

Motives for Inter Vivos Transfers in Japan¹

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Abstract

This paper investigates Japanese parents' motives for inter vivos asset transfers to their children using microdata from the Japanese Panel Survey of Consumers. I start by examining patterns in inter vivos gift receipts to find that the share of respondents reporting that they or their spouse received inter vivos gifts from their parents in the preceding year makes up slightly less than 12 percent, which is very similar to the share observed for the United States in previous studies. I then examine the frequency of inter vivos gift receipts over the 20-year observation period to obtain information to make conjectures about the motives underlying such gifts. For instance, if respondents receive gifts more or less annually, this provides reason to think that the motive is to reduce inheritance taxes; conversely, if respondents receive gifts only rarely, other motives (strategic or altruistic motives, or the desire to ease liquidity constraints) are likely to be more important. Since the results of this paper indicate that gift receipts are not frequent, it seems that few parents make gifts on a more or less regular basis to save inheritance tax. Finally, I estimate the effects of life events and of respondents' (i.e., recipients') characteristics on gift receipts. The regression results suggest that the motive for inter vivos gifts is parents' desire to ease children's liquidity constraints, since respondents (or their spouses) tend to have received inter vivos gifts from parents when they were young and/or when there was a major life event involving large expenditures in the preceding year, such as buying a home or getting married.

JEL Classification Codes: D14, D31, D64

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