

# DO FINANCIAL ADVISORS INFLUENCE BEQUEST MOTIVES?

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## INTRODUCTION

We investigate how financial advisors impact bequest motives using data from DNB (De Nederlandsche Bank) Household Survey. We employ three approaches. First, a regression discontinuity (RD) design based on the timing of mortgage commitments by Dutch households reveals that **individuals with mortgages are 8 pp more likely to plan for bequests**. We attribute this effect to the role of financial advisors, whom individuals are exposed to during the mortgage process. To provide direct evidence, we exploit the **2013 ban on mortgage broker commissions in Netherlands** and find that, on average, **households with mortgages are 15 pp 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.

## METHODS

Database: DHS (2005 –2022) and HRS (2016)

1) RD design using mortgage commitments

2) DiD event shock; FA commission ban

3) IV; instrument reliance on FA with banking branches

4) External validity

Financial Advisors (external)

Bequest Choices (attitudes and tool)

Gender, Financial Literacy, HH Wealth, Living Child, Marital status, Age, Education

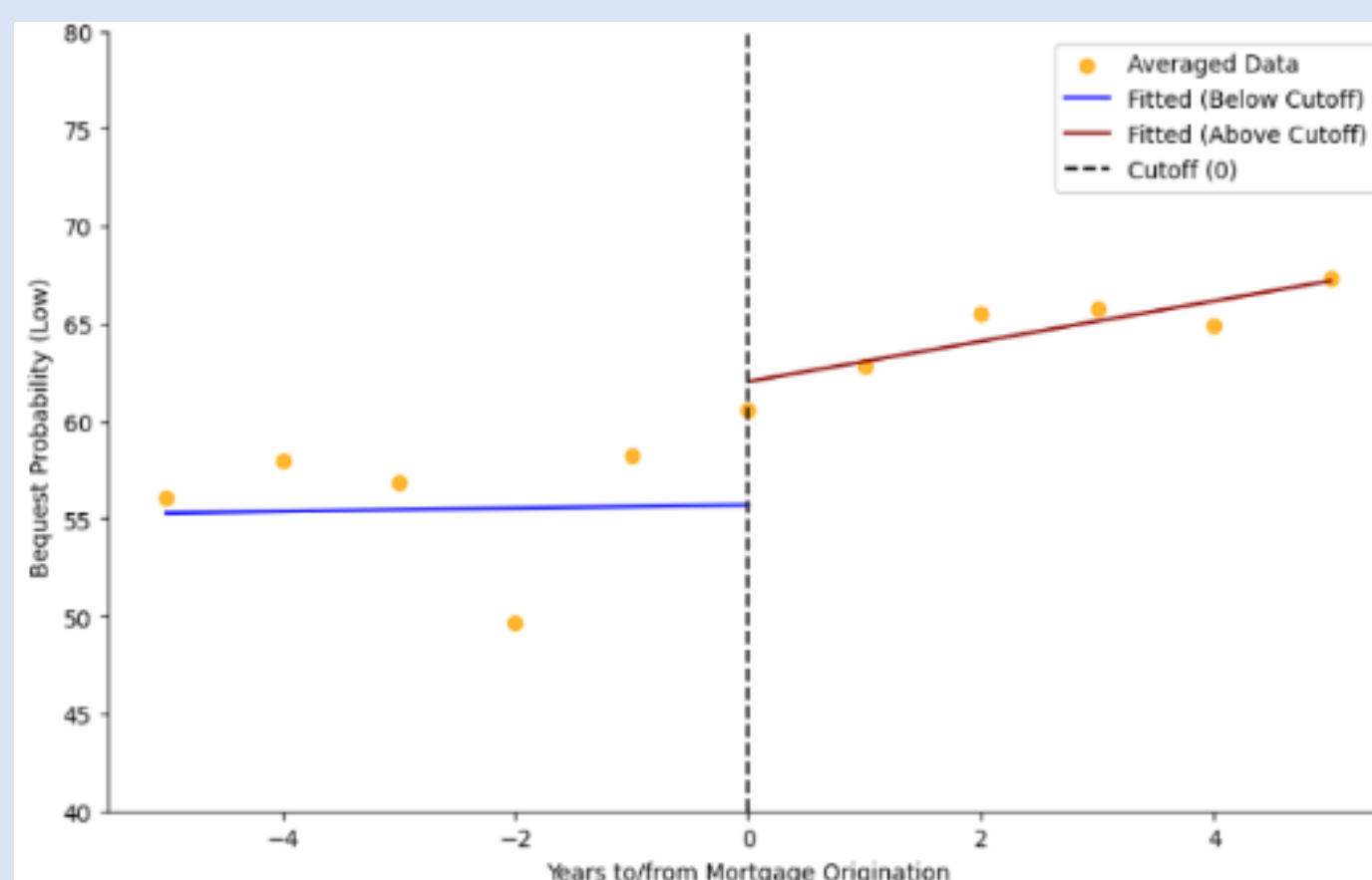
Hypothesis: FAs impact bequest motives (probability of bequeathing) as well as objective bequest decisions such as medium of wealth transfer. However, less evidence that they are able to influence personal bequest decisions such as conditions for bequeathment that is driven more by personal preferences.

## RESULTS

### (a) RD design setting using timing of mortgage commitments as intervention event reveal individuals with mortgages are likely to bequeath 8pp higher

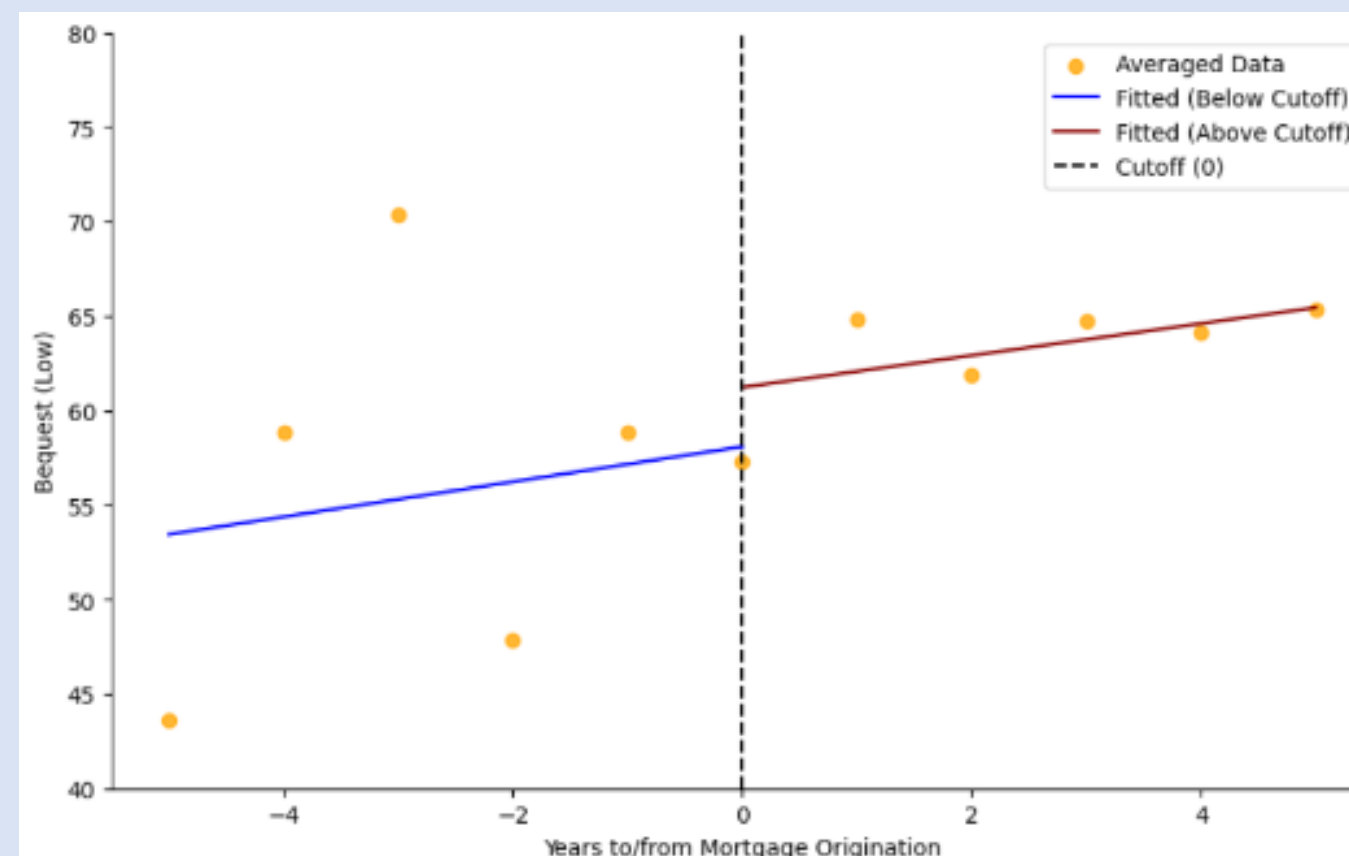
- Compare years surrounding mortgage first undertaken and find a discontinuity in terms of bequest motives post mortgage commitment.
- Setting: Examine 5-year period pre and post intervention

Figure 1: Discontinuity after mortgage commitment for full sample



- Explain away alternate possibilities that may be associated with mortgage commitments that may be driving bequest motives via sub-sample analysis (*non-married, no and not living with children and less financially literate*)
- Eg: Jump in bequest motives persist for individuals with children; supporting role of FAs in bequest motives.

Figure 2: RD Design Heterogeneity –With children sample



- Also, 60% of home mortgage in Netherlands involve mortgage brokers (Mckinsey 2023 report); validating identifying assumption of mortgage and FA

### (b) DiD analysis: Direct evidence of FA role in driving bequest motives via exogenous shock on FA engagements (2013 ban on broker commissions in Netherlands)

- Resulted in 25% decrease in FA reliance post-event (de Bruin et al. (2024))
- 'Treat' group (individuals with mortgages) experienced decline in bequest motives post-event 2014, 2015.

Figure 3: Event Study DiD Plot

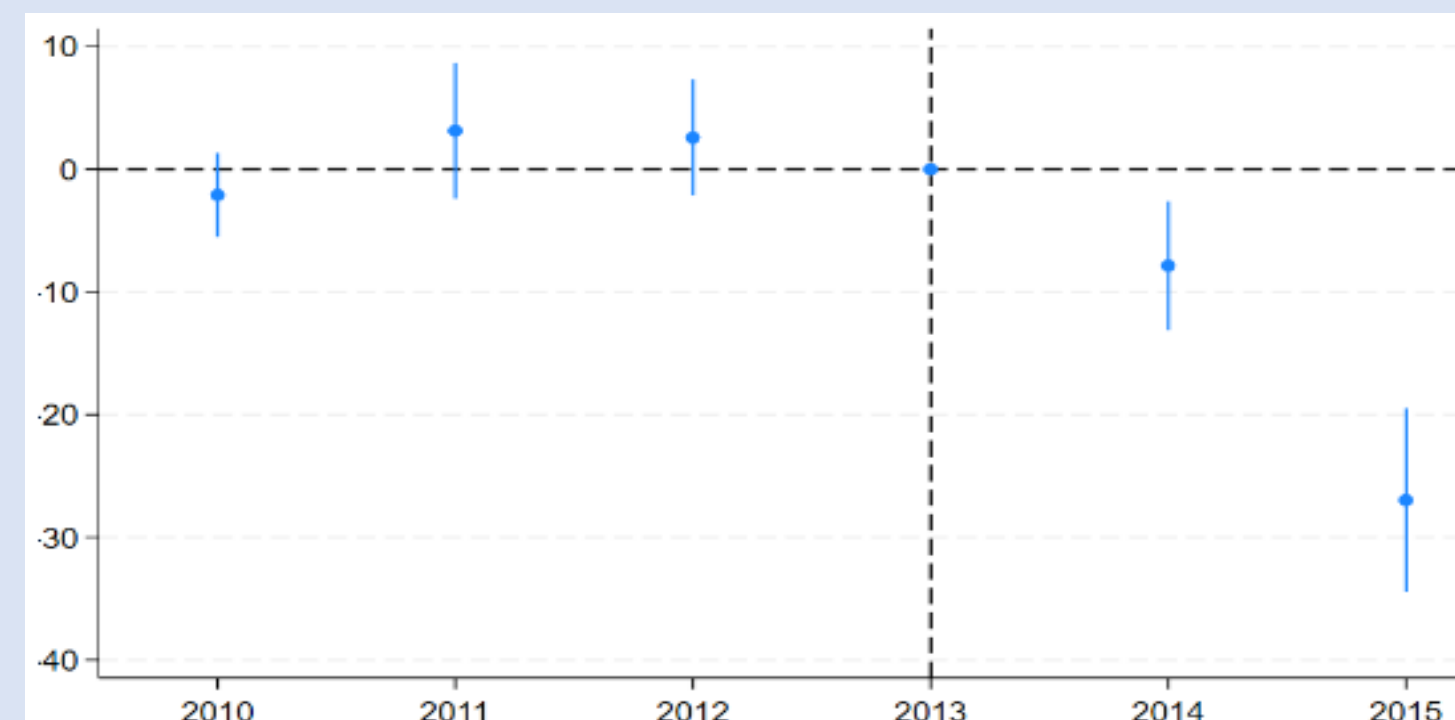


Table 1: DiD Regression Results (2010 – 2015)

	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Treat x Post	-8.380** (2.727)	-30.656*** (5.171)	-4.715** (2.068)
Treat	-0.150 (5.885)	9.261 (6.483)	-0.353 (2.125)
Financial Advisor	0.397 (1.074)	-0.210 (1.216)	-0.068 (0.233)

- 'Treat x Post' shows households with mortgage ~15 pp less likely to bequeath post-event.

### (c) Instrument reliance on FA with number of province branches

- F statistics > 20 for first stage; relevance as banking branch associated with FA and exogenous as banking branch alone should not impact bequests
- Instrumented FA is positively significant with bequests.

Table 2: IV Second Stage

	(1)	(2)	(3)
	Bequest (Low)	Bequest (Medium)	Bequest (High)
Propensity Score	55.52	24.23	7.30
Financial Advisor (Ins)	52.894*** (15.151)	45.033*** (14.855)	-19.265** (9.233)
Financial Literacy	18.796*** (1.225)	-25.89*** (1.204)	25.89*** (0.608)
Gender	-1.021 (0.047)	-1.852** (0.651)	-0.961** (0.144)

### (d) External validity: HRS 2016

- Reliance on FA results in 12 &16 pp more likelihood of making a will (probit) & bequeathing >10,000 (indicator) respectively.
- FA impact bequest mediums like wills, trust

Table 3: HRS Survey

	(1)	(2)	(3)	(4)	(5)	(6)
	OLS	Probit	OLS	Probit	OLS	OLS
Made Will Dummy						
Life Insurance Dummy						
Bequest >10,000						
Bequest >10,000 dummy						
Financial Advisor*	0.150*** (0.047)	0.409*** (0.149)	0.137*** (0.051)	0.381*** (0.144)	0.190*** (0.036)	0.157*** (0.030)
Education	0.125*** (0.048)	0.384** (0.150)	-0.020 (0.051)	-0.053 (0.148)	0.036 (0.035)	0.057* (0.029)

## DISCUSSION

- Initial attempt to understand external drivers of bequests in the form of financial advisors' influence with impact on life cycle model.
- Find influence to be more pronounced for bequest motives involving actual bequest amounts and mediums of bequest but not on decisions involving personal beliefs such as conditions for bequeathment.
- Main identification comes from RD design (mortgage commitments as intervention), DiD framework (exogenous 2013 ban on commissions which is a direct test of FA influence) and IV (instrument reliance on FA with province branches). Unique mortgage and advisory landscape in Netherlands.
- Further rule out alternative explanations via sub-sample tests as individuals with children show similar 'jump' in bequest motives post initial mortgage undertaking. External validity from HRS data.
- Results vary when using initial engagement with FA as intervention; likely due to less complete data compared to mortgage undertaking.
- Explain channel via individual investor's long term beliefs and impact of FAs on individual priors.

## REFERENCES (sample)

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