Do Financial Advisors Influence Bequest Motives?*

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Abstract

We investigate whether financial advisors influence bequest motives using data from the De Nederlandsche Bank (DNB) Household Survey. We employ three approaches. First, a regression discontinuity design based on mortgage commitments shows that individuals with mortgages are 8 percentage points more likely to plan for bequests. The effect is likely due to exposure to mortgage brokers. To directly test this, we exploit the 2013 ban on financial broker commissions which significantly reduced reliance on advisors and find that, on average, households with mortgages are 15 percentage points less likely to bequeath post-event. Finally, we instrument reliance on financial advisors using the number of bank branches in each province and find a positive relationship. We explain the channel through which advisors impact bequests using individual's long term beliefs and financial advisor's role in shaping individual priors.

JEL classification: D14, D91, G11, G21, J14

Keywords: Bequest, Financial Advisors, Household Finance, Behavioral Finance, Inter-Generational Equity

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1 Introduction

'Life is pleasant. Death is peaceful. It's the transition that's troublesome.' — Isaac Asimov

Financial advisors play a crucial role in household finance, shaping investment decisions, asset allocation, and retirement planning (Gomes et al. (2021), Foerster et al. (2017)). Their influence extends beyond immediate financial choices to long-term wealth accumulation through portfolio composition and risk management strategies (Chalmers and Reuter (2012), Baeckström et al. (2021)). Though, do they influence bequest motives?

In this paper, we investigate a relatively unexplored dimension of their influence: *households' bequest motives.* While most studies focus on investments and retirement planning, we examine how financial advisors impact intentions for wealth transfer across generations. The economic relevance of bequests is immense. Knight Frank estimates that $90 trillion in assets will transfer between generations in the U.S. over the next two decades, potentially making Millennials and Generation Z the wealthiest generations in American history.[1]This unprecedented wealth transfer highlights the importance of understanding bequests.

Moreover, bequest motives is a crucial but often overlooked aspect of household finance. Kopczuk and Lupton (2007) finds that on average, households with a bequest motive spend about 25% less on consumption expenditures while Lusardi and Mitchell (2007) finds that individuals who plan for their retirement arrive close to retirement with much higher wealth levels. Bequests is also important in understanding lifetime savings profiles and estates (Nardi (2004a)), wealth inequality, and post-bequest wealth (Skinner and Zeldes (2002)). Boserup et al. (2016), using Danish data, find that bequests account for 26% of average post-bequest wealth 1-3 years after parental death and that it increases absolute wealth inequality while reducing relative inequality. Besides, Boserup and Kopczuk (2018) find evidence that children receive inter vivos transfers which account for at least 50% of wealth at age 18. This wealth also has strong predictive power for future wealth in adulthood.

Rational theory predicts that households would choose to annuitize their wealth at the onset of retirement to insure themselves against outliving but as highlighted even back in the 1980s, in Franco Modiliani's Nobel Prize acceptance speech, households choose to instead, underinvest in annuities in what is known as the 'annuitization puzzle' (Benartzi et al. (2011)). The decumulation phase - the process of drawing down retirement assets is an important and overlooked aspect of wealth planning and transfer. William Sharpe

[1]See "The Great Wealth Transfer is set to be a $90 trillion disappointment—especially for millennials" Fortune, August 9 2024.

famously described decumulation as the "nastiest, hardest problem in finance," highlighting the challenges individuals face in managing and making decisions on the transfer of wealth over an uncertain lifespan. This is also related to the retirement savings puzzle where households do not run down their wealth as predicted during retirement. In fact, households have substantial amounts of savings over consumption and medical expenses requirements (Olafsson and Pagel (2024), Nardi et al. (2010)).

At the heart of these puzzles lie the bequest motive.[2] Bequest motives have been used to explain why households save beyond what is required for consumption and medical expenses in their lifetimes. Despite its significance, our understanding of what drives them remains incomplete. For instance, Koijen et al. (2016) used data from the Health and Retirement Survey (HRS) in the U.S. to model health and mortality deltas, finding that common predictors such as marital status, wealth, education, and living arrangements (e.g., cohabitation with children) explain only about 66% of the variation in bequest motives. This leaves a substantial portion of unexplained variation, suggesting that factors beyond traditional life-cycle considerations play a critical role.

Building on this gap, we hypothesize that financial advisors may influence bequest motives in ways similar to their well-documented impact on investment beliefs. Prior research has shown that advisors shape preferences for specific investment types such as in Pearson et al. (2023) and encourage active fund purchases (Choi and Robertson (2020)). Given their role in structuring long-term financial strategies, advisors may also shape households' intentions regarding wealth transfer.

One complication in assessing impact of financial advisors on bequests is that terms like financial planner, investment advisor, and wealth manager are frequently used interchangeably, despite nuanced differences in their areas of expertise, making it challenging to disentangle the role of financial advisors explicitly. [3] Egan et al. (2024) note that even the term 'financial adviser' lacks a formal legal definition, with many professionals also acting as brokers. Moreover, these definitions differ across countries. In the U.S., using the definition provided by Financial Industry Regulatory Authority (FINRA), 'financial advisers' (spelt differently from 'Financial Advisor') has a specific legal meaning and is defined as brokers and registered representatives who are regulated by the organization and listed on BrokerCheck as in Egan et al. (2016). Mortgage advisors on the other hand, are separately defined and regulated by another entity - Nationwide Mortgage Licensing System (NMLS).

In the Netherlands, the CDFD (an autonomous administrative authority) falls under the Dutch Authority for the Financial Markets (AFM) which oversees financial services

[2]We use bequest motives and choices interchangeably throughout the paper, acknowledging that motives drive bequest decisions, while choices represent their tangible outcomes.

[3]See FINRA definition.

providers. They categorize advisors into various types including wealth advisor, income advisor, consumer credit advisor, and mortgage loan advisor. However, these roles are collectively termed financial services advisors and regulated under a single framework, similar to regulatory structures in countries such as New Zealand and Singapore.[4] For consistency, we adopt the term 'financial advisor' to broadly represent financial ser- vices advisors as categorized by the CDFD in this paper. Given that financial advisors serve as clients' primary financial contacts, their expertise spans multiple facets of wealth management and planning, justifying this broad classification. Accordingly, we do not distinguish between bank-affiliated and independent advisors in our analysis.

Another key concern is the highly endogenous relationship between financial advisors and bequests. Individuals seeking financial advice may already have a stronger inclination toward structured financial planning, making it difficult to determine whether advisors actively shape these decisions or merely cater to clients with pre-existing goals. Wealthier clients or those with more complex financial needs are also more likely to engage with advisors, introducing potential selection bias.

We employ three complementary methodologies to address these empirical challenges; using data from the Dutch Central Bank (DNB) Household Survey conducted by CentERdata at Tilburg University to establish the causal impact of financial advisors on bequest motives.

First, we use a Regression Discontinuity (RD) design leveraging Dutch mortgage initiation as a natural discontinuity in bequest motives. In the Netherlands, mortgage origination represents a key financial milestone, incentivizing households to seek professional advice to navigate complex mortgage terms and process. As detailed in Section 2, this setting provides a strong basis for identification. Our RD framework focuses on sub-sample of households that have undertaken mortgages, with post-mortgage referring to the 5 years post-mortgage initiation and pre-mortgage period is the five years prior. Another key identifying assumption is that households just before and after mortgage initiation are comparable in all respects except for their engagements with financial advisors.

Our findings show that households are approximately 8 percentage points more likely to plan for bequests after mortgage initiation. We also observe a significant increase in reliance on financial advisors in the five years following mortgage origination. However, we acknowledge that there could be other reasons, such as demographic characteristics that coincide with mortgage origination and which suggests possibility of changes in personal life situations impacting bequest motives. Through sub-sample analysis, we rule

[4]In New Zealand, financial advisors and mortgage advisors are regulated under a unified framework by the Financial Markets Authority (FMA); see description. In Singapore, financial advisors are governed by the 'Financial Advisers Act 2001', which includes mortgage advisors employed by financial institutions.

out alternative explanations such as changes in marital status, living with children status or pre-existing bequest intentions; therefore, attributing changes in bequest motives to advisor engagement. However, we note there is still possibility of demographic changes that confound identification and we turn to other identification methods next.

Second, to provide direct evidence of financial advisors' causal influence on bequests, we use the 2013 commission ban on mortgage broker commissions in the Netherlands to demonstrate this effect. Specifically, the 2013 commission ban targeted complex financial products, including mortgages and life insurance [5], prohibiting opaque commission-based payments from lenders and companies to advisors. As clients have access to transparent pricing and pay commissions and fees directly post-ban, reliance on financial advisory services declined[6], with de Bruin et al. (2024) estimating that reliance on advisors fell 25% post-ban. This ban was also expanded to cover all investment firms in 2024[7], further restricting commission-based advisory services.

We use this regulatory change as a shock to reliance on financial advisors and implement a Difference-in-Differences (DiD) framework. The setting and sub-sample is similar to RD design as we focus also on assigning treatment effect based on timing of mortgages undertaken. With the assumption that mortgage undertaking serves as a proxy for advisor interaction, individuals that already have a mortgage before 2013 would have access to advisors before the regulatory change. Our findings indicate that individuals that already have undertaken a mortgage before 2013 are 15 percentage points less likely to plan for a bequest compared to the pre-mortgage stage. This suggests that the reduction in advisor engagement had a direct and measurable impact on bequest intentions.

Third, we employ an Instrumental Variable (IV) approach to address concerns on reverse causality and omitted variables. We use the number of Internationale Nederlanden Groep (ING) and Rabobank branches across the 12 provinces of the Netherlands as an instrument for reliance on financial advisors. This classification aligns with the DNB Household Survey (DHS) definition of residential regions, ensuring consistency in measurement. The underlying rationale for this instrument is that the density of banking branches serves as a proxy for accessibility to financial advisors and financial services, influencing the likelihood of advisor engagement. However, the presence of bank branches is unlikely to directly affect bequest intentions, satisfying the exogenity condition. Our IV estimates confirm that instrumented reliance on financial advisors remains significantly associated with bequest motives, providing further support for a causal link.

Further, we establish external validity of results by using another dataset from U.S.. A

[5]See "AFM publishes report on compliance with commission ban in the Netherlands" Article, July 14 2025.

[6]See PWC "The Dutch Disadvantage" Report, September 2017.

[7]See "AFM publishes guidelines on ban on inducements for investment firms" Article, March 4 2016.

cross-sectional analysis of the 2016 special module HRS survey confirms that individuals who rely on financial advisors for money management advice are more likely to bequeath - reliance on advisors increases probability of bequeathing more than 10,000 by about 20 percentage points. They are also 15% more likely to have made a will.

Last, we discuss channel of influence as well as contribute to the discussion on life-cycle models by taking steps to formally include an extrinsic factor in the form of reliance on financial advisors into the 'warm-glow model' which relies on bequest motive estimations. This is of theoretical significance as it departs from standard life-cycle assumptions that typically use household , health data (Kvaerner (2023), Yang and Gan (2020)) or survey responses to estimate bequest intentions (Christelis et al. (2010), Georgarakos and Pasini (2011))based primarily on demographic factors. We also draw on recent literature on the demand side of financial advice (Schoar and Sun (2024)) and long term beliefs such as in Richard Sias (2024) to hypothesize the role of financial advisors in shaping individual's long term beliefs and priors as a channel of influence for bequest decisions.

These perspectives are supported by prior research which shows that external influences, including financial advisors, can significantly impact financial choices and personal attitudes. Schoar and Sun (2024) use a randomized controlled trial to show how retail investors update their priors based on financial advice when choosing between active and passive investing while Foerster et al. (2017) demonstrate that financial advisors affect portfolio allocation on the investments side. External influences such as peers and social dynamics can also shape investment decision-making (Andersen et al. (2019), Faig and Shum (2000)). Moreover, Bernheim et al. (1985) show that bequests can be strategic tools used to influence beneficiary behavior. This reinforces the idea that external factors, such as financial advisors can shape these decisions in ways not fully captured by standard life-cycle models.

Besides, even if bequest motives may be considered irrevocably 'intrinsic', the social and psychology literature has shown that personal 'intrinsic' values can be shaped by external influences. For instance, social norms and peer interactions can influence political, religious, and philanthropic attitudes (Iisager (1949), Green and Webb (2008)), which are deeply tied to personal beliefs and identity (Wenger and Yarbrough (2005), Van Bavel and Pereira (2018)). Given that bequest decisions are often rooted in intrinsic altruistic concern based on values (Kolm (2006)), it follows that they too can be susceptible to external influences.

Related Literature. Our paper contributes to several strands of literature. First, it directly advances the life-cycle literature by proposing the inclusion of external factors in models of bequest motives. Building on Nardi (2004b)'s seminal work, which suggests that utility from bequests is influenced by parents' desire to leave a legacy and the extent to which bequests are perceived as luxury goods, this framework has been widely adopted

in studies such as Ameriks et al. (2011), De Nardi et al. (2010), and De Nardi et al. (2016). Here we show that incorporating external factors into bequest motive models provides a more comprehensive understanding of the forces influencing households' wealth transfer decisions beyond traditional life-cycle variables.

In doing so, we also contribute to the study of bequest motives. In the literature, and as briefly touched upon in the beginning paragraphs, bequest motives are widely examined across various financial decisions: (i) the retirement savings puzzle (De Nardi and Yang (2014), De Nardi et al. (2010)), to understand end-of-life wealth accumulation and decumulation; (ii) annuity demand (Ameriks et al. (2011)), where bequest motives influence annuity choices aside from precautionary savings; (iii) household insurance choices (Koijen et al. (2016), Koijen and Yogo (2022)), to estimate optimal insurance consumption; and (iv) household economic outcomes, where bequest motives are used to compute indicators like the Gini coefficient (Yang and Gan (2020)). The inclusion of external influences into bequest motive theories contribute to the understanding of these financial issues

Our work is also related to the role of financial advisors, financial advice and trust in their advice. Recent studies reveal a dual aspect of advisors' impact. On one hand, they enhance household financial security (Egan et al. (2024)), provide recommendations on investment portfolios (Foerster et al. (2017)); on the other, their misconduct in the industry has raised concerns. Research on advisor misconduct has examined the influence of peer networks on unethical behavior (Dimmock et al. (2018)), regulatory effectiveness in curbing misconduct (Charoenwong et al. (2019)), and the career consequences of advisors with misconduct histories, which in turn affects household trust (Egan et al. (2019)).

In terms of retirement planning and influence on household financial security, Lin et al. (2017) examined the impact of financial advisors on insurance purchases in Taiwan, while Mustafa et al. (2023) investigated advisors' influence in sustainable retirement planning in Malaysia. Additional studies have analyzed the role of financial advisors in household preferences for defined contribution plans (Ryan and Cude (2021)) and in retirement plan performance (Yao et al. (2020)). However, our paper differs by focusing specifically on bequests rather than retirement planning or insurance domains that only indirectly capture bequest motives.

Last, as one our main identification methods use mortgage origination, it is related to the literature that uses real estate housing price shocks to identify financial advisor misconduct (Dimmock et al. (2021)), to show that mutual fund managers who suffer negative housing shocks reduce portfolio risk (Pool et al. (2019)) and Bernstein et al. (2021), who show that workers who suffer losses on their house values during the financial crisis undertake less risky and less innovative projects.

The remainder of the paper is organized as follows. Section 2 provides further background of our empirical approach while Section 3 describes the data and presents descriptive statistics. Section 4 outlines main empirical evidence, while Section 5 offers additional tests. Section 6 discusses theoretical foundations and possible channels while Section 7 concludes with final remarks.

2 The Dutch Mortgage and Housing Market

Most of our identification methodologies use the unique setting of Netherland's developed housing markets, banking systems and a financially literate population. We first discuss the Dutch housing market which we rely extensively on for our RD and DiD setting.

The Dutch housing market is characterized by strong home ownership and a robust mortgage market. Home ownership rate in our sample is about 75%. This estimate is in line with de Bruin et al. (2024), who used 2017 DHS data and found home ownership rates to be 72% with 68% of the sample ever undertaking a mortgage. [8] There is thus evidence of a robust mortgage market which follows home ownership rates. Further, a 2023 Mckinsey report indicates that 60% of home mortgage loans in Netherlands involve mortgage brokers which is high and comparable to countries like UK and Australia. This is thus, direct quantitative evidence of the positive and close association between taking up a mortgage loan and engaging a financial advisor. This provides validation towards using the mortgage market as a setting and in particular, using mortgage origination as a proxy for advisor engagement in the causality tests. [9]

In addition, the Dutch mortgage market is comparably more complex with a wide variety of mortgage loan options (Dutch Securities Organization (2024)) which may provide further incentives for the engagement of a financial advisor. We discuss the Dutch financial market systems which our 2013 DiD commission ban on mortgage brokers event relies on next.

The financial advisory process in Netherlands is structured with individuals being able to schedule either a phone, video or physical meeting with their financial advisors. [10] About 30% of our sample rely on financial advisors, slightly lower than the 60% cited by Egan et al. (2024) among individuals with non-retirement investments accounts in U.S. However, engagements remain high, especially for mortgage loans; with 52% of survey population indicating financial advisor engagement for mortgage purposes.[11] Given the

[8] See "Is buying a house in the Netherlands different from other countries?' Article and "Tax-deductible fees in the Netherlands" Article, January 2 2015.

[9] See "Brokering growth in the mortgage market" Mckinsey Report, November 16 2023.

[10] See "ING webpage" ,ING.

[11] See Statista.

qualitative evidence of the implicit role of advisors in financial planning process in the Netherlands, we use the 2013 ban on commissions for mortgage brokers in Netherlands which significantly reduced reliance on advisors as an event shock to reliance on financial advisors.

Netherlands also has a financially literate population. In the 2023 Organization for Economic Cooperation and Development (OECD) and International Network for Financial Education (INFE) Financial Literacy Survey, the Netherlands stands out in Europe and globally for its financial literacy, scoring 64 against overall average of 60 and OECD average of 63. Noticeably, 47% of respondents reached minimum literacy [12] which is way above 34% for overall country sample average and the OECD average of 39%. For digital financial literacy, 36% of adults reached minimum literacy which is higher than overall sample average of 29% and OECD average of 34%.[13] Netherlands is also a leader in digital banking adoption. As early as 2011, 79% of Dutch individuals aged 16 to 75 engaged in online banking.[14] The 2023 OECD survey similarly indicates high digital adoption with 78% of all surveyed adults managing financial products and services online - way above overall average of 39% and OECD average of 46%.[15]

Our instrumental variable approach falls in the backdrop of such advanced literacy. Here, we use number of banking branches as an instrument for financial advisor reliance. There are two possibilities; first, living in close proximity to more banking branches may cause one to rely more on financial advisors but it is also possible to observe less reliance on advisors if these individuals visit the large number of conveniently located branches for their facilities only. Either case, though, we argue that the relevance condition is satisfied. Our first stage estimates suggest the latter explanation as there is a slight negative association between number of branches in provinces and reliance on advisors. Given that the Dutch population is highly literate as discussed in the preceding paragraph, we find this explanation plausible. Besides, we argue that the instrument fulfills exogenity condition since it is unlikely that number of banking branches can impact bequest motives by itself. Our second stage results show that instrumented reliance on financial advisor continues to impact bequest motives. We explain this further in Section 4 where we discuss the empirical specifics.

[12] Defined as scoring 70 out of 100 on literacy.
[13] See "OECD/INFE 2023 International Survey of Adult Financial Literacy" OECD, Dec 14 2023.
[14] See "The Netherlands in the European top in internet banking" Article, August 2 2012.
[15] See "OECD/INFE 2023 International Survey of Adult Financial Literacy" OECD, Dec 14 2023.

3 Descriptive Analysis

3.1 Mortgages, Bequests and Financial Advisor Data

We rely mainly on DNB Household Survey (also known as the Dutch Household Survey (DHS)) conducted by CentERdata at Tilburg University, which provides annual financial data on approximately 2,000 Dutch households for our study.

The DNB Household Survey has been extensively used in the literature, with studies such as van Rooij et al. (2011), Gaudecker (2014), and Hurd et al. (2011), drawing on similar data. The survey began in 1993, and we utilize information from several sections, including work, psychology, health, and income. Household data is derived from multiple questionnaires, with each household member (including children aged 16 and older) completing most sections individually, except for the assets and liabilities section to prevent duplication. Since some household members, such as children, may have difficulty understanding topics like bequests, we limit responses to those of the primary respondent and their spouse.

Our full sample consists of responses from 12,125 unique respondents and 62,265 respondent-year observations. Our sample period is between 2005 to 2022 as DHS has a long history of bequest data. As an overview, Table 1 shows that about 30% of the sample rely on financial advisors for financial advice, the average probability of bequeathing anything is 65%, and 31% of the sample has ever undertaken mortgages. For external validity, we also use HRS Special Module survey from 2016 that contains information on financial advisors. We match the responses of 488 respondents that answered question on financial advisors with bequest motives and demographics information from RAND HRS Longitudinal File.[16]

3.2 Prima Facie Evidence

Our descriptive analysis in Table 1 also shows that household wealth and level of securities holdings for respondents that have indicated their willingness to bequeath are higher than the full base sample (columns (3) and (4) compared to (1) and (2)). Similarly, for respondents that rely on professional financial advisors for household financial advice, their wealth and securities holdings levels are also high (columns (5) and (6)).

This suggests there may be correlation between bequests, reliance on financial advisors and wealth and we try to control for wealth heterogeneity and reverse causality in our analysis. Nevertheless, there is evidence here that individuals that rely more on professional financial advisors for household financial decisions are more likely to bequeath;

[16]This is a cleaned and streamlined product aggregating data from HRS.

with a mean percentage of 72% compared to 65% in full sample (column (5) compared to column (1)).

< Insert Table 1 here >

Moreover, as we use mortgage commitments as our RD design setting, we also examine columns (7) and (8) of Table 1 which provides descriptive statistics of individuals that have ever undertaken mortgages. Noticeably, they are more likely to be male, have slightly better education and higher levels of household income and wealth compared to full and other sub-samples. They also rely more on financial advisors. Besides, 91% of people who own, build or inherit their house also undertake a mortgage[17], which implies high penetration of mortgages in the Dutch housing market.

To further understand how financial advisors can impact bequest intensity, we plot bequest probabilities (Figure 1) and reliance on financial advisors (Figure 2) against demographics.

< Insert Figure 1 here >

Initial observations here are that that reliance on financial advisor, level of financial literacy and household wealth all increase with higher bequest probabilities in the first 3 plots of Figure 1. We also explore associations of financial advisors and bequests by including various measures of bequests in the graphs in Figure 2. The first two rows of plots show that the level of reliance on financial advisors increases with increasing likelihood of bequests across various amounts; at bequests more than EUR10,000, EUR100,000 and EUR500,000 (also termed as 'thresholds'), confirming findings of Table 1.

< Insert Figure 2 here >

3.3 Stylized Facts

The DHS survey consists of 3 types of bequest questions. The first type involves questions asking respondents to assess subjective probabilities of leaving a bequest exceeding respective thresholds. We interpret this as indications of bequest motives, with more 'active' planning intentions at higher thresholds.

These questions first asks 'Is there any chance for an inheritance?' ('Bequest >0'), followed by probabilities of leaving behind EUR10,000, EUR100,000, and then EUR500,000

[17]There are 19,124 observations that answered 'Yes' to if mortgages are undertaken for the house purchased, built or inherited out of a total of 20,928 observations that answered the question.

worth of bequests ('Bequest >10,000', 'Bequest >100,000' and 'Bequest >500,000' respectively). Here, the first question estimates general bequest intention with no reference to any specific amount.

The second type of 'active' bequest motives questions ask respondents extent they would save to bequeath and plans for timing in terms of wealth transfer to children. Our analysis is focused mainly on examining if greater reliance on advisors increase these 'active' bequest motives proxies.

The third type involves qualitative preferences surrounding bequests such as conditions under which individuals plan to bequeath. They can also be interpreted as motivations for bequests. Bernheim et al. (1985) famously termed this as 'strategic' bequest motives where one conditions the division of bequests on the beneficiaries' actions. For instance, 'Importance save Bequeath' asks respondents to gauge the extent to which it is important for them to save in order to have sufficient wealth to bequeath, 'Plan Bequeath' asks if an individual intends to bequeath now or later, and 'Why Bequeath' asks respondents to explain why they would bequeath assets to their children, such as bequeathing altruistically or conditionally on them supporting the respondent in old age.[18]

Our stylized facts as well as subsequent empirical analysis rely on these bequest motive questions.

Stylized fact 1: *The mean probability of bequeathing at the respective thresholds of EUR 10,000, EUR 100,000 and EUR 500,000 decrease as the thresholds increase.*

The mean probabilities of bequeathing at the various thresholds are 60%, 38%, and 9%, respectively. About 65% of the sample indicate that they would leave a bequest with no reference to any threshold. The results of Table A(2) provides evidence that level of wealth influences this as the mean level of wealth among individuals that have a more than 0 likelihood of bequeathing more than EUR 500,000 is the highest at EUR 188,123, which is higher than the mean household wealth level of the full sample at EUR 135,964. This is aligned with the intuition that the low probabilities of bequeathment at high thresholds is due to constraints on wealth.

Stylized fact 2: *Individuals with mortgages are more likely to rely on financial advisors compared to full sample, vice versa.*

As alluded upon, but formally put, among individuals with mortgages, 31% rely on

[18]Full variable definitions available on request.

financial advisors (compared to 23% for full sample) for investments advice and among individuals who rely on financial advisors, 49% have mortgages compared to 31% of full sample. Although it does not indicate causality per se, we mentioned also in Section 2 that a 2023 Mckinsey report indicates that 60% of home mortgage loans in Netherlands involve mortgage brokers which is high and comparable to countries like UK and Australia. Therefore, there is a strong correlation between financial advisors and mortgages in Netherlands.

Stylized fact 3: *There is less evidence of 'strategic' bequest motive compared to an 'altruistic' bequest motivation.*

When questioned about opinion on bequests and when presented with several options including if bequests would happen 'if children take care at old age' or 'bequest irrespective of being taken care at old age' which we argue is similar to an 'altruistic intention', only 1.3% of respondent values indicate 'conditional bequeathment' while 5% indicate desire to bequest altruistically. Therefore, among the small pool of respondents that answered types of conditions under which they would bequeath, only an extremely small group indicate that they would bequeath conditional on children's actions with more indicating altruistic bequest intentions. This is in line with literature such as Han et al. (2020) that found that altruistic bequest motive more strongly affects willingness of the elderly to take on reverse mortgages in China compared to egoistic bequest motive but that these decisions could also be driven by international differences as Horioka (2014) found evidence that Americans and Indians tend to exhibit more altruistic preferences compared to Japanese and Chinese that appear to exhibit more selfish preferences.

However, to note, in all, only 6% of the sample provided their opinions on conditions of bequests with the rest either not having the intention to bequeath or do not subscribe to any of the options about opinions.

Stylized fact 4: *Individuals are less likely to actively consider bequests even if they believe they have a strong likelihood of bequeathing.*

In our sample, even within 'active' bequest motive questions, there is a discrepancy in responses and slight nuances in terms of extent which questions elicits 'active' bequest intentions. Although 60% expect to leave behind a bequests when asked 'what is the probability of leaving behind any bequests?', only 23% indicated that they are either already giving large amounts to their children or have plans to do so in the future.

We argue that the difference in probabilities can be attributed to the presence of more

active bequest planning intention, which the second question is eliciting, and which differs from 'passive' bequests. Earlier, we defined subjective probabilities of bequeathing, and bequeathing at thresholds as 'active' bequest motive questions but even within this pool of questions there is a spectrum in terms of extent of 'active' bequest planning motives elicited. Higher thresholds require more deliberate thought and planning while subjective probability of bequeathing anything, besides capturing the extensive margin, is alike a more 'passive' bequest motive question. We argue that not assigning a threshold to these subjective questions on bequest probabilities overestimates bequest motives. In other words, having specific thresholds in the questions elicit responses more in line with deliberate bequest planning. Therefore, we do not use subjective probability of bequeathing anything as a bequest motive proxy when estimating bequest motives for most specifications.

Here, a large percentage of households expect that they would more passively leave behind a bequest; subjective probability of bequeathing anything is greater than zero, but the pool of individuals who would actively make bequest plans to transfer wealth to their children is lower. Although Hurd (1989) shows that most bequests are accidental in earlier papers, Lockwood (2018) finds that bequest motives are important in modeling retirees' savings and life insurance decisions. Further, De Nardi (2004) show that while voluntary bequests can explain the emergence of large estates, accidental bequests alone cannot and that bequest motive generates lifetime savings profiles more consistent with the data. Therefore, our survey sample estimates suggest the influence of both more 'passive' and 'active; motives in explaining the difference in probabilities.

Stylized fact 5: *Financial advisors are able to influence personal opinions and preferences on bequests less than bequest motives.*

We run a simple association tests using the following empirical specification to test this fact:

$$y_{it} = \alpha + \beta_1 \text{Financial Advisor}_{it} + \beta_2 \text{X}_{it} + \delta_r + \delta_t + \epsilon \tag{1}$$

where y_{it} is the response of individual i to either (i) the subjective probability of bequests at various thresholds, (ii) 'active' bequest plans or (iii) qualitative bequest preferences question y in year t, as dscussed earlier.

To simplify the analysis in all models, we refer to probability of bequeathing >10,000 (Bequest >10,000) as 'Bequest Low', probability of bequeathing >500,000 (Bequest >500,000) as 'Bequest High' and probability of bequeathing >100,000 (Bequest >100,000)

as 'Bequest Medium'. [19] Due to the high percentage of observations involving non-bequeathment especially for higher level of bequest amounts (non-bequeathment is at 13% for Bequest >10,000, 27% for Bequest >100,000, 57% for Bequest >500,000 and 11% for chance of giving away any bequest), we log Bequest >500,000 which is considered left censored as per Angerer and Lam (2009) and we also log bequest variables concerning other amounts to obtain estimates for some specifications.[20]

Reliance on financial advisor$_{it}$ ('Financial Advisor') is a dummy variable that takes a value of 1 if individual i indicates that he or she relies on professional financial advisors, bank brochures or mortgage advisors for household financial decisions in year t. Note that we amalgamate responses that answered 'Financial Advisors' with 'Bank Materials', which includes brochures from banks or mortgage advisors in accordance to our definition of financial advisor as discussed in the first sections. 'Others' refer to options that are clearly not banking related such as 'Parents / Friends', 'Newspapers, Financial Magazines, Guides and Books', 'Financial Computer Programs'.

X is a co-variate of controls that follow the findings of Koijen et al. (2016) and includes wealth, marital status, those living with children, and education. We log transform household wealth due to positive skew. Additionally, we also include age and financial literacy, which are common controls for stocks and investments (van Rooij et al. (2011)).

δ_r and δ_t refer to respondent and year fixed effects respectively. We include respondent fixed effects to account for heterogeneity among respondents that is constant across time, such as personal traits that may impact one's propensity to bequeath, as well as financial habits and preferences that may explain why one may rely more on financial advisors than others. Also, year fixed effects ensure that time-varying factors such as financial regulations or estate laws that may affect bequests are controlled for in specifications.

Although the premise of our paper is in the ability for financial advisors to impact bequest motives, we hypothesize that financial advisors have less influence in (iii) qualitative bequest preferences question such as timing or conditions for bequests which is dependent more on personal preferences. Using panel regression equation 1, the results in Appendix Table A(3) shows that financial advisors do not have an impact on bequest decisions involving conditions for bequest - whether one would bequeath only if children take care of them in old age or regardless (also see Appendix Table A(4)). Comparatively, A(1) shows that financial advisors have influence on bequest decisions involving actual bequest thresholds.

We have established some stylized facts with regards to bequests and financial advisors in this section. We rely on the robust housing and mortgage setting in Netherlands to

[19] We do not use bequest question which does not specify any amount.

[20] A log transformation removes 0 values so non-bequeathment probabilities are removed. This can be interpreted as conditional probabilities.

establish the causal effect of advisors on bequests next.

4 Analysis

We use three complementary approaches to examine the casual influence of financial advisors on bequests; an RD design, a DiD setting and an IV methodology. We use the robust housing and mortgage setting in Netherlands as a proxy for reliance on advisors to illustrate the causal influence of advisors on bequest motives due to more data availability. However, we also directly observe effects of initial reliance on financial advisor on bequest motives.

4.1 Mortgage Origination: Regression Discontinuity (RD) Design

4.1.1 Pre and Post Comparison

We use a discontinuity event in the form of mortgage origination by Dutch households in a RD design to establish causality. As highlighted in Section 2, the rationale is that initial mortgage origination is a significant financial event and individuals would likely engage a financial advisor for the first time or more in depth in this process.

There are 2 variables in DHS that one can use to estimate year which the mortgage is undertaken. The first question asks respondents to list the year which their mortgage is first undertaken followed by sub-fields for other years if there are more than one mortgages.[21] The second question asks respondents for the year which one buys, builds or inherits the current house. This is followed by the question asking one to indicate whether a mortgage accompanied this purchase, built or inheritance. Naturally, there are some discrepancies between both variables. However, we use the latter measure due to larger number of missing observations in the prior.

We use a parametric RD specification to test whether years to mortgage origination predicts observable bequest outcomes and characteristics around the cutoffs.

$$y_{it} = \alpha + \beta_1 \text{Post}_{it} + \beta_2 \left(\text{Years Mortgage}_{it}\right)^n + \beta_3 \left(\text{Post}_{it} \times \text{Years Mortgage}_{it}\right)^n + \epsilon \quad (2)$$

where y_{it} refers to bequest probabilities or demographic features, $Post_{it}$ refers to the year mortgage is originated as well as the 5 years after that while *Years Mortgage* refers

[21] The first question is hyp61 in DHS which has 14,733 observations.

to the number of years prior or after mortgage origination and is based on the RD sample; ranging between -5 and 5. It is also given in polynomial order n as we square number of years to examine potential non-linearity between years from and to mortgage origination and bequests. Further, we include an interaction term to demonstrate the post mortgage origination year effect. We do not include any controls in this parametric test.

Figure 3 plots the average bequest motive as defined as years prior to and after mortgage origination within the bandwidth. Bequest motive for bequests of low amounts; 'Bequest Low' and medium amounts; 'Bequest Medium' increase visually by about 7 and 10 percentage point respectively post cut-off year[22]

< Insert Figure 3 here >

The actual fitted difference is given in Table 2 (quadratic results in Appendix Table A(8)). It contains a list of variables regarding bequests, demographic factors and financial advisor reliance. The t tested mean difference between 'Left Fitted' (mean value based on years pre mortgage origination) and 'Right Fitted' (mean value based on years post mortgage orgination) is listed in the column 'Difference'.

There is a significantly positive increase in bequest motives post mortgage origination. The probability of bequeathing >10,000 jumps 7.6% post mortgage-origination, the probability of bequeathing >100,000 jumps 8.6% though the probability of bequeathing >500,000 jumps only 0.7%.

One reason bequests involving high amounts as given by bequests >500,000 seem to experience a limited increase post mortgage origination could be that the wealthier can have access to financial advisors easily and therefore do not have to rely on an intervention event such as origination of a mortgage to engage with financial advisors to discuss bequests. Appendix Table A(2) shows the individuals who bequeath at higher amounts have higher mean wealth levels. This does not impact the average individual who would have to engage a financial advisor either for the first time or more actively in the mortgage initiation process. I also plot a graphical illustration of the trend pre and post mortgage for several variables in Table 2 in Figure 4.

Besides, reliance on financial advisors also increase by about 12% post mortgage origination in Table 2. However, one identification problem in this RD setting is that key demographic features such as probability of being married and whether living with children increased as well post mortgage origination. This implies that it could be these factors being the channel through which mortgage origination is impacting bequest motives as opposed to financial advisors. This raises questions on ability to use mortgage

[22]In un-tabulated tests, we perform RD tests removing top quintile of log household wealth values and the results remain.

origination to isolate the causal effect of on bequest intentions. Therefore, to eliminate influence of demographic factor in driving RD results, we conduct a sub-sample analysis and heterogeneity test in Section 5. We also use 2 identification strategies to directly establish causal relation between financial advisor and bequest intentions which we discuss next.

< Insert Table 2 here >

< Insert Figure 4 here >

4.2 Commission Ban: Difference-in-differences

A commission ban was introduced in the Netherlands in 2013 for complex financial products like life and investment insurance and mortgages (de Jong (2024)) as well as the sale of investment products in 2014. Advisor fees thereafter have to be clearly disclosed. Since the onus of payment falls on individual households, they are incentivize to take the engagement of financial advisors more seriously and therefore, decrease the frequency of usage of an advisor's services (Kramerl (2018)). Overall, this acts as a shock on engagement and reliance of financial advisors as it significantly reduced engagement of advisors.

Figure A(1) shows a general decline in reliance on financial advisors for investment advice over sample period and after the commission ban. More importantly, de Bruin et al. (2024) found 25% less engagement of a financial advisor post commission ban which matches the general trend.

Our definition of Treat ('Treat') and Control ('Control') focuses on the sub-sample of individuals that have ever undertaken a mortgage. Treat are individuals who have undertaken mortgages while Control refers to the same pool of individuals but specifically to the years before they undertook the mortgage. The interpretation is then, the incremental difference on reliance on financial advisors after one undertakes a mortgage.

The equation is given as:

$$\begin{aligned} y = {} & \beta_0 + \beta_1 \text{Treat} + \beta_2 \text{Post} + \beta_3 (\text{Treat} \times \text{Post}) \\ & + \beta_4 \text{Financial Advisor} + \beta_5 \text{Controls} + \beta_6 W_{(90-100)} + \beta_7 W_{(80-90)} \\ & + \beta_8 W_{(70-80)} + \beta_9 W_{(60-70)} + \beta_{10} W_{(50-60)} + \delta_r + \delta_t + \epsilon \end{aligned} \tag{3}$$

where y refers to Bequest Low, Bequest Medium or Bequest High and 'Controls' refer to the vector of variables which include financial literacy, gender, age, marital status, college education and living with children. 'Post' is the period from 2013 onward and the model is ran between 2010 to 2015. $W_{(90-100)}$ is a decile dummy variable assigned based

on an individual's log wealth levels and rank in each year. We create five of such decile dummy variables with the reference group being individual wealth levels that are in the 0-50 decile to better understand the effects of wealth and bequests.

The model includes respondent and year fixed effects; given by (δ_r) and (δ_t) respectively. Standard errors are clustered by year.

< Insert Figure 8 here >

The event study chart plot in Figure 8 shows that among individuals with mortgages, these individuals engage with financial advisors less after the 2013 commissions ban; in 2014 and 2015, and in line with the initial hypothesis. There is no pre-trend for the Treat group in terms of bequest probability 'Bequest Low' prior to the 2013 commission ban with probability values bunching around zero. However, we see a decline in bequest intention post-event.

< Insert Table 3 here >

Similarly, Table 3 shows the difference-in-differences regression results with the coefficient of Treat x Post being highly significant. Moreover, the decline in bequest probabilities is robust across all bequest measures where Treat group experience a decline in bequest intention of between 8 to 30 percentage points. As our identification setting is the 2013 commission ban which severely limited access to financial advisors, this provides causal evidence of the direct role which advisors play in influencing individual bequest intentions.

In summary, our RD design established impact of mortgage commitments on bequest motives but the setting is not able to exclusively prove causal relation between financial advisors and bequests. Therefore, we use the 2013 commission ban setting to directly estimate causal influence of financial advisors on bequest motives. In the next section, we additionally instrument reliance on financial advisors with number of banking branches located in the province that one resides in to further rule out the possibility of reverse causality and supplement findings from difference-in-differences analysis.

4.3 Instrumenting Reliance on Financial Advisors

The goal of this section is to estimate the causal effect of reliance on financial advisor on bequest outcomes using an instrument distinct from financial considerations. Here, the instrument is the number of banking branches of the 2 largest banks in Netherlands located in the province that one resides in and we use this to instrument for reliance on financial advisors.

The biggest banks in Netherlands by assets (EUR) are ING Group at 976 billion, Rabobank at 614 billion and ABN AMRO Bank N.V. (ABN Amro) at 378 billion as in 2023.[23] Therefore, we aggregate the number of branches and service points of ING Group and Rabobank across 12 regions: Noord-Holland, Zuid-Holland, Noord-Brabant, Gelderland, Utrecht, Overijssel, Limburg, Friesland, Groningen, Flevoland, Zeeland and Drenthe in accordance to the way the province residence question is structured in the DHS survey. We then compare the province which the individual resides in during sample period with the number of banking branches in the province.[24].

Formally, the equation for the IV methodology is:

$$y_{it} = \alpha + \beta_1 \widehat{\text{Financial Advisor}}_{it} + \beta_2 X_{it} + \epsilon_{it} \tag{4}$$

where y_{it} is the bequest outcome of interest; 'Bequest Low', 'Bequest Medium' or 'Bequest High'.[25], $\widehat{\text{Financial Advisor}}_{it}$ is the instrumented 'Financial Advisor' dummy variable and X_{it} refers to the co-variate of controls similar to equation 3, which includes wealth decile dummies and year fixed effects only.[26]

Intuitively, reliance on financial advisor is associated with the number of banking branches of the 2 largest banks in Netherlands as easy proximity and accessibility to advisors physically may encourage greater reliance. Using proximity as an instrument is widespread across the finance literature such as in corporate finance; Giuli and Laux (2021) instrument media-linked directors with the distance from their firm's headquarter to the closest media firm while Bernstein et al. (2016) explored an exogenous source of variation via introduction of new airline routes that reduce venture capital (VC) firms' travel times to their existing portfolio companies to establish causal relationship between VC on-site monitoring and likelihood of successful exit.

However, availability of banking branches is not likely to impact bequest intentions directly; therefore, satisfying the exogenity condition.

Though, to more formally examine the relevance condition, we first run a first stage regression as follows:

$$FinancialAdvisor_{it} = \alpha + \beta_1 \text{Province Number}_{it} + \beta_X \text{X}_{it} + \epsilon \tag{5}$$

[23] See Statista.

[24] We aggregate number of banking branches and service points via 2 webpages: ING and Rabobank

[25] We rely mainly on 'Bequest Low' as the main bequest variable as it has the lowest thresholds in terms of bequest amounts but yet has a more tangible reference point compared to question asking if individual has intention of bequeathing anything

[26] As discussed, our instrument for reliance on financial advisor is number of banking branches in the province which relies on cross-sectional variation in proximity of individuals from branches and accessibility to advisors. Restricting variation to within-individual would limit the explanatory power of the instrument. We therefore do not use respondent fixed effects in our IV analysis.

The dependent variable is 'Financial Advisor' dummy variable and the instrument - 'Province Number', indicates the number of banking branches of the 2 largest banks in Netherlands in that province which individual i resides in in that particular year t.[27]. X refers to co-variate of controls as per equation 4.

< Insert Table 4 here >

< Insert Table 5 here >

Table 4 shows results from the IV analysis where reliance on financial advisor is instrumented with number of banking branches in the province. The instrument is relevant as the F statistic for all 3 columns in Table 4 is greater than 20. The interesting thing about our first stage estimates is that contrary to initial intuition, there is a slight negative association between reliance on financial advisors and number of banking branches which is significant.

One possibility is that more branches may provide easily accessible self-help financial services, reducing the need for individuals to seek advice from dedicated financial advisors. The greater amount of facilities provided by these physical stop-points may also satisfy the banking needs of individuals and again, reduce the need for personalized advice. We can draw on the discussion surrounding robo-advisor and financial advisor to illustrate this. While simple investing needs can be served by digital financial advisory services of robo-advisors, more complex financial needs may be best served by human financial advisors (Agnew and Mitchell (2019)).[28] Therefore, individuals may visit bank branches for general banking needs or to use digital facilities, only allowing their complex needs to be served by human financial advisors.

These are all plausible explanations given the high digital literacy rate in Netherlands as mentioned under Section 2. Besides, a Deloitte report in 2022 found that 41% of Dutch people rarely or never talk about their finances implying a preference for independent financial decision making. This provides further evidence that households may visit branches to satisfy their banking needs, in particular, utilizing the digital services, but not engage with advisors in similar visits.

Stage 2 results in Table 5 shows that instrumented financial advisor is positively and significantly associated with bequest motives of all amounts except for the highest bequest amount. Given that bequests and estate planning are complex wealth management and

[27]Note that the number of banking branches is not time varying and is aggregated as a snap shot as of 2024. In the dataset, 1,876 individuals out of total of 12,125 have ever changed their province residence in the sample period.

[28]This book cited that 70% of U.S investors believe that human advisors are better than robo-advisors. Also, see "Robo-advisors vs. financial advisors: How to decide which is best for you" Article, Feb 11 2025.

planning decisions, (Clifford (2005)), and that financial advisors are often hired for their 'expert' advice (Rossi and Utkus (2020)), we explain the first and second stage IV results as evidence of bequests being highly specialized decisions and individuals would rely on financial advisors for advice when making these bequest decisions.[29] In fact, our second-stage results imply that among individuals whose reliance on financial advisors persists despite the convenience of local banking infrastructure (i.e., those whose advisor use is influenced by the availability of physical banking branches), the effect of financial advice on bequest motives is particularly pronounced.

This suggests that for individuals who still choose to rely on advisors | even when digital or self-service banking options are available | the role of the advisor in shaping long-term financial goals, such as bequest planning, may be especially important.

Overall, our IV analysis provides evidence that financial advisors have a causal impact on bequest motives. These results reinforce the findings from our difference-in-differences analysis, further establishing the causal relationship. Moreover, the IV approach helps address potential concerns related to our regression discontinuity (RD) design.

4.4 Direct Observations of Financial Advisor Reliance and Bequest Motives

We use mortgage origination as an intervention event to proxy for reliance on advisor in RD design as well as in assignment of Treat group in DiD analysis. Additionally, here, we implement a similar RD design using the initial engagement with a financial advisor | captured as a transition in the panel from a reliance value of '0' to '1' | as an alternative intervention event.

Unlike the case of mortgage origination, the results in Figure 5 shows that initial financial advisor engagement does not impact probability of bequeathing anything and at low amounts ('Bequest Low'), only for higher bequest amounts in Appendix Figure A(3).

We attribute this to the explanation that these subjective probability questions of low or no bequest thresholds relate more to 'passive' bequest motives about their likelihood of having some bequest amounts as opposed to 'active' intention to make plans for bequest as in Section 2. Panels 1 and 2 of Figure 5 depicts changes in active bequest intentions, focusing on (1) the timing of planned transfers of significant wealth to children; whether already transferred to or planned to be transferred and (2) adjustments in intentions to give large amounts in the future. [30] The charts show that initial engagement with

[29] See "Why Advice Matters" Morgan Stanley Article, May 31 2023.

[30] These relate to `plan_dummy` and `plan_dummyoption3` as dependent variables respectively

financial advisors increase actual long term bequest plan making by about 2% visually.

< Insert Figure 5 here >

As explained, as bequest thresholds increase from 10,000 to 100,000 and 500,000 | the survey questions increasingly capture deliberate bequest intentions rather than 'accidental' bequests. Higher thresholds are more likely to reflect planned transfers of wealth, rather than incidental outcomes of likely unspent resources. Therefore, while financial advisors have less role to play when bequests are 'incidental', they can influence active bequest plans more. This is supported by results from the mortgage setting. Figure 5 (c) shows that individuals increase their willingness to save to bequeath slightly post-mortgage origination in an alternate 'active' bequest intention question.

5 Additional Tests

5.1 Heterogeneity Tests: RD Design

We previously mentioned under Section 4 that identification could be confounded due to significant differences in key demographic factors pre and post mortgage origination.

Besides adopting identification methodologies in the form of difference-in-differences and IV to establish the causal relation of financial advisors and bequests, we also conduct sub-sample tests to alleviate concerns that it is other factors driving the increase in bequest intensity post mortgage origination besides reliance on financial advisors. Here, we focus on a few factors from Table 2 that are significantly different pre and post mortgage origination and conduct a few sub-sample tests.

Namely, we look at sub-samples of individuals in Figure 6 (a) and (b) that are married and have children respectively.

< Insert Figure 6 here >

The charts show that the increase in bequest motives post-intervention is not driven by factors such as marital status and whether one has children because the post intervention effect remains despite the analysis being conducted on sub-samples that have strong intention to bequeath. In other words, given there is still a jump in bequest motives for sub-sample groups that already possess characteristics that would impact bequest motives or in other words, there is no change in characteristics that impact bequest motives, the discontinuity in bequest motives can be attributed more closely to mortgage origination and reliance on financial advisor.

Visually, there is a 5 percentage point increase in bequest motives post mortgage origination for both groups of individuals. Figure A(4) provides RD plots of further sub-sample groups such as individuas living with children, and individuals who are financially literate. The discontinued jump in bequest motives remain.

5.2 After 2013: RD Design

Another concern is the base level of reliance on financial advisors since an exogenous event in the form of commission ban for sale of complex products was introduced in 2013 in Netherlands. Since this is a defining event, it raises the possibility that there may be some inherent differences in findings in the years before and after 2013 due to structural differences in base level of reliance on financial advisors before and after 2013.

To alleviate this concern, we perform RD design based on mortgages undertake in 2 time periods - before and after 2013. Figure 7 shows that the discontinued jump in bequest motives remain for both sub-sample of mortgages undertaken before and after 2013. Therefore, the exogenous event shock of 2013 commissions ban did not impact base rate of bequest motives.

< Insert Figure 7 here >

5.3 External Validity: HRS 2016 Experimental Module

For external validity, we turn to the Health and Retirement Survey (HRS) in the U.S, examining survey findings from the 2016 special experimental module[31]. One advantage of this cross-sectional module is that it asks respondents if they have 'made a will' - a tangible wealth planning outcome and tool for bequests as opposed to questions about bequest motives in DHS. Intuitively, one may argue that financial advisors have less of a role in influencing bequest motives as compared to influencing the transmission mechanism for bequests which is mainly through wills or trusts.

Specifically, we look at the question that asks respondents if they receive help with money management (MM) and who helps with such decisions. There are also more granular questions on estate planning choices. From the 2016 module, we merge 20,912 respondent-year observations into the main HRS data frame that contain data from 2006 to 2020 bi-annually.

< Insert Table A(5) here >

< Insert Table A(6) here >

[31]Module 3: Financial advice and Capacity at Older Ages

Table A(6) columns (3) and (4) (compared to columns (1) and (2)) show there is a slightly higher share of individuals who indicate that they receive money management help in the form of setting up trust, writing a will and estate planning among those that indicate that they receive money management advice from financial advisors compared to full sample at 14% compared to 12%. Therefore, there is prima facie evidence that financial advisors who provide money management advice impact wealth planning outcomes.

Also, the descriptive graph of Figure A(5) is in line with observations from DHS with regards to trend of demographics against bequest motives. To illustrate, the probability of bequeathing >10,000 increases as one relies more on financial advisor and also with increasing household wealth in the top line. Moreover, the impact of financial advisor on bequest motives can be seen by the graphs in Figure A(6) where sub-plots (a) to (c) show high mean bequest probabilities for individuals that rely on financial advisors. Specifically, the mean probability of leaving more than 10,000, 100,000 and 500,000 of inheritance is approximately 80% , 70% and 40% for individuals that rely on financial advisors compared to 60%, 55% and 30% for those who do not (comparing the right and left bar charts for these figures).

Further, using sub-sample of respondents in HRS's 2016 experimental module who rely on professional financial advisors for money management advice, we compare the descriptive statistics and profiles of these respondents against the DHS sub-sample that similarly rely on financial advisors in Table A(7). The HRS sub-sample is much older (mean age of 66 compared to 56 in DHS) and wealthier (about 5 times wealthier); they are also more highly educated and have slightly higher number of children. If despite such differences, the HRS sub-sample corroborates the findings from earlier, it adds to the external validity of our findings. Therefore, we perform a cross-sectional OLS regression similar to van Rooij et al. (2011).

< Insert Table 6 here >

Table 6 presents results from the HRS regression. Controlling for a number of key parameters, individuals who rely on financial advisors for money management advice are significantly more likely to bequeath - a 16 percentage points more likelihood of bequeathing an amount which is greater than $10,000 (column (6)). The relevance of financial advisors in bequests decision is similar to the DHS sample despite the fact that the demographics of the HRS sub-sample is markedly different and supports our findings of the role of financial advisors in bequest intentions. Using marginal effects, our probit estimates indicate that reliance on financial advisors increases the probabilities of making a will by about 12 percentage points and in owning a life insurance policy, which is a proxy

of bequests (Inkmann and Michaelides (2012)), by about 13 percentage points (columns (2) and (4)).

6 Discussion

6.1 Estimating Bequests Motive

Our findings provide valuable insights into the modeling of bequest motives within life-cycle frameworks. Bequest theories typically fall into two main categories: accidental, as outlined by Davies (1981) and Friedman and Warshawsky (1990), or voluntary, driven by factors like altruism (Becker (1981)) or strategic motives (Bernheim et al. (1986)). Within voluntary motives, three primary models exist: the altruistic, egoistic, and exchange models (Laitner and Ohlsson (2001)). We specifically focus on an additional model - the warm-glow model, which is foundational to many bequest motive models, as shown by Ameriks et al. (2011). In this model, utility from bequests is expressed as:

$$v(b) = \omega \left(\phi + \frac{b}{\omega} \right)^{1-\gamma} \tag{1}$$

where ϕ represents the degree to which bequests are viewed as luxury goods, ω is the strength of the bequest motive, and γ reflects risk aversion. Both the luxury status of bequests and the strength of the bequest motive (ϕ and ω) increase utility from bequests, particularly when γ is low. Risk aversion is similar in effect to that observed in consumption choices. In the Ameriks et al. (2011) model, utility from bequests is realized only at the terminal period T, while households maximize utility from consumption and wealth in other periods, subject to budget constraints. A key assumption here is that bequests are voluntary and can be actively planned rather than occurring by chance.

Our analysis introduces financial advisors as an influential factor in shaping bequest motives, specifically affecting the parameter ω, which measures the strength of the bequest motive. To capture this effect, we modify the utility function to incorporate the term ka, where k denotes the sensitivity of the bequest motive to reliance on financial advisors, and a is an indicator variable representing reliance on advisor recommendations:

$$v(b) = \omega(1 + ka) \left(\phi + \frac{b}{\omega(1 + ka)} \right)^{1-\gamma} \tag{2}$$

In this formulation, the strength of the bequest motive is therefore scaled by k, which measures an individual's responsiveness to financial advice, while a represents the actual degree of reliance on advisors. Our paper aims to extend life-cycle bequest models by

integrating the role of financial advisors as an external driver of bequest motives.

6.2 Channel of Financial Advisor Influence

Our theory on the channel for transmission of updated beliefs surrounding bequests into bequest decisions come from 2 important recent works on demand side of financial advice in Schoar and Sun (2024) and Sias et al. (2024).

Schoar and Sun (2024) used a randomized controlled trial to test how retail investors assess and update their priors based on different types of financial advice - active versus passive investing. Sias et al. (2024) segregated expectations into short and long term expectations and found that while 'noisy' signals play a more important role in near term relative to long term expected return heterogeneity, long-term beliefs play a more important role in stock market participation, risky share decisions, and trading choices. Our theory here is that due to an update of priors as a result of financial advice, as bequests are long-term decisions, one also acts upon changes in long-term beliefs with regards to bequest decisions.

Formally put, there are 2 predictions from the papers:

1) Variation in priors have a larger relative impact on dispersion in long-term beliefs

2) Variation in priors play a larger role in explaining how beliefs relate to actions.

Our hypothesis therefore is that because bequests are long-term decisions, when one updates his or her priors due to financial advice received, a resulting implication is that the impact on one's beliefs in bequests also changes disproportionately. Consequently, one is also more likely to act upon these updated beliefs regarding bequests.

An analogy is that compared to near-term investment decisions, when one updates his or her prior due to financial advice, assuming he or she receives advice regarding both investments and bequests, the individual is likely to be impacted more by advice regarding bequests since decisions on bequests involve long-term beliefs compared to investment decisions such as near term trading. Consequently, the individual is also more likely to act upon these revised long-term beliefs due to updated priors. Intuitively, bequest decisions are long-term household choices. While attempts have been made to quantify size of bequest motives, none has examined the role of expectations in explaining bequest decisions. We take into account encouragements as per Sias et al. (2024) to consider differences between long term and near term expectations in household decision making.

7 Conclusion

Using mortgage first undertaken by Dutch households, we devise a quasi-natural experiment in the form of a regression discontinuity setting to study the pivotal role which financial advisors play in shaping bequest motives. We find that on average, households with mortgages have higher bequest probabilities of about 8 percentage points in the years after one undertakes a mortgage. We use sub-samples of individuals that are not married, or whom have no children as well as those who are less financially literate to examine possible alternate drivers of bequest motives that may also be associated with mortgage commitment but find that the gap in bequest intention post undertaking of a mortgage remains. This provides evidence of financial advisor influence on bequest motives.

Moreover, to pin down the causal influence of financial advisor on bequests, we use an exogenous shock on engagement of financial advisors in the form of a 2013 ban on mortgage broker commissions in Netherlands. We find a decline in bequest intention as a result of this ban; in line with Treat households, defined as individuals who ever have undertaken a mortgage, decreasing their engagements with financial advisors as a result of an increase in transparency and fees. Our instrumental variable setting where we instrument reliance on financial advisor with number of banking branches in the province further strengthens the causal relationship between financial advisors and bequests as instrumented reliance on financial advisors continues to be highly associated with bequests.

Our findings underscore the importance of integrating financial advisory effects into life-cycle frameworks to better capture external drivers of wealth allocation decisions. We also take first steps to model this. Additionally, we capture stylized observations such as financial advisors influencing 'active' planned bequest decisions and less influence in decisions involving personal preferences on bequests such as conditions for bequeathment.

Last, we identify a potential channel of influence: the role of financial advisors in shaping long-term beliefs and individual priors about bequests. By advancing understanding of how individuals make decisions on bequests and the influence of financial advisors in this regard, policymakers, researchers and industry participants can gain deeper insights into designing wealth management systems and frameworks that align more closely with societal welfare objectives such as improving inter-generational financial security and reducing wealth inequality.

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Table 1: Summary Statistics: Full and Sub-samples (2005-2022)

	Full Sample		Bequest > 0		Financial Advisor		Mortgage	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Age	53.51	19.07	52.96	19.30	55.64	14.20	55.30	14.67
Number of Children	1.77	0.96	1.77	0.96	1.73	0.95	1.78	0.95
Marital Status	0.64	0.48	0.64	0.48	0.71	0.45	0.68	0.47
Gender	0.49	0.50	0.49	0.50	0.51	0.50	0.72	0.45
College Education+	0.44	0.50	0.45	0.50	0.43	0.50	0.53	0.50
Own Housing	0.76	0.43	0.78	0.41	0.85	0.36	1.00	0.06
Own Mortgage	0.31+	0.46	0.31	0.46	0.49	0.50	-	-
Household Income	25,354	22,447	26,339	22,726	26,525	23,273	33,250	24,576
Household Wealth	135,964	193,461	144,008	197,341	161,071	207,260	228,923	201,438
Securities Holdings	9,352	51,922	10,226	54,392	14,172	74,928	13,112	61,864
Savings and Deposits	23,530	66,320	24,896	63,106	24,706	62,546	28,882	56,611
Stock Market Participation	0.18	0.38	0.19	0.40	0.19	0.39	0.25	0.43
Financial Literacy	0.29	0.45	0.30	0.46	0.24	0.43	0.35	0.48
Financial Advisor	0.23	0.42	0.24	0.43	-	-	0.31	0.46
Chance of Leaving Bequest	65.39	36.87	73.12	30.90	70.80	34.07	75.40	31.57
Save to Bequeath	0.06	0.23	0.06	0.24	0.06	0.24	0.05	0.22
Plan to Bequeath	0.23	0.42	0.25	0.43	0.26	0.44	0.26	0.44
Insurance Indicator	0.15	0.36	0.16	0.37	0.20	0.40	0.20	0.40

Note: This table presents summary statistics of the DHS dataset used in our analysis. Columns (1) and (2) present descriptive statistics for full sample, Columns (3) and (4) present descriptive statistics for sub-sample with a more than zero chance of leaving bequests. Columns (5) and (6) present descriptive statistics based on sub-sample who rely on financial advisors. Descriptive statistics in columns (7) and (8) are based on sub-sample that have ever undertaken a mortgage. 'Household Income' and 'Household Wealth' refer to winsorized variables representing pre-tax income and wealth as defined by Rooij et al. (2007). 'Securities Holdings' includes mutual funds, bonds, stocks/shares, and substantial stock holdings ('Risky assets' definition), while 'Savings and Deposits' cover checking accounts, savings and deposit accounts, deposit books, and savings certificates ('Safe assets' definition). 'Stock Market Participation' is based on stocks, shares, and mutual funds. Insurance indicator is based on aggregated (bz07) variable from DHS. The 'Financial Advisor' variable represents reliance on a financial advisor, brochures, or mortgage advisor for household financial decisions. Nominal figures listed here are in EUR. + refers to observations based on individuals who own mortgage over individuals who either have house and do not own mortgage or do not have house and do not own mortgage. Columns (7) and (8) is based on sub-sample who have mortage and exclude those who own home but do not have mortgages.

Table 2: RD Design Results with Mortgage Origination as Intervention Event

Variable	Left Fitted	Right Fitted	Difference	t-statistic	p-value	95% Confidence Interval
Bequest (Low)	56.63	64.07	7.44	3.19	0.0014	[2.86, 12.01]
Bequest (Medium)	27.09	35.68	8.59	3.40	0.00067	[3.64, 13.54]
Bequest (High)	8.83	9.55	0.72	0.52	0.602	[-1.99, 3.43]
Bequest (Low) Q	56.34	67.31	10.97	6.33	2.55e-10	[7.57, 14.37]
Bequest (Medium) Q	25.46	42.32	16.86	8.93	2.55e-10	[13.16, 20.56]
Bequest (High) Q	7.92	9.46	1.54	1.50	1.33e-01	[-0.47, 3.55]
Reliance on FA	0.18	0.30	0.12	3.95	7.76e-05	[0.063,0.19]
Ln(HH wealth)('000)	33.09	120.21	87.12	6.80	1.087e-11	[62.00, 112.24]
College Education	0.77	0.65	-0.123	-3.98	6.94e-05	[-0.18, -0.062]
Age	35.04	40.47	5.43	7.93	2.37e-15	[4.09, 6.78]
Financial Literacy	0.28	0.38	0.10	3.19	1.43e-03	[0.04, 0.17]
Living with Children	0.28	0.56	0.28	9.53	1.65e-21	[0.22, 0.33]
Marital Status	0.25	0.59	0.34	10.91	1.19e-27	[0.28, 0.40]
Gender	0.49	0.60	0.11	3.83	1.28e-04	[0.06, 0.17]

Note: This table presents results from estimating equation 2 in an RD analysis with robust 95% confidence intervals. The 'Left Fitted' and 'Right Fitted' columns represent predicted values for the outcome variable on either side of the threshold. The difference column represents the estimated treatment effect. Bequest (Low) Q, Bequest (Medium) Q and Bequest (High) Q represent quadratic function of equation 2 where years from and to mortgage origination is squared. *** p <0.01, ** p <0.05, * p <0.1.

Table 3: Impact of 2013 Ban on Financial Advisor Commissions on Bequest Motives

	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Treat × Post	-8.380**	-30.656***	-4.715*
	(2.727)	(5.171)	(2.068)
Treat	-0.150	9.261	-0.353
	(5.885)	(6.483)	(2.125)
Financial Advisor	0.397	-0.210	-0.068
	(1.074)	(1.216)	(0.233)
Financial Literacy	1.560	2.870	1.120*
	(1.493)	(2.093)	(0.516)
Marital Status	1.612	-1.691	0.980
	(1.787)	(2.250)	(1.902)
College Education	-2.257	12.063	2.647
	(5.831)	(10.103)	(4.036)
Living with Children	1.473	1.192	-1.074
	(1.174)	(2.978)	(1.576)
$W\{90-100\}$	2.541	1.343	2.064***
	(1.577)	(1.569)	(0.489)
$W\{80-90\}$	3.988*	1.487	2.028*
	(1.727)	(1.396)	(0.859)
$W\{70-80\}$	1.767	0.663	0.949*
	(1.068)	(1.469)	(0.434)
$W\{60-70\}$	1.192	-0.760	0.807*
	(2.087)	(1.636)	(0.356)
$W\{50-60\}$	0.993	0.016	1.363**
	(1.960)	(1.186)	(0.457)
Constant	66.736***	36.938**	5.876
	(6.885)	(11.335)	(3.680)
Observations	5,691	5,691	5,691
R-squared	0.633	0.723	0.705
Respondent FE	YES	YES	YES
Year FE	YES	YES	YES

Note: This table presents results from estimating equation 3 in a difference-in-differences setting. 2013 is event year where ban on commissions for mortgage brokers act as a shock on reliance on financial advisors. Treat refers to households after they have undertaken a mortgage during sample period of 2005 to 2022 while Control refers to the years before one undertakes a mortgage. The model is ran from 2010 to 2015 and dependent variable refers to probability of bequeathing more than 10,000, 100,000 and 500,000 respectively. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table 4: Instrumenting Reliance on Financial Advisor with Banking Branches

	(Dep: Financial Advisor)		
	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Province Number	-0.0006***	-0.0006***	-0.0006***
	(-6.05)	(-5.82)	(-4.81)
Financial Literacy	-0.0743***	-0.0747***	-0.0592***
	(-13.20)	(-12.99)	(-9.52)
Gender	-0.0435***	-0.0452***	-0.0368***
	(-8.01)	(-8.14)	(-5.53)
Age	0.0009***	0.0010***	0.0013***
	(4.49)	(4.89)	(5.36)
Marital Status	0.0557***	0.0543***	0.0580***
	(9.83)	(9.34)	(8.63)
College Education	-0.0142**	-0.0166**	-0.0139**
	(-2.71)	(-3.09)	(-2.16)
Living with Children	0.0382***	0.0400***	0.0381***
	(6.07)	(6.19)	(5.33)
$W\{90-100\}$	0.106***	0.109***	0.0847***
	(11.96)	(11.16)	(8.40)
$W\{80-90\}$	0.071***	0.066***	0.0620***
	(7.95)	(7.28)	(6.38)
$W\{70-80\}$	0.0945***	0.0898***	0.0742***
	(10.72)	(10.01)	(7.83)
$W\{60-70\}$	0.108***	0.1039***	0.0879***
	(12.42)	(11.71)	(9.40)
$W\{50-60\}$	0.0673***	0.063***	0.050***
	(7.77)	(7.08)	(5.40)
Constant	0.300***	0.300***	0.281***
	(18.68)	(18.32)	(16.29)
Observations	31,190	30,165	27,878
R-squared	0.0725	0.103	0.0351
Year FE	YES	YES	YES

Note: This table presents results from estimating equation 5; a first stage IV analysis where we compute relevance of the 'Province Number' instrument. 'Province Number' refers to number of ING and ABN Amro bank branches in the province and is not time varying in this analysis. Dependent variable is reliance on Financial Advisor ('Financial Advisor'). Robust standard errors in parentheses. *** p <0.01, ** p <0.05, * p <0.1.

Table 5: Instrumented Reliance on Financial Advisor and Bequest Motives

	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Pre-period Mean	55.52	24.23	7.30
Financial Advisor (Ins)	52.894***	45.033***	-19.265**
	(15.151)	(14.855)	(9.233)
Financial Literacy	10.701***	9.391***	1.580***
	(1.225)	(1.204)	(0.608)
Gender	-1.021	-1.852**	-0.961**
	(0.831)	(0.830)	(0.451)
Age	-0.090***	0.031	-0.091***
	(0.022)	(0.023)	(0.015)
Marital Status	3.642***	5.145***	1.838***
	(1.029)	(0.987)	(0.631)
College Education	9.974***	6.741***	2.382***
	(0.537)	(0.537)	(0.320)
Living with Children	-3.451***	-2.536***	0.642
	(0.814)	(0.809)	(0.473)
W {90 – 100}	28.178***	35.868***	16.169***
	(1.775)	(1.665)	(0.891)
W {80 – 90}	25.707***	26.252***	3.373***
	(1.356)	(1.261)	(0.719)
W {70 – 80}	17.848***	15.326***	1.076
	(1.674)	(1.570)	(0.816)
W {60 – 70}	15.202***	7.849***	1.386
	(1.844)	(1.743)	(0.922)
W {50 – 60}	12.576***	1.737	0.189
	(1.311)	(1.220)	(0.622)
Constant	26.539***	1.838	15.246***
	(4.402)	(4.298)	(2.481)
Observations	31,190	30,165	27,878
Number of Respondents	6,586	6,477	6,197
Year FE	YES	YES	YES

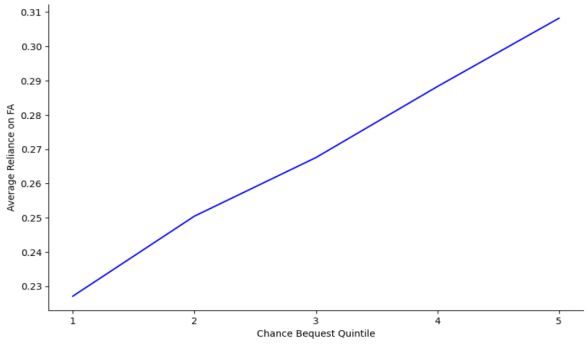
Note: This table presents results from estimating equation 4 in second stage IV analysis where instrumented reliance on financial advisor is used to estimate impact on bequests. Dependent variable refers to probability of bequeathing more than 10,000, 100,000 and 500,000 respectively. Robust standard errors in parentheses. *** p <0.01, ** p <0.05, * p <0.1.

Table 6: Cross-Sectional Regression - 2016 HRS Experimental Module

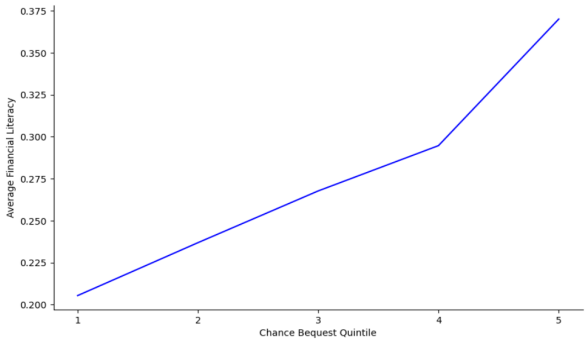
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	OLS	Probit	OLS	Probit	OLS	OLS	Probit
	Made Will Dummy		Life Insurance Dummy		Bequest >10,000	Bequest >10,000 dummy	Bequest >10,000 dummy
Financial Advisor*	0.150***	0.409***	0.137***	0.384***	0.199***	0.157***	0.777***
	(0.047)	(0.149)	(0.051)	(0.144)	(0.036)	(0.030)	(0.255)
Education	0.123***	0.384**	-0.020	-0.053	0.036	0.057*	0.257
	(0.048)	(0.150)	(0.051)	(0.148)	(0.035)	(0.029)	(0.232)
Marital Status	0.152***	0.459***	0.202***	0.560***	0.043	0.059*	0.295
	(0.048)	(0.150)	(0.053)	(0.146)	(0.036)	(0.031)	(0.262)
Age	0.014***	0.044***	-0.006***	-0.018***	0.001	0.001	-0.005
	(0.002)	(0.006)	(0.002)	(0.006)	(0.001)	(0.001)	(0.009)
Number of Children	-0.002	-0.003	-0.028**	-0.075**	-0.009	-0.006	0.024
	(0.011)	(0.036)	(0.013)	(0.036)	(0.009)	(0.008)	(0.050)
Gender	-0.041	-0.138	0.021	0.057	0.032	0.010	0.010
	(0.042)	(0.140)	(0.045)	(0.132)	(0.029)	(0.024)	(0.246)
HH Wealth+	0.000***	0.000***	-0.000***	-0.000***	0.000***	0.000***	0.003***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Constant	-0.623***	-3.554***	0.951***	1.301***	0.518***	0.670***	0.405
	(0.125)	(0.469)	(0.150)	(0.421)	(0.110)	(0.101)	(0.712)
Observations	437	437	435	435	427	437	437
R-squared	0.238	-	0.131	-	0.189	0.162	-
Cluster Error Respondent	YES	YES	YES	YES	YES	YES	YES

Note: This table presents cross-sectional OLS and probit regression results using the HRS 2016 experimental module. * Refers to reliance on financial advisors for money management advice. + is winsorized and is given in thousands. For columns (6) and (7), the dependent variable is a transformed variable equivalent to 1 if the respondent answered a probability greater than 0% of leaving an inheritance of 10,000 or more. Absolute figures are reported in USD. No fixed effects are included as this is a one-year cross-sectional regression. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

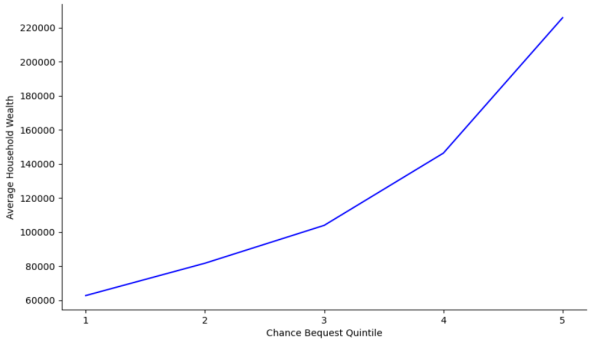
Figure 1: Relationship of Bequest Motives Against Demographics



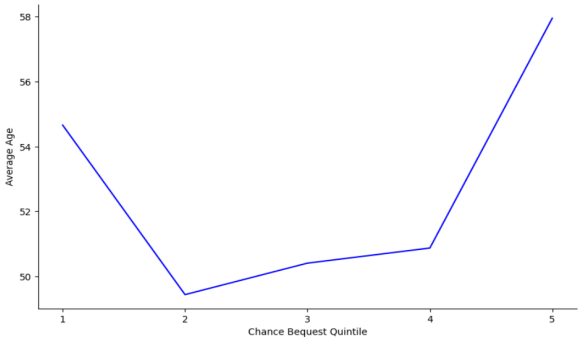
(a) Chance leave bequest against Financial Advisor



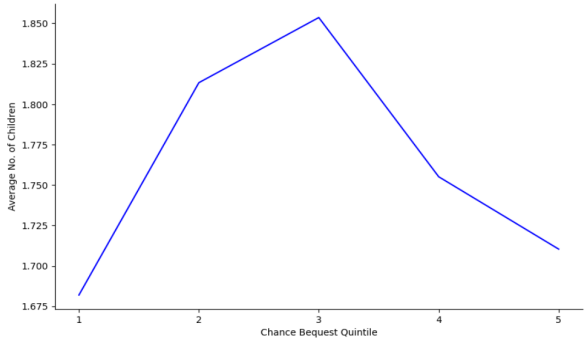
(b) Chance leave bequest against Financial Literacy



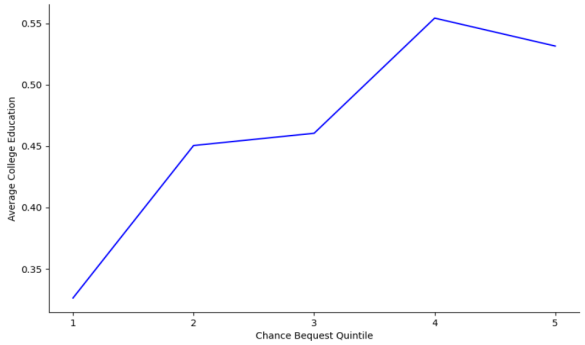
(c) Chance leave bequest against Household Wealth



(d) Chance leave bequest against Age



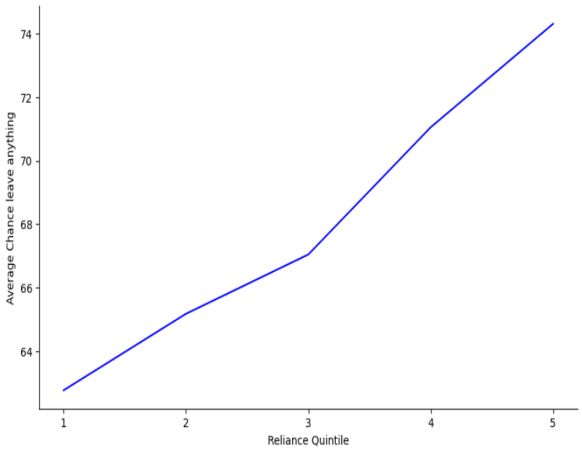
(e) Chance leave bequest against Number of Children



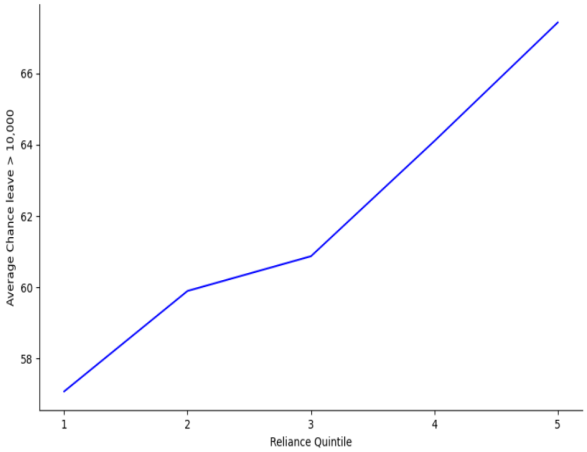
(f) Chance leave bequest against College Education

Note: This figure illustrates the trend of bequest motives against demographics and reliance on financial advisors. Bequest motives refer to the probability of bequeathing more than 10,000 ("Bequest Low") and are segmented into quintiles. Subfigures (a) through (f) show the relationship between bequest probability and, respectively: financial advisor indicator, financial literacy, household wealth, age, number of children, and college education indicator.

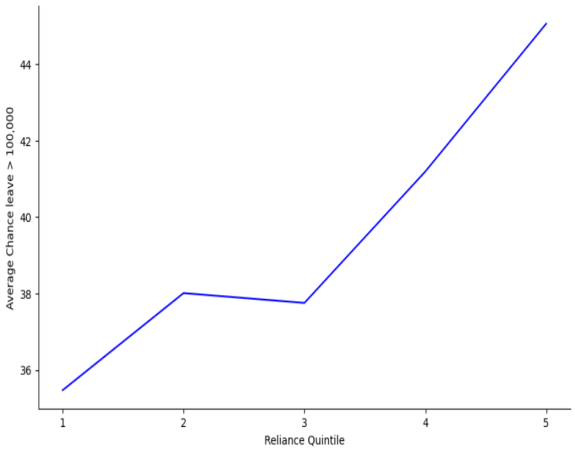
Figure 2: Relationship of Reliance on Financial Advisor Against Demographics



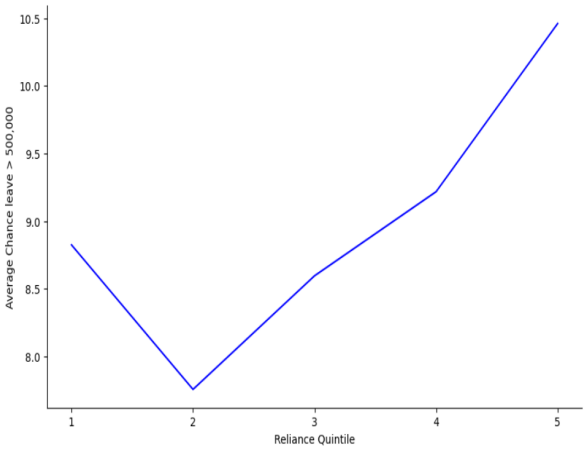
(a) Reliance on FA again chance bequeath anything



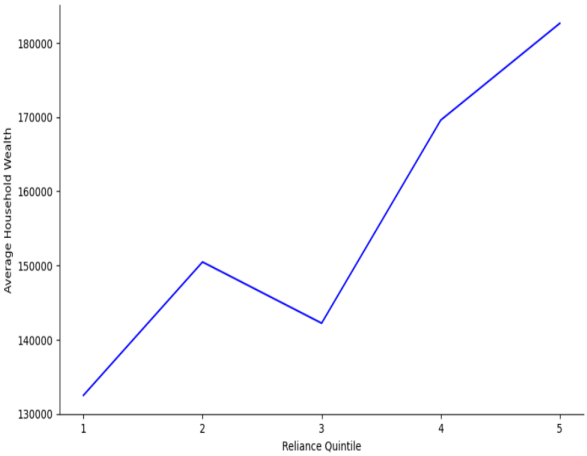
(b) Reliance on FA against chance bequeath >10,000



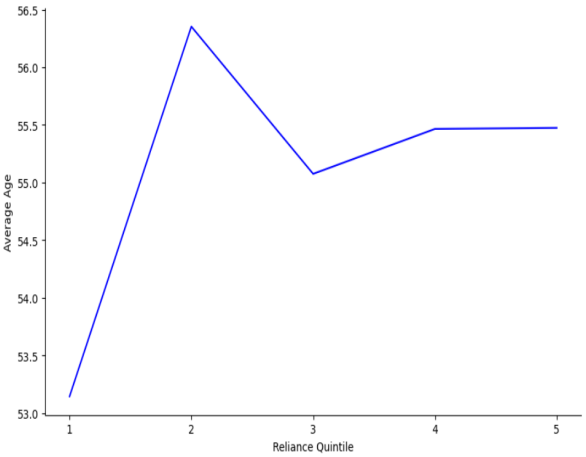
(c) Reliance on FA against chance bequeath >100,000



(d) Reliance on FA against chance bequeath >500,000



(e) Reliance on FA against household wealth (win.)

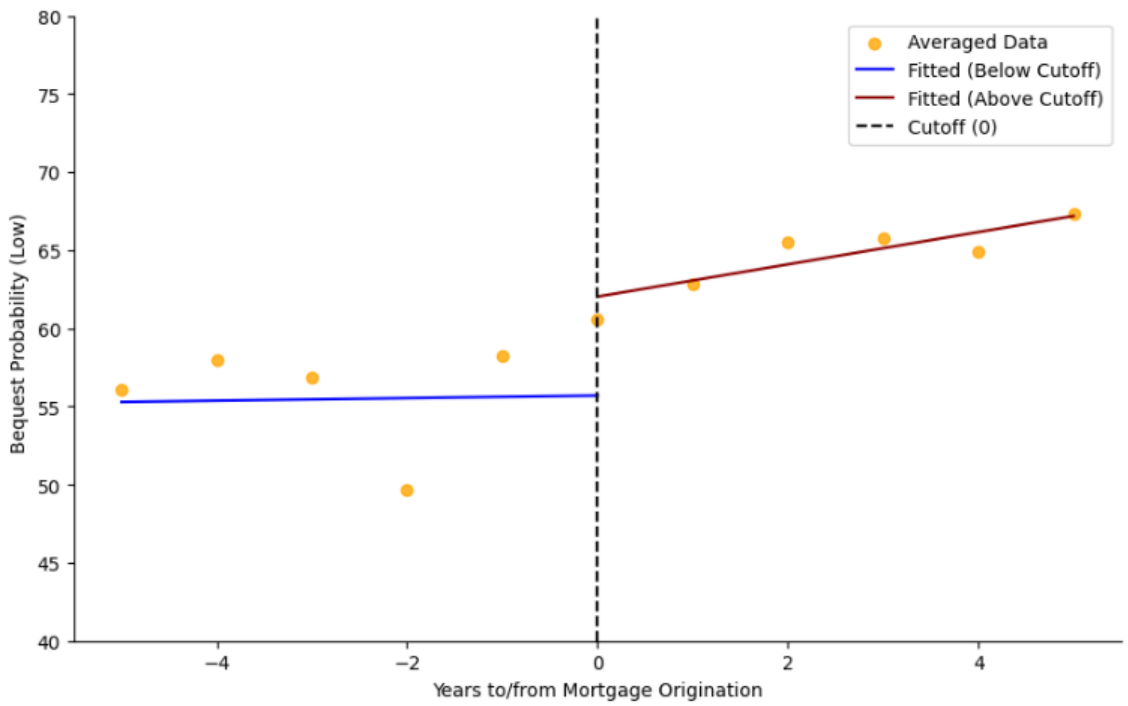


(f) Reliance on FA against age

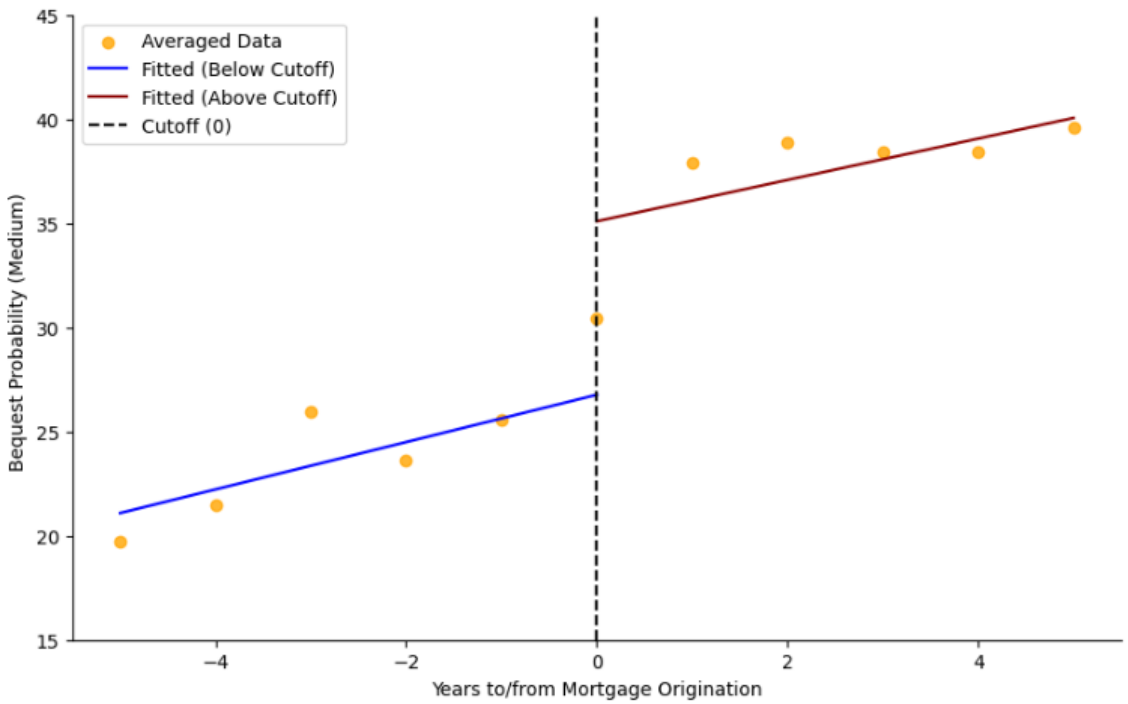
Note: This figure illustrates trend of reliance on financial advisor against bequest and demographics. Here, as reliance on financial advisors for financial advice is a dummy variable, it is first aggregated to a mean based on each individual respondent on a time series basis and then segregated into quintiles based on mean figure per respondent. Subfigures (a) through (f) show results for reliance on financial advisor against probability of bequeathing, bequeathing more than 10,000, bequeathing more than 100,000, bequeathing more than 500,000, household wealth and age.

Figure 3: Discontinuity after Mortgage Commitment for Various Bequest Thresholds

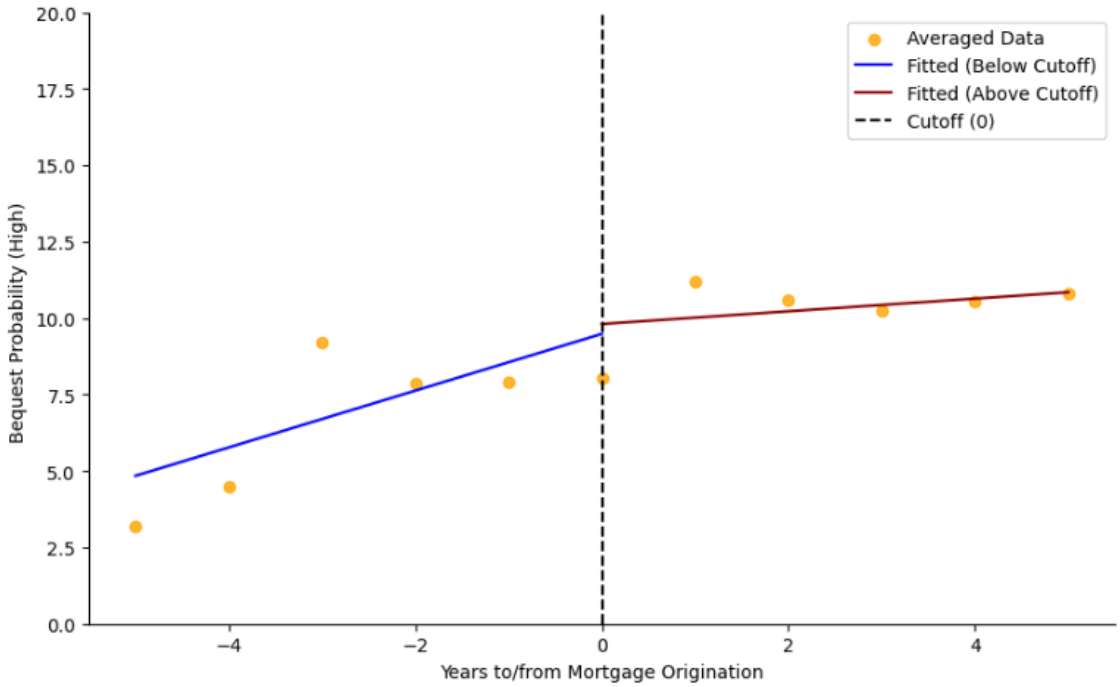
(a) Discontinuity in bequest probabilities (Bequest >10,000)



(b) Discontinuity in bequest probabilities (Bequest >100,000)

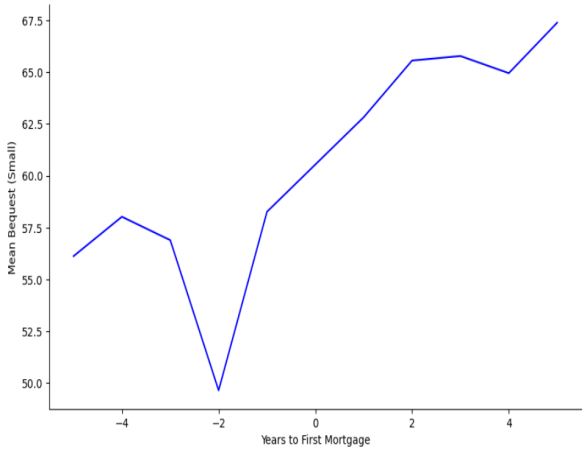


(c) Discontinuity in bequest probabilities (Bequest >500,000)

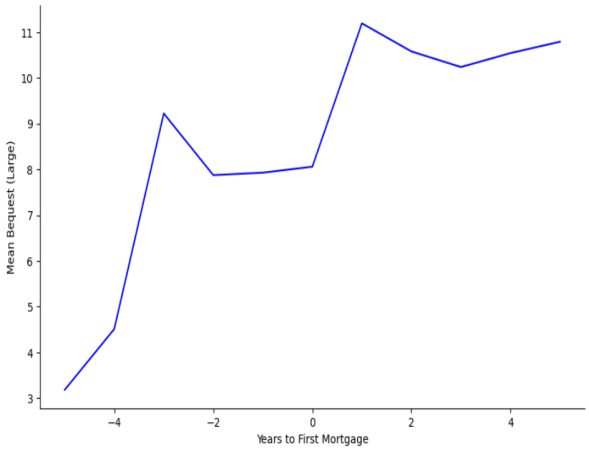


Note: This figure illustrates discontinuity in bequest probability in the period before and after mortgage origination (denoted as time 0). Subfigures (a) through (c) show results for years to/from mortgage origination against probability of bequeathing more than 10,000, 100,000 and 500,000 respectively.

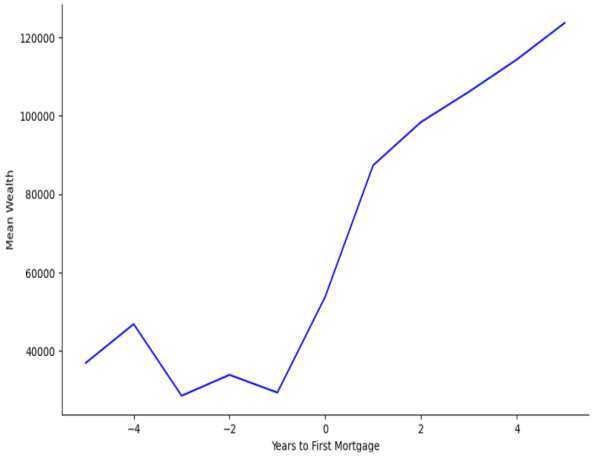
Figure 4: Plot of Bequest and Demographic Variables Surrounding Mortgage Initiation



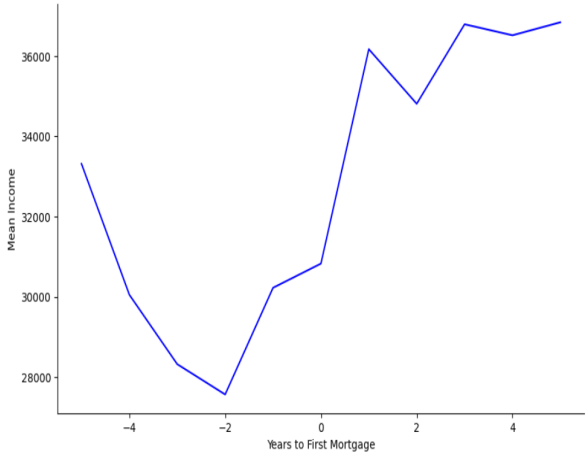
(a) Mean Bequest (Small) and Years to First Mortgage*



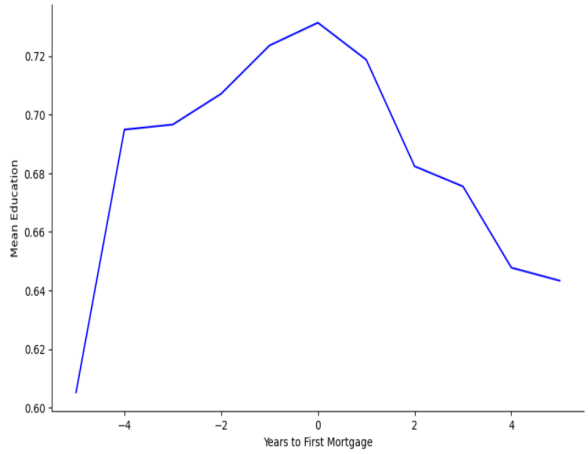
(b) Mean Bequest (Large) and Years to First Mortgage*



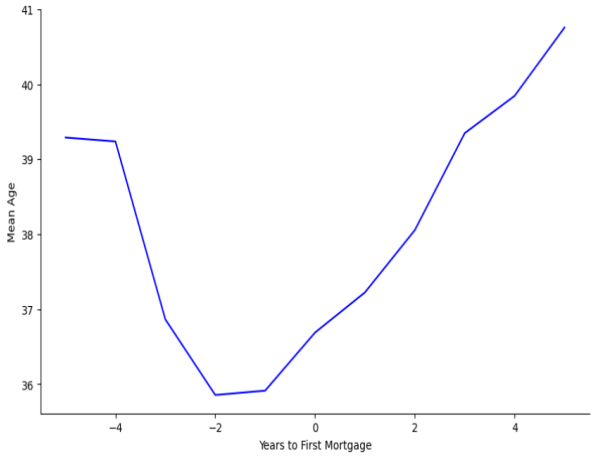
(c) Mean Wealth and Years to First Mortgage



(d) Mean Income and Years to First Mortgage



(e) Mean Education and Years to First Mortgage

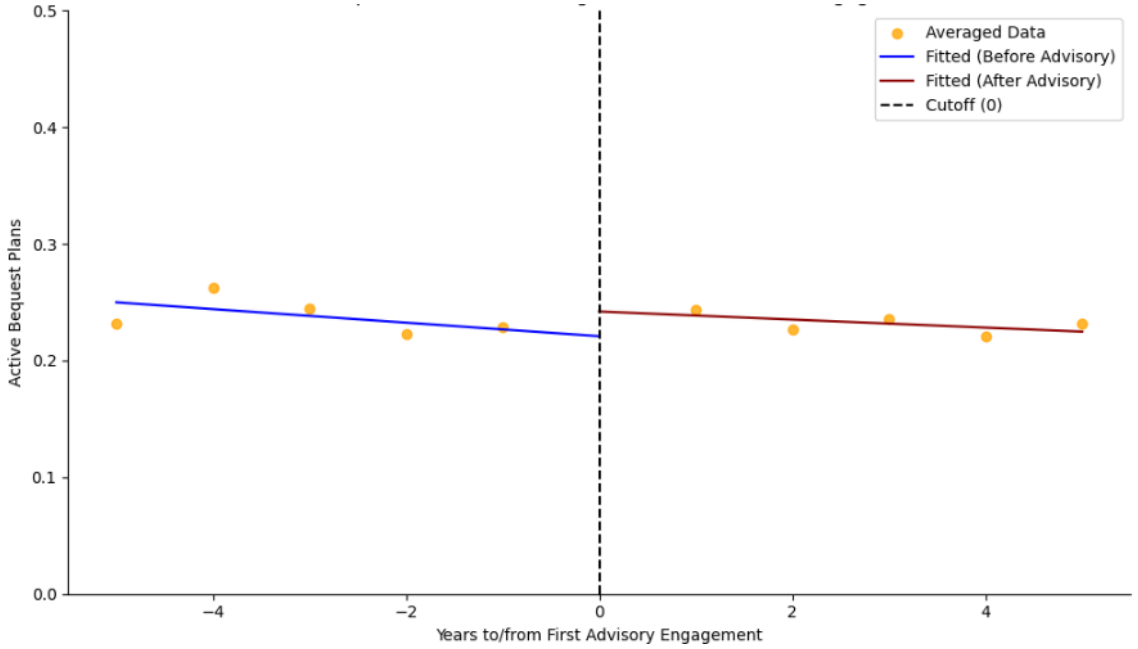


(f) Mean Age and Years to First Mortgage

Note: This figure illustrates trend of years surrounding mortgage undertaken against bequest motives and demographics. Years to first mortgage is defined as number of years to and from year where one first purchase, inherit or build a house that is accompanied by a mortgage. Mean Bequest (Small) refers to 'Bequest Low' while Mean Bequest (Large) refers to 'Bequest High'. Subfigures (a) through (f) shows results for years to first mortgage against probability of bequeathing more than 10,000, probability of bequeathing more than 500,000, household wealth, household income, college education indicator and age indicator.

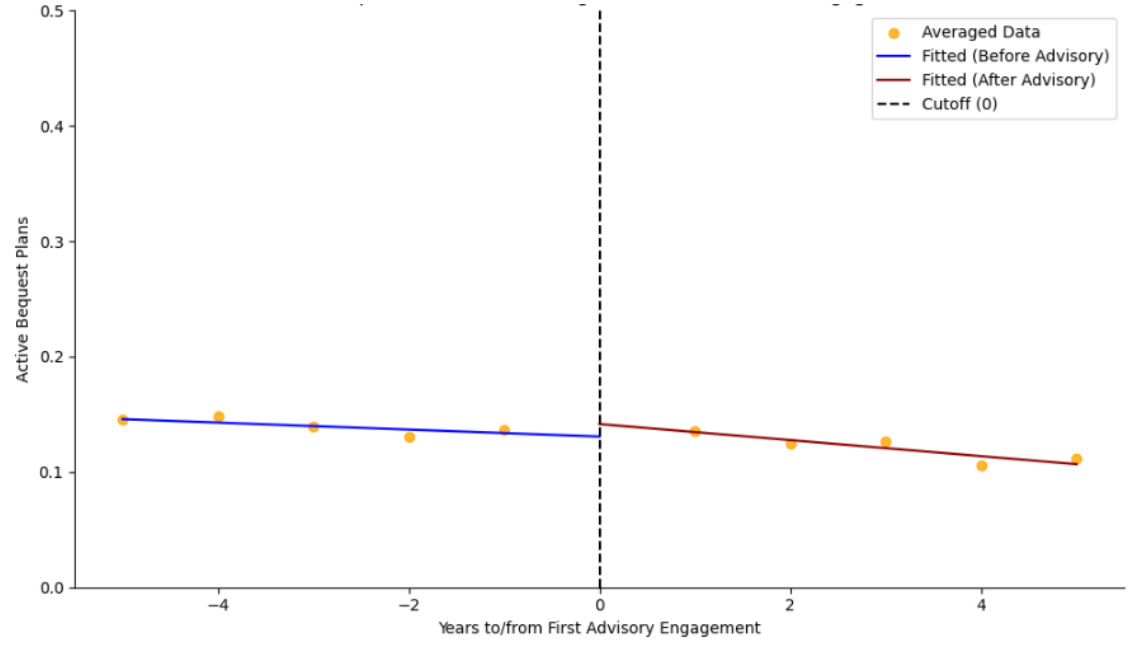
Figure 5: Discontinuity in Actual Bequest plans after Initial Advisor Engagement and Mortgage Initiation

(a) Discontinuity in actual bequeathment plans for individuals after advisor engagement



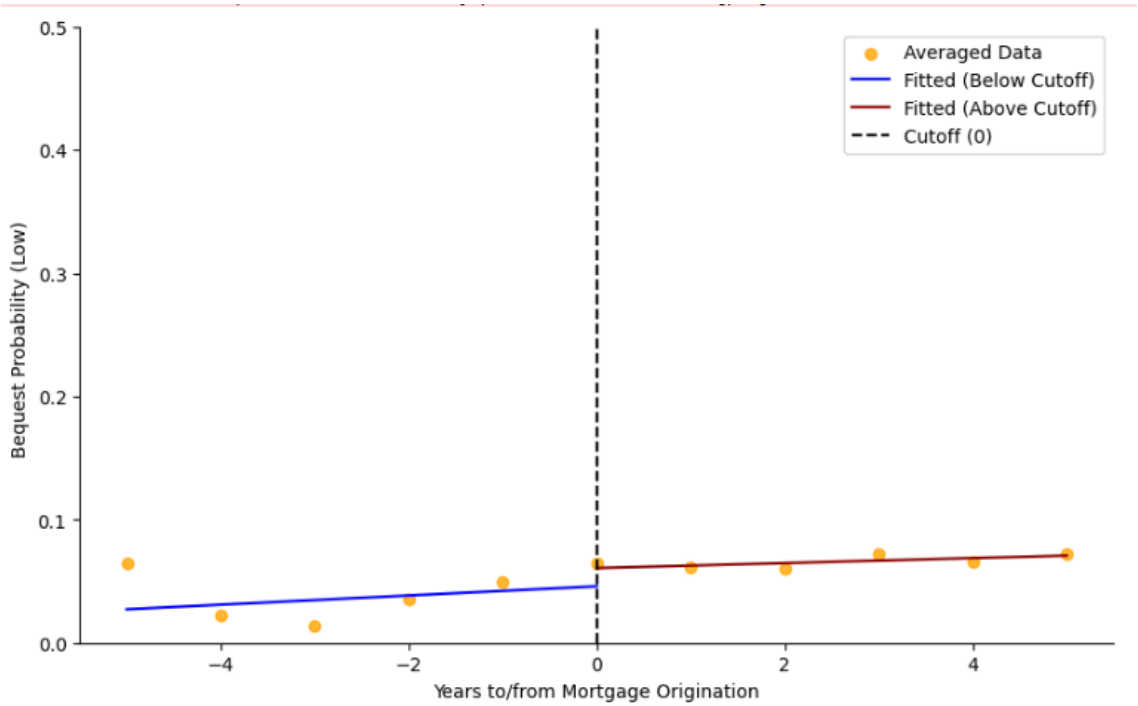
(a) Discontinuity in actual bequest plans

(b) Discontinuity in long term bequeathment plans for individuals after advisor engagement



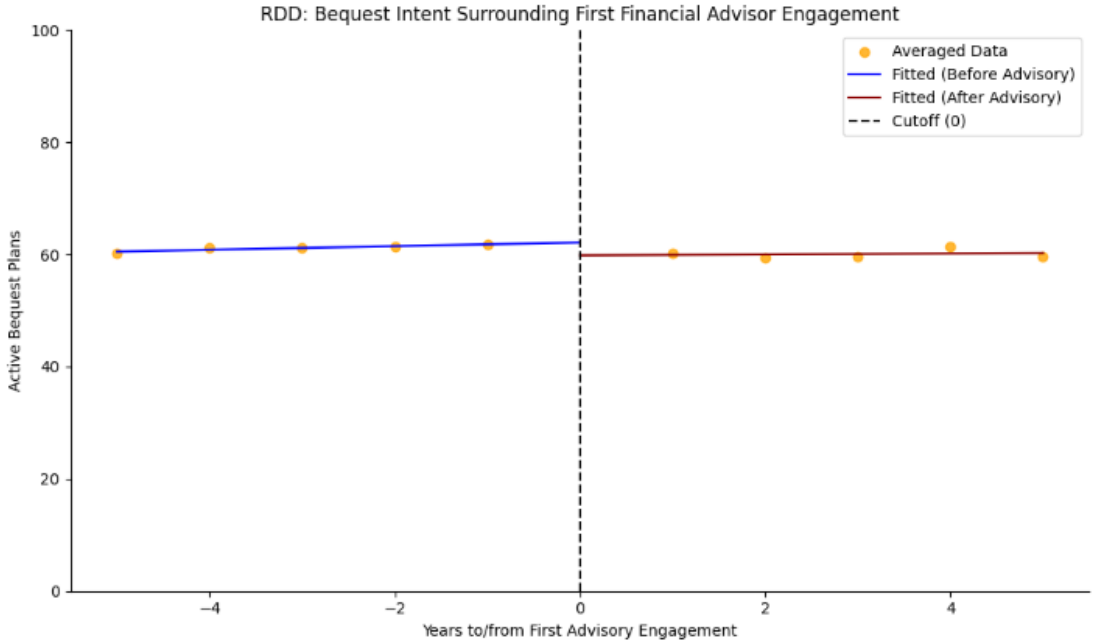
(b) Discontinuity in long term bequest plans

(c) Discontinuity in intentions to save for bequests after mortgage engagement



(c) Discontinuity in intentions to save to bequeath

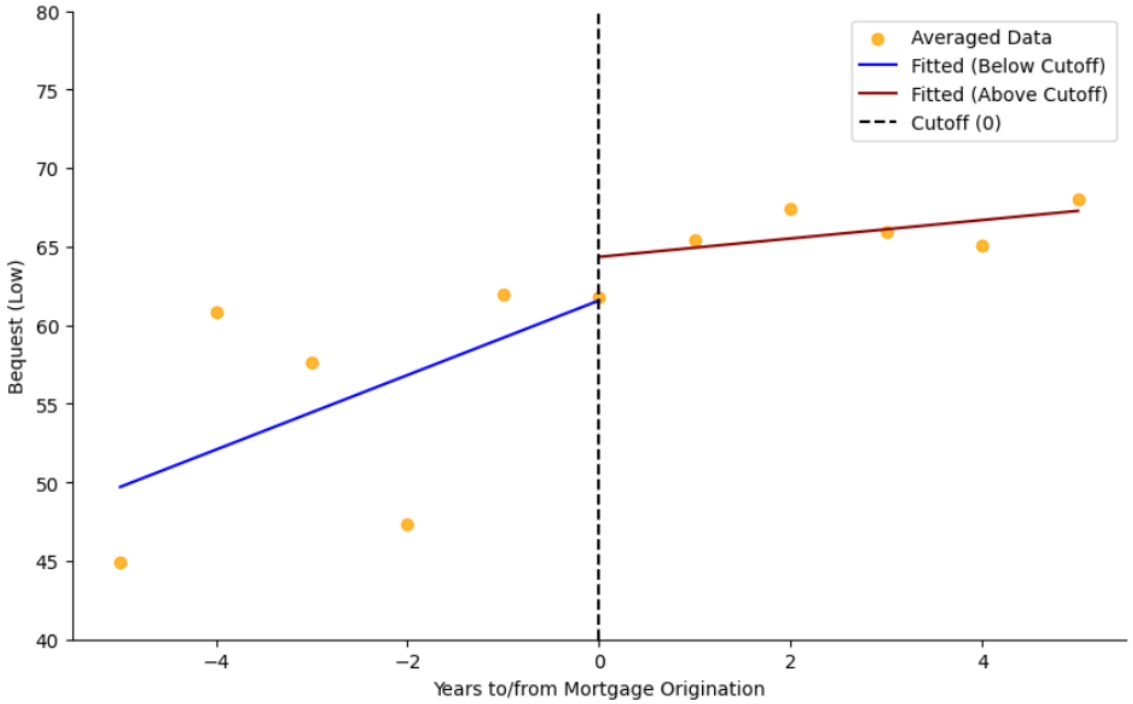
(d) Discontinuity in bequest probabilities (Bequest >10,000)



Note: This figure illustrates discontinuity in bequest probability in the period before and after initial advisor engagement (denoted as time 0). Subfigures (a) through (d) show results for years to/from initial advisor engagement against change in 'active' wealth transfer plan to children, change in long term wealth transfer plan to children, change in intention to save (but using mortgage origination as intervention event) and change in 'Bequest Low' probability.

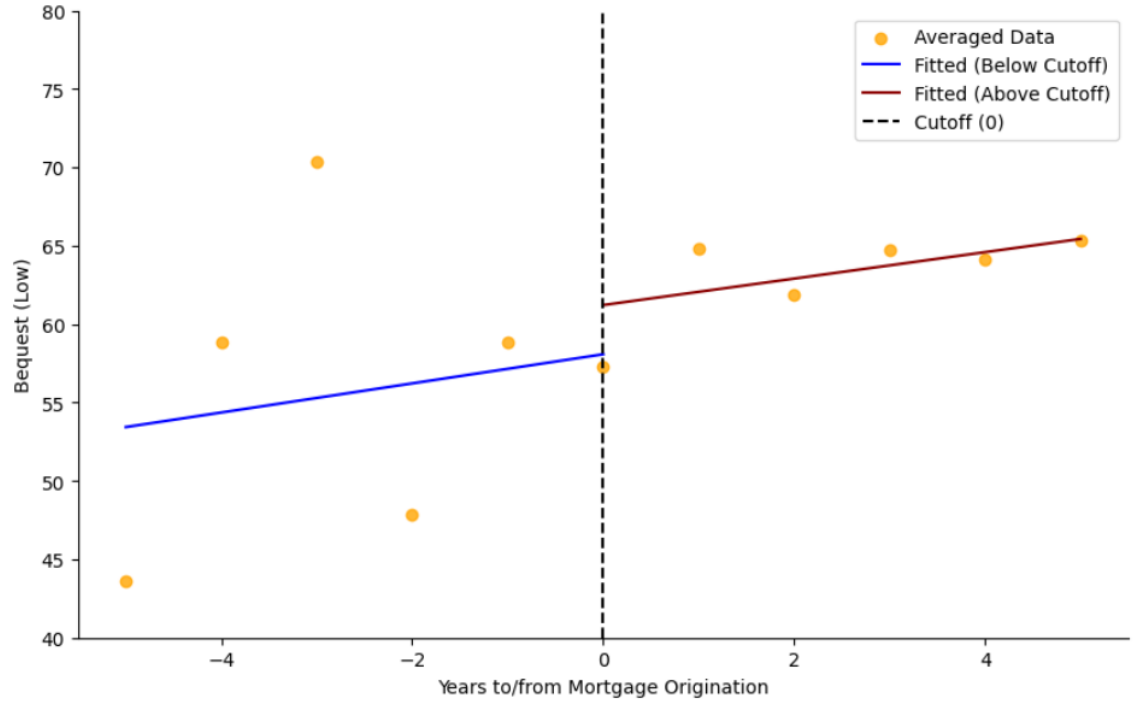
Figure 6: Discontinuity after Mortgage Payment for Sub-sample Groups

(a) Discontinuity in bequest probabilities for individuals married



(a) Sub-sample of married individuals

(b) Discontinuity in bequest probabilities for individuals with children

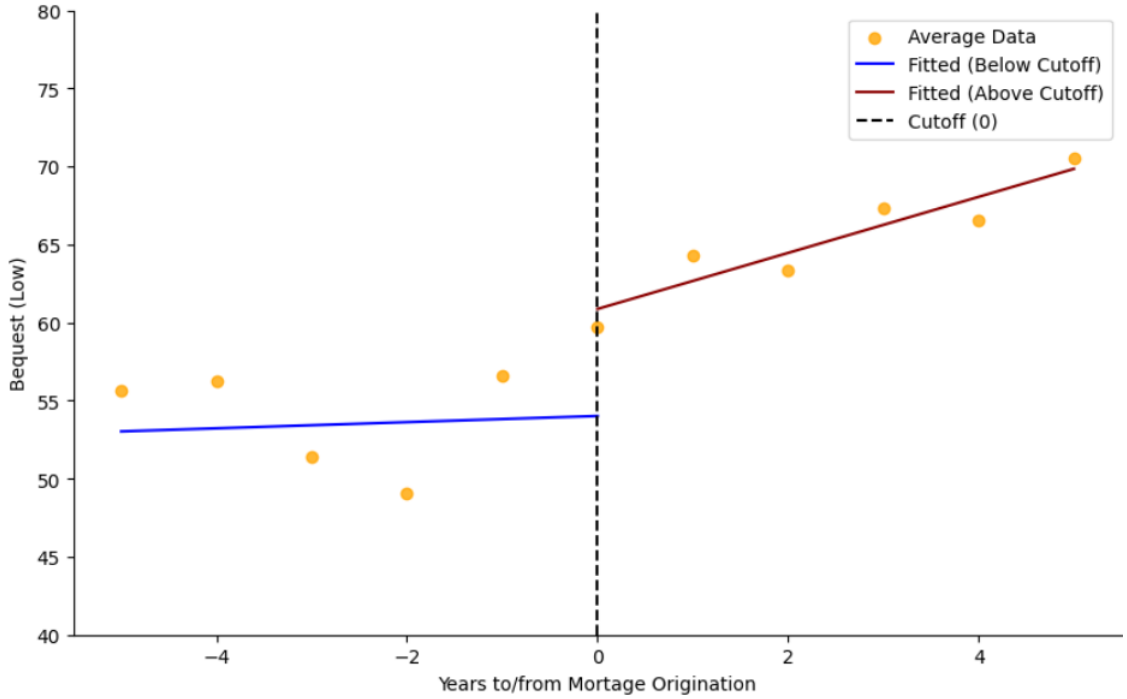


(b) Sub-sample of individuals with children

Note: This figure illustrates the discontinuity in bequest probability (Bequest >10,000) in the years surrounding mortgage undertaking. Subfigures (a) through (b) represent results from sub-samples that are married and with children respectively.

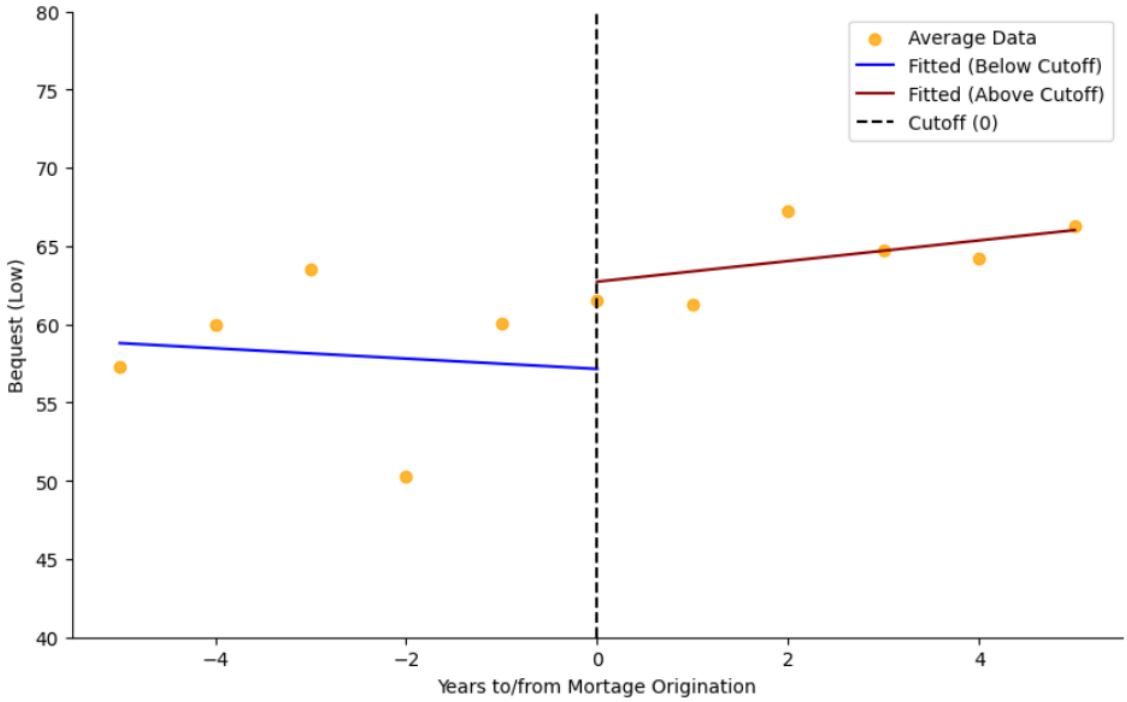
Figure 7: Discontinuity in Bequest Probabilities for Sub-sample of Mortgages Undertaken After and Before 2013

(a) Discontinuity in bequest probabilities (subsample mortgages after 2013)



(a) Mortgage is taken after 2013

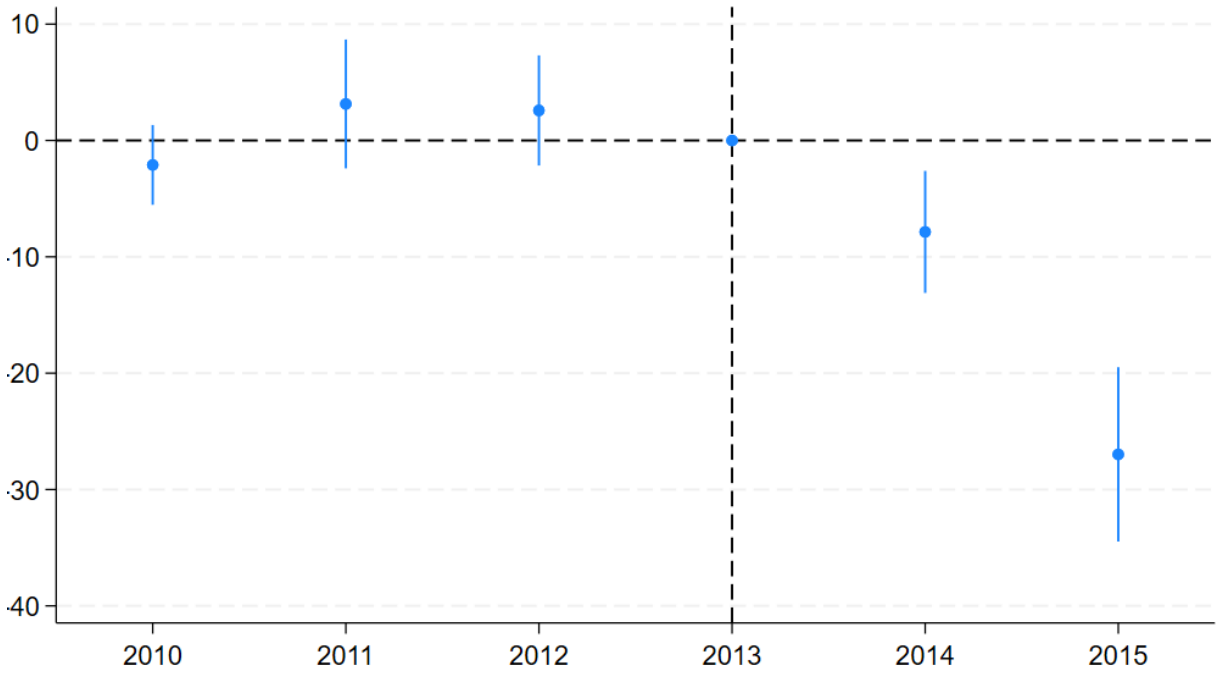
(b) Discontinuity in bequest probabilities (subsample mortgages before 2013)



(b) Mortgage is taken before 2013

Note: This figure illustrates the discontinuity in bequest probability (Bequest >10,000) in years surrounding mortgage undertaking. Subfigure (a) restricts data and mortgage undertaken to strictly after 2013 while (b) restricts data and mortgage undertaken to strictly before 2013.

Figure 8: Impact of 2013 Commission Ban on Bequest Motives



Note: This figure illustrates changes in bequest motives for treatment group before and after 2013 ban on commissions to mortgage brokers. Here, 'Treat' refers to individuals that have ever undertaken a mortgage between 2005 to 2022 while 'Control' are same individuals but refer to the period before they undertake their first mortgage. Dependent variable is 'Bequest Low'. X axis plots year while Y axis plots bequest probability (Bequest >10,000) .

Online Appendix

A Additional Graphs and Tables

Table A(1): Regression Results - Conditional OLS

	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Financial Advisor	0.010	0.032*	0.061**
	(0.015)	(0.016)	(0.025)
Financial Literacy	0.035**	0.048**	0.083***
	(0.016)	(0.018)	(0.028)
Gender	-0.047		
	(0.433)		
Age	0.535***	0.002	
	(0.021)	(0.025)	
Marital Status	0.054**	0.146***	0.185***
	(0.020)	(0.042)	(0.046)
College Education	0.199***	0.217**	0.113
	(0.060)	(0.088)	(0.135)
Living with Children	0.019	-0.014	-0.064
	(0.022)	(0.042)	(0.054)
Ln (HH Wealth)	0.028***	0.033***	0.035**
	(0.007)	(0.008)	(0.012)
Constant	-26.144***	3.326**	2.106***
	(1.252)	(1.366)	(0.088)
Observations	23,063	18,714	8,974
R-squared	0.587	0.647	0.694
Respondent FE	YES	YES	YES
Year FE	YES	YES	YES

Note: This table presents results from estimating equation 1. The dependent variables are probability of bequeathing more than 10,000, 100,000 ad 500,000 respectively and are logged transformed. Therefore obervations where there is no intention to bequeath are removed. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table A(2): Summary Statistics of Bequest Probabilities at Various Thresholds

	Obs	Mean	Median	SD	% Obs=0%	% Obs>50%	Mean Wealth Levels (>= 0%) obs	Mean Wealth Levels (>50%) obs
Bequest >0	41,104	65.39	80	36.87	11%	74%	140,185.00	166,966.00
Bequest >10,000	38,707	59.53	70	37.31	13%	69%	144,373.00	179,707.00
Bequest >100,000	37,373	37.59	25	37.15	27%	42%	147,892.00	230,308.00
Bequest >500,000	34,511	8.85	0	19.27	57%	8%	153,184.00	347,098.00

Table A(2.1): Summary Statistics of Bequest Probabilities at Various Amounts (Conditional on Bequeathment)

	Obs	Mean	Median	SD	% Obs=0%	% Obs>50%	Mean Wealth Levels (>0%) obs	Mean Wealth Levels (>50%) obs	Avg Checking	Avg Savings
Bequest >0	36,755	73.12	90	30.90	11%	74%	149,666.00	166,966.00	1.02	0.87
Bequest >10,000	33,571	68.64	80	31.31	13%	69%	157,211.00	179,707.00	1.02	0.89
Bequest >100,000	27,469	51.15	50	34.42	27%	42%	176,736.00	230,307.00	1.03	0.90
Bequest >500,000	14,680	20.81	10	25.00	57%	8%	188,123.00	347,098.00	1.02	0.89

Note: Table A(2.1) presents summary statistics by including only observations where there is a non-zero probability of bequeathing at various amounts. Wealth figures are based on raw figures and in EUR. Avg checking accounts refer to 'BET' variables in DHS and Avg savings accounts refer to 'SPA' variables in DHS.

Table A(2.2): Summary Statistics of Bequest Probabilities at Various Thresholds (conditional on Bequeathment)

	Obs	Mean	Median	Financial Literacy (mean if >0%)	Reliance on FA (mean if >0%)	Financial Literacy (mean if >50%)	Reliance on FA (mean if >50%)	No. of Savings Deposits+	No. of Checking+
Bequest >0	36,755	73.12	90	0.30	0.28	0.32	0.30	0.59	0.70
Bequest >10,000	33,571	68.64	80	0.31	0.28	0.34	0.30	0.59	0.69
Bequest >100,000	27,469	51.15	50	0.32	0.29	0.37	0.32	0.56	0.66
Bequest >500,000	14,680	20.81	10	0.38	0.28	0.48	0.31	0.47	0.57

Note: Table A(2.2) presents summary statistics by including only observations where there is a non-zero probability of bequeathing at various amounts. The main variables are mean financial literacy and reliance on financial advisor when probability of bequeathing at the various thresholds is more than 0% and more than 50% respectively.+ denote summary when mean figures are computed on conditional probability where >0%.

Table A(3): Regression Results: Bequeathment Condition (Old Age)

	(1)	(2)
	OLS	Probit
	Bequeath Old Age Indicator	
Financial Advisor	-0.001	0.001
	(0.004)	(0.060)
Financial Literacy	-0.000	-0.012
	(0.002)	(0.068)
Gender	0.001	0.140
	(0.002)	(0.085)
Age	0.003	0.001
	(0.004)	(0.003)
Marital Status	-0.011**	-0.079
	(0.004)	(0.089)
College Education	-0.009	-0.326***
	(0.009)	(0.081)
Living with Children	0.012**	0.174*
	(0.004)	(0.100)
Ln (HH Wealth)	-0.000	0.082***
	(0.001)	(0.023)
Constant	-0.155	-2.056***
	(0.214)	(0.221)
Observations	20,636	21,790
R-squared	0.309	-
Respondent FE	YES	NO
Year FE	YES	NO

Note: This table presents results of running an association model where dependent variable is 'Bequeath Old Age Indicator'. This is an indicator variable if individual indicates that he or she bequeaths out of condition; specifically, if they would like to bequeath to their children if they take care of them at old age. Base case is bequeathment without condition (give regardless if respondent is being taken care of), not bequeathing (either no plans or would not bequeath) and none of the statements. Column (1) shows results for OLS and column (2) shows the results for probit model. Standard errors are clustered by respondent. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table A(4): Regression Results: Bequeathment No Condition

	(1)	(2)
	OLS	Probit
	Bequeath No Condition Indicator	
Financial Advisor	0.001	0.044
	(0.004)	(0.040)
Financial Literacy	0.001	0.095**
	(0.003)	(0.040)
Gender	-0.193***	-0.154***
	(0.005)	(0.047)
Age	0.012*	0.006***
	(0.006)	(0.002)
Marital Status	-0.019*	-0.058
	(0.010)	(0.050)
College Education	-0.040	0.084*
	(0.023)	(0.044)
Living with Children	0.012	-0.017
	(0.010)	(0.063)
Ln (HH Wealth)	0.001	0.081***
	(0.001)	(0.014)
Constant	-0.537	-1.806***
	(0.359)	(0.171)
Observations	20,636	21,790
R-squared	0.388	-
Respondent FE	YES	NO
Year FE	YES	NO

Note: This table presents results of running an association model where dependent variable is 'Bequeath No Condition Indicator' . This is an indicator variable if individual indicates that he or she bequeaths regardless of if being taken care at old age. Base case is bequeathment out of condition, not bequeathing (either no plans or would not bequeath) and none of the statements. Column (1) shows results for OLS and column (2) shows results for probit model. Standard errors are clustered by respondent. Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table A(5): Summary Statistics from HRS Experimental Module in 2016

VARIABLES	(1)	(2)
	Mean	SD
Trust in Financial Advisors*	2.27	0.89
Follow Financial Advisor Advice*	5.94	1.29
Satisfaction with MM Advice*	6.00	1.23
Financial Advisor Help MM $^{+}$	0.64	0.48
Friends and Family Help MM $^{+}$	0.32	0.47
Others Help Money Management $^{+}$	0.16	0.37
Estate Planning MM Advice **	0.10	0.31

Note: This table presents summary statistics from the 2016 HRS Experimental Module - module 3. * indicates questions where respondents gauge respond to a scale of 1 to 7. $^{+}$ refers to dummies created from the question asking whom the respondent turns to for money management advice (question pv108 in module). ** refers to a consolidated dummy based on answers to questions on the type of advice sought for money management: (i) Estate planning, (ii) Setting up a trust, and (iii) Writing a will.

Table A(6): Types of Financial Advice Received

VARIABLES	(1)	(2)	(3)	(4)
Type of financial advice received	No. of responses	%	No. of responses	%
Help with Stocks, Bonds or Mutual Funds	197	28%	171	34%
Deciding how to spend savings	59	8%	34	7%
Buying an annuity	41	6%	36	7%
Buying health, life or other insurance	33	5%	25	5%
Selecting a prescription drug plan	8	1%	2	0%
Deciding about social security or pension benefits	33	5%	21	4%
Selling or buying property	22	3%	13	3%
Help with home equity loan or reverse mortgage	12	2%	8	2%
Estate planning	40	6%	31	6%
Setting up a trust	23	3%	18	4%
Writing a will	23	3%	18	4%
Others	223	31%	120	24%
Total Observations:	714	100%	497	100%

Note: This table presents summary statistics based on the 2016 HRS Experimental Module - module 3. + is based on PV110 questions (types of money management help received) and respective answers. Columns (1) and (2) are based on full sample that answered questions while columns (3) and (4) are based on only for those who indicated reliance on financial advisors for money management help.

Table A(7): Sub-sample Statistics for Individuals that Rely on Financial Advisors - HRS and DHS

VARIABLES	DHS (N=3354)		HRS (N=288)	
	Mean	SD	Mean	SD
Age	55.64	14.20	65.64	10.91
Number of Children	1.73	0.95	2.58	1.61
Marital Status	0.71	0.45	0.75	0.43
Gender	0.51	0.50	0.43	0.50
College Education^{+}	0.43	0.50	0.75	0.43
Own Housing	0.85	0.36	0.94	0.24
HH Income (win.)*	26,525.00	23,273.00	131,581.24	108,022.79
HH Wealth (win.)**	161,071.00	207,260.00	979,039.04	1,049,251.75

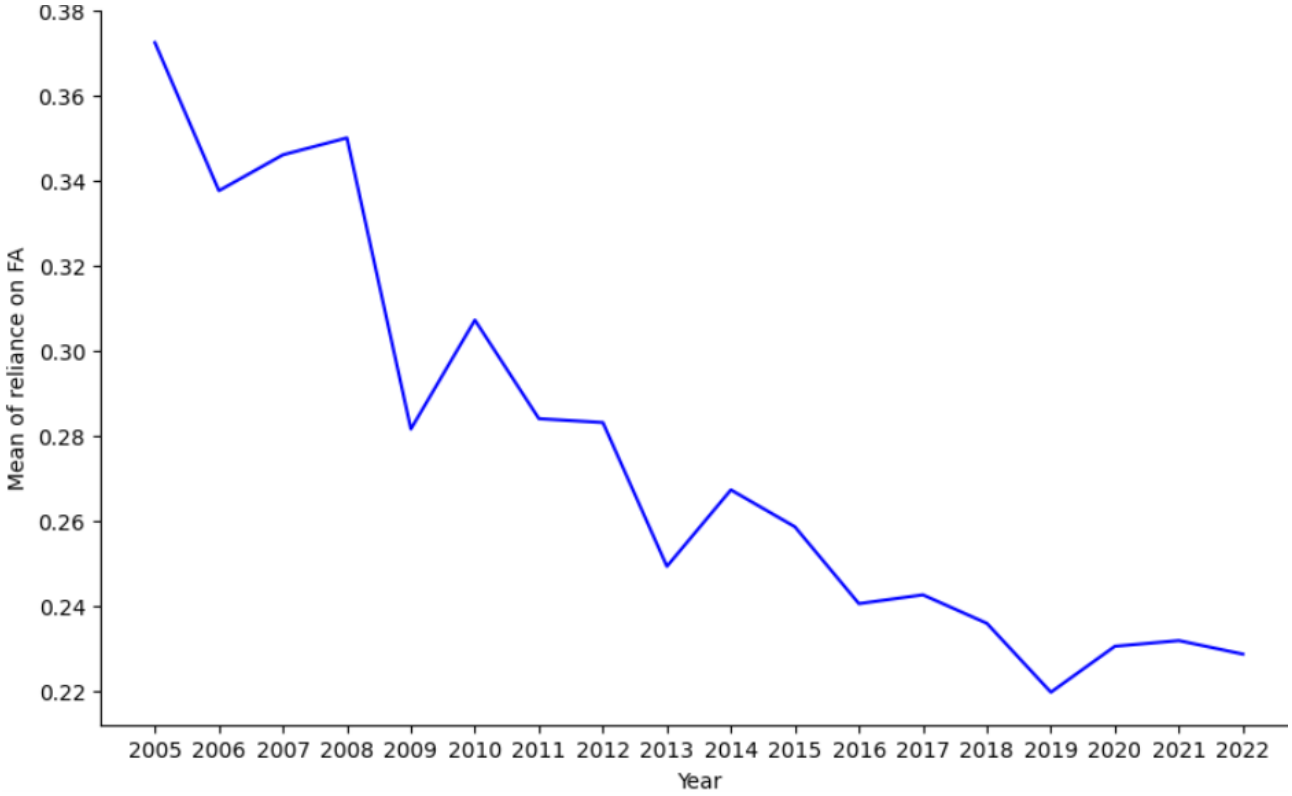
Note: This table presents summary statistics of the DHS and HRS sub-samples respectively among those who rely on financial advisors for advice. $^{+}$ refers to respondents in the DHS data who indicate that they rely on a financial advisor. * refers to respondents in the HRS 2016 Module who answered they rely on a financial advisor for money management advice. ** Values are winsorized. Sample period for DHS data is 2005 to 2022. DHS nominal figures are in EUR while HRS nominal figures are in USD. Also, full sample for HRS is 448 based on number of respondents who answered question on advisor in 2016.

Table A(8): RD Design Results with Morgage Origination as Intervention Event (Quadratic)

Variable	Left Fitted	Right Fitted	Difference	t-statistic	p-value	95% Confidence Interval
Bequest (Low)	56.34	67.31	10.97	6.33	2.55e10	[7.57, 14.37]
Bequest (Medium)	25.46	42.43	16.86	8.93	4.60e-19	[13.16, 20.56]
Bequest (High)	7.92	9.46	1.54	1.50	0.13	[-0.47, 3.55]
Reliance on FA	0.17	0.31	0.14	5.82	5.87e-09	[0.09,0.18]
Ln(HH wealth)('000)	33.07	182.53	149.46	15.33	8.82e-53	[130, 168]
College Education	0.71	0.57	-0.15	-6.35	2.16e-10	[-0.19, -0.100]
Age	36.32	49.91	13.58	22.78	8.97e-114	[12.41, 14.75]
Financial Literacy	0.29	0.35	0.07	2.76	5.81e-03	[0.02, 0.11]
Living with Children	0.27	0.44	0.17	7.75	9.39e-21	[0.13, 0.21]
Marital Status	0.29	0.66	0.37	15.93	7.7e-57	[0.32, 0.42]
Gender	0.53	0.65	0.11	5.17	2.32e-07	[0.07, 0.16]

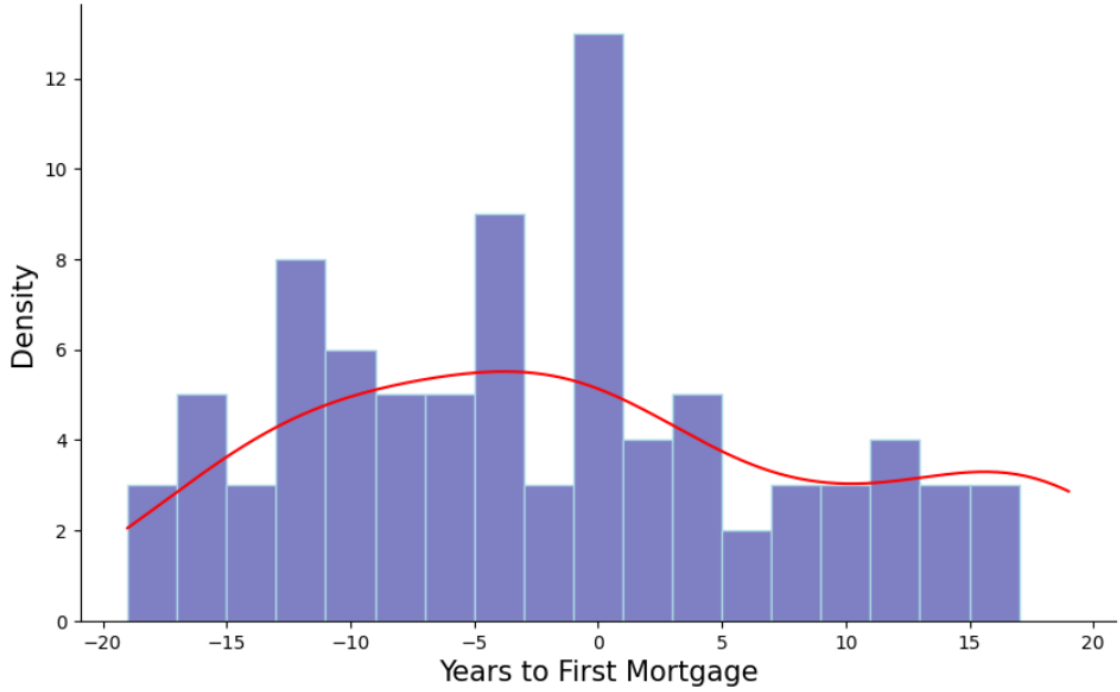
Note: This table presents results from estimating equation 2in an RD analysis with robust 95% confidence intervals in quadratic format. The results is similar to Table 2 except this they are estimated with quadratic function. The 'Left Fitted' and 'Right Fitted' columns represent predicted values for the outcome variable on either side of the threshold. The difference column represents the estimated treatment effect. *** p <0.01, ** p <0.05, * p <0.1.

Figure A(1): Mean Reliance on Financial Advisor by Year



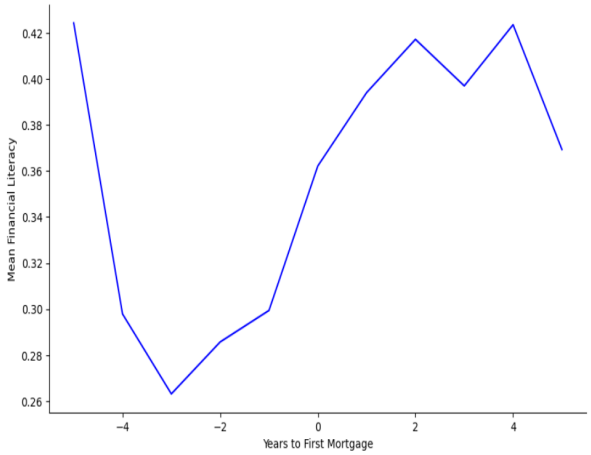
Note: This figure illustrates trend of reliance on financial advisor on a time series basis across sample period between 2005 and 2022.

Figure A(2): Histogram Plot of Density of Years from First Mortgage

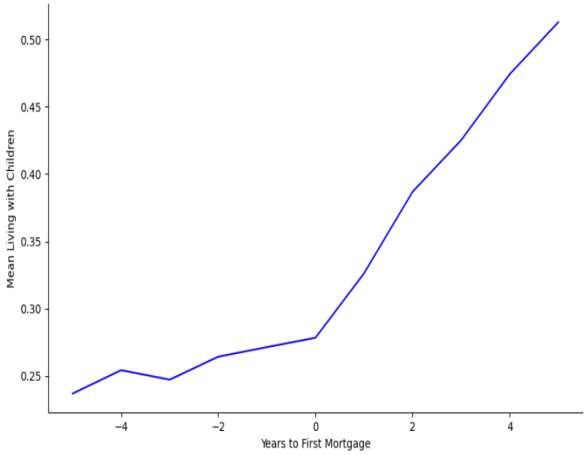


Note: This figure shows density plot with regards to number of observations in each bin (2 years) of years from first mortgage.

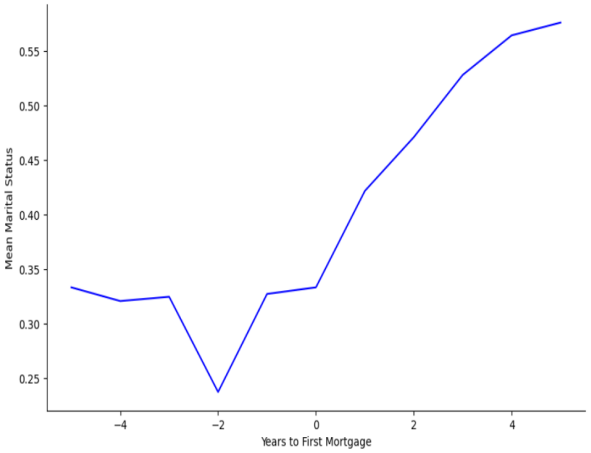
Figure A(3): Descriptive Statistics of sample in Years Before and After Mortgage is Undertaken - continued



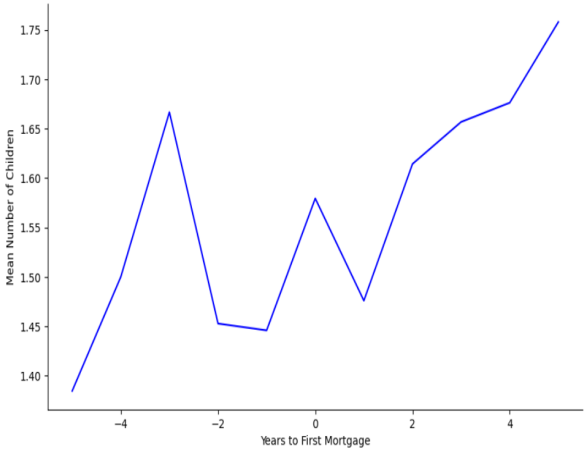
(a) Mean Financial Literacy and Years to First Mortgage*



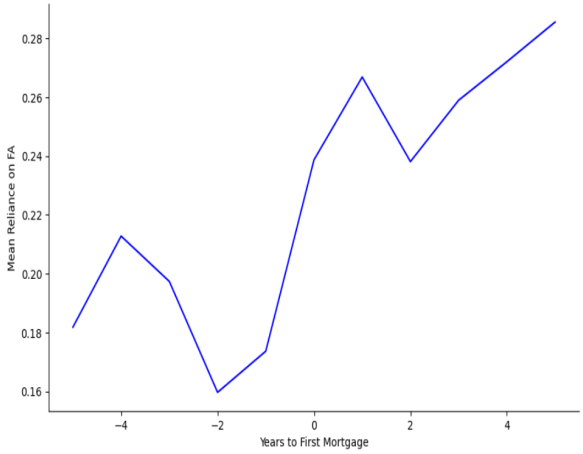
(b) Mean Living with Children and Years to First Mortgage*



(c) Mean Marital Status and Years to First Mortgage



(d) Mean Number of Children and Years to First Mortgage

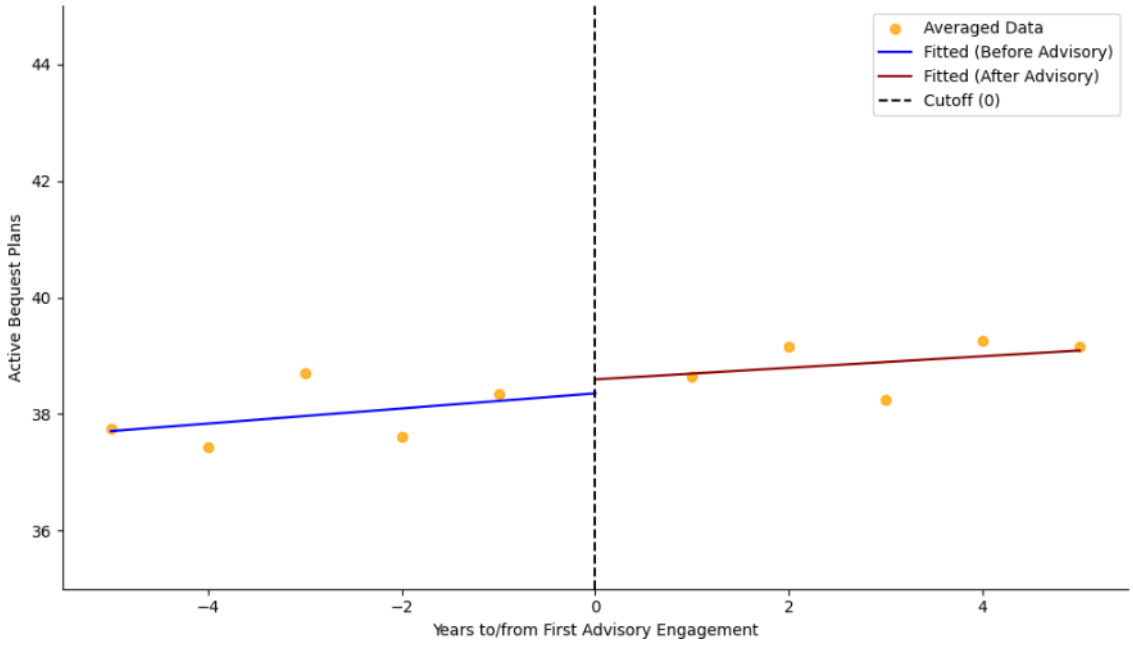


(e) Mean Reliance on FA and Years to First Mortgage

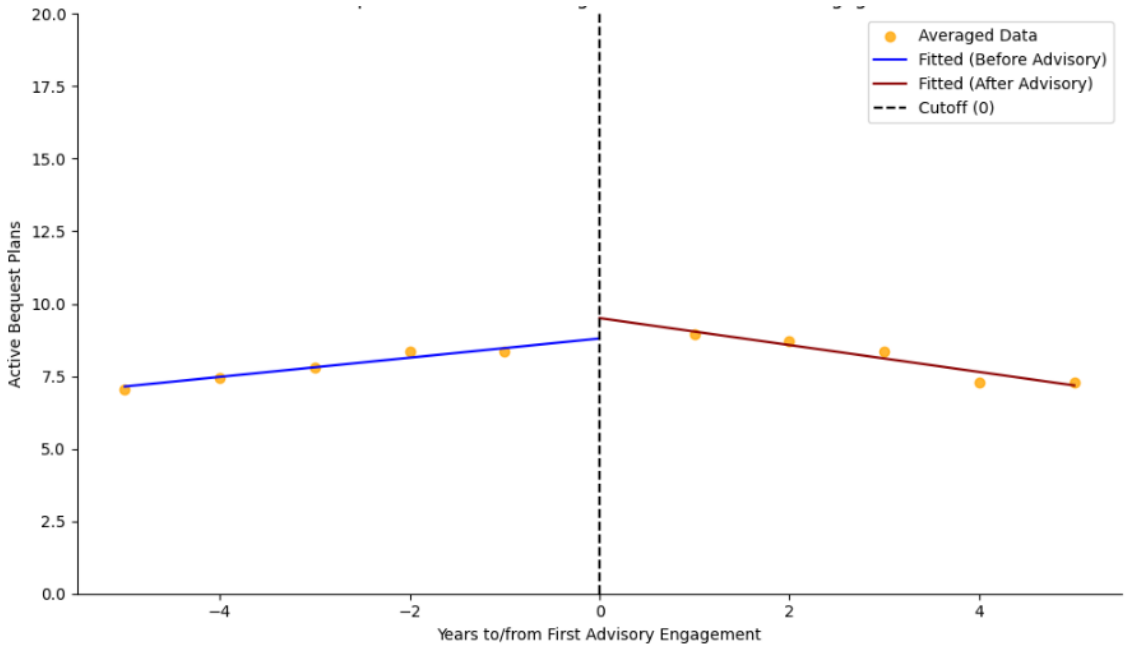
Note: This figure illustrates trend of years surrounding mortgage undertaken against bequest motives and demographics. Years to first mortgage is defined as number of years to and from year where one first purchase, inherit or build a house that is accompanied by a mortgage. Mean Bequest (Small) refers to 'Bequest Low' while Mean Bequest (Large) refers to 'Bequest High'. Subfigures (a) through (e) shows results for years to first mortgage against financial literacy, living with children indicator, martial status, number of children and financial advisor indicator.

Figure A(4): Discontinuity After Initial Financial Advisor Engagement - continued

(a) Discontinuity in bequest probabilities (Bequest >100,000)



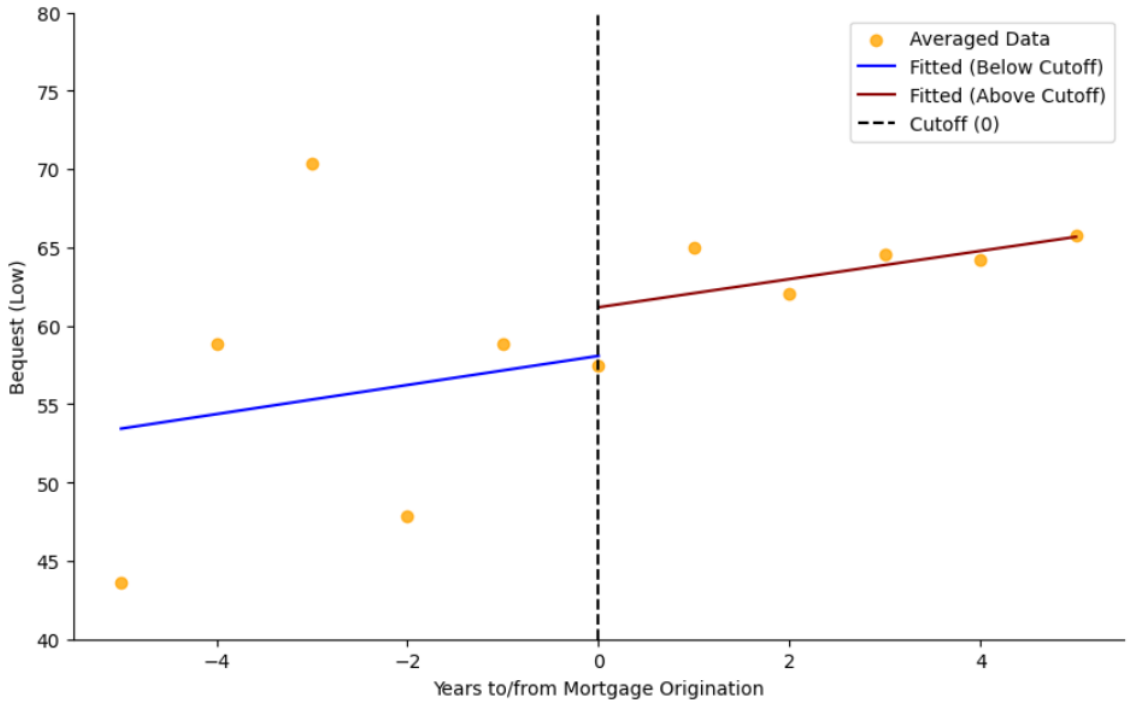
(b) Discontinuity in bequest probabilities (Bequest >500,000



Note: This top figure illustrates the discontinuity in Bequest >100,000 in years surrounding initial advisor engagement and bottom figure illustrates discontinuity in Bequest >500,000 probabilities.

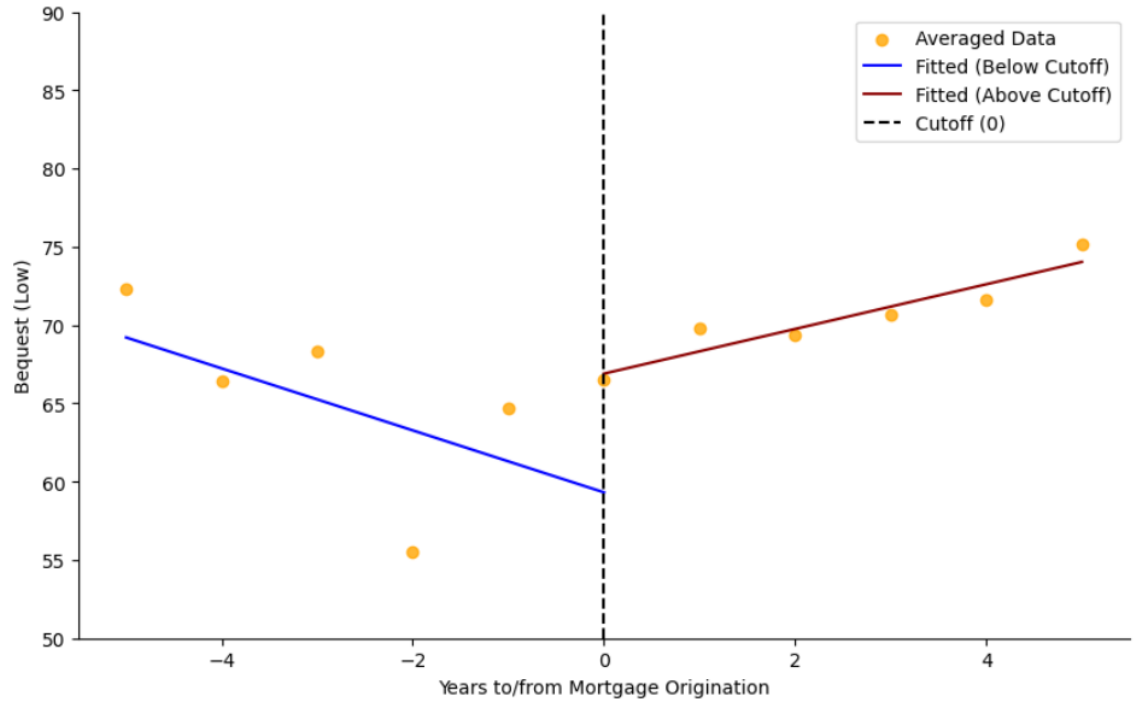
Figure A(5): Discontinuity after Mortgage Payment for Sub-sample Groups - continued

(a) Discontinuity in bequest probabilities for individuals living with children



(a) Sub-sample of individuals married with children

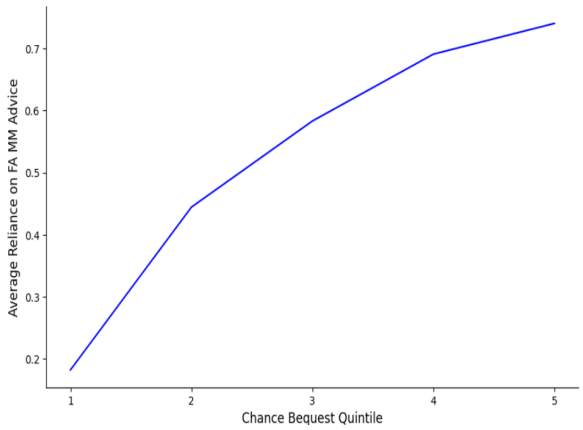
(b) Discontinuity in bequest probabilities for individuals who are financially literate



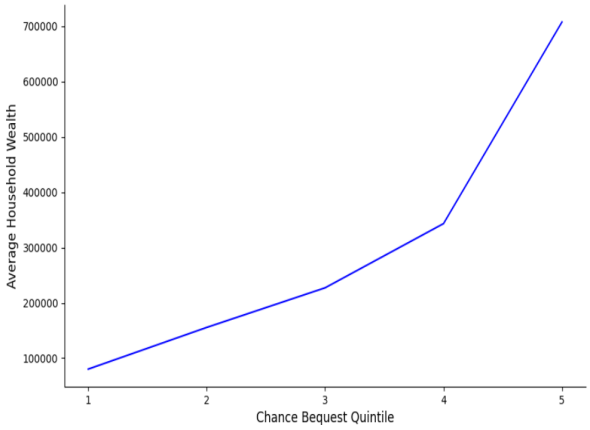
(b) Sub-sample of individuals who are financially literate

Note: This figure illustrates the discontinuity in bequest probability (Bequest >10,000) in the years surrounding mortgage undertaking. Subfigures (a) and (b) represent results from living with children and who are financial literate respectively.

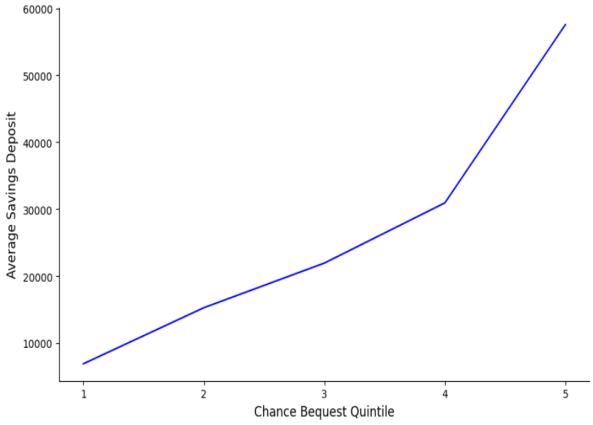
Figure A(6): Plot of Reliance on Financial Advisor against Demographics and Financial Variables



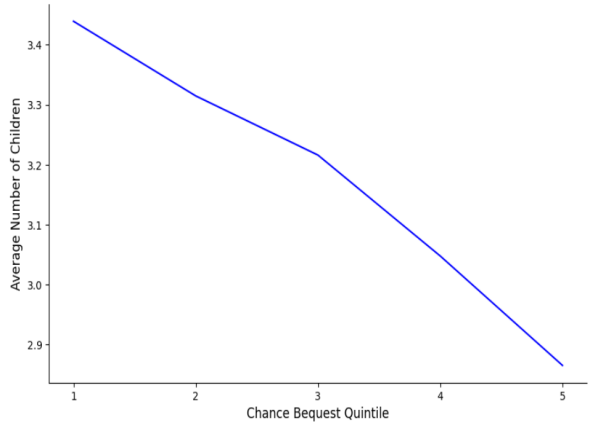
(a): Chance leave bequest against Financial Advisor



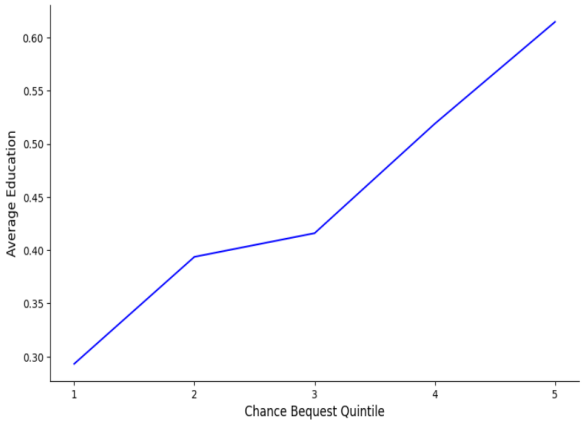
(b): Chance leave bequest against household wealth



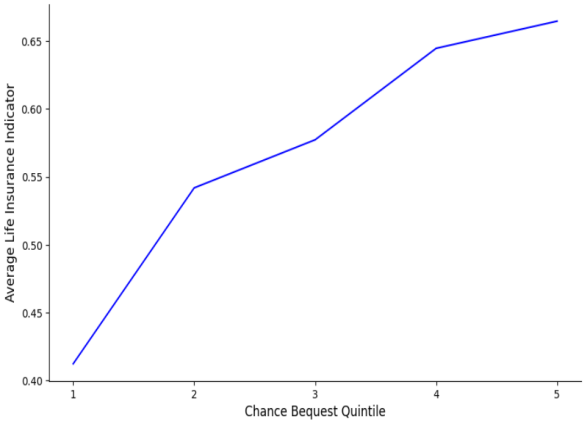
(c): Chance leave bequest against Savings deposits



(d):Chance leave bequest against Number of children



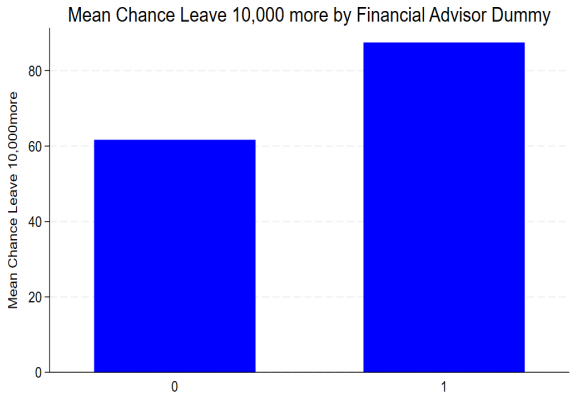
(e): Chance leave bequest against Education



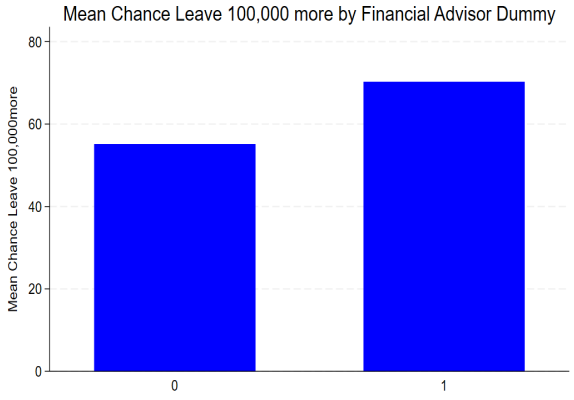
(f):Chance leave bequest against Life Insurance indicator

Note: This figure illustrates trend of bequest probability against demographic and financial factors. Chance leave bequest refers to (Bequest >>10,000) and is segmented into quintiles. Subfigures (a) through (f) report results based on Bequest >10,000 and association with reliance on financial advisor, household wealth, savings and deposit, number of children, college education and life insurance indicator. Data is based on the 2016 HRS experimental module survey which is cross-sectional.

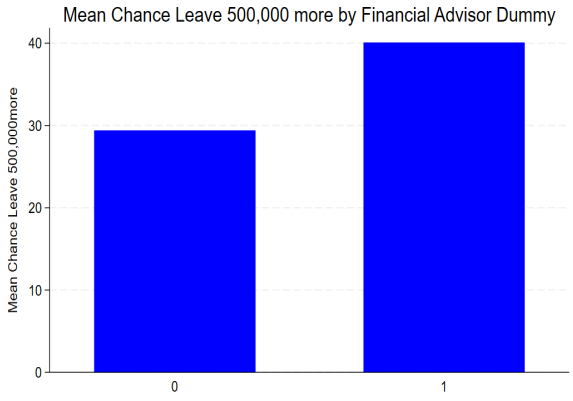
Figure A(7): Differences in Bequest Motives and Demographics Between Reliance on Financial Advisor or Otherwise (HRS)



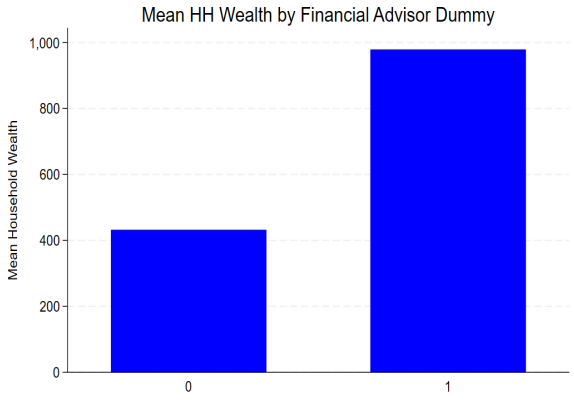
(a): Financial Advisor against bequest >10,000



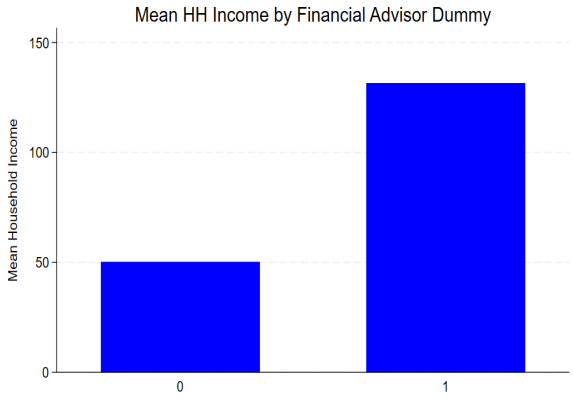
(b): Financial Advisor against bequest >100,000



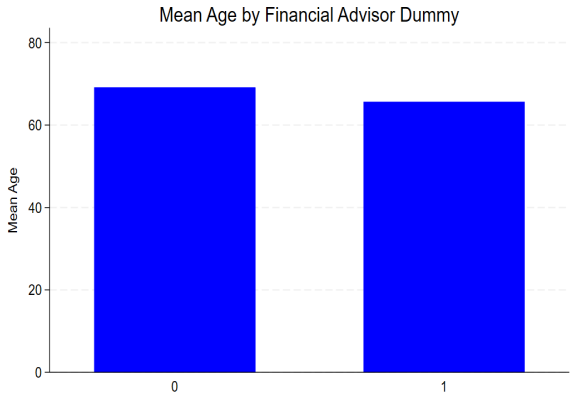
(c): Financial advisor against bequest >500,000 more



(d): Financial advisor against Household Wealth



(e): Financial advisor against Household Income



(f): Financial advisor against Age

Note: This figure illustrates bar charts decomposing reliance on financial advisor into '1' which refers to reliance on financial advisor and '0' which refers to no reliance on financial advisor against bequest and demographic factors. Subfigures (a) through (f) report results based on reliance on financial advisor and impact on bequest >10,000, bequest >100,000, bequest >500,000, household wealth, household income and age. Data is based on the 2016 HRS experimental module survey which is cross-sectional.