Risky for Me, Safe for Thee: How Parents Invest for Themselves vs. Their Children*

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Abstract

We study how parents invest when the beneficiary is their child rather than themselves. Using Danish administrative data linking parents and children, we compare, within family-year, how the same adult manages a personal brokerage account and an account held in a child's name. Investments made for children are safer: child accounts take less risk, are more diversified, rely more on mutual funds, and avoid lottery-like stocks. These portfolios earn lower expected returns but higher Sharpe ratios. Additional evidence suggests that taxes, monitoring, and investment horizon cannot explain these differences. Instead our findings are consistent with purpose-specific investing within households.

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Household saving and investment decisions are made at the household level but are often implemented through individual family members' accounts (Choukhmane et al. (2025)). How do the identities of the accounts' beneficiaries affect these decisions? The literature offers surprisingly little guidance on this margin. Recent studies of financial advice (Foerster et al. (2017); Linnainmaa et al. (2021)) suggest that investors' preferences and biases are stable across contexts. At the same time, the literature on mental accounting shows that earmarking alters consumer spending behavior (Kooreman (2000)). Understanding the extent to which the same person can perform differently when acting on behalf of another family member is central to determining how the purpose of the investment affects the investment strategy.

Empirically identifying beneficiary-driven differences in investment behavior is challenging as it requires a high-quality investor-level dataset, where the same person is managing several accounts with different beneficiaries. We overcome this challenge by using the universe of disaggregated portfolio holdings of retail investors of the entire population of Denmark from 2007 to 2021. In addition to their own brokerage accounts, many Danish investors also manage accounts on behalf of their children.[1] By linking children to their parents, we are able to compare how adults invest for themselves versus for their children. Using within-family variation, we show that child-labeled accounts are managed differently from parents' accounts: child accounts contain safer and more diversified portfolios, deliver higher Sharpe ratios despite lower expected returns, and exhibit less pronounced behavioral biases. Overall, our findings suggest that beneficiary labels materially shape portfolio construction and trading within the household.

We begin by documenting systematic differences in stock-picking behavior across account types. We show that the overlap of parents' and children's holdings is surprisingly small: 85% (77%) of securities held by parents (children) are absent from the child's (parents') portfolio. When investing on behalf of their children, parents allocate more to domestic equities consistent with them minimizing information asymmetry. Child accounts also feature larger positions in mutual funds and well-established Danish firms, while avoiding lottery stocks. Assessing the risk-return tradeoff, we find that parents' personal portfolios exhibit higher betas and consequently higher returns, but also greater idiosyncratic risk, resulting in lower Sharpe ratios. Taken together, these patterns suggest that investors choose investment strategies and risk-return profiles separately for each account they manage.

We continue by asking whether investors' preferences for different asset characteristics vary across accounts that they manage. If parents' investment on behalf of their children is driven by their sentiment, one can expect to see a higher share of sustainable assets on children's accounts (Hellström et al. (2020), Adib et al. (2024)). However, one would expect

[1] To ensure that the account is fully managed by the parent, we focus on children aged 12 or under.

the opposite if sustainable investing is a luxury good (Adib et al., 2023). Since children's accounts are smaller, a parent prone to mental accounting may feel "poorer" when managing the child's funds and therefore allocate a lower share to sustainable assets. Consistent with the "luxury good" hypothesis, we show that when investing for their children, parents buy less ESG funds and "green" stocks and more "brown" stocks.

Turning to trading behavior, we find that children's accounts exhibit significantly lower turnover than parents' accounts. Since excessive trading reduces net returns through transaction costs (Barber and Odean, 2000), lower turnover in child accounts enhances performance. Comparing susceptibility to the disposition effect, we document a similar pattern: parents are more prone to realize gains too early in their own accounts relative to their children's. Together, these results suggest that households treat child accounts with greater discipline, avoiding behaviors that are costly in their personal portfolios.

Having documented the difference in retail investors' behavior across different accounts, we consider several alternative mechanisms which could explain our results. First, while Chetty et al. (2014) show that Danish investors are not sensitive to tax incentives, it is possible that our sample is more sophisticated than the average investor. This can potentially affect our results in two ways: first, given that children have a lower effective marginal tax rate (often zero), parents might choose to keep funds that are more heavily taxed (such as bond funds) on their children's accounts. Second, parents can choose for their children only those assets that do not distribute interest and dividends, which can bias our results. To address these concerns, we perform two additional tests. We start by showing that parents are less likely to allocate heavily-taxed bond funds to children's accounts, which is inconsistent with tax-optimizing behavior. To further rule out that our results are driven by parents optimizing interest and dividends payments across accounts, we focus on children's accounts with small balances (within the limit of children's tax-exempt investing). We conjecture that within this sample, a financially sophisticated parent will opt for a tax-exempt account, which covers both capital gains and income. We find the same results, confirming that taxation of interest and dividends does not bias our findings.

Second, another alternative mechanism that potentially affects our result is the role of monitoring (Breza and Chandrasekhar, 2019; Dupas and Robinson, 2013). It is possible that the monitoring role of the other partner changes the investment behavior of the managing parent, making it more stable and prudent. To test this effect, we focus on families where children have only one living parent. The results in this subsample are similar to the baseline results, thereby suggesting that monitoring is not driving our results.

Next, we consider whether our results can be explained by differences in parents' and children's investment horizons. Standard life-cycle consumption–saving portfolio models

with labor income (e.g., Cocco et al. (2005)) typically imply that individuals with a longer remaining horizon have a larger risky share of financial wealth.[2] If parents internalize a longer investment horizon when investing for their children, they would be expected to take on more risk in children's accounts. Alternatively, if investments in children's accounts are relatively short-term (intended, for example, to cover a car purchase, a down payment on a mortgage, or a graduation trip), one would expect them to be safer.

Our results on the differences in systematic risk between parents and children are consistent with parents treating their children's accounts as short-term. To further understand the role of the investment horizon on risk-taking, we explore the variation within pairs of siblings in the same family. We find that first-born children's accounts bear less systematic risk. We note, however, that although horizon effects can explain differences in systematic risk, they are not sufficient to explain the differences in idiosyncratic risk, risk-adjusted performance, or trading behavior, indicating that other mechanisms must be at play.

Finally, we evaluate the extent to which our results may be driven by parents investing through multiple mental accounts, one of which is earmarked for the child. Since the entirety of a young child's wealth is managed by the parent, creating a relatively small, separate account to finance a part of the child's future consumption might be a manifestation of mental accounting.[3] In this case, labeling the account with the child's name might change the investor's attitude, leading to different investment behavior, for example, a higher risk aversion (Dupas and Robinson, 2013; Gargano and Rossi, 2024). Drawing from the literature on mental accounting, we ask whether the emotional or sentimental value attached to the child's account drives the more careful investment behavior of the parent.[4]

To shed light on the role of sentiment in investing on behalf of children, we look at which child's characteristics determine the likelihood of opening a child investment account. We conjecture that if the beneficiary's identity and characteristics (such as gender, birth order, or health status) affect the probability of opening an account, parents are likely to associate the account with that child. Controlling for family-by-time fixed effects, which absorb family-wide factors that might affect participation for all children at a given time (for example, fluctuations in parental income), we show that male children and first-born children are more likely to have an account. This latter finding is consistent with Price (2008), who document that children born earlier receive more parents' attention than their

[2]This result can also be observed in dynamic portfolio choice models with returns predictability, e.g., Barberis (2000).

[3]Theoretical literature on behavioral portfolio theory demonstrates how agents can maximize their utility from investment under mental accounting (Das et al., 2010; Shefrin and Statman, 2000). Das et al. (2010) further suggest that different mental accounts can feature different risk aversion.

[4]The psychology literature (Chaulk et al., 2003; Görlitz and Tamm, 2020; Wang et al., 2009) documents that parenthood leads to higher risk aversion.

later-born siblings.

To further test the role of parental attention and care in opening an investment account, we use child hospitalization as an instrument. Using a stacked difference-in-differences event study specification, we show that parents are 40 basis points more likely to open an account for their child following a hospitalization lasting 7 or more days. To gauge the economic magnitude of this result, the baseline stock market participation rate among children is 8.2%, hence a 40 basis point increase represents a 5% increase in the probability of participation. Overall, this result supports the role of parental sentiment in opening investment accounts for their children. To understand whether such sentiment could affect the composition of child accounts and lead to potentially less risk taking, we further study the effect of hospitalization on portfolio risk, portfolio betas, and Sharpe ratio, but find no effects. This suggests that while sentiment can influence the decision to open an account, it does not appear to affect the risk composition of the account.

This paper makes contributions to three branches of the literature. First, it complements the research aimed at understanding the family-wide resource allocation. Using the Panel Study of Income Dynamics (PSID) Altonji et al. (1992) and Hayashi et al. (1996) reject the hypothesis that the extended family provides perfect insurance to its members. Choi et al. (2016) use expanded measures of consumption from PSID and find evidence of dynastic income affecting individual households' consumption. Despite the absence of perfect risk sharing, the literature has documented the insurance role of the extended family manifesting itself through inter-vivos transfers, which help smoothen the fluctuations of the transitory income (Cox, 1990; McGarry, 1999, 2016), and dynastic precautionary savings (Boar, 2021). Close to our paper, Choukhmane et al. (2025) show that couples within the same household display a lack of coordination when allocating retirement-saving contribution across accounts. We contribute to this line of work by studying within-family investments and by documenting the affect of a family member's health shocks on the decision to open an account in this family member's name.

Second, our study is related to a large literature on mental accounting (Choi et al., 2009; Thaler, 1985, 1990, 1999) and on how investment purpose shapes savings behavior (Gargano and Rossi, 2024). Prior work shows that planning devices and segregated commitment savings accounts improve saving outcomes (Ashraf et al., 2006; Beshears et al., 2016; Dupas and Robinson, 2013; Gargano and Rossi, 2024; John, 2020). In a closely related study, Kooreman (2000) examines how parents in the Netherlands use child benefits and finds that these transfers are predominantly spent on children's consumption. Our contribution to this literature is in studying how having an account in the name of another household member — an underaged child — affects the investment behavior.

Third, our analysis builds on a long literature on households' investing by bridging two strands typically examined in isolation. Using representative datasets, Brunnermeier and Nagel (2008), Bilias et al. (2010), Bonaparte and Cooper (2009), and Calvet et al. (2009) document inertia in investment accounts, which is further supported by research based on 401(k) plans (e.g., Agnew et al., 2003; Benartzi, 2001; Choi et al., 2002, 2004; Madrian and Shea, 2001; Mitchell et al., 2006). In sharp contrast, studies of brokerage accounts show excessive trading by retail investors (Barber and Odean, 2000; Odean, 1999). The two literatures therefore paint two conflicting pictures of household investment behavior.

Acknowledging this contradiction, Gomes et al. (2021) offer two explanations. First, brokerage account holders may differ systematically from participants in the more representative Panel Study of Income Dynamics (PSID) or Survey of Consumer Finances (SCF) (Bilias et al., 2010).[5] In that case, differences in findings could simply reflect selection. Second, the two samples may capture the same households at different points in time, introducing another form of sample bias.[6] In this paper, we propose a third explanation: households may invest differently across accounts depending on the account's purpose — for example, saving for retirement versus financing short-term consumption. Using within-investor variation, we show that portfolio risk and trading discipline vary systematically with account purpose (or earmarking): when managing child-labeled accounts, parents hold safer portfolios and exhibit fewer trading biases than in their own accounts. This within-investor evidence reconciles the apparent contradiction across settings, suggesting that observed differences reflect purpose-specific behavior rather than investor selection.

In a closely related paper, Berkman et al. (2014) find that accounts managed for minors in Finland exhibit exceptional stock-picking performance — especially right before large price moves — consistent with informed trading by guardians. In contrast, we study the universe of holdings in child accounts and compare them to parents' own accounts within the same household. We show that child-labeled accounts do not outperform parents' accounts in raw returns; instead, they achieve higher Sharpe ratios through greater diversification and a tilt toward safer assets. Related to our study, a contemporaneous paper by Davydov and Peltomäki (2024) compare accounts opened in childhood to an average investor in the sample and show that the former earn higher returns at lower risk. We instead compare children's accounts to their parents' accounts within families, which allows us to isolate the effect of the beneficiary's identity on investment decisions.

[5]Differences may include wealth (Hoopes et al., 2016), education (Calvet et al., 2009), or risk aversion.

[6]Large capital gains trigger individual rebalancing (Brunnermeier and Nagel, 2008); households also rebalance more often in bull markets (Karlsson et al., 2009).

1 Data and institutional setting

1.1 Institutional details

Retail investing in Denmark (adults): Danish residents typically invest through (i) an ordinary taxable brokerage account ("*frit depot*"), where capital gains and dividends are taxed under general tax rules, and/or (ii) a share savings account ("*Aktiesparekonto*, often abbreviated to "*ASK*"). The ASK levies a flat 17% tax on annual investment returns (compared to 27-42% in an ordinary account), calculated on a mark-to-market basis; the bank computes and remits the tax. In 2021—the end of our sample period—the ASK deposit limit was 102,300 DKK (≈ $16,000). Only listed equities and equity-based funds are eligible investments in these accounts.

Universal personal allowance: Every tax resident—adult or child—has a personal tax allowance that reduces tax liability on labor and non-share capital income for the assessment year. In 2021, the allowance was 46,700 DKK (≈ $7,300) for adults and 36,900 DKK (≈$5,800) for persons under 18.

Investing for a child: There are three main routes, closely mirroring the adult baseline.

Aktiesparekonto: Children can hold their own ASK under the same rules as adults: one account per person, equity-only investments (listed shares and equity-based funds), flat 17% mark-to-market tax, and the same annual cap. Crucially, the child's ASK is taxed in the *child's* own assessment, independently of the parents.

Custodial brokerage account: Here, the key determinant of who is taxed is the attribution rule: if the assets (or the cash used to buy them) are given by the parents, then interest and dividends on those assets are taxed to the parents until the end of the calendar year in which the child turns 18; by contrast, gains on the child's assets are taxed to the child. If the assets are funded by others (e.g., grandparents) or by the child's own earnings, both dividends/interest and gains are taxed to the child.

Børneopsparing (child savings account). A tax-advantaged account that must be opened no later than the calendar year the child turns 14; it is locked for at least seven years with payout no earlier than age 14 and no later than the year the child turns 21. Contributions are capped at 6,000 DKK (≈$940) per year and 72,000 DKK (≈$11,300) in total. All returns inside the account are tax-free during the binding period.

1.2 Data sources

We use Danish administrative records provided by Statistics Denmark, which include detailed demographic, wealth, income, and health information for the entire population. All individuals in Denmark are assigned a personal identification number (CPR) at birth—or, for immigrants, upon entering the country—similar to Social Security numbers in the United States. Because all individual-level information is linked to this number, we can merge different administrative registers to construct a comprehensive profile for each person. Our analysis draws on the following registers:

Income and wealth data come from the Danish tax authority (SKAT). We use detailed year-end records dating back to 1997, which include income from all sources and the total market value of wealth, disaggregated into broad asset classes (housing, stocks, deposits, etc.).

Portfolio holdings also come from SKAT. Financial institutions report individuals' year-end holdings of stocks and mutual funds at the asset level, identified by International Securities Identification Numbers (ISINs). These data are available from 2007 to 2021. We supplement this dataset with stock price data from Compustat and mutual fund price data from Morningstar. We use exchange rate data from Datastream.

Educational records come from the Danish Ministry of Education. They cover all formal and informal years of schooling completed, degree fields, and other qualifications, and are accessible through Statistics Denmark.

Individual and family information is from the Danish Civil Registration System. These records include CPRs, gender, date of birth, and the CPRs of nuclear family members and spouses, allowing us to link children to their parents and siblings.

Medical records come from the Danish Health Authority (Sundhedsstyrelsen). They provide complete information on all treatments, examinations, and hospital stays within the Danish hospital system, available from 1994 to 2019. We use these data to identify child health shocks, which we define as hospital stays lasting seven days or more. In addition, we use date of death information to identify families where the child has only one biological parent.

ESG funds are identified based on a dictionary of keywords (Adib et al., 2023; Curtis et al., 2021; Geczy et al., 2021; Hellström et al., 2020; Lapanan, 2018; Li et al., 2021; Michaely et al., 2024). We search for keywords in the fund's name and classify the fund as ESG if it contains at least one keyword. These keywords or text strings include (sorted by frequency in names of US mutual funds) "sustain", "social", "ESG", "PAX", "responsib", "clean", "impact", "SRI", "environm" and "green". We translate these keywords to Danish. Following Adib et al. (2023), we ensure a correct classification of funds at the time of holding

by using historical fund names.

Bond funds are identified based on the mandate, by using fund names. Unlike the portfolio composition, which can vary over time for mixed funds, mandate is usually stable and is often clearly stated in the fund name. We choose words such as "bonds," "oblig," "asset backed," "government," "eurobond," "bund," "treasury," etc, which suggest either the entire asset category of fixed income, or its subgroup. If the fund name contains at least one of the keywords, we assign it to the "bond fund" group.

Green and brown stocks are defined following Adib et al. (2023, 2024) within the category of *energy stocks*. We focus on the energy sector because it provides a stark green–brown contrast between renewable generation (wind, solar, hydro) and fossil-fuel extraction, processing, and distribution (coal, oil, gas). Within energy-related industries, firms are classified as green or brown according to their primary business activity.[7] Outside the energy sector, we identify candidates using company-name keywords: green terms ("clean," "green," "hydro," "renew," "solar," "sustain," "wind") and brown terms ("coal," "drill," "gas," "mine/mining," "oil," "petro"). We also scan generic terms ("energy," "resource") and assign green or brown status based on the activity they denote.

1.3 Summary statistics

Our analysis focuses on children aged 12 and under for two main reasons. First, at this age, financial decisions are almost entirely made by parents, as children have limited financial knowledge and influence. By excluding older teenagers—who may have stronger preferences or demand greater involvement in investment decisions—we can more effectively isolate parent-driven investment behavior and compare it to how parents manage their own portfolios. Second, age 13 coincides with Confirmation, a major religious milestone in Denmark that often involves substantial cash gifts from family and friends. Any spike in account activity around this age is therefore more likely to reflect one-off cash inflows than deliberate parental investment decisions.

Table 1 uses the cross-section of children in 2021 and compares the child and parent characteristics of parents who have an investment account for their children vs. parents who do not. Out of 812,168 children, 68,388 have an investment account, implying a participation rate of 8.4%. Participating children are on average about 1 year old, but there are no major differences by gender of the child. In terms of parental characteristics, participating children have parents who are on average about three times as wealthy, more than twice as likely to be financially literate, and over twice as likely to be stock market participants themselves.

[7] Energy-related industries are those with SIC codes beginning with 12, 13, 29, 351, 440, 449, 491, 492, 493, 517, or 550.

We know from evidence on adult stock market participation that these characteristics are associated with higher participation among adults (Calvet et al., 2007; Vissing-Jorgensen, 2002). It therefore appears that these characteristics also translate to higher parental investment on behalf of their children. Conditional on holding an account, the average stock holding of children is 81,800 DKK (approximately 11,000 EUR).

2 Differences in holdings

2.1 Overlap

When investors select assets for their personal portfolios, their choices are affected by their own preferences and behavioral biases. But how do these decisions change when they invest on behalf of their children? If preferences are stable and parents are content with their own portfolios, one would expect them to choose the same securities — or at least a subset of them — for their children's accounts. The natural starting point, therefore, is to ask, to what extent parents' and children's portfolios overlap. To answer this question, we focus on family–years in which both the child and at least one parent participate in the market. For simplicity, when both parents hold portfolios, we combine them and treat their joint holdings as a single parental portfolio.

Panel A of Figure 1 shows the distribution of overlap between parents' and children's holdings. Across all distinct securities held within a family, only about 10% appear in both the child's and the parent's portfolio. By contrast, 33% are held exclusively by the child, while 57% are held exclusively by the parent. Thus, contrary to the simple conjecture that parents would replicate their own choices in their children's accounts, a substantial share (85%) of parental holdings is absent from the child's portfolio. Even more strikingly, nearly three-quarters of securities selected for children are not held by their parents at all.

Building on this aggregate comparison, to show how consistent these patterns are across families, we focus only on securities held in child accounts and plot the distribution of portfolio overlaps among these securities with parents' portfolios in Panel B of Figure 1. The distribution is distinctly bimodal: Around 18% of families hold nearly identical portfolios for parents and children, while in more than half of families (55%) the two portfolios share no common securities. This polarization highlights that, for many households, parents apply fundamentally different investment rules when managing their children's accounts compared to their own.

2.2 Risk

The literature on household investment behavior documents a substantial effect of individual preferences and information frictions on stock picking (Balasubramaniam et al., 2023; Barber and Odean, 2001; Keloharju et al., 2012; Massa and Simonov, 2006). To motivate a fundamentally different approach for investors' stock picking on behalf of their children, despite the investors' own characteristics being the same, their preferences across accounts should be affected by additional considerations.

One of the most important investors' characteristics is risk aversion. Risk aversion is usually viewed as a fixed individual characteristic, which extends across different activities. However, in the context of mental accounting, theoretical models suggest that the same investor can display degrees of different risk aversion across different mental accounts (e.g., Das et al., 2010). Thus, we can expect that when making decisions on behalf of their children, individuals may demonstrate a different level of risk aversion. While the life cycle hypothesis suggests that investing for their children parents should take into account a longer horizon and, as a result, take more market risk (Cocco et al., 2005), from the behavioral perspective, parents are more likely to invest in a more risk-averse way on behalf of their children (e.g., Görlitz and Tamm, 2020; Ziegelmeyer and Ziegelmeyer, 2016).

To test these hypotheses, we compute the variance of returns of the risky portfolio (i.e., the portfolio that contains stocks and mutual fund investment) for each investor-year pair. Since Denmark is a small and open economy, we follow Calvet et al. (2007) and use MSCI Global index converted to the Danish currency as the market portfolio. We use three years of monthly returns to compute stock betas and decompose total risk as

$$\sigma^2_{i,t} = \beta^2_{i,t}\sigma^2_{m,t} + \sigma^2_{\epsilon,i,t}, \tag{1}$$

where $\sigma^2_{i,t}$ is the total risk and $\sigma^2_{\epsilon,i,t}$ is the idiosyncratic risk of the portfolio. We regress the risk measures on a child account dummy and control for family-year fixed effects following Equation 2.

$$Y_{ift} = \beta \cdot Child_i + \mu_{ft} + \epsilon_{ift}, \tag{2}$$

where Y_{iht} is a measure of risk computed for person i belonging to family f in year t. $Child_i$ is an indicator that the person i is a child (as opposed to a parent), and μ_{ft} denotes family-year fixed effects.[8] Including these fixed effects means that identification comes from within-family variation, while absorbing any family-wide factors that affect both parents and

[8]Note that we define families f at the parent–child level. If a parent has two children with accounts in their names, each child is assigned a separate family identifier and thus receives a distinct fixed effect.

children (e.g., fluctuations in household income). Results are shown in Table 2.

Column (1) shows that children's accounts have lower level of total risk. A child's portfolio has a 70 basis point lower total monthly standard deviation, which is significant compared to the baseline 7.7 pp for an average parent's account. According to Equation 1, this difference, can be coming either from the systematic or idiosyncratic component. Column (2) shows that children bear significantly lower systematic risk (beta). While adult portfolios on average have betas close to 1, children have 6% lower betas.[9] This finding is consistent with the behavioral hypothesis, which suggests that parents display higher risk aversion when investing on behalf of their children. Column (3) shows that parental accounts have a higher level of idiosyncratic risk, which suggests that they are relatively less diversified.

While evidence from brokerage accounts suggests that retail investors are generally underdiversified (Barber and Odean, 2000; Calvet et al., 2007; Odean, 1999), the underlying reasons remain unclear. Odean (1999) and Barber and Odean (2000) show that households typically hold only a handful of individual stocks, which exposes them to high idiosyncratic risk and reduces risk-adjusted returns. By contrast, Calvet et al. (2007) highlight the role of mutual funds, showing that a non-trivial fraction of Swedish households achieve substantial diversification — and even higher Sharpe ratios than the domestic index — by investing in mutual funds, including those with global exposure.

Turning to our setting, Columns (4)–(6) reveal that children's portfolios contain fewer securities overall but allocate a significantly larger share to mutual funds. Specifically, the fraction invested in funds is about 10 percentage points higher than in parents' accounts, resulting in better diversification despite the smaller size of these portfolios. This pattern suggests that one important channel through which parents reduce risk in their children's accounts is by relying more heavily on mutual funds to diversify holdings.

2.3 Preferences

Beyond increasing the share of mutual funds, parents can also reduce portfolio risk by selecting safer individual stocks or those they perceive as more familiar. If this is the case, we should observe less investment in securities typically associated with high volatility and gambling behavior. Prior work documents that retail investors exhibit a preference for "lottery stocks" (Goetzmann and Kumar, 2008; Kumar, 2009). If parents are unaware of the risks involved, one would expect similar allocations to lottery stocks in both their own and their children's accounts. By contrast, if parents recognize the elevated risk and accept it in

[9] We confirm that this result does not depend on our choice of the index. Using MSCI Denmark instead of MSCI World to compute betas, we get lower baseline parental beta (0.82) but also find that children have a 5% lower beta.

their personal portfolios, a higher level of risk aversion should make them avoid these stocks when investing for their children.

Moreover, if the latter conjecture is true, stronger risk aversion in child-labeled accounts should also lead to a more pronounced home bias. If Danish investors tend to view domestic firms as more familiar, when faced with the tradeoff between diversification and familiarity, they will often favor the latter (Massa and Simonov, 2006). One would therefore expect children's portfolios to allocate a larger share to domestic or local equities and to the securities most popular among retail investors — typically the largest companies in the (narrow) Danish stock market index, OMXC20.

To test these conjectures, we proceed in three steps. First, we identify lottery stocks using the distribution of daily returns, following the approach of Kumar (2009). Second, we classify stocks by country of registration based on the first two letters of the ISIN code, and compute for each investor the value-weighted share of holdings in Danish stocks and, more broadly, in Nordic stocks (Denmark, Finland, Iceland, Norway, and Sweden). Third, to capture preferences for popular securities, we rank all stocks each year by the total value of Danish retail ownership, select the top 10, and measure the fraction of each investor's portfolio allocated to these top-10 stocks.

We estimate Equation 2 using portfolio composition variables as dependent variables, and report results in Table 3. Column (1) shows that parents have roughly twice as high probability to invest in at least one lottery stock in their own accounts than in their children's accounts. Children also have a 0.5 percentage point lower weight of lottery stocks on their own accounts, which is economically significant compared to the parents' average of 2.6%. This pattern is consistent with parents recognizing the gambling-like nature of these stocks and avoiding them when investing on behalf of their children. Columns (3)–(4) further indicate a stronger tilt toward domestic and Nordic equities in children's portfolios: while parents allocate 87.5% of their stock holdings to domestic equities and 94.5% to Nordic equities, the corresponding figures for children's accounts are 92.7% and 96.8%. Column (5) shows that parents' portfolios place 58.2% of their weight in the ten most popular Danish stocks, whereas children's portfolios concentrate about 5 percentage points more in these holdings. Taken together, these results suggest that parents reduce the perceived riskiness of their children's accounts not only by greater diversification but also by careful stock picking.

To study whether (and how) investor preferences vary across managed accounts, we test whether parents' preference for sustainable investments depends on the account designation (parent or child). On the one hand, the parents' sentiment towards their children can bias their investment towards a higher fraction of sustainable assets (Adib et al., 2024). On the other hand, Adib et al. (2023) show that sustainable investing is a luxury good. If mental

accounting firmly separates the parent's financial wealth across the two accounts, the parent does not perceive their total financial wealth split across the two accounts as one sum. Given the smaller size of the child's account, mental accounting can lead the parent to behave as if they are wealthier when trading in their own account. As a result, we would expect a parent to hold more sustainable assets on their own account compared to the child's account. To test these two hypotheses, we estimate Equation 2 using the proportion of ESG funds out of all funds and the proportions of green and brown energy stocks out of all stocks as dependent variables. Table 4 shows the results.

Column (1) shows that children hold 3.4% of their fund holdings in ESG fund on average. This is 20 basis points less than their parents' ESG holdings. Similarly, children hold 20 basis points more brown stocks energy stocks and 50 basis points more green energy stocks as a proportion of their total stock portfolio. A lower fraction of sustainable assets on the child's account—both among stocks and among funds—suggests that parents perceive themselves as relatively richer when investing for themselves, supporting the "luxury good" hypothesis.

Finally, to delve more into the constituents of the two accounts, in Table 5, we split the difference in holdings by twelve Fama-French industry portfolios. This analysis allows us to see whether the parents' portfolio tilts happen within-industry or across industries. We find that children hold 4.7 percentage points more in the financial industry, 80 basis points more in healthcare, and 10 basis points more in chemicals. While it is possible that this pattern reveals parents' preferences, it is also consistent with the effect of familiarity and attention in retail stock picking. As we showed in Table 3, when parents select financial assets for their children, they tilt toward salient, locally familiar firms rather than small niche stocks. Overall, these results are consistent with the relatively low overlap between parental and children's portfolios coming from differences in investing both across sectors (Table 5) and within sectors (e.g., green versus brown energy, as shown in Table 4).

3 Trading strategies and performance

The difference in portfolio compositions between children and their parents suggests that the latter might also use a different approach to managing their portfolios over time. For example, relatively safer and well-diversified children's holdings indicate that parents may keep them unchanged over longer horizons. In this case, parents' accounts will have higher turnover than children's accounts.

Column (1) of Table 6 explores the difference in turnover between parents and children using Equation 2. As expected, parents trade much more on their own accounts. This finding suggests that trading strategies adopted by parents when investing on behalf of their

children help to decrease excessive trading, which is shown to be one of the key sources of losses on retail investors' accounts (Odean, 1999).

Since households trade less intensively on children's accounts, it is possible that they are able to adopt strategies that are less prone to biases prevalent in dynamic trading by retail investors, such as the disposition effect—the tendency to hold on to losers and to liquidate winners too early. We follow the literature (e.g., Andersen et al., 2021) and construct the measure of disposition effect as the difference between the proportion of realized gains (the ratio of realized gains to the sum of realized and paper gains) and the proportion of realized losses. Column (2) of Table 6 shows that, consistent with our conjecture, the disposition effect is significantly weaker when investors trade on behalf of their children. This indicates greater trading discipline (i.e., more rational behavior) when managing children's portfolios.

The difference in investment strategies across accounts should affect their expected returns. Since children's accounts have less systematic risk, one would expect them to bring lower return than parents' accounts. However, since parents also take more idiosyncratic risk, one would expect to see lower risk-adjusted returns on their own accounts. Columns (3) and (4) of Table 6 verify our conjecture. Children's portfolios have higher risk-adjusted returns but lower expected returns consistent with their holdings being safer and better diversified. This result suggests that parents resolve the risk–return tradeoff differently dependent on whether they invest for themselves or for their child. This is consistent with the conjecture that investors' risk aversion can vary across mental accounts proposed by Das et al. (2010).

4 Mechanisms and Interpretation

Investors appear to treat investment on their own and on their children's accounts differently. To further our understanding of the differences in investment behavior, we consider five alternative factors that could potentially explain our results. We start by considering the possibility that tax incentives affect the way parents invest. Next, we examine whether monitoring (or the possibility of monitoring) of the same investment accounts by two investors (i.e., two parents) determines our results. We continue by examining two other factors, including investment horizon and whether the account is managed for oneself or on behalf of another person. We conclude by studying the role of mental accounting in explaining our main findings.

4.1 Tax incentives

Tax incentives can affect retail investors' portfolios (Chetty et al., 2014; Dai et al., 2008; Elton and Gruber, 1970; Ivković et al., 2005). Studying Danish retirement accounts, Chetty et al. (2014) find that only 15% of the Danish population is sensitive to tax incentives. However, the authors document that tax-sensitive investors are wealthier and more financially sophisticated, which is in line with the description of parents who open accounts for their children in Table 1. Therefore, we consider the ways in which taxes can affect parents' decisions.

A parent who optimizes the holdings for the family as a whole can open an account for the child even in the absence of mental accounting if this account provides significant tax benefits. In this case, the parent will allocate assets across the two accounts strategically, so as to decrease the total amount of taxes paid by the household.

First, when parents invest through a child's custodian account, all dividends and interest income are taxed back to the parents. This can incentivize parents to choose for their children mostly funds that do not pay regular cash distribution (e.g., accumulating "investment companies" or "*investeringsselskaber*" in Danish). If the properties of these funds are correlated with other fund characteristics—such as equity share or investment strategy (active vs. passive)—this can potentially bias our results.

To address this concern, we turn to the difference between accounts that can be held by the child. Only one of them, the child savings account, is completely tax-free, with the tax exemption covering both capital income and distributions. While we do not see the exact type of the account, we conjecture that when the amount investing is small, that is, within the limit permitted by the child savings account, a tax-optimizing parent is very likely to invest through this account type.[10] In this case, we expect to see no aversion to distributing funds. Appendix Tables A-1, A-2, and A-3 show that the results for the small accounts have the same signs and are close in magnitude to the main sample. A notable exception is the proportion of mutual funds, which is 10 pp higher in small accounts than in the main sample. This finding suggests that parents are more likely to invest in mutual funds as opposed to stocks when the account is small.

Second, given that children have a lower effective marginal tax rate (often zero), parents might choose to allocate funds that are more heavily taxed (such as bond funds) to their children's accounts.[11] Contrast to this, Column (7) of both Table 3 and Table A-2 show that

[10]The total yearly incremental investment in the child savings account cannot exceed 6,000 (3,000) DKK and the total lifetime investment amount cannot exceed 72,000 (36,000) DKK after (before) 2019. We use this rule to select child accounts based on both the yearly contribution and the total amount throughout our sample.

[11]In Danish taxable accounts, bond-fund returns are taxed as capital income, with effective rates reaching

children's accounts are less likely to hold more tax-heavy bond funds, which is inconsistent with parents' tax optimization.

Notice that the difference in trading behavior cannot be explained by tax incentives either. Since the literature on tax-induced trading documents that higher capital gains tax leads to a stronger lock-in effect (Ivković et al., 2005), one would expect a lower disposition effect on parents' accounts compared to children's accounts, which contradicts to our findings.

We conclude that while we cannot completely rule out the role of taxes on parents' investment behavior, they are unlikely to be driving our results.

4.2 Joint monitoring

Another factor that can invest the composition and performance of children's accounts is the role of monitoring (Breza and Chandrasekhar, 2019; Dupas and Robinson, 2013). While individual investors can be careless when trading on their own brokerage accounts, it is possible that monitoring by another family member (e.g., the other parent) makes the investing parent more considerate in both choosing the asset and implementing the trading strategy.

To test this effect, we focus on families where children have only one living parent. We consider cases when the child has lost one of her parents, and therefore, the remaining parent is less likely to have a partner to monitor. Despite a small sample, the results in Tables A-4, A-5, and A-6 are generally consistent with the results obtained on complete families. One interesting exception is the fraction of bond funds, which is much higher for both single parents and children in the single parent sample; however, compared to their parents, children in single parent families hold lower proportions of stock funds. We conclude that, overall, our results are unlikely to be explained by monitoring.

4.3 Investment horizon

Investment horizon may also influence our findings. When allocating assets to a child's account, parents may account for the child's younger age and the associated horizon. Standard life-cycle models predict that the optimal share of risky assets increases with the investment horizon (Cocco et al., 2005). If parents perceive the child's account as having a longer horizon than their own, they should hold a higher risky share in the child's portfolio, contrary to our results. By contrast, if parents treat the child's account as earmarked for nearer-term expenditures (e.g., car purchases or housing down payments that may occur before parents

about 42% and limited scope for deferral; by contrast, equity-fund returns are share income (27% up to the threshold, then 42%) and, crucially, equities (but not bonds) can be held on an Aktiesparekonto at a flat rate of 17%.

reach their own liquidity needs), one would expect their portfolios to be safer, consistent with our results.

To further assess the role of investment horizon in shaping risk-taking, we exploit within-family variation in siblings' horizons. Table A-7 shows that first-born children's accounts exhibit lower exposure to systematic risk. While differences in horizon can therefore rationalize the cross-account variation in portfolio risk, they do not account for the observed patterns in idiosyncratic risk, risk-adjusted performance, or trading behavior, suggesting that additional mechanisms must be at play.

4.4 Delegated investing

It is possible that when people manage money on others' behalf, they always behave in a more risk-averse way irrespective of the beneficiary's identity. While being a possibility, this explanation contradicts the recent literature on financial advice (Foerster et al., 2017; Linnainmaa et al., 2021). In particular, Linnainmaa et al. (2021) show that investment advisors' own accounts display the same biases and bring the same returns as the accounts of their clients. Moreover, they continue to demonstrate a similar investment behavior even after retirement, which suggests that the biases that they project on their clients are grounded in their personal characteristics, which they fail to overcome. This suggests that our results cannot be simply explained by the effect of investing on behalf of any other person; the person's identity is important.

4.5 Mental accounting

We showed in Sections 2 and 3 that parents invest for their children differently than they do for themselves. The differences in holdings and trading suggest that they display higher risk-aversion when investing for their children, which is consistent with their investment purpose affecting investment behavior across different mental accounts. If an investment made for a child is internally labeled by the child's name, this can potentially explain the difference in behavior. Drawing from the literature on mental accounting, we now ask whether the emotional or sentimental value attached to the child's account drives the more careful investment behavior of the parent.

To shed light on the role of sentiment in investing on behalf of children, we look at which parent's and child's characteristics determine the likelihood of opening a child investment account. We assume that if the beneficiary's identity and characteristics (such as gender, birth order, or health status) affect the probability of opening an account, parents are likely to associate the account with that child. By contrast, if the decision to open a child's account

is solely driven by the parent's characteristics, this would suggest that the primary purpose of the parent is to invest on her own behalf through a child's account, for example, for tax optimization.

4.6 Parents and children's characteristics

Which child's characteristics determine whether the child has an investment account? To identify household and child characteristics that explain variation in children's stock market participation, we run the following participation regression for all children under 12:

$$Y_{iht} = \alpha + \delta \cdot X_{iht} + \beta \cdot Z_{ht} + \gamma_t + \epsilon_{iht} \tag{3}$$

where Y_{iht} equals 1 if child i of household h is a stock market participant in calendar year t, and zero otherwise. X_{iht} is a vector of child characteristics: age, gender, and rank of birth of the child. Z_{ht} is a vector of households characteristics: whether the family lives together, total parental income and financial wealth (in deciles), and average age of the parents (in 10-year bins).

Table 7 reports the results. Column (1) is the baseline specification from Equation 3. In Column (2), we augment this with household fixed effects to control for time-invariant household-level characteristics that can affect participation. In our strictest specification (Column (3)), we include household-by-year fixed effects. This allows us to better isolate the impact of child characteristics by controlling for any family-wide factors that can affect participation for all children (e.g., fluctuations in parental income).

We find that child characteristics are key determinants of stock market participation. First, child gender matters for their stock market participation both across and within families. A male offspring is between 0.35-0.59 percentage points more likely to have financial investment than a female child. These results are economically sizable when compared to the population likelihood of a child to be market participant of 8.2%. Second, being the first born matters positively for stock market participation even within the same family. This could be evidence of first-born children getting more attention from the parents (Price, 2008) and relates to the work of Black et al. (2005) on the importance of children's rank within the family in their education. Third, similar to adult investors (Ameriks and Zeldes, 2004; Fagereng et al., 2017; Guiso et al., 2003), child's age is an importance driver of stock market participation. Appendix Figure A-1 reports the coefficients, showing that participation is monotonically increasing in child's age.

Second, parental attributes significantly influence children's stock market participation across households. Figure A-2 reports the estimated coefficients for parental financial wealth

and income deciles. As anticipated, higher levels of parental financial assets and income are positively associated with the likelihood that children hold investment accounts. Moreover, living with both parents, and having at least one parent who participates in the stock market or possesses financial education or training, are all key contributors to cross-household variation in children's investment behavior. Overall, while some factors for opening accounts for children are family-specific, child-level characteristics also account for within-family differences in stock market participation.

4.7 Children's health

To causally test whether caring motives induce parents to invest for their children, we use child hospital admissions as an exogenous shock to concerns about the child's future.

We identify health shocks using administrative data on hospital admissions from 1994–2019. A child is classified as having experienced a health shock if they are admitted to hospital for seven or more consecutive days within a year. We focus on the first occurrence of such an admission, which we define as the "event", and look specifically at first occurrences that occur between 2007 and 2021 as this is the period for which we have data on portfolio holdings. These children form the treated group in our analysis.

To construct a comparable control group that accounts for nationwide trends in stock market participation, we select children for whom neither they nor any sibling ever experiences a health shock. This yields a set of "pure" controls—children who are never directly or indirectly affected by the treatment. We perform exact matching on the child's age, gender, and municipality of residence, the number of siblings, whether the parents live together and are married, and the father's age (in 10-year bins), all measured in the year of the health shock. To account for parental financial knowledge and prior stock market engagement, we also match on whether at least one parent participates in the stock market. Finally, we select the closest match based on total parental financial wealth and discard matches where the wealth difference exceeds 35,000 DKK (approximately 4,700 EUR).

Table 8 provides summary statistics for our treatment and control groups compared to the full population of children. There are 127,802 treated children, which is approximately 5% of the population of children. The treated and control groups have very similar characteristics.[12] Compared to the full population, treated children are slightly more likely to be male. They also come from less wealthy households and their parents are less likely to be stock market participants themselves.

[12]While the matching is done on characteristics in the event year, the summary statistics are calculated from pooled data spanning 2007–2021. The fact that treated and control units remain similar on average in this broader sample is reassuring that the match is not driven by idiosyncrasies of the event year.

With the treatment and control groups in place, we use an event study specification to estimate the impact of a health shock on child stock market participation. Because different children are treated at different times, the treatment is staggered. Staggered treatments can produce biased estimates when treatment effects vary over time (Borusyak et al., 2024; Goodman-Bacon, 2021). To address this concern, we implement the "stacked regression" approach proposed by Baker et al. (2022). For each matched treatment–control pair, we construct a separate dataset g and then stack all datasets together. We estimate the following specification:

$$Y_{igt} = \alpha_{ig} + \lambda_{gt} + \sum_{k=-5, k\neq -1}^{5} \beta_k \cdot \mathbb{1}(t = E_i + k) + u_{igt} \tag{4}$$

where Y_{igt} equals one if child i belonging to pair g is a stock market participant in calendar year t, and zero otherwise. E_i is the event year for individual i, and $\mathbb{1}(t = E_i + k)$ is an indicator for t being k years after the event year.[13]

The key distinction between a stacked regression and a traditional two-way fixed effects model is the inclusion of high-dimensional fixed effects. α_{ig} are pair-specific individual fixed effects, while λ_{gt} are pair-time fixed effects, ensuring that participation is compared within each pair at the same point in calendar time. This tight specification, which exploits within-pair variation, enables us to identify the coefficients of interest β_k, representing the effect of a health shock on stock market participation k years after the event.

Figure 2 plots the baseline event study coefficients. Pre-trends are flat, with all lead estimates statistically indistinguishable from zero. Following the health shock, participation increases immediately by 10 basis points and continues to rise over the next three years, eventually plateauing at a 40 basis point increase. Given baseline participation rates of 8.2% as noted in Section 1.3, this represents a substantial relative increase of approximately 5%. This analysis shows that a plausibly exogenous shock to concerns about a child's future coming from a hospitalization event can induce parents to start investing more for their children.

To assess whether the effects are more pronounced for certain subgroups, we repeat the analysis after splitting the sample by different characteristics (Figure 3). We find little difference by the child's gender (Figure 3a). We also find no difference based on the parents' marital status (Figure 3b). Splitting the sample by total parental financial wealth (Figure 3c) shows much stronger effects for above-median wealth households with the effect reaching about 70 basis points at the five-year horizon. Finally, effects are somewhat larger when parents themselves participate in the stock market (Figure 3d).

While such emotional and caring motives can induce parents to start investing in their

[13] Control observations are never treated, so we can think of $E_i = \infty$ for them.

child, it is interesting to test whether parents change the composition of the portfolio. Evidence of parents choosing to shift towards less risky securities could be indicative of emotional factors driving the differences between child and parent portfolio allocations. However, we find no changes in idiosyncratic or systematic risk, nor in Sharpe ratios, suggesting that this emotional channel may not be the driver of these portfolio differences.[14]

5 Conclusion

This paper asks whether the same adult invests differently when assets are earmarked for different household members. Using Danish administrative data that link parents and children, we observe adults who simultaneously manage a personal taxable brokerage account and at least one account opened in a child's name. Our empirical design compares these portfolios within the same family and year, absorbing both stable investor characteristics and contemporaneous household-level conditions that affect both accounts.

We document large and systematic within-household differences in portfolio construction. When investing on behalf of their children, parents hold portfolios that are safer and more diversified, rely more on mutual funds and well-established domestic and Nordic equities, and avoid lottery-like stocks. The same adults take more systematic and idiosyncratic risk in their own accounts. Trading behavior also differs across the two settings: child-labeled accounts exhibit lower turnover and a weaker disposition effect. Consistent with these patterns, child accounts achieve higher risk-adjusted performance despite having lower expected returns.

Taken together, the evidence implies that household portfolio choice is purpose-specific. Parents do not simply replicate their personal investing strategy when the beneficiary changes. Instead, the beneficiary label is associated with a shift toward more conservative asset selection and greater trading discipline, consistent with mental accounting and goal-based investing within the household. Our mechanism tests further support this interpretation: patterns in account opening point to sentiment, while alternative explanations such as taxes, partner monitoring, and other confounds receive less support.

More broadly, our results highlight that heterogeneity in observed risk-taking, diversification, and trading behavior across datasets and account settings reflects not only investor type and constraints, but also the intended beneficiary of the assets. Treating the investor as the sole decision unit can therefore wrongly measure household preferences and distort inference about risk tolerance, financial sophistication, and susceptibility to biases. Using beneficiary labels and within-household account segmentation can potentially help reconcile differences across administrative and brokerage data.

[14] Unreported; the graphs and the table with coefficients are available from the authors upon request.

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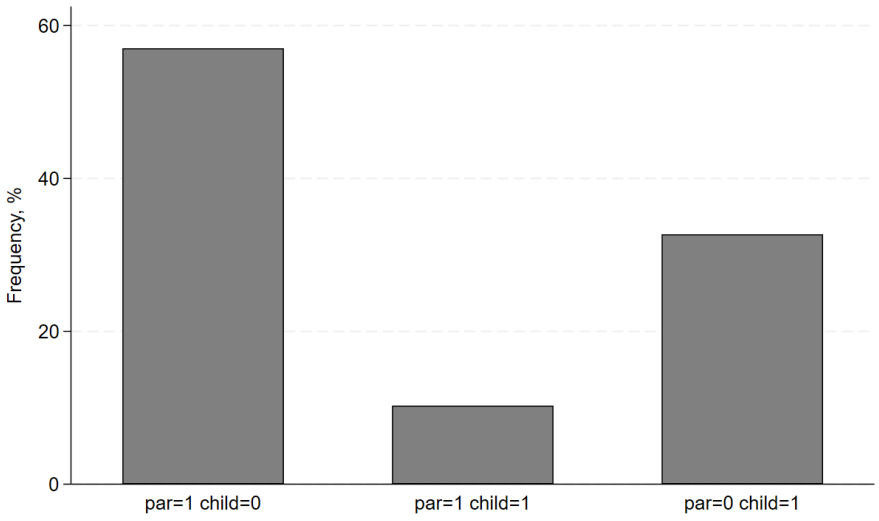
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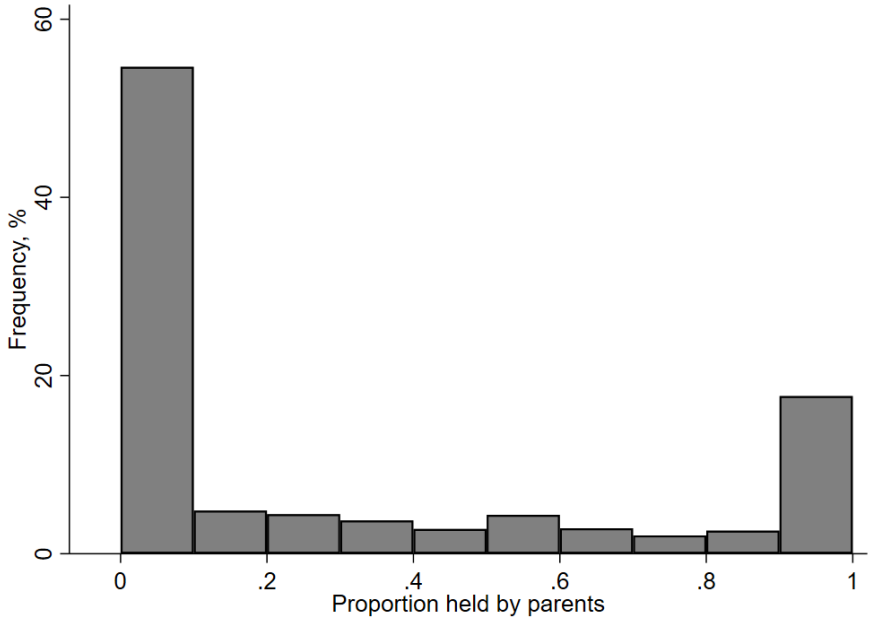
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Figure 1: Overlap of children's and parents' holdings
This figure shows the overlap of security ISINs between parents' and children's accounts within the same family. Holdings of both parents are treated as a single portfolio. Panel A shows the proportion of ISINs held by the same family, which are only present in the parents' portfolio (first column), child's portfolio (third column), or both portfolios (second column). Panel B shows the distribution of overlaps between parents and children as proportion of ISINs held on the child's accounts.



Panel A. Overlap of holdings at the family–year level.



Panel B. Proportion of ISINs from child's account also held by the parents.

Figure 2: Impact of a health shock on child stock market participation
This figure shows the impact of a child health shock — defined to be a hospital stay of 7 or more days — on stock market participation of the same child. We estimate Equation 4:

$$Y_{igt} = \alpha_{ig} + \lambda_{gt} + \sum_{k=-5, k\neq -1}^{5} \beta_k \cdot \mathbb{1}(t = E_i + k) + u_{igt}$$

where $\mathbb{1}(t = E_i + k)$ equals one if calendar year t is k years after the year of individual i's health shock, and zero otherwise. Coefficient estimates are in units of percentage points. For example, a coefficient estimate of 1 at horizon k means relative participation rates between the treated and control group increased by 1 percentage point k years after the shock. The reference period is 1 year before the shock. 95% confidence intervals are shown.

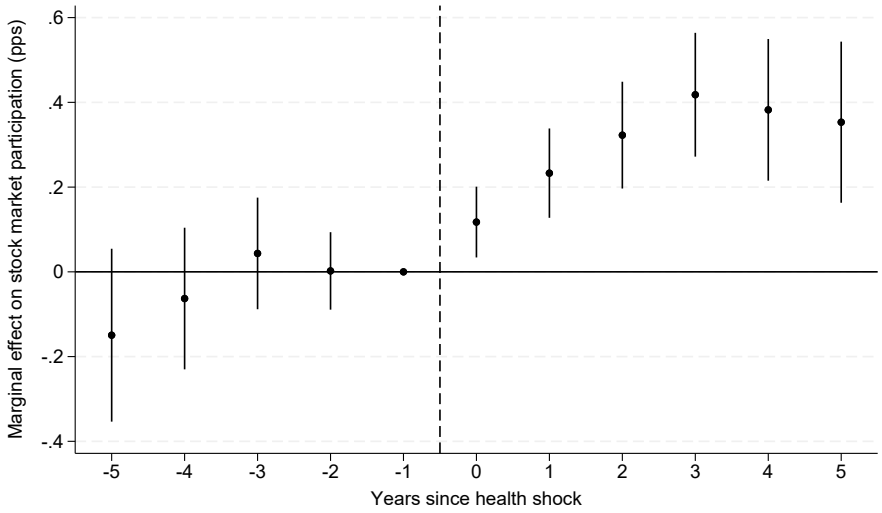


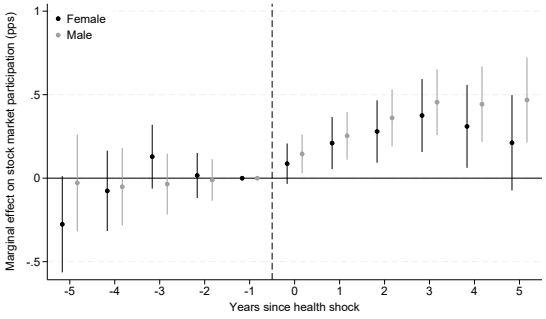
Figure 3: Impact of a health shock on child stock market participation by child and parent characteristics

This figure shows the impact of a child health shock-defined to be a hospital stay of 7 or more days on stock market participation of the same child, separately by various child and parent characteristics. Panel (a) splits the sample based on the gender of the child. Panel (b) splits by whether the parents are married and living together. Panel (c) splits by total financial wealth of the parents (below and above median within our sample), and Panel (d) looks at whether at least one parent was in the stock market. All characteristics are measured as of the event year ($k = 0$). We estimate Equation 4:

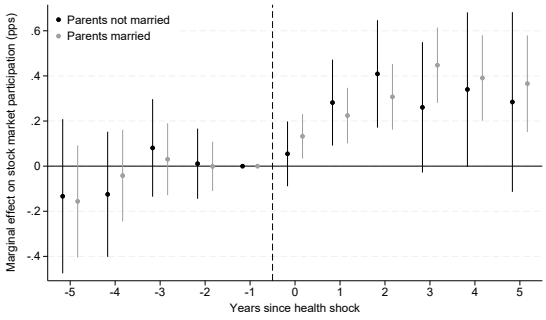
$$Y_{igt} = \alpha_{ig} + \lambda_{gt} + \sum_{k=-5, k\neq -1}^{5} \beta_k \cdot \mathbb{1}(t = E_i + k) + u_{igt}$$

where $\mathbb{1}(t = E_i + k)$ equals one if calendar year t is k years after the year of individual i's health shock, and zero otherwise. Coefficient estimates are in units of percentage points. For example, a coefficient estimate of 1 at horizon k means relative participation rates between the treated and control group increased by 1 percentage point k years after the shock. The reference period is 1 year before the shock. 95% confidence intervals are shown.

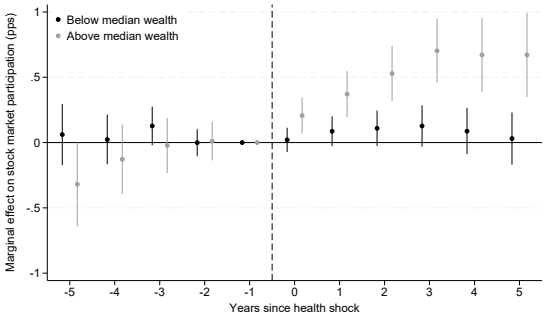
(a) Gender of child



(b) Marital status of parents



(c) Financial wealth of parents



(d) Stock market participation of parents

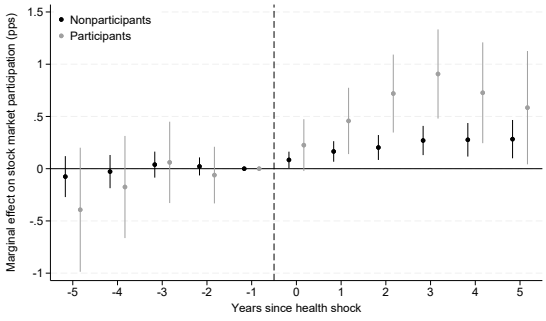


Table 1: Summary statistics

This table shows the mean and standard deviations (in parentheses) of the main attributes of children aged 12 or below and their parents in 2021. Column (1) looks at the full population of children. Columns (2) and (3) split the population by whether the child holds stocks and/or mutual funds or not. Column (4) reports the difference in means for the two groups with t-statistics reported below in parentheses. "Parents' financial wealth" is the sum of financial wealth of both parents and is in units of thousands DKK. An individual is defined to be "financially literate" if they have had some economics or finance education. "Parents' financial literacy" equals one if at least one parent is financially literate, and zero otherwise. "Child stock holding" is the value of stock holdings (both individual stocks and mutual funds), conditional on having nonzero stock holdings (i.e., being a stock market participant). "Parents' stock holding" is the value of stock holdings across both parents, conditional on the sum of holdings being nonzero (i.e., at least one parent being a stock market participant). Financial wealth and stock holdings are winsorized at the 1^{st} and 99^{th} percentiles. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

	(1) All	(2) Participant	(3) Nonparticipant	(4) Diff (2)-(3)
Age of child	6.10	6.90	6.03	0.87***
	(3.79)	(3.75)	(3.79)	(57.30)
Male child	0.51	0.52	0.51	0.01***
	(0.50)	(0.50)	(0.50)	(6.09)
Parents' fin. wealth ('000s DKK)	350.92	881.65	302.13	579.52***
	(650.02)	(1,138.33)	(560.31)	(230.29)
Parents' fin. literacy	0.09	0.21	0.08	0.13***
	(0.29)	(0.41)	(0.28)	(110.74)
Parents hold stocks	0.36	0.73	0.32	0.41***
	(0.48)	(0.45)	(0.47)	(218.22)
Parents married and live together	0.81	0.85	0.80	0.05***
	(0.40)	(0.36)	(0.40)	(30.44)
Child stock holding ('000s DKK)	81.80	81.80		0.00
	(168.04)	(168.04)		
Parents' stock holding ('000s DKK)	204.64	1,221.54	111.14	1,110.41***
	(8,147.11)	(20,405.25)	(5,838.74)	(34.13)
Number of children	812,168	68,388	743,780	

Table 2: Risk taking and diversification

This table shows the within-family difference of portfolio holdings between parents and their underaged children. *Total risk* is the average standard deviation of the portfolio's monthly returns over the previous 3 years. *Beta* is the portfolio beta constructed as the weighted average of all securities' betas. *Idiosyncr. risk* is defined per Equation 1 as total risk adjusted for market risk. *# stocks* is the number of distinct stocks in the portfolio. *# funds* is the number of distinct funds in the portfolio. *% funds* is the fraction of portfolio invested in funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. *Mean (parents)* is the sample mean of the respective dependent variable for parent observations. Standard errors are clustered at person level.

	Total risk	Beta	Idiosyncr. risk	# stocks	# funds	prop. funds
Child	-0.007***	-0.055***	-0.007***	-1.180***	-1.717***	0.103***
	(-12.75)	(-32.14)	(-12.75)	(-68.49)	(-65.86)	(65.02)
Constant	0.077***	0.987***	0.063***	3.068***	4.000***	0.230***
	(209.50)	(809.91)	(170.18)	(230.40)	(215.36)	(204.62)
Mean (parents)	0.077	0.990	0.063	3.091	3.996	0.229
Obs	1,215,316	1,216,791	1,201,239	1,065,801	351,101	1,402,075
Family–year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.05	0.76	0.05	0.58	0.62	0.65

t statistics in parentheses

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

Table 3: Asset choice

This table reports within-family differences in stock picking between parents and their underage children. *has lottery* is an indicator equal to 1 if the portfolio contains at least 1 lottery stock. *prop. lottery* is the fraction of portfolio invested in lottery stocks. *prop. domestic* is the fraction of portfolio invested in Danish stocks. *prop. Nordic* is one invested in Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden). *prop. top 10* is the fraction of portfolio invested in the 10 most popular stocks in Denmark. *prop. passive* is the fraction of portfolio invested in passive funds (either ETFs or index funds). *prop. bond fund* is the fraction of portfolio invested in bond funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. *Mean (parents)* is the sample mean of the respective dependent variable for parent observations. Standard errors are clustered at person level.

	prop. lottery	prop. domestic	prop. Nordic	prop. top 10	prop. passive	prop. bond fund
Child	-0.005***	0.053***	0.023***	0.047***	-0.019***	-0.044***
	(-12.54)	(45.76)	(35.76)	(25.80)	(-10.71)	(-16.33)
Constant	0.026***	0.875***	0.945***	0.582***	0.159***	0.265***
	(93.06)	(1042.18)	(1987.21)	(454.66)	(131.92)	(147.01)
Mean (parents)	0.026	0.874	0.944	0.582	0.157	0.264
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,065,801	1,065,801	1,065,801	1,065,801	346,051	346,051
R-squared	0.65	0.64	0.65	0.70	0.76	0.71

t statistics in parentheses

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

Table 4: Preference for sustainability

This table reports within-family differences in preferences for sustainability between parents and their underage children. *prop. ESG funds* is the fraction of portfolio invested in ESG funds, *prop. brown stocks* is the fraction of portfolio invested in brown stocks, *prop. green stocks* is the fraction of portfolio invested in green stocks. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. *Mean (parents)* is the sample mean of the respective dependent variable for parent observations. Standard errors are clustered at person level.

	prop. ESG funds	prop. brown stocks	prop. green stocks
Child	-0.002**	0.002**	-0.005***
	(-2.20)	(2.09)	(-5.89)
Constant	0.036***	0.034***	0.052***
	(73.13)	(67.78)	(89.50)
Mean (parents)	0.035	0.034	0.051
Family-year FE	Yes	Yes	Yes
N	346,051	1,065,801	1,065,801
R-squared	0.65	0.59	0.58

t statistics in parentheses

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

Table 5: Investment in Fama-French 12 portfolios

This table reports within-family differences in fraction investment across industries following the Fama-French classification between parents and their underage children. Different columns show results for fractions in different industries. **Panel A** columns show: (1) consumers nondurables, (2) consumer durables, (3) manufacturing, (4) energy, (5) high-tech, and (6) Telecom. **Panel B** columns show: (7) shops, (8) healthcare, (9) utilities, (10) chemicals, (11) finance, and (12) others. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. *Mean (parents)* is the sample mean of the respective dependent variable for parent observations. Standard errors are clustered at person level.

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)
Child	-0.003***	-0.010***	-0.012***	-0.003***	-0.014***	-0.008***
	(-5.27)	(-17.80)	(-12.64)	(-13.22)	(-24.63)	(-20.32)
Constant	0.023***	0.026***	0.067***	0.006***	0.035***	0.011***
	(58.77)	(66.29)	(102.62)	(37.63)	(86.05)	(37.93)
Mean (parents)	0.024	0.026	0.068	0.006	0.036	0.011
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,065,801	1,065,801	1,065,801	1,065,801	1,065,801	1,065,801
R-squared	0.55	0.55	0.57	0.58	0.62	0.51

t statistics in parentheses

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

Panel B

	(7)	(8)	(9)	(10)	(11)	(12)
Child	-0.004***	0.008***	-0.000***	0.001***	0.047***	-0.003**
	(-13.35)	(6.61)	(-5.73)	(2.66)	(24.65)	(-2.45)
Constant	0.009***	0.128***	0.001***	0.015***	0.571***	0.098***
	(39.29)	(149.40)	(13.99)	(43.04)	(425.00)	(120.84)
Mean (parents)	0.009	0.130	0.001	0.015	0.578	0.099
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,065,801	1,065,801	1,065,801	1,065,801	1,065,801	1,065,801
R-squared	0.55	0.67	0.48	0.52	0.72	0.59

t statistics in parentheses

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

Table 6: Performance

This table reports within-family differences in trading strategies and returns between parents and their underage children. *Turnover* is the portfolio yearly portfolio turnover. *DE* is the disposition effect as the difference between the proportion of gain and the proportion of losses realized. *Expected return* is the CAPM-measured portfolio expected return. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. *Mean (parents)* is the sample mean of the respective dependent variable for parent observations. Standard errors are clustered at person level.

	Turnover	DE	Expected return	Sharpe ratio
Child	-0.042***	-0.021***	-0.001***	0.007***
	(-48.82)	(-30.96)	(-6.62)	(14.08)
Constant	0.198***	0.038***	0.007***	0.137***
	(313.38)	(77.11)	(97.38)	(403.52)
Mean (parents)	0.198	0.038	0.007	0.137
Obs	1,158,006	847,296	1,215,316	1,215,316
Family–year FE	Yes	Yes	Yes	Yes
Adj. R^2	0.34	0.26	0.10	0.65

t statistics in parentheses

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

Table 7: Determinants of children stock market participation

This table shows determinants of children stock market participation as the results of Equation 3:

$$Y_{iht} = \alpha + \delta \cdot X_{iht} + \beta \cdot Z_{ht} + \gamma_t + \epsilon_{iht}$$

where Y_{iht} equals 1 if child i of household h is a stock market participant in calendar year t, and zero otherwise. X_{iht} is a vector of child characteristics: age, gender, and rank of birth of the child. "Rank" gives the birth order of the child. Z_{ht} is a vector of parents characteristics: whether the family lives together, parents' combined income and financial wealth deciles, and average group age of the parents. An individual is defined to be "financially literate" if they have had some economics or finance education. "At least one parent with fin. education" equals one if at least one parent is financially literate, and zero otherwise. Column (1) includes only year and municipality fixed effects. Column (2) adds mother fixed effects, and Column (3) adds mother-by-year fixed effects. Coefficients are translated to percentage point units.

	(1)	(2)	(3)
Male	0.589***	0.358***	0.349***
	(11.81)	(14.02)	(11.45)
Rank=2	-0.707***	-0.427***	-0.604***
	(-12.43)	(-13.32)	(-15.66)
Rank=3	-1.815***	-0.592***	-0.843***
	(-23.16)	(-8.96)	(-10.66)
Rank=4 or more	-3.176***	-0.428***	-0.310**
	(-29.12)	(-3.71)	(-2.33)
Live with both parents	0.411***		
	(6.34)		
At least one parent participating	8.515***		
	(143.24)		
At least one parent with fin. education	3.535***		
	(30.87)		
Constant	5.430***	8.234***	8.375***
	(14.23)	(299.63)	(241.08)
Sample mean	8.169	8.160	8.171
Year FE	Yes	Yes	No
Municipality FE	Yes	Yes	Yes
Child age FE	Yes	Yes	Yes
Parent income & wealth FE	Yes	Yes	Yes
Mother FE	No	Yes	No
Mother x Year FE	No	No	Yes
N	8,687,902	8,669,062	6,464,869
R-squared	0.07	0.76	0.91

t statistics in parentheses

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

Table 8: Summary statistics for health shock analysis

This table shows the mean and standard deviations (in parentheses) of the main attributes of children aged 12 or below and their parents using pooled data from 1997 to 2021. Column (1) looks at the full population of children. Columns (2) and (3) look at the subset of the population involved in our health shock analysis. Column (2) looks at the children who experience a health shock and therefore form our treated group ("Treated"). Column (3) looks at the children who form the matched control group. "Child holds stocks" equals one if the child has nonzero stock holdings, and zero otherwise. "Parents' financial wealth" is the sum of financial wealth of both parents. An individual is defined to be "financially literate" if they have had some economics or finance education. "Parents' financial literacy" equals one if at least one parent is financially literate, and zero otherwise. "Parents holds stocks" equals one if at least one parent has nonzero stock holdings, and zero otherwise. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

	(1) All	(2) Treated	(3) Control	(4) Difference (2)-(3)
Age of child	6.12	5.95	5.95	0.00
	(3.74)	(3.59)	(3.59)	(0.21)
Male child	0.51	0.54	0.54	-0.00
	(0.50)	(0.50)	(0.50)	(-0.43)
Child holds stocks	0.07	0.06	0.06	0.00**
	(0.26)	(0.24)	(0.24)	(2.53)
Parents' financial wealth ('000s DKK)	231.65	139.65	142.53	-2.88***
	(446.43)	(279.82)	(283.23)	(-7.87)
Parents' financial literacy	0.08	0.07	0.07	-0.00***
	(0.28)	(0.25)	(0.25)	(-9.60)
Parents hold stocks	0.32	0.24	0.25	-0.00***
	(0.47)	(0.43)	(0.43)	(-6.42)
Parents married and live together	0.79	0.77	0.78	-0.01***
	(0.41)	(0.42)	(0.41)	(-9.98)
Number of individuals	1,771,605	127,802	116,062	

Appendix

A-1 Additional tables and figures

Figure A-1: Impact of child age on their stock market participation
This figure shows the impact of a child age on their stock market participation. We estimate Equation 3:

$$Y_{iht} = \alpha + \delta \cdot X_{iht} + \beta \cdot Z_{ht} + \gamma_t + \epsilon_{iht}$$

here Y_{iht} equals 1 if child i of household h is a stock market participant in calendar year t, and zero otherwise. Coefficients are translated to percentage point units. 95% confidence intervals are shown.

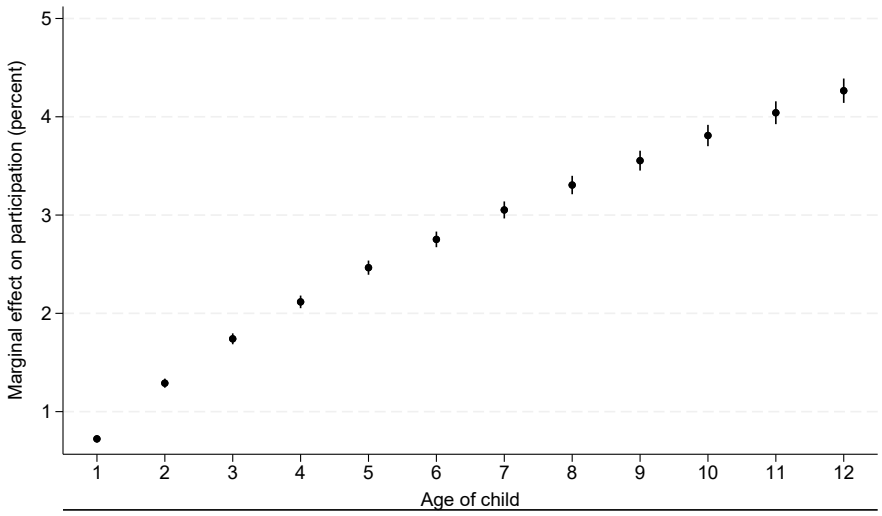
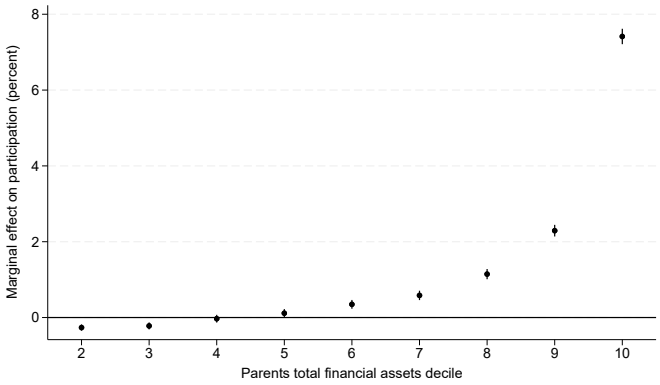


Figure A-2: Impact of parental financial wealth and income on children participation These figures show the impact of parental financial wealth (Panel (a)) and income (Panel (b)) on child stock market participation. We estimate Equation 3:

$$Y_{iht} = \alpha + \delta \cdot X_{iht} + \beta \cdot Z_{ht} + \gamma_t + \epsilon_{iht}$$

here Y_{iht} equals 1 if child i of household h is a stock market participant in calendar year t, and zero otherwise. Parental financial wealth is the sum of financial wealth of both parents. We use the decile of parental financial wealth across the population in the regression. We do the same for total income. Coefficients are translated to percentage point units. 95% confidence intervals are shown.

(a) Parents' financial assets



(b) Parents' total income

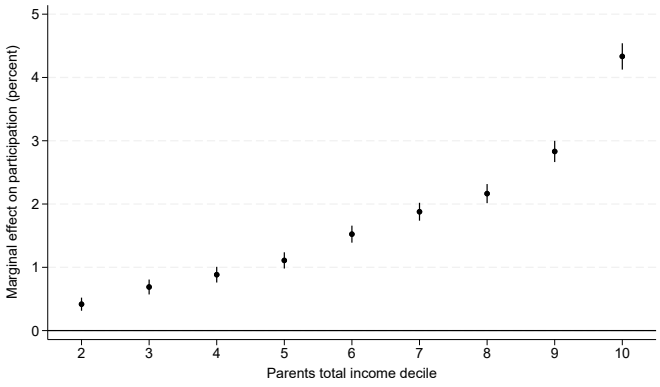


Table A-1: Risk taking and diversification in small accounts

This table shows the within-family difference of portfolio holdings between parents and their underaged children, when the child's account size and dynamics satisfies the requirements for a child savings account. *Total risk* is the average standard deviation of the portfolio's monthly returns over the previous 3 years, *Beta* is the portfolio beta constructed as the weighted average of all securities betas, *Idiosyncr. risk* is defined per Equation 1 as total risk adjusted for market risk, *# stocks* is the number of distinct stocks in the portfolio, *# funds* is the number of distinct funds in the portfolio, and *prop. funds* is the fraction of portfolio invested in funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	Total risk	Beta	Idiosyncr. risk	# stocks	# funds	prop. funds
Child	-0.012***	-0.110***	-0.011***	-0.964***	-1.912***	0.207***
	(-19.72)	(-45.58)	(-18.74)	(-53.68)	(-64.10)	(87.46)
Constant	0.075***	0.948***	0.062***	2.269***	4.024***	0.273***
	(184.63)	(562.20)	(150.24)	(167.59)	(185.56)	(166.99)
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	646,279	646,968	637,339	452,883	220,978	731,612
R-squared	0.50	0.77	0.50	0.57	0.62	0.68

t statistics in parentheses

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

Table A-2: Asset choice in small accounts

This table reports within-family differences in stock picking between parents and their underage children, when the child's account size and dynamics satisfies the requirements for a child savings account. *Has lottery* is an indicator equal to 1 if the portfolio contains at least 1 lottery stock, *prop. lottery* is the fraction of portfolio invested in lottery stocks, *prop. domestic* is the fraction of portfolio invested in Danish stocks, *prop. Nordic* is one invested in Nordic countries ((Denmark, Finland, Iceland, Norway, and Sweden)), *prop. top 10* is the fraction of portfolio invested in the 10 most popular stocks in Denmark, *prop. passive* is the fraction of portfolio invested in passive funds (either ETFs or index funds), and *prop. bond fund* is the fraction of portfolio invested in bond funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	has lottery	prop. lottery	prop. domestic	prop. Nordic	prop. top 10	prop. passive	prop. bond fund
Child	-0.048***	-0.000	0.048***	0.021***	0.055***	-0.029***	-0.045***
	(-37.27)	(-0.44)	(27.66)	(25.59)	(18.43)	(-14.18)	(-13.55)
Constant	0.087***	0.028***	0.898***	0.961***	0.627***	0.166***	0.278***
	(100.00)	(63.94)	(759.50)	(1662.66)	(330.70)	(117.90)	(122.80)
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	452,883	452,883	452,883	452,883	452,883	218,147	218,147
R-squared	0.64	0.68	0.64	0.64	0.73	0.77	0.71

t statistics in parentheses

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

Table A-3: Performance in small accounts

This table reports within-family differences in trading strategies and returns between parents and their underage children, when the child's account size and dynamics satisfies the requirements for a child savings account. *Turnover* is the portfolio yearly portfolio turnover, *DE* is the disposition effect as the difference between the proportion of gain and the proportion of losses realized, *Expected return* is the CAPM-measured portfolio expected return. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	Turnover	DE	Expected return	Sharpe ratio
Child	-0.050***	-0.022***	-0.001***	0.014***
	(-42.22)	(-25.06)	(-10.64)	(21.00)
Constant	0.162***	0.026***	0.006***	0.138***
	(199.22)	(44.41)	(82.82)	(299.43)
Family-year FE	Yes	Yes	Yes	Yes
N	505,393	363,762	646,279	646,279
R-squared	0.63	0.62	0.52	0.79

t statistics in parentheses

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

Table A-4: Risk taking and diversification in incomplete families

This table shows the within-family difference of portfolio holdings between parents and their underaged children, when the child has only one living biological parent. *Total risk* is the average standard deviation of the portfolio's monthly returns over the previous 3 years, *Beta* is the portfolio beta constructed as the weighted average of all securities betas, *Idiosyncr. risk* is defined per Equation 1 as total risk adjusted for market risk, *# stocks* is the number of distinct stocks in the portfolio, *# funds* is the number of distinct funds in the portfolio, and *prop. funds* is the fraction of portfolio invested in funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	Total risk	Beta	Idiosyncr. risk	# stocks	# funds	prop. funds
Child	-0.017***	-0.226***	-0.015***	-2.016***	-1.108***	0.237***
	(-15.83)	(-17.93)	(-13.81)	(-9.45)	(-8.14)	(19.57)
Constant	0.052***	0.760***	0.040***	4.194***	4.892***	0.520***
	(59.66)	(76.53)	(47.46)	(24.57)	(45.26)	(54.51)
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	19,570	19,628	19,072	7,840	11,894	21,686
R-squared	0.67	0.70	0.64	0.68	0.60	0.67

t statistics in parentheses

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

Table A-5: Asset choice in incomplete families

This table reports within-family differences in stock picking between parents and their underage children, when the child has only one living biological parent. *Has lottery* is an indicator equal to 1 if the portfolio contains at least 1 lottery stock, *prop. lottery* is the fraction of portfolio invested in lottery stocks, *prop. domestic* is the fraction of portfolio invested in Danish stocks, *prop. Nordic* is one invested in Nordic countries ((Denmark, Finland, Iceland, Norway, and Sweden)), *prop. top 10* is the fraction of portfolio invested in the 10 most popular stocks in Denmark, *prop. passive* is the fraction of portfolio invested in passive funds (either ETFs or index funds), and *prop. bond fund* is the fraction of portfolio invested in bond funds. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	has lottery	prop. lottery	prop. domestic	prop. Nordic	prop. top 10	prop. passive	prop. bond fund
Child	-0.072***	-0.003	0.060***	0.025***	0.033**	-0.018***	0.096***
	(-7.56)	(-0.74)	(5.28)	(3.45)	(2.08)	(-3.09)	(7.64)
Constant	0.111***	0.020***	0.871***	0.939***	0.584***	0.063***	0.449***
	(14.66)	(6.31)	(96.31)	(166.88)	(47.22)	(13.25)	(45.66)
Family-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	7,840	7,840	7,840	7,840	7,840	11,704	11,704
R-squared	0.65	0.69	0.66	0.67	0.75	0.72	0.69

t statistics in parentheses

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

Table A-6: Performance in incomplete families

This table reports within-family differences in trading strategies and returns between parents and their underage children, when the child has only one living biological parent. *Turnover* is the portfolio yearly portfolio turnover, *DE* is the disposition effect as the difference between the proportion of gain and the proportion of losses realized, *Expected return* is the CAPM-measured portfolio expected return. *Child* is a dummy variable equal to 1 if the individual is a child and 0 if it is a parent. Standard errors are clustered at person level.

	Turnover	DE	Expected return	Sharpe ratio
Child	-0.078***	-0.021***	-0.001***	0.034***
	(-10.12)	(-2.73)	(-4.61)	(8.98)
Constant	0.213***	0.048***	0.006***	0.183***
	(35.54)	(8.14)	(39.98)	(61.95)
Family-year FE	Yes	Yes	Yes	Yes
N	10,552	6,168	19,570	19,570
R-squared	0.66	0.61	0.70	0.80

t statistics in parentheses

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

Table A-7: Different horizon analysis within family

This table shows the within-family difference of portfolio holdings between first-born and other siblings. *Total risk* is the average standard deviation of the portfolio's monthly returns over the previous 3 years, *Beta* is the portfolio beta constructed as the weighted average of all securities betas, *Idiosyncr. risk* is defined per Equation 1 as total risk adjusted for market risk, *# stocks* is the number of distinct stocks in the portfolio, *# funds* is the number of distinct funds in the portfolio, and *prop. funds* is the fraction of portfolio invested in funds. *First_born* is a dummy variable equal to 1 if the child is the first born of that family. Standard errors are clustered at person level.

	Total risk	Beta	Idiosyncr. risk	# stocks	# funds	prop. funds
First-born	-0.001***	-0.008***	-0.001***	0.131***	0.119***	0.006***
	(-16.10)	(-9.64)	(-15.80)	(30.35)	(21.34)	(9.85)
Constant	0.068***	0.904***	0.055***	1.732***	1.942***	0.354***
	(1365.72)	(1555.34)	(566.25)	(489.61)	(489.61)	(806.01)
Obs	387,132	387,312	383,174	303,682	169,860	432,180
Family–year FE	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.97	0.98	0.97	0.96	0.96	0.98

t statistics in parentheses

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