

Historical Trends in Parental Financial Support of Young Adults

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In many respects the transition to adulthood has changed dramatically over the last 30 years. On average, young adults are taking longer to complete school, begin careers, get married and have children (Settersten, Furstenberg and Rumbaut 2005; Danziger and Rouse 2007). Furthermore, the number of pathways describing the ordering of these events has greatly proliferated (MacMillan et al. 2012). While these trends have been empirically well-documented, much less is known regarding parents' responses to these developments. This is due primarily to the fact that information on transfers from parents to their young-adult children in large-scale, nationally-representative datasets is both rare and restricted to relatively recent cohorts (Schoeni and Ross 2005; Wightman, Schoeni and Robinson 2012). We address this topic using data from the national Monitoring the Future study (MTF; Johnston et al. 2009). Specifically, the cohort-sequential, longitudinal design of the MTF allows us to examine how young adults' reliance on parental support during the transition to adulthood has changed over time. We also investigate potential disparities in historical patterns of support by family characteristics and how these patterns vary with the demographic and economic changes in the transition to adulthood described above.

The MTF study began in 1975 and surveys a new national sample of approximately 16,000 high school seniors each year. Since 1976, about 2,400 of these individuals are randomly selected for participation in the longitudinal panel. As part of each follow-up questionnaire (until age 30), respondents are asked to report, on a scale of 0 (none) to 6 (all), the amount of financial support they received during the previous calendar year from a variety of sources, including their parents. Thus, while information regarding the value and purpose of financial transfers is limited, the MTF data is a unique resource for providing for a description of young adults' dependence on parental support in the U.S. over the past 35 plus years.

With the cohort-sequential, longitudinal design of the MTF we are able to examine trends in support in two ways: first by tracking support by age over time and second by tracking level of support as individual cohorts age. Figure 1 shows the proportion of all 21-year-olds receiving no and high (between 60 and 100 percent) support between 1976 and 2008. As can be seen, the proportion with no support declined by more than half from 39 percent in 1976 to 17 percent in 2008. In contrast, the proportion with high support more than doubled from 10 to 24 percent. The net result is that these patterns move almost symmetrically in opposite directions.

Figure 2 shows the percentage of respondents receiving zero and high support as respondents get older for the 1976 and 1997 cohorts. The age-assistance profiles are the same for each cohort, with the proportion receiving no support increasing over time and the proportion receiving high support declining. However, as can be seen, there is an outward shift in both levels. Among the 1997 cohort, the proportion receiving no support is consistently 10 percentage points lower than 1976 cohort. These patterns are

strong evidence that more younger are receiving more assistance over a longer period of time, relative to earlier cohorts.

We examine variations in these trends by factors including race, gender, and perhaps most importantly, SES, which is measured in the MTF by parental education. Furthermore, using multivariate regressions we examine the relationship between transition-to-adulthood markers and parental assistance over the time period covered by the MTF. These markers include completed education, employment and income, and relationship status. We estimate regressions across three different age groups: 19/21 year olds, 23/25 year olds and 27/29 year olds. These models have the following basic form:

$$Y_i = \alpha + marker_i \beta_{mr} + \sum_j year_{j,i} \beta_j + \sum_j year_{j,i} * marker_i \beta_{j,mr} + X_i \beta_x + \epsilon_i$$

Where Y_i is receipt of assistance, $marker_i$ one the measures mentioned above, $year_i$ is a set of year dummies and X is vector of demographic controls include race, gender and parental SES.

The purpose of these models is to investigate more explicitly the relationship between the demographic changes in the transition-to-adulthood process and trends in parental support shown in Figures 1 and 2. For example, results from these regressions will provide evidence regarding the degree to which parental support persists at older ages because young adults are taking longer to complete college or if they are providing support past college completion. We also supplement our regression analysis with a series of Oaxaca-Blinder decompositions in order to examine the relative importance of changes in characteristics of the given age group (i.e. more or fewer college-educated 23 year olds) vs. changes in marker effects (increased parental support of college graduates).

By documenting the trends in parents financial support over this time period, the analyses described in this proposal will greatly increase and improve our understanding of the profound changes to the transition to adulthood that have occurred over the past few decades.

References

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Figure 1) Portion of Support Received from Parents, 21-year-olds

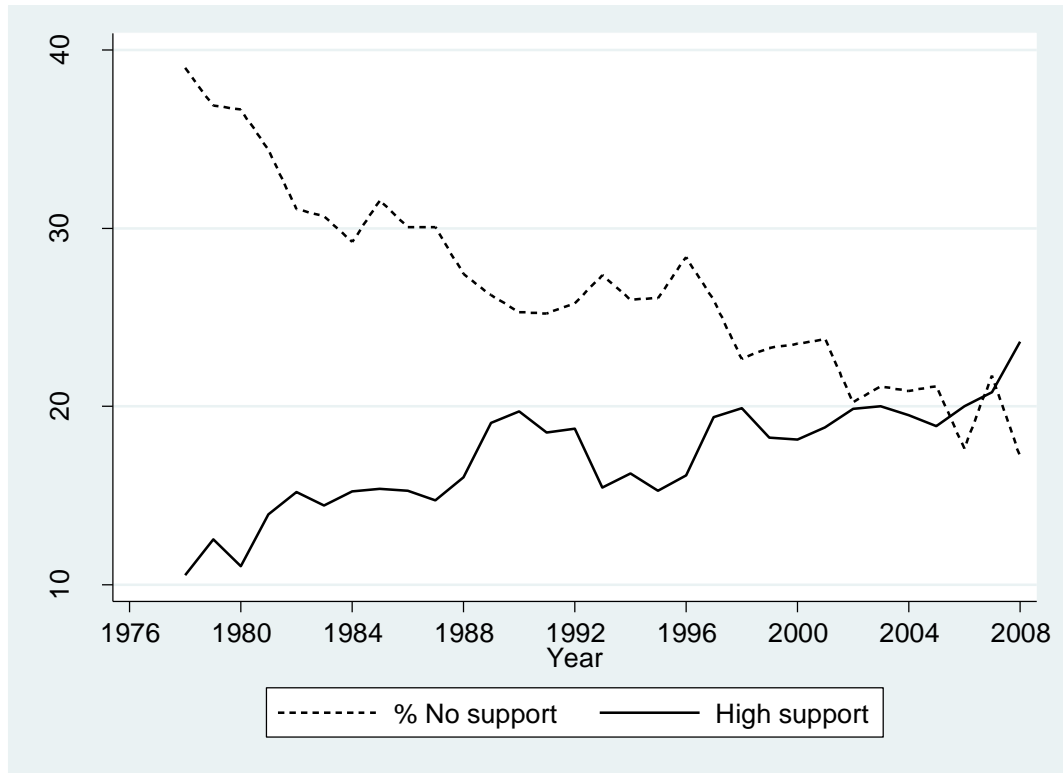


Figure 2) Age-Assistance Profile, Support Received from Parents

