A Flying Start

Intergenerational transfers, wealth accumulation, and entrepreneurship of descendants

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Abstract

Early wealth transfers are growing relative to inheritances, yet their effects on inequality remain poorly understood. I identify large wealth transfers tied to housing market entries by exploiting a Danish tax policy that allows parents to sell housing to their children below market value, and study their effects on recipients' investments and wealth. I find that transfers increase the likelihood of starting a business over the next decade while also raising consumption. Instrumenting transfer amounts with a policy-determined cap maintains significant investment responses, indicating that transfers directly support wealth accumulation by shaping financial choices early in life. Effects are strongest among recipients outside the top of parental wealth, suggesting that the business-investment channel promotes intergenerational mobility.

Keywords: Intergenerational transmission; Wealth; Inter vivos transfers
JEL codes: D31; G51; J62

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1 Introduction

Wealth inequality remains highly persistent across generations. In the United States, half of those born in the bottom wealth quintile remain there as adults, while fewer than 1% reach the top (Carroll and Hoffman, 2017). Children from wealthy families are also more likely to make key financial choices associated with wealth accumulation—purchasing homes, acquiring financial assets, and starting businesses. Motivated by similar persistence in Europe, a range of policy proposals have emphasized reforms targeting the concentration of intergenerational wealth transfers, with the purpose of limiting the extent to which family wealth shapes economic opportunity (OECD, 2018).[1] The effectiveness of these policies however depends on a central question: How do wealth transfers shape individuals' financial choices and trajectories?

Answering this question is challenging. Within-family wealth transfers are rarely observed directly in data, and when they are, their effects are difficult to separate from other attributes tied to wealthy families (i.e. financial literacy). As a result, the existing causal evidence is largely limited to inheritances (Nekoei and Seim, 2023; Druedahl and Martinello, 2022; Elinder et al., 2018), and therefore reflects transfers received late in life. As many key financial decisions have already been made before inheritances arrive—such estimates may hence understate the impact of transfers on recipient outcomes.

In this paper, I study how parents' *inter vivos* transfers—transfers made during parents' lifetime—affect the financial choices and wealth trajectories of their adult children. Although such transfers have grown substantially relative to inheritances over the past half century (Piketty and Zucman, 2015), their effects remain poorly understood. I exploit a unique institutional setting in Denmark to identify wealth transfers tied to housing-market entries: an existing law allows parents to sell housing to their children below market value, with the discounted amount treated as a tax-free gift.[2] Because parents systematically adjust transactions to this rule, the setting allows me to identify the timing and size of substantial wealth transfers in administrative data and to estimate their causal effects on long-run financial outcomes, focusing on business ownership, financial investments, and consumption.

I use full-population registers to identify within-family housing transactions and associated transfer amounts. I first link population registers connecting parents and children aged 18–65 to comprehensive property ownership and transaction records covering all housing sales in Denmark between 1995 and 2020. This yields a dataset of approximately 613,000 home purchases, of which about 30,000 (5%) involve transactions between parents and children. For each within-family transaction, I measure the transfer size as the difference between the market value of the property sold by the parent and the price paid by the child.[3] The average market value of within-family traded housing is DKK 1.94 million ($300,000), while the average purchase

[1] Intergenerational wealth correlations range from 0.28 (Conley and Glauber, 2008) to 0.37 (Charles and Hurst, 2003) in the United States, 0.3–0.4 in Sweden (Adermon et al., 2018), and 0.24 in Denmark (Boserup et al., 2014).

[2] Absent this arrangement, the transferred amount would be subject to a 15% gift tax.

[3] I impute market prices for all properties in Denmark using realized purchase prices of comparable market-traded properties, matched on zip code, square meters, building age, and property type.

price is DKK 1.36 million ($210,000) in 2020 prices, implying an average embedded transfer of DKK 0.58 million ($90,000), rising to DKK 0.68 million ($100,000) for transactions involving a positive discount.

To estimate the effects of transfers, I focus on housing market entrants who purchase housing from their parents at a discount, thereby receiving a positive wealth transfer in the entry-year. I then link recipients to administrative registers containing detailed information on business ownership, income, and wealth in the ten years before and after housing market entry. Using this linked dataset, I analyze the effects of transfers in three steps. First, using an event-study design, I compare the financial outcomes of transfer recipients with individuals who enter the housing market without receiving a transfer, but who are similar in terms of age, gender, education, urban location, and parental pre-transfer resources.[4] Second, because transfer recipients may differ from other entrants, I focus only on recipients and examine how investment and consumption responses vary with the size of the transfer. Finally, to address concerns that results reflect selection of traits tied to high-transfer families, I exploit quasi-random variation in transfer size generated by changes in an existing *transfer cap*, comparing otherwise similar recipients who received different transfer amounts solely due to differences in their cap.

There are three main findings. First, transfers give children a "flying start" in their financial trajectory. Transfers mechanically increase wealth levels, which manifests as a jump in the net wealth of recipients in the year they enter the housing market. The parental support allows recipients to purchase more expensive homes, while maintaining a lower loan-to-value (LTV) ratio, resulting in an excess stock of housing wealth corresponding to 3.8 times their annual disposable income. Transfer amounts represent 40% of the median recipients' expected inheritance, consistent with housing related transfers capturing a substantial share of total intergenerational transfers (Boileau and Sturrock, 2023).[5]

Second, beyond the mechanical increase in housing wealth, recipients raise their investments in business ownership. On average, receiving a transfer increases the probability to register income from business ownership by 0.86 percentage points over the subsequent ten years, corresponding to a relative increase of 16% in reference to the average business ownership of the treated population. Larger transfers generate stronger effects, and instrumenting the transfer size with the transfer cap confirms a causal interpretation of the business-investment response. Importantly, the rise in registered income from business ownership is coupled with a 0.634 percentage point (11%) rise in the registration of new firms for VAT purposes. Linking firm-level data for newly established businesses further shows that the increase in business investment is concentrated in the research/analytical, communication, and finance sectors and is accompanied by higher asset holdings in these firms. The business investment response is stronger among recipients younger than 35 with limited liquid resources, consistent with transfers re-

[4]One limitation is that I do not observe wealth transfers outside the tax-benefit scheme. In Denmark, transfers and inheritances above a publicly listed exemption threshold are taxed at rates between 15% and 36%. Kolodziejczyk and Leth-Petersen (2013) show that taxed transfers at the time of housing market entry are rare, and I also find evidence that households time transfers to remain within tax-free limits.

[5]Expected inheritance is defined according to parents' net wealth divided by the number of children in the year before the transfer.

laxing credit constraints and enabling them to overcome the financial barriers of starting a business.

Third, despite the rise in business investment, recipients deplete much of the transfer: less than half of the initial wealth increase at housing market entry remains after ten years. This pattern is consistent with evidence from inheritance studies (Nekoei and Seim, 2023; Druedahl and Martinello, 2022), although consumption responses may differ given the greater illiquidity of housing-related transfers. Two mechanisms contribute to the depletion: recipients amortize debt more slowly and are more likely to sell the unit to finance a joint purchase with a partner *after* entry (versus before for general entrants), thereby supporting higher consumption. Although financial assets rise substantially for recipients of transfers after transfer receipt, these gains disappear when instrumenting for the transfer amount, indicating limited causal effects on financial wealth. The net impact of transfers on long-run wealth therefore depends on whether consumption-driven depletion outweighs the gains from increased business investment.

Motivated by these findings, I then analyze how housing-related inter vivos transfers contribute to the link between parental wealth and financial outcomes of descendants. The distributional consequences of transfers depend jointly on who receives them and on how households translate transfers into long-run wealth. I find that transfers are highly concentrated at the top of the parental wealth distribution; more than half of all recipients have a parent in the top decile. Notably, housing-related transfers are substantially more concentrated among wealthy families than large inheritances (exceeding $100,000) observed in Denmark over the same period. As a result, children from wealthy families receive earlier and larger boosts to wealth. However, conditional on receiving a transfer, the business investment response is concentrated among recipients from the lower nine deciles of the parental wealth distribution, while recipients from the top decile exhibit little response. This result is also mirrored for net wealth, where returns to transfers are highest for low-to-mid deciles of parental wealth. This pattern suggests that the behavioral responses to transfers may facilitate upward mobility among households outside the very top of the wealth distribution.

Finally, I quantify the aggregate implications of the transfer scheme using a back-of-the-envelope accounting exercise. Despite sizable effects among recipients, within-family housing transactions explains little of the overall correlation between parental wealth and business ownership in the full population, reflecting the low prevalence of transfers outside the top decile. A counterfactual increase in transfer take-up to 30% in each parental wealth decile would reduce the business-ownership gap between the bottom and top deciles from 5 to 4 percentage points.

Contribution to the literature. This paper contributes to three strands of research. First, it relates to the work documenting intergenerational persistence in wealth and the mechanisms underpinning it. Administrative studies show that parental wealth is a key predictor of children's later-life outcomes (Boserup et al., 2016, 2018; Fagereng et al., 2021; Black et al., 2020), including their likelihood of becoming homeowners and accumulating housing wealth (Benetton et al., 2022; Daysal et al., 2023; Engelhardt and Mayer, 1994; Landén Mammos, 2025). Evidence on the role of transfers in shaping these patterns is however mixed. Adermon et al.

(2018) show that inheritances and bequests explain more than half of the intergenerational wealth correlation, while Black et al. (2022) find that aggregate transfers account for only a small share of total wealth. A natural reconciliation is that, despite their limited aggregate size, transfers trigger behavioral responses or discrete choices that magnify their effect on intergenerational wealth persistence. My findings contribute by showing that early wealth transfers can alter financial decisions—particularly business investment and consumption—thereby shaping wealth trajectories in ways that help reconcile the existing evidence.

Second, the findings contribute to the empirical literature on the measurement and effects of intergenerational transfers. Most existing evidence studies inheritances received late in the life cycle (Nekoei and Seim, 2023; Druedahl and Martinello, 2022; Elinder et al., 2018). By contrast, I examine early wealth transfers. Survey-based studies (Poterba, 2001; Brandsaas, 2018; Boileau and Sturrock, 2023; Leslie and Shah, 2022) show that large inter vivos transfers can relax financial constraints, while transaction-level evidence (Andersen et al., 2020) suggests that smaller transfers primarily function as informal insurance. Gift-tax data (e.g. Black et al., 2022) provide detailed descriptive evidence on recorded gifts and bequests, but offer limited scope for causal analysis of timing and downstream outcomes. I contribute by directly observing the timing and magnitude of large, *tax-free*, housing-related transfers that are third-party reported for the full Danish population. Closely related work studies parental support at housing market entry in Norway (Wold et al., 2024) and the Netherlands (Wogh, 2025). I extend this line of research by linking housing-related transfers to subsequent business investment and consumption, documenting a business-investment channel of intergenerational wealth transmission.

Third, the paper contributes to research on entrepreneurship and financial frictions. Prior work shows that liquidity, collateral, and wealth shape entry into self-employment. Higher initial assets increase business entry, and liquidity constraints bind for many potential entrepreneurs (Evans and Jovanovic, 1989; Nykvist, 2008). Windfall gains—especially inheritances—raise both entry (Holtz-Eakin et al., 1994a) and survival (Holtz-Eakin et al., 1994b), while house-price–driven wealth shocks have only modest effects on transitions into self-employment (Disney and Gathergood, 2009). My results show that illiquid, housing-related *inter vivos* transfers relax borrowing constraints and stimulate business activity. Consistent with prior evidence on intergenerational persistence in entrepreneurship (Lindquist et al., 2015; Fairlie and Robb, 2007), effects are strongest among liquidity-constrained recipients and children of self-employed parents, highlighting early transfers as a key link between family wealth and entrepreneurship.

The remainder of the paper is organized as follows. Section 2 presents the theoretical framework linking transfers to wealth accumulation. Section 3 describes the institutional context, the identification of inter vivos transfers, and the data. Section 4 documents key descriptive facts on housing-related transfers. Section 5 outlines the empirical strategy for estimating the baseline effects of transfers. Section 6 presents the main results. Section 7 introduces the quasi-experiment. Section 8 examines underlying mechanisms. Section 9 analyzes implications for inequality and intergenerational correlations. Section 10 concludes.

2 Theoretical framework

In this section, I present a simple theoretical framework guiding the empirical analysis and illustrating that transfers can impact wealth accumulation both via mechanical and behavioral channels.

2.1 The baseline model

Consider a two-period model 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 abstracts away from income, initial resources, or borrowing. Wealth in the second period is described by:

$$A_{t+1} = s_t \cdot T_t \cdot (1 + r_t^C) \tag{1}$$

where final wealth depends on the fraction s_t of the transfer the individual (child) c chooses to save (versus consume), and the return r_t^C 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, financial assets, or private business assets. Differentiating with respect to T_t, the marginal impact of transfers on wealth is:

$$\frac{dA_{t+1}}{dT_t} = \underbrace{s_t \cdot (1 + r_t^C)}_{\text{Direct effect}} + \underbrace{T_t \cdot (1 + r_t^C) \cdot \frac{ds_t}{dT_t}}_{\text{Behavioral shift in saving}} + \underbrace{T_t \cdot s_t \cdot \frac{dr_t^C}{dT_t}}_{\text{Behavioral shift in returns}} \tag{2}$$

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 on the wealth impact of transfers.

3 Institutional context and data

In this section, I describe the institutional setting and data used to identify parental wealth transfers to adult children and to measure their subsequent effects on financial outcomes. 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 legal setting allowing me to observe intergenerational wealth transfers through within-family sales of housing within families. Finally, I describe how these transactions are identified using Danish administrative data and present descriptive statistics.

3.1 Identifying wealth 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 (Benetton et al., 2022; Scanlon et al., 2017; Leslie and Shah, 2022). 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 one 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. In the following sections, I outline the institutional context in which I identify housing-related transfers in Denmark.

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.[6] 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, Law (1995)).[7] The gift tax, paid by the giver, effectively constrains transfers, particularly in cases where financial support is needed to facilitate major purchases.[8] 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.

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, Dan-

[6] 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.

[7] 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, Law (1995)).

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

ish 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, Law (1982)). The difference between the market value $P^M_{u_i,t}$ and the price paid by the entrant $P^P_{u_i,t}$ 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:

$$Transfer_{i,t} = P^M_{u_i,t} - P^P_{u_i,t} \tag{3}$$

Transfer cap. Within-family 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 $P^P_{min,u_i,t}$, which is equal to 85% of the reference value:

$$Transfer^{max}_{i,t} = P^M_{u_i,t} - \underbrace{P^P_{min,u_i,t}}_{0.85 \times P^G_{u_i,t}} \tag{4}$$

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 (4) by $P^M_{u_i,t}$ yields a linear relationship between the normalized transfer cap and public valuation:

$$\frac{Transfer^{max}_{i,t}}{P^M_{u_i,t}} = 1 - 0.85 \times \frac{P^G_{u_i,t}}{P^M_{u_i,t}} \tag{5}$$

Figure 1 theoretically depicts the relationship between the transfer cap and the reference value, as outlined in equation (5).

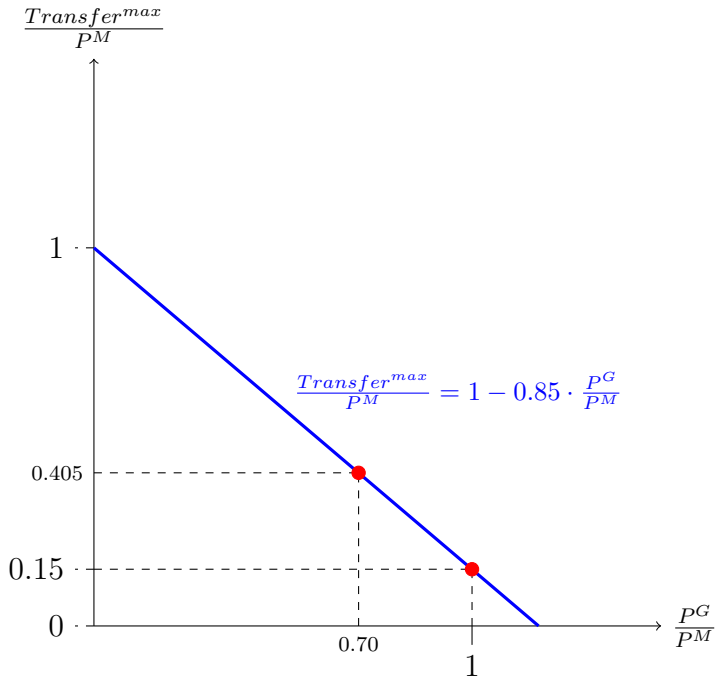


Figure 1: Theoretical illustration of the 15% rule

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 $P^M_{u_i,t} = 100{,}000$ and $P^G_{u_i,t} = 100{,}000$, the tax-free transfer cap equals $100,000 - 0.85 \times 100,000 = 15{,}000$. If instead $P^G_{u_i,t} = 70{,}000$, the allowable transfer rises to $100,000 - 0.85 \times 70,000 = 40{,}500$.

3.2 Measuring transfers in Danish administrative data

I use administrative data from Statistics Denmark, combining population registers with property ownership and housing transaction records to identify wealth transfers through within-family sales. Each Danish resident is assigned a unique personal identification number, which enables linkage across administrative registers, and family relationships are observed for all individuals born after 1962 through the national population registry. Properties are similarly assigned unique property identifiers, allowing me to observe detailed characteristics of owned housing, including location, size, property type, and unit-level features. Housing transaction records further provide the complete sales history for each property, enabling the identification of transactions between parents and children and the measurement of transfer values.

I construct a sample of all individuals aged 18–65 with at least one living parent who entered the housing market between 1995 and 2020. An individual is defined as entering the housing market if their personal identifier appears as the owner of the dwelling listed as their primary address in a given year. A housing transaction is classified as a within-family sale when the seller of the property is the buyer's parent.

Imputed market prices. For each home purchase, I collect both the actual transaction price and an estimate of the unit's market value. Importantly, because family-traded properties are not transacted on the open market, their market values must be imputed. To ensure consistency across observations, I use imputed market values for all properties in the sample. Specifically, I impute the market value of housing using local sales data for similar property types. I begin by collecting data on transaction prices, property characteristics (building age and type of unit), 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. 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.[9]

Transfer amounts. Using the imputed market values and listed realized purchase prices, I obtain transfer amounts as the difference between the estimated market value and the purchase price, per equation (3). For control units, $P^P_{u_i,t} \approx P^M_{u_i,t}$ by construction, while for transfer recipients, $P^P_{u_i,t} < P^M_{u_i,t}$.

[9]Find a complete description of the imputation procedure in Online Appendix Section A.

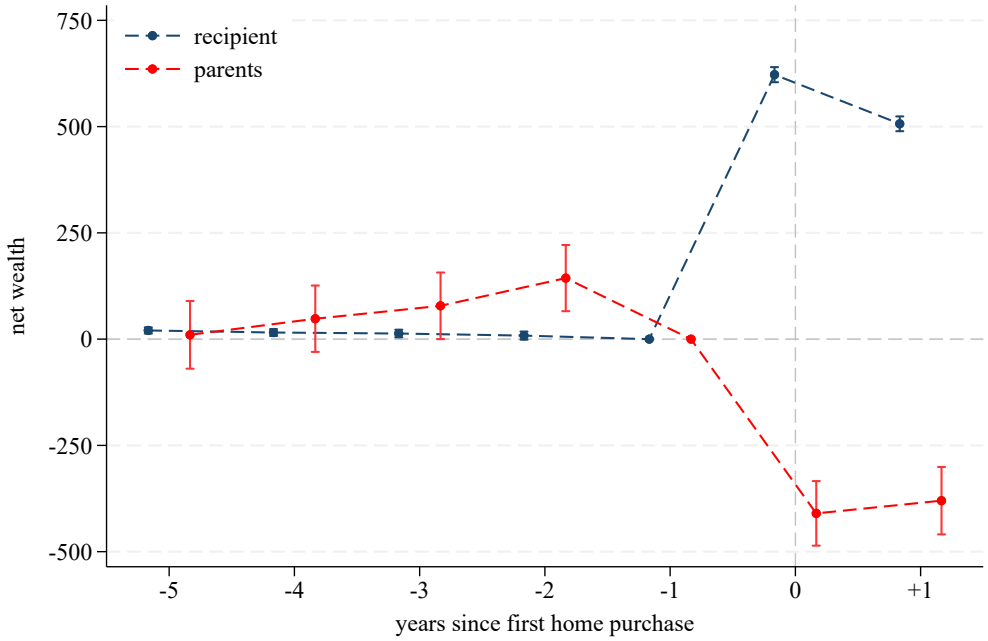


Figure 2: Net wealth around the first home purchase

Notes: This figure reports the net wealth development of housing market entrants and their parents five years before and one year after housing market entry. The blue series plots the estimated difference in net wealth of entrants who receive a transfer at event year 0, relative to general housing market entrants matched by cohort, education, gender and expected inheritance (parental wealth divided by the number of siblings) one year prior to housing market entry. The red series shows the corresponding differences for parents of transfer recipients and general entrants. Confidence intervals represent 95% confidence bands. Net wealth is measured as financial assets, deposits, and housing wealth minus total liabilities, expressed in DKK 1,000, inflated to 2020 levels. The sample includes ages 18-65, years 1995-2020.

Figure 2 illustrates the average net wealth developments for transfer recipients (blue) and their parents (red) in the five years before and one year after housing market entry, relative to comparable entrants (non-recipients) and their parents. Prior to the transfer at year 0, recipients' net wealth develops similarly to that of other entrants. Parents tend to accumulate wealth leading up to the year before the transfer. In the entry year, parental net wealth falls while recipients' net wealth rises, illustrating the intergenerational transfer of wealth embedded in the within-family sales of housing.

3.3 Main outcome variables

I link the transfer data to other administrative registers providing information on income and wealth for all individuals in Denmark. The main analysis focuses on business ownership and financial investments and consumption. Below, I describe the construction and definition of these variables.

Business ownership. I employ two measures of business ownership. The first is a binary indicator equal to one if an individual's primary source of income, as recorded in the income tax register, originates from a privately owned business. This measure is available over the full sample period.

Second, I define a measure of new firm registrations. All businesses in Denmark obtain a unique firm identifier (CVR) by registering with the Danish Business Authority. Businesses must register for value-added tax (VAT) once taxable turnover exceeds DKK 50,000 within a twelve-month period; VAT registration is voluntary below this threshold. I match individuals to newly registered firms using the CVR identifier and identify all establishments founded during the sample period with fewer than six owners in the starting year.[10] Data on individual firm ownership are available from 2001, allowing observation of firm–owner pairs from 2001–2020.[11]

Firm characteristics and balance-sheet information. For firms that can be linked to identified owners, I obtain accounting data from the structural business statistics, which provide annual firm-level information on total assets. I also use industry classification codes to characterize the types of establishments associated with individuals in the sample. Based on these classifications, firms are grouped into the following broad categories: Research and Analytical, Communication, Construction, Farming, Finance, Hospitality, Teaching and Medical Services, and Other Private Services.

Business wealth. Statistics Denmark does not provide an official measure of household business wealth or the value of unlisted shares prior to 2020. To approximate business wealth in the pre-2020 period, I use the individual–firm linkages combined with firm-level balance-sheet information. For each firm-year, I allocate firm assets to individuals by dividing total assets equally among the identified owners in that year, and define individual business wealth as the sum of allocated assets across all firms in which the individual is recorded as an owner.

Importantly, the resulting business wealth measure should be interpreted as an approximation to business wealth rather than a market valuation of business equity. First, the linked ownership data primarily identify individuals behind newly established firms and do not provide a comprehensive mapping of ownership across all active firms. Second, firm assets are measured at book value and do not net out firm liabilities, nor do they capture intangible capital or future profitability, and therefore may differ from the economic value of ownership claims. Third, the equal division of assets across owners abstracts from heterogeneity in ownership shares.

Other wealth and liabilities. To analyze effects on 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 mortgage debt (including secured debt part of equity extraction) and non-mortgage debt (such as private debt or consumption loans). Based on these data, I define net wealth as the sum of all deposits,

[10] Associations and other non-profit legal forms are excluded.

[11] When registering a firm, capital requirements differ by organizational form. Sole proprietorship have no minimum capital requirement. Limited liability companies are subject to statutory minimum share capital. During the sample period, the minimum capital requirement for private limited companies (Anpartsselskab, ApS) declined from DKK 125,000 to DKK 80,000, then to DKK 50,000, and later to DKK 40,000. Public limited companies (Aktieselskab, A/S) were subject to a minimum capital requirement of DKK 500,000 prior to 2018, which was reduced to DKK 400,000 following a reform of the Danish Companies Act (Interlex Advokater, 2018; Retsinformation, 2018).

financial assets, private pension balances, and the market value of owner-occupied housing, minus total liabilities

Imputed spending. Since consumption is not directly observed in the administrative registers, I construct an annual measure of *imputed household consumption* following standard practice in studies using tax-registered wealth data. Specifically, consumption is then conputed as:

$$\widehat{C}_{i,t} = Y_{i,t}^{\text{disp}} - \Delta W_{i,t},$$

where $Y_{i,t}^{\text{disp}}$ denotes disposable income and $\Delta W_{i,t}$ denotes the year-to-year change in net wealth between $t-1$ and t.

3.4 Other variables

Demographic variables. I obtain information on individuals' gender and age from the population registers. Marital status is defined using the same source, classifying individuals as married if they are registered as married or in a partnership in December of a given year, and as single otherwise.

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.

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

Parental income, wealth, and business ownership. I obtain information on parental income and wealth for each individual. Parental business ownership is defined analogously to recipient business ownership, using the income-based measure. Moreover, I construct annual quintiles and deciles based on gross wealth. Importantly, these rankings are defined relative to the full Danish population, conditioning on parental cohort. Because these measures are constructed at the individual parent level, the main analysis focuses on outcomes stratified by paternal (father's) wealth; results based on maternal wealth are reported in the Online Appendix.

Predicted inheritance. Finally, I construct a measure of *predicted inheritance*, defined in each year as parental net wealth divided equally among the number of children. I use this measure to benchmark the size of the observed transfer relative to the total parental resources expected to accrue to the recipient.

4 Descriptive statistics of inter vivos housing transfers

4.1 Traded housing

Property characteristics. Table 1 reports summary statistics for properties transferred from parents to children through within-family sales, alongside housing transactions executed at market prices.[12] Between 1995 and 2020, the housing registers list 613,834 home purchases, of which 29,965 (5%) involve transactions between parents and children. Online Appendix Figure D.1 further shows that the share of within-family sales among all housing market entries has fluctuated substantially over time. The share was 3.5% in 1995, increased steadily to a peak of 8% in 2005–2006, declined following the financial crisis, and gradually recovered in subsequent years, reaching 8% again by 2018.

Table 1: Descriptive statistics of traded housing

	General sales (1)	Sales within family (2)
Market price	18.15	19.40
Public value	15.32	14.19
Purchase price	17.63	13.61
Mortgage	13.92	9.90
Mortgage / Market value	0.78	0.52
Urban area (d)	0.35	0.59
Ownership share	0.62	0.82
Apartment (d)	0.28	0.60
Size (sqm)	98.02	62.48
Years since parental purchase		
0	–	0.23
1–5	–	0.37
>5	–	0.50
Observations	583,869	29,965

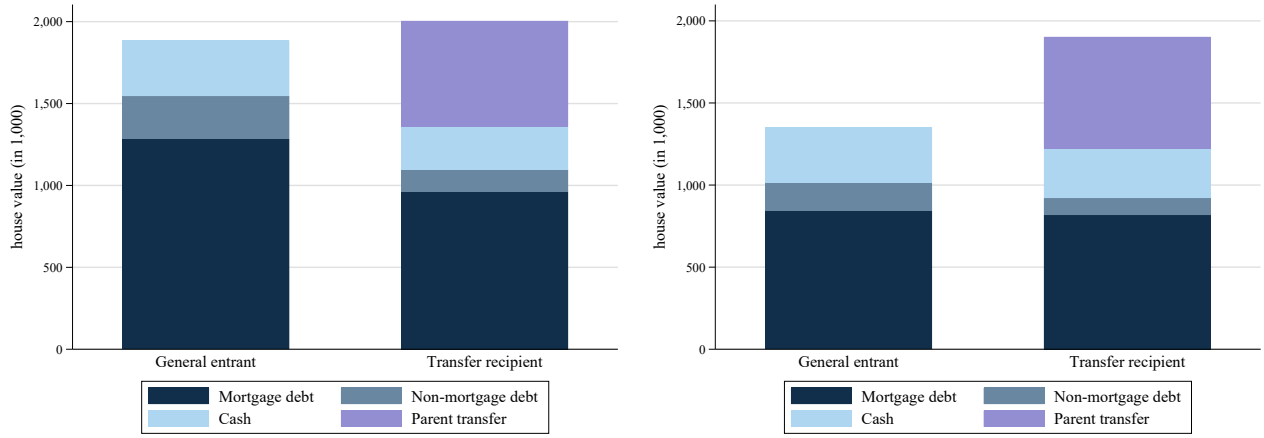
Notes: This table presents descriptive averages of traded housing for individuals aged 18–65 during the years 1995–2020. Column (1) shows values for general sales, while column (2) shows values for house sales traded from parents to their children. Market prices are imputed following a method outlined in Online Appendix A. All nominal variables are expressed in 100,000 DKK and inflated to 2020 levels.

The average market price of a general (market-traded) property is DKK 1.815 million (USD $277,500), compared to DKK 1.940 million (USD $296,600) for within-family sales. For general sales, purchase prices P^P correspond closely to market prices P^M (DKK 1.763 million vs. DKK 1.815 million). In contrast, for within-family sales, P^P is approximately 30% below P^M (DKK 1.361 million vs. DKK 1.940 million), reflecting the illiquid wealth transfer embedded in these transactions.

[12] All monetary variables are expressed in DKK 1,000 and are inflated to 2020 levels. Whenever expressed in USD, I adopt the 2020 exchange rate ($\frac{DKK}{\text{USD}} = 6.54$).

Regarding property characteristics, within-family sales are more frequently located in urban areas (59% vs. 35%), more often involve apartments rather than single-family homes (60% vs. 28%), and less frequently include co-purchasers, resulting in a higher average ownership share for the recipient (0.82 vs. 0.62). Finally, to highlight the timing of sales by parents, the table also classifies within-family sales by the number of years between parental purchase and sale to the child. Approximately 23% of within-family sales occur within the same year of acquisition by the parents, and 60% take place within the first five years, underscoring that many within-family sales occur shortly after parental purchase.

Financing sources across solo entrants and couples. Figure 3 illustrates the financing structure of housing purchases by transfer recipients and general entrants, decomposed into mortgage debt, non-mortgage debt, cash, and parental transfers. Panel (a) compares all within-family sales to market transactions and shows that transfer amounts are primarily used to reduce reliance on debt financing. By contrast, when restricting the sample to solo entrants, panel (b) shows that transfers allow recipients to purchase more expensive properties on a per-capita basis, with debt levels similar to those of buyers in market transactions.



(a) Full sample

(b) Solo entrants

Figure 3: Financing sources at entry

Notes: This figure shows average house values the year of housing market entry for transfer recipients and general entrants, divided into sources of financing: mortgage debt, private/other 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. 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. The sample includes individuals aged 18–65 during the years 1995–2020. All values are expressed in DKK 1,000 and inflated to 2020 levels.

4.2 Recipients of transfers

Recipient characteristics. Table 2 reports average characteristics measured one year prior to housing market entry for the full population of entrants (column 1) and transfer recipients (column 2).

Table 2: Descriptive averages, housing market entrants

	General entrants (1)	Transfer recipients (2)
Age	30.20	30.15
Female (d)	0.49	0.48
Has college degree (d)	0.41	0.44
Urban area	0.49	0.65
Parent in top wealth 10% (d)	0.18	0.50
Parent owns >1 unit	0.17	0.64
Working income	296.12	231.15
Net wealth	24.40	81.91
Financial wealth	18.52	40.05
Housing wealth	30.39	30.06
Debt outstanding	124.25	92.92
Business owner (%)	4.56	5.35
Firm registration (%)	5.28	5.63
Sole proprietorship	1.94	2.02
Public limited liability co.	0.94	0.89
Private limited liability co.	2.13	2.34
Parent business owner (%)	3.36	6.45
Spending	163.74	152.54
Firm assets (business wealth)	41.18	20.21
Parent transfer sum		683.75
Transfer (*share of income*)		3.75
Transfer (*share of pred. inheritance*)		0.70
Individuals	482,773	27,134

Notes: This table presents averages of financial and demographic variables for (1) the population of housing market entrants and (2) entrants of within-family sales (transfer recipients) in event year $t = -1$. Variables are observed at an annual frequency. The sample includes individuals aged 18–65 during 1995–2020. All nominal variables are expressed in DKK 1,000 and inflated to 2020 levels.

Prior to receiving a transfer, treated individuals closely resemble the overall entrant population in terms of age (30.15 vs. 30.20), gender composition (48% female vs. 49%), educational attainment (44% vs. 41% with a college degree), income-based business ownership (5% in both groups), and firm registrations (5% in both groups). The distribution of firm types is likewise similar across groups: approximately 2% operate sole proprietorship, 1% are public limited liability companies, and 2% are private limited liability companies. Spending levels are also similar, yet slightly lower for transfer recipients.

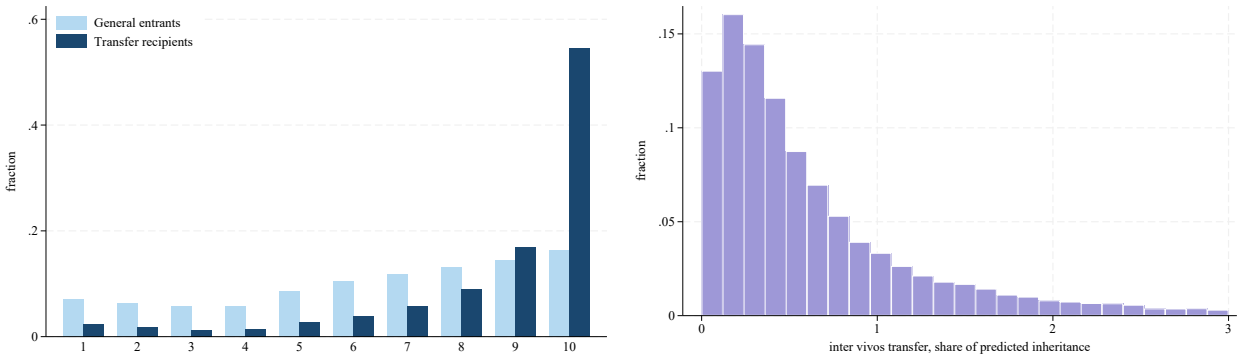
By contrast, transfer recipients differ along a few dimensions. They are substantially more likely to reside in urban areas (65% vs. 49%) and to have parents who are business owners (6%

vs. 3%). In terms of own finances, transfer recipients have higher levels of net wealth (DKK 81.9k vs. DKK 24.4k) and financial wealth (DKK 40.0k vs. DKK 18.5k), but lower working income on average (DKK 231.1k vs. DKK 296.1k).

Parental wealth. Panel (a) of Figure 4 shows the distribution of transfer recipients and general entrants across deciles of paternal wealth one year before housing market entry.[13] Parents of transfer recipients are much wealthier than the parents of general entrants: 50% (40%) have fathers (mothers) in the top decile of the wealth distribution, compared to 18% (15%) in the general entrant population. In contrast, less than 5% of recipients have a father who's wealth lies below the population-median.

Transfer size. Calculating the transfer size from equation (3), I find that the average transfer equals DKK 683,750 (≈ USD $100,000), corresponding to 3.75 times the average annual disposable income of recipients.

How does the transferred amount compare to the size of recipients' expected inheritance? Recent evidence shows that the ratio of inter vivos to inheritances has increased sharply over time (Piketty and Zucman, 2015), with housing-related transfers now representing the most common form of intergenerational gift (Boileau and Sturrock, 2023). To examine the transfer size relative to expected inheritance, I analyze the size of the transfer in relation to the predicted inheritance, where the predicted inheritance represents the total amount of wealth the recipient would inherit if both parents died in the same year.



(a) Entrants by parental wealth decile

(b) Transfer size, share of expected inheritance

Figure 4: Distribution of inter vivos transfers

Notes: This figure displays the distribution of transfers across father's wealth deciles (panel (a)) and as a share of recipients expected inheritance (panel (b)). panel (a) depicts the share of housing market entrants who receive a transfer (navy bar) and general entrants (light blue bar). Wealth deciles are assigned conditional on year and age in the full population, and is based on total assets, which equals the sum of financial assets, housing assets and deposits. The distribution of entrants across mother's wealth deciles is shown in Online Appendix Figure D.2. In panel (b), expected inheritance is obtained as parents total resources divided with the number of eligible heirs (children) one year before the transfer is made. The sample includes ages 18-65, years 1995-2020.

Panel (b) of Figure 4 shows the distribution of transfer size as a share of predicted inheritance. On average, recipients receive about 70% of their estimated total inheritance at the time

[13]The corresponding figure stratified by maternal wealth is presented in Online Appendix Figure D.2.

of the transfer, with the median receiving 40%. Housing-related transfers hence represent a substantial share of parents' available resources for the child. Notably, around 10% of recipients receive transfers exceeding 100% of their predicted inheritance. This pattern may reflect parents reallocating inheritance across children during life rather than dividing it equally at death. An alternative explanation is that parents accumulate additional wealth after the transfer, or that siblings receive compensating transfers at a later stage.

5 Empirical design

The following section presents the two empirical strategies employed to estimate the effect of intergenerational transfers on financial outcomes of recipients. First, I 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, focusing only on recipients of transfers.

Sample selection. I define treated individuals as first-time home-buyers who purchased their property from a parent, involving a strictly positive discount $Transfer_{i,t} > 0$.[14] 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. Traded homes with extreme market values (above DKK 20 million) are excluded from the analysis. I further restrict the sample to properties used as a main residence, thereby excluding all commercial real estate. This ensures that transactions are not mechanically influenced by parents forward-selling an existing business property. This brings the number of transfer recipients in my sample for the main analysis to 27,134 (23,103 for the sample measuring firm registrations).

5.1 Extensive margin: Event study design

Using the full sample of housing market entrants, I study the dynamic effects of receiving an inter vivos transfer on recipients' outcomes in an event-study framework with a treated and a never-treated group.[15] Let τ_i denote the year in which individual i first receives a transfer upon entering the housing market, and define relative event time as $j = t - \tau_i$. For each j in the set $\mathcal{J} = \{-6, \ldots, 10\}$, I construct indicators:

$$D_{i,t}^{j} = \mathbf{1}\{t - \tau_i = j\},$$

and omit the year prior to transfer receipt, $j = -1$, as the reference period. A standard event-study representation of the dynamic effects is then:

$$y_{i,t} = \sum_{j \in \mathcal{J},\, j \neq -1} \theta_j D_{i,t}^{j} + \alpha_i + \lambda_t + X_{i,t}'\beta + \varepsilon_{i,t}, \tag{6}$$

where $y_{i,t}$ denotes the outcome of interest for individual i in year t, α_i are individual fixed

[14] Within-family sales with zero or negative discounts—such as transfers from children to parents—are excluded.
[15] For the control group, I draw a random sample of 10% from the full population of housing market entrants.

effects, λ_t are calendar-year fixed effects, and $X_{i,t}$ is a vector of time-varying controls including gender, age, marital status, urban location status, education and pre-transfer parental wealth rank. The coefficients θ_j trace out the average evolution of outcomes around the transfer event: for $j < 0$ they capture pre-trends, while for $j \geq 0$ they capture post-treatment dynamics, all measured relative to year $j = -1$. The control group consists of housing market entrants who enter in the same year, but never receive an inter vivos transfer over the sample period, so that θ_j measures the effect of receiving an inter vivos housing transfer relative to never receiving one.

Because treatment occurs at different times across individuals and treatment effects may be heterogeneous across cohorts and over time, estimating (6) with a conventional two-way fixed effects estimator can lead to biased estimates of the dynamic treatment coefficients. To address this, I implement the estimator proposed by Callaway and Sant'Anna (2021). This method first computes group-time average treatment effects, $ATT(g,t)$, for each cohort g (defined by the calendar year of first transfer receipt) and year t, comparing treated individuals in cohort g to never-treated housing market entrants in year t, conditional on the covariates $X_{i,t}$.

The event-study coefficients in (6) can then be expressed as weighted averages of these cohort-specific effects in event time. For each relative time j, the dynamic effect is given by:

$$\theta_j = \sum_g \omega_g(j)\, ATT(g, g+j), \tag{7}$$

where the weights $\omega_g(j)$ are non-negative and sum to one for each j, and reflect the relative size of cohort g among observations at event time j. I also report average treatment effects that further aggregate $ATT(g,t)$ across cohorts and post-treatment years, providing scalar summaries of the overall impact of receiving an inter vivos transfer on my key outcome variables.

Identifying assumptions. The identification of the dynamic treatment effects θ_j in equation (6) relies on two key assumptions. First, a *parallel trends* assumption requires that, after adjusting for the covariates $X_{i,t}$, treated and never-treated housing market entrants would have followed similar outcome trajectories in the absence of treatment. Formally, for all cohorts g and for all $t < g$,

$$\mathbb{E}[\, Y_{it}(0) \mid G_i = g, X_{i,t}\,] = \mathbb{E}[\, Y_{it}(0) \mid G_i = \infty, X_{i,t}\,],$$

where $G_i = \infty$ denotes the never-treated group. This ensures that never-treated individuals provide a valid counterfactual for each treated cohort in the pre-treatment periods. I assess the plausibility of parallel trends by examining the estimated coefficients on the lead indicators in the event-study specification.

Second, a *no-anticipation* assumption requires that individuals do not adjust their behaviour prior to receiving the transfer in anticipation of the event. Under both assumptions, differences between treated and never-treated individuals in post-treatment periods can be interpreted as causal effects of transfer receipt.

Never treated versus yet-to-be treated as control group. An important design choice concerns the appropriate counterfactual for transfer recipients. The main specification compares treated individuals to housing market entrants who never receive a transfer when entering the housing market. This group provides a benchmark for evaluating the effect of inter vivos transfers at the time of entry, taking into account the fact that recipients become homeowners at the point where they receive the transfers. To assess the robustness of this choice, I also consider an alternative identification strategy in in Online Appendix Section C, in which yet-to-be-treated individuals serve as the control group.

5.2 Intensive margin: Transfer amounts

To estimate the intensive margin impact of transfers, I conduct a second exercise focusing solely on recipients of transfers, using transfer amounts as 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. I construct a cross-sectional dataset where each observation represents a transfer amount and the corresponding individual outcomes over the 10 years following the transfer. Specifically, binary outcomes are set equal to one if it was ever one 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:

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

where $\Delta\bar{y}_{i,j\in\{0,10\}}$ captures the change in the binary or average outcome between event year $j = -1$ and $j = \{0, 10\}$ 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.

The coefficient θ_1 in specification (8) measures the association between the size of intergenerational transfers and subsequent investments in business ownership, financial assets, and savings. Interpreted causally, θ_1 represents the direct effect of receiving a larger transfer on outcomes. However, the estimate may also capture differences in individual characteristics that are correlated with receiving larger transfers. One example is parental wealth or purchasing power. If wealthier parents both give larger transfers and raise children with–for example–greater financial literacy, then θ_1 may overstate the true effect of the transfer itself. To account for this, X_{1i} includes a set of controls and fixed effects, including gender, age, purchasing year, marital status, urban area status, and expected inheritance decile one year before housing market entry.

6 The effects of transfers on financial outcomes

This section presents the results from the main estimations, showing the average effect of receiving an inter vivos transfer at housing market entry on business ownership, financial investments and consumption of recipients. Figure 5 and 6 display the dynamic event-study estimates, while Table 3 reports the aggregated ATTs over a 10-year horizon. Finally, Table 4 presents the intensive margin results, showing the average 10-year effect of receiving an additional 100,000 DKK (USD $15,300) on average outcomes in the post-transfer period.

Table 3: Effects of transfers on financial outcomes
(extensive margin)

	Business ownership	Business registration	Financial wealth	Spending
	(1)	(2)	(3)	(4)
ATT	0.864***	0.634***	7.254***	49.200***
	(0.181)	(0.531)	(0.989)	(1.291)
Outcome mean	5.348	5.631	40.047	152.541
No. obs	1,572,193	1,026,413	1,572,193	1,564,715
No. recipients	27,134	23,103	27,134	27,134

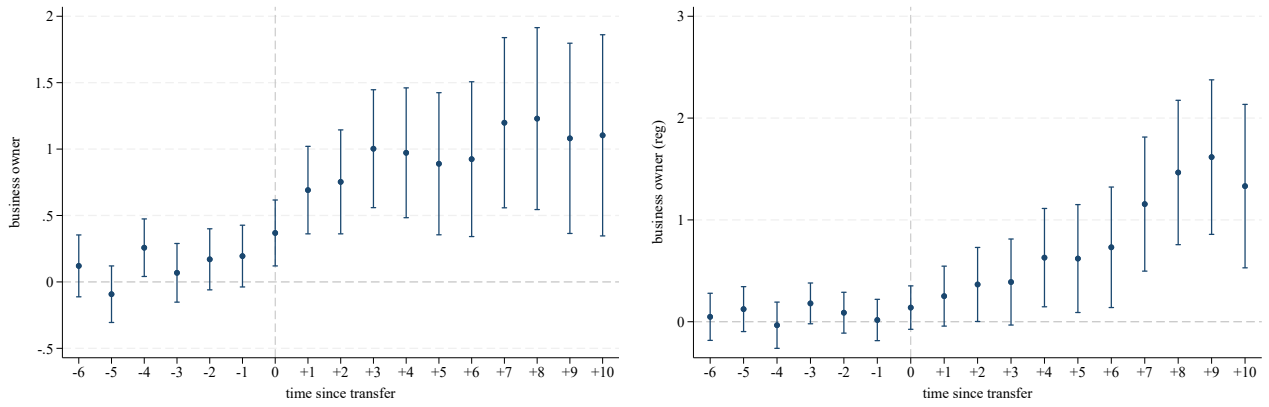
Standard error in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Notes: This table reports coefficient estimates illustrating the average effect of receiving a transfer when entering the housing market on 10-year post-entry outcomes. Treated individuals are those who entered the housing market through a discounted within-family sale. Controls are general entrants matched to the treated group based on year, age, education level, gender, urban area status, and parental resource quintile 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 financial assets and column (4) shows effects on spending, expressed as the annual disposable income minus the change in net wealth. Financial wealth and expenditures are measured in DKK 1,000. Standard errors are clustered at the individual level, shown in parentheses.

6.1 Effects on business ownership

Figure 5 displays the effect of receiving a transfer on the likelihood of becoming a business owner, and column (1)-(2) of Table 3 summarizes the average 10-year effects. Panel (a) show that treated individuals increase their business ownership by 0.25 percentage points in the transfer year, which rises steadily to 1 percentage points three years later. The 10-year average effect (ATT) equals 0.86 percentage points, corresponding to an increase of 16% in reference to the baseline average business ownership of the treated population in event year $j = -1$ of 5.348. Prior to the transfer, treated and control groups follow parallel trends, suggesting that the increase in business ownership stems from the transfer rather than from pre-existing differences in business ownership of treated and controls.

The rise in registered business ownership as income source is accompanied by a 0.63 percentage point (11%) increase in the ownership of a newly registered firm, as shown in panel (b)



(a) Business ownership

(b) Firm registrations

Figure 5: Effects of transfers on business ownership (extensive)

This figure reports the main estimation results from specification (6) with 95% confidence intervals. Panel (a) shows the effect on business ownership, defined as an indicator equal to 100 if the individual reports tax-based income from a private business. Panel (b) presents the corresponding effects on the likelihood of registering a new firm with no more than five owners for VAT purposes. Treated individuals are those who entered the housing market through a discounted within-family sale. Controls are other housing market entrants who never received a transfer. The analysis conditions on entry year, age group, education, gender, urban residence, and parental resource quintile, measured in the year prior to treatment ($j = -1$). The regression includes individual fixed effects. Standard errors are clustered at the individual level. Number of transfer recipients: 27,134.

of Figure 5 and 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 intergenerational transfers of existing businesses.

The magnitude of the business entry response is comparable to existing evidence on windfall gains and entrepreneurship: for example, Holtz-Eakin et al. (1994a) estimate that a large $100,000 inheritance raises the probability of entering entrepreneurship by 3.3 percentage points (16% compared to a baseline ownership rate of 20%), Flèche et al. (2021) find that top-quartile lottery wins increase self-employment by about 2 percentage points, while Bermejo et al. (2024) report that an inter quartile-range increase in disposable income per capita raises firm entry by about 1.1 percentage points (13% of baseline). However, studies of less liquid (housing-induced) wealth shocks finds limited evidence of these stimulating entrepreneurship (Disney and Gathergood, 2009). My findings hence indicate that intergenerational transfers in the form of housing wealth–although illiquid– can boost business activity.

The intensive margin results are reported in the top two panels of Table 4. The unconditional estimates indicate that a DKK 100,000 ($USD 15,300) increase in transfer amount is associated with a 0.24 percentage point (5%) increase in business ownership and a 0.12 percentage point (2%) increase in firm registrations, significant at the 1% level. Adding recipient controls leaves the estimates largely unchanged. Taken together, the results indicate that parental transfers affect business activity on both the extensive and intensive margins.

Firm outcomes. Online Appendix Table D.1 reports sector-specific regressions for newly registered firms in Columns (1)–(8). Effects are positive and statistically significant for firm

Table 4: Effects of transfers on financial outcomes (intensive margin)

	(1)	(2)
Outcome: Business ownership (%)		
Transfer sum	0.243***	0.248***
	(0.032)	(0.033)
Outcome mean	5.348	5.348
No. obs	27,134	27,134
Outcome: Firm registration (%)		
Transfer sum	0.123***	0.133***
	(0.032)	(0.033)
Outcome mean	5.631	5.631
No. obs	23,103	23,103
Outcome: Financial wealth		
Transfer sum	0.006***	0.002
	(0.001)	(0.001)
Outcome mean	0.400	0.400
No. obs	27,134	27,134
Outcome: Spending		
Transfer sum	0.017***	0.011***
	(0.002)	(0.002)
Outcome mean	1.525	1.525
No. obs	27,134	27,134
No. recipients	27,134	27,134
Year FE	X	X
Recipient controls		X

Standard errors in parentheses

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

Notes: This table reports estimates from the intensive-margin specification (8), measuring the effect of receiving an additional DKK 100,000 at housing market entry on business ownership, firm registration, financial wealth, and spending. The sample is restricted to transfer recipients. Column (1) includes year fixed effects. Column (2) additionally includes recipient controls: age, gender, marital status, urban residence, and pre-transfer predicted inheritance decile. All monetary variables are reported in units of 100,000 DKK. Data come from Danish administrative registers.

registrations in the research/analytical (+35%), communication (+24%), farming (+20%) and financial (+22%) sector. By contrast, there is no detectable change in firm registrations in the construction, hospitality, teaching/medical or private services sectors. Column (9) reports effects on assets held in registered businesses (divided by the number of owners), which increase by 18% in the ten years following a transfer.

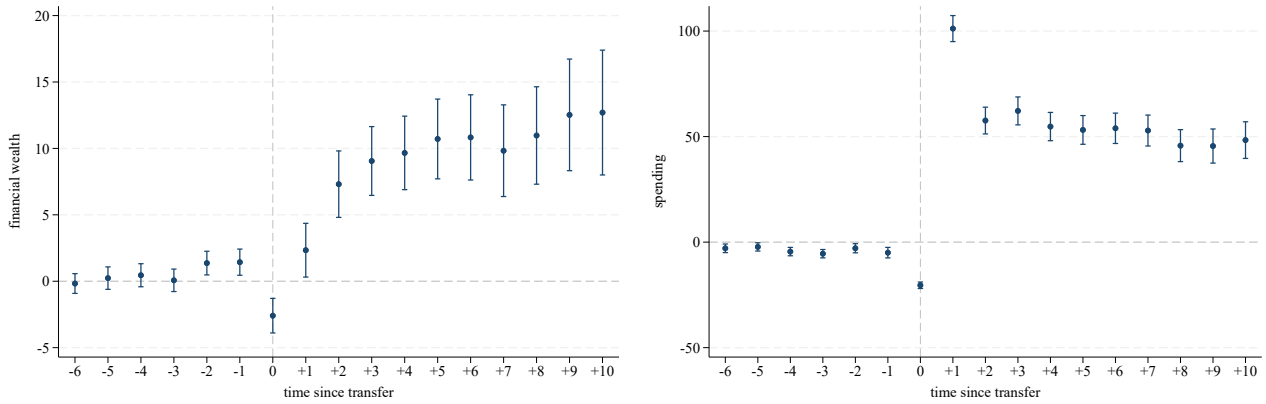
6.2 Effects on financial wealth and spending

Financial wealth. Panel (a) of Figure 6 shows that recipients of transfers accumulate more financial wealth than controls over the 10 years following entry. The average 10-year effect,

reported in column (3) of Table 3, equals DKK 7.3k (USD $1.1k), corresponding to a 18% increase relative to the pre-transfer average. Pre-trends are jointly insignificant, indicating a sharp shift in financial investments at the point of the transfer.

Turning to the intensive margin, the third panel of Table 4 shows a weak relationship between transfer size and financial asset holdings. Column (1) indicates that a $1 increase in transfers is associated with a $0.006 (2%) increase in financial wealth on average over the subsequent ten years. Once recipient controls are included in column (2), the estimate is more than halved and becomes statistically insignificant. This pattern indicates that financial wealth increases along the extensive margin—comparing recipients to non-recipients—but does not meaningfully respond to variation in transfer size among recipients.

Spending. Panel (b) of Figure 6 shows the evolution of spending following the transfer. Spending increases by about DKK 100k in the first year after receipt and stabilizes at DKK 50k in subsequent years. Column (4) of Table 3 reports an average ten-year effect of DKK 49.2k, corresponding to a 32% increase in consumption. The intensive-margin estimates corroborate these results: the bottom panel of Table 4 shows that a $1 increase in transfers raises spending by $0.01–0.02, with estimates robust to recipient controls.



(a) Financial wealth

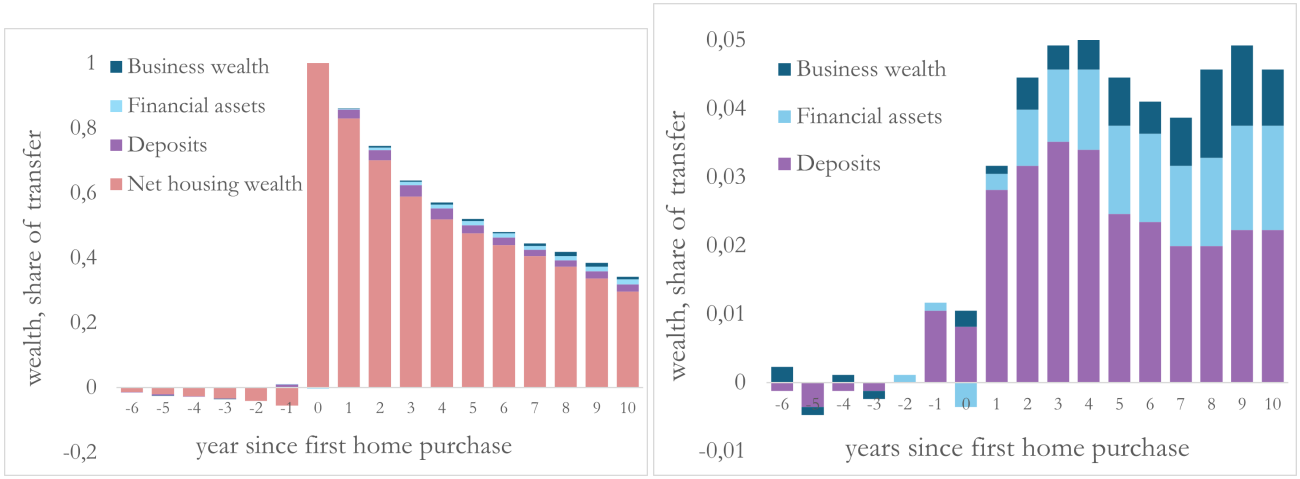
(b) Spending

Figure 6: Effects of transfers on financial wealth and spending (extensive)

Notes: This figure reports the main estimation results from specification (6) with 95% CIs. Panel (a) depicts the effect on financial wealth, defined as the sum of amounts held in stocks, bonds and mutual funds. Panel (b) shows the corresponding results for spending, defined as disposable income minus the annual change in net wealth. Treated individuals are those who entered the housing market through a discounted within-family sale. Controls are other housing market entrants who never received a transfer. The analysis conditions on entry year, age group, education, gender, urban residence, and parental resource quintile, measured in the year prior to treatment ($j = -1$). All values are expressed in DKK 1,000 and inflated to 2020 levels. The regression includes individual fixed effects. Standard errors are clustered at the individual level. Number of transfer recipients: 27,134.

6.3 Decomposed effect on net wealth.

Figure 11 presents the effect of inter vivos transfers on net wealth and its observable components: financial wealth, housing wealth net of debt, deposits, and business wealth from the newly started businesses. Each estimate is scaled by the average transfer size in the sample, which corresponds to the discrete increase in net wealth at the event time $j = 0$. Panel (a) shows that, in the entry year, the entire transfer is absorbed into the housing purchase, generating a substantial increase in housing equity. Over time, however, net housing wealth declines, and only 40% of the initial gain remains after 10 years.



(a) Total wealth

(b) Non-housing wealth

Figure 7: Decomposed effect on wealth

Notes: This figure reports the decomposed effects on net wealth, expressed in terms of the share of the average wealth transfer in the sample, equal to the increase in net wealth at $j = 0$. Effects are estimated treatment coefficients from specification (6).Treated individuals are those who entered the housing market through a discounted within-family sale. Controls are other housing market entrants who never received a transfer. The analysis conditions on entry year, age group, education, gender, urban residence, and parental resource quintile, measured in the year prior to treatment ($j = -1$). Panel (a) depicts the effect on total (net) wealth, defined as the sum of housing wealth net of total debt, financial wealth, deposits, and business wealth. Business wealth is approximated as listed assets held in privately owned businesses, based on firm-specific information where individuals are listed owners. Panel (b) shows the corresponding results for non-housing components only.

Two mechanisms explain the erosion of housing wealth among recipients. First, recipients amortize less and therefore maintain higher levels of debt than general entrants across the 10 years following entry. Second, Online Appendix Table D.2 documents that, although the market value of recipients' homes grows faster than that of general entrants, their *ownership share* decreases sharply, falling by roughly 30% after 10 years. Because recipients are more likely to enter the housing market without a partner, they subsequently reduce their ownership share when forming households. Online Appendix Table D.3 shows that recipients are 10 percentage points more likely to move within three years of the transfer, consistent with liquidating part of the initial transfer before purchasing a home jointly. The decline in ownership share is not offset by higher-valued housing. As shown in panel (a) of Figure 11, increases in liquid

assets do not compensate for the reduction in housing equity. The evidence hence suggests that recipients either consume part of the initial transfer or redistribute it within the household upon partnership formation.

Panel (b) further shows that non-housing assets rise gradually, reaching approximately 5% of the initial transfer value after 10 years.This increase initially takes the form of higher deposits, but over time the relative shares of business wealth and financial wealth increase.

Staggered adoption results. Online Appendix Figures D.3 and D.4 present event-study estimates using yet-to-be-treated individuals as controls within a four-year window. The patterns for business ownership and firm registrations closely mirror the main results: trends are parallel before the transfer, followed by a steady post-transfer increase. Four years after receipt, business ownership and firm registrations are about 0.75 and 0.5 percentage points higher, corresponding to increases of 14% and 11%, respectively. Financial outcomes also rise relative to the yet-to-be-treated group. After four years, financial wealth is higher by roughly DKK 10k (25%), and cumulative spending is higher by about DKK 75k (50%). Hence, the dynamic treatment effects are similar whether the control group consists of general housing market entrants or future entrants who will also receive a transfer upon entry.

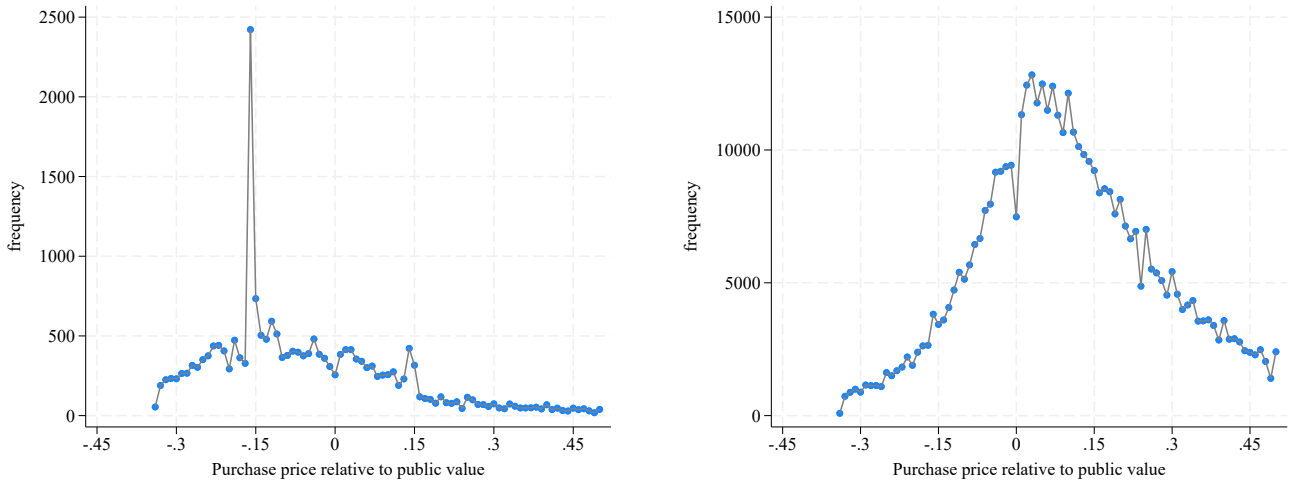
7 A causal effect? Policy variation in transfer amounts

The intensive-margin estimates indicate significant effects of *inter vivos* transfers on business ownership and spending. These estimates may, however, be biased if transfer amounts are correlated with unobserved family characteristics that also affect outcomes (e.g. financial literacy). To isolate exogenous variation in transfer size, I exploit a quasi-experimental source of variation generated by Denmark's within-family housing sale rules, as explained in Section 3.1. Under these rules, parents may sell a property to a child at a price up to 15% below the publicly assessed value P^G without triggering gift taxation. This provision imposes a mechanically determined cap on the size of the tax-free transfer:

$$Transfer_{i,t}^{\max} = P_{u_i,t}^{M} - 0.85 \cdot P_{u_i,t}^{G}. \tag{9}$$

Panel (a) of Figure 8 shows sharp bunching of forward-sale prices at exactly $0.85 \cdot P^G$, indicating that parents closely adhere to their legal maximum transfer size when forward selling a property to their child. Panel (b) confirms that such bunching does not occur among properties not traded within the family.

Public valuations and idiosyncratic mismeasurement. Prior to 2021, SKAT estimated public valuations P^G using land-value areas, limited transaction data, and basic property characteristics. Several features of this system produced substantial mismeasurement. A national audit concluded that only 17 of 98 municipalities had correctly defined land-value areas, and the transaction data used for valuation were often outdated or misclassified (Statsrevisorerne and Rigsrevisionen, 2012). As a result, public valuations frequently diverged from true market



(a) Within-family sales

(b) General sales

Figure 8: 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 within-family sales, while panel (b) display the show the distribution for all other housing sales.

prices. Identical houses in neighboring streets could receive different assessed values despite having similar market values, and demand-driven price changes in specific neighborhoods or property types were often not reflected in P^G.[16] I model the public valuation as:

$$P^G_{u_i,t} = g(X^{prop}_{u_i,t}, \ell_{u_i,t}) + \varepsilon^{P^G}_{u_i,t},$$

where $g(\cdot)$ captures the predictable part explained by property characteristics $X^{prop}_{u_i,t}$ (sqm, sqm^2, type, age) and location-year conditions $\ell_{u_i,t}$ (year $\times$ urban status and year $\times$ capital-region), and $\varepsilon^{P^G}_{u_i,t}$ captures the remaining valuation error. The imputed market price takes a similar form:

$$P^M_{u_i,t} = P^M(X^{prop}_{u_i,t}, \ell_{u_i,t}) + \varepsilon^{P^M}_{u_i,t},$$

where $\varepsilon^{P^M}_{u_i,t}$ is residual noise from imputing prices based on zip-code transactions. Substituting these expressions into the transfer-cap rule yields:

$$Transfer^{\max}_{i,t} = \underbrace{P^M(X^{prop}_{u_i,t}, \ell_{u_i,t}) - 0.85\, g(X^{prop}_{u_i,t}, \ell_{u_i,t})}_{\text{predictable component}} + \varepsilon^{P^M}_{u_i,t} - 0.85\, \varepsilon^{P^G}_{u_i,t} \tag{10}$$

Both valuation systems contain a predictable part and an idiosyncratic part. I absorb the predictable part by controlling for detailed property characteristics (building age, size, type) and location-year fixed effects. The remaining variation ($\varepsilon^{P^M}_{u_i,t} - 0.85\, \varepsilon^{P^G}_{u_i,t}$) reflects differences between the two valuation systems after removing the shared structure. Figure 9 shows the distribution of the transfer-cap residual after absorbing the predictable component. The distribution is centered near zero with substantial variation, reflecting the extent of over- and under-valuation

[16] In 2011, 41% of single-family homes were overvalued and 34% were undervalued by more than 15% relative to observed transaction prices (Statsrevisorerne and Rigsrevisionen, 2012).

in public assessments.

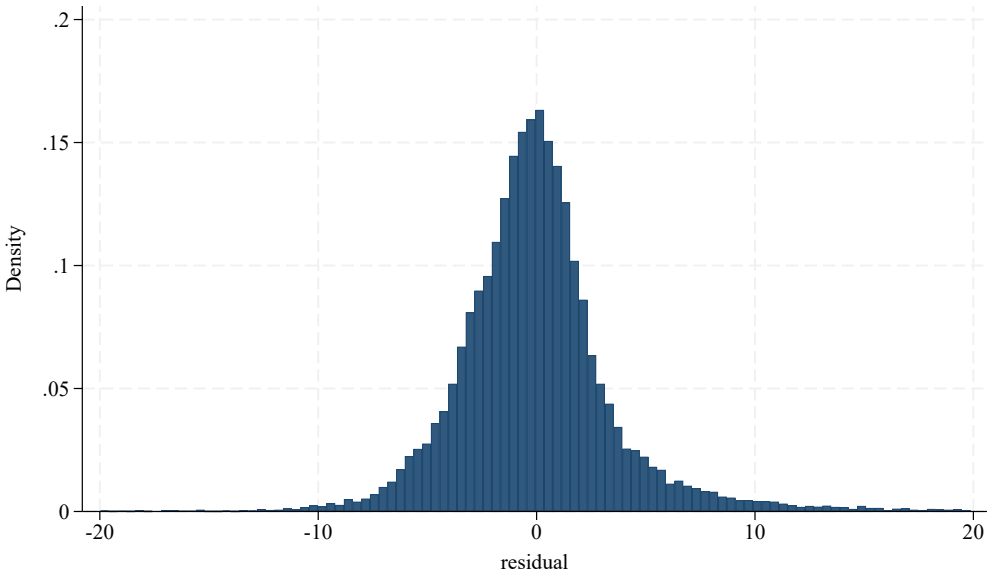


Figure 9: Instrument variation

Notes: This figure plots a histogram of the residual component of the transfer cap (DKK 100,000) after absorbing property characteristics and location–year fixed effects, as described in equation (10). The residual variation forms the identifying component of the instrument.

Identification strategy. I use $Transfer_{i,t}^{\max}$ as an instrument for realized transfers in a two-stage least squares (2SLS) design. I assume that, after conditioning on property characteristics and location-year fixed effects, variation in the transfer cap reflects administrative noise from the public property valuations. Because parents often transfer at the legal limit, these differences generate shifts in realized transfers. The first stage is:

$$Transfer_{i,0} = \theta_2 Transfer_{i,t}^{\max} + X_i^{recip}\beta_r + X_{u_i,t}^{prop}\beta_p + \eta_{\ell,t} + \varepsilon_{2,i}, \tag{11}$$

where $Transfer_{i,0}$ is the realized transfer at entry, X_i^{recip} includes age, gender, marital status, and parental business ownership, $X_{u_i,t}^{prop}$ includes property type, age, and dwelling size, and $\eta_{\ell,t}$ denotes location-year fixed effects defined by year × urban status and year × capital-region. The second stage relates the outcome variables to the predicted transfer from the first stage:

$$\Delta\bar{y}_i = \theta_3 \widehat{Transfer}_{i,0} + X_i^{recip}\beta_r + X_{u_i,t}^{prop}\beta_p + \eta_{\ell,t} + \varepsilon_{3,i}, \tag{12}$$

where $\Delta\bar{y}_i$ is the ten-year post-entry outcome defined in specification (8).

Identifying assumptions. The 2SLS estimator requires relevance and exclusion. Relevance holds if the transfer cap shifts realized transfers, which I assess by estimating θ_2 in equation (11). The exclusion restriction requires that, conditional on recipient characteristics, property controls, and location-year fixed effects, variation in $Transfer_{i,t}^{\max}$ affects outcomes only through its effect on transfer size. This condition is supported by the structure of the Danish valuation

system: after absorbing predictable components, the remaining variation in the cap stems from idiosyncratic errors in P^G and mean-zero noise in P^M, neither of which should be systematically related to family characteristics or children's potential outcomes. Under these conditions, θ_3 identifies the causal effect of transfer size on long-run outcomes.

Reform. A potential concern for the exclusion restriction is that high-ability parents may choose properties in ways that are correlated with the transfer cap, in which case the residual variation in the instrument could reflect unobserved family traits rather than valuation error. To address this, I estimate the 2SLS specification on a subsample in which parents could not have anticipated the transfer cap they would face. From 1982 to 2000, P^G was determined by estimating a "cash value" of the relevant property, conducted at the municipality-level. As part of a 2000 reform, valuation authority shifted estimation of P^G to the national level, redefining it as the tax assessment value (CIR nr 45, §2, 2000). Because parents purchasing properties before 2000 could not foresee the post-reform valuation system, they could not target properties based on the future transfer cap. Accordingly, in addition to the main results, I also report results for a sample of recipients whose parents purchased the property before 2000 but who received the transfer after the reform. This accounts for any selection arising from parents choosing properties to exploit the tax advantage of forward selling.

Balance test. Although the exclusion restriction cannot be tested directly, it is informative to assess whether variation in the transfer cap is orthogonal to observable characteristics correlated with investment behavior. Table 5 reports regressions of entry age, parental business ownership, and parental wealth on realized transfers and on the transfer cap. In the baseline, realized transfers are strongly associated with parental business ownership and parental wealth, and these correlations remain sizable after adding property controls. By contrast, when the transfer cap is used as the explanatory variable, the coefficients are close to zero and statistically insignificant across all three outcomes. This pattern indicates that the transfer cap is unrelated to key parental and recipient characteristics, supporting its validity as an instrument.

7.1 IV Results

First stage. Online Appendix Table D.4 reports the first-stage regression results from equation (11), where the transfer cap is used as an instrument for realized transfers. The estimated coefficient equals 0.775 and statistically significant at the 0.1% level, indicating that, on average, a 1 DKK increase in the transfer cap results in a 0.78 DKK increase in the realized transfer amount. Hence, the instrument satisfies the relevance condition.

Second stage. Column (2) of Table 6 presents IV estimates from specification (12), showing the instrumented effect of receiving an additional 100,000 DKK (USD \$15,300) on the main outcomes following receipt. Estimates are reported compared to OLS estimates in column (1).

The top two panels report results for business ownership. Column (1) shows that adding property controls reduces the OLS estimates by roughly half and renders the firm registration

Table 5: Balance tests

	Entry age	Parental business ownership	Parental wealth
Transfer size (unconditional)			
	-0.0195**	0.288***	0.220***
	(0.0095)	(0.0313)	(0.0092)
Transfer size (property controls)			
	0.0381***	0.181***	0.231***
	(0.0113)	(0.0384)	(0.0109)
Transfer cap (property controls)			
	-0.0030	-0.0305	0.0072
	(0.0135)	(0.0387)	(0.0112)
Observations	26,645	26,645	26,645

Notes: This table reports balance tests regressing recipient entry age and pre-transfer parental business ownership and (log) parental wealth on the transfer amount and the transfer cap (instrument). Transfer amounts and caps are normalized to DKK 100,000. Property controls include dwelling size, size squared, building age, and property type. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

effect insignificant. By contrast, column (2) shows that instrumenting transfer size with the cap yields larger and statistically significant effects. The coefficient on income-based business ownership increases from 0.135 to 0.150, while the estimate for firm registrations rises from 0.037 to 0.113. The larger IV estimates indicate a causal effect of transfer size on business entry and suggest downward bias in the OLS estimates due to selection in transfer amounts. Column (3) reports corresponding estimates for the restricted no-anticipation sample, where parents could not have targeted properties based on future transfer caps. In this sample, the 2SLS coefficients increase to 0.211 for business income and 0.209 for firm registrations, but remain statistically indistinguishable from the estimates in the full sample. These results suggest that the business investment response is not driven by parental selection into high-cap properties.

The third panel reports the estimates for financial wealth. The OLS coefficient of column (1) is 0.008, while the 2SLS estimate in colun (2) is close to zero, indicating no detectable causal effect of transfer size on financial asset holdings. The estimate remains small and statistically insignificant in the no-anticipation sample in column (3). Overall, the results suggest that larger transfers do not causally translate into persistent increases in financial wealth.

The bottom panel presents the effects on spending. The IV estimate in column (2) equals 0.027, compared to an OLS estimate of 0.021 in column (1), and both are precisely estimated. The smaller no-anticipation sample produces a similar estimate of 0.023. Hence, these results indicate that larger transfers lead to modest increases in long-run spending.

8 Mechanisms linking transfers to investments and consumption

What explains the positive impact of transfers on investments and consumption? This section explores potential mechanisms linking inter vivos transfers to business ownership and wealth. I first estimate heterogeneity in the business investment response by recipient traits. Next, I explore the possibility that effects are driven by lifted liquidity constraints. Finally, I discuss

Table 6: 2SLS Results

	(1) OLS	(2) 2SLS	(3) 2SLS
Outcome: Business ownership (%)			
Transfer sum (100,000)	0.135***	0.150**	0.211**
	(0.045)	(0.064)	(0.096)
Outcome mean	5.311	5.311	5.857
No. obs	26,681	26,681	8,036
Outcome: Firm registration (%)			
Transfer sum (100,000)	0.037	0.113*	0.209*
	(0.042)	(0.060)	(0.108)
Outcome mean	5.605	5.605	5.301
No. obs	22,785	22,785	5,678
Outcome: Financial wealth			
Transfer sum (100,000)	0.008***	-0.000	0.002
	(0.002)	(0.003)	(0.005)
Outcome mean	0.399	0.399	0.340
No. obs	26,681	26,681	8,036
Outcome: Spending			
Transfer sum (100,000)	0.021***	0.027***	0.023***
	(0.003)	(0.004)	(0.005)
Outcome mean	1.527	1.527	1.426
No. obs	26,681	26,681	8,036
Year FE	X	X	X
Recipient controls	X	X	X
Property controls	X	X	X
IV		X	X
Reform sample			X

Standard errors in parentheses

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

Notes: This table reports estimates from specification (12) of the effect of receiving an additional DKK 100,000 in inter vivos transfers at housing market entry on long-run outcomes. Column (1) reports OLS estimates with recipient and property controls. Column (2) reports 2SLS estimates using the transfer cap as an instrument. Column (3) reports 2SLS estimates for the reform subsample, defined as recipients whose parents purchased the property prior to the reform year. All specifications include year fixed effects, recipient controls (age, gender, marital status), and property controls. Data come from Danish administrative registers.

implications of the results to wealth inequality and intergenerational links in entrepreneurship.

Heterogeneity in the business investment response. To explore heterogeneity in the business investment response, I estimate specification (12) separately across six heterogeneity dimensions: age, gender, education, parental wealth, parental business ownership, and credit constraints. Figure 10 shows substantial heterogeneity in investment responses across subgroups. The causal effects are somewhat stronger for recipients under age 35, for women, and for those

without a college degree[17]. Additionally, the strongest response is observed among children of business-owning parents. For this group, an increase of DKK 100,000 in transfers raises the probability of business ownership by 0.5 percentage points (approximately 10%), roughly five times larger than the baseline effect of 0.11 percentage points. This pattern suggests that transfers are particularly effective when combined with prior entrepreneurial exposure within the family. Finally, an important difference arise across the parental wealth distribution: effects are driven by individuals from deciles 1–9 but close to zero and statistically insignificant for the top decile. The implications of this result is discussed in greater detail in Section 9.

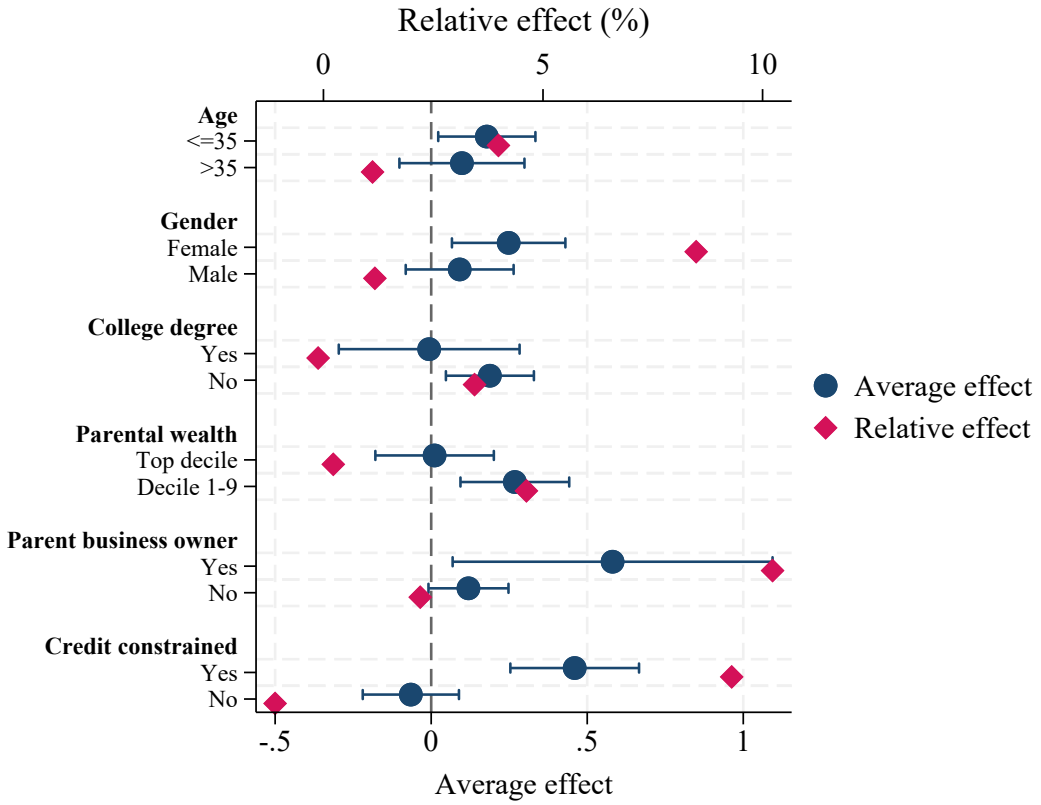


Figure 10: Heterogeneity in business ownership response to transfers

Notes: This figure displays IV estimates from specification (12) with 95% confidence intervals. The dependent variable is business ownership, which is a dummy equal to 100 if the individual ever registered their income to stem from private business during the 10 years post-transfer. The independent (instrumented) variable is transfer size, expressed in DKK 100,000. Regressions are estimated separately for six subgroups: age (below/above 35), gender (female/male), college degree (yes/no), paternal wealth (top decile/decile 1-9), parental business ownership (yes/no) and credit constraints (yes/no). An individual is defined as credit constrained if their liquid savings are lower than their bi-monthly disposable income. 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 average.

Lifted liquidity constraints. I hypothesize that the investment response arises because transfers relax liquidity constraints faced by recipients. In theory, transfers can provide the

[17]One interpretation is that transfers have a larger effect on entrepreneurship when they arrive earlier in life, before key career choices—such as educational attainment—have been made.

necessary resources to overcome participation barriers in business and equity markets. Prior studies document that windfall gains increase entry into entrepreneurship (Chodorow-Reich et al., 2024; Bermejo et al., 2022; Andersen and Nielsen, 2012) 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 Table D.3 shows that recipients are 10 percentage points more likely to have moved to a new dwelling within three years of transfer receipt, indicating they have sold the dwelling in the open markets, thereby extracting liquidity from the transferred stock of housing equity. Secondly, I split recipients into two groups based on their degree of credit constraints, defined as having liquid savings below bi-monthly income. Following this definition, the bottom panel of Figure 10 suggests that the causal estimates on business ownership are driven by individuals facing binding credit constraints: credit constrained recipients increase their ownership by 8% following an increase of transfers of DKK 100,000 ($15,300), while unconstrained recipients see no significant increase in business ownership.

9 Distributional implications of inter vivos transfers

My results show that transfers received at housing market entry have lasting effects on individuals' consumption and investment decisions. These effects are consistent with relaxed credit constraints and exhibit substantial heterogeneity by parental entrepreneurship and parental wealth. A natural next question is therefore how such transfers affect the distribution of wealth across generations. Do they strengthen or attenuate the relationship between parental wealth and children's financial outcomes? The answer depends on two forces: the concentration of inter vivos transfers across the parental wealth distribution and the heterogeneity of recipients' responses. The following sections provide evidence on each.

9.1 The concentration of inter vivos housing transfers

Figure 4 showed that transfer recipients are heavily concentrated at the top of the paternal wealth distribution. To compare this pattern with inheritances, Online Appendix Figure D.6 plots the share of large inheritance recipients (above DKK 500,000, or USD $75,000) across pre-death paternal wealth deciles. Inheritances are noticeably less concentrated: only 23% of large inheritance recipients have a parent in the top decile of the wealth distribution, compared to 55% for inter vivos housing transfers. This contrast suggests that wealthier parents are disproportionately likely to transfer resources earlier in life, amplifying inequality long before many inheritances are realized. Moreover, conditional on receiving a transfer, the average transfer size is also higher for wealthier families; for example, the average transfer size in 2020 equals DKK 1,150,000 ($175,000), while it equals 600,000 ($92,000) for recipients at the median of parental

wealth. Hence, the concentration of housing-related inter vivos transfers is high, which is driven both by frequency of recipients and amounts in the higher deciles.

9.2 Heterogeneity in the treatment effects across parental wealth

Focusing on the investment response, the increase in business ownership induced by transfers is concentrated among individuals outside the top decile of the parental wealth distribution. Figure 10 showed that the causal estimates equal 0.3 for recipients in decile 1-9 of paternal wealth, while it is muted at the top. Hence, early transfers do not raise entrepreneurial activity among the most common recipients (children from the wealthiest families), but instead elicit stronger responses among households that are more financially constrained. To the extent that entrepreneurial activity contributes to wealth accumulation, this heterogeneity suggests that the business-investment channel does not mechanically reinforce existing wealth hierarchies, but may instead facilitate upward mobility from the middle of the parental wealth distribution.

I next examine how the *net wealth effects* of transfers vary with parental (fathers') wealth. For each decile of the paternal wealth distribution, I estimate separately the instrumented effect of receiving an additional DKK 100,000 on individuals' net wealth ten years after the transfer. By construction, these estimates capture the net effect of transfers on wealth accumulation, incorporating both savings and consumption responses. Table 7 reports the results. The net return to transfers exhibits pronounced heterogeneity across the parental wealth distribution. The highest retention rates—that is, the smallest degree of wealth depletion—are observed among individuals from the lower-middle of the parental wealth distribution, whereas transfers received by individuals from the top decile are consumed to a somewhat greater extent.

Table 7: IV Effects of transfers on wealth by paternal wealth

	Paternal wealth decile at $j = -1$									
	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Transfer (100,000)	63.5***	95.2***	102.4***	53.0***	85.6***	53.2***	88.1***	70.7***	63.7***	80.1***
	(15.6)	(10.8)	(23.7)	(14.8)	(11.2)	(7.3)	(8.4)	(6.1)	(7.2)	(4.2)
Outcome mean	−6.6	−3.2	27.3	1.1	10.6	6.7	5.1	11.1	23.4	131.5
No. recipients	526	399	377	600	711	969	1,247	2,041	3,731	8,942

Notes: This table displays IV estimates capturing the effect of transfers on net wealth, following specification (12). Each column reports an IV estimate of the effect of an additional DKK 100,000 in parental transfers on average net wealth during the ten years after receipt, estimated separately by paternal wealth decile one year prior to receipt. Net wealth is defined as the sum of all deposits, financial assets, private pension balances, and the market value of owner-occupied housing, minus total liabilities, expressed in DKK 1,000. Transfers are instrumented using policy-induced variation in the transfer cap. Standard errors are reported in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

The IV estimate of the top (10th) decile reports that an additional DKK 100k in transfers translates into 80,1k higher net wealth ten years later, corresponding to a net return of -20% percent over the period. This negative average return mirrors the consumption response documented earlier and underscores that early transfers are only partially retained as wealth.

The corresponding figure for the few observed recipients in the 2nd and 3rd decile are 95.2 and 102.4, implying a net-return to transfers of −5% and +2%, respectively.[18]

There are two potential explanations for the observed pattern. One is that, conditional on expected lifetime income, higher deciles are more constrained in their consumption in the pre-transfer period, resulting in a larger consumption response once transfers are received. The other is that recipients in less wealthy families to a greater extent invest their resources (such as in business ownership) and hence realize higher returns on their wealth in the coming years.[19]

9.3 Policy implications

Subsequently, I examine how the Danish tax benefit scheme contributes to the aggregate relationship between family wealth and children's financial outcomes. Figure 11 summarizes the results, relating business ownership and net wealth to parental wealth for the full Danish population over the period 1995–2020.

The blue bars report baseline margins of business ownership (income-based measure) and net wealth at age 40 across paternal wealth deciles measured at age 25, controlling for cohort and gender. Consistent with prior evidence, parental wealth strongly predicts children's later-life outcomes (Boserup et al., 2018). Business ownership rises from approximately 7–8% among individuals from the poorest families to over 13% among those with parents in the top decile. A similar gradient appears for net wealth, which increases from roughly DKK −75,000 to DKK 400,000 at age 40.

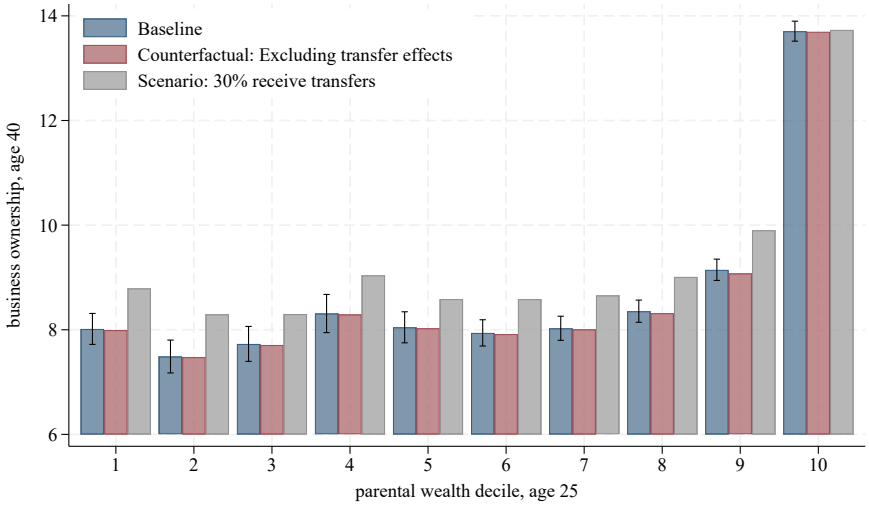
To quantify the role of the tax benefit scheme, I combine the causal estimates of transfer effects on business ownership (Figure 10) and net wealth (Table 7) with the decile-specific average transfer size and recipient frequency. For each decile, the contribution of the scheme is computed as the IV estimate multiplied by the average per-capita transfer exposure.[20] The red bars report the resulting counterfactual outcomes net of the scheme. Panel (a) shows that removing the scheme has little effect on the overall parental-wealth gradient in business ownership. The reason is that entrepreneurial responses are strongest outside the top decile, where transfer take-up is low, while transfers are concentrated among the wealthiest families, where investment responses are muted. In contrast, Panel (b) shows a clearer effect on net wealth. Eliminating the scheme reduces wealth inequality, reflecting the strong concentration of inter vivos transfers at the top of the parental wealth distribution.

Finally, the gray bars illustrate a counterfactual expansion in which 30% of individuals in each parental wealth decile receive transfers corresponding to the decile-average transfer size, assuming responses equal to those estimated for recipients in that decile. Under this scenario, business ownership in the bottom decile increases from about 8 to 9%, reducing the gap between the bottom and the top from 5 to 4 percentage points. However, for net wealth, the gaps remain

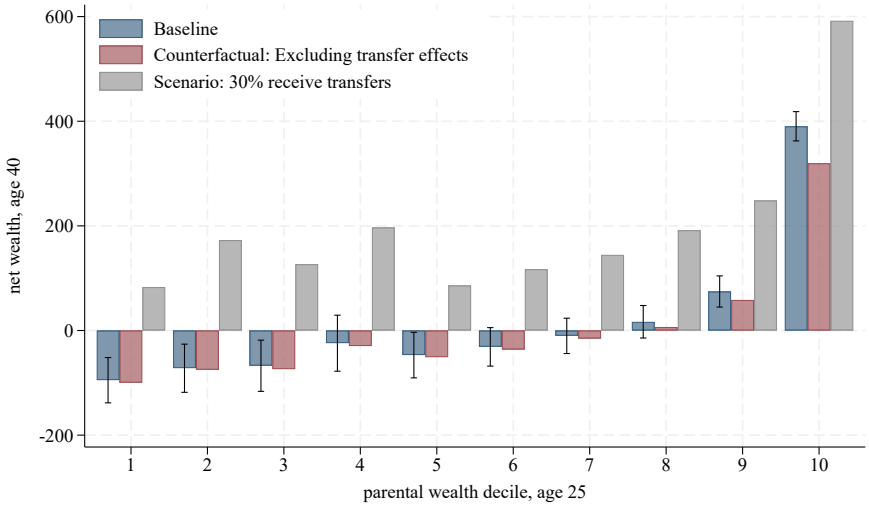
[18] This pattern contrasts with findings from the inheritance literature, which typically show that inheritances are depleted more rapidly among less wealthy households and preserved or invested among wealthier ones (Nekoei and Seim, 2023).

[19] Notably, recipients from the least wealthy families may correspond to a selective sample, implying they should be interpreted with caution when it comes to their external validity in the full population.

[20] I assume a causal effect of transfers of 0.3 for decile 1-9 and of 0.01 for the top decile of paternal wealth.



(a) Business ownership



(b) Net wealth

Figure 11: The role of transfers

This figure reports regression-adjusted averages of business ownership (panel (a)) and net wealth (panel (b)) measured at age 40, by paternal wealth decile measured at age 25. The sample includes individuals in Denmark whose father is alive at age 40 and who can be observed at both ages 25 and 40. Business ownership is defined as reporting income from a private business at age 40 and is expressed in percentage points. Net wealth is defined as the sum of all deposits, financial assets, private pension balances, and the market value of owner-occupied housing, minus total liabilities, expressed in DKK 1,000. Adjusted means are obtained from regressions controlling for gender and calendar year. Blue bars show baseline means with 95% confidence intervals. Red bars show counterfactual outcomes net of the transfer scheme, computed as baseline means minus the product of the IV estimate and the average per-capita transfer in each decile. Gray bars show a counterfactual expansion in which 30% of individuals in each decile receive transfers, assuming responses equal to those estimated for recipients in that decile.

largely unchanged, as the transfer size of the top decile is greater than that of the bottom.

This exercise indicates that, due to the strong concentration of inter vivos transfers among wealthy families, the housing-transfer scheme amplifies inequality in net wealth across parental wealth ranks, despite the attenuating investment responses observed outside the top decile. The red bars illustrate a further counterfactual in which transfers are equalized across the parental wealth distribution. In this scenario, the intergenerational wealth gradient flattens

markedly—partly because transfers are more evenly distributed, but also because the returns to transfers are higher around the middle of the parental wealth distribution than at the top. Hence, the distributional consequences of early transfers depend jointly on who receives them and on how households translate transfers into long-run wealth.

10 Conclusion

This paper have used Danish administrative data to examine how intergenerational transfers shape long-run wealth accumulation by influencing recipients' early 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 financial choices: recipients increase investments in business ownership, while simultaneously reducing savings through higher consumption. The net effect on terminal wealth reflects the balance between these offsetting forces.

The findings have implications for wealth inequality and intergenerational correlations. First, because wealthier parents are more likely to transfer and to transfer larger amounts, inter vivos transfers mechanically reinforce wealth disparities across the parental wealth distribution. Second, the causal effect on business investment and wealth is strongest among individuals from the lower nine deciles of parental wealth. Taken together, these patterns imply that early wealth transfers may promote intergenerational wealth mobility if transfer amounts were more evenly distributed across descendants.

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Online Appendix: A Flying Start

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 within-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, and year.[21] For each group, I calculate the average square meter price:

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

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:

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

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 D.5 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.

[21] 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.

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:

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

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. This resulted in large differences between P^{M} and P^{G}.

C Staggered adoption design

The main specification in the paper compares transfer recipients to individuals who enter the housing market but never receive a transfer. This choice ensures that treated and control units experience the same transition into homeownership, which is important because housing entry itself affects wealth, debt, and business formation. However, housing entrants who never receive a transfer may still differ systematically from those who eventually do. To address this concern, I estimate all main results using an alternative comparison group based on a staggered adoption design.

In this design, treated individuals are compared to *yet-to-be-treated* individuals—people of similar age who will receive a parental housing transfer in the future, but have not yet done so at time t. These individuals serve as valid controls prior to their own transfer because, up to that point, they likely face similar expectations as current recipients. Formally, I estimate:

$$y_{i,t} = \sum_{j \in \mathcal{J},\, j \neq -1} \theta_j D^j_{i,t} + \alpha_i + \lambda_t + X'_{i,t}\beta + \varepsilon_{i,t}, \tag{C.4}$$

where $D^j_{i,t}$ indicates that individual i is j years from receiving the housing transfer, α_i and λ_t are individual and year fixed effects. $X_{i,t}$ includes age-bin fixed effects, parental resource quintiles, and marital status.

Figure D.3 presents the event-study estimates for business ownership, four years before and after treatment. The pre-treatment coefficients indicate no meaningful differences between earlier and later entrants, and they are jointly insignificant, supporting the validity of the comparison. Following the transfer, treated individuals exhibit an increase in business ownership that closely matches the pattern estimated in the main specification. The response is modest and imprecise when business ownership is measured through new firm registrations, but substantially stronger when measured using the primary income measure.

Furthermore, Figure D.4 presents the corresponding results for spending and financial assets. Coefficients are positive and significant, with very similar magnitude as the main regression results. Also in this case, there are no clear signs of pre-trends. Overall, the staggered adoption results supports the main findings of the event study regressions using never treated units as controls.

D Additional tables and figures

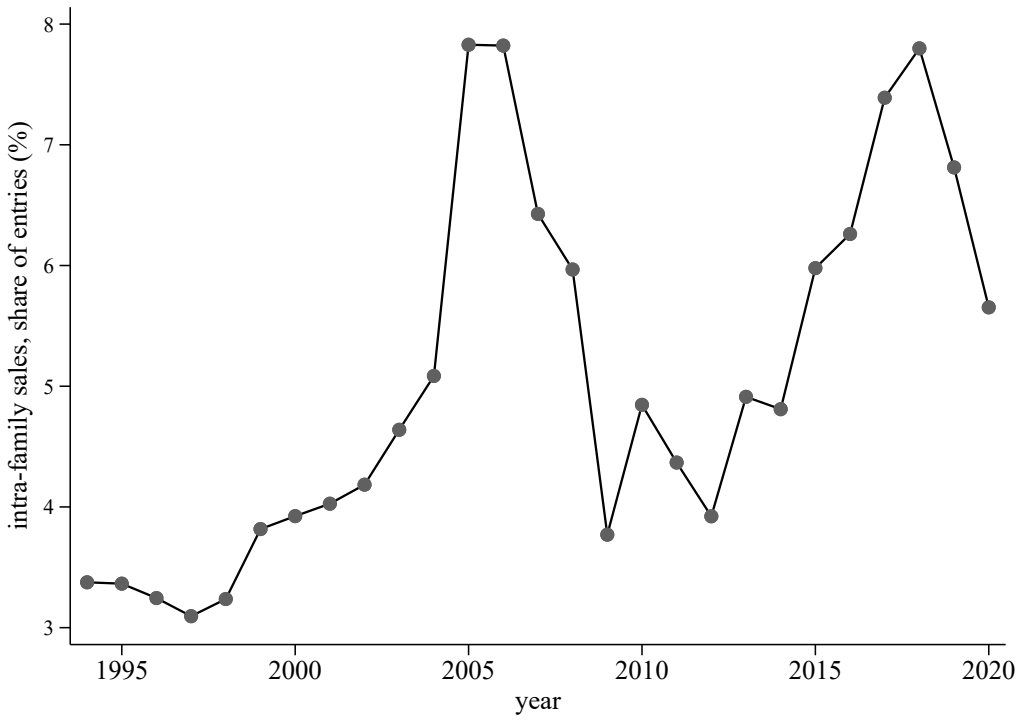


Figure D.1: within-family sales over time

Notes: This figure shows within-family sales as a share of total housing market entries in Denmark in the time period 1995-2020.

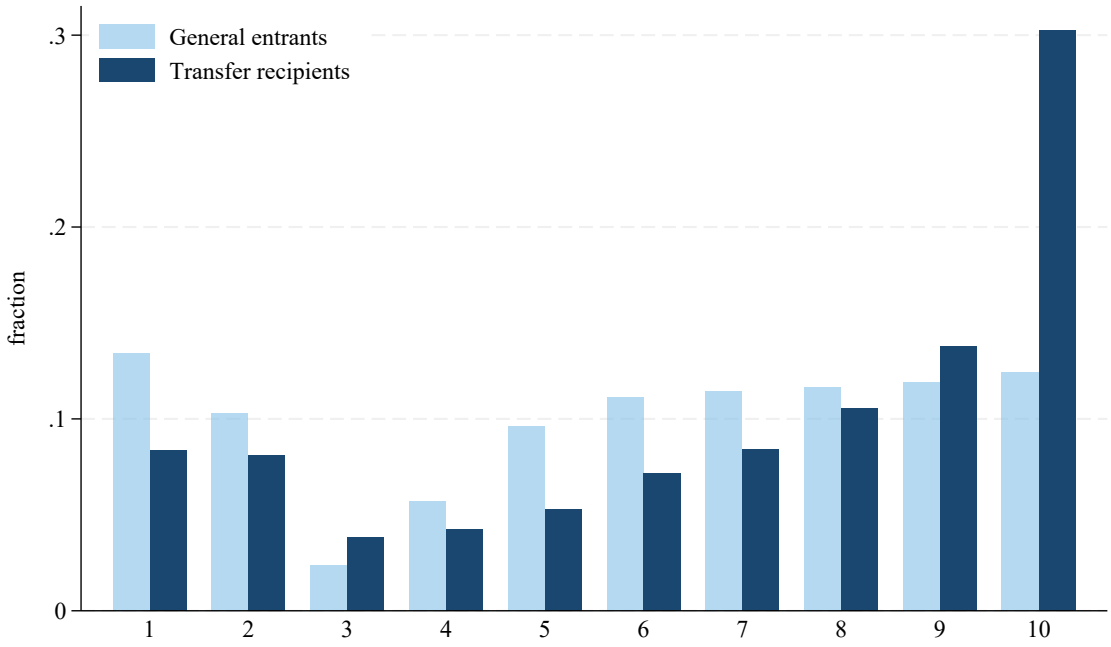
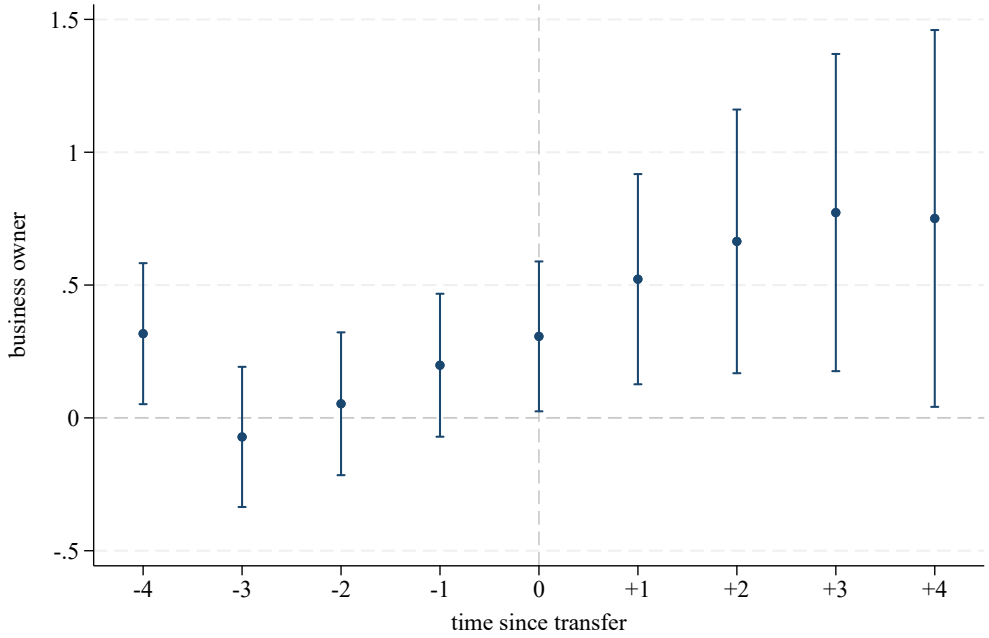
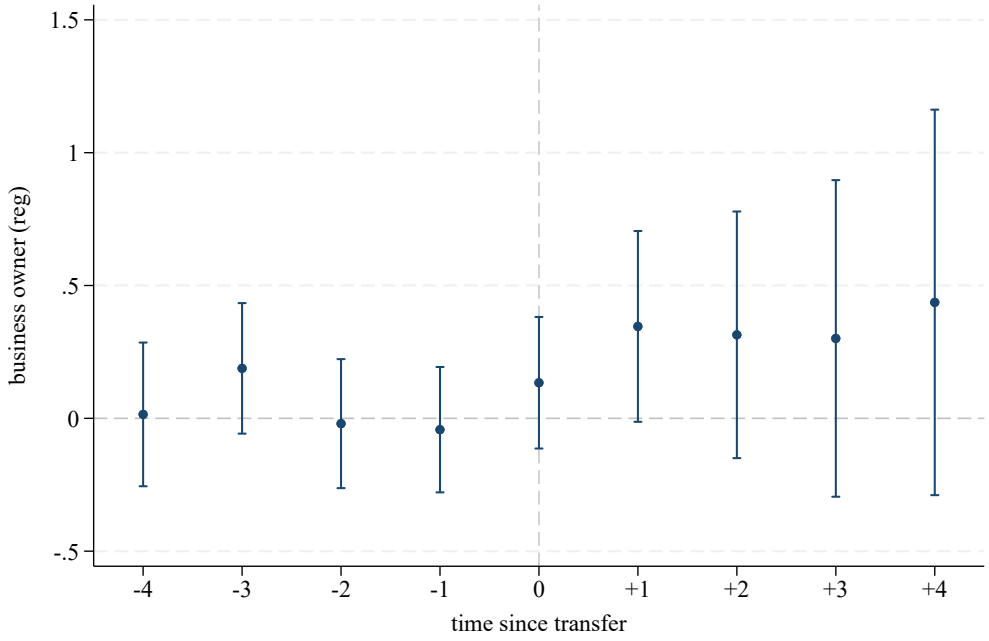


Figure D.2: Distribution of entrants across mother's wealth

Notes: This figure shows the distribution of housing market entrants across their mother's wealth deciles. Deciles are assigned conditional on year and age in the full population, and is based on total assets, which equals the sum of financial assets, housing assets and deposits.



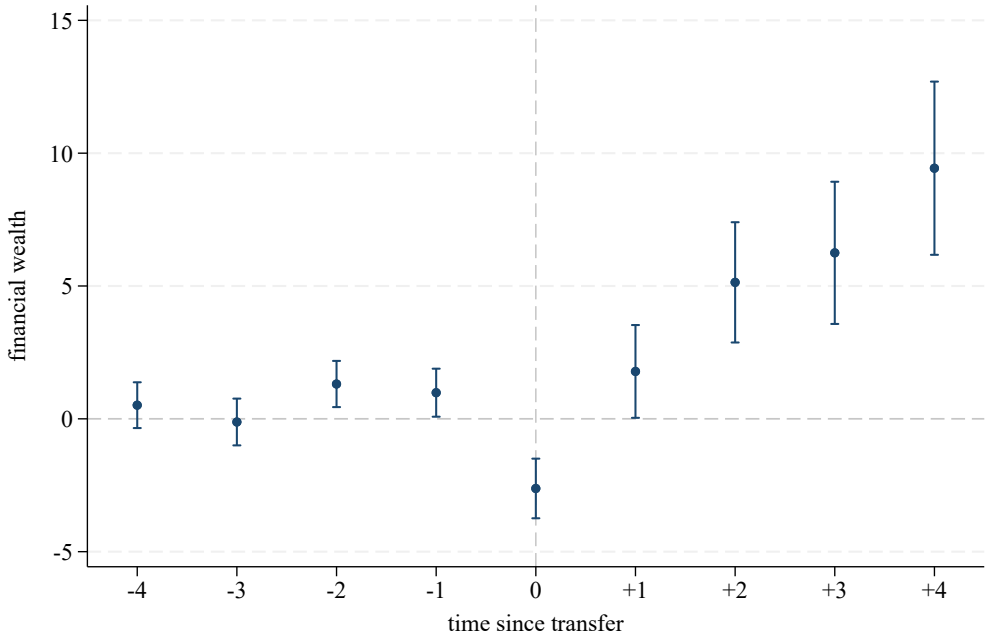
(a) Business ownership, tax income



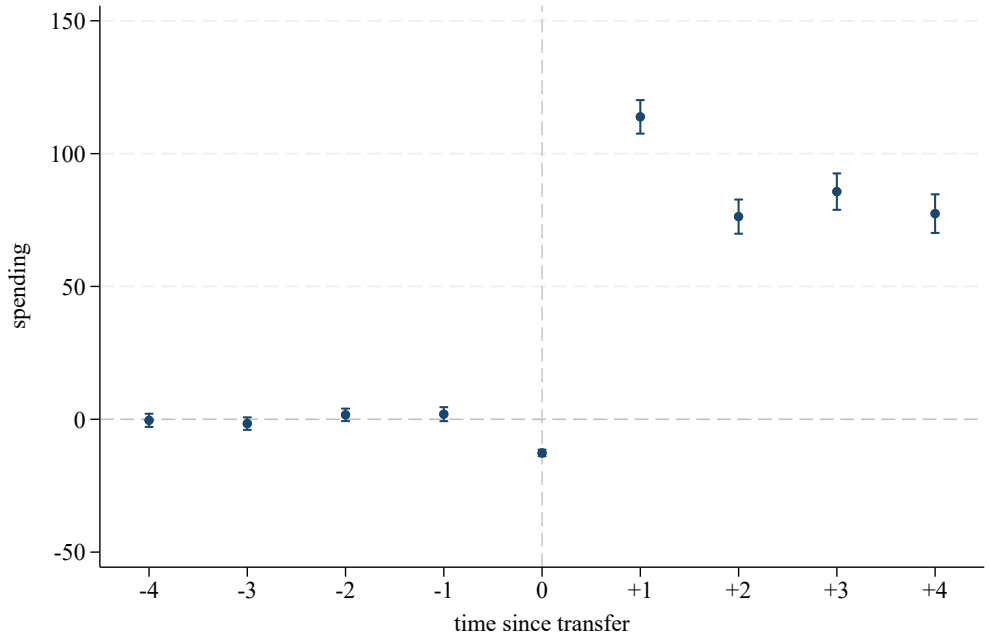
(b) Firm registrations

Figure D.3: Effects on business ownership (staggered design)

Notes: This figure reports the main estimation results from specification (C.4) with 95% confidence intervals. Panel (a) shows the effect on business ownership, defined as having primary income from private business activity. Panel (b) presents the corresponding estimates for registering a new VAT-liable firm. Treated individuals are those who enter the housing market through a discounted forward sale from their parents, while controls are individuals who will receive such a transfer at a later date. All regressions include individual and year fixed effects. Data are drawn from Danish administrative registers (Statistics Denmark).



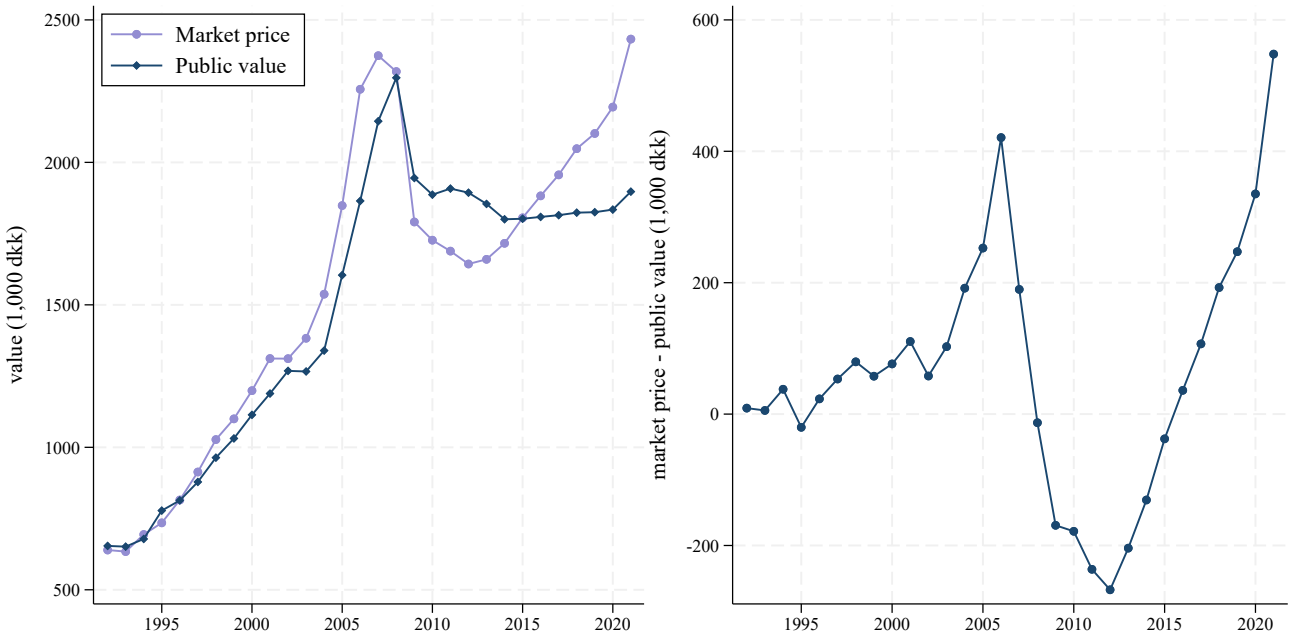
(a) Financial wealth



(b) Spending

Figure D.4: Effects of transfers on wealth (staggered design)

Notes: This figure reports the main estimation results from specification (C.4) with 95% confidence intervals. Panel (a) depicts the effect on financial wealth, defined as the sum of amounts held in stocks, bonds and mutual funds. Panel (b) shows the corresponding results for spending. Treated individuals are those who enter the housing market through a discounted forward sale from their parents, while controls are individuals who will receive such a transfer at a later date. All values are expressed in DKK 1,000 and inflated to 2020 levels. The regression includes individual fixed effects. Standard errors are clustered at the individual level.



(a) Levels

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

Figure D.5: 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.

Table D.1: Effects on firm outcomes

	Research/ Analytical	Commun- ication	Construction	Farming	Finance	Hospitality	Teaching/ Medical	Private services	Firm assets
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
ATT	0.070*	0.255**	-0.016	0.093*	0.176**	0.069	0.015	0.013	33.366**
	(0.039)	(0.090)	(0.067)	(0.049)	(0.086)	(0.082)	(0.014)	(0.016)	(14.427)
Outcome mean	0.199	1.052	0.757	0.454	0.766	1.489	0.022	0.043	187.453
No. obs	1,282,548	1,282,548	1,282,548	1,282,548	1,282,548	1,282,548	1,282,548	1,282,548	1,282,548

Standard errors in parentheses.

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

Notes: This table presents estimated average effects of receiving a transfer on extensive-margin firm outcomes. Dependent variables include indicators for registering a new VAT-liable business in specific sectors: research/analytical services, communication, construction, farming, finance/real estate, hospitality, teaching, medical services, and private services. Each coefficient represents the estimated ATT from the staggered-adoption design. Data come from Danish administrative registers for the period 2001–2020 (Statistics Denmark).

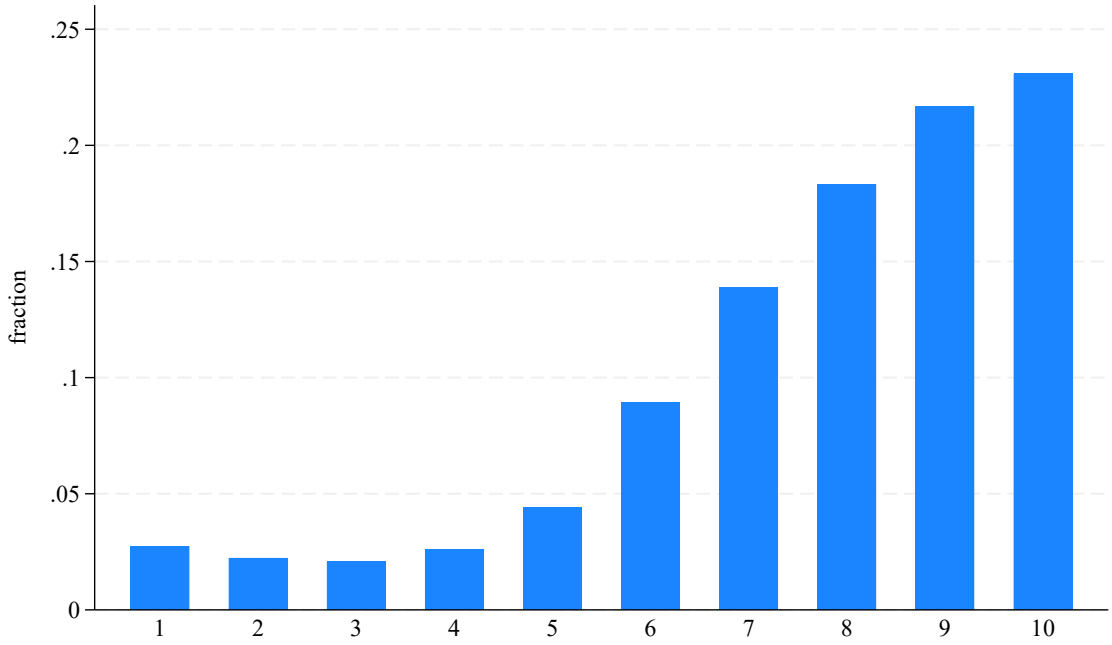


Figure D.6: Distribution of recipients of large inheritances across father's wealth

Notes: This figure reports the distribution of large (> DKK 500,000, or $75,000) inheritance recipients in Denmark across father's wealth decile. Wealth deciles are obtained one year before receipt. Observations: 212,153.

Table D.2: Effect on ownership share

	(1)	(2)
Tp0	0.0860***	
	(33.86)	
Tp1	-0.00814**	
	(-2.46)	
Tp2	-0.0814***	
	(-21.37)	
Tp3	-0.137***	
	(-33.31)	
Tp4	-0.167***	
	(-38.11)	
Tp5	-0.195***	
	(-41.82)	
Tp6	-0.220***	
	(-44.05)	
Tp7	-0.246***	
	(-47.00)	
Tp8	-0.266***	
	(-49.19)	
Tp9	-0.285***	
	(-51.21)	
Tp10	-0.302***	
	(-52.55)	
ATT		-0.131***
		(-38.06)
Outcome mean	0.690	
No. obs	1,213,411	

t statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

Notes: This table presents estimated dynamic treatment effects from the main specification. The dependent variable is ownership share, defined as the share of the home the entrant owns in a given year. Treated individuals are those who entered the housing market through a discounted within-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 $j = -1$. ATT capture 10-year average treatment effects on the treated. Data come from Danish administrative registers for the period 2001–2020 (Statistics Denmark).

Table D.3: Effect on moving to new dwelling

	(1)	(2)
Tp0	0.0367***	
	(11.04)	
Tp1	0.0651***	
	(16.48)	
Tp2	0.106***	
	(24.97)	
Tp3	0.117***	
	(26.86)	
Tp4	0.120***	
	(26.54)	
Tp5	0.125***	
	(26.88)	
Tp6	0.131***	
	(26.77)	
Tp7	0.138***	
	(27.27)	
Tp8	0.146***	
	(28.45)	
Tp9	0.144***	
	(27.84)	
Tp10	0.149***	
	(28.13)	
ATT		0.106***
		(35.31)
Outcome mean	0.173	
No. obs	1,213,411	

t statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

Notes: This table presents estimated dynamic treatment effects from the main specification. The dependent variable equals 1 if the individual lives in a dwelling which is not the same as the dwelling they bought when they entered the housing market. Treated individuals are those who entered the housing market through a discounted within-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 $j = -1$. ATT capture 10-year average treatment effects on the treated. Data come from Danish administrative registers for the period 2001–2020 (Statistics Denmark).

Table D.4: Results 2SLS, first stage

Dependent variable: $Transfer$	
Transfer cap	0.775^{***}
	(0.00878)
No. obs	26645

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 within-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).