Do Children Adopt the Saving Behavior of their Parents?

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Abstract

We analyze data on clients of a Swiss retail bank to study how the saving habits of parents shape those of their children. Employing a matched-pairs approach to control for the influence of confounding variables, we show that children of parents with above-median saving rates save significantly more than children of parents with below-median saving rates. Changes in the estimation methodology lead to qualitatively similar results. Furthermore, we show that children of "saver" parents accumulate more wealth and are more likely to improve their position on the economic ladder. Investigating the channels through which saving behavior transmits from one generation to the next, we rule out that financial gifts and bequests drive our results. Instead, our results suggest that parents pass on time preferences and financial literacy to their children.

JEL classification: G50, G51

Keywords: Wealth inequality, Intergenerational wealth mobility, Transmission of saving behavior, Determinants of saving rates

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1. Introduction

Wealth inequality that persists across generations has been documented for many Western countries (e.g., Piketty, 2014, Saez and Zucman, 2016). If children born into poor households find it increasingly difficult to climb up the economic ladder, they may choose to exert only minimal effort or withdraw from the labor market altogether, which could negatively affect economic growth, social cohesion, and political stability.[1] The first step towards designing effective policies to counteract this trend is to understand its root causes. Obvious drivers are direct transfers in the form of inheritances and gifts (e.g., Boserup et al., 2016; Adermon et al., 2018).[2] Moreover, parent-child similarity in investment choices (Barnea et al., 2010, Black et al., 2017), risk and time preferences (Arrondel, 2013, Hubler, 2018), human capital (Adermon et al., 2021), or income (Chetty et al., 2014), may also help explain low wealth mobility to the extent that these characteristics correlate with wealth.

This paper highlights the importance of parent-child similarity in saving behavior as a channel that explains how wealth inequality transmits across generations. Our sample consists of monthly data on 14,716 clients of a Swiss retail bank from June 2013 to June 2021. Using data on family relationships available for some clients, we construct 1,513 parent-child pairs and calculate the net saving rates of parents and children over this eight-year period relative to total income, excluding capital gains. Children (parents) in our sample are on average 25 (54) years old and have a mean saving rate of 7.7% (7.6%). Our main result, which is remarkably robust to changes in the estimation methodology, is that children whose parents save above the median ("savers") on average have 2.3% higher saving rates, compared to children whose parents save below the median ("spenders"). As a consequence, while children of saver and spender parents start with similar financial wealth in June 2013 (CHF 17,553 vs. CHF 16,575), the mean wealth of the former is approximately 23% larger by June 2021 (CHF 56,495 vs. CHF 45,827). Of course, one might expect this gap in wealth accumulation for children at the beginning of their working lives to become even larger over longer time horizons and at later stages of the life cycle. Importantly, children of saver parents do not save more because they earn a higher income, but because they spend less of it. To illustrate this relationship, Figure 1 plots children's saving rate and income by parents' saving rate decile:

[1] Chinese youths have coined the phrases "lying flat" and "let it rot" to express their frustration at perceived low wealth and income mobility, inducing them to drop out of traditional career paths. In the U.S., the "quiet quitting" phenomenon may hint to similar sentiments among young people (The Economist, 2023).

[2] For example, a recent study finds that half of total inherited wealth in Germany is inherited by the top 10% richest households (Baresel et al., 2021).

[Figure 1 about here]

A potential concern is that our main result could be driven by differences in other child or parent characteristics. For example, the experience of growing up in a wealthy household may cause children to save more, rather than parents' saving behavior. These characteristics may also jointly determine children's saving rates in a nonlinear manner.

To address these concerns, we employ a matching approach. In particular, we match each parent-child pair, where the parent saves above the median (treated group) with an otherwise similar parent-child pair, where the parent saves below the median (untreated group) – and vice versa.[3] We then estimate the average treatment effect (ATE), defined as the difference in children's saving rates between all treated parent-child pairs and all untreated parent-child pairs. We obtain a statistically significant ATE of 2.1% (t-value: 3.9) in the matched sample, which differs only slightly from the 2.3% difference in the original, non-matched sample.[4]

We next set out to analyze which channels drive the parent-child similarity in saving rates. First, we find that our results are not due to large financial gifts or inheritances from parents or other relatives. Assuming that these direct transfers represent large, one-time inflows into children's accounts, we check the robustness of our results after excluding months with exceptionally large inflows when computing children's saving rates and find that our results remain qualitatively unchanged.

Second, we analyze if parents and children possess similar levels of financial literacy, since prior literature suggests a link between financial literacy and saving behavior. For example, Lusardi and Mitchell (2011) find that more financially literate Americans are better at implementing retirement saving plans and Brounen et al. (2016) show that Dutch households' propensity to save increases with financial literacy. Hence, saving behavior may propagate across generations through passing on financial literacy. Several studies have also linked financial literacy to portfolio diversification and stock market participation (see, e.g., Lusardi and Mitchell, 2014). As proxies for financial literacy, we therefore use (1) the share of wealth invested in non-cash assets, (2) a dummy for participation in the equity market through direct

[3] We employ $k = 1$ matching with replacement, so a single untreated (treated) pair may be selected as a match for multiple treated (untreated) pairs. We match on child and parent age, gender, wealth, income, equity share and real estate ownership. Because each treated and untreated pair receives a match from the other group, the matched sample has twice the number of observations compared to the initial sample.

[4] Comparing the ATEs in the subsamples of mother-child versus father-child pairs, we find that mothers exert a stronger influence on their children's saving behavior than fathers. Among several robustness tests, we also estimate regressions with child and parent controls (see, e.g., Charles and Hurst, 2003, Black et al., 2020). The results are in line with those obtained using a matching approach.

stock holdings or mutual funds, and (3) a dummy for ownership of a voluntary retirement account that offers several cost and tax advantages (see, e.g., Hoechle et al., 2023 for details on these "pillar 3a" accounts). All three proxy variables point to saver parents and their children being more financially literate, which may correlate with more prudent saving habits.

Third, we investigate the transmission of time preferences, documented by, e.g., Hubler (2018), as a potential driver of similar saving behavior of parents and children. Our clients' average income is higher in November and December when most Swiss employees receive an additional monthly wage payment. Following canonical models of intertemporal consumption smoothing (see, e.g., Attanasio and Weber, 2010), we hypothesize that more patient clients will choose to save a larger share of this predictably higher income. Consistent with saver parents and their children being more patient than their spender peers, we find that they save more of their income in the last two months of the year, controlling for demographics.

We contribute to the literature on intergenerational mobility in economic outcomes and behaviors by showing that parents' saving behavior can significantly affect children's long-term wealth accumulation. We also provide evidence on the transmission mechanism, as our results suggest that financial literacy and time preferences, both of which have been linked to higher saving rates, differ across subsamples of parents with above-median and below-median saving rates, and their children. Our paper lies at the intersection of four streams of literature, which study (1) the drivers of wealth inequality, (2) wealth mobility across generations, (3) the transmission of saving behavior, and (4) the determinants of saving rates, more broadly.

First, previous studies analyze how heterogeneity across wealth brackets with respect to saving rates (e.g., Bach et al., 2018; Fagereng et al., 2019), investment returns (Calvet and Sodini, 2014; Bach et al., 2020; Fagereng et al., 2020), or time preferences (e.g., Epper et al., 2020) drives wealth inequality.

Second, several studies document that children of wealthy parents tend to become wealthy themselves, or, in other words, that there is limited intergenerational wealth mobility (e.g., Charles and Hurst, 2003; Boserup et al., 2018; Black et al., 2020; Fagereng et al., 2021).[5] Connecting these two literatures, we are the first to study and quantify the effect of similarity

[5] Importantly, wealth inequality (i.e.., the shape of the wealth distribution) and intergenerational wealth mobility (i.e., the predictive power of parent wealth for child wealth) are two distinct concepts. High wealth inequality also does not imply low wealth mobility, or vice versa. To illustrate, a laissez-faire capitalist society with an inheritance tax of 100% will exhibit both high wealth inequality and high wealth mobility, as every generation has to build its wealth from zero. In contrast, a society with a generous welfare state but a rigid social class hierarchy will show both low wealth inequality and low wealth mobility.

in saving behavior between parents and children on wealth mobility. Charles and Hurst (2003) attribute the part of the parent-child elasticity in wealth, which remains unexplained after controlling for other factors, to similarity in saving behavior, yet they do not explicitly test whether children adopt their parents' saving behavior.

Third, our data sample and empirical setup offer several advantages over the few existing studies that analyze links in saving behavior across generations or between siblings. Brown and Taylor (2016), for example, use survey data from the U.K. and find no significant intergenerational correlation in the propensity to save. However, children's saving behavior is captured by a dummy variable ("does a child save, yes or no?"). In addition, given an average age of 13.0 for children and 20.2 for young adults in their sample, individuals are arguably too young to draw any meaningful conclusions on their saving behavior. The crude binary measure of children's saving behavior, in combination with a desire to comply with social norms when answering survey questions, may significantly distort children's reported saving behavior. Cronqvist and Siegel (2015) find that Swedish twins exhibit similar saving behavior and that the effect is more pronounced for identical twins than fraternal twins. They attribute this result to the genetic transmission of time preferences and show that savings rates correlate with various indicators of patience and self-control ability. However, Cronqvist and Siegel (2015) do not analyze similarity in children's and parents' saving rates and their approach relies on relatively strong assumptions about similarities in environment and in genetics across fraternal and identical twins. They also measure time preferences using proxy variables that partially reflect social class (i.e., income growth, education, smoking, and obesity). In contrast, we observe income and spending at a monthly frequency, which allows us to measure time preferences as the marginal propensity to consume out of predictably higher income at the end of the year. Black et al. (2020) analyze similarities in economic outcomes and behaviors between Swedish parents and their children. In contrast to Cronqvist and Siegel (2015), Black et al. (2020), also using Swedish administrative data, find that the environment is much more important in transmitting financial behavior across generations than a genetic transmission. However, their analysis is restricted to annual data and *ranks* in financial outcomes, which makes it difficult to interpret the economic significance of their results. After all, a rank-rank analysis might yield a statistically significant result, even when the impact of parents' saving rates on those of their children is negligible. In contrast, we are able to clearly quantify the economic significance of parent-child similarity in saving behavior. Moreover, we apply a matching approach, that allows us to control for the linear and nonlinear influence of confounding variables on children's saving rates. The empirical settings of Cronqvist and Siegel

(2015), Black et al. (2020), and our own study should, thus, be seen as complements rather than substitutes.

Fourth, we contribute to the strand of research that examines determinants of saving behavior other than wealth, such as income (e.g., Dynan et al., 2004), language (e.g., Chen, 2013; Guin, 2016), financial literacy (e.g., Lusardi and Mitchell, 2011; Brounen et al., 2016), or housing choice (Bernstein and Koudijs, 2021) by showing that parents' saving behavior has an economically important impact on the saving behavior of their children.

2. Data and variable construction

2.1. Sample selection

Our data is provided by a large Swiss retail bank ("the bank"). The bank offers a broad range of services, including checking and saving accounts, mortgages, private and business loans, investment accounts, retirement funds, and other mutual funds. The bank has a strong local presence in its home market and seeks to establish long-lasting banking relationships with its clients. Our dataset covers the time period from June 2013 to June 2021 and contains a rich set of client characteristics and monthly position-level information on account balances and holdings in financial assets. Our sample was obtained in two steps: First, a sample was randomly drawn from the population of the bank's customers with bank wealth above CHF 75,000 at one point in time during our sample period, but never exceeding CHF 10 Mio. In a second step, the bank additionally provided data on all clients that are family members of or otherwise related to the randomly sampled clients selected in the first step.

Our data contains an indicator variable equal to one for clients who, according to the bank's expert opinion, are unlikely to have another important banking relationship. In our paper, we focus on these clients, for whom we are able to accurately measure financial wealth. We then construct a balanced panel of clients who remain in the sample for the full eight-year sample period from June 2013 to June 2021. Section 4.3 features a robustness test, where we alternatively use an unbalanced panel and show that results remain qualitatively unchanged.

We also employ several sample screens. First, we drop clients with missing year of birth or gender. As our goal is to study clients' pre-retirement saving behavior, we exclude clients explicitly flagged as retired and clients above age 64 at the end of the sample period, where 64 (65) years is the current retirement age for women (men) in Switzerland. We also exclude clients below age 24 at the end of the sample period. In addition, we exclude clients who live outside of Switzerland at some point, as these clients likely have another banking relationship with a foreign bank. We further restrict the sample to realistic levels of income and consumption, given the costs of living in Switzerland, and impose a minimum threshold for average bank wealth to filter out clients who hold most of their wealth at another bank, while using their account at our bank to make payments. In particular, we drop clients with average bank wealth below CHF 5,000 or average monthly income or expenditures below CHF 1,000. Finally, we drop clients that become homeowners, sell their primary home, or take out a mortgage, as we do not observe the value of real assets and may thus misinterpret the purchase (sale) of a house as a large positive (negative) saving event.

To mitigate the impact of outliers, we drop clients with saving amounts or saving rates (see definitions in the next paragraph) above the 99th percentile or below the 1st percentile, resulting in a final sample of 14,716 clients. For a subset of these clients, our data contains information on parent-child relationships, which is collected by the bank for cross-selling purposes. Using this information, we identify 1,377 children of 1,223 parents, which together form 1,513 unique parent-child pairs.[6]

2.2. Variable construction

Our main analysis relates children's saving behavior to the saving behavior of their parents. We focus on children's and parents' net savings without capital gains, defined as the monthly change in cash holdings plus net new money in financial investments.[7] When a client sells (buys) a position, this registers as negative (positive) net new money at last month's end-of-month closing price and exchange rate, allowing us to exclude capital gains on bank wealth.[8] We impute monthly expenditures as the residual from clients' budget constraints, where expenditures have to be equal to income minus net savings (see, e.g., Black et al., 2020). As monthly savings can be quite volatile (e.g., due to large purchases of durable goods or a major tax payment), we calculate the *net saving rate* as net savings divided by income, both averaged over the full eight-year sample period.[9]

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[6] Since the unit of observation is a parent-child pair, parents with more than one child will show up more than once and children for whom we observe both parents will show up twice. Other recent studies that analyze parent-child pairs are, e.g., Boar (2021) and Knüpfer et al. (2023).

[7] Our definition of net savings is similar to Fagereng et al. (2019), who decompose gross savings (i.e., total change in wealth) into net savings (i.e., change in wealth, assuming constant asset prices) and capital gains. Black et al. (2020) also deduct returns on financial assets from their saving measure. In contrast, Cronqvist and Siegel (2015) exclude changes in the value of the primary residence, but include all other forms of capital gains.

[8] As clients typically do not trade at month-end, transaction prices may differ from the previous month's closing prices, and actual capital gains (or losses) may differ from monthly net new money in our data. However, given the short time frame, we expect these deviations to be relatively small.

[9] Averaging over longer periods of time should generally result in a more accurate measure of individuals' innate saving behavior. For comparison, Cronqvist and Siegel (2015) calculate saving rates over four years and Black et al. (2020) calculate saving rates over six years.

To analyze the influence of parents' saving behavior in a treatment effects framework, we construct a binary variable $parent\ saves > median$ that equals one (zero) for "saver" ("spender") parents who save above (below) the gender-specific median. We rank parents by their net saving rates against parents of the same gender, because the average saving rate of mothers (10.1%) is substantially higher than the average saving rate of fathers (5.6%). Figure A1 in the Appendix also shows that there are large differences in the life-cycle profiles of income and wealth between men and women in our sample. Nevertheless, we test the robustness of our results to using an unconditional ranking in Section 4.2. In addition, Section 4.1 analyzes the impact of choosing the 75th percentile rather than the median as the cutoff to define "savers" and "spenders".

We measure bank wealth as the sum of all cash (i.e., checking accounts, saving accounts, and money market funds) and financial investments (i.e., direct security holdings and fund shares) a client holds at the bank in a given month, including assets held in voluntary retirement accounts. We deduct account overdrafts, but do not net out mortgages and loans. We measure monthly income as the aggregate cash inflows into clients' accounts (i.e., labor earnings net of social security payments plus transfer payments). As clients in our sample generally have no other important banking relationship, we expect this variable to capture total income accurately. While our data contains information on tax payments that we could use to compute *disposable* income, we refrain from doing so, because (1) this information is missing for some clients and (2) the timing of tax payments may differ from one client to another, resulting in mismeasurement of annual disposable income. For example, if one client pays her taxes already in December, while another client pays her taxes in January, last year's disposable income will differ between these clients, even if total income is identical. Table A1 in the Appendix provides definitions of all variables used in the empirical analysis

2.3. Summary statistics

Table 1 reports time-series average characteristics of children and parents. The average net saving rate is 7.7% for children and 7.6% for parents.[10] The gender ratio of children is fairly balanced, but our sample contains slightly more fathers than mothers. In particular, there are

[10] Note that the average saving rate is not equal to average savings divided by average income. Black et al. (2020) report an average net saving rate of 6% (7%) for own-birth (adoptive) children and 11.5% (5%) for biological (adoptive) parents in Sweden. Cronqvist and Siegel (2015) report a much higher average net saving rate of 23% (25%) for Swedish identical (fraternal) twins, possibly because they include capital gains on assets other than the primary home. Fagereng et al. (2019) find that the median net saving rate is close to zero for Norwegian households in the bottom wealth quartile (except those at the very bottom), but then stays approximately constant around 6-8% when moving up the wealth distribution. For U.S. families, Hurst et al. (1998), report an average net ("active") saving rate of 6.9%.

352 mother-daughter, 346 mother-son, 389 father-daughter, and 426 father-son pairs. Children (parents) are on average 25 (54) years old, have total bank wealth of CHF 31,637 (CHF 103,013), thereof 2.4% (7.6%) invested in non-cash assets, and 1.5% (4.0%) invested in equities. On average, 8% (22%) of children (parents) participate in the equity market, 22% (52%) own a voluntary retirement account, and 6% (54%) are homeowners. Over the eight-year sample period, children (parents) earn an average annual income of CHF 57,727 (CHF 109,427), of which they save CHF 4,223 (CHF 6,994) per year. The last column of Table 1 shows pairwise correlations between child and parent characteristics. While wealth is strongly positively correlated (ρ = 0.21), we only find a weak correlation for income (ρ = 0.03). Most importantly, there is also a positive correlation in saving rates (ρ = 0.11) across generations.

[Table 1 about here]

3. Matched-pairs analysis

3.1. Empirical strategy

Our main analysis is based on a matched-pairs approach. In this analysis, we define parent-child pairs, where the parents save above the median ("savers"), as the treatment group ($D_i = 1$) and parent-child pairs where the parents save below the median ("spenders") as the control group ($D_i = 0$). Because we calculate saving rate ranks separately for mothers and fathers, there are as many "saver" mothers (fathers) as there are "spender" mothers (fathers). Note, however, that this does not imply an equal number of treated and untreated parent-child observations, as the number of children we observe for each parent may differ. Overall, out of 1,513 parent-child pairs, 777 are treated and 736 are untreated.

We then estimate the average treatment effect (ATE) on children's saving rates (outcome variable Y_i) in a matched sample, accounting for differences in child or parent characteristics between both groups. The ATE, ATT, and ATU then correspond to:

$$\begin{aligned} ATE &= \mathrm{E}[Y_{1i} - Y_{0i}] \\ ATT &= \mathrm{E}[Y_{1i} - Y_{0i} \mid D_i = 1] \\ ATU &= \mathrm{E}[Y_{1i} - Y_{0i} \mid D_i = 0], \end{aligned} \tag{1}$$

where ATE is the average treatment effect and ATT and ATU denote the average treatment effects on the treated and untreated, respectively, and counterfactuals ($Y_{0i} \mid D_i = 1$ and $Y_{1i} \mid D_i = 0$) have to be estimated through matching (see, e.g., Angrist, 2010).

If characteristics such as parents' wealth or income are correlated with both children's saving rates (outcome variable Y_i) and parents' saving rates (which determine treatment status D_i), we might obtain biased results for the effect of parents' saving behavior on that of their children. For instance, assuming wealthier parents save more, parents' high economic status may cause higher saving rates of their children, rather than parents' saving behavior per se. To address this issue, we could alternatively also regress children's saving rates on parents' saving rates and add these characteristics as control variables. However, standard regressions do not allow us to control for non-linear effects of covariates on the outcome variable. By matching each parent-child pair with an otherwise comparable parent-child pair *that differs only with respect to its treatment status* D_i, we can relax the identifying assumption, since now the effect of covariates on the outcome variable does not need to be linear.

After assigning parent-child pairs to either the treatment or the control group, we match each treated pair with an untreated pair and vice versa. We use $k = 1$ matching with replacement, that is, we allow for a single untreated (treated) observation to be selected as a match for multiple treated (untreated) observations. Our matched sample therefore consists of twice the number of observations included in the original sample. The average treatment effect (ATE) then corresponds to the difference in children's saving rates between all 1,513 treated parent-child pairs (777 pairs in the original sample plus 736 matches for the untreated group) and all 1,513 untreated parent-child pairs (736 pairs in the original sample plus 777 matches for the treated group).

We use exact matching on parent gender. For all other covariates, we employ nearest-neighbor matching, using the Mahalanobis distance as the distance measure. We match on the gender of the child, as well as the age, income, bank wealth, equity share and real estate ownership of children and parents, which existing literature has shown to influence saving behavior.[11] We measure wealth, equity share, and real estate ownership at the beginning of the sample period in June 2013 to avoid reverse causality.

[11] Canonical life-cycle models of consumption and saving (see, e.g., Attanasio and Weber, 2010) suggest that age is an important determinant of saving rates. Dynan et al. (2004) find a strong positive relationship between saving rates and lifetime income. Fagereng et al. (2019) find active saving rates to be fairly constant across the wealth distribution. In contrast, Bach et al. (2018) show a negative relationship between wealth and saving rates, which they compute as active savings scaled by wealth. Finally, Cronqvist and Siegel (2015) include age, gender, the natural logarithm of income, and the equity share as regressors when computing adjusted saving rates. We additionally match on real estate ownership, as Bernstein and Koudijs (2021) document a positive effect of mortgage amortization on total wealth accumulation.

3.2. Descriptive statistics on the matched sample

Table 2 shows child and parent characteristics for the treated ("savers") group and the untreated ("spenders") group, both before (Panel A) and after matching (Panel B).

Before matching, there are no striking differences between the treated group and the untreated group in terms of child and parent age and gender composition. Parents (children) are approximately 50 (21) years old at the beginning of the sample period. Children's income, wealth, and real estate ownership rate is very similar in both groups. On the other hand, spender parents earn a 11% higher average income, have 6% lower bank wealth and are 15% less likely to own real estate. The share of total assets invested in equities is 0.8% higher for saver parents and 0.4% higher for their children. Most importantly, children of saver parents save 8.8% of their income, whereas children of spender parents only save 6.5%, amounting to a statistically significant (t-value: 4.6) difference of 2.3%.

After matching, parents' income remains the only covariate with a statistically significant difference between the treated and untreated group (t-value: -2.5). Compared to the original sample, the differences in covariates generally become smaller. The only exception is children's annual income, where the difference increases slightly from basically zero (CHF 3) before matching to 0.8% (CHF 450) after matching.

[Table 2 about here]

3.3. Main results

The results are reported in Table 3. Column (1) of Panel A reports the average treatment effect (ATE), that is, the difference in saving rates between children of saver parents and children of spender parents in the matched sample of 2.1%, which is close to the 2.3% from a simple comparison of means in the original sample. The coefficient is statistically significant at the 1% level (t-value of 3.9). Panel B of the same table reports a statistically significant, but slightly smaller average treatment effect on the treated (ATT) equal to 1.8% (t-value of 3.1).

Compared to the mean (7.7%) or median (5.2%) saving rate of children in our sample, a 2.1% difference in saving rates is also economically highly significant. Moreover, the difference refers to *net* saving rates, before considering any investment income or capital gains that children might earn on invested wealth. Assuming that a child earns the median income of CHF 54,760 per year (see Table 1), an increase in the saving rate of 2.1% implies additional savings of CHF 1,150 per year. If this money is saved at the end of each year and then fully invested at a reasonable annual rate of return of 5%, the child would accrue approximately CHF 11,000 in additional financial wealth over an eight-year period.

Since we use exact matching on parent gender, the ATE in the parent-child sample corresponds to the average ATEs in the mother-child and father-child subsamples, weighted by the number of observations. Separate results for the mother-child and father-child subsamples are shown in Columns (2) and (3).

We find that the ATE is larger and more statistically significant in the matched mother-child subsample (2.7% with a t-value of 3.5), compared to the matched father-child subsample (1.6% with a t-value of 2.1). In other words, having a "saver" mother more strongly affects saving rates of children than having a "saver" father. One possible explanation for the larger coefficient for mothers is that traditional family roles promote closer relationships between mothers and children. Mothers may then also be more important role models for saving behavior. This result is also in line with a recent study by Knüpfer et al. (2023), who find a stronger influence of mother-child interactions on children's investment decisions, compared to father-child interactions.

[Table 3 about here]

4. Robustness tests

4.1. Different saving rate cutoff

We first test the robustness of our results to choosing a different saving rate cutoff to define "saver" parents. We use the gender-specific median as our baseline specification, because it yields approximately the same number of observations in the treatment and control groups. Now, we instead define "savers" as all parents with saving rates above the 75th percentile of the gender-specific saving rate distribution, resulting in 397 treated and 1,116 untreated parent-child pairs. We then apply the same matching procedure as described in the previous section and calculate the ATE in a matched sample for all parent-child pairs as well as for the mother-child and father-child subsamples.

Table A2 Panel A in the Appendix shows the results. The ATE in the parent-child sample of 2.2% (t-value: 3.2) in Column (1) is very similar to the 2.1% ATE (t-value: 3.9) in the baseline specification. Looking at Columns (2) and (3), the ATE increases in the mother-child subsample (2.9% with a t-value of 2.8) and decreases in the father-child subsample (1.5% with a t-value of 1.7), compared to our baseline results.

In Panel B of the same table, we employ the same 75th percentile cutoff, but further exclude parent-child observations where the parent ranks between the 25th and 75th saving rate percentile. Interestingly, this leads to a drastic increase in the magnitude and statistical significance compared to the outcomes reported in Panel A.

Taken together, we conclude that our baseline result for the ATE in the full sample remains qualitatively unchanged when choosing the 75th percentile rather than the median as the cutoff for the saving rate. However, this change results in a larger difference between mothers and fathers with regards to the influence they exert on the saving behavior of their children.

4.2. Unconditional ranking of parents

Second, we address concerns that our main results depend on the gender-specific ranking approach used to determine "saver" and "spender" parents. Now, we instead simply rank all parents, irrespective of their gender, by their saving rates and define a $parent\ saves > median$ dummy variable using the unconditional (i.e., not gender-specific) median as the cutoff to define "savers" and "spenders". We then again employ the same matching procedure outlined in Section 3.1 and estimate the ATE.

We report the results in Panel C of Table A2 in the Appendix. Compared to our baseline results, all three estimates increase magnitude when using an unconditional ranking. In particular, we now obtain an overall ATE of 2.3% (t-value: 4.2) in Column (1) and ATEs of 2.9% (t-value: 3.7) and 1.7% (t-value: 2.3) for mothers and fathers in Columns (2) and (3), respectively. Overall, these outcomes confirm the robustness of our baseline results to using an unconditional ranking approach.

4.3. Unbalanced panel of clients

Third, we examine whether our results are affected by the use of a balanced panel of clients. Restricting the sample to clients who remain in the sample over the entire eight-year period may lead to selection bias if these particularly loyal customers differ in their savings behavior from the general population. For example, more conservative clients may exhibit both a lower willingness to switch their main banking relationship and more prudent spending habits, resulting in a higher saving rate. To address such concerns, we alternatively construct an unbalanced panel of clients who remain in the sample for at least one year and calculate their annualized income and saving rates over the corresponding period. Additional matching variables are measured as of the first month of each parent-child pair. We then use the same matching approach as described in Section 3.1 and estimate the ATE.

Results are reported in Panel D of Table A2 in the Appendix. Using an unbalanced panel of clients only yields a slightly higher number of parent-child pairs (1,645 versus 1,513), as the vast majority of clients in our dataset stay with the bank for the entire period. The ATE of 2.2% (t-value: 4.2) in Column (1) is slightly higher than the 2.1% baseline ATE (t-value: 3.9) reported in Table 3. Columns (2) and (3) show that the mother-child and father-child subsample ATEs of 2.7% (t-value: 3.6) and 1.8% (t-value: 2.5) are also quite similar to the baseline results. We therefore conclude that our main results are not caused by selection bias due to the use of a balanced panel.

4.4. Regressions with child- and parent-level controls

Another concern may be that our finding of a strong influence of parents' saving behavior on that of their children depends on the applied matching approach. To test the robustness of our results with respect to the choice of estimation methodology, we next abstain from any matching and estimate the following regressions with child- and parent-level controls:

$$saving\ rate_c = \alpha + \beta \times parent\ saves > median + \boldsymbol{\gamma} \times \boldsymbol{X_c} + \boldsymbol{\delta} \times \boldsymbol{X_p} + \varepsilon, \qquad (2)$$

where c denotes children, p denotes parents, and $\boldsymbol{X_c}$ and $\boldsymbol{X_p}$ are vectors of child and parent characteristics, respectively. As child- and parent-level controls, we include age, age squared, a dummy for female clients, the natural logarithms of wealth and income, the share of assets invested in equities, and a dummy for real estate ownership. Standard errors are clustered at the child level.[12]

Results are presented in Table A3 in the appendix. Column (1) shows the coefficient from a univariate regression of children's saving rates on the $parent\ saves > median$ dummy variable without additional explanatory variables. The coefficient is identical to the 2.3% difference in saving rates of saver and spender children reported in Table 2 and highly statistically significant (t-value: 4.7). In Column (2), we add child- and parent-level controls, resulting in a small reduction of the coefficient to 2.1% (t-value: 4.3). Comparing this result to Column (1) of Table 3, we find that this estimate is very similar to the 2.1% ATE obtained using a matched-pairs methodology. In Column (3), we include an additional interaction term $\theta \times parent\ saves > median \times mother$ on the right-hand side of Equation (2), so that $\hat{\beta}$ measures the effect for fathers and $(\hat{\beta} + \hat{\theta})$ measures the effect for mothers. The coefficient for

[12] Using a similar setup, Charles and Hurst (2003) estimate the elasticity of child wealth with respect to parent wealth, controlling for child and parent age, income, education, and portfolio composition. Black et al. (2020) regress the within-cohort wealth rank of children on that of their parents and add controls for child gender, parent location, and child and parent year of birth.

fathers of 1.6% (t-value: 2.4) is very close to the 1.6% ATE presented in Column (3) of Table 3. While the implied coefficient size for mothers of 2.8% is in line with the 2.7% ATE presented in Column (2) of Table 3, the interaction term is not significant (t-value: 1.2).

So far, our results quantify the average difference in savings rates between two groups, namely between children with "saver" parents and children with "spender" parents. However, our finding that parents shape the saving behavior of their children is not limited to the comparison of two subsamples.

Columns (4) to (6) report the outcomes for regressions of children's saving rates on parents' saving rates and additional controls. The setup is as follows:

$$saving\ rate_c = \alpha + \beta \times saving\ rate_p + \boldsymbol{\gamma} \times \boldsymbol{X_c} + \boldsymbol{\delta} \times \boldsymbol{X_p} + \varepsilon, \tag{3}$$

Column (5) shows that, controlling for various child and parent characteristics, if parents save 1% more of their income, children's saving rates increase by 0.1%, on average. The coefficient is also highly statistically significant (t-value: 4.2). The interaction term in Column (6) is positive, suggesting a larger influence of mothers, but statistically insignificant (t-value: 0.3).

5. Implications for wealth mobility

We now examine the implications of our results for wealth mobility, i.e., the probability that children move up or down the economic ladder, relative to their starting position. Table 4 shows wealth quintile transition matrices for children of saver (Panel A) and spender parents (Panel B). To construct these matrices, we rank children by their total bank wealth twice, once at the beginning of our sample period in June 2013 and a second time at the end of our sample period in June 2021, and sort them into quintiles. Columns (1) to (5) report, for each starting wealth quintile, the percentage share of children who end up in final wealth quintiles 1 to 5.[13]

Unsurprisingly, we find that the starting wealth quintile strongly predicts the final wealth quintile, i.e., there is substantial persistence in the wealth ranking. For example, the probability that children who start out in the top wealth quintile also remain at the top is 53.1% (44.1%) for children of saver (spender) parents. At the other end of the wealth range, children of saver (spender) parents who start out in the bottom wealth quintile only have a 5.7% (4.5%) to make it all the way to the top wealth quintile.

[13] Hurst et al. (1998) conduct a similar analysis when investigating the wealth decile transition probabilities for U.S. families over a ten-year period from 1984 to 1994.

More importantly, a comparison of Panels A and B shows that children of saver parents generally have a higher (lower) probability of moving up (down) the economic ladder than children of spender parents. When we compute the aggregate mean quintile-to-quintile changes for both groups in the last row of the last column, we find that, on average, saver children manage to improve their quintile position by 0.9, while spender children move down by -0.8 quintiles.

[Table 4 about here]

Another way of showing the impact of parents' saving behavior on children's wealth mobility is to compute the average change in bank wealth for saver and spender children.[14] Table 5 reports the mean and median bank wealth for children of parents with above- and below-median saving rates, both at the beginning of the sample period in June 2013 and at the end of the sample period in June 2021. The table shows that there are economically meaningful differences in wealth accumulation. In June 2013, the average wealth of saver children (CHF 17,553) and spender children (CHF 16,575) is very similar (t-value: 0.9). However, at the end of the eight-year sample period in June 2021, saver children end up with CHF 56,494 in total bank wealth, compared to the CHF 45,826 accumulated by spender children, corresponding to a statistically significant difference of 23% (t-value: 3.9).

Importantly, this result is not due to saver children earning a higher income than their less economical peers. Table 2 shows that the average annual income for both groups is virtually identical at approximately CHF 57,730. Therefore, it is the more frugal consumption behavior that leads to higher saving amounts for saver children.

Since the wealth distribution tends to be highly skewed, we also examine the median wealth of children and perform a simple equality-of-median test. We find that, in June 2013, the median wealth of saver children (CHF 9,776) and spender children (CHF 9,344) is quite similar (χ^2-value: 0.19). However, in June 2021, the difference between the median wealth of saver children (CHF 40,675) and spender children (CHF 28,140) amounts to 45% (χ^2-value: 25.2).

Overall, this section shows that the influence of parents on their children's saving and consumption behavior has important implications for wealth mobility. Upward (downward) mobility is significantly higher (lower) for children of saver parents, even though they start out in a very similar wealth position to children of spender parents.

[14] The total change in bank wealth is equal to net savings plus capital gains. However, for children in our sample, the average contribution of capital gains is very small (~ 1.2%), as they hold most of their wealth in cash.

[Table 5 about here]

6. Through which channels does saving behavior transmit across generations?

6.1. Financial gifts and bequests

We next set out to explore the potential channels driving our main results. The first, rather straightforward, channel we analyze are direct financial transfers and bequests from parents and other relatives.[15] Recent studies suggest an important role of bequests for total wealth accumulation. For example, Boserup et al. (2016) show that the average three-year wealth change for Danish individuals whose last living parent died exceeds the average wealth change of a control group with exactly one living parent by 36%. Adermon et al. (2018) document a vital role of inheritances and gifts in Sweden, by showing that this channel accounts for approximately half of the rank correlation in wealth measured over up to four generations.

It is not unreasonable to assume that the chance of receiving a large bequest (e.g., from children's grandparents, or, if we observe only one parent, from his or her deceased partner) is higher for saver parents than for spender parents. If children then also receive part of the inheritance (e.g., because they are listed as beneficiaries in the will), this could explain the difference in saving rates of savers and spenders.

Our empirical strategy relies on the assumption that these direct transfers of funds are (1) infrequent and (2) exceptionally large compared to the average monthly cash inflow into children's accounts. For each child, we identify the n months with the largest inflows and exclude these months when calculating children's income and saving amount, resulting in a hypothetical "censored" saving rate for children. We then employ the same matching approach used to derive our main results and estimate the ATE on children's censored saving rate as the outcome variable. Since we do not exclude top-inflow months for the parents, the identity of "savers" and "spenders" remains unchanged compared to our baseline analysis.

Table A4 in the Appendix presents the results after excluding the $n = [1, 3, 5]$ months with the largest cash inflows. As before, we report the ATE in the parent-child sample and the ATEs in the mother-child and father-child subsamples.

The ATE and its statistical significance increases with the number of high-inflow months we exclude. After excluding the single highest-inflow month, the ATE of 2.2% (t-value: 3.7) in the

[15] We can rule out parental bequests if we observe both parents and know that both are still alive. However, the majority of children in our sample for whom we observe only one parent could inherit funds after the death of a parent who maintains his or her main banking relationship at another bank. In addition, children could receive bequests from their grandparents or other relatives.

parent-child sample is very similar to our baseline results. The ATE increases to 2.6% (t-value: 4.2) when excluding three and 3.0% (t-value: 4.5) when excluding five months. A similar monotonic increase can be observed for the ATEs estimated in the mother-child and father-child subsamples.

Our results suggest that large direct transfers account for a larger share of the total savings of *spender* children, so the ATE increases after excluding high-inflow months. Based on this outcome, we conclude that financial gifts and bequests do not drive our main results. On the contrary, our main results become *more* significant when we exclude months in which such transfers might have taken place.

6.2. Financial literacy

Financial literacy is another channel that might contribute to the transmission of saving behavior from one generation to the next. Specifically, parents can pass on their knowledge of financial issues to their children. Educational outcomes, numerical ability and the intellectual capacity for long-term financial planning may also be correlated across generations. For example, Adermon et al. (2021) document a high degree of persistence in human capital outcomes (GPA and years of schooling) across multiple generations for Swedish individuals.

Prior literature points to a positive correlation between financial literacy and long-term saving behavior. For example, Lusardi and Mitchell (2011) find that greater financial knowledge improves the ability of US citizens over the age of 50 to design and execute a retirement savings plan and Brounen et al. (2016) document a positive relationship between the propensity to save and common indicators of financial literacy in a sample of Dutch households. Hence, if saver parents and their children are more financially literate, this could explain the observed inheritance of higher saving rates.

We use several proxies for financial literacy. The first two measures we use are the proportion of financial wealth invested in non-cash assets and a dummy for equity market participation (either through direct holdings of shares or equity funds), which have been shown to correlate with financial literacy (e.g., van Rooij et al., 2011, Lusardi and Mitchell, 2014, von Gaudecker, 2015). As a third measure of financial literacy, we use a dummy for ownership of voluntary retirement accounts (“pillar 3a”) offered in Switzerland, as the typical client who does not invest in these products is leaving money on the table.[16] We use the time-series averages for all three measures of financial literacy.

In Table 6, we report all three proxies for financial literacy for parents and their children. The table shows that saver parents and their children fare better than their spender peers. Saver parents invest a larger share of their financial wealth in non-cash assets (8.8% vs. 6.3%), participate more often in the stock market (24% vs. 19%), and are far more likely to own a voluntary retirement account (61% vs. 43%) than spender parents, suggesting that they possess better financial knowledge. As for their children, they, too, invest slightly more of their financial wealth in non-cash assets (2.6% vs. 2.1%), have a higher chance to own equities (9% vs. 6%) and more often own a pillar 3a account (23% vs. 20%) than the children of spender parents. However, for children, only the difference in equity market participation is statistically significant at a 1% level.

[Table 6 about here]

Figure 2 shows a detailed breakdown of the non-cash financial wealth held by saver and spender parents and their children. Within the non-cash component, there do not appear to be any substantial differences in the asset allocation between the two groups that would indicate differences in risk aversion.

To summarize, our results suggest that saver parents and their children are more financially savvy, which could translate into more forward-looking financial planning and higher saving rates.

[Figure 2 about here]

6.3. Time preferences

A large literature on consumption and saving behavior suggests that time preferences, usually measured by a subjective discount factor, determine how people save in order to achieve their optimal consumption path. For instance, Epper et al. (2020) measure time preferences directly through an incentivized online experiment and find that more patient individuals rank higher in the wealth distribution, controlling for various socioeconomic characteristics. Although they do not explicitly test this, they argue that saving behavior might drive this association. Using a sample of German twins, Hubler (2018) shows that self-reported patience is more similar for

[16] Tax-privileged pillar 3a retirement savings accounts (cash only) and fund accounts (usually mixed bond / equity funds) are offered by banks and insurance companies. Clients can pay in a certain maximum amount each year (for employees in 2023, this amount was CHF 7,056). For more information on the Swiss pension system and the various cost and tax savings associated with pillar 3a retirement accounts, see Hoechle et al. (2023).

identical twins, compared to fraternal twins, suggesting that time preferences are influenced by genetic predispositions inherited from parents. Taken together, these findings point to intergenerational similarity in time preferences as a potential channel driving our results.[17]

Our data does not contain a direct measure of patience (see, e.g., Cohen et al., 2020 for a discussion of alternative time preference measures). However, we can infer time preferences from clients' observed marginal propensity to spend out of temporarily higher income. Theory suggests that patient clients will smooth consumption more than impatient (or present-biased) clients, who will instead spend most of their income as soon as they receive it. In contrast to prior studies that use annual administrative data, our data sample contains income and saving amounts at a monthly frequency. This unique feature of our data allows us to analyze seasonality in saving behavior.

Figure 3 plots the median income and saving amount for children and parents by calendar month. The difference between the solid and dashed lines represents monthly expenditures. Median income remains relatively constant from January to October but increases markedly in the last two months of the year. This pattern can be explained by the fact that most employees in Switzerland receive a 13th wage payment, which is usually paid in November or December.[18] The amount paid is known in advance, so we expect clients to anticipate the predictably higher income and to smooth consumption over the year. Consistent with this prediction, we find that median savings of parents and children jump up in November and then drop back to a normal level in December, possibly due to annual payment obligations at the turn of the year. The pattern looks similar when we plot the mean instead of the median.

[Figure 3 about here]

We exploit this intra-year seasonality to examine the role of time preferences as a potential driver of intergenerational similarity in saving behavior. Our empirical setup is similar to Ganong and Noel (2019), who analyze U.S. unemployment insurance recipients to find a sharp decline in spending after the predicable exhaustion of these benefits, suggesting a strong present bias. Kueng (2018) also documents excess sensitivity of consumption to a predetermined dividend paid out by a state investment fund to all citizens of Alaska.

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[17] Cronqvist and Siegel (2015) also attribute similar saving behavior among Swedish twins to genetic variation in time preferences. However, they test this using a set of proxy variables (i.e., log income growth, years of education, number of cigarettes smoked per day, and the body mass index) that may rather reflect the social class of individuals than time preferences.

[18] Sometimes half of the amount is already paid in June, which explains the slightly higher income in this month. According to the Swiss Federal Statistical Office, the 13th (and in some cases the 14th to nth) wage payment in 2020 accounted for 6.2% of the total wages of employees in the private or public sector (www.bfs.admin.ch).

Similarly, we expect saver (spender) parents and their children to be more (less) patient and, therefore, to discount future consumption less (more) than their spender (saver) peers, resulting in weaker (stronger) income-expenditure co-movement. To test this hypothesis, we take the sum of expenditures in November and December for each client in each year, repeat this process for income, and then estimate the following fixed-effects panel regression separately for parents and children and for savers and spenders:

$$expenditures_{i,t}^{Nov-Dec} = \alpha + \beta \times income_{i,t}^{Nov-Dec} + \boldsymbol{\gamma} * \boldsymbol{X}_i + \pi_i + \varepsilon \ , \tag{4}$$

where i denotes clients, $t \in T = [2013, \dots 2020]$ denotes the year, π_i are client fixed effects, and $\boldsymbol{X}_i$ is a vector of controls, namely age, age squared, and the natural logarithm of bank wealth at the end of October of year t. Standard errors are clustered at the client level. If the coefficient $\hat{\beta}$ is smaller than one, this suggests that clients seek to smooth consumption and thus save part of their income. On the other hand, if $\hat{\beta}$ is close to one, this suggests present-biased behavior, where clients spend most of their income as soon as they receive it.

Table 7 Panel A (B) presents the results for children (parents). Coefficient estimates in Columns (2) and (4) are lower for saver parents (0.17 vs. 0.60) and their children (0.38 vs. 0.52) compared to their spender peers. Results in Columns (1) and (3) show that this finding also holds when we do not add clients' age and wealth as controls. In all specifications, we control for gender and (time-invariant) unobserved heterogeneity through the inclusion of client fixed effects. Overall, the results are consistent with saver parents and their children displaying more concern for consumption smoothing.

Based on these outcomes, we conclude that similar time preferences of parents and their children, either through shared genetics or children's upbringing, might play an important role for the transmission of saving behavior across generations.

[Table 7 about here]

7. Conclusion

In this paper, we shed light on the persistence of wealth inequality across generations, by being the first to analyze in detail how the saving habits of parents shape those of their children. Our sample consists of monthly position-level data for clients of a large Swiss retail bank. We find that children of parents with above-median saving rates ("savers") save 2.3% more of their income, compared to children of parents with below-median saving rates ("spenders"). Using a matched-pairs approach to control for the influence of confounding variables (such as age, gender, wealth, and income), we obtain a statistically significant treatment effect of 2.1%. Given a mean saving rate of 7.7% for children in our sample, this gap in saving rates is economically meaningful. Importantly, children of "saver" parents do not save more because they earn a higher income, but because they spend their money more conservatively. Moreover, mothers appear to exert more influence on the saving behavior of their children than fathers. We check the robustness of these baseline results against changes in the estimation methodology, e.g., by showing that standard regressions with child and parent controls yield qualitatively similar results.

We further explore the implications for wealth mobility and find that, although both groups start from a very similar wealth position, children of "saver" parents are much more likely to improve their position on the economic ladder. They also accumulate significantly more wealth (23%) over the eight-year sample period from June 2013 to June 2021 than children of "spender" parents.

Investigating the channels through which inherited savings behavior propagates, we find strong evidence against the hypothesis that financial gifts and bequests drive our results. Additional tests reveal that the intergenerational transmission of saving behavior we observe may be due to parents passing on time preferences and financial literacy to their children.

Overall, our findings suggest that improving children's financial literacy, either through better access to financial advice or through targeted policy measures, could be a promising avenue to close the "saving rate gap" and improve wealth mobility across generations.

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Table 1: Summary Statistics

This table presents summary statistics. We compute time-series average characteristics for children and parents and then report the cross-sectional mean, median, and standard deviation. The last column shows pairwise correlations between child and parent characteristics. The balanced panel consists of 1,513 parent-child pairs, which we observe over a 96-month period, spanning June 2013 to June 2021. Exact variable definitions are provided in Table A1 in the appendix.

	Child characteristics			Parent characteristics			
	Mean	Median	SD	Mean	Median	SD	$\rho(X_c, X_p)$
Age (years)	25.33	24.96	3.56	54.20	54.96	3.88	0.50
Female (d)	0.49	0.00	0.50	0.46	0.00	0.50	0.03
Bank wealth (CHF)	31,637	19,827	33,050	103,013	65,631	132,157	0.21
Non-cash share (%)	2.39	0.00	8.12	7.58	0.00	16.39	0.17
Equity share (%)	1.53	0.00	5.97	4.04	0.00	10.27	0.21
Equity market participation (d)	0.08	0.00	0.24	0.22	0.00	0.40	0.28
Has retirement acc. (d)	0.22	0.00	0.34	0.52	0.67	0.47	0.22
Owns real estate (d)	0.06	0.00	0.24	0.54	1.00	0.50	0.12
Income (CHF per year)	57,727	54,760	26,808	109,427	90,268	85,379	0.03
Saving amount (CHF per year)	4,223	2,729	5,450	6,994	4,667	11,339	0.11
Saving rate (%)	7.67	5.21	9.61	7.63	5.19	11.10	0.11
# Parent-child pairs		1,513			1,513		
# Parent-child-pair-months		145,248			145,248		

Table 2: Characteristics of savers and spenders in the original and matched sample

The first (second) column of this table shows mean characteristics of parents with above-(below-)median saving rates and their children. Panel A (B) reports this information for the original (matched) sample. In the original sample, there are 777 (736) treated (untreated) parent-child pair observations where parents save above (below) the gender-specific median. Note that the number of children we observe per parent may differ. After matching, the number of observations in both samples equals 1,513. Income refers to the average annual income from June 2013 to June 2021. All other variables are reported as per June 2013, the beginning of our sample period. We also report children's mean saving rate as the outcome variable. Exact variable definitions are provided in Table A1 in the appendix. The last column reports t-values from a standard t-test for equality of means. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

Panel A: Original sample

	Parent saves > median	Parent saves ≤ median	Difference	t-value
Parent characteristics				
Age	50.38	50.09	0.30	1.48
Female	0.46	0.46	0.00	0.16
Bank wealth	79,412	75,129	4,283	0.74
Income	103,726	115,446	-11,720***	-2.67
Equity share	4.02	3.23	0.78	1.36
Owns real estate	0.61	0.46	0.15***	5.78
Child characteristics				
Age	21.44	21.30	0.14	0.74
Female	0.50	0.48	0.02	0.66
Bank wealth	17,553	16,575	978	0.85
Income	57,725	57,728	-3	-0.00
Equity share	1.31	0.94	0.38	1.11
Owns real estate	0.06	0.07	-0.01	-0.70
Outcome: Children's saving rate	8.78	6.51	2.27***	4.61
# Observations	777	736		1,513

Panel B: Matched sample

	Parent saves > median	Parent saves ≤ median	Difference	t-value
Parent characteristics				
Age	50.23	50.12	0.11	0.83
Female	0.46	0.46	0.00	0.00
Bank wealth	71,767	68,361	3,406	1.00
Income	101,759	108,673	-6,913**	-2.49
Equity share	3.22	3.04	0.18	0.48
Owns real estate	0.54	0.53	0.01	0.33
Child characteristics				
Age	21.38	21.24	0.14	1.12
Female	0.50	0.50	0.00	0.00
Bank wealth	15,974	15,514	461	0.62
Income	57,307	56,857	450	0.50
Equity share	0.88	0.96	-0.08	-0.35
Owns real estate	0.06	0.06	0.00	0.39
Outcome: Children's saving rate	8.88	6.76	2.12***	6.15
# Observations	1,513	1,513		3,026

Table 3: Matched-pairs results

Panel A of this table shows the average treatment effect (ATE) in a matched sample of parent-child pairs and Panel B shows the average treatment effect on the treated (ATT). Parent-child pairs with parent saving rates above the gender-specific median are assigned to the treatment group and parent-child pairs with parent saving rates below the gender-specific median are assigned to the control group. The outcome variable is children's saving rate. Column (1) shows the results for the full sample, and Columns (2) and (3) show the results for the mother-child and father-child subsamples. We employ exact matching on parent gender and nearest-neighbor matching (Mahalanobis distance) on child gender, as well as parent and child age, income, bank wealth, equity share and real estate ownership, measured at the beginning of the sample period in June 2013. Exact variable definitions are provided in Table A1 in the appendix. We use robust Abadie-Imbens standard errors. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

Panel A: Average treatment effect (ATE)

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
Average treatment effect	2.121***	2.728***	1.601**
(Parent saves > median)	(3.92)	(3.50)	(2.13)
# Observations	3,026	1,396	1,630

Panel B: Average treatment effect on the treated (ATT)

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
ATT	1.781***	2.247***	1.380*
(Parent saves > median)	(3.05)	(2.78)	(1.65)
# Observations	1,554	720	834

Table 4: Wealth quintile transition matrix for saver and spender children

Panel A (B) of this table shows wealth quintile transition probabilities for children whose parents save above (below) the gender-specific median. Children are ranked by their total bank wealth and sorted into quintiles, once at the beginning of the sample period in June 2013 and again at the end of the sample period in June 2021. Columns (1) to (5) indicate, for each starting wealth quintile, the percentage share of children who end up in final wealth quintiles 1 to 5. The last column shows the unconditional probabilities. The bottom row reports the mean quintile change per starting wealth quintile and overall (last column). Total bank wealth is computed as the sum of all cash and financial investments, including investments in voluntary (pillar 3a) retirement accounts.

Panel A: Children whose parent saves > median

	Wealth quintile in June 2013					
Wealth quintile in June 2021	Q1	Q2	Q3	Q4	Q5	∑
Q1	23.4	21.8	24.1	8.0	6.3	16.5
Q2	22.0	22.4	21.5	14.2	7.5	17.4
Q3	24.1	20.5	21.5	25.3	10.0	20.2
Q4	24.8	18.0	21.5	29.0	23.1	23.3
Q5	5.7	17.3	11.4	23.5	53.1	22.7
∑	100	100	100	100	100	100
Mean quintile change	1.7	0.9	-0.3	-0.5	-0.9	0.9

Panel B: Children whose parent saves ≤ median

	Wealth quintile in June 2013					
Wealth quintile in June 2021	Q1	Q2	Q3	Q4	Q5	∑
Q1	34.0	26.9	20.3	27.1	10.5	23.9
Q2	28.9	29.0	27.0	16.0	11.2	22.6
Q3	19.9	23.5	21.6	19.4	13.3	19.6
Q4	12.8	11.7	18.2	18.8	21.0	16.4
Q5	4.5	9.0	12.8	18.8	44.1	17.5
∑	100	100	100	100	100	100
Mean quintile change	1.2	0.5	-0.2	-1.1	-1.2	-0.8

Table 5: Total wealth accumulation for saver and spender children

The first (second) column of this table shows the mean and median bank wealth for children of parents with above-(below-)median saving rates, both at the beginning of the sample period in June 2013 and at the end of the sample period in June 2021. Total bank wealth is computed as the sum of all cash and financial investments, including investments in voluntary (pillar 3a) retirement accounts. The first two rows in the last column report t-values from a standard t-test for equality of means. Rows three and four in the last column report χ^2-values with continuity correction for a nonparametric two-sample test on the equality of medians. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

	Parent saves > median	Parent saves ≤ median	Difference	t-value / χ^2-value
Mean bank wealth of children				
June 2013	17,553	16,575	978.05	0.85
June 2021	56,495	45,827	10,668***	3.94
Median bank wealth of children				
June 2013	9,776	9,344	432	0.19
June 2021	40,676	28,140	12,535***	25.2
# Observations	777	736		1,513

Table 6: Financial literacy measures for savers and spenders

The first (second) column of this table shows mean non-cash share, equity market participation, and voluntary retirement account ownership of parents with above-(below-)median saving rates and their children. The non-cash share is defined as the share of bank wealth invested in direct holdings of stocks, bonds, and other financial assets plus shares in equity, bond, and other / mixed funds, including investments in pillar 3a funds. Equity market participation is a dummy that equals one if the client invests into equites (through direct holdings or funds), and zero otherwise. Has retirement acc. is a dummy that equals one if the client owns a voluntary pillar 3a retirement account / fund, and zero otherwise. The last column reports t-values from a standard t-test for equality of means. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

	Parent saves > median	Parent saves ≤ median	Difference	t-value
Parent characteristics				
Non-cash share	8.83	6.25	2.58***	3.07
Equity market participation	0.24	0.19	0.05**	2.53
Has retirement acc.	0.61	0.43	0.18***	7.36
Child characteristics				
Non-cash share	2.61	2.16	0.44	1.06
Equity market participation	0.09	0.06	0.03***	2.74
Has retirement acc.	0.23	0.20	0.03	1.50
# Observations	777	736		1,513

Table 7: Income-expenditure co-movement for savers and spenders

This table shows results of a test for income-consumption co-movement, which is set up as follows:

$$expenditures_{i,t}^{Nov-Dec} = \alpha + \beta \times income_{i,t}^{Nov-Dec} + \boldsymbol{\gamma} * \boldsymbol{X}_i + \pi_i + \varepsilon \quad ,$$

where i denotes clients, t denotes the year, π_i are client fixed effects, and $\boldsymbol{X}_i$ is a vector of controls, namely age, age squared, and the natural logarithm of bank wealth at the end of October of year t. $expenditures_{i,t}^{Nov-Dec}$ is the sum of expenditures in November and December of year t. $income_{i,t}^{Nov-Dec}$ is the sum of income in November and December of year t. Columns (2) and (4) show the outcomes of this regression, estimated in the subsamples of parents with above-median and below-median saving rates (Panel A) and their children (Panel B). Columns (1) and (3) report results without controlling for age and wealth. Exact variable definitions are provided in Table A1 in the appendix. The sample period is 2013 to 2020. Standard errors are clustered at the child level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

Panel A: Income-expenditure co-movement for parents

	Dependent variable: Parent expenditures (Nov-Dec)			
	Parent saves > median		Parent saves ≤ median	
	(1)	(2)	(3)	(4)
Income (Nov-Dec)	0.160**	0.172***	0.578***	0.606***
	(2.42)	(2.67)	(4.97)	(5.45)
Age		-834.0		1304.5*
		(-0.93)		(1.65)
Age^2		3.486		-12.77*
		(0.47)		(-1.72)
Log(Bank wealth (Oct))		3155.8**		3537.2***
		(2.15)		(2.87)
Client fixed effects	Yes	Yes	Yes	Yes
# Observations	6,216	6,216	5,888	5,888
adj. R^2	0.042	0.089	0.192	0.252

Panel B: Income-expenditure co-movement for children

	Dependent variable: Child expenditures (Nov-Dec)			
	Parent saves > median		Parent saves ≤ median	
	(1)	(2)	(3)	(4)
Income (Nov-Dec)	0.455***	0.384***	0.580***	0.516***
	(7.25)	(5.76)	(5.65)	(4.33)
Age		293.6		-151.9
		(1.49)		(-0.32)
Age^2		-3.532		6.296
		(-0.93)		(0.69)
Log(Bank wealth (Oct))		516.2***		385.4***
		(7.30)		(4.86)
Client fixed effects	Yes	Yes	Yes	Yes
# Observations	6,216	6,216	5,888	5,888
adj. R^2	0.173	0.199	0.235	0.254

Figure 1: Saving rate and income of children by parent saving rate decile

This figure shows the mean and median of children's net saving rate (in % of income and excluding capital gains) and the mean of children's income (in CHF per year) by parents' saving rate decile. The sample includes 1'513 parent-child pairs. The mean saving rate of children (parents) equals 7.7% (7.6%). We conduct separate rankings by parent gender (see Section 2). Exact variable definitions are provided in Table A1 in the appendix. The sample period is June 2013 to June 2021.

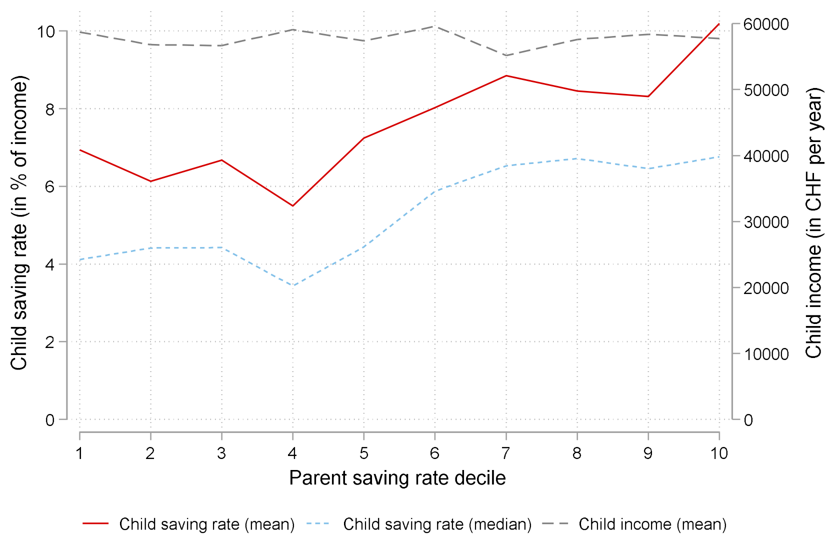
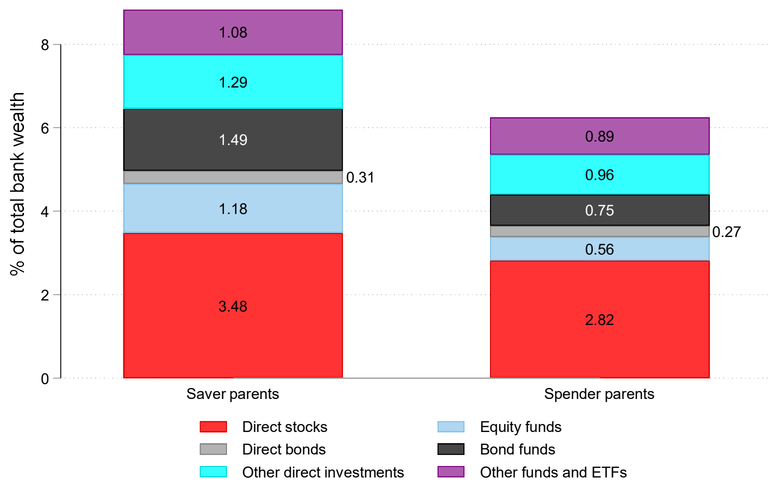


Figure 2: Non-cash asset allocation of savers and spenders

Panel A of this figure shows the average non-cash asset allocation for parents with above-median and below-median saving rates (Panel A) and their children (Panel B). The total non-cash share is 8.83% (2.61%) for saver parents (children) and 6.25% (2.16%) for spender parents (children). "Direct stocks" (bonds) are positions in individual shares (bonds). "Equity (bond) funds" are positions in funds that invest exclusively into stocks (bonds). "Other direct investments" are positions in structured products, derivative instruments, and precious metal accounts. "Other funds and ETFs" are positions in mixed bond-equity funds (w/o pillar 3a funds), exchange-traded funds, private equity funds, hedge funds, commodity funds, and real estate funds.

Panel A: Non-cash asset allocation for parents



Panel B: Non-cash asset allocation for children

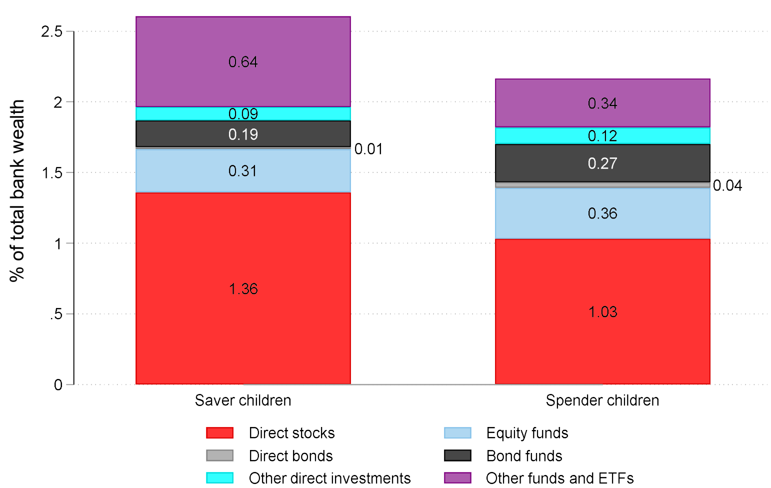


Figure 3: Median income and saving amount of children and parents by calendar month

This figure plots the median monthly income and saving amount (in CHF) of parents and children by the month of the year. The difference between the solid and dashed lines is equal to monthly expenditures (in CHF). Exact variable definitions are provided in Table A1 in the appendix. The sample period is June 2013 to June 2021.

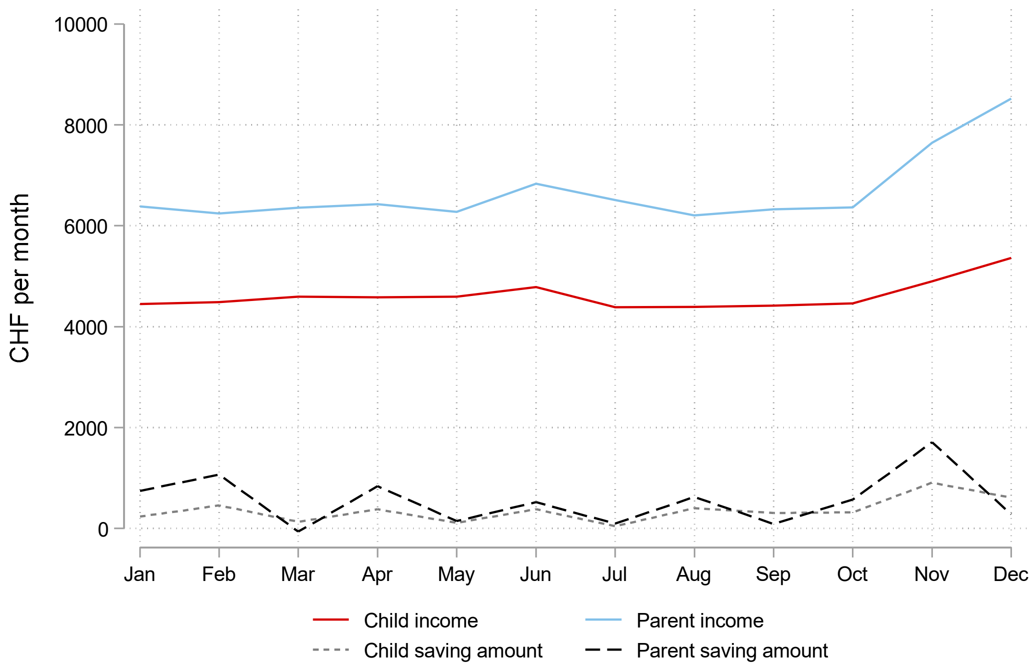


Table A1: Variable descriptions

This table describes the construction of all variables used in the empirical analysis.

Variable	Description
Age (years)	Age of client in years.
Female (d)	Dummy that equals one for female and zero for male clients.
Bank wealth (CHF)	Total wealth a client holds at the bank in CHF, consisting of cash holdings (i.e., checking accounts, saving accounts, and money market funds) and financial investments (i.e., direct security holdings and fund shares). Includes cash in pillar 3a saving accounts and investments in pillar 3a retirement funds. We deduct account overdrafts, but do not net against mortgages and loans. Log(bank wealth) is computed as the natural logarithm of (bank wealth + 1 CHF).
Has retirement acc. (d)	Dummy that equals one if the client owns a pillar 3a retirement account / fund, and zero otherwise.
Equity market participation (d)	Dummy that equals one if the client invests into equites (through direct holdings or funds), and zero otherwise.
Has real estate (d)	Dummy that equals one if the client owns real estate, and zero otherwise.
Non-cash share (%)	Share of bank wealth invested in non-cash assets, consisting of direct holdings of stocks, bonds, and other financial assets plus shares in equity, bond, and other / mixed funds (in %). Includes investments in pillar 3a funds.
Equity share (%)	Share of bank wealth invested in stocks and equity funds (in %). Includes equities in pillar 3a funds.
Income (CHF)	Income of the client in CHF, computed as the sum of all cash inflows into the client's accounts. Log(income) is computed as the natural logarithm of (income + 1 CHF).
Expenditures (CHF)	Total expenditures of the client in CHF, computed as the difference between income and the net saving amount.
Saving amount (CHF)	Net saving amount in CHF, excluding capital gains, computed as changes in cash holdings plus net new money in investment positions. Includes contributions to pillar 3a saving accounts and net new money in pillar 3a retirement funds.
Saving rate (%)	Net saving amount divided by total income (in percent).
Parent saves > median (d)	Dummy variable that equals one if the mother's (father's) saving rate is larger than the median saving rate of mothers (fathers), and zero otherwise.
Parent saves > P75 (d)	Dummy variable that equals one if the mother's (father's) saving rate is larger than the 75th percentile of the saving rates of mothers (fathers), and zero otherwise.

Table A2: Matched-pairs results: Robustness tests

This table shows robustness tests for the matched-pairs results in Table 3 and reports average treatment effects (ATE) in matched samples of parent-child pairs. In Panels A and B, parent-child pairs with parent saving rates above the gender-specific 75th percentile are assigned to the treatment group and parent-child pairs with parent saving rates below the gender-specific 75th percentile are assigned to the control group. In Panel D (C), the cutoff is defined as the unconditional (gender-specific) median. Panels A, B, and C use a balanced sample of 1,513 parent-child pairs and Panel D uses an unbalanced panel of 1,645 parent-child pairs that remain in the sample for at least 12 months. In Panel B, parent-child observations where the parents rank between the 25th and 75th saving rate percentile are then excluded from the analysis. The outcome variable is children's saving rate. Column (1) shows the results for the full sample, and Columns (2) and (3) show the results for the mother-child and father-child subsamples. We employ exact matching on parent gender and nearest-neighbor matching (Mahalanobis distance) on child gender, as well as parent and child age, income, bank wealth, equity share and real estate ownership, measured at the beginning of the sample period in June 2013. In Panel D, the variables are measured in the first month when we observe a particular parent-child pair. Exact variable definitions are provided in Table A1 in the appendix. We use robust Abadie-Imbens standard errors. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

Panel A: 75th percentile saving rate cutoff

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
Average treatment effect	2.156***	2.898***	1.521*
(Parent saves > P75)	(3.18)	(2.81)	(1.70)
# Observations	3,026	1,396	1,630

Panel B: 75th percentile saving rate cutoff, excluding observations between the 25th and 75th percentile

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
Average treatment effect	3.218***	3.623***	2.863***
(Parent saves > P75)	(4.24)	(3.03)	(2.98)
# Observations	1,540	720	820

Panel C: Unconditional (not gender-specific) ranking of parents

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
Average treatment effect	2.264***	2.909***	1.712**
(Parent saves > u. med.)	(4.20)	(3.73)	(2.30)
# Observations	3,026	1,396	1,630

Panel D: Unbalanced sample of clients

	Outcome variable: Children's saving rate		
	(1) All parent-child pairs	(2) Mother-child pairs	(3) Father-child pairs
Average treatment effect	2.222***	2.674***	1.839**
(Parent saves > median)	(4.18)	(3.55)	(2.46)
# Observations	3,290	1,510	1,780

Table A3: Regressions with child and parent controls

This table presents the results of regressions of children's saving rates as the dependent variable on a "parent saves > median" dummy (Columns (1) to (3)), or parents' saving rates (Columns (4) to (6)) and additional child and parent-level controls. We refer to Section 4.4 in the main text and Equations (2) and (3) for details. We do not show coefficients and t-values for parent-level controls for the sake of brevity. Exact variable definitions are provided in Table A1 in the appendix. The sample period is June 2013 to June 2021. Standard errors are clustered at the child level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

	Dependent variable: Children's saving rate					
	(1)	(2)	(3)	(4)	(5)	(6)
Parent saves > median	2.266***	2.128***	1.584**			
	(4.65)	(4.28)	(2.35)			
Parent saves > median x mother			1.201			
			(1.24)			
Parent saving rate				0.0944***	0.101***	0.0921**
				(4.07)	(4.23)	(2.33)
Parent saving rate x mother						0.0128
						(0.26)
Age		-3.317***	-3.305***		-3.259***	-3.255***
		(-3.31)	(-3.29)		(-3.21)	(-3.21)
Age^2		0.0472***	0.0470***		0.0461***	0.0460***
		(2.97)	(2.95)		(2.85)	(2.85)
Female		0.236	0.240		0.208	0.210
		(0.44)	(0.45)		(0.39)	(0.39)
Log(Bank wealth)		0.124	0.119		0.130	0.130
		(0.63)	(0.61)		(0.67)	(0.67)
Log(Income)		0.368	0.333		0.375	0.370
		(0.48)	(0.43)		(0.48)	(0.48)
Equity share		-0.0178	-0.0158		-0.0189	-0.0189
		(-0.39)	(-0.34)		(-0.41)	(-0.41)
Owns real estate		-1.357	-1.360		-1.436	-1.433
		(-1.44)	(-1.45)		(-1.52)	(-1.51)
Parent controls ($\boldsymbol{X}_p$)	No	Yes	Yes	No	Yes	Yes
adj. R^2	0.011	0.047	0.048	0.011	0.048	0.048
# Observations	1,513	1,513	1,513	1,513	1,513	1,513

Table A4: Matched-pairs results: Excluding months with large cash inflows

This table shows the average treatment effect (ATE) in a matched sample of parent-child pairs. Parent-child pairs with parent saving rates above the gender-specific median are assigned to the treatment group and parent-child pairs with parent saving rates below the gender-specific median are assigned to the control group. In Panel A, we exclude the single month with the largest cash inflows for each child when computing children's income, saving amounts, and saving rates. In Panels B and C, we exclude the top-three and top-five months with the largest cash inflows, respectively. The outcome variable is children's hypothetical "censored" saving rate, after the exclusion of extreme-inflow months. Column (1) shows the results for the full sample, and Columns (2) and (3) show the results for the mother-child and father-child subsamples. We employ exact matching on parent gender and nearest-neighbor matching (Mahalanobis distance) on child gender, as well as parent and child age, income, bank wealth, equity share and real estate ownership, measured at the beginning of the sample period in June 2013. Exact variable definitions are provided in Table A1 in the appendix. We use robust Abadie-Imbens standard errors. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level.

Panel A: Excluding the single-largest inflow month

	Outcome variable: Children's saving rate (w/o top-1 inflow month)		
	(1)	(2)	(3)
	All parent-child pairs	Mother-child pairs	Father-child pairs
Average treatment effect	2.163***	3.062***	1.393*
(Parent saves > median)	(3.68)	(3.53)	(1.75)
# Observations	3,026	1,396	1,630

Panel B: Excluding the top-three inflow months

	Outcome variable: Children's saving rate (w/o top-3 inflow months)		
	(1)	(2)	(3)
	All parent-child pairs	Mother-child pairs	Father-child pairs
Average treatment effect	2.602***	3.617***	1.733**
(Parent saves > median)	(4.18)	(3.88)	(2.07)
# Observations	3,026	1,396	1,630

Panel C: Excluding the top-five inflow month

	Outcome variable: Children's saving rate (w/o top-5 inflow months)		
	(1)	(2)	(3)
	All parent-child pairs	Mother-child pairs	Father-child pairs
Average treatment effect	3.020***	4.131***	2.069**
(Parent saves > median)	(4.53)	(4.12)	(2.32)
# Observations	3,026	1,396	1,630

Figure A1: Life-cycle profile of income and wealth for male and female clients

This figure plots the median monthly income and total bank wealth of men and women by age, starting at age 24 and ending at age 64. The data sample used to create this figure contains detailed information on income and financial wealth for 14,716 clients of a large Swiss retail bank. See Section 2 for details on the sample selection and exclusion criteria used to arrive at the final number of clients. Exact variable definitions are provided in Table A1 in the appendix. The sample period is June 2013 to June 2021.