − Control) / pooled SD.
Source: SOEP 2023, own calculations.

Table 2:

Descriptive statistics by treatment status, households in 2001

Variable	Treatment	Control
Monthly savings (extensive)	0.713	0.741
	(0.0485)	(0.0165)
	[62]	[523]
Monthly Savings (intensive)	529.70	435.97
	(69.40)	(30.18)
	[57]	[504]
Owner-Occupancy	0.609	0.477
	(0.0523)	(0.0188)
	[53]	[337]
Mortgage (extensive)	0.414	0.339
	(0.0528)	(0.0178)
	[36]	[239]
Mortgage (intensive)	761.97	678.41
	(63.50)	(26.64)
	[34]	[232]
Number of Households	87	706

Notes: Standard errors in parentheses. Number of households fulfilling criterion in square brackets. Intensive margins calculated for households with positive values only.

Source: SOEP 2023, own calculations.

5.4 Empirical Method

Households that expect an inheritance may differ systematically from those that do not, in both observable and unobservable characteristics. To account for this, as previously discussed, we restrict the comparison to households that expect an inheritance. The treatment group consists of households that expect an inheritance and subsequently receive one, whereas the control group comprises those that expect an inheritance but never receive one.

We employ a two-way fixed effects model to estimate the causal effect of inheritance receipt on the outcome variables. We exploit the longitudinal structure of our data to estimate the model with household fixed effects and Bundesland-year fixed effects. In addition, we include a set of time-varying household characteristics as controls. For the estimates to be given a causal interpretation, a key identifying assumption must hold: conditional on the fixed effects and control variables, and absent inheritance receipt, treated and never-treated households would have followed parallel trends in the outcome variables.

To assess the plausibility of the parallel trends assumption, we conduct event-study analyses for each outcome variable. Evidence of diverging pre-treatment trends would indicate a violation of the parallel trends assumption. The following two sections set out the model specifications in detail.

5.4.1 Two-Way Fixed Effect Model Specification

For household h that receive an inheritance W in period t_i^w, we define a Post inheritance indicator PostInhr = 1 (t $\geq t_i^w$), which is equal to zero in pre-inheritance years and equal to one afterwards. The first Two-Way Fixed Effects (TWFE) model that we estimate is:

$$Y_{it} = \alpha_h + \lambda_{bt} + X'_{ht}\gamma + \beta PostInhr_{ht} + \varepsilon_{ht}, \tag{1}$$

Where Y_{it} is the outcome variable of interest: Monthly savings on the extensive and intensive margin, owner-occupancy, and mortgage holding on the extensive and intensive margin. We include household fixed effects α_h, which control for time-invariant household characteristics, such as risk aversion, and socioeconomic background of the members of each household. We also include year-by-Bundesland fixed effects λ_{bt} to control for time-varying shocks which are specific to each Bundesland. $X'_{ht}\lambda$ contains our household-level control variables. We control for age, age^2, household typology and for whether the parents of the head of household are dead, as described in the data section. Strict exogeneity requires that the errors are uncorrelated across periods. To prevent this, the standard errors are clustered at the household level. Beta then captures the effect of receiving an inheritance on the relevant outcome variable.

5.4.2 Event-Study

To analyse the parallel-trends assumption and detect any anticipatory effects we will also employ an event-study using the following model specification:

$$Y_{ht} = \alpha_h + \lambda_{bt} + X'_{ht}\gamma + \sum_{\tau=-4,\,\tau\neq-1}^{4} \beta_\tau \, \mathbf{1}\{\text{InhrEvent}_{ht} = \tau\} + \varepsilon_{ht}, \tag{2}$$

The variables in this specification are interpreted in the same way as in our baseline model, with one key difference. For treated households, we construct an event-time variable, InhrEvent, which records the number of years relative to the inheritance receipt. This allows us to trace the dynamic response to inheritance receipt within a window from four years before to four years after the event. With β_τ giving the effect in year τ relative to the inheritance receipt. Standard errors are clustered at the household level to account for serial correlation between error terms in the same household. Never-treated households serve as the control group with $\mathbf{1}\{\text{InhrEvent} = \tau\} = 0$ for all τ. Following standard practice, all event times outside this interval are binned into the respective endpoint categories and $\tau - 1$ is omitted as the reference period.

5.5 Limitations

5.5.1 Sample Selection Bias

Selection bias may arise from our requirement that the partner-level composition of households remains constant over time. This may be problematic if partnership transitions are correlated with inheritance receipt. Evidence from the Netherlands supports this concern: Basiglio (2022), using panel data, shows that inheritances received by wives increase the likelihood of divorce, whereas inheritances received by husbands reduce it. Inheritance receipt may also be related to partnership formation. Cesarini et al. (2023), working with a Swedish dataset, show that lottery receipt increases marriage formation for male winners. We do not find empirical evidence directly examining the effect of inheritance receipt on marriage formation, but previous research has documented the importance of inherited wealth in shaping marriage choices (Pasteau and Zhu 2018). These issues imply that our restriction may introduce bias into our estimates. We acknowledge this limitation and will weigh it against our findings in the discussion.

5.5.2 Head of Household as Proxy

Due to attrition on the partner-side we, as previously mentioned, use the age of the head of household as a proxy for the life-cycle stage of the household. This may give an inaccurate picture of the life-cycle stage of the household, due to the fact that we leave out the partner, which may result in omitted variable bias. The same concern applies to the indicator variables for the deaths of the head of household's parents, which introduce an additional potential source of omitted variable bias.

5.5.3 Measurement Error

Inheritances are systematically under-reported in surveys with as little 20-30% of the estimated actual value of transfers being reported (Alvaredo et al. 2017). Measurement error in the reported inheritance amount does not generate attenuation bias for our extensive margin estimates, since treatment is defined solely by whether any inheritance is reported, not by the amount received. The relevant concern is misclassification of the treatment indicator, particularly if households receive an inheritance but fail to report it, causing treated units to be coded as controls and attenuating the estimated effect. While existing research does not clearly distinguish whether survey errors stem primarily from understated amounts or from non-reporting, only the latter would affect our main estimates. Our extensive margin results are therefore robust to measurement error in levels but remain vulnerable to non-reporting of inheritance receipt. When exploring heterogeneous effects by inheritance size, however, underreporting of the value of inheritances may attenuate our estimates.

6 Results

First we present the results of our event-study outlined in equation (2). The event-study framework allows us to detect potential anticipatory effects and to assess the validity of the parallel trends assumption, which is the identifying assumption for our TWFE estimate. We then turn to the results from the TWFE model outlined in equation (1), which provide an estimate of the change in the average level of each outcome variable after inheritance receipt relative to the pre-inheritance period. We then examine the heterogeneous effect for this specification and finally perform a robustness check of our results.

6.1 Event-Study

The event-study examines the effect of inheritance receipt within a four year window before and after the inheritance receipt relative to the year preceding inheritance receipt. Point estimates of β_τ in equation (2), surrounded by 95% confidence intervals, are indicated by the gray dots.

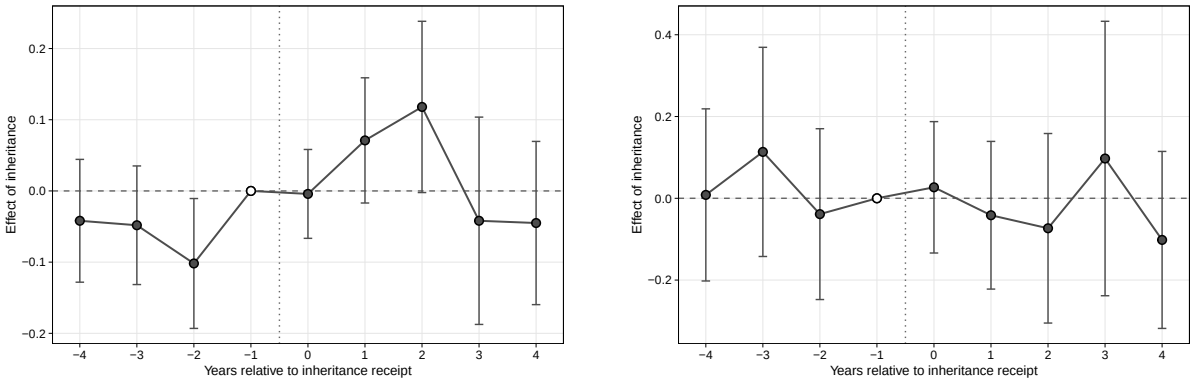
6.1.1 Savings Event-Study

In Panel A in Figure 1, which presents the event-study of savings, we observe a significant anticipatory effect. The probability of a household saving on a monthly basis decreases by approximately 10 percentage points two years prior to inheritance receipt. This result is inconsistent with the permanent income hypothesis, as households that expect an inheritance should already have incorporated it into their saving behavior. It is instead more consistent with buffer-stock theory. As the perceived certainty of inheritance

receipt increases, the target buffer-stock declines and impatience increasingly outweighs prudence, leading households to reduce their saving.

Because such anticipatory behavior undermines the parallel-trends assumption, the estimates of our TWFE model may not reflect a clean causal effect. The TWFE estimates on the extensive margin of monthly savings should therefore be interpreted with caution.

Panel B of Figure 1 presents the event-study estimates for the intensive margin of monthly savings. All point estimates are in this case small and statistically insignificant, supporting the parallel trends assumption.



(A) Saving - extensive margin

(B) Saving - intensive margin

Figure 1: Event-study estimation: Effect of inheritance on saving on the extensive and intensive margin. *Source:* SOEP 2023, own calculations.

6.1.2 Owner-Occupancy and Mortgage Event-Study

The event study presented in Figure 2 indicates a statistically significant and persistent increase in the probability of owner-occupancy. The probability immediately increases with approximately 6 percentage points in the year of inheritance receipt, growing somewhat in magnitude in the first and second year to approximately 11 and 15 percentage points respectively. In the years prior to inheritance receipt the estimates are statistically insignificant giving support to the parallel trends assumption and a causal interpretation of the TWFE-estimate. The rise in the year of inheritance receipt could suggest some households are inheriting real estate, the increase in subsequent years could also be due to households using the funds received to buy a house either upfront or by taking out a mortgage.

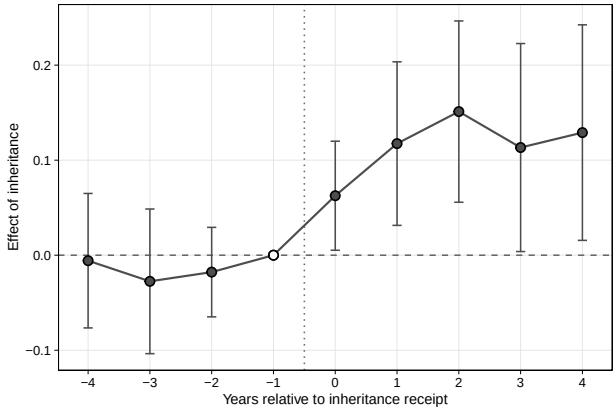
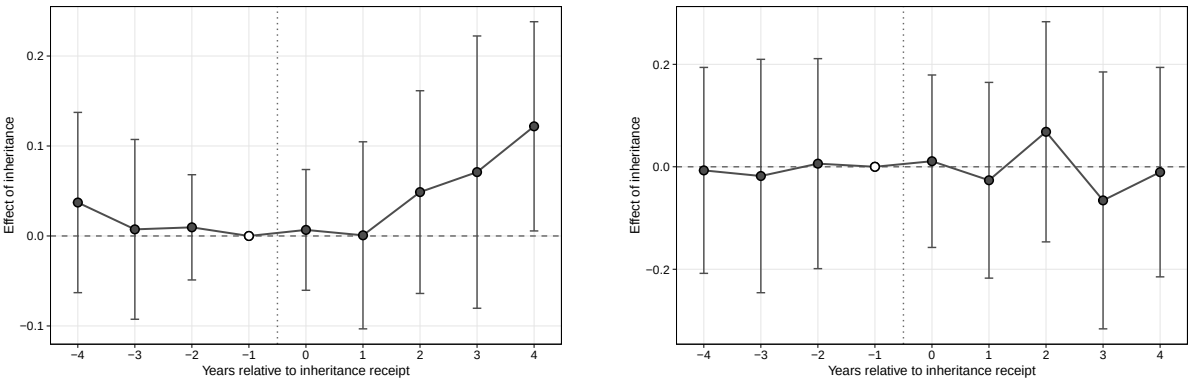


Figure 2: Event-study estimation: Effect of inheritance on owner-occupancy.
Source: SOEP 2023, own calculations.

Panel A of Figure 3 illustrates that the probability of holding a mortgage increases significantly four or more years after inheritance receipt to approximately 11 percentage points. However, this estimate should be interpreted with caution, as this bin aggregates multiple event times and may thus be driven by sample selection arising from panel attrition.

Panel B of Figure 3 displays the corresponding effects on the intensive margin of mortgage payments, for which none of the estimates are statistically significant. Neither panel provides evidence of anticipatory effects, which supports the parallel trends assumption and, in turn, the causal interpretation of the TWFE-estimates.



(A) Mortgage holding (extensive margin)

(B) Mortgage debt (intensive margin)

Figure 3: Event-study estimation: Effect of inheritance on mortgage holding (extensive margin) and mortgage debt (intensive margin).
Source: SOEP 2023, own calculations.

6.2 Two-Way Fixed Effects (TWFE)

The initial results for our two-way fixed effects model presented in Table 3 indicate that the probability of owner-occupancy increases after inheritance receipt. The estimates for the remaining four outcome variables are not statistically significant.

The estimate for owner-occupancy is presented in column (3). The estimate is significant at the 1 percent level and indicates that the probability of owner-occupancy increases by 11.69 percentage points after inheritance receipt. At the baseline in 2001 60.9% of households in the treatment group were owner-occupants (see Table 2). Thus, an 11.69 percentage point increase in the probability of owner-occupancy, corresponds to a 19.2% increase in owner-occupancy relative to the baseline. This result is inconsistent with the permanent income hypothesis, which predicts that expected inheritances should already be incorporated into households' homeownership decisions. Instead, the finding suggests that precautionary buffer-stock behavior may limit the ability of some households expecting an inheritance to become owner-occupants before the inheritance receipt.

Table 3:

TWFE estimation: Effect of inheritance across outcomes

	(1)	(2)	(3)	(4)	(5)
Monthly savings (extensive)	0.0563				
	(0.0353)				
Monthly savings (intensive)		−0.0363			
		(0.0734)			
Owner-occupancy			0.1169***		
			(0.0405)		
Mortgage (extensive)				0.0295	
				(0.0473)	
Mortgage (intensive)					0.0088
					(0.0454)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	6138	4108	6138	6138	2103
R^2	0.5662	0.7636	0.8916	0.7611	0.8356
Adj. R^2	0.4728	0.6959	0.8683	0.7097	0.7775

Notes: Robust standard errors in parentheses. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.

Source: SOEP 2023, own calculations

6.2.1 Heterogeneous Effects

It is plausible that the effect of inheritance receipt on our outcome variables is heterogeneous across the population. To investigate whether this is the case we estimate equation (1) with interaction terms. Specifically, we use interaction terms for the East, households with children and households receiving inheritances of at least €25,000 and €50,000, respectively.

As noted earlier the average household in West Germany is nearly twice as wealthy as the average household in East Germany, and housing wealth in particular is substantially scarcer in the East (Grabka 2014). The lower average wealth of the East German households suggests that they could be further from their target wealth-to-income ratio than their West German peers, providing reason to expect that they may respond

differently to inheritance receipt.

Likewise, the composition of a household can influence the saving behavior, for example Basiglio et al. (2023) shows that single households have a lower probability of saving than households with children (Basiglio et al. 2023). Therefore, we also test whether households with children adjust their behavior differently than households without children.

Finally, as previously found by Joulfaian (2006), behavioral responses depend on the size of the inheritance (Joulfaian 2006), giving motivation to examine heterogeneity by inheritance amount received.

Heterogenous Effects on Savings

We find that there is a significant differential effect for savings following an inheritance receipt when looking at East and West Germany separately. Column (2) of Panel A in Table 4 shows that for households residing in West Germany, the probability of saving increases by 8.22 percentage points following inheritance receipt, a result that is statistically significant at the 5 percent level. The coefficient on the interaction term with East, 14.65 percentage points, captures the differential effect for households in former East Germany and is statistically significant at the 10 percent level. Adding this interaction term to the main treatment effect yields the total effect for East German households, implying a 6.43 percentage point decrease in the probability of saving following inheritance receipt.

As noted earlier, the observed effect documented in the event-study indicates that the parallel-trends assumption may not strictly hold. However, this deviation does not necessarily undermine a causal interpretation. Rather than reflecting a differential trend between the treatment and the control groups, the observed effect likely reflects an anticipatory effect, i.e. the true beginning of treatment. Consequently, the estimated effect on the extensive margin of savings is likely to overestimate the effect of inheritance receipt, analogous to "Ashenfelter's dip" commonly noted in evaluations of training programs. This provides suggestive evidence that inheritance receipt does increase household saving among West German households, but that the estimate should be interpreted with caution and regarded as an upper-bound on the causal effect.

As seen in Panel B of Table 4 the estimates for monthly savings on the intensive margin are not significant for any of the specifications.

Table 4:

TWFE estimation: Effect of inheritance on saving on the extensive and intensive margin by subgroups and inheritance size

	(1)	(2)	(3)	(4)	(5)
A. Monthly savings (extensive)					
PostInhr	0.0563	0.0822**	0.0685	0.0204	0.0405
	(0.0353)	(0.0399)	(0.0451)	(0.0433)	(0.0399)
PostInhr×East		−0.1465*			
		(0.0791)			
PostInhr×Household with children			−0.0260		
			(0.0573)		
PostInhr×inheritance ≥ 25K				0.0740	
				(0.0718)	
PostInhr×inheritance ≥ 50K					0.0506
					(0.0851)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	6138	6138	6138	6138	6138
B. Monthly savings (intensive)					
PostInhr	−0.0363	−0.0293	0.0147	0.0217	−0.0280
	(0.0734)	(0.0884)	(0.0931)	(0.1036)	(0.0909)
PostInhr×East		−0.0350			
		(0.1411)			
PostInhr×Household with children			−0.1049		
			(0.1320)		
PostInhr×inheritance ≥ 25K				−0.1410	
				(0.1408)	
PostInhr×inheritance ≥ 50K					−0.0309
					(0.1392)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	4108	4108	4108	4108	4108

Notes: Robust standard errors in parentheses. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.

Source: SOEP 2023, own calculations

Heterogenous Effects on Owner-Occupancy and Mortgages

Panel A in Table 5 shows that the baseline coefficient for owner-occupancy is significant across all five specifications. The interaction terms are positive, but not statistically significant. However, the baseline decreases from 11.69 percentage points in column (1) to 8.72 in column (2) and 8.83 in column (5), suggesting that the pooled estimate may be driven disproportionately by households residing in East Germany and households receiving inheritances of at least €50,000, the latter possibly reflecting that larger inheritances are more likely to include real estate assets. The interaction terms are positive, consistent with this interpretation, though not statistically significant.

The effect of inheritance on mortgage holding differs markedly between East and West Germany. As shown in column (2) of Panel B of Table 5, the interaction term for East German households is large (39.75 percentage points) and statistically significant at the 1 percent level . Combined with the baseline effect of −4.07 percentage points, this implies a total increase of 35.68 percentage points in the probability of holding a mortgage for households in the East. Column (4) reveals a contrasting pattern by inheritance size: the interaction term for households receiving at least €25,000 is negative and statistically significant at the 5 percent level (−19.37 percentage points). Combined with the baseline of 12.37 percentage points, the total effect for high-inheritance households is −7.00 percentage points, suggesting that larger inheritances reduce the probability of holding a mortgage, possibly by enabling households to pay off existing debt or purchase property outright. The former interpretation aligns with a recent Deutsche Bank report, in which 13% of inheritors reported using their inheritance to repay debt (Deutsche Bank 2024).

Table 5:

TWFE estimation: Effect of inheritance on owner-occupancy and mortgage holding/debt by subgroups and inheritance size

	(1)	(2)	(3)	(4)	(5)
A. Owner-occupancy					
PostInhr	0.1169***	0.0872**	0.1068***	0.0943*	0.0883**
	(0.0405)	(0.0400)	(0.0390)	(0.0508)	(0.0424)
PostInhr×East		0.1680			
		(0.1315)			
PostInhr×Household with children			0.0228		
			(0.0612)		
PostInhr×inheritance ≥ 25K				0.0466	
				(0.0834)	
PostInhr×inheritance ≥ 50K					0.0915
					(0.0968)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	6138	6138	6138	6138	6138
Panel B: Mortgage (extensive margin					
PostInhr	0.0295	−0.0407	−0.0072	0.1237*	0.0613
	(0.0473)	(0.0437)	(0.0504)	(0.0731)	(0.0604)
PostInhr×East		0.3975***			
		(0.1366)			
PostInhr×Household with children			0.0831		
			(0.0668)		
PostInhr×inheritance ≥ 25K				−0.1937**	
				(0.0901)	
PostInhr×inheritance ≥ 50K					−0.1016
					(0.0864)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	6138	6138	6138	6138	6138
Panel C: Mortgage (intensive margin)					
PostInhr	0.0088	−0.0040	0.0790	0.0604	0.0485
	(0.0454)	(0.0468)	(0.0726)	(0.0643)	(0.0567)
PostInhr×East		0.1557			
		(0.1489)			
PostInhr×Household with children			−0.1038		
			(0.0823)		
PostInhr×inheritance ≥ 25K				−0.0987	
				(0.0815)	
PostInhr×inheritance ≥ 50K					−0.0962
					(0.0813)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	2103	2103	2103	2103	2103

Notes: Robust standard errors in parentheses. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.

Source: SOEP 2023, own calculations

6.3 Robustness Check

Our main sample spans the period 2001 to 2023, with inheritance expectations observed in 2001. Because individuals may have difficulty accurately anticipating inheritances that are more than a decade away from being realized, the expectations variable may contain substantial noise. To assess the sensitivity of our results to this concern we perform a robustness check where we in line with Doorley and Pestel (2020)consider a different time-frame for our estimation sample. We restrict the sample to the years 2001-2010, thereby limiting the window between the elicitation of expectations and the realization of inheritances to no more than 10 years.

While the reduction in sample size (5,330 vs. 6,139 household-year observations) lowers statistical power, the estimates from both models remain broadly consistent with our earlier results. Although a few differences do emerge. Figure A2 in the appendix presents the event-study estimates for the extensive margin of savings. In addition to the previously identified anticipatory effect, we now observe two significant post-inheritance increases in the probability of saving: a 10 percentage point rise in the first year after receipt and a 17 percentage point rise in the second year. Moreover, Figure A5 in the appendix, which presents the probability of holding a mortgage, shows that the previously observed increase four or more years after inheritance receipt is no longer statistically significant.

Turning to the TWFE estimates, Table A4 in the appendix, Panel A, shows that the probability of saving monthly is now statistically significant across all specifications, at the 10 percent level in Columns (1)–(3) and at the 5 percent level in Column (4). The differential effect for East German households in Column (2), however, is no longer significant. Similarly, in Table A5 in the appendix, Panel B, Column (2), the differential effect on the extensive margin of mortgage payments for households in East Germany is also no longer statistically significant.

Thus, the robustness check supports our main findings for savings behavior and owner-occupancy. However, the differential treatment effects for holding a mortgage in East Germany and for households receiving more than €25,000 are not statistically significant and should therefore be interpreted with caution.

7 Discussion

7.1 Savings

Our findings provide important nuance to those of Basiglio et al. (2023) and Belloc et al. (2025), who show that households expecting an inheritance exhibit lower savings. Basiglio et al. (2023) estimates that inheritance expectations reduce the probability of saving a positive amount by 9–13 percentage points. These estimates are, however silent on the timing of this reduction relative to actual inheritance receipt. Our results indicate that, among expecting households, those approaching inheritance receipt display an anticipatory effect: the probability of saving decreasing by approximately 10 percentage points two years prior to receipt. This finding remains stable under a more restrictive sample limited to the years 2001–2010. This pattern suggests the possibility that the findings of Basiglio et al. (2023) and Belloc et al. (2025) could be driven partly by households close to inheritance receipt, although we cannot speak to the magnitude of this effect.

As previously discussed this result appears more consistent with the buffer-stock theory of saving than the PIH: as perceived uncertainty regarding inheritance receipt decreases, impatience outweighs prudence, leading households to dissave. Our heterogeneity analysis provides further support for this interpretation, revealing a 6.43 percentage point reduction in the probability of saving among East German households. The magnitude of this estimate should be interpreted with caution, however, as it may be biased upward due to anticipatory effects. Nevertheless, the finding is consistent with buffer-stock theory: the lower average wealth of East German households implies a greater distance from their target buffer stock. For these households, prudence may therefore continue to outweigh impatience even in anticipation of inheritance. This would explain why we observe an adjustment in savings behavior only upon actual inheritance receipt. This result does not persist in our restricted 2001–2010 sample, however, the loss of statistical power associated with the smaller sample may account for this.

West German households, in turn, exhibit an 8.22 percentage point increase in the probability of saving following inheritance receipt. While this may appear inconsistent with buffer-stock theory, it can be reconciled within this framework: households that dissaved in anticipation may subsequently correct for imperfect foresight regarding the timing or magnitude of the transfer.

7.2 Owner-Occupancy and Mortgage

While our estimates are not directly comparable to those of Graeber et al. (2023), they measure the contribution of inheritance or gift receipt to inequality of opportunity in housing wealth, whereas we estimate the causal effect of inheritance on the probability of owner-occupancy, the qualitative conclusions are consistent. Graeber et al. (2023) find that 13 to 20 percent of inequality of opportunity in housing wealth is attributable to having received an inheritance or gift. While we find that the probability of

owner-occupancy increases by 11.69 percentage points for households after inheritance receipt, representing a 19.2% increase in owner-occupancy relative to the 2001 baseline. Our finding illustrates one mechanism through which this inequality arises.

The heterogeneity analysis suggests that East German households are more likely to take on a mortgage following inheritance receipt. This result is not robust to the restricted 2001–2010 sample and therefore warrants further investigation. Nevertheless, a possible explanation lies in the structural wealth differences between the two regions: households in the West are on average twice as wealthy as those in the East (Albers et al. 2022). For West German households, an inheritance may more frequently be sufficient to finance property acquisition outright or discharge existing mortgage debt, whereas for East German households, the transfer may instead function as a deposit, facilitating entry into owner-occupancy while necessitating mortgage financing for the residual purchase price.

This interpretation finds further support in our analysis of heterogeneous effects by inheritance size. Households receiving an inheritance below €25,000 are 12.37 percentage points more likely to hold a mortgage, while those receiving an inheritance above this threshold are 7 percentage points less likely to do so. This pattern is consistent with the proposed mechanism: smaller transfers may provide sufficient capital for a deposit but necessitate mortgage financing, whereas larger transfers more frequently enable outright property acquisition, the discharge of existing debt, or themselves comprise real estate.

7.3 Policy Implications

Our findings contribute to the policy debate by demonstrating that intergenerational wealth transfers significantly influence owner-occupancy in Germany. Of particular policy relevance is the heterogeneity in effects across East and West Germany: our results suggest that East German households are more likely to take on a mortgage following inheritance receipt, though this finding is not robust to the restricted 2001–2010 sample and warrants further investigation in future research.

Our findings further contribute by illuminating the temporal dynamics of household responses to anticipated inheritance receipts. Specifically, we find that households reduce savings two years prior to inheritance receipt, which has implications for the modeling of household behavior in the design of inheritance-related fiscal policy.

7.4 Further Research

While our results suggest some interesting savings dynamics, our results are inconclusive and need further research with more power. Our findings indicating anticipatory behavior could be interesting to further explore in timing and magnitude. Allowing for individual level dynamics could be informative as well as a comparative analysis across countries with different housing market institutions would help establish the external validity of our findings and clarify which results are Germany-specific versus generalizable.

7.5 Limitations

The fact that our main sample consists of households that expect an inheritance and that have higher average income, marginally more years of education, and are more frequently couple households than the general population limit the generalizability of our results to the entire population. Nevertheless, as the volume of intergenerational transfers continues to grow, a larger share of the population may come to expect an inheritance in the future. Understanding the behavioral responses of this group therefore becomes increasingly important for aggregate economic outcomes and inequality dynamics. Furthermore, idiosyncrasies of the German housing market may limit the external validity of our findings. Homeownership is less prevalent in Germany than in many other developed economies and tends to occur later in the life cycle, meaning inheritance may have an outsized effect on owner-occupancy (Dräger et al. 2025). As such, our results may not therefore generalize to other countries and institutional settings.

As noted earlier, our requirement that households remain stable at the partner level may introduce bias into our estimates. If inheritance receipt influences household formation and dissolution decisions, as some research suggests (Basiglio 2022), our sample restriction may induce selection bias. Furthermore, the use of the head of household as a proxy for time-varying characteristics included as controls may give rise to omitted variable bias. Our measure of expectations is also limited to a single elicitation in 2001, yet expectations may update over time in response to new information; such unobserved changes may influence economic behavior. Finally, the estimates may suffer from attenuation bias due to underreporting of inheritance receipt.

8 Conclusion

By examining the temporal dynamics around expected inheritance receipt in detail, this study addresses a gap in the literature, which has predominantly focused on unexpected inheritances or general expectation effects. In doing so, our findings illuminate how inheritances connect to inequality dynamics through homeownership channels.

Our most robust finding concerns homeownership: households exhibit a statistically significant increase in the probability of becoming homeowners following anticipated inheritance receipt. This result remains robust when we restrict the sample to the 2001-2010 period and aligns with prior empirical literature on intergenerational wealth transfers and housing transitions. Examining mortgage outcomes, we find suggestive evidence of regional heterogeneity: households in the East Germany are more likely to take on a mortgage following an inheritance, while households in West Germany are more likely to pay off existing mortgages. We interpret this divergence as reflecting structural wealth differences between regions, with former East Germany being considerably less wealthy.

The evidence on savings behavior is less conclusive. We observe an anticipatory effect on savings two years prior to inheritance receipt, which suggests our estimates of the

inheritance effect may be upward biased. The heterogeneous responses reveal suggestive regional patterns where households from the former West appear to save more following an inheritance receipt. The anticipatory behavior, however, suggests that the magnitude of these estimates should be interpreted with caution.

Taken together, our findings are broadly consistent with buffer-stock savings theory, which predicts that windfalls affect both savings and homeownership depending on households' existing wealth positions in relation to their target wealth-to-income ratio. Households further away from their target or facing income uncertainty remain reluctant to make irreversible investments despite expecting future inheritances.

While our results do not necessarily generalize to contexts with weaker rental markets or earlier-life homeownership patterns, they hold important implications as intergenerational wealth transfers continue to grow in importance. Our findings demonstrate that inheritances significantly facilitate homeownership and that households adjust their behavior in anticipation of receipt, up to two years in advance. These temporal dynamics are essential for effective policy design in inheritance taxation, mortgage regulation, and housing market interventions aimed at addressing wealth inequality.

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A Appendix

Housing Tenure Distribution Cross-country Comparison:

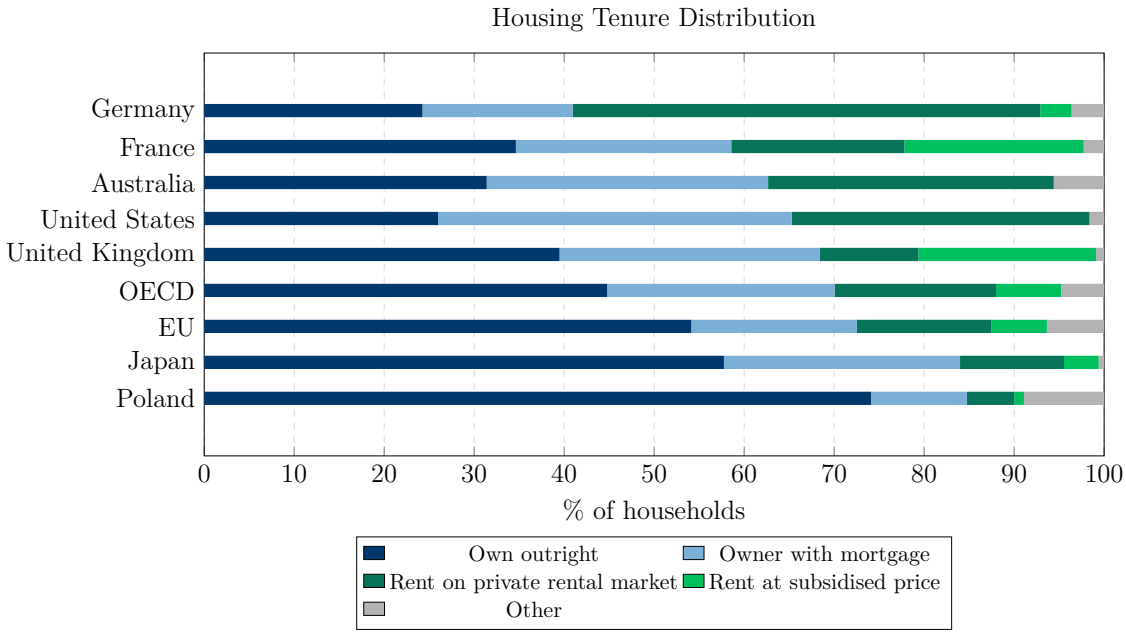

Figure A1: Housing tenure distribution, 2024 or latest.
Source: OECD Affordable Housing Database 2024.

Household Expectations Consistency:

Table A1:
Expectations within households

Category	N	%
Consistent	2586	85.1
Inconsistent	451	14.9

Source: SOEP 2023, own calculations.

Table A2:
Distribution of household agreement patterns

Agreement Type	N	%
Both expect inheritance	228	7.5
Both expect no inheritance	2358	77.6
Partners disagree	451	14.9

Source: SOEP 2023, own calculations.

Descriptive Statistics for Sample Selection:

Table A3:

Descriptive statistics by expectations

	Full sample	Expect	Not Expect	Std. Diff.
Net income (monthly)	1146.920	1552.046	1038.495	0.432
	(6.953)	(17.435)	(7.298)	
Education (pgbilzeit)	12.143	13.186	11.864	0.504
	(0.016)	(0.038)	(0.017)	
Age	46.143	44.229	46.655	-0.232
	(0.067)	(0.129)	(0.077)	
Children	0.547	0.589	0.536	0.107
	(0.003)	(0.007)	(0.003)	
	[14556]	[3309]	[11247]	
East	0.276	0.200	0.297	-0.226
	(0.003)	(0.005)	(0.003)	
	[7353]	[1122]	[6231]	
Partner (couple household)	0.745	0.814	0.726	0.209
	(0.003)	(0.005)	(0.003)	
	[19822]	[4572]	[15250]	
Married	0.652	0.708	0.637	0.152
	(0.003)	(0.006)	(0.003)	
	[17348]	[3979]	[13369]	
Father deceased	0.315	0.285	0.323	-0.083
	(0.003)	(0.006)	(0.003)	
	[8396]	[1603]	[6793]	
Mother deceased	0.177	0.103	0.197	-0.267
	(0.002)	(0.004)	(0.003)	
	[4720]	[577]	[4143]	
Number of households	26619	5620	20999	

Notes: Continuous variables: mean with standard error below. Discrete variables: share with binomial SE below; number of observations equal to one in brackets. Std. Diff. = (Treatment − Control) / pooled SD.
Source: SOEP 2023, own calculations.

Robustness Check: TWFE

Table A4:

TWFE estimation: Effect of inheritance on saving on the extensive and intensive margin by subgroups and inheritance size

	(1)	(2)	(3)	(4)	(5)
Panel A: Monthly savings (extensive)					
PostInhr	0.0746*	0.0795*	0.0987*	0.0589	0.0931**
	(0.0394)	(0.0458)	(0.0523)	(0.0475)	(0.0438)
PostInhr×East		−0.0278			
		(0.0791)			
PostInhr×household with children			−0.0513		
			(0.0641)		
PostInhr×inheritance ≥ 25K				0.0347	
				(0.0810)	
PostInhr×inheritance ≥ 50K					−0.0626
					(0.0955)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	5330	5330	5330	5330	5330
Panel B: Monthly savings (intensive)					
PostInhr	−0.0531	−0.0065	−0.0253	−0.0679	−0.0112
	(0.0956)	(0.1090)	(0.1169)	(0.1248)	(0.1154)
PostInhr×East		−0.2101			
		(0.2160)			
PostInhr×household with children			−0.0577		
			(0.1578)		
PostInhr×inheritance ≥ 25K				0.0395	
				(0.1897)	
PostInhr×inheritance ≥ 50K					−0.1619
					(0.1834)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	3525	3525	3525	3525	3525

Notes: Robust standard errors in parentheses. *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.
Source: SOEP 2023, own calculations

Table A5:

TWFE estimation: Effect of inheritance on owner-occupancy and mortgage holding/debt by subgroups and inheritance size

	(1)	(2)	(3)	(4)	(5)
Panel A: Owner-occupancy					
PostInhr	0.1314***	0.1241***	0.1716***	0.0801	0.0869*
	(0.0439)	(0.0427)	(0.0535)	(0.0540)	(0.0466)
PostInhr×East		0.0413			
		(0.1580)			
PostInhr×children			−0.0828		
			(0.0736)		
PostInhr×inheritance ≥ 25K				0.1137	
				(0.0898)	
PostInhr×inheritance ≥ 50K					0.1511
					(0.1064)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	5330	5330	5330	5330	5330
Panel B: Mortgage (extensive margin)					
PostInhr	−0.0041	−0.0461	−0.0504	0.0783	0.0402
	(0.0516)	(0.0499)	(0.0619)	(0.0758)	(0.0641)
PostInhr×East		0.2378			
		(0.1739)			
PostInhr×children			0.0972		
			(0.0865)		
PostInhr×inheritance ≥ 25K				−0.1824*	
				(0.1011)	
PostInhr×inheritance ≥ 50K					−0.1504
					(0.1011)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	5330	5330	5330	5330	5330
Panel C: Mortgage (intensive margin)					
PostInhr	0.0135	0.0145	−0.0208	0.0086	0.0076
	(0.0413)	(0.0424)	(0.0630)	(0.0522)	(0.0498)
PostInhr×East		−0.0080			
		(0.1365)			
PostInhr×children			0.0480		
			(0.0716)		
PostInhr×inheritance ≥ 25K				0.0115	
				(0.0754)	
PostInhr×inheritance ≥ 50K					0.0232
					(0.0834)
Controls	Yes	Yes	Yes	Yes	Yes
Household FE	Yes	Yes	Yes	Yes	Yes
Bundesland×Year FE	Yes	Yes	Yes	Yes	Yes
Observations	1938	1938	1938	1938	1938

Notes: Robust standard errors in parentheses, *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.

Source: SOEP 2023, own calculations

Robustness Check: Event-Study

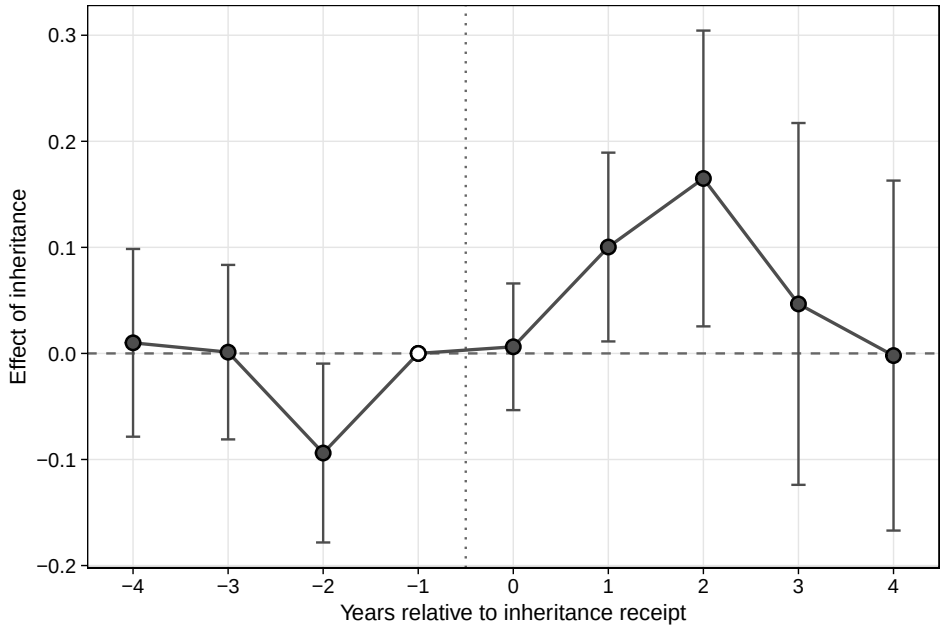

Figure A2: Event-study estimation: Effect of inheritance on saving on the extensive margin. *Source:* SOEP 2023, own calculations.

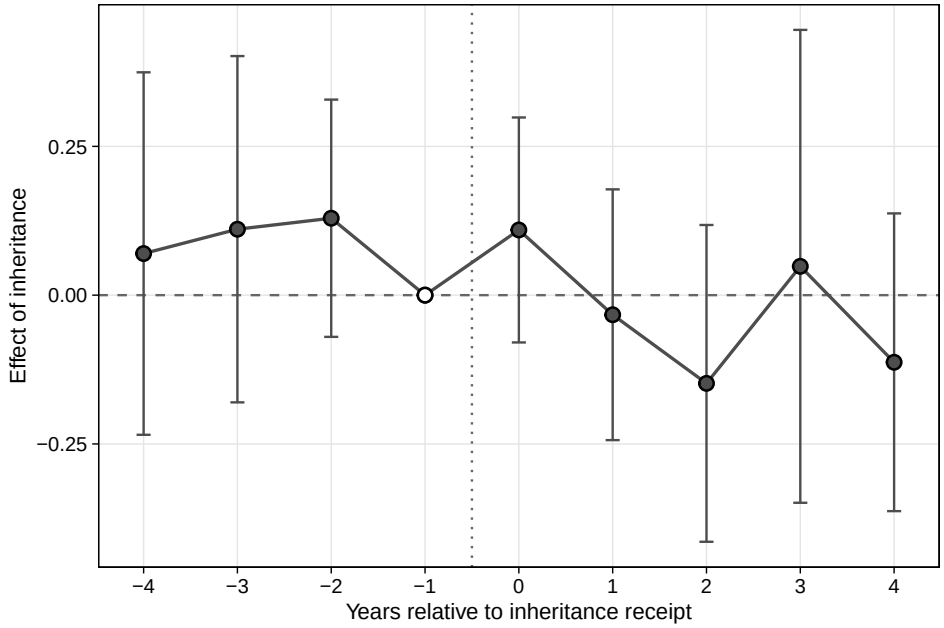

Figure A3: Event-study estimation: Effect of inheritance on saving on the intensive margin. *Source:* SOEP 2023, own calculations.

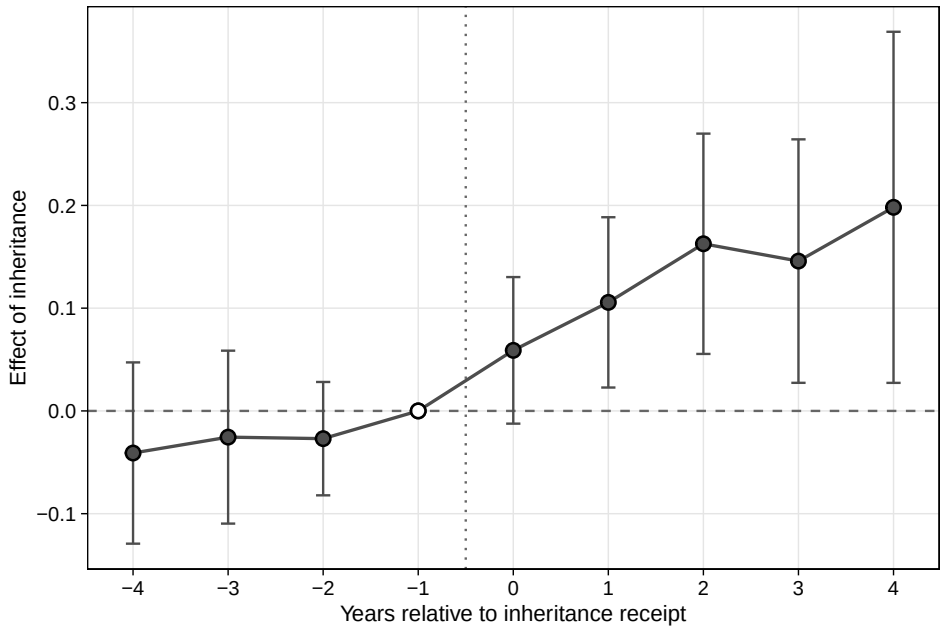

Figure A4: Event-study estimation: Effect of inheritance on owner-occupancy.
Source: SOEP 2023, own calculations.

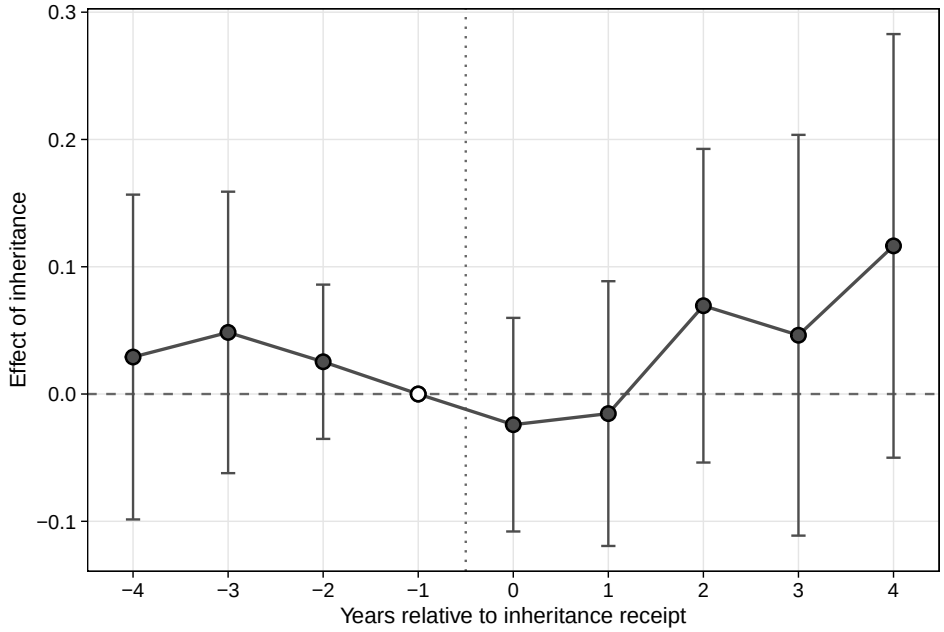

Figure A5: Event-study estimation: Effect of inheritance on mortgage holding (extensive margin).
Source: SOEP 2023, own calculations.

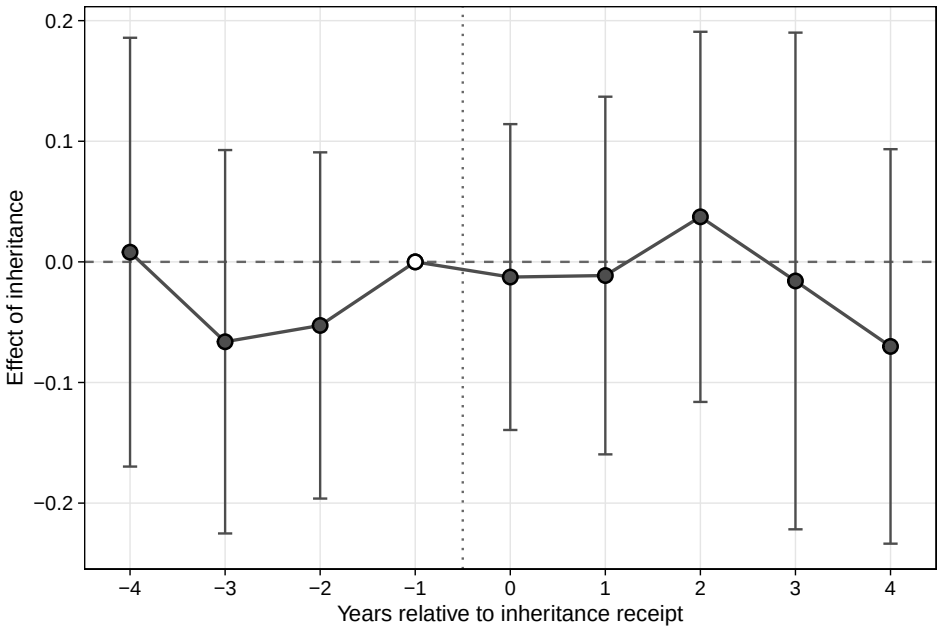

Figure A6: Event-study estimation: Effect of inheritance on mortgage debt (intensive margin). *Source:* SOEP 2023, own calculations.

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B AI–Appendix

The artificial intelligence tools ChatGPT by OpenAI and Claude by Anthropic have been used for writing code in R and LaTeX. Using AI to assist in solving errors with the code made the coding process more efficient and also helped us improve the presentation quality of the figures and tables. We recognize the risks of using such AI-tools and have, therefore, always sought to gain a deep understanding of the output ourselves by verifying against online resources. Using AI to help write code in R and LaTeX significantly improved our understanding and proficiency in coding in both languages.