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INTERGENERATIONAL TRANSFERS, WEALTH ACCUMULATION, AND ENTREPRENEURSHIP OF DESCENDANTS

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Intergenerational transfers, wealth accumulation, and entrepreneurship of descendants

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Abstract

The contribution of dynastic wealth transfers to inequality depends on how recipients use them. This study examines how intergenerational *inter vivos* transfers affect wealth accumulation by shaping savings and investment behavior early in life. In Denmark, a tax policy allows parents to transfer wealth by selling housing to their children below market value, enabling the identification of large, untaxed transfers in administrative data. Receiving an average (USD $100,000) transfer raises business ownership by 31% and stock market participation by 17% over the subsequent decade, with effects increasing in transfer size. Instrumenting transfer amounts with a policy-determined transfer cap reduces but maintains significant investment responses, suggesting that transfers directly support wealth accumulation via behavioral channels. The effects are concentrated amongst recipients with high financial ability—proxied by holding a degree in business, economics or engineering. This group is also more likely to be targeted with housing transfers by parents in a group of siblings.

Keywords: Intergenerational transmission; wealth; inter vivos transfers; entrepreneurship
JEL codes: D31; G51; J62

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I INTRODUCTION

There is remarkable persistence in wealth inequality across generations. In the United States, half of individuals who start in the bottom quintile of the wealth distribution remain there in adulthood, while fewer than 1% rise to the top (Carroll and Hoffman, 2017).[1] Conversely, children from wealthy families are more likely to own homes, establish successful businesses, and accumulate financial assets. However, the role of financial (versus human or social capital) transfers in maintaining these patterns remains contested. To what extent do parents support wealth accumulation of their children by simply making financial transactions? The empirical evidence is inconclusive, primarily because intra-family gifts are rarely observed in data. Consequently, most research has focused on inheritances, leaving the effects of earlier *inter vivos* transfers largely unexplored. Such transfers may have a greater impact on recipients' wealth than inheritances, as they are received early in life and therefore to a larger extent alleviate credit constraints and enable key investments.

Whether financial transfers perpetuate or mitigate wealth persistence depends on how they are used. The effect of a transfer on terminal wealth operates through two channels. First, recipients choose how much to consume or save, and how to allocate savings across assets with different risk and return profiles, such as private businesses, equities, bonds, or deposits. Second, transfers may change savings and investment behavior, either reinforcing or offsetting the direct effect (Nekoei and Seim, 2023). If children of wealthy parents invest, while those from lower-wealth backgrounds consume, transfers will increase wealth inequality. In contrast, if lower-wealth recipients use transfers to accumulate assets, transfers may reduce inequality. Measuring behavioral responses to transfers, and how they vary with parental wealth, is thus central to understand their distributional effects.

In this study, I use population-wide Danish administrative registers to examine how inter vivos transfers influence the long-run wealth accumulation of recipients. I focus on three key dimensions of financial behavior: business ownership, stock market participation, and savings. Prior studies face two main challenges in estimating effects of intra-family financial support. First, transfer size and timing are rarely observed. Second, the absence of quasi-experimental variation makes it difficult to isolate the effect of the transfer from correlated parental investments in social or human capital. I address both issues by leveraging a unique institutional setting in Denmark, where parents can make large, untaxed wealth transfers to children entering the housing market. To isolate a causal effect, I exploit exogenous variation in transfer amounts generated by a policy-determined transfer cap.

I begin by showing that parents give their children a "flying start" by making substantial wealth transfers through a gift tax benefit scheme when they enter the housing market. Since

[1] Similar patterns of dynastic wealth persistence are well-documented across European economies, including in Scandinavian welfare states. Intergenerational correlations in wealth and wealth ranks are estimated to range from 0.28 (Conley and Glauber, 2008) to 0.37 (Charles and Hurst, 2003) in the US, 0.3–0.4 in Sweden (Adermon, Lindahl, and Waldenström, 2018), and 0.24 in Denmark (Boserup, Kopczuk, and Kreiner, 2014).

1982, a legal rule permits individuals to forward-sell housing to immediate family members at a discount, with the discounted amount considered a tax-free gift. The rule creates a popular channel for intergenerational transfers, which can be precisely traced in timing and size using linked administrative data. Between 1995 and 2020, intra-family forward sales constituted 5% (10%) of all home (apartment) purchases in Denmark, involving an average transfer size of 654,000 DKK (USD $100,000) in 2020 levels. The direct effect of a transfer is visible as an immediate jump in recipients' net wealth in the year they enter the housing market.[2] Disaggregating the wealth increase shows that it is driven by recipients purchasing more expensive units on average, while at the same time taking on less debt.

Before receiving the transfer, recipients already differ in some aspects compared to the general population of housing market entrants. In addition to having wealthier parents, recipients are more likely to own private business (5% vs. 4%) and stocks (26% vs. 19%) in the year before entering the housing market. However, the savings rate is slightly lower for transfer recipients (3% vs 6%), indicating that they have higher consumption on average. Taken together, the characteristics of recipients points to a significant mechanical effect of transfers on wealth.

To study the behavioral impact of transfers, I match recipients to a control group of other housing market entrants based on entry-year, age, education level, urban location, and gender one year before their first home purchase. This reduces the pre-entry gap in savings and investments between treated and controls, ensuring that wealth trajectories are similar prior to transfer receipt. Using the matched sample, I analyze differences in investments and wealth accumulation between transfer recipients and non-recipients in an event-study setting.

Beyond the immediate increase in wealth from the transfer itself, I find evidence of a behavioral response, where recipients increase their ownership of private businesses and stocks over the subsequent ten years relative to non-recipients. First, transfers lead to a significant rise in business ownership: the probability of owning a business increases by 1.2 percentage point on average over the ten years following the transfer, corresponding to a 31% increase relative to the pre-transfer average among recipients. The increase is primarily driven by the creation of new firms rather than the intergenerational transfer of existing businesses, as evidenced by a 34% rise in the registration of new firms for VAT purposes. Furthermore, running the analysis separately by transfer size, I find no business creation effect from transfers below the sample median (DKK $373,000$ or USD $\$57,000$), but strong effects for above-median transfers, indicating that larger transfers allow recipients to overcome financial barriers associated with investments. Linking firm-level data for the newly registered businesses, I find that the increase is concentrated in the finance and real estate, and analytical services sectors.

Second, transfers leads to a jump in the likelihood to participate in the stock market. Stock

[2]One limitation is that I do not observe wealth transfers beyond those made through the tax benefit scheme. In Denmark, transfers and inheritances that exceed a publicly listed exemption threshold are subject to a gift tax ranging from 15% to 36%. Kolodziejczyk and Leth-Petersen, 2013 confirm that general (taxed) wealth transfers from parents to children at the time of housing market entry are relatively rare. Additionally, I find evidence that households strategically time transfers to remain within tax-free limits.

market participation increases by 2.4 percentage points on average in the 10 years following the transfer, corresponding to a 17% rise relative to the baseline. Finally, savings—measured as the change in net wealth relative to disposable income—decline sharply in the initial years after the transfer, suggesting an increase in consumption. Following the drop, savings gradually recover over time and return to pre-transfer levels after five years. This pattern indicates that the initial increase in consumption among recipients is offset over time by a rise in net wealth accumulation.

To document the intensive margin impact of transfers, I focus exclusively on transfer recipients and analyze how variations in transfer amounts affect the outcome variables during the ten years following the transfer. I find that larger transfers yield stronger investment responses: Increasing the transfer amount by DKK 100,000 (USD $15,300) leads to a rise in business ownership of 0.21 percentage points (4%), a 0.31 percentage point (2%) increase in the likelihood of stock ownership, and an overall drop in the long-run savings rate.

The documented investment response may represent a causal effect of the transfer itself, or be the result of confounding variables tied to larger transfers, such as financial ability of parents or recipients, or hidden transfer motives. To assess the role of selection in the intensive margin effects, I employ a quasi-experimental approach embedded in the Danish transfer system, producing exogenous variation in transfer amounts across parent-child pairs. Specifically, I use the maximum tax-free discount allowed in a forward sale, the *transfer cap*, as an instrument for realized transfer amounts. The transfer cap is fixed at 15% of a government-assessed reference value for the property, which often diverges substantially from the market price. There is large variation in the cap across dwellings due to significant mismeasurement in the reference value, inducing plausibly random variation in the allowable transfer size across otherwise similar properties. I document pronounced bunching of transactions at the minimum legal forward-selling price, indicating that parents are actively constrained by the cap. Conditional on the property's original purchase price and transaction year, this variation is orthogonal to family wealth and background characteristics.

Instrumenting transfer size with the policy-determined cap, removing correlations between transfer amounts and recipient or family characteristics, confirms a causal effect of transfers on the main outcome variables. For business ownership, the effect from increasing transfers by DKK 100,000 (USD $15,300) declines from 0.21 (4%) to 0.16 (3%), but the effect difference is not statistically significant, supporting a causal interpretation of the baseline effect. For stock market participation, the estimate falls from 0.31 (2%) to 0.15 (1%), implying that roughly half of the observed response is driven by selection, and that recipients of larger transfers are already on a different investment trajectory. Importantly, the remaining effect remains statistically significant, indicating that part of the stock market participation response stems directly from transfers. Finally, randomizing the transfer size does not alter the estimated impact on the savings rate, which remains negative in the long run. Taken together, the IV estimates suggest that larger transfers directly impact financial behavior, primarily through

increased business ownership and consumption.

Turning to mechanisms, the results suggests that the behavioral responses are partly mediated by relaxed credit constraints. Specifically, recipients use the illiquid housing transfer to increase their liquid resources, either by selling the property in the general market within the first two years after receipt, or by extracting equity through new debt secured against the home. Moreover, I find that the investment response is concentrated among recipients with high financial ability, proxied by holding a degree in business, economics, or engineering. Beyond financial ability, I find no systematic heterogeneity in the response across age, gender, education level, or parental wealth.

Finally, I examine whether parents selectively target financially capable children when allocating transfers. Using a linear probability model with sibling fixed effects, I compare transfer recipients to their siblings observed at the same age. The results are consistent with parental targeting: holding a higher education degree is associated with a 7 percentage point higher probability of receiving a transfer, while having a degree in business, economics, or engineering increases the probability by an additional 6.6 percentage points. Parents thus tend to allocate housing transfers toward financially capable children, who, as the heterogeneity analysis demonstrates, exhibit the strongest investment response to windfall transfers.

This paper contributes to the growing literature on intergenerational wealth correlations, mobility, and the transmission of ability, behavior, and financial resources within dynasties (Charles and Hurst, 2003; De Nardi, 2004; Pfeffer and Killewald, 2018; Adermon, Lindahl, and Waldenström, 2018; Palomino et al., 2022). Existing evidence on the role of direct transfers in this area falls into two main categories: one assesses the contribution of transfers to dynastic wealth persistence (Boserup, Kopczuk, and Kreiner, 2016; Boserup, Kopczuk, and Kreiner, 2018; Black et al., 2020; Fagereng, Mogstad, and Rønning, 2021; Benetton, Kudlyak, and Mondragon, 2022; Black et al., 2022; Daysal, Lovenheim, and Wasser, 2023), while the other attempts to estimate the effects of transfers on spending-saving behavior and financial outcomes (Andersen and Nielsen, 2011; Hwang, 2020; Druedahl and Martinello, 2022; Nekoei and Seim, 2023). Importantly, both fields are subject to continued disagreement around the role of inherited wealth in influencing financial behavior and outcomes.[3]

The findings of this paper complement the previous literature in two ways. First, my study identifies the size and timing of large *untaxed* intergenerational transfers to estimate their impact on wealth accumulation of children, which has been a major challenge in preexisting works.[4] Second, by utilizing exogenous variation in transfer amounts, I provide a causal

[3]For example, Adermon, Lindahl, and Waldenström, 2018, Boserup, Kopczuk, and Kreiner, 2018, Black et al., 2020 and Fagereng, Mogstad, and Rønning, 2021 conclude that intergenerational transfers appear to account for a large share of wealth correlations across generations. Meanwhile, Black et al., 2022 highlight that the aggregate amount of bequests and gifts account for a very small share of individuals' total inflows, and Druedahl and Martinello, 2022 and Nekoei and Seim, 2023 show that unexpected bequests seem to have little impact on the long run behavior of individuals.

[4]Existing studies using direct transfer data include Poterba, 2001 and Brandsaas, 2018, who observe transfer timing from survey data but cannot observe transfer size nor follow the long-run outcomes of recipients. Andersen, Johannesen, and Sheridan, 2020 directly observe both the timing and size of credit card transactions

interpretation of these transfers, addressing the endogeneity of parents' financial support.

Furthermore, my results contribute to the existing literature on intergenerational transfers in the context of financial frictions and entrepreneurship. Numerous studies explore the role of wealth, borrowing, or liquidity constraints in influencing the decision to enter entrepreneurship (see Fazzari, Hubbard, and Petersen, 1987; Evans and Jovanovic, 1989; Gentry and Hubbard, 2000). Cagetti and De Nardi, 2006 predict, using a quantitative life cycle model, that bequests targeting high-ability individuals result in persistently increased or expanded entrepreneurial activity. Holtz-Eakin, Joulfaian, and Rosen, 1993 and Andersen and Nielsen, 2012 empirically confirm this, finding that inheritance bequests substantially increase individuals' entry into entrepreneurship. Hurst and Lusardi, 2004 further find that both past and anticipated inheritances predict current business entry, indicating that transfers provide more than just liquidity. This evidence is consistent with my findings, which identify a causal effect of transfers on business creation, while showing that investment responses depend strongly on the financial ability of the recipient. More recent evidence shows an increase in entrepreneurial activities resulting from windfall gains from lotteries (Bermejo et al., 2022) or stock returns (Chodorow-Reich et al., 2024), consistent with my finding that transfers reduce entry barriers to entrepreneurship.

The remainder of the paper is organized as follows. Section II presents the theoretical framework introducing the behavioral channels linking transfers to wealth accumulation. Section III provides an overview of the Danish institutional context, the identification approach for inter vivos transfers, and the data. Section IV outlines the two empirical strategies used to estimate the effects of receiving transfers. Section V presents the estimation results. Section VI explores heterogeneity in the treatment effects and implications to inequality. Section VII concludes.

II THEORETICAL FRAMEWORK

In this section, I present a simple theoretical framework guiding the empirical analysis and illustrating implications of the results to wealth persistence across generations. First, I derive the effect of marginal parental transfers on terminal wealth, showing how it depends on a direct and a behavioral channel. Next, I show how the effect of transfers can amplify or dampen wealth persistence depending on heterogeneity in the behavioral response.

within social networks; however, these transactions are small in size, implying that their direct impact on financial outcomes or opportunities is limited. Black et al., 2022 and Fagereng, Mogstad, and Rønning, 2021 use Norwegian register data on gifts and bequests. However, these transfers are likely limited due to the imposition of a gift tax. Finally, most similar to my study is the work by Wold et al., 2024, who use Norweigan data to estimate transfers through discounted forward sales.

The model

Consider a two-period model $t = \{0, 1\}$ where an individual receives an inter vivos transfer T_t from her parent in period t, and accumulates wealth over her life, resulting in terminal wealth A_{t+1}. For simplicity, the model abstract away from income, initial resources or borrowing. Wealth in the second period is described by:

$$A_{t+1} = s \cdot T_t \cdot (1 + r) \tag{1}$$

In particular, final wealth depends on the fraction s of the transfer the individual chooses to save (versus consume), and the return r they face on those savings between $t + 1$ and t. Importantly, r depends on how s is invested across different asset classes, such as deposits, stocks, bonds or private business assets.

Differentiating with respect to T_t, the marginal impact of transfers on wealth is:

$$\frac{dA_{t+1}}{dT_t} = \underbrace{s \cdot (1 + r)}_{\text{Direct effect}} + \underbrace{T_t \cdot (1 + r) \cdot \frac{ds}{dT_t}}_{\text{Behavioral shift in saving}} + \underbrace{T_t \cdot s \cdot \frac{dr}{dT_t}}_{\text{Behavioral shift in returns}} \tag{2}$$

Equation (2) illustrates that the effect of a transfer on wealth accumulation operates through three channels. Firstly, a *direct effect* reflecting mechanical accumulation via the recipient's initial savings rate and rate of return. Secondly, a *behavioral savings response* where individuals adjust their savings rate as transfers increase. Finally, a *behavioral return response* where asset allocation or investments changes with the size of the transfer.

In the absence of behavioral responses ($\frac{ds}{dT_t} = \frac{dr}{dT_t} = 0$), the wealth effect of a transfer is strictly proportional to the baseline savings rate and return. However, if transfers induce behavioral responses, the marginal wealth effect can be either amplified or dampened, depending on the sign and magnitude of $\frac{ds}{dT_t}$ and $\frac{dr}{dT_t}$. For instance, if larger transfers encourage greater saving effort ($\frac{ds}{dT_t} > 0$) or induce riskier but higher-yield investments ($\frac{dr}{dT_t} > 0$), the wealth accumulation effect is *amplified*. Conversely, if transfers reduce marginal saving or lead to lower-effort investment behavior ($\frac{ds}{dT_t} < 0$, $\frac{dr}{dT_t} < 0$), the effect is *diminished*. Thus, behavioral responses serve as multipliers—positive or negative—on the wealth impact of transfers.

Heterogeneous responses to transfers

To understand how transfers shapes wealth correlations across generations, now consider the same model allowing for heterogeneity across individuals i, reflecting variation in savings behavior and returns based on background characteristics of the recipient, especially parental wealth A_i^P. In this case:

$$\frac{dA_{t+1,i}}{dT_t} = \underbrace{s_i \cdot (1 + r_i)}_{\text{Direct effect}} + \underbrace{T_t \cdot (1 + r_i) \cdot \frac{ds_i}{dT_t}}_{\text{Behavioral shift in saving}} + \underbrace{T_t \cdot s_i \cdot \frac{dr_i}{dT_t}}_{\text{Behavioral shift in returns}} \tag{3}$$

Equation (3) captures that the marginal effect of transfers on wealth accumulation is now individual-specific, reflected by the i subscript tied to savings and returns.

If behavioral responses to transfers are systematically related to parental wealth—i.e., $\frac{ds_i}{dT_t}$ and/or $\frac{dr_i}{dT_t}$ increase with A_i^P—then wealthier parents will both transfer more and also induce more effective capital accumulation in their children. The elasticity of $A_{t+1,i}$ with respect to A_i^P is increased both mechanically through larger T_t and behaviorally through stronger behavioral multipliers, amplifying intergenerational wealth correlations.

By contrast, if behavioral responses are independent of parental wealth, dynastic wealth correlations depend on the scale of the transfer alone. That is, $\text{Cov}(A_i^P, A_{t+1,i})$ increases only because A_i^P predicts T_t, and not because the effectiveness of transfers differs by parental background. In this case, inequality transmission is driven purely by levels, not responsiveness.

III INSTITUTIONAL CONTEXT AND DATA

In this section, I describe the institutional context and data used to identify wealth transfers from parents to their adult children. I begin by outlining the advantages of observing transfers via housing market transactions. I then summarize the relevant features of Danish tax law governing inheritances and gifts. Next, I outline the institutional context allowing me to observe intergenerational wealth transfers through intra-family forward sales of housing. Finally, I describe how these transactions are identified using Danish administrative data and present descriptive statistics.

III.A Identifying financial transfers in the housing market

I focus on housing market entries by young adults as a context for identifying inter vivos transfers from parents to children. Family support plays a critical role in easing liquidity constraints during the initial home purchase process (Kolodziejczyk and Leth-Petersen, 2010), a mechanism empirically validated across multiple studies (e.g., Boileau and Sturrock, 2023, Benetton, Kudlyak, and Mondragon, 2022, Scanlon, Whitehead, and Blanc, 2017). In the UK, nearly 50% of first-time buyers in their 20s receive financial assistance from family when purchasing a home (Boileau and Sturrock, 2023). In the United States, parental transfers have been found to account for 14 percentage points (29%) of homeownership among young households, with such support increasing in relative importance over time (Brandsaas, 2018).

Beyond their prevalence, transfers associated with home purchases offer two key advantages for empirical analysis. First, such transfers are typically large, allowing identification to focus on

a single substantial financial event rather than a series of smaller, noisier transfers. Second, the motive behind the transfer is generally consistent and well defined across households – ensuring a home for the child – mitigating concerns about unobserved heterogeneity in parental intent.

Tax law governing inheritances and gifts. The Danish tax system imposes limits on large intergenerational transfers. Individuals may receive tax-free gifts from close family members up to a threshold amount each year.[5] Transfers exceeding this exemption are subject to a 15% gift tax (or 36.25% for more distant relatives), equivalent to the rate applied to bequests (*Inheritance Law*, §22, 1995).[6] The gift tax, paid by the giver, effectively constrains transfers, particularly in cases where financial support is needed to facilitate major purchases.[7] Gifts must be declared through a centralized online platform managed by the Danish Tax Authority, and failure to comply can result in significant penalties, including imprisonment in severe cases.

Forward sales of property within families and the 15% rule. I identify inter vivos transfers by exploiting a legal gift-tax exemption mechanism in the Danish housing market. Since 1982, Danish law—commonly referred to as "the 15% rule"—has permitted family members to forward-sell property to each other at prices below or above market value (*Inheritance Law*, §6, 1982). The difference between the market value $P^M_{u_i,t}$ and the price paid by the entrant $P^P_{j,t}$ of the forward-sold unit u to individual i corresponds to an tax-free gift, equal to the (illiquid) transfer to individual i at time t:

$$Transfer_{i,t} = P^M_{u_i,t} - P^P_{u_i,t} \tag{4}$$

Transfer cap. Forward sales are subject to a cap on the tax-free portion of the transfer. Specifically, the 15% rule allows families to transact up to a ±15% deviation from a government-assessed reference value $P^G_{u_i,t}$. Accordingly, the transfer cap, $Transfer^{max}_{i,t}$, is defined by the lowest permitted forward selling price, which is equal to 85% of the reference value:

$$Transfer^{max}_{i,t} = P^M_{u_i,t} - \underbrace{P^P_{min,u_i,t}}_{0.85\times P^G_{u_i,t}} \tag{5}$$

One important implication of the rule is that the transfer cap decreases in the distance between the market and the reference value tied to the dwelling. Dividing both sides of equation (5) by $P^M_{u_i,t}$ yields a linear relationship between the normalized transfer cap and public valuation:

[5] Close family includes children, stepchildren, parents, stepparents, grandparents, and cohabiting spouses (for at least two years). In 2010, the exemption amount was DKK 58,700 (USD$8,980), indexed to inflation.

[6] The tax framework for bequests parallels that for gifts. Upon death, the estate is taxed based on its total value, with a 15% rate applying to close family when the estate exceeds the exemption threshold (*Inheritance Law*, Chapter V, 1995).

[7] Kolodziejczyk and Leth-Petersen, 2013 find that taxed intergenerational wealth transfers at the time of housing entry are relatively limited in Denmark.

$$\frac{Transfer_{i,t}^{max}}{P_{u_i,t}^{M}} = 1 - 0.85 \times \frac{P_{u_i,t}^{G}}{P_{u_i,t}^{M}} \tag{6}$$

Figure 1 theoretically depicts the relationship between the transfer cap and the reference value, as outlined in equation (6). Whenever the government listed reference value matches the value of the market for a given dwelling, such that $\frac{P^G}{P^M} = 1$, the maximum tax-free contribution parents are allowed to make equals 15%, representing the foundation of the policy rule. Furthermore, when $\frac{P^G}{P^M} \neq 1$, the transfer cap is increasing as P^G declines relative to P^M. To illustrate, if $P_{u_i,t}^{M}$ = 100,000 and $P_{u_i,t}^{G}$ = 100,000, the tax-free transfer cap equals $100,000 - 0.85 \times 100,000 =$ 15,000. If instead $P_{u_i,t}^{G}$ = 70,000, the allowable transfer rises to $100,000 - 0.85 \times 70,000 =$40,500.

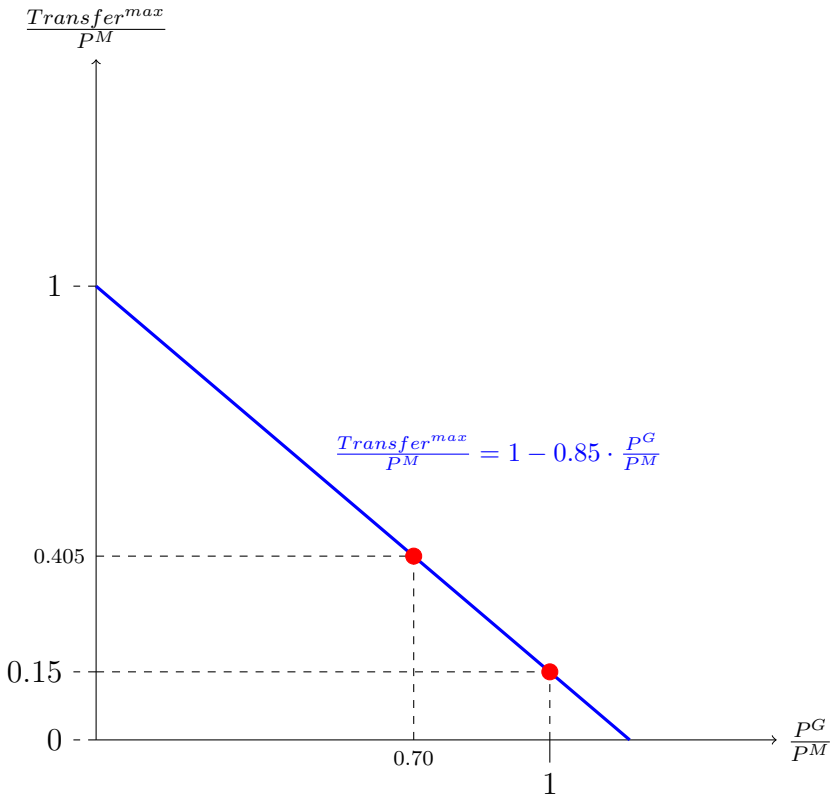

Figure 1: Theoretical illustration of the 15% rule

Identifying transfers in Danish administrative data. I use administrative data from Statistics Denmark, which include linked population and property ownership records, to identify wealth transfers through forward sales. Each Danish resident is assigned a unique personal identification number, and family links are available for all individuals born after 1962 via the national registry.

I construct a sample of all individuals aged 18-50 with at least one living parent who entered the housing market between 1995 and 2020. An individual is considered to have entered the housing market if their personal identifier is listed as the owner of a property in a given year. Furthermore, a housing transaction is classified as a family-based forward sale if the seller of

the dwelling is the buyer's parent.

For each home purchase, I collect both the actual transaction price and an estimate of the unit's market value. The transfer associated with a sale is computed as the difference between the estimated market value and the purchase price, per equation (4). For control units, $P^P_{u_i,t} = P^M_{u_i,t}$ by construction. Since market values for discounted transfers are unobserved, I impute them using local salesprices of comparable properties. Detailed documentation of the imputation procedure is provided in Online Appendix A.

Descriptive Table and Figure. Table 1 reports summary statistics for properties transferred from parents to children through forward sales, alongside housing transactions executed at market prices. Forward sales constitutes 5% (10%) of all housing market entries in Denmark over my sample period.[8] The average market price of a market-traded property sale is DKK 1.68 million (USD $255,000), compared to DKK 1.87 million (USD $284,400) for forward sales. For market-traded units (general sales), purchase prices P^P correspond closely to market prices P^M, while for forward sales, P^P is approximately 30% below P^M, reflecting the wealth transfer embedded in these transactions. Disaggregating the financing sources used to purchase the unit, the transfer is used by by recipients to aquire more purchasing more expensive units on average, while at the same time taking on less debt.

In terms of property characteristics, forward sales are more frequently located in urban areas (52% vs. 28%), more often involve apartments rather than single-family homes (54% vs. 24%), and less frequently include co-purchasers, resulting in a higher average ownership share for the recipient (0.81 vs. 0.61). In addition, intra-family traded properties tend to be smaller in size, with fewer square meters on average.

To highlight the timing of sales by parents, the table also classifies forward sales by the number of years between parental purchase and sale to the child. 25% of forward sales occur within the same year of acquisition by the parents, while 60% take place within five years.

Online Appendix Figure 2 illustrates the financing sources used by recipients of intra-family forward sales compared to general market entrants. Panel (a) compares all forward sales to market transactions and shows that the transfer amount is primarily used to reduce the reliance on debt financing. However, when restricting the sample to solo entrants, panel (b) shows that the transfer enables recipients to purchase more expensive properties, with debts amounts similar between forward sales and market-traded units.

Figure 2 depicts the average development in net wealth across event years for three groups: (1) renters (2) general housing market entrants, and (3) transfer recipients. Renters accumulate very little wealth over the 10 years they are observed. General entrants have on average zero net wealth holdings in the decade before becoming homeowners and start accumulating wealth

[8]Online Appendix Figure 1 shows the share of intra-family forward sales among all housing market entries from 1995 to 2020. The share was 3.5% in 1995, increased steadily to peak at 8% in 2005–2006, and then declined following the financial crisis. However, it gradually recovered in subsequent years, reaching 8% again by 2018.

shortly after entry. In contrast, recipients of transfers have slightly positive net wealth prior to entry and experience an average jump of 654,000 DKK (USD $100,000) in the year they enter the housing market $j = 0$, illustrating the direct effect of the transfer on their net wealth. Over the subsequent 10 years, recipients of transfers show a u-shaped mean net wealth development: their net wealth initially decreases by 100,000 DKK (USD $15,300) before rising again five years after entry.

III.B Main outcome variables

I link the wealth transfer data to other public administrative registers providing information on investment and savings decisions of individuals. The main analysis focuses on three key outcomes: stock market participation, business ownership, and savings.

Business ownership. I employ two measures of business ownership. The primary measure is a binary indicator equal to one if an individual's main source of income, as recorded in the income tax register, is reported to originate from a privately owned business. In addition, I use data on new firm registrations from the tax registries to validate that the income-based measure corresponds to the creation of formally registered businesses. In Denmark, new businesses are required to register for VAT if their taxable turnover exceeds DKK 50,000 (USD $7,000) within a 12-month period. For businesses with a taxable turnover below this threshold, VAT registration is voluntary. I match individuals with their corresponding firm id (CVR) for all newly registered establishments during my sample period. Data on individual ownership of firms is only available after 2000, allowing me to observe firm-owner pairs 2001-2020.

Stock market participation. I observe ownership of stocks directly in the income tax register. An individual is defined as a stock market participant whenever the the listed amounts held in stocks exceed DKK $10,000$ ($\$1,500$).

Savings. Savings is calculated as the change in net wealth divided by disposable income. I begin by defining net wealth as as the sum of deposits, financial and housing assets minus any liabilities (mortgage and non-mortgage debt). Data on debt, stocks, bonds and deposits is obtained from the tax-income register (SKAT). Importantly, the definition of net wealth in the Danish registers does not incorporate pension or private business wealth.

I calculate savings as $Savings = \frac{\Delta \text{net wealth}}{\text{Disposable income}}$, corresponding to the yearly change in net assets. Negative savings captures consumption.

III.C Other variables

Market prices of housing. Since family traded properties are not traded directly in the markets, their market value needs to be imputed. To impute the market value of housing,

I follow a methodology relying on local sales data for similar property types. I begin by collecting data on transaction prices, property characteristics, and the size of each property in square meters. Based on the property characteristics and type, zip-location and year, I divide trades into groups. Within each group, I compute the average sales price per square meter by dividing the total sales price per square meter by the corresponding total tax value per square meter. The corresponding square meter price from traded housing is then multiplied by the unit size for non-traded units within the same group, yielding an imputed market value P^M. Find a complete description of the imputation procedure in Online Appendix Section A.

Financial wealth and liabilities. To analyze the intensive margin of specific financial investments, I use detailed data from SKAT's wealth registers covering holdings of deposits, stocks, mutual funds, and bonds. In addition, I observe information on liabilities, distinguishing between secured debt (including equity extraction) and unsecured debt (such as private and consumption loans). The detailed wealth variables are available only for the years 2014–2020, restricting the analysis of financial assets to a subset of the main sample.

Education. I categorize individuals into 5 education categories based on the highest level of completed studies: i) primary and lower secondary, ii) high school, iii) tertiary and bachelor (BA) degree, iv) masters (MA) degree, and v) Ph.D. For the heterogeneity analysis, I additionally incorporate information on the field of study associated with each individual's highest degree.

Total income. Disposable income is obtained directly from SKAT, and corresponds to the yearly individual income after tax.

Marital status. I categorize individuals as married or single depending on if they were registered as married in December in a given year.

Parental income, wealth and business ownership. I obtain information about the income and wealth of parents for each individual, and then construct annual quintiles based on these measures. Parental business ownership is defined in the same way as for recipients.

IV EMPIRICAL DESIGN

The following section presents the two empirical strategies employed to estimate the effect of intergenerational transfers on the long-run investment and savings behavior of descendants. First, I describe the matching procedure used to construct a comparable control group for the event study. I then present the empirical event study specification used to estimate the effects along the extensive margin. Subsequently, I introduce a regression model which uses variation

in transfer amounts to estimate intensive margin effects. Finally, I outline an instrumental variables strategy designed to identify the causal effect of receiving larger transfers.

IV.A Sample selection

Matched sample. Treated individuals are defined as first-time homebuyers who acquired their property through a forward sale from a parent, involving a strictly positive discount $Transfer_{i,t} > 0$.[9] To facilitate a comparison between transfer recipients and non-recipients, I implement a matching procedure that pairs transfer recipients with other housing market entrants (controls) based on year, 5-year age group, urban area status, gender and educational attainment one year before they enter the housing market.

Table 2 reports average characteristics one year before entry for the full population of entrants (column 1), the matched control group (column 2), and transfer recipients (column 3). All monetary variables are expressed in thousands of DKK and are inflated to 2020 levels.[10]

Before receiving the transfer, treated individuals are broadly similar to the overall entrant population in terms of age (29 years for both treated and general population), gender composition (47% female vs. 49%), and business ownership (5% vs. 4%). However, they differ in some important dimensions: they are more likely to reside in urban areas (57% vs. 41%), hold a college degree (40% vs. 36%), to have parents in the top 10% of the wealth distribution (27% vs. 11%), and to have a lower savings rate (0.03 vs. 0.05), indicating higher consumption. These differences are attenuated when compared to the matched controls. Nonetheless, transfer recipients continue to exhibit higher levels of pre-transfer wealth, and are more likely to have a parent who is both wealthy and a business owner.

Timeline. I follow the outcomes of entrants in the 6 years before and 10 years after their first home purchase, resulting in a maximum span of 16 event years per individual in the sample.

IV.B Extensive margin: Event study design

Using the matched sample, I employ a dynamic two-way fixed effects (TWFE) design with a treated and a never-treated group to estimate the average effect of receiving an inter vivos transfer on the outcomes of recipients. I employ the following specification:

$$y_{i,t} = \sum_{j=-6, j\neq -1}^{10} \theta_j D_{i,t-j} + \alpha_i + \gamma_j + \epsilon_{i,t} \tag{7}$$

where $y_{i,t}$ denotes the relevant dependent variable of individual i at time t. $D_{i,t-j}$ is an indicator for the transfer treatment, which is estimated for each year j since the event. θ_j

[9] Forward sales with zero or negative discounts—such as transfers from children to parents—are excluded.
[10] Whenever expressed in $USD, I adopt the 2020 exchange rate ($\frac{DKK}{\$USD} = 6.54$).

accordingly captures the treatment coefficients of interest, signaling the effect on $y_{i,t}$ from receiving a transfer upon housing market entry. I exclude the year prior housing market entry $j = -1$ from the specification, such that the treatment coefficients θ_j are relative to that year.

To account for time-invariant variation in my sample, I include individual fixed effects α_i. This ensures that the results are not confounded by individual-specific, time-invariant characteristics such as gender, IQ, or genetic traits. γ_j denotes time-since-entry fixed effects. $\epsilon_{i,t}$ is an error term assumed to be independently identically distributed (iid).

Identifying assumptions. The identification of θ_j in Equation (7) relies on two assumptions: (1) parallel trends and (2) no anticipation. The first assumption posits that, in the absence of the transfer, treated and control units would have followed comparable trajectories over time. I assess the validity of both assumptions by including a set of lead indicators in the main specification and testing whether pre-trends reveal any significant differences in outcomes between treated and control units prior to treatment.

IV.C Intensive margin: IV design

To estimate the intensive margin impact of transfers, I conduct a second exercise focusing solely on recipients of transfers, using transfer amounts as the treatment variation. While the event study estimates the extensive margin by exploiting variation in transfer timing, this approach estimates the marginal effect of receiving *larger* transfers.

New data structure. Since recipients receive transfers at a single point in time, I construct a cross-sectional dataset where each observation represents a transfer amount and the corresponding individual outcomes over the 5 years following the transfer. Specifically, I create dummy variables equal to one if an individual became a business owner or entered the stock market during the ten years after the transfer. For nominal variables, I obtain the ten year post-transfer average.

Baseline specification. I estimate the effect of receiving larger transfers using the following specification:

$$\Delta\bar{y}_{i,j\in\{0,10\}} = \mu_{t,j=0} + \theta_1(Transfer_i) + \beta_1 X_i + \epsilon_{1,i} \tag{8}$$

where $\Delta\bar{y}_{i,j\in\{0,10\}}$ captures the change in the binary or average outcome between event year $j = -1$ and $j = \{0, 5\}$ for individual i. Changes in outcomes are measured relative to the pre-transfer baseline, defined as event year $j = -1$. $Transfer_i$ denotes the transfer amount received by individual i at entry. $\mu_{t,j=0}$ denotes entry-year fixed effects.

Interpretation of θ_1 conditional on X_i. The coefficient θ_1 in specification (8) measures the association between the size of intergenerational transfers and subsequent investments in stocks, private businesses, and savings. Interpreted causally, θ_1 represents the direct effect of receiving a larger transfer on these financial outcomes. However, the estimate may also capture differences in individual characteristics that are correlated with receiving larger transfers. A key example is parental wealth or purchasing power. If wealthier parents both give larger transfers and raise children with greater financial literacy or better access to intra-family financial support, then θ_1 may overstate the true causal effect of the transfer itself.

The transfer amount $Transfer_{i,t}$ depends on the market price of the unit $P^M_{j=0}$, as shown in equation (4). Wealthier parents are more likely to have purchased more expensive properties that they later forward-sell, creating a strong correlation between parental wealth and transfer size through the property's original purchase price. To account for this, X_i includes controls and fixed effects that proxy for parental purchasing power—specifically, the year of the parental property purchase (π_{T^p}) and the market value of the unit at that time ($P^M_{u,t=T^p}$).

IV Approach: Policy-induced variation in transfer amounts

Understanding selection in the effects of transfers has important implications to their estimated impact on persistence of wealth across generations. If θ_1 in specification (8) is unbiased, then equalizing transfer amounts across the population would reduce dynastic wealth persistence by enhancing the investment capacity of individuals from less wealthy backgrounds. However, if the effect is primarily driven by selection, such as traits specific to individuals who receive large transfers, then equalizing transfers would influence wealth persistence only through the mechanical redistribution of wealth, with limited impact on investment behavior.

To address potential selection in transfer amounts that may influence the estimate of θ_1 in specification (8), I implement an instrumental variables (IV) strategy. Specifically, I use the statutory transfer cap, $Transfer^{\max}$, as an instrument for realized transfers. The cap reflects the maximum tax-free amount parents can transfer to their children via forward sale of a property under Danish gift tax law. As outlined in Section III.A, parents are permitted to sell a property at 15% below its public valuation P^G without incurring gift tax liability. The rule defines an upper bound on the implicit transfer value:

$$Transfer^{\max}_{i,t} = P^M_{u_i,t} - 0.85 \cdot P^G_{u_i,t},$$

where $P^M_{u_i,t}$ is the observed market transaction price and $P^G_{u_i,t}$ is the public valuation for unit u at time t. I compute $Transfer^{\max}$ at the unit level for all family transactions.

Panel (a) of Figure 3 demonstrates that a large share of forward sales cluster exactly at the 15% discount threshold, with significant bunching at $P^P = 0.85 \cdot P^G$, indicating that parents closely adhere to the 15% rule by transferring at their legal cap. Panel (b) shows that there is

no bunching for dwellings traded in the general markets.

Public property valuations (P^G). Until 2021, the Danish Tax Authority (SKAT) estimated public property values P^G using a semi-automated statistical model. Valuations were based on observed transaction prices from earlier in the valuation year, and properties were grouped into administrative "land value areas" (*grundværdiområder*) sharing a common valuation basis.[11]

While SKAT's model was designed for administrative efficiency, it introduced substantial inaccuracies in estimated public values.[12] First, the land value areas were often poorly constructed: a 2013 audit concluded that only 17 out of 98 municipalities had correctly defined these zones (Statsrevisorerne and Rigsrevisionen, 2012). Second, the transaction data used to calibrate the valuation model were frequently outdated, uncleaned, or misclassified. This led to persistent and sometimes large discrepancies between public valuations and market prices. Identical houses in neighboring streets could have very different public values, even if their market values were the same. Furthermore, demand-driven appreciation in specific property types or locations often failed to translate into corresponding increases in P^G.[13]

Identification strategy. I use variation in the transfer cap, $Transfer_{i,t}^{\max}$, as an instrument for realized transfer amounts. Specifically, I compare housing units of similar market value at parental purchase, purchased by parents in the same year T^P, and transacted in the same year $t = T^P + j$. For these comparable forward-sales, differences in $Transfer_{i,t}^{\max}$ likely reflects the administrative noise in public valuations, rather than systematic variation in parental traits, financial need, or transfer motives. The identifying assumption is that, conditional on the market price P^M at the time of parental purchase, and the transaction year, variation in $Transfer_{i,t}^{\max}$ stems from idiosyncratic mismeasurement in the public valuation P^G, rather than from differences in parent or recipient characteristics.

2SLS specifications

The first stage regression model is specified as follows:

$$Transfer_{i,j=0} = \mu_{t,j=0} + \theta_2 Transfer_{i,j=0}^{\max} + \beta_2 X_i + \epsilon_{2,it} \tag{9}$$

where the dependent endogenous variable $Transfer_{i,j=0}$ represents the transfer amount received by individual i in entry year. $Transfer_{i,j=0}^{\max}$ denotes the transfer cap (instrument) associated with the traded unit in the year of the sale. $\mu_{t,j=0}$ are entry-year fixed effects. As in

[11] Read a full description of the estimation of P^G 1995-2020 in Online Appendix B.
[12] See Online Appendix B for a detailed outline of the model used by SKAT to assign public values across units.
[13] In 2011, 41% of single-family homes were overvalued, and 34% were undervalued by more than 15% relative to their observed sales price (Statsrevisorerne and Rigsrevisionen, 2012).

specification (8), X_i includes controls for the market price at the point of parental purchase and parental purchase year. The parameter θ_2 then captures the relationship between the transfer cap and realized transfers received at housing market entry. The second stage regression model is then specified as:

$$\Delta\bar{y}_{i,j\in\{0,10\}} = \mu_{t,j=0} + \theta_3(\widehat{Transfer}_{i,j=0}) + \beta_3 X_i + \epsilon_{3,it} \tag{10}$$

where $\Delta\bar{y}_{i,j\in\{0,10\}}$ is the same as in specification (8). The variable $\widehat{\text{Transfer}}_i$ denotes the predicted values of the transfer amount from the first stage regression (9). The coefficient θ_3 is the 2SLS estimator, which captures the causal effect of the transfer amount on $\Delta\bar{y}_{i,j\in\{0,10\}}$.

The unbiased estimation of θ_3 relies on the relevance and exclusion restrictions of the instrument. The relevance condition implies that the transfer size significantly increases with the transfer cap. I test this by estimating θ_2 in equation (9). The exclusion restriction requires that, conditional on forward-selling year, parental purchase year, and market price at parental purchase, the transfer cap is unrelated to the outcome variables except through its effects on the transfer amount.

Balance test. While the exclusion restriction cannot be directly tested, it is possible to assess if variation in the transfer cap is orthogonal to observable outcomes known to impact investment behavior, such as parental wealth or business ownership. Figure 4 plots the relationship between parental wealth in event year $j = -1$ and the transfer size recipients are exposed to, as well as the transfer cap. Panel (a) indicates a strong positive relationship between parental wealth and transfer size. Moving from the net-wealth poorest parent in my sample to the wealthiest increases the transfer size from an average of DKK 500,000 (USD $76,500) to DKK 1,100,000 (USD $169,000). In contrast, Panel (b) indicates no relationship between the transfer cap and family wealth.

Online Appendix Table 3 presents results from a balance test. Specifically, I regress pre-transfer self-employment, parental business ownership, age, and parental wealth on realized, uninstrumented transfers and the transfer cap $Transfer^{\max}_{i,j=0}$, respectively. Realized transfers are strongly correlated with individual and parental characteristics, including self-employment status of the recipient, parental business ownership, and parental wealth. In contrast, these correlations are minimal or insignificant when using the transfer cap as the explanatory variable. This suggests that the transfer cap is uncorrelated with key individual and family traits, supporting its validity as an instrument.

V RESULTS

This section presents the results from the main estimations, relating inter vivos transfers to business ownership, stock market participation and savings of recipients. I first present the

results from the main estimations, which are divided into two main parts. The first part introduces the extensive margin results from the event study regressions of specification (7), along with the regression results of the intensive margin using specification (8). The second part presents the results from the 2SLS analysis of specification (9) and (10), where transfer amounts are randomized using the transfer cap as an instrument.

V.A Effects of inter vivos transfers on investments and savings

Event study and baseline model

The main results from the event study regressions are shown in Figure 5 and 6, while Table 3 reports the corresponding average effects over a 10-year horizon at the extensive margin. Table 4 presents the intensive margin results in column (1), showing the average 10-year effect of receiving an additional 100,000 DKK (USD $15,300) on investments and savings following receipt.

Business ownership. Panel (a) of Figure 5 displays the effect of receiving a transfer on the likelihood of becoming a business owner, and column (1) of Table 3 summarizes the average 10-year effect. Treated individuals increase their business ownership by 0.5 percentage points in the transfer year, which rises steadily to 1.8 percentage points ten years later. The 10-year average effect of 1.17 corresponds to an increase of 31% in reference to the baseline average business ownership of the treated population in event year $j = -1$. Prior to the transfer, treated and control groups follow parallel trends, suggesting that the increase in business ownership is stemming from the transfer rather than from pre-existing differences in business ownership of treated and controls. Online Appendix Table 1 formally confirms this by showing that the coefficients in the pre-treatment years are jointly insignificant (F-statistic = 1.18, p-value = 0.32).

The rise in registered business ownership as a primary income source is accompanied by a 34% increase in the registration of new firms for VAT purposes, as shown in Column 2 of Table 2. This suggests that the observed increase in business activity is primarily driven by the creation of new firms rather than the intergenerational transfer of existing businesses. Online Appendix Table 2 presents sector-specific regressions for newly registered firms. New firm creation is concentrated in high-growth sectors, including finance and real estate, research and analytical services, and farming and raw materials sectors. In contrast, there is no significant change in firm registrations within the restaurant/services, education and health, or recreational sectors. The table also reports effects on net wealth held in the registered businesses. Conditional on ever owning a firm, transfer recipients do not hold significantly different levels of business wealth compared to other business owners.

The intensive margin OLS results are shown in column (1) of Panel (a) in Table 4. A 100,000 DKK (USD $15,300) increase in transfer amount is associated with a 0.21 percentage

point increase in the probability of business ownership. Relative to the pre-transfer baseline for the treated group, this corresponds to a 4% increase, indicating a strong intensive margin relationship.

Stock market participation. Panel (b) of Figure 5 shows a sharp 2 percentage point increase in stock market participation in the year the transfer is received, which stays positive over the following 10 years. Pre-trends are parallel, as indicated by column (3) of Online Appendix Table 1 (F-statistic = 1.01, p-value = 0.41). The dynamic pattern suggests that recipients diversify their financial portfolios shortly after receiving the transfer, with no significant increase in participation thereafter. The average 10-year effect, reported in Column 3 of Table 3, is 2.44 percentage points, corresponding to a 17% increase relative to the pre-transfer average.

Online Appendix Figure 3 further examines the impact of transfers on various asset and debt holdings, observed in years 2014-2020. Pre-trends of treated and controls are parallel five years before the transfer. Following receipt, financial wealth exhibits a large increase, reaching DKK $150,000$ after five years, representing a 89% increase compared to the financial asset holdings at $j = -1$. The increase is underpinned by increases in stock holdings (80%) and mutual funds (112%), and deposits (93%), indicating that recipients increase their financial contributions over time compared to controls. In contrast, bond holdings remain stable relative to the control group.

Turning to the intensive margin, column (1) of panel (c) in Table 4 presents a positive relationship between transfer size and stock ownership. A 100,000 DKK (USD $15,300) transfer is associated with a 0.31 percentage point increase in the likelihood of stock market participation, representing a 2% increase relative to the baseline.

Savings rate. Panel (c) of Figure 5 presents the evolution of average savings following the transfer. In the transfer year, the savings rate decline sharply. The rate at which recipients consume outweighs the rate at which their financial assets grow for the following five years, indicating increased consumption and plausibly alleviated liquidity constraints. However, savings gradually recover over time and return to pre-transfer levels after five years. This pattern indicates that the initial increase in consumption among recipients is offset over time by a rise in net wealth accumulation. Column 4 of Table 3 summarizes the average 10-year effect to be -0.132, which correspond to a large drop in reference to the baseline average of -0.032 in the year before the transfer.

The intensive margin confirm the extensive margin results. Panel (c) of Table 4 shows that a 100,000 DKK (USD $15,300) increase in transfer amount is associated with a -0.012 percentage point change in the savings rate over the subsequent ten years.

Effects by transfer size. Figure 6 presents event study estimates for investment and savings, separately for recipients above and below the median transfer size (DKK 373,000; USD $57,000).

For below-median transfers, there is no significant impact on business ownership, and the stock market participation response is attenuated. Finally, the drop in savings is also reduced. These patterns are consistent with the interpretation that transfers relax financial constraints on investment, but only when the amount is sufficiently large to overcome relevant entry barriers.

2SLS Results

To assess potential selection in the effects of intergenerational transfers, this section presents and compares OLS and IV estimates of the intensive margin results. The analysis further relates the IV estimates to the channels through which marginal transfers influence wealth accumulation, drawing on the theoretical framework outlined in Section II.

Column (2) of Table 4 presents IV estimates from specification (10), showing the instrumented effect of receiving an additional 100,000 DKK (USD $15,300) on investments and savings following receipt.

First stage results. Online Appendix Table 4 reports the first-stage regression results from equation (9), where the transfer cap is used as an instrument for realized transfers. The estimated coefficient is 0.825 and statistically significant at the 0.1% level, indicating that, on average, a 1 DKK increase in the transfer cap results in a 0.83 DKK increase in the realized transfer amount. The magnitude and precision of the first-stage estimate confirm that the instrument is strongly correlated with the endogenous regressor, satisfying the relevance condition discussed in Section IV.C.

Second stage results. Panel (a) of Table 4 reports results for business ownership. Randomizing the transfer size reduces the OLS estimate in column (2) from 0.21 (4%) to 0.16 (3%). However, the IV estimate is not significantly different from the OLS, and remain statistically significant at the 4% level, indicating a causal impact of transfers on the individual propensity to start a business.

Panel (b) of Table 4 presents estimates for stock market participation. Once the transfer amount is instrumented via the cap, the OLS estimate drops by half from 0.31 (2%) to 0.15 (1%) with reduced precision of the estimate. This suggests that about half of the effect from larger transfers on stock market participation is driven by selection, meaning that recipients of larger transfers are already on a different financial investment trajectory. However, the estimate is still positive and significant, indicating a causal positive impact of larger transfers on financial investments.

Panel (c) of Table 4 reports the effects on the savings rate, including capital gains. The IV estimate equals -0.015, indicating a similar consumption response as suggested by the OLS estimate -0.012. In other words, the causal effect from larger transfer amounts points towards a depletion of savings in the short to medium run.

Implications for wealth accumulation. Section II and equation (2) presented a theoretical framework illustrating the marginal impact on a transfer on terminal wealth. The empirical results suggest that larger transfers significantly raises investments in business ownership. Given that business wealth is associated with high returns on average in Denmark, this evidence points toward a positive *behavioral shift in returns* ($\frac{dr_i}{dT_i} > 0$) as outlined in equation (2). However, the rising consumption response suggests a *negative behavioral shift in savings* ($\frac{ds_i}{dT_i} < 0$), pointing to a depletion of assets. Hence, the marginal impact of transfers on wealth accumulation depends on the relative impact of each channel. If the consumption response dominates the investment response, the effect of transfers on terminal wealth will be dampened. Conversely, if returns on business investments outweigh the loss in savings, transfers will amplify wealth accumulation beyond the mechanical effect of the transfer amount itself.

VI MECHANISMS

This section explores potential mechanisms linking inter vivos transfers to larger investments in business ownership and financial assets. I first explore the possibility that effects are driven by liquidity constraints. Next, I test whether the investment response is concentrated among recipients with specific traits. Finally, I test if parents actively target transfers to children with high financial ability, which may explain some of the discrepancy in IV and OLS estimates.

Lifted liquidity constraints. I hypothesize that the investment response arises because transfers relax liquidity constraints faced by recipients. In theory, transfers can provide the necessary resources to overcome participation barriers in business and equity markets. Prior studies document that windfall gains increase entry into entrepreneurship (Andersen and Nielsen, 2012; Bermejo et al., 2022; Chodorow-Reich et al., 2024) and stock market participation (Andersen and Nielsen, 2011). In contrast, the transfers observed in this study are *illiquid*, as they take the form of housing assets rather than cash. It is therefore not immediate that recipients gain liquid funds for investment or consumption. If recipients are liquidity constrained at the time of receipt, one would expect them to access liquidity by either selling the property in the open market or extracting equity through higher borrowing against the housing asset.

I find evidence consistent with binding liquidity constraints. First, Online Appendix Figure 4 shows that recipients are 100% more likely to sell the dwelling in the open market within the first year after receipt, and 25% more likely within the second year, compared to general entrants. Second, Panel (i) of Online Appendix Figure 3 documents that recipients increase their uptake of secured debt using the property as collateral, indicating that they extract equity from their illiquid wealth holdings. At the same time, Panel (h) shows a decline in the use of unsecured consumption loans relative to general entrants, suggesting that recipients substitute towards cheaper and less risky forms of borrowing. This mechanism is consistent with evidence that financial distress and default risks transmit across generations (Kreiner, Leth-Petersen,

and Willerslev-Olsen, 2020), implying that transfers may mitigate such persistence by easing liquidity constraints. Taken together with the evidence in Figure 6—that investment responses are stronger for larger transfers—these results support the interpretation that credit constraints mediate parts of the observed investment effects.

Heterogeneity in the investment response. As outlined in Section II, if the behavioral effects of transfers vary systematically with recipient or family characteristics, they can amplify intergenerational wealth persistence. To explore heterogeneity in the investment response, I estimate specification (10) separately across six heterogeneity dimensions: age, gender, college education, financial ability, parental wealth, and parental business ownership. I study effects by educational background (field of study) as a proxy for financial ability: degrees in business or economics have been shown to predict financial behavior (Hvidberg, 2023), while degrees in engineering and technology are associated with innovation and higher marginal returns to entrepreneurship (Chatterji, Glaeser, and Kerr, 2014).

The results in Figure 7 suggest overall limited heterogeneity in investment responses across most subgroups. Panel (a) shows that the point estimates for business ownership are somewhat stronger among recipients above age 30, men, and those with a parent who owns a business, but overlapping confidence intervals imply no statistically significant differences. Importantly, I find no difference in the business creation response depending on parental wealth. By contrast, a clear and significant difference emerges when separating recipients by educational background: those holding a degree in business, economics, or engineering increase their business ownership by 0.5 percentage points (9%) for each additional DKK 100,000 transferred, which is roughly three times larger than the average effect. Panel (b) indicates that the impact on stock market participation is somewhat larger for recipients under age 30 and for those with parents in the upper half of the wealth distribution. Yet again, the largest effects appear among individuals with a degree in business, economics, or engineering, where transfers increase participation by 0.3 percentage points (1.5%). Taken together, the evidence points to the causal investment response being concentrated among recipients with high financial ability.

Do parents target children more likely to invest? A potential explanation for the discrepancy between OLS and IV estimates in Table 4 is that parents selectively allocate transfers to children with higher investment potential, introducing an upward bias to the OLS estimate. If parents can anticipate which child is more likely to invest productively—due to financial literacy, entrepreneurial ability, or risk preferences—they may choose to give larger transfers to those children.

To test this, I investigate whether parents are more likely to transfer housing assets to children who are ex-ante more likely to invest. I use within-family variation, comparing recipients of forward sales to their siblings who did not receive a transfer.[14] As shown in Figure 7, individ-

[14]The sample is restricted to transfer recipients with at least one sibling, yielding 13,246 recipients.

uals with degrees in business, economics or engineering exhibit stronger investment responses from transfers. I therefore examine whether parents systematically target children with degrees in these fields by estimating the following model on the sibling sample:

$$P(Transfer_{if}) = \beta_1(\text{Business or tech. degree})_{if} + \beta_2 X_{if} + \gamma_f + \varepsilon_{if} \tag{11}$$

Equation (11) is a linear probability model estimating the likelihood that child i in family f receives a forward sale. The dependent variable, $Transfer_{if}$, is a binary indicator equal to 1 if the child receives the transfer. The key explanatory variable Business or tech. degree$_{if}$ equals one if individual holds a degree in business/economics or in engineering/technology. The vector X_{if} includes additional child-level controls, including a dummy for holding any college degree, gender, income birth order, homeownership and wealth. γ_f denotes family fixed effects that absorb all shared family-level characteristics. The parameter of interest, β_1, captures the within-family association between investment ability and the probability of receiving a transfer.

The results in Table 5 provide evidence consistent with parental targeting. Among siblings, holding any college degree is associated with a 7 percentage point higher likelihood of receiving a transfer (column 6). Furthermore, having a degree in business/economics, or in engineering/technology is linked to an additional 6.6 percentage point increase in the probability of receiving a transfer.

VII CONCLUSION

This paper uses Danish administrative data to examine how intergenerational transfers shape long-run wealth accumulation by influencing recipients' early savings and investment behavior. I exploit a tax benefit scheme that allows parents to forward-sell homes to children below market value, resulting in large wealth transfers running through the housing market.

Beyond the mechanical increase in wealth, transfers affect accumulation through behavioral channels: recipients shift portfolios toward higher-return assets via business ownership and stock market participation, while simultaneously reducing savings through higher consumption. The net effect reflects the balance between these offsetting forces.

The findings have three key implications for dynastic wealth inequality. First, because wealthier parents are more likely to transfer and to transfer larger sums, intergenerational transfers mechanically reinforce wealth correlations. Second, while transfers alter recipients' investment behavior, the effects do not vary systematically with parental wealth, suggesting that behavioral channels do not uniformly amplify persistence. Third, sibling comparisons indicate that parents selectively allocate transfers to financially capable children, consistent with targeting those expected to achieve the highest marginal returns.

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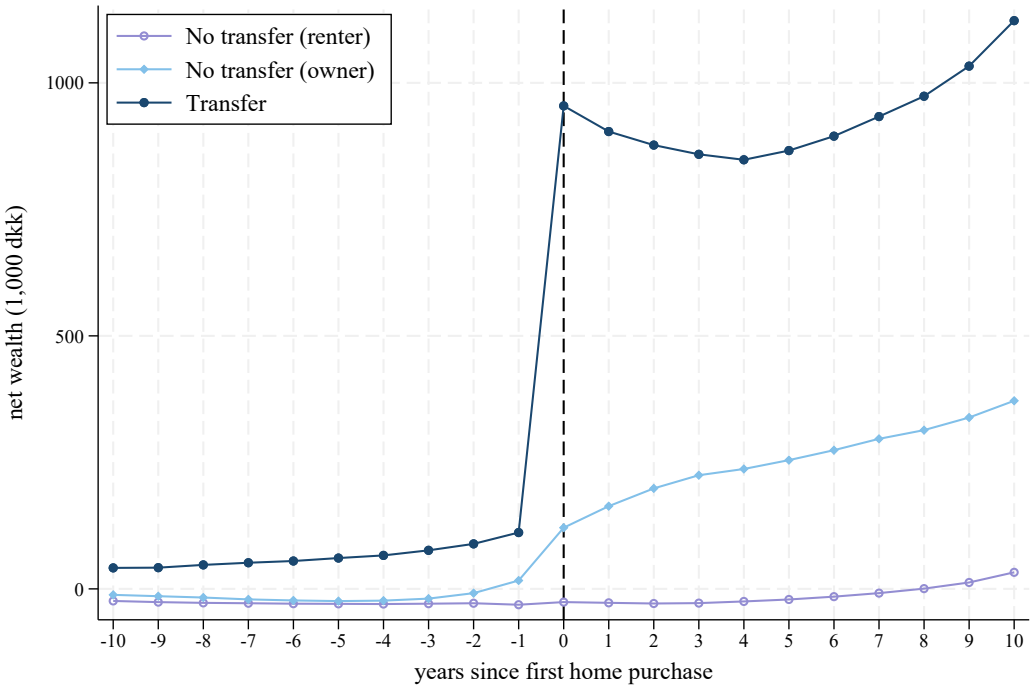
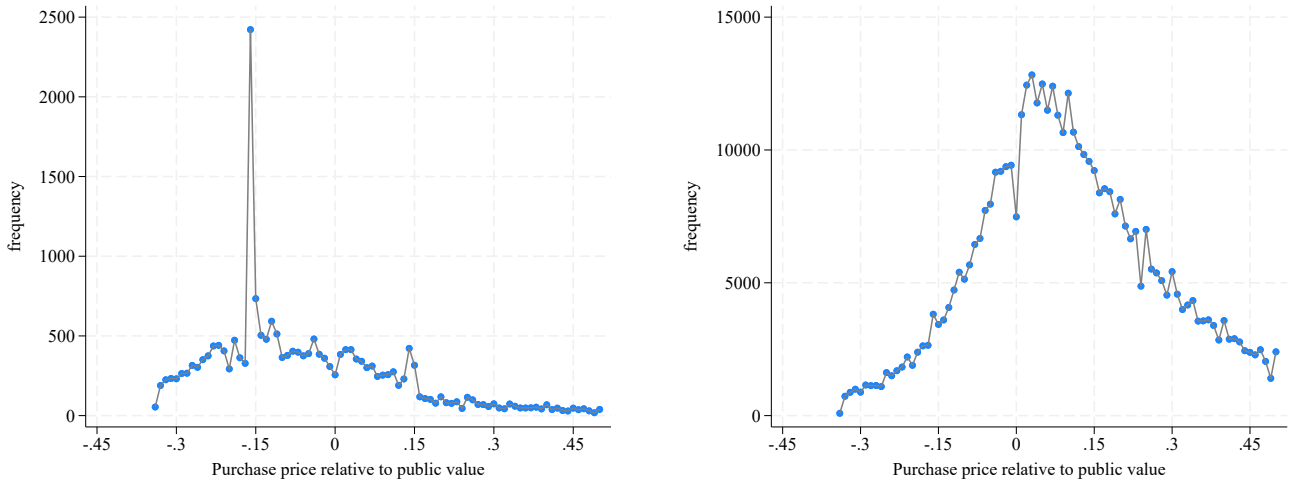


Figure 2: Wealth transfer at housing market entry

Notes: This Figure shows the average net wealth for transfer recipients and non-recipients 10 years before and after housing market entry. Transfer recipients are those who entered the housing market through a discounted forward sale from their parents. Non-recipients are divided into two groups: housing market entrants (owners) and renters who do not enter the housing market in the given time frame. A fake event date is assigned for renters following the age distribution of the treated sample. Net wealth is calculated as the sum of financial assets, deposits and housing wealth, minus liabilities, expressed in 1,000 DKK. Pensions and business wealth is not included in the definition. The sample includes ages 18-50, years 1995-2020. Data is obtained from Danish administrative registers (Statistics Denmark).

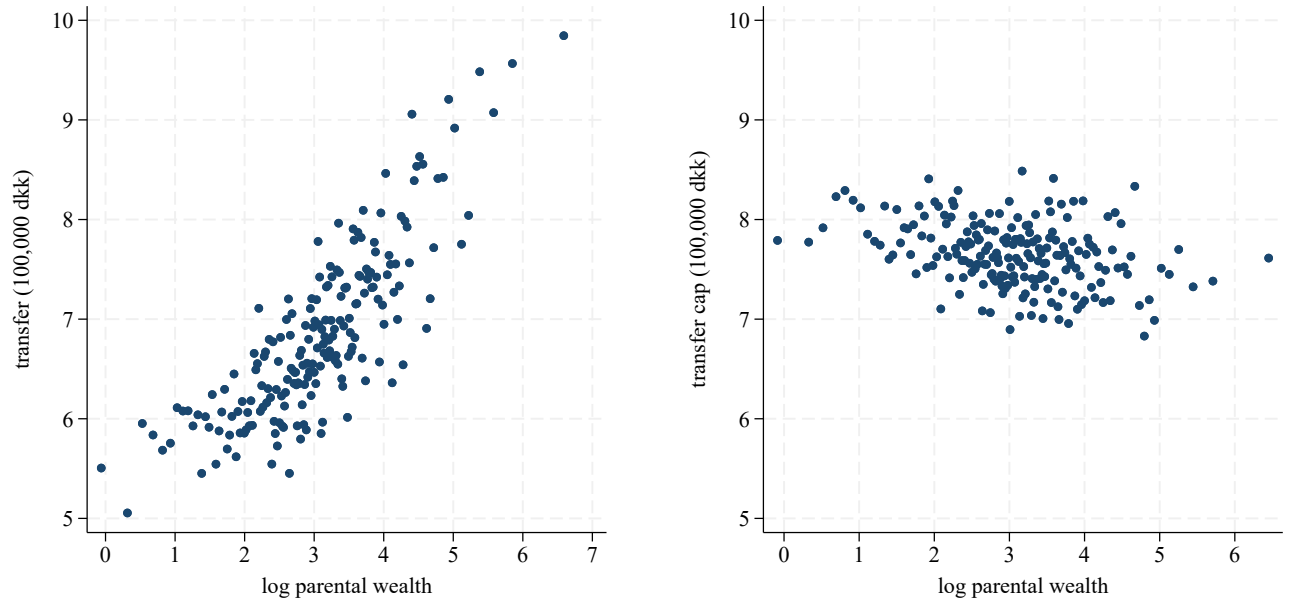


(a) Intra-family forward-sales

(b) General sales

Figure 3: Distribution of P^P in relation to P^G

Notes: This Figure plots the frequency distribution of purchase prices of housing in relation to the public (tax assessment) value P^G. Panel (a) plots the distribution for all intra-family forward sales, while panel (b) display the show the distribution for all other housing sales. Data comes from Danish administrative registers (Statistics Denmark).

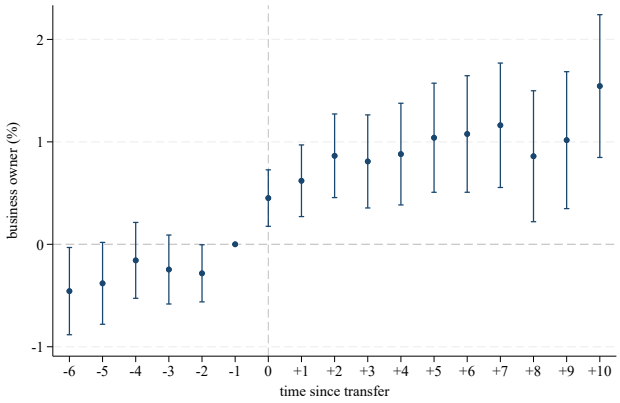


(a) Transfer size

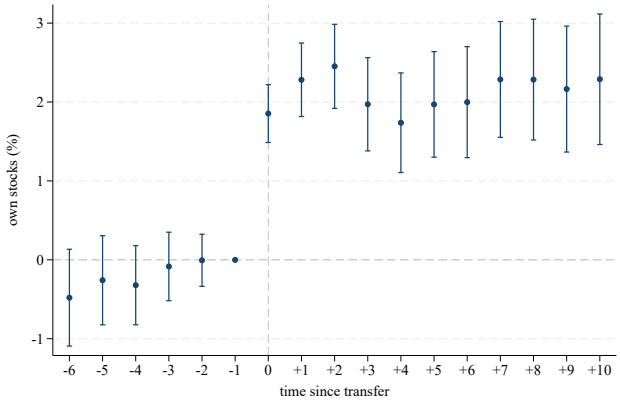
(b) Transfer cap

Figure 4: Relationship between parental wealth and transfer size / transfer cap

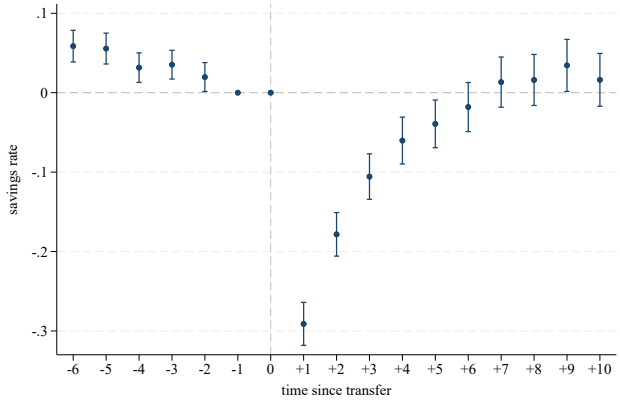
Notes: This Figure presents binned scatterplots of the relationship between log of parental wealth in event year $j = -1$ (x-axis) and two nominal (DKK 100,000) measures on the y-axis: Panel (a) plots the correlation with actual transfer size, while Panel (b) shows the correlation with the policy-determined transfer cap. All values are residualized by absorbing year fixed effects. Data comes from Danish administrative registers (Statistics Denmark).



(a) Business ownership



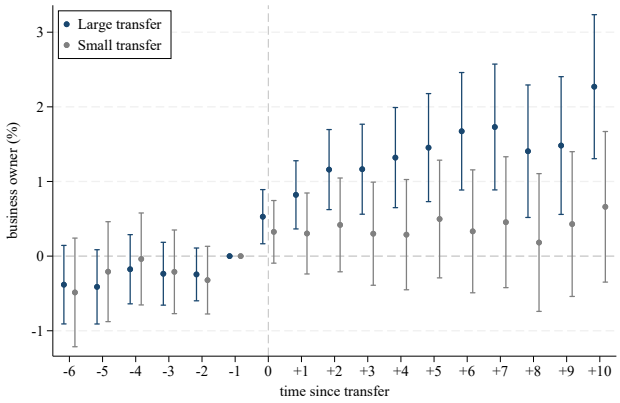
(b) Stock market participation



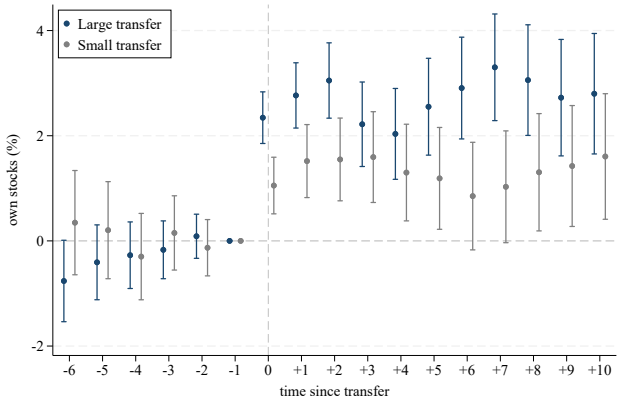
(c) Savings (Δ net wealth / disposable income)

Figure 5: Effects of transfers on investments and savings (extensive)

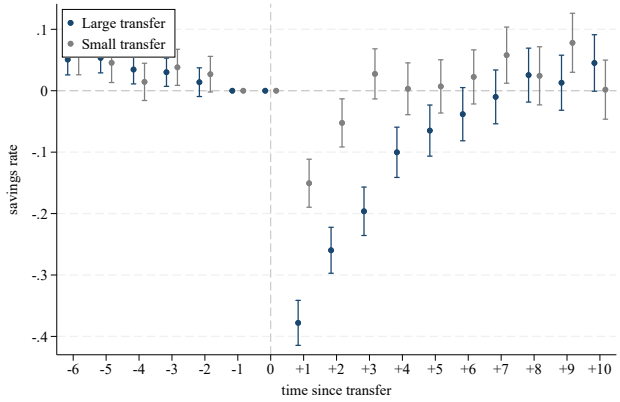
Notes: This Figure reports the main estimation results from specification (7) for the matched sample with 95% CIs. Panel (a) depicts the effect on business ownership. Panel (b) shows the corresponding results for stock market participation. Panel (c) shows the results for savings, expressed as Δ net wealth divided by disposable income. Treated individuals are those who entered the housing market through a discounted intra-family forward sale. Controls are general entrants matched to the treated group based on year, 5-year age group, education level, gender and urban area status in event year $j = -1$. The regression includes individual fixed effects. Data is obtained from Danish administrative registers (Statistics Denmark).



(a) Business ownership



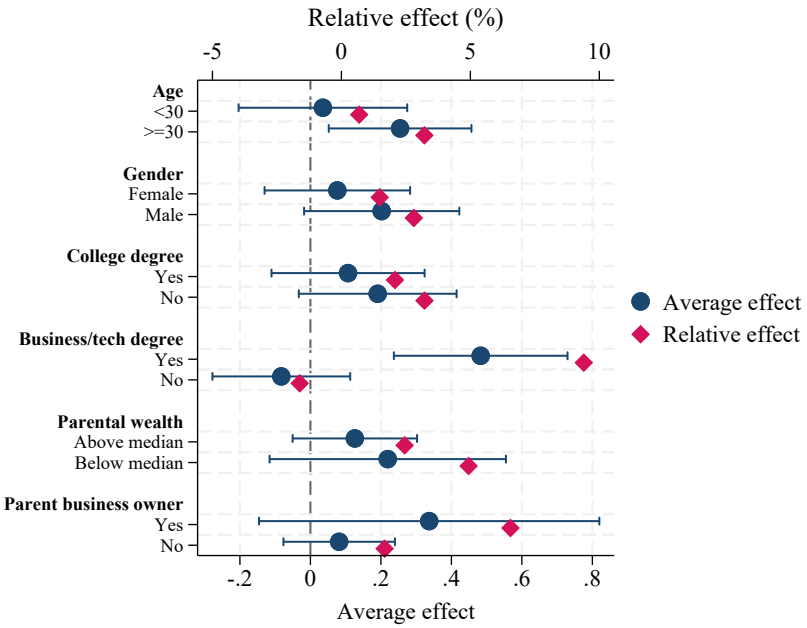
(b) Stock market participation



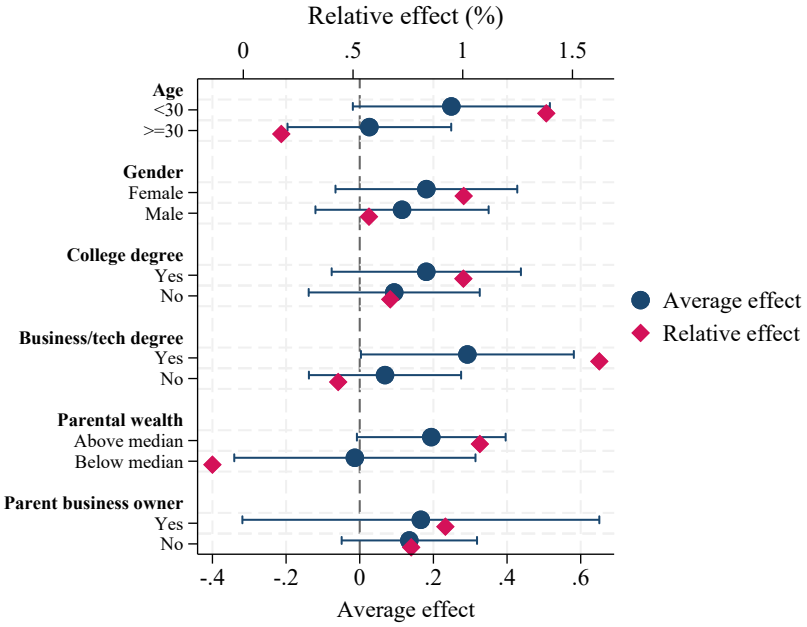
(c) Savings

Figure 6: Effects of transfers on investments and savings by transfer size

Notes: This Figure presents the main event study estimates for the matched sample, including 95% confidence intervals. Panel (a) shows effects on business ownership, Panel (b) on stock market participation, and Panel (c) on savings, measured as the change in net wealth divided by disposable income. Each panel displays results separately for individuals receiving transfers above and below the median transfer amount in the full sample, with the median amount equals DKK 373,000 (USD $57,000). Treated individuals are those who entered the housing market through a discounted intra-family forward sale. Control individuals are matched entrants based on year, 5-year age group, education level, gender, and urban location in event year $j = -1$. All regressions include individual fixed effects. Data is obtained from Danish administrative registers (Statistics Denmark).



(a) Business ownership



(b) Stock market participation

Figure 7: Heterogeneity in investment response to transfers

Notes: This Figure displays IV estimates from specification (10) with 95% confidence intervals. The dependent variable is business ownership in Panel (a) and stock ownership in Panel (b). Panel (b). Regressions are estimated separately for six subgroups: age (below/above 30), gender (female/male), college degree (yes/no), business, economics or tech degree (yes/no), parental wealth (above/below median), and parent business ownership (yes/no). Blue circles represent absolute effects in percentage points, while red diamonds show relative effects, calculated as the treatment effect divided by the subgroup's pre-transfer mean. Data is obtained from Danish administrative registers (Statistics Denmark).

Table 1: Descriptive statistics of traded housing

	General sales (1)	Forward sales within family (2)
Market price	16.80	18.72
Public value	14.44	13.73
Purchase price	16.51	12.93
Mortgage	12.85	9.66
Mortgage / Market value	0.79	0.54
Urban area (d)	0.28	0.52
Ownership share	0.61	0.81
Apartment (d)	0.24	0.54
Size (sqm)		
<20	0.00	0.00
20–39	0.02	0.05
40–59	0.09	0.26
60–79	0.12	0.16
80–99	0.17	0.13
≥100	0.61	0.39
Years since parental purchase		
0	0.00	0.25
1–5	0.00	0.35
6–10	0.00	0.21
11–15	0.00	0.09
16–20	0.00	0.05
>20	0.00	0.04
Observations	722,660	33,009

Notes: This Table presents descriptive averages of traded housing for individuals aged 18–50 during the years 1995–2020. Column 1 shows values for general sales, while column 2 shows values for house sales traded within the family. All nominal values are listed in 100,000 DKK. Data is obtained from Danish administrative registers (Statistics Denmark).

Table 2: Descriptive averages, housing market entrants

	Population	No transfer (controls)	Transfer (treated)
	(1)	(2)	(3)
Age	29.08	29.48	29.47
Female (d)	0.49	0.47	0.47
Has college degree (d)	0.36	0.40	0.40
Big city	0.41	0.57	0.57
Parent in top income 10%	0.15	0.17	0.33
Parent in top wealth 10%	0.11	0.12	0.27
Parent owns >1 unit	0.17	0.18	0.60
Working income	284.34	241.88	233.68
Net wealth	13.06	11.78	67.84
Housing wealth	25.28	24.10	27.81
Debt outstanding	116.10	113.29	97.13
Business owner (d)	0.04	0.04	0.05
Business owner (reg)	0.02	0.02	0.02
Parent business owner (d)	0.04	0.03	0.06
Own stocks (d)	0.19	0.21	0.26
Savings rate	0.05	0.04	0.03
Transfer amount			653.67
Transfer (share of income)			3.54
Individuals	644,953	30,806	30,806

Notes: This Table presents averages of financial and demographic variables across three samples in event year $t = -1$: (1) Population of housing market entrants, (2) matched entrants based on education, year, age group, gender and urban area, and (3) housing market entrants via intra-family forward sales (transfer recipients). Variables are observed at an annual frequency. The sample is limited to individuals aged 18–50 during the years 1995–2020. All nominal variables are expressed in 1,000 DKK and are inflated to 2020 levels. Data is obtained from Danish administrative registers (Statistics Denmark).

Table 3: Effects of transfers on financial outcomes

	Business ownership (1)	Business registration (2)	Stock ownership (3)	Savings rate (4)
Transfer × Post	1.171***	0.437***	2.439***	-0.132***
	(0.170)	(0.142)	(0.227)	(0.005)
Outcome mean	3.726	1.291	14.066	-0.035
Observations	906,256	737,649	906,256	795,799

Standard error in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This Table reports coefficient estimates illustrating the average effect of receiving a transfer when entering the housing market on 10-year outcomes. Treated individuals are those who entered the housing market through a discounted intra-family forward sale. Controls are general entrants matched to the treated group based on year, age, education level, gender and urban area status in event year $j = -1$. Effects capture 10-year average outcomes. Column (1) shows effects on tax-reported business ownership, column (2) shows effects on having a registered firm, column (3) shows effects on stock ownership, and column (4) shows effects on savings, expressed as the annual change in net wealth divided by disposable income. Standard errors are in parentheses. Data is obtained from Danish administrative registers (Statistics Denmark).

Table 4: Intensive margin results

	OLS	IV
	(1)	(2)
Panel a: Business ownership (%)		
Transfer sum (100,000)	0.210***	0.157**
	(0.058)	(0.079)
Outcome mean	5.129	5.129
Panel b: Stock ownership (%)		
Transfer sum (100,000)	0.309***	0.145*
	(0.064)	(0.087)
Outcome mean	19.144	19.144
Panel c: Savings rate		
Transfer sum (100,000)	-0.012***	-0.015***
	(0.002)	(0.002)
Outcome mean	0.021	0.021
No. obs	23,297	23,297
Instrumented	No	Yes

Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This table reports estimation results from regression specifications (8) and (10), capturing the effect of receiving DKK 100,000 (USD $15,300) larger transfers at housing market entry on 10-year business ownership (panel a), stock ownership (panel b), and savings rate (panel c). Column (1) shows OLS estimates, and column (2) presents 2SLS estimates instrumenting the transfer amount with the transfer cap $Transfer_i^{max}$. Both specifications include controls for the market price of the unit once it was purchased by parents, as well as year and parent purchase year fixed effects. Data come from Danish administrative registers (Statistics Denmark).

Table 5: Predictors of transfer receipt, sibling sample

Dep. variable: $Transfer_i$	(1)	(2)	(3)	(4)	(5)	(6)
Business or tech degree	0.034***	0.046***	0.029***	0.055***	0.070***	0.066***
	(0.007)	(0.006)	(0.010)	(0.017)	(0.014)	(0.023)
College degree		0.072***	0.054***		0.084***	0.070***
		(0.005)	(0.006)		(0.015)	(0.015)
Homeowner $j = -1$		-0.502***	-0.514***		-0.786***	-0.792***
		(0.004)	(0.008)		(0.007)	(0.017)
Married/partnership			-0.008			-0.053***
			(0.006)			(0.014)
Female			-0.020***			-0.031***
			(0.005)			(0.011)
log(Income) $j = -1$			0.064***			0.079***
			(0.005)			(0.010)
log(Liabilities) $j = -1$			-0.002***			-0.004**
			(0.001)			(0.001)
log(Assets) $j = -1$			0.003**			0.006**
			(0.001)			(0.003)
Owns stocks $j = -1$			0.010*			0.007
			(0.005)			(0.015)
Observations	30,723	30,723	30,723	30,723	30,723	30,723
Family FE	No	No	No	Yes	Yes	Yes

Standard errors in parentheses.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This Table reports estimates from cross-sectional regressions based on specification (11). The sample includes recipients of intra-family forward sales with at least one sibling, along with their siblings. Each observation corresponds to one individual, measured at the age when the transfer was received by the recipient sibling. The dependent variable is a dummy equal to one if the individual received a transfer. The main independent variable, *Business or tech degree*, is a dummy equal to one if the individual holds a degree in business/economics or in engineering/technology. Columns 1–3 show estimates without family fixed effects, while columns 4–6 include family fixed effects. Data is obtained from Danish administrative registers (Statistics Denmark).

Online Appendix: A Flying Start

Wednesday 20th August, 2025

Online Appendix A: Imputing market prices of housing

The market value of housing is not directly observed in Danish administrative registers, except in years when a property is sold. Moreover, for intra-family transactions, the purchase price is typically below the true market value. As a result, the market value must be imputed for properties that are either not traded or traded within the family.

To address this, I use data from local housing sales to estimate market values. The method follows an approach similar to that of Statistics Denmark (Danmarks Statistik, 2015), but relies solely on observed market transactions, without adjustments based on public tax assessments.

I begin by selecting a sample of private sales involving single-family homes, multiple-family homes, and apartments. The sample is restricted to properties that are traded no more than twice in a given year and are between 25 and 750 square meters in size. Transaction prices must fall between 100,000 and 25,000,000 DKK, with implied square meter prices between 1,000 and 200,000 DKK.

Properties are grouped by type (using 40 categories), ZIP code[1], and year. For each group, I calculate the average square meter price:

$$\bar{p}_{ikt} = \frac{\sum_{u \in ikt} \text{SalesPrice}_{u,t}}{\sum_{u \in ikt} \text{sqm2}_u}, \tag{1}$$

where $\bar{p}_{ikt}$ is the average square meter price for a property of type i in ZIP code (or broader area) k in year t. It is computed as the sum of the final sales prices SalesPrice_u divided by the aggregated square meters sqm2_u for the sold units within each group. If a property is sold multiple times in the same year, only the latest transaction is used. The final imputed market value $P^M_{u,t}$ for property u is then computed as:

$$P^M_{u,t} = \bar{p}_{ikt} \cdot \text{sqm2}_u, \tag{2}$$

where $\bar{p}_{ik}$ is the final zone-specific price per square meter assigned to the property, and sqm2_j is its size in square meters.

Panel (a) of Figure 6 illustrates the development in the imputed market price over time, alongside the public valuation of properties. Market prices increased drastically between 2000 and 2006, dropping thereafter during the Great Financial crisis. From 2011 onwards, prices started to increase again.

[1] If fewer than 20 valid sales are available in a group, the geographic level is expanded hierarchically: from ZIP code to municipality, then to region, and finally to the national level.

Online Appendix B: Public property valuations in Denmark

The purpose of the Danish public property valuation system is to assign tax assessment values for property taxation. The valuation system underwent several reforms between 1995 and 2020. Until 2002, property valuations were conducted under a decentralized structure, with municipalities responsible for determining values via manual assessments. From 2002 onward, the process was centralized under the national Tax Authority (*SKAT*), which implemented a standardized, model-based approach applied uniformly across Denmark. In 2011, there was a freeze to the public valuation, resulting in no further updates post 2011. Between 2002 to 2011, the official public value of a property was defined as:

$$P_{u,t}^{G} = P_{u,t}^{\text{building}} + P_{u,t}^{\text{land}}, \tag{3}$$

where $P_{u,t}^{G}$ is the public valuation of property u in year t. $P_{u,t}^{\text{building}}$ is the estimated value of the physical building, and $P_{u,t}^{\text{land}}$ is the estimated land value.

SKAT's valuation model produced suggestions for both $P_{u,t}^{\text{building}}$ and $P_{u,t}^{\text{land}}$ using a rules-based procedure that integrated register data with predefined valuation zones (Statsrevisorerne and Rigsrevisionen, 2012). The land value P_{j}^{land} was primarily determined by the property's location within a *grundværdiområde* (land value zone), each of which had a base land price derived from past assessments. In principle, the land value reflected the hypothetical worth of a vacant, buildable plot within the zone.

The building value P_{u}^{building} was estimated based on standardized rules for construction type, age, and use, sourced from the administrative register on buildings. By dividing buildings into reference groups, SKAT relied on historical sales data and previous valuations to derive P_{u}^{building}. Updates were made bi-annually.

A report by Statsrevisorerne and Rigsrevisionen, 2012 concluded that SKAT's valuation system produced unreliable assessments for a substantial share of properties. Many dwellings were assigned to an incorrect valuation zone; values in the BBR and ESR registers were incomplete and outdated; and SKAT lacked the resources to validate or override incorrect automated suggestions. The model itself was inflexible and unable to reflect market-level variation or atypical property traits. As a result, the valuations exhibited large standard errors and systematic bias, particularly for high-value urban housing. This resulted in large differences between P^{M} and P^{G}.

Online Appendix C: Additional tables and figures

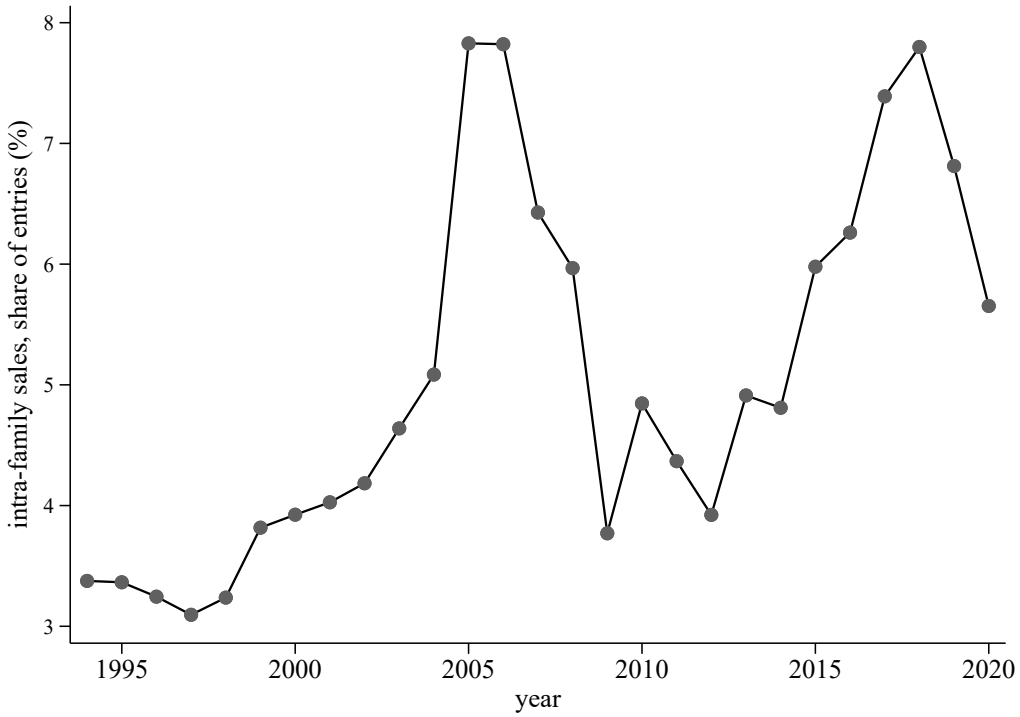
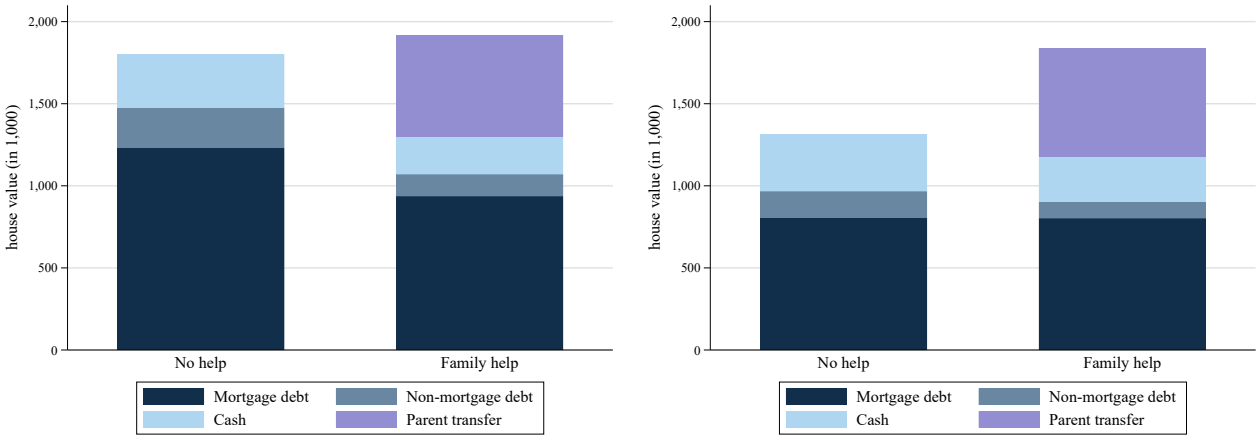


Figure 1: Intra-family sales over time

Notes: This Figure shows intra-family forward sales as a share of total housing market entries in Denmark in the time period 1995-2020. Data is obtained from Danish administrative registers (Statistics Denmark).

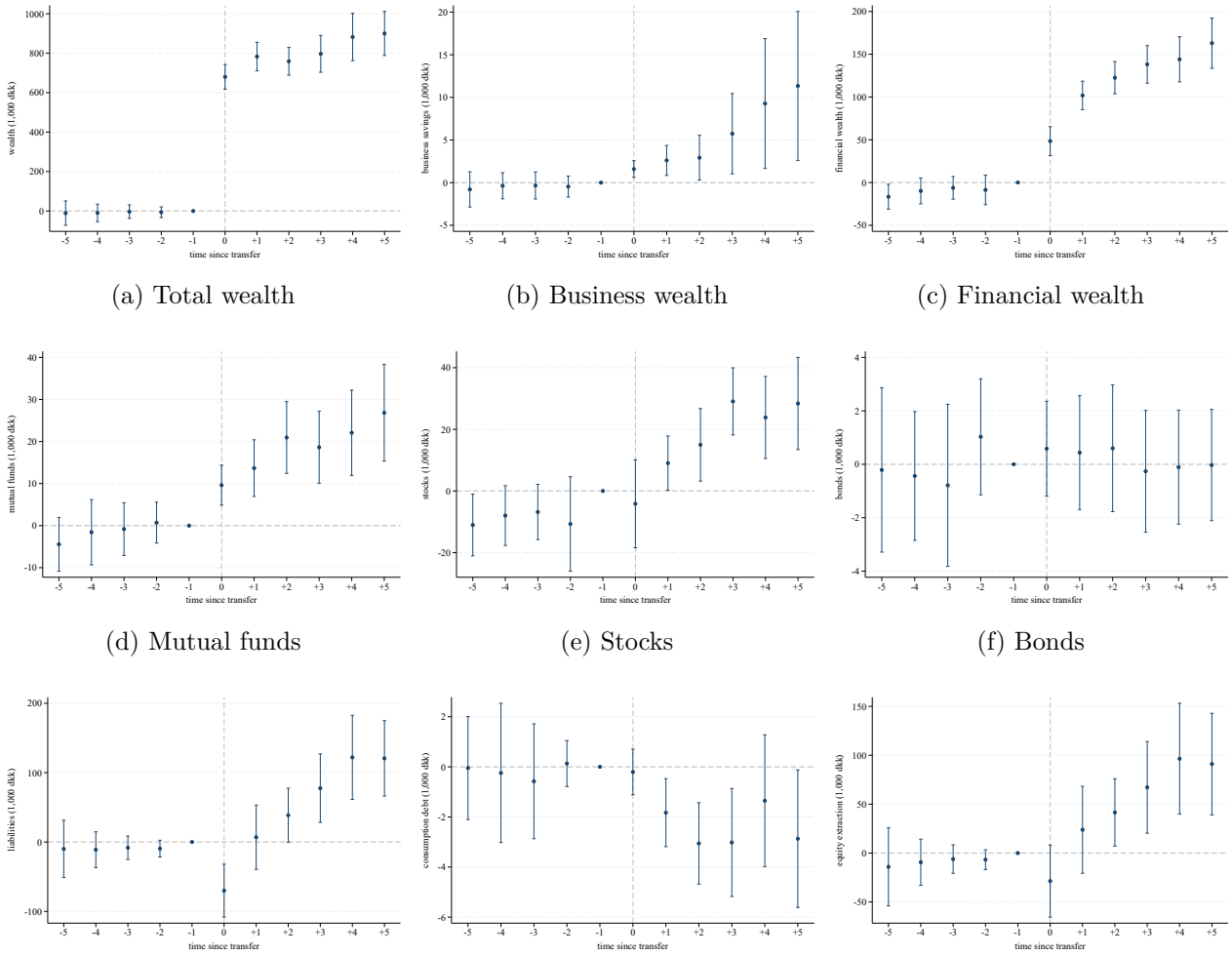


(a) Full sample

(b) Solo entrants

Figure 2: Financing sources at entry

Notes: This Figure depicts the average house value the year of housing market entry for treated (Family help) and controls (No help), divided into mortgage debt, bank debt (non-mortgage debt), cash and parental transfers. Panel (a) shows financing sources for the full (main) sample. Panel (b) shows financing sources for individuals purchasing the dwelling alone, owning 100% of the unit. Mortgage debt and non-mortgage debt values are obtained directly from SKAT. The transfer amount is calculated as the difference between the purchase price and the market price of the unit. Cash reflects the down payment of the unit, and is imputed by taking the purchase price of the purchased unit, subtracting the change in debt in the year of entry. Data is obtained from Danish administrative registers (Statistics Denmark).



(a) Total wealth (b) Business wealth (c) Financial wealth

(d) Mutual funds (e) Stocks (f) Bonds

(g) Total debt (h) Consumption loans (i) Mortgage debt / equity extraction

Figure 3: Effects of transfers on assets and debt

Notes: This Figure reports the main estimation results from the event study specification for the matched sample with 95% CIs. The dependent variables are amounts held in financial assets, mutual funds, stocks, bonds, unrealized business profits, as well as total liabilities, consumption loans and mortgage debt/equity extraction. All variables are expressed in DKK 1,000 Treated individuals are those who entered the housing market through a discounted intra-family forward sale. Controls are general entrants matched to the treated group based on year, 5-year age group, education level, gender and urban area status in event year $j = -1$. Data cover years 2014-2020. The regression includes individual fixed effects. Data is obtained from Danish administrative registers (Statistics Denmark).

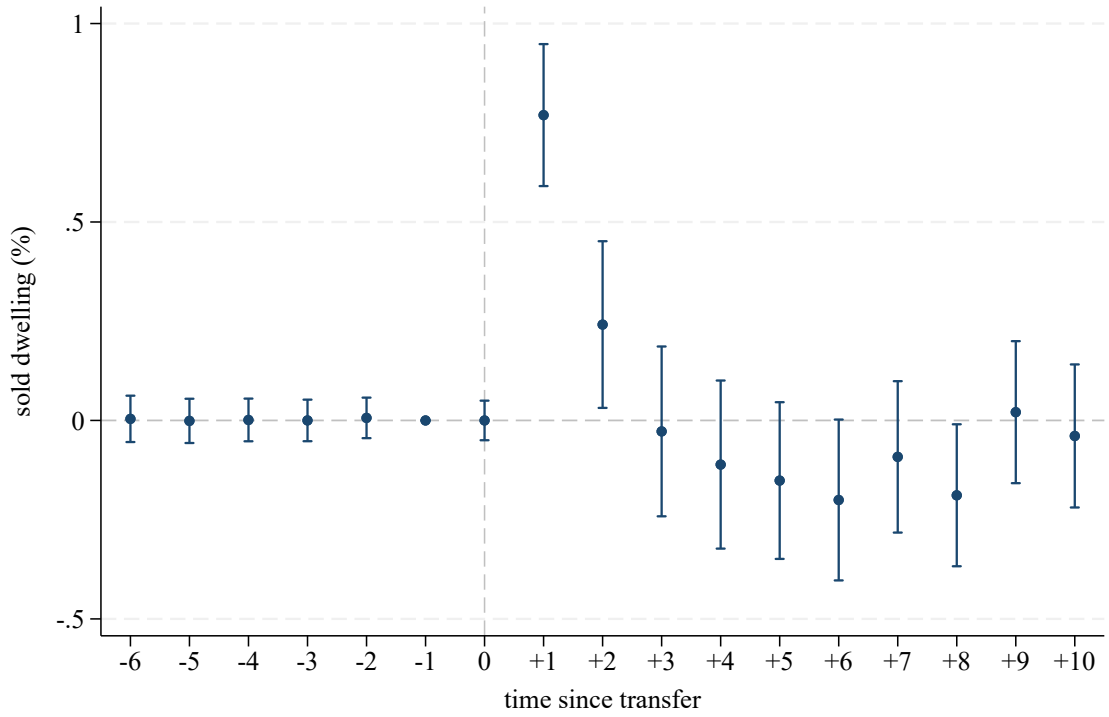
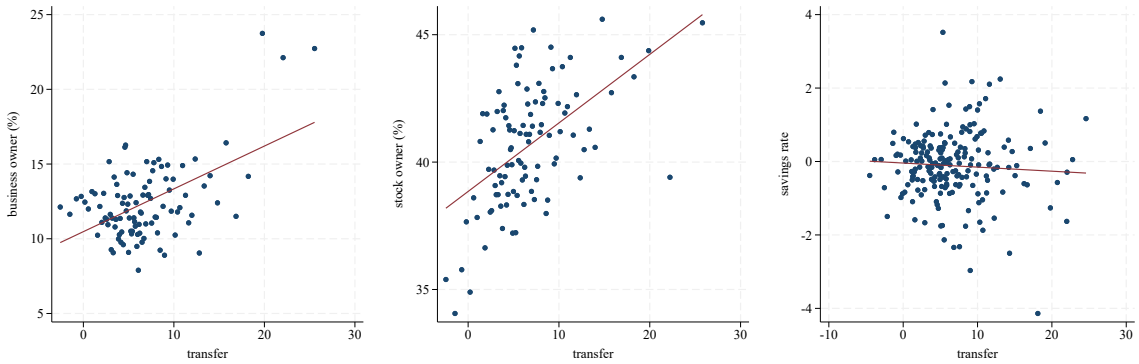


Figure 4: Effect on propensity to sell dwelling

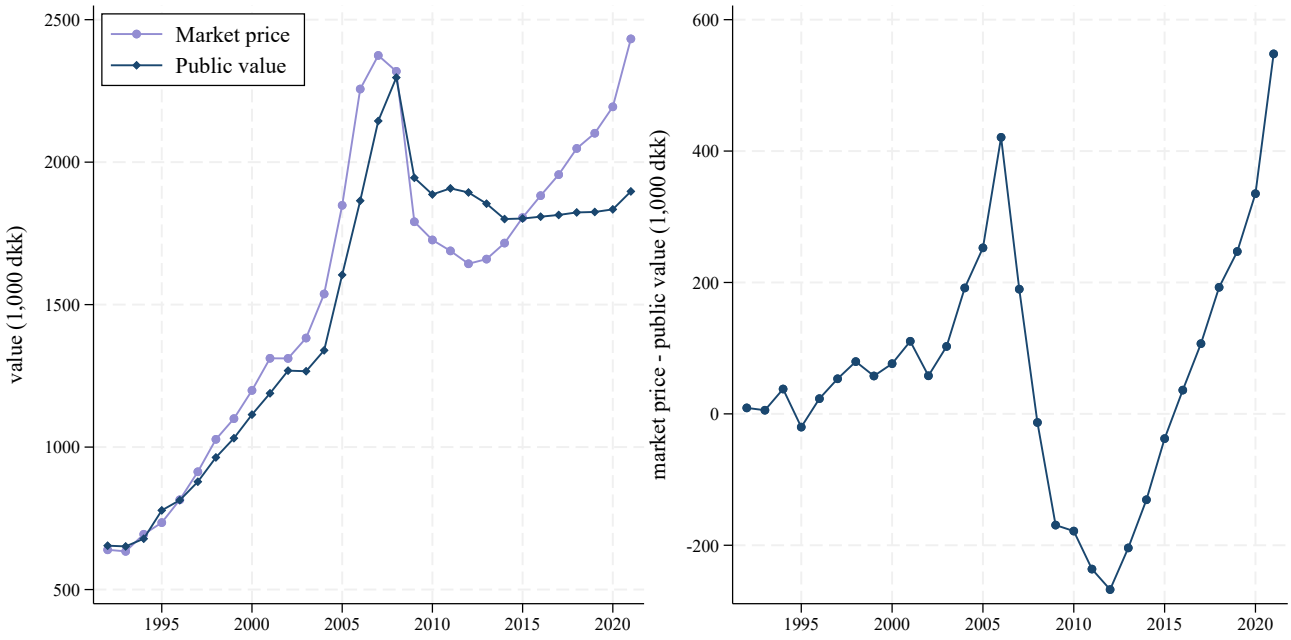
Notes: This Figure reports estimation results from the event study specification for the matched sample with 95% CIs. The dependent variable "sold dwelling", is a dummy variable which equals 100 if the individual sold the unit in a given year. Treated individuals are those who entered the housing market through a discounted intra-family forward sale. Controls are general entrants matched to the treated group based on year, 5-year age group, education level, gender and urban area status in event year $j = -1$. The regression includes individual fixed effects. Data is obtained from Danish administrative registers (Statistics Denmark).



(a) Business ownership (b) Stock market participation (c) Savings

Figure 5: Relationship between transfer size and investments and savings (intensive)

Notes: This Figure presents binned scatterplots illustrating the relationship between transfer size and 5-year post-transfer outcomes. Panel (a) shows the association between transfer size and the likelihood of business ownership within ten years after the transfer. Panel (b) displays the corresponding relationship for the probability of stock market participation, and panel (c) depicts the correlation with average savings, measured in 100,000 dkk. Data is obtained from Danish administrative registers (Statistics Denmark).



(a) Levels

(b) Difference ($P^M - P^G$)

Figure 6: Timeline of P^G and P^M

Notes: This Figure illustrates market and public price developments over time, as well as their difference. Panel (a) presents averages of the market price and of the public valuation in levels for all residential housing in Denmark 1992-2020. Panel (b) plots the average difference between the market price and the public value. The market price is imputed using the method outlined in Online Appendix A. The public value is directly obtained from SKAT.

	Business owner	Business registration	Stock owner	Savings rate	Financial wealth
	(1)	(2)	(3)	(4)	(5)
F-stat	1.18	.51	1.01	9.37	8.35
p-value	.32	.76	.41	.000	.000

Table 1: F-tests for treatment leads, event-study results

Notes: This Table presents the results from F-tests of the 5 treatment lead coefficients from each event study with the dependent variable being business ownership (column 1), stock ownership (column 2), and savings rate (column 3). Data is obtained from Danish administrative registers (Statistics Denmark).

Table 2: Effects on firm outcomes, extensive margin

	All	Farming	Const-ruction	Restaurant	Commun-ication	Finance/ Real estate	Research/ Analytical	Teaching/ Medical	Recreational	Net wealth	Nr employees
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Transfer × Post	0.437***	0.056**	-0.070*	-0.019	0.052	0.044**	0.137**	-0.052	0.058	11.095	0.026
	(0.142)	(0.027)	(0.042)	(0.039)	(0.036)	(0.020)	(0.057)	(0.054)	(0.039)	(13.670)	(0.123)
Outcome mean	1.291	0.060	0.109	0.140	0.110	0.017	0.195	0.104	0.127	25.149	0.352
Observations	737,649	737,649	737,649	737,649	737,649	737,649	737,649	737,649	737,649	31,507	13,089

Standard errors in parentheses.

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This Table presents estimated average 10-years effects of receiving a transfer on extensive-margin business and sectoral outcomes. The dependent variables in column (2)-(9) are registration of new businesses for VAT in specific sectors, including farming, construction, restaurants, communication, finance/real estate, and teaching/medical services. Column (10)-(11) show effects on firm-level net wealth and number of employees for a sample of individuals who ever registered a business. Each coefficient represents the change associated with the transfer after controlling for individual characteristics and fixed effects. Data comes from Danish administrative registers and is available in years 2001-2020 (Statistics Denmark).

Table 3: Balance Test

	Self-employed	Parent business owner	Parental wealth	Age
	(1)	(2)	(3)	(4)
Transfer	0.188***	0.304***	0.0925***	0.165***
	(0.027)	(0.043)	(0.004)	(0.009)
Transfer Cap	0.0425	0.0630	-0.00222	-0.0482***
	(0.039)	(0.058)	(0.0056)	(0.013)
Observations	23,297	23,297	23,297	23,297
R^2	0.006	0.004	0.029	0.119

Standard errors in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This Table presents balance tests regressing pre-transfer individual and family background characteristics on the transfer amount and the instrument (transfer cap), expressed in in 100,000 DKK. All regressions include year-of-transfer and year of parental purchase fixed effects, and controls for market price at parental purchase. Data is obtained from Danish administrative registers (Statistics Denmark).

Table 4: Results 2SLS, first stage

Dependent variable: $Transfer$	
Transfer cap	0.825***
	(0.00705)
N	23,297

Standard error in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This Table presents the results from the first stage regression specification. The dependent variable is the realized wealth transfer associated with an intra-family forward sale. The instrument (regressor) is the transfer cap $Transfer_{it}^{\max}$ equalling the level of maximum transfers associated with a particular dwelling. Both variables are expressed in 100,000 DKK. Data is obtained from Danish administrative registers (Statistics Denmark).