CANADA MORTGAGE AND HOUSING CORPORATION

THE IMPACT OF INHERITANCES ON THE HOUSING AND MORTGAGE MARKETS IN CANADA OVER THE NEXT 10 YEARS

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The Impact of Inheritances on the Housing and Mortgage Markets in Canada Over the Next 10 Years

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Prepared for:
Canada Mortgage and Housing Corporation

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EXECUTIVE SUMMARY

Clayton Research Associates Limited was commissioned by Canada Mortgage and Housing Corporation to fill an identified information gap by undertaking this preliminary analysis of the potential impact of future inheritances on the housing and mortgage markets in Canada.

Key highlights are presented below:

- The amount of wealth that will be transferred from older to younger Canadians via inheritances and gifts of money is expected to grow steadily over the next 10 years. However, the extent of the increase is likely to be considerably less than has been speculated upon. The total value of Inheritances and gifts of money over the next 10 years is expected to be only 25 percent higher on average per year than in the first half of the 1990s.

- Moreover, at the same time that the total amounts of inheritances and gift of money will be growing, the number of recipients of these inheritances and gifts of money will also be increasing. Therefore, the rate of growth in inheritances and gifts of money per household is expected to be more moderate than the rate of growth in the total value.

- Inheritances and gifts of money play a relatively small role in the housing and mortgage markets. Only about one-quarter of inheritances and one-third of gifts of money are used primarily for housing or mortgage market-related purposes – that is, down payments on a first home, trading up to a more expensive home, renovation work, paying down mortgage debt, etc.

- The figure on the next page summarizes the projected flows of inheritances and gifts of money into the housing and mortgage markets over the next 10 years. The renovation sector and the mortgage market are expected to account for the majority of the total flows into the housing and mortgage sectors. Note that the flows into the mortgage sector are expressed as negatives, since they represent use of inheritances and gifts of money to pay down mortgage debt – which would be a negative impact for mortgage lenders.

- These inflows of inheritances and gifts of money to each sector may seem substantial, but they need to be put in perspective. When viewed in terms of the total size of each of these markets, the additional impacts provided by the modest increases in inheritances and gifts of money expected over the next 10 years in general are not very significant.

- It should be stressed that the analysis here does not show the net impact of inheritances on each sector, but rather only the flow of inheritances and gifts of money directly into each sector. To analyze the net impact of inheritances and gifts of money on each sector would require the development of an in-depth behavioural model that takes account of how people modify their behaviour after receiving inheritances/gifts of money, and in particular to what extent inheritances and gifts of money replace other sources of funds. The development of such a model was beyond the scope of this preliminary work on the subject, but could form the basis for future work in this area.

Size and Relative Importance of Flows of Inheritances and Gifts of Money into the Housing and Mortgage Markets, Canada*

	Average Annual Flows of Inheritances and Gifts of Money into Each Market Sector			Expressed as % of the Total Estimated Value of the Sector in 1996	
	Estimated 1991-1996	Projected 1996-2006	Change 1996-2006 Relative to 1991-1996	Projected 1996-2006	Change 1996-2006 Relative to 1991-1996
	Millions of 1996 Constant Dollars				
First home market, new	107	126	19	1.80%	0.27%
First home market, existing	403	488	84	2.44%	0.42%
Move-up market, new	150	180	30	1.12%	0.19%
Move-up market, existing	80	102	21	0.36%	0.08%
Vacation home/investment property market	269	329	60	n.a.	n.a.
Renovation	1,173	1,442	269	7.59%	1.42%
Total	2,182	2,666	484	n.a.	n.a.
Subtotal new home market	257	306	49	1.33%	0.21%
Subtotal existing home market	484	589	106	1.23%	0.22%
Subtotal first-time buyer market	511	614	103	2.27%	0.38%
Subtotal move-up buyer market	230	281	52	0.64%	0.12%
Mortgage market**	-756	-931	-176	-0.26%	-0.05%

* The analysis here shows only the flows of inheritances and gifts of money into each sector – it does not necessarily reflect the net impact that these flows will ultimately have on each market sector.

** The values for the mortgage market are shown as negatives, since they represent amounts by which households use inheritances and gifts of money to pay down their mortgage

Source: Estimates and projections by Clayton Research

Despite its limitations, this preliminary analysis does have important implications for various housing industry participants:

- **Mortgage insurers.** The expected net impact on the first-time buyer market of moderately higher inheritances and gifts of money over the next 10 years is very small in terms of the total size of the market. Therefore, other things being equal, there is unlikely to be any significant change in the need for mortgage insurance over the next 10 years.

- **Mortgage lenders.** The analysis here suggests that there is no basis for any fear that future inheritances and gifts of money will have a detrimental impact on the mortgage market from a lender's perspective. Relatively few recipients have used inheritances and gifts of money in the past to pay down mortgage debt; they are more likely to use the money for other purposes, including paying down non-mortgage debt.

- **New home builders.** Relatively few recipients use inheritances or gifts of money to help purchase a new home. Based on past patterns, the existing home market is expected to benefit to a larger extent than the new home market from inheritances and gifts of money. Over the next 10 years, only an extra $50 million per year is expected to flow into the new home market due to higher inheritances and gifts of money.

- **Renovators.** In relative terms, the renovation sector is the area where inheritances and gifts of money have the largest impact. Higher levels of inheritances and gifts of money over the next 10 years are expected to add an additional $269 million to the market each year, compared to the 1991-1996 period – this increase excludes other boosts to renovation spending expected to occur due to market related factors (such as the ageing of the stock in relative terms).

- **Building product manufacturers and suppliers.** This group can expect only a modest boost in sales over the next 10 years due to inheritances and gifts of money, with the renovation sector providing most of the modest kick.

- **Recreational property developers.** An extra $60 million per year is expected to be pumped into the vacation home and investment property market over the next 10 years due to higher levels of inheritances and gifts of money. This is more than the dollar impact on the new home market.

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CHAPTER 1: INTRODUCTION

Clayton Research Associates Limited was commissioned by Canada Mortgage and Housing Corporation to fill an identified information gap by undertaking this study of the impact of future inheritances on the housing and mortgage markets in Canada.

Background to the Study

It is generally thought that several factors have combined to make today's seniors (i.e. persons aged 65 and older) better off financially than their predecessors:

- **Generally rising house values** over the period of the 1970s through the 1980s;
- **Improved financial/retirement planning**; and
- **Enhanced pension plans and government benefits** have increased seniors' income both in real terms and in relation to other age groups.

There has been extensive speculation on:

- Just how extensive this accumulated wealth is among today's seniors;
- How much of it will be transferred to the baby boom and post-baby boom generations as inheritances and gifts; and
- What potential impact inheritances will have on the housing and mortgage markets in Canada.

Unfortunately, prior to the commissioning of this study, only limited research on the topic of inheritances and the housing/mortgage market had been conducted in Canada. Yet a wide variety of industry participants have a vested interest in this topic in order to be able to plan strategically for the future:

- **Mortgage Insurers** need to know if future homebuyers will have access to relatively larger down payments through inheritances – and what impact this might have on the incidence of high-ratio insured mortgages, as well as housing policies in general;
- **Mortgage lenders** need to know if the demand for mortgage funds will diminish if more homeowners use inheritances to pay down mortgage debt, or whether beneficiaries will apply inheritances as downpayments on larger homes, and still therefore require comparable levels of mortgage financing;
- **New home builders** need to know what impact inheritances may have on future levels of new housing demand, and how it might alter the composition of that demand;
- **Renovators** need to know whether beneficiaries will use inheritances to undertake major renovations to their homes – and how this will impact the level of demand for renovation work, as well as the composition;
- **Building product manufacturers and suppliers** are dependent on the state of the new home and renovation markets and therefore have a similar interest in the impact of future inheritances and gifts of money on the demand for their products; and
- **Recreational property developers** need to gauge to what extent existing homeowners may elect to use inheritances and gifts of money to purchase a vacation property.

The Study Objectives

The main objectives of the study are to answer, to the extent possible, the following key questions:

- What is the extent of the wealth that has been accumulated by today's seniors?

- How much of this wealth will be transferred to younger generations?[1]
- Who will be the recipients of this wealth transfer?
- What are the anticipated uses of future inheritances?
- What will be the impact of inheritances on the housing and mortgage markets?

The Timeframe for the Analysis

The analysis of the future impacts of inheritances on the housing and mortgage markets has been limited in this study to the situation over the next 10 years. There are three main reasons why the 10-year focus was chosen:

- This timeframe, as opposed to a longer view (such as, for example, the next 25 or 50 years) recognizes that the analysis is a first step in trying to assess the future impact of inheritances on the housing and mortgage markets. The focus is on establishing a base upon which additional analyses (such as a longer term view) could be built in the future.
- The relatively short 10-year timeframe also reduces some of the uncertainty associated with potential policy changes that could impact seniors' wealth profile over a longer timeframe, such as the possibility of changes to pension plans, the imposition of higher user costs on seniors for health care, etc.
- Part of the focus of the current study is to assess how the transfer of wealth from today's seniors' will impact the baby boom generation. As one moves beyond the next 10 years, however, there will be fewer and fewer of today's seniors still alive. As well, in 15 years time the leading edge of the baby boom generation will itself be ageing into the senior age groups.

Study Approach

This study made use of the following research tools to address the key study questions:

- **Tapping into previous research.** An extensive review was conducted of existing literature on the topic of inheritances, both in general and specifically related to the housing/mortgage markets. A variety of information sources were assessed and synthesized in terms of their applicability to the current study.
- **Filling the information gaps.** Primary data collection was used to supplement the existing information and to fill any important gaps. This was conducted by means of a survey of households regarding past inheritances and plans for their estate upon their death.
- **Quantifying the impacts**. A simple model was developed by Clayton Research to help to quantify the future impacts (in broad terms) of inheritances on the housing and mortgage markets.

A Word on "Gifts of Money"

Seniors may transfer some of their wealth to their children (or sometimes other parties) before their death – and this could have a similar impact on the housing and mortgage markets as would wealth transfers through bequests upon death.

Several studies on intergenerational wealth transfers suggest that there has been a change in the practice of wealth transfer, with a larger proportion of transfers now occurring as gifts of money during the parents' lifetime (sometimes referred to as "inter vivo" transfers) rather than in the form of bequests upon death.

Therefore, while the focus of this report is on inheritances, the extent of gifts of money and their impact on the housing and mortgage markets is also addressed.

Report Structure

The report is divided into the following chapters, which in general correspond to the key study questions:

- **Chapter 1: Introduction** discusses the background to the report including the study objectives, approach and data and information limitations/constraints.
- **Chapter 2: The Extent of Seniors' Wealth** examines how seniors' wealth has evolved since the early 1970s, and presents estimates of the extent of their wealth today.
- **Chapter 3: The Amounts of Wealth Expected to be Transferred from Seniors Over the Next 10 Years** explores how much of seniors' wealth is expected to be transferred to younger generations, either through inheritances or gifts of money, over the next 10 years.
- **Chapter 4: The Beneficiaries – and How Much They Will Receive** looks at who is expected to be the main recipients of this transfer of wealth from seniors and how much they might anticipate receiving
- **Chapter 5: Anticipated Uses of Future Inheritances and Gifts of Money** explores past uses of inheritances and gifts of money and anticipated uses over the next 10 years.
- **Chapter 6: Impacts on the Housing and Mortgage Markets** focuses on the specific impacts that inheritances and gifts of money are expected to have on the housing and mortgage markets over the next 10 years.
- **Chapter 7: Directions for Future Research** recognizes the limited scope of the current study and makes suggestions for potential expansion of the research in the future.

There are also three appendices to this report:

- **Appendix A** provides a brief outline of the model that was specifically developed for this study in order to help assess the impact of inheritances and gifts of money on the housing and mortgage markets.
- **Appendix B** briefly describes the custom survey work undertaken for this study as part of the FIRM survey.
- **Appendix C** provides a list of the information sources consulted during the course of the study.

In addition to this main report, two background reports were also prepared as part of this study:

- **The Feasibility of Undertaking a Study of the Impact of Inheritances on the Mortgage Market in Canada** discussed the potential problems that might be encountered in the current study and how it was proposed that they be overcome. It also reviewed existing literature on the topic and relevant data sources. The feasibility report concluded that there is a substantial body of work related to the topic of inheritances in general. However, there has been very little research conducted that focuses on, or tries to quantify, the impact of inheritances on the housing or mortgage markets. Moreover, the limited information that is available on this topic relates largely to experience outside of Canada.
- **Custom Research on Inheritances and Gifts of Money: Summary Report** highlights the custom research commissioned by CMHC on the September 1996 Financial Industry Research Monitor (FIRM) Residential Mortgage Survey. Questions on the survey dealt with both inheritances and gifts of money. The research looked at the extent and size of inheritances/gifts of money

in the past, where they came from and how they were used. It also explored households' future intentions about their estate, specifically with respect to who would share in it.

Study Limitations

The topic of inheritances and their potential impact on the housing and mortgage market is a complex one. This report focuses on the key issues related to the subject. It should be considered as initial work only; areas where the analysis might be expanded in the future are discussed in Chapter 7.

In particular, there is a plethora of factors that ideally should be taken into consideration when trying to quantify the impacts of future inheritances and gifts of money on the housing and mortgage markets. However, to make the analysis and the modelling exercise manageable, it was necessary to make simplifying assumptions at various stages; these are discussed in the appropriate sections of the report.

Moreover, there are significant data limitations for the exercise. For example, as discussed in more detail in Chapter 2, there are no up-to-date Statistics Canada estimates of the wealth of households by age group – a critical piece of information for the current study. Therefore, where necessary, partial information and simplifying assumptions were used to fill important information gaps.

Because of these limitations, the study results should be viewed as broadly indicative of the scope of the future impact of inheritances on the housing and mortgage markets, rather than precise estimates.

CHAPTER 2: THE EXTENT OF SENIORS' WEALTH

This chapter reviews information available on seniors' wealth and how their wealth has evolved since the early 1970s.

No Recent Statistics Canada Data Available on Seniors' Wealth

Statistics Canada collected information on assets and debts on six separate occasions between 1955 and 1984, as part of the **Survey of Consumer Finances**. This information allowed estimates to be prepared of the wealth situation of Canadian families and unattached individuals by age group of head.

Unfortunately, the collection of assets and debt information is no longer conducted as part of the Survey of Consumer Finances and, therefore, the last estimates available are for the year 1984.

Statistics Canada is currently undertaking a feasibility study on developing a new survey of Canadian assets and debt.[2] Part of the content of the survey being considered is an independent component on inheritances, which would ask about past inheritances received. However, the feasibility analysis is still in the early stages, and the earliest this assets and debt survey would likely be conducted is in the 1998/1999 fiscal year. Therefore, it would be several years before information is available.

But Historical Information Provides Some Insight into Improvements in Seniors' Wealth Position Since the Early 1970s

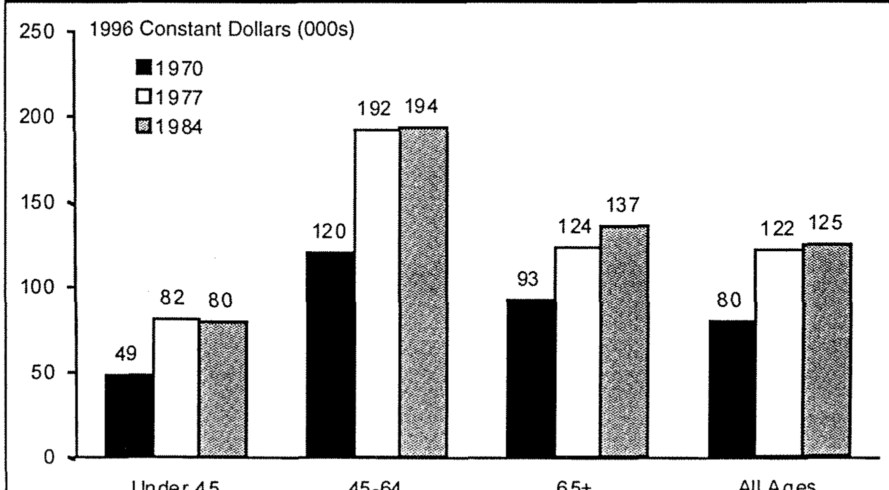
While up-to-date information is not available, a review of the Statistics Canada's wealth information from 1970, 1977 and 1984 is useful in illustrating how seniors' financial situation improved in the period from the early 1970s through the mid-1980s.[3]

Figure 2.1 compares average wealth (expressed in 1996 constant dollars) by broad age group of head for all families and unattached individuals across the three survey years.[4]

The data show:

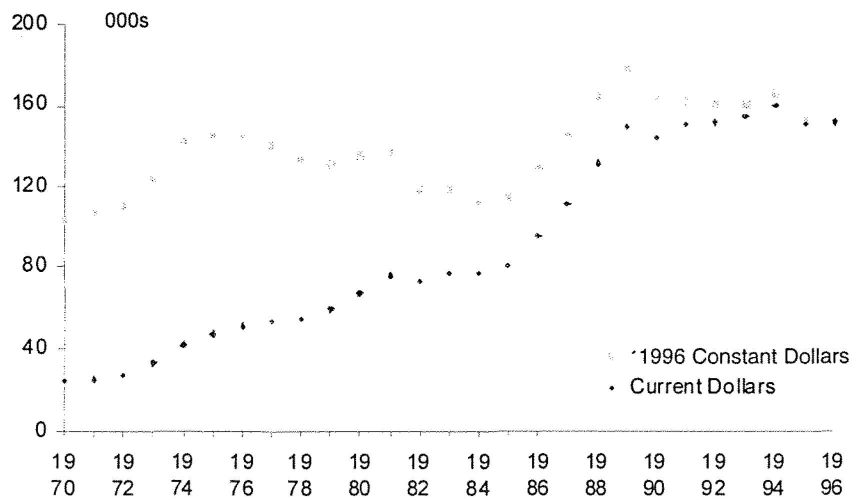
- The wealth situation improved dramatically across all three broad age groups in the 1970-1977 period, although it was most pronounced in the 45-64 age group.

Figure 2.1: Average Wealth by Age Group. All Families and Unattached Individuals, Canada, 1970, 1977 and 1984



Source: Clayton Research based on information in G. Oja Changes in the Distribution of Wealth in Canada, 1970-1984, Statistics Canada, 1987

Figure 2.2:
Average Price of Homes Sold Through The Multiple Listing Service, Canada, 1970-1996



Source: Clayton Research based on data from the Canadian Real Estate Association and Statistics Canada

Statistics Canada's Survey of Consumer Finances, which forms the basis of the estimates, "underestimates some wealth components, particularly financial assets" and that "publicly traded stocks are the most seriously understated" component of wealth.[5]

As a larger proportion of seniors' net assets are comprised of net financial assets (35 percent in 1984 as shown on Figure 2.3, compared to about 10 percent in the under-45 age group, and 22 percent in the 45-64 age group), seniors' wealth would tend to be more understated in Statistics Canada estimates than the wealth of other age groups.

- In general, the wealth increases stalled between 1977 and 1984, in large part due to the recession of the early 1980s and the declines that occurred in house prices (Figure 2.2) – and, therefore, wealth held as equity in homes. However, contrary to the situation in general, the wealth situation of seniors continued to improve in this period.

The wealth estimates also reveal how important equity in real estate (which is primarily equity in a principal residence) is to the overall wealth picture. In 1984, across all senior households (both owners and renters), equity in real estate (both in a home and other real estate) accounted for 44 percent of total wealth (Figure 2.3).

The decline in the relative importance of equity in real estate from 1977 only partially reflects the declines in house prices; it also is due to relative gains in other components of wealth, such as equity in business.

A caution is needed about the estimates of wealth presented above. Specifically, the

Figure 2.3:
The Composition of Seniors' Wealth, Canada, 1970, 1977 and 1984

	1970	1977	1984
Average Wealth (1996 Constant Dollars, 000s)			
Equity in Business	10	11	23
Equity in Home	39	57	52
Equity in Other Real Estate	8	11	9
Market Value of Vehicles	2	3	5
Net financial Assets	34	41	48
Total Wealth	93	124	137
% of Total			
Equity in Business	10.9	9.2	16.9
Equity in Home	41.7	46.0	37.6
Equity in Other Real Estate	8.5	8.9	6.7
Market Value of Vehicles	2.1	2.6	3.5
Net financial Assets	36.8	33.2	35.2
Total Wealth	100.0	100.0	100.0

Source: Clayton Research based on data from G. Oja "Changes in the Distribution of Wealth in Canada, 1970-1984", Statistics Canada, 1987

Other Sources of Information Must Be Used to Assess Changes in Seniors' Wealth Since 1984

Since Statistics Canada estimates on wealth by age group are not available since 1984, information from other sources must be used to gain an understanding of what has happened to the wealth situation of seniors since 1984.

One such source of information is from **Investor Economics Inc**. Investor Economics has developed a system of "household balance sheet" information that contains estimates of the wealth situation of persons in various age groups.[6]

It should be stressed that these data are not directly comparable to the Statistics Canada wealth estimates for the earlier periods, for the following reasons:

- As discussed previously, the Statistics Canada estimates presented earlier are believed to underestimate some wealth components, particularly financial assets;
- The estimates shown here based on the Investor Economics data are derived from Investor Economics' estimates of total wealth for "tax-filing individuals"; this total wealth in each age group was then divided by Statistics Canada estimates of population in each age group. The Statistics Canada estimates are for "all families and unattached individuals." Care must therefore be taken in comparing average wealth across the two series, since the Investors Economics data more closely resemble averages per person and the Statistics Canada data more closely reflects averages per household. In particular, since average household sizes for seniors are generally smaller than for younger age groups, the Investor Economics averages for seniors would tend to be relatively higher compared to other age groups than relative age patterns shown by the Statistics Canada estimates;
- The Investor Economics data lump all real estate together in assets, while the Statistics Canada data show homes separate from other real estate; and
- The Investor Economics data are only available by age group starting with the year 1987.

Because of these differences, the Investor Economics data cannot be compared directly to the Statistics Canada estimates in terms of **absolute** total or average levels of wealth by age group. However, they can be used to track general **wealth trends** in various age groups since the last Statistics Canada estimates were prepared for 1984.

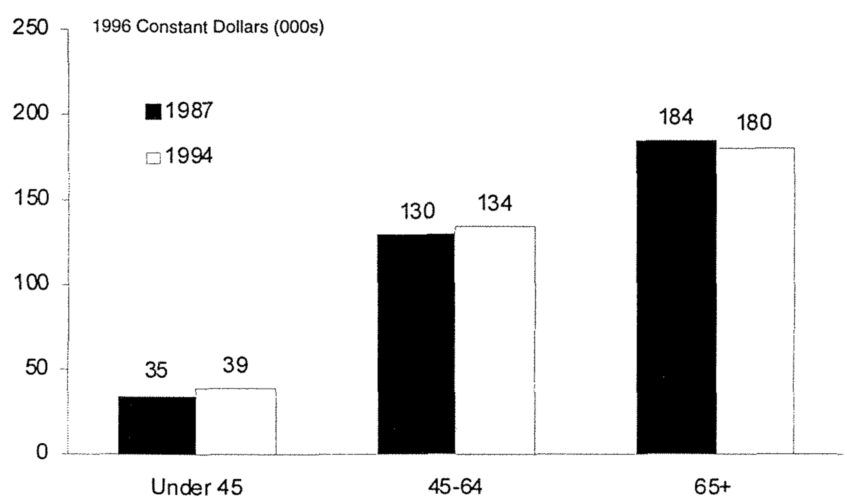
There Appears to Have Been No Growth In Seniors' Average Real Wealth Since the Mid-1980s

The Investor Economics wealth estimates indicate that average wealth in different age groups did not change significantly in real terms (i.e. after adjusting for inflation) over the 1987-1994 period (Figure 2.4). The estimates put each senior's wealth, on average, at approximately $180,000 (expressed in 1996 constant dollars) in 1994, slightly below the average in 1987.

The Investor Economics' wealth estimates show the average wealth for seniors to be higher than for individuals in the 45-64 age groups – this is a reversal of the relative situation shown by the Statistics Canada wealth estimates (refer back to Figure 2.1).

However, as cautioned earlier, the Investor Economics data are expressed here on a **per capita basis**, while the Statistics Canada estimates are averages **per family unit**. As average sizes of family units in the 65-and-older age groups are smaller than those in the 45-64 age groups, there are fewer individuals contributing to the family unit based wealth estimates. As well, methodological differences between the two series may also play a role.

Figure 2.4:
Average Wealth Per Capita by Age Group, Canada, 1987 and 1994



Source: Clayton Research based on data from Investor Economics "Segmenting for Success, 1995

However, Total Wealth of Seniors Has Been Growing and Is Currently Estimated at About $650 Billion

At an average of $180,000 per senior (expressed in 1996 constant dollars), the total amount of wealth controlled by seniors in 1994 was over $600 billion (Figure 2.5), according to the Investor Economics estimates. This compares to roughly $525 billion in 1987 (expressed in 1996 constant dollars).

It should also be noted that the average wealth **per capita** shown for seniors in 1987 under the Investors Group analysis is substantially higher than that shown **per household** under that of Statistics Canada for 1984. Intuitively, one would expect the per household estimates to be higher, even after accounting for the three-year time difference.

The substantially higher estimates under the Investor Economics analysis underscore the previous caveat that the Statistics Canada estimates understate total wealth, particularly in the 65-and-older age groups.

Updated estimates of the total wealth of seniors for 1996 were generated by assuming that the average wealth per senior in 1996 was the same as indicated by the Investor Economics estimates for 1994 – this appears reasonable given the

Figure 2.5:
The Wealth of Seniors in Canada, 1987 and 1994

	Total *		Per Senior*		% of Total	
	1987	1994	1987	1994	1987	1994
	$Billions		*$000s*			
Assets						
Financial Assets	324	373	114	107	60	57
Real Assets:	219	281	77	81	40	43
Real Estate	165	221	58	64	30	34
Other	54	60	19	17	10	9
Total Assets	543	654	191	188	100	100
Debt						
Mortgages	13	19	5	5	62	68
Consumer Credit	8	9	3	3	38	32
Total Debt	21	28	7	8	100	100
Wealth	522	626	184	180		
Equity in Real Estate**	206	262	72	75		
As Percent of Wealth	39.5%	41.9%				

* Expressed in 1996 constant dollars
** Estimated as real estate assets less mortgage debt
Source: Clayton Research based on data from Investor Economics, "Segmenting for Success", 1995

relative stability in the average in recent years. This average was then applied to Statistics Canada's estimate of population aged 65 and over in 1996 to derive a total wealth for seniors of about $650 billion in 1996.

The growth in total wealth in the seniors age group since 1987 is entirely due to the growth in the number of seniors – as discussed earlier, average wealth per senior has remained relatively the same in real terms (i.e. 1996 constant dollars).

The composition of seniors' wealth as per the Investor Economics study is also shown on Figure 2.5. Equity in real estate (primarily consisting of principal residences) is an important component of wealth, accounting for just over 40 percent of seniors' wealth in 1994.

Note that financial assets play a more important role in total wealth than was shown by the Statistics Canada estimates (refer back to Figure 2.3). However, as discussed previously, the Statistics Canada estimates are believed to understate financial assets.

Summary and Implications for the Current Study

- The average wealth of seniors has grown substantially in real terms since the early 1970s. However, much of that growth was focused in the period through the mid-1980s. Since the mid-1980s to the present, it appears that the average wealth of seniors has remained fairly stable in real terms.

- While the average wealth of seniors has remained relatively constant since the mid-1980s, the total dollar value of seniors' wealth has continued to grow as the number of seniors has grown.

- The fact that average wealth among seniors has remained fairly stable since the mid-1980s has important implications for the analysis here. This is because a key hypothesis for the research was that growing average wealth among seniors, and its transfer to the baby boom generation, could potentially have pronounced impacts on the housing and mortgage market.

- However, if seniors' wealth, at least on an average basis, has not been growing substantially since the mid-1980s, then average wealth transfers from seniors in the near future (in the form of inheritances and gifts of money) would not be expected to be any more substantial than they have been in the recent past, all other things being equal.

- As explored in the next chapter, the anticipated growth in average wealth per senior over the next 10 years, as well the growth in the number of seniors, will be important factors in projecting the future level of inheritances and gifts of money.

CHAPTER 3: THE AMOUNT OF WEALTH EXPECTED TO BE TRANSFERRED OVER THE NEXT 10 YEARS

This chapter explores how much of seniors' wealth is expected to be transferred to younger generations, either through inheritances or gifts of money, over the next 10 years.

The Amount of Wealth Actually Transferred from Seniors to Younger Generations Will Depend on a Number of Factors

While current estimates of the wealth of seniors are important indications of the potential size of future inheritances and gifts of money, they only provide part of the picture. The proportion of current seniors' wealth that will actually be transferred to younger generations over the next 10 years will depend on a number of factors, including:

- The number of today's seniors who will die over the next 10 years;
- The extent to which wealth is left to the surviving spouse, versus children, grandchildren, etc.;
- The net change in seniors' wealth between now and the time they die; this in turn depends on the extent to which seniors will spend their current wealth before dying, as well as how their remaining assets may grow until the point of death; and
- The extent to which seniors may transfer wealth to younger generations while still living as gifts of money (or "inter-vivo bequests").

These are complex issues. And further complicating the analysis of the future is the fact that comprehensive information on the size of past wealth transfers through inheritances and gifts of money is not available. Without a sound basis for the past, it is difficult to project into the future.

Some Limited Information Available on Amounts of Past Inheritances and Gifts of Money

While no official estimates exist, there is some limited research available from which broad estimates of the size of past, and potential future, inheritances and gifts of money can be extrapolated. Some of this research is explored in the next sections.

FIRM Survey Research on Inheritances and Gifts of Money

As there was no comprehensive data available on inheritances and gifts of money that could be used for the current study, CMHC commissioned custom research that was appended to the **FIRM Residential Mortgage Survey** (conducted by Clayton Research and ISL International Surveys Ltd.) in September 1996. A total of 2,777 households responded to the survey; of these, 536 had received an inheritance at some point in the past and 220 had received a gift of money.[7]

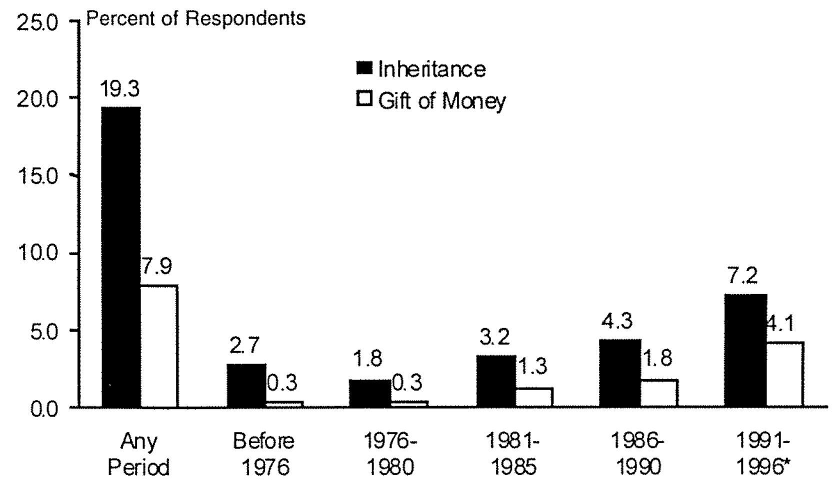
Overview of FIRM Survey Results

Looking at the overall survey results as outlined in Figure 3.1, roughly 1 in 5 households in 1996 reported ever having received an inheritance of $5,000 or more. Roughly 8 percent reported ever receiving a gift of money of $5,000 or more.

The proportion of households who reported inheritances or gifts of money was substantially higher for the 1991-1996 period than for other periods. Several factors may be contributing to this relatively larger proportion in recent years:

- It is a slightly longer period (almost 6 years, compared to five years for the prior three periods);

Figure 3.1:
Distribution of Ever Having Received an Inheritance/Gift of Money of $5,000 or More by Period Received



Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

- The propensity to leave inheritances or give gifts of money may actually be increasing.

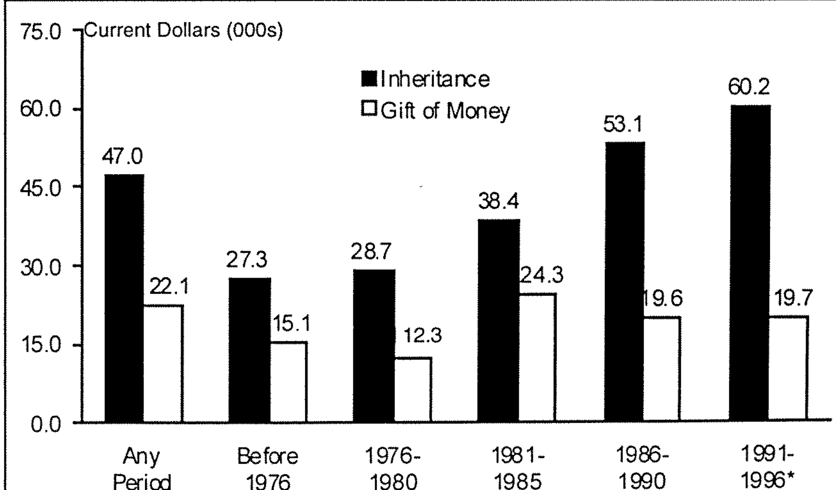
The results by period suggest that the results for the 1991-1996 period should likely form the focus of any in-depth analysis of inheritances/gifts of money undertaken as part of the current study.

The average size of inheritances (in nominal dollars based on when the inheritance was received) was roughly $47,000 (Figure 3.2). For gifts of money, the average reported value was about $22,000.

- Recall may be higher regarding inheritances and gifts of money received more recently;
- Respondents were asked to report on the most recent inheritance and/or gift of money they had received; this would tend to skew responses to more recent periods;
- The data are not showing what proportion of past households in each time period received an inheritance; rather they reflect the proportion of households today who reported receiving an inheritance or gift of money in these past time period – but not everyone who would have received an inheritance or gift of money in the earlier periods is alive to report on it today; and

For inheritances received in the 1991-1996 period, the average size was substantially higher, at just over $60,000. The relatively higher values in more recent time periods at least in part would reflect the impact of inflation. For example, prices

Figure 3.2:
Average Value of Inheritance/Gift of Money of $5,000 or More by Period Received



*Through September, 1996
Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

roughly doubled between the 1976-1980 and 1991-1996 periods; the average inheritance reported also is roughly double.

The majority of inheritances received in the 1991-1996 period were for less than $25,000 (60 percent, Figure 3.3). This is well below the average of roughly $60,000; the much higher average reflects the influence of a few large inheritances (12 percent being $100,000 or more).

About three-quarters of gifts of money in 1991-1996 were for less than $25,000 (Figure 3.3); no gifts of money of $100,000 or more were reported.

Using the FIRM Survey Results to Estimate Total Inheritances and Gifts of Money in 1991-1996

The FIRM results were used to estimate the likely size of the total pool of inheritances and gifts of money in the 1991-1996 period.

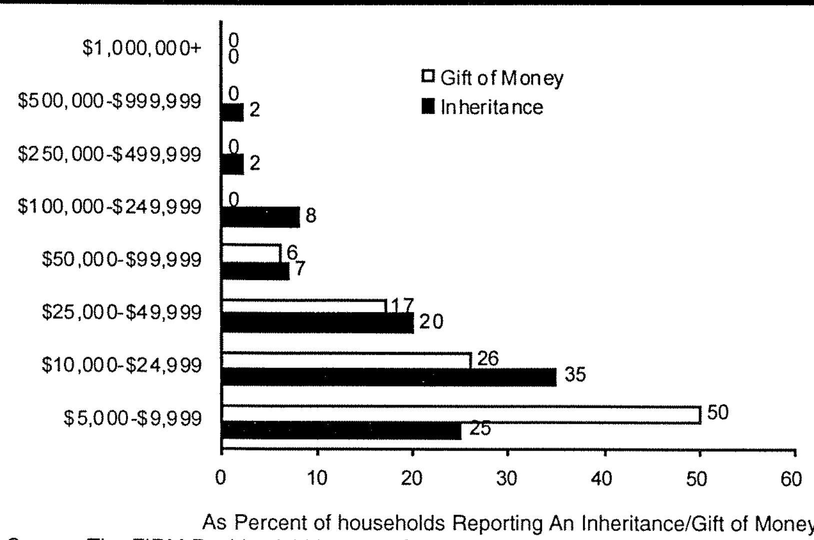
To derive the estimate for inheritances, the average inheritance size in each age group was multiplied by the estimated number of households in each age group in 1996 who received an inheritance in the 1991-1996 period. This put the total value of inheritances in the 1991 to September 1996 period at roughly $49.4 billion – or, about $8.6 billion per year on an annualized basis.

However, these estimates are all in current dollar terms. To remove the impacts of inflation, the results were converted to 1996 constant dollars.[8] The estimate of inheritances for the 1991-1996 period in 1996 dollars is slightly higher, at about $8.9 billion per year.

Note that this value reflects all inheritances, not only amounts received from seniors (respondents were not asked the age of the person from whom they received the inheritance).

The estimates of inheritances derived from the FIRM survey results likely understate the value of inheritances to some extent, as respondents were asked to report only on the most recent inheritance received, and inheritances of less than $5,000 were not included.

Figure 3.3:
Distribution of Inheritances and Gifts of Money of $5,000 or More Received in 1991-1996 by Amount, Canada



Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

The FIRM survey results can also be used to help estimate the amount of wealth that was transferred as gifts of money in the 1991-1996 period.

To derive an estimate of the total value of gifts of money in the 1991-1996 period, the average size of a gift of money by age group was multiplied by the estimated number of households in each age group in 1996 who received a gift of money in the 1991-1996 period. The results showed gifts of money of about $1.5 billion on average per year in the 1991-1996 period, converted to 1996 constant dollars.[9] As with inheritances, this amount includes not only gifts from seniors, but persons in other age groups as well.

The Survey of Family Expenditures

As part of the Survey of Family Expenditures (FAMEX), information is collected on income and "other money receipts." These other money receipts include such items as gifts of money, inheritances, lump sum insurance settlements, "windfall" gains (such as winning a lottery), and tax credits and refunds.

While households are asked to specify the exact source of the money, this information is not published by Statistics Canada. However, the data on total "other money receipts" can be used to establish an upper limit for the value of inheritances and gifts of money.

The data show that the total "other money receipts" across all households was roughly $7.4 billion, $10.6 billion and $11.8 billion dollars in 1982, 1986 and 1992, respectively, (expressed in 1996 constant dollars, Figure 3.4).

Both the incidence of reporting and the average amounts reported should be treated with caution.

Figure 3.4:
Estimates of Inheritances/Gifts of Money as Indicated by FAMEX data, Canada, 1982, 1986 and 1992

	1982	1986	1992
% of Units* Reporting Other Money Receipts	24	27	26
	Constant 1996 Dollars		
Average Reported			
Per All Units*	882	1,193	1,200
Per Reporting Units*	3,603	4,337	4,683
Estimated Total Value (Billions)	7.4	10.6	11.8

* For 1982 and 1986, "units" are all families and unattached individuals; for 1992, units are households

Source: Clayton Research based on special tabulations generated by CMHC from Statistics Canada's FAMEX microdata files

The significantly smaller average amounts per reporting unit compared to the FIRM survey results (refer back to Figure 3.2) reflect the inclusion of money receipts other than inheritances and gifts of money, the nature of which would tend to be smaller amounts on average. This also helps to explain the higher incidence of reporting.

An examination of the average amounts per household shows an increasing trend in average size of "other money receipts" over the 1982-1992 period.

The total value of other money receipts of $11.8 billion for 1992 is in the same ballpark with the estimates generated from the FIRM results which show the average annual value of inheritances and gifts of money in the 1991-1996 period at roughly $10.4 billion combined ($8.9 billion for inheritances, and $1.5 billion for gifts of money). At least part of the higher FAMEX value is explained by the fact that, as noted earlier, the FAMEX data include other money receipts besides inheritances and gifts of money.

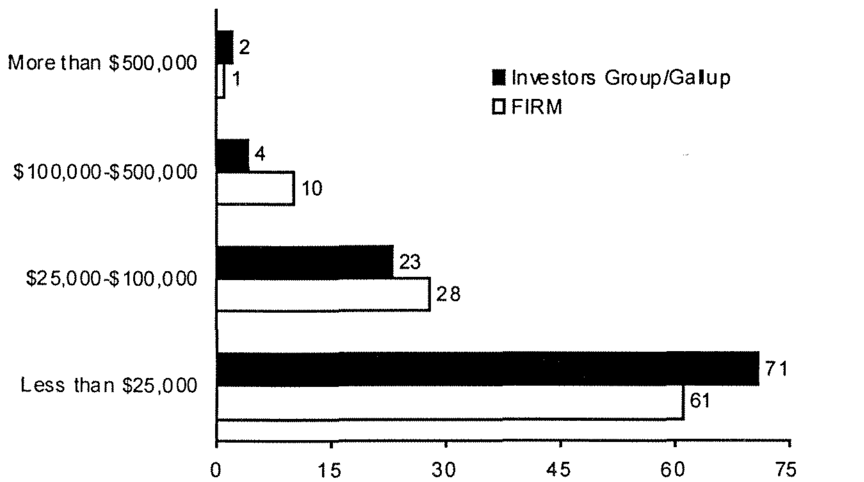
Investors Group/Gallup Canada

Research conducted by Gallup Canada on behalf of Investors Group in 1997 (**Preparing for Canada's Inheritance Wave**) also explored the extent of past inheritances.

The survey undertaken for the study indicated that 14 percent of Canadians had received an inheritance at some point in the past. This is slightly below the proportion shown by the FIRM survey (of about 19 percent). However, when one takes into account that the FIRM survey results are for households, while the Investors Group results are for individuals, they can be considered to be in the same ballpark.

Of those who reported ever receiving an inheritance in the Investors Group study, about 70 percent indicated the size was less than $25,000 (Figure 3.5). This is a larger proportion than shown by the FIRM survey results, but again is consistent with the fact that the results are for

Figure 3.5:
Distribution of Inheritances Ever Received by Amount, Canada



As Percent of Respondents Reporting An Inheritance
Source: Investors Group/Gallup Canada and The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

individuals and the FIRM results are for households.

Unfortunately, the Investors Group study does not contain information on when the inheritances were received. Therefore, it is not possible to derive estimates of the size of inheritances in specific time periods, as is the case with the FIRM survey and FAMEX information.

A Few Studies Have Explored the Extent of Future Inheritances – With Mixed Results

There are a number of studies that have explored the extent of future inheritances. These are discussed in the following sections.

Avery and Rendall

An important seminal study in the area of inheritances was conducted for the U.S. by Robert Avery and Michael Rendall in 1993 entitled **Estimating the Size and Distribution of Baby Boomers' Prospective Inheritance**.

The Methodology

To derive their projections, Avery and Rendall developed a model to generate estimates of changing wealth by age group over time. The model is based on applying regression analysis to a cross-sectional data base from the Survey of Consumer Finances (the primary source of U.S. wealth estimates). Wealth was determined as a function of age, marital status, education, race and number of children. The age coefficient from the regression equation was then used to predict changes in wealth as one ages.

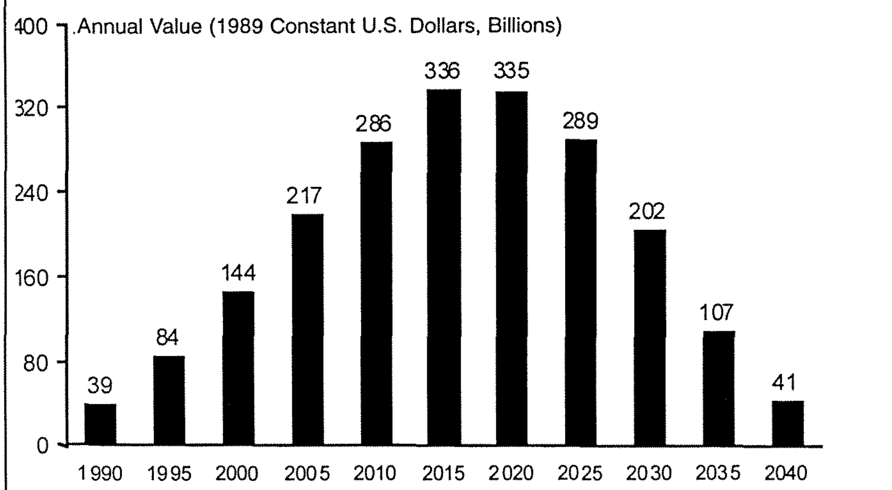
After the wealth estimates were derived, bequests were then estimated by applying various assumptions as to who would inherit the estates.

The Results for the U.S.

Avery and Rendall estimated that the population aged 50 or older in 1989 would ultimately bequeath over $10 trillion dollars (in 1989 constant U.S. dollars) to their heirs (primarily the baby boom generation). The annual level of bequests from this segment of the population was not expected to peak until the year 2015 (Figure 3.6).

The increase projected by Avery and Rendall through 2015 was due to a combination of both a larger number of bequests (as more persons aged 50 and older died), as well as a higher average value per bequest. The average bequest was estimated to increase from about $56,000 U.S. in 1995 to a peak of just under $109,000 in 2025 (Figure 3.7).

Figure 3.6:
Inheritances to be Received by America's Baby Boomers*
Selected Years, United States, 1990-2040



* As approximated by bequests from persons aged 50 or older in 1989
Source: Clayton Research based on information from Avery and Rendall "Estimating the Size and Distribution of Baby Boomers' Prospective inheritances" 1993

It should be emphasized that the Avery and Rendall results only deal with bequests that would be forthcoming from persons aged 50 or older in 1989 – that is, it is following one particular group of persons over time. They do not consider bequests from persons less than age 50 in 1989 but who age into the 50 and older age groups during the projection period.

Applicability of the Results for the Current Study

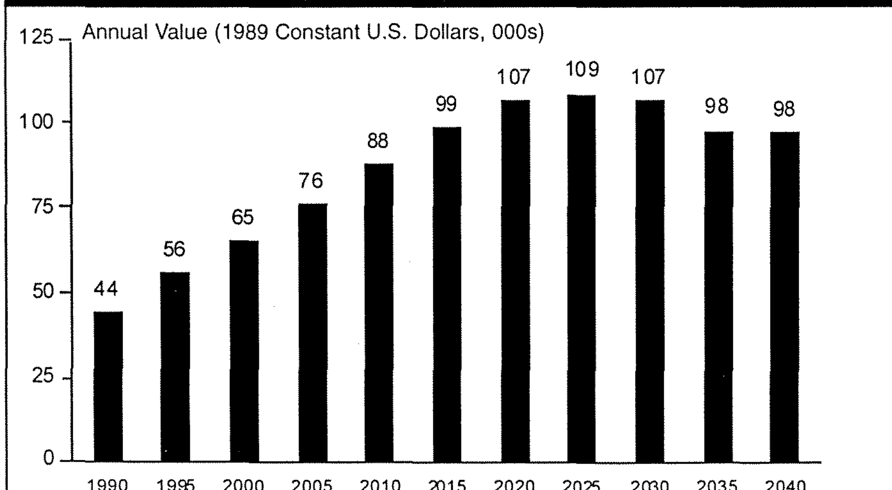
Unfortunately, a similar, up-to-date microdata file containing information on wealth and various household characteristics is not available for Canada; therefore the Avery and Rendall methodology cannot simply be duplicated here.

However, the Avery and Rendall results can supply some very broad indications of the Canadian situation.

A simple extrapolation was done of the U.S. results to the Canadian situation by applying the ratio of Canadian to U.S. population in 1989 (11%) to the value of inheritances expected to be received by U.S. baby boomers. The results were then converted to 1996 Canadian dollars.[10]

This methodology results in bequests in Canada of just over $13 billion (in

Figure 3.7:
Average Size of Inheritances Received by Baby Boomers'
Selected Years, United States, 1990-2040



* As approximated by bequests from persons aged 50 or older in 1989
Source: Clayton Research based on information from Avery and Rendall "Estimating the Size and Distribution of Baby Boomers' Prospective inheritances" 1993

1996 constant Canadian dollars) in 1995, rising to just under $18 billion in the year 2000 and almost $34 billion in 2005 (Figure 3.8).

On an average annual basis, if the U.S. situation were applicable to Canada, bequests to baby boomers could be expected to increase to an average of $17.7 and $27.9 billion per year, respectively in 1995-2000 and 2000-2005, from about $9.6 billion per year in 1990-1995. The implication from these findings is that inheritances received by baby boomers in Canada, if they followed a pattern similar to that projected for the U.S., could potentially be rising rapidly over the next 10 years.

The $9.6 billion per year in 1990-1995 derived from the Avery and Rendall analysis is very similar to the $8.9 billion per year in 1991-1996 that was derived based on the FIRM survey results.

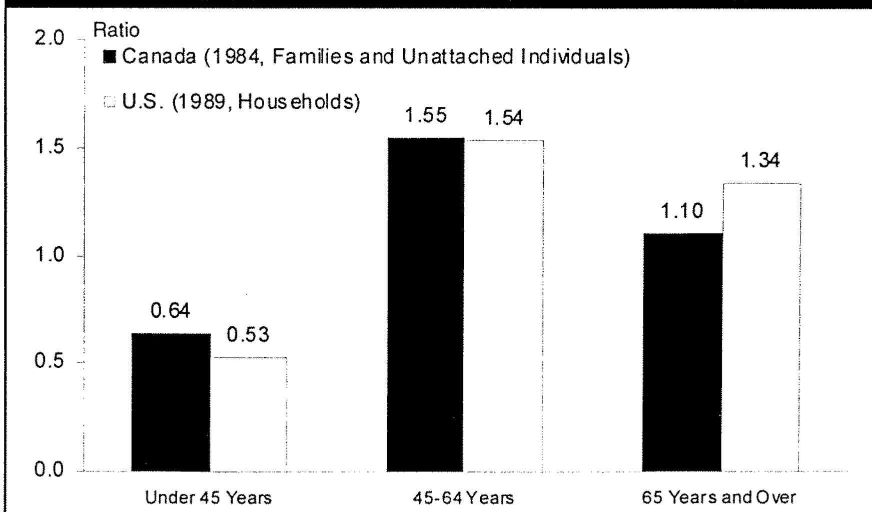
However, it must be kept in mind that there are differences in what the two information sources are covering. Specifically, the estimates based on the Avery and Rendall work are bequests only from those aged 50 or older in 1989 (or 57 or older in 1996). The FIRM-based estimates are for inheritances received from persons of any age.

With respect to the projections of future inheritances in Canada resulting from the exercise, they should be considered as only broadly indicative of the likely Canadian experience, for the following reasons:

- The methodology used to extrapolate the U.S. results to the Canadian experience does not take into consideration any possible variation in relative wealth of seniors between the two countries;
- The methodology does not recognize that wealth among seniors may be evolving differently in Canada than the U.S. Unfortunately, without periodic estimates of wealth by age group in Canada, it is not possible to undertake such a comparison; and
- Limited information available on wealth by age group for Canada and the U.S. suggests that average wealth of seniors in the U.S. is higher in relative terms when compared to other age groups than is the case in Canada (Figure 3.9). If this is the case, then average size of bequests from seniors in the U.S. may also be higher, and the projections of future inheritances for Canada based on the U.S. information may be overstated.

Given these potential differences, it was concluded that it would be preferable, if possible, to derive estimates of future inheritances based on information specific to the Canadian situation.

Figure 3.9: Ratio of Average Wealth by Age Group to Overall Average Wealth, Canada and U.S.



Source: Clayton Research based on information from Avery and Rendall "Inheritances and Wealth" and Statistics Canada

Investor Economics Study

- Investor Economics presented Canadian-specific information on inheritances in its aforementioned study **Segmenting for Success**. In this study, the complexity of the issue was recognized and addressed by taking three approaches to estimating the value of future inheritances:

- **Low case**. In this approach, a lower bound is set by calculating the proportion of population in each age group who will die in the 1994-2004 period and multiplying these proportions by the total wealth in each age group in 1994. Investor Economics considered this a "lower limit" for inheritances, in that it implicitly assumes all deaths occur at the beginning of the 1994-2004 period, before wealth in each age group evolves further. Under this approach, inheritances over the 1994-2004 period are estimated at about $29 billion per year (in current dollars) – $24 billion of which originates from the 65 and older age groups.

- **High case**. This approach is somewhat more complicated. Essentially, it relies on the derivation of an alternate set of household balance sheets, one which assumes the population in 1994 all survive until 2004 (and age 10 years) and whose assets grow over that period based on different growth rates for different products. The difference between the balance sheets under this scenario of no deaths and the original balance sheets produces estimates of inheritances of about $74 billion per year (in current dollars). This scenario implicitly assumes that all deaths occur at the end of the forecast period.

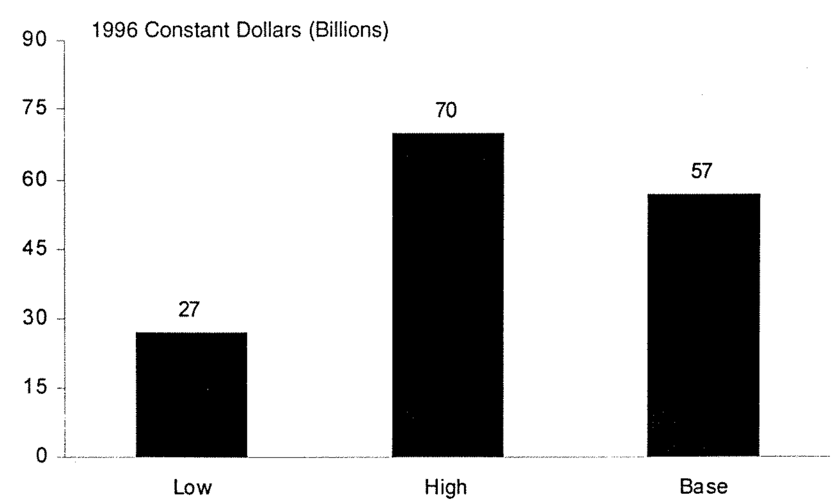
- A **base case** of $60 billion in inheritances per year over the 1994-2004 period was then estimated which assumes that deaths are distributed throughout the 10-year period.

Converting the current dollar estimates to 1996 constant dollars results in a low case average annual value of inheritances of about $27 billion in 1994-2004, a high case of $70 billion and a base case of $57 billion (Figure 3.10). This base case is significantly above the rough estimate of $23 billion per year in 1995-2005 derived from the Avery and Rendall analysis.

The Investor Economics estimates present some difficulties in terms of their potential usefulness for the current study:

- The extremely wide range of the three estimates makes it difficult to have a clear picture of the actual situation.

Figure 3.10: Projected Average Annual Level of Inheritances based on Investor Economics Analysis, Canada, 1994-2004



Source: Clayton Research based on data in Investor Economics "Segmenting for Success", 1995

- There are no historical estimates provided to which the projections of the future can be compared. As such, it is not possible to determine whether the higher projections for the next 10 years compared to those resulting from the Avery and Rendall analysis are indicative of 1) expected stronger growth in inheritances over the next 10 years compared to the past 10 years or 2) consistently higher estimated levels of inheritances in all periods.

- Especially in the case of the base and high projection, the projected levels of inheritances over the next 10 years show substantial growth over the estimated levels for 1991-1996 which were derived from the other three sources of information (i.e. the FIRM-based results, the FAMEX results and the estimates based on the Avery and Rendall analysis). Yet with the Investor Economics estimates themselves, there is no corresponding explosion in seniors' wealth projected which might explain such a pronounced increase in inheritances.

Given these factors, it was concluded that the Investor Economics projections of inheritances would not be suitable as the basis for the current study.

Clayton Research

As an alternative to the projections of inheritances extrapolated from the Avery and Rendall analysis and the Investor Economics study, a third set of projections of inheritances was prepared specifically for this study.

These projections incorporate the following key assumptions:

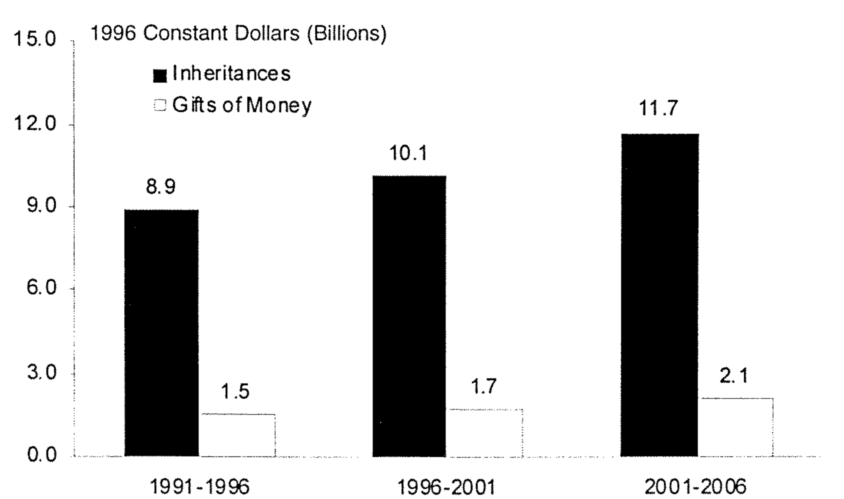
- Average wealth per capita in the senior age groups grows modestly over the next 10 years (from about $180,000 in 1996 to just under $200,000 in 1996 constant dollars in 2006); this is consistent with future trends in average wealth shown in the Investor Economics study.[11]

- The amount of future inheritances is a function of seniors' wealth. Specifically, the relationship between the average annual total value of inheritances and the average amount of wealth held by seniors is assumed to remain constant over the next 10 years.

Figure 3.11 presents the results of the analysis. Under this scenario, the average annual level of inheritances is expected to increase to about $10.1 billion in 1996-2001 then increase further to $11.7 billion in 2001-2006.

A similar analysis was conducted for gifts of money. The key difference from the methodology used for inheritances was that as recipients of

Figure 3.11: Average Annual Level of Inheritances and Gifts of Money, Canada, 1991-2006



Source: Estimates and projections by Clayton Research

gifts have a lower age structure than beneficiaries of inheritances, it was assumed that the age structure of the givers was also somewhat younger.[12] Therefore estimates of wealth for persons in the 55 to 64 age group, as well as the 65-and-over age group, were used in the analysis.[13] The results (Figure 3.11) indicate growth in gifts of money from about $1.5 billion per year in 1991-1996 to $1.7 billion in 1996-2001 and $2.1 billion in 2001-2006.

The relative growth in the value of inheritances over the next 10 years under this methodology is much less pronounced than suggested by the Avery and Rendall analysis (as shown on Figure 3.12 below, which summarizes the various sets of projections reviewed in this chapter).

Figure 3.12:
Summary of Available Estimates/Projections of Inheritances and Gifts of Money

All Figures are Annual/Average in Billions of 1996 Constant Dollars

FIRM Residential Mortgage Survey Custom Research		**Inheritances**	**Gifts of Money**	**Total**
	1991-1996	$8.9	$1.5	$10.4
FAMEX		**"Other Money Receipts"**		
	1982	$7.4		
	1986	$10.6		
	1992	$11.8		
Based on Avery and Rendall		**Inheritances**		
	1990-1995	$9.6		
	1995-2005	$22.8		
	1995-2000	$17.7		
	2001-2005	$27.9		
Investor Economics		**Inheritances**		
	1994-2004:			
	Low scenario	$27		
	High scenario	$70		
	Base Scenario	$57		
Clayton Research		**Inheritances**	**Gifts of Money**	**Total**
	1991-1996	$ 8.9	$1.5	$10.4
	1996-2006	$10.9	$1.8	$12.7
	1996-2001	$10.1	$1.7	$11.8
	2001-2006	$11.7	$2.1	$13.8

Summary and Implications for the Current Study

- There is no comprehensive data available on the level of past inheritances and gifts of money. This makes it difficult to establish a base from which to project the future situation.

- However, an examination of the limited information available indicates that recent inheritances in Canada have likely been in the $9-$10 billion per year range (Figure 3.12).

- For the future, there is even more uncertainty. Information extrapolated from two previous studies (the Avery and Rendall work and the Investors Group analysis), as well as original work done for this study suggest that average annual inheritances over the next 10 years could fall in the $11 billion to $70 billion range – a very large range.

- In our view, the inheritances projections prepared specifically for this study are the most reasonable ones to use for the remainder of the analysis. While not ideal, they are the only projections currently available that meet the following important criteria:
  - They are specific to the Canadian experience;
  - They are consistent with the only information currently available on past inheritances and gifts of money in Canada (i.e. the FIRM and FAMEX survey results); and
  - They are closely linked to the expected trends in the future wealth of seniors.

CHAPTER 4: THE BENEFICIARIES – AND HOW MUCH THEY WILL RECEIVE

This chapter looks at who is expected to be the main recipients of the wealth that will be transferred, primarily from seniors, over the next 10 years in the form of inheritances and gifts of money. It also explores how much wealth they might be expected to receive.

Original Research Used to Explore Who Will Benefit from Wealth Transfers

Intuitively, one might expect that future wealth transfers from seniors will predominantly be to their children.

Original research on **the FIRM Residential Mortgage Survey** in September 1996 was used to explore this expectation. Custom questions dealt with both past experience and future intentions:

- Respondents were asked to report on whether they had received inheritances and/or gifts of money of more than $5,000 in the past, and if so, who they had received them from; and
- Respondents were asked about their future intentions with respect to the disposition of their estate.

The Most Common Wealth Transfers Are From Parents to Children

Past behaviour is often an important indicator of future patterns, so it is important to look at where past inheritances and gifts of money came from.

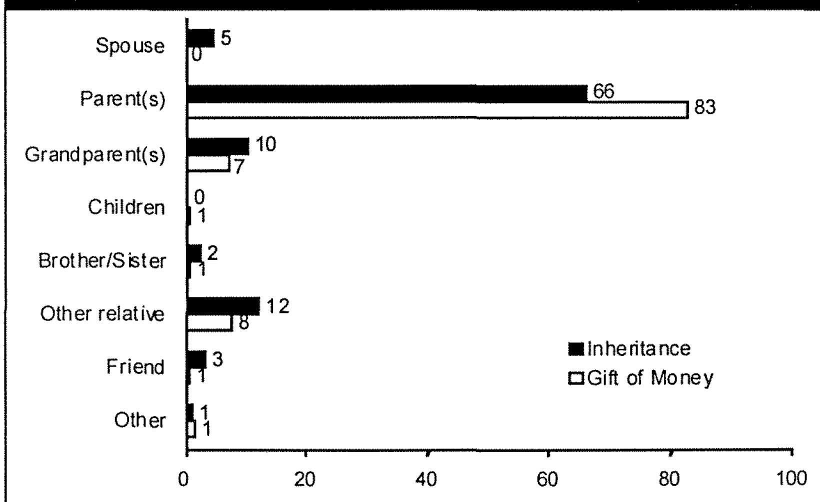
For those households responding to the FIRM survey who had reported ever receiving an inheritance, two-thirds said it had come from their parents (Figure 4.1). For most of the remainder, it was either from grandparents, or "other relatives" such as aunts/uncles or cousins.

The same patterns occurred for gifts of money, although here the results are dominated even more by parents – 4 out of 5 households reporting a gift of money of $5,000 or more indicated it came from parents (Figure 4.1).

Children Will Continue to Be Seniors' Primary Beneficiaries in the Future – But Once Their Spouse is Gone

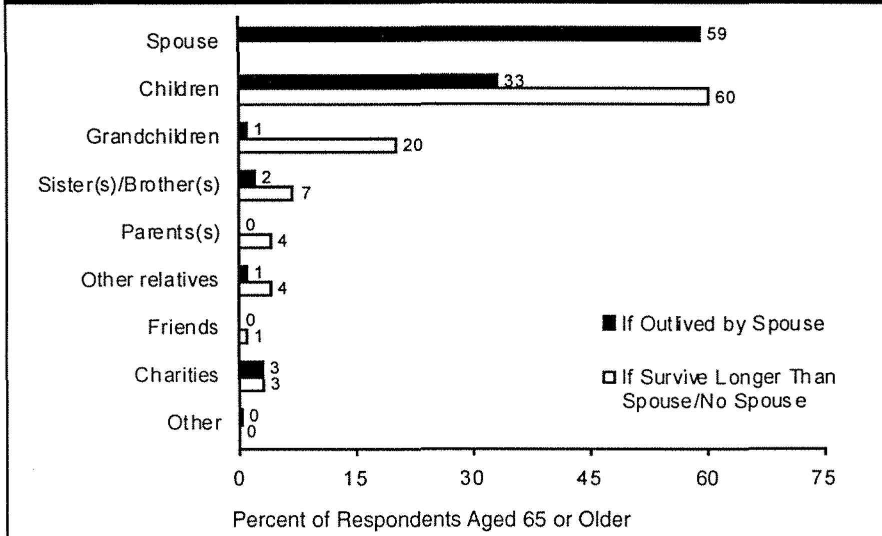
It also appears that transfers between parents and children will continue to dominate wealth transfers in the future. As part of the custom FIRM research, respondents were asked to indicate who the primary beneficiary of their estate would be, under each of two different scenarios:

Figure 4.1:
Distribution of Ever Having Received an Inheritance/Gift of Money of $5,000 or More by Source



Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

Figure 4.2:
Intended Primary Beneficiary of Estate



Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

- Assuming they are outlived by their spouse; and
- Assuming they survive longer than their spouse, or if they have no spouse.

For three-quarters of respondents currently aged 65 years or older and who have a spouse, the spouse would be their primary beneficiary if they were to predecease him/her (Figure 4.2); for most of the remainder, a child would be the primary beneficiary.

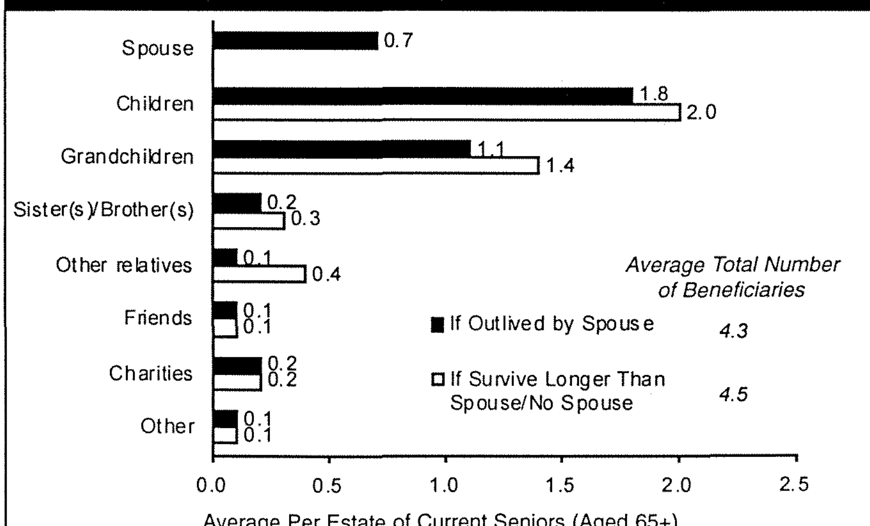
However, the surviving spouse simply represents a temporary "guardian" of the couple's wealth, before this wealth passes to its ultimate destination. When the surviving spouse dies, the main beneficiary of the remaining estate would in 6 out of 10 cases be a child. Bequests to grandchildren, however, are also important; a grandchild would be the primary beneficiary in 2 out of 10 cases.

On Average, Seniors Indicate That Roughly 3 to 4 Persons Will Share in Their Estate

The previous section dealt with seniors intentions with respect to primary beneficiaries. However, the custom research appended to the FIRM Residential Mortgage Survey also explored seniors' intentions with respect to the average number, and composition, of all beneficiaries of their estates.

If outlived by their spouse, seniors indicated that the average number of beneficiaries that would share in their estate was 4.3 (Figure 4.3) – 0.7 spouses on average, 1.8 children and 1.8

Figure 4.3:
Average Number of Beneficiaries of Each Type



Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

other recipients. Recall that under this scenario the majority of seniors indicated that their primary beneficiary would be their spouse (refer back to Figure 4.2).

If they were to survive longer than their spouse (or if they do not currently have a spouse, nor expect to have one before they die), seniors indicated that their estate would be left to roughly the same number of people in total (an average of 4.5 persons). However, under this scenario, relatives other than children would benefit more than they would if the senior were to predecease his/her spouse.

Also, recall that in this scenario, children were most often the primary beneficiaries of the estate. So even though the average number of children sharing in the estate is similar under both scenarios, the amounts they received would generally be higher under the second scenario since the amount that would have gone to the spouse is also being transferred.

It is interesting to note that some children will share in their parents' estate at two stages – the first when the one parent dies, and then again, and more significantly, when the other parent dies.

Baby Boom Generation Will Be the Key Inheritors Over the Next 10 Years

In addition to establishing the **relationships** that the recipients of inheritances and gifts of money have with the person making the bequest/gift, for the analysis here it is also important to establish which **age groups** these beneficiaries will be in. This is because housing and mortgage demand are age-group driven – a reflection of the fact that housing preferences and mortgage needs change through the various lifecycle stages.

For most people currently in the 65-and-older age groups, their children would predominantly (but not entirely, depending on the age of the seniors, and the age at which they had their children) be in the 30 to 60 age groups

Based on the intentions expressed by today's seniors (that is, with most indicating their children as their primary beneficiaries after their spouse is gone), it is clear that the baby boom generation (i.e. those persons currently aged 30 to 50 years) will be receiving the bulk of inheritances over the next 10 years.

They will not, however, be the exclusive recipients of inheritances. As shown by the questions on intentions with respect to the disposition of future estates, there is a significant proportion of households who indicated that their grandchildren, not their children, would be their primary beneficiaries. Therefore, some younger households will also share in the transfer of wealth from today's seniors, albeit to a lesser extent.

FIRM Research Can Help to Quantify Inheritances and Gifts of Money by Age Group

The custom research undertaken on the FIRM survey provides additional insight on the age groups of those receiving inheritances/gifts of money in recent years.

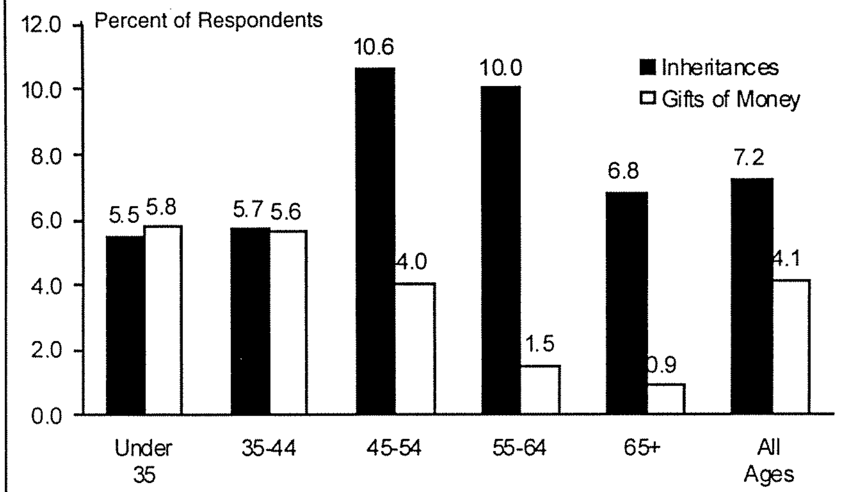
Figure 4.4 shows that there is a much higher incidence of receiving an inheritance in the 45-64 age groups than in other age groups.

For gifts of money, the incidence was higher among younger households (under 45 years) than older households (Figure 4.4).

Average size of inheritances (for those receiving one) was highest in the 55-64 age group, followed by the 35-54 age groups (Figure 4.5). Average amounts received did not vary substantially by age group for gifts of money.

By applying the reported incidences of receiving inheritances/gifts of money by age group to the estimated number of households in each age group, one obtains the number of households in each age group who received an inheritance/gift of money. These numbers of recipients by age

Figure 4.4:
Incidence of Receiving an Inheritance/Gift of Money in 1991-1996 by Age Group* of Household Head, Canada



* Age group in 1996, not when received inheritance gift
Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

These estimates show that households in the 35-64 age groups received the bulk of the dollar value of inheritances in 1991-1996 (about three-quarters) with the amounts spread more or less equally between the 35-44, 45-54 and 55-64 age groups.

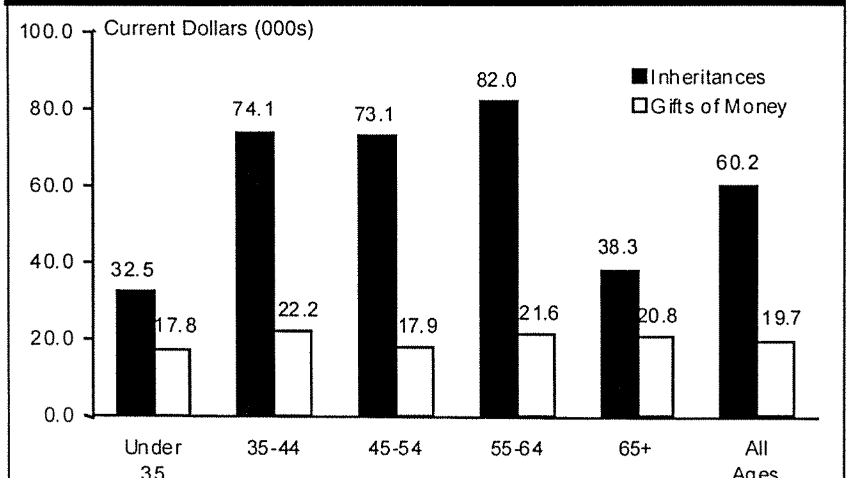
For gifts of money, a larger proportion of the money flowed to younger households, with those under 45 years receiving about three-quarters of the value of gifts of money.

group can then be multiplied by the average size of inheritances/gifts of money in each age group to derive the total value of inheritances/gifts of money in each age group. From this, the distribution of the total value of inheritances/ gifts of money by age group can be generated (Figure 4.6).

Three Scenarios Derived for Future Age Distribution of Recipients of Inheritances and Gifts of Money

To determine the future distribution of inheritances and gifts of money by age group, three scenarios were derived:[14]

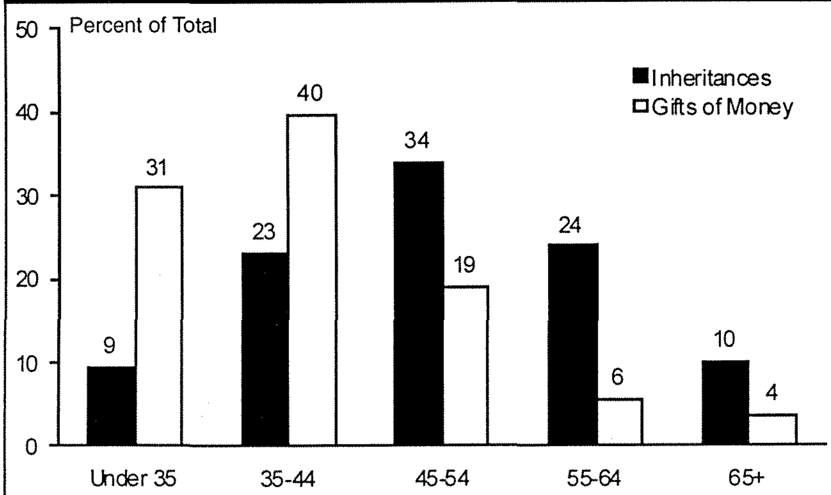
Figure 4.5:
Average Value of Inheritances/Gifts of Money in 1991-1996 by Age Group* of Household Head, Canada



* Age group in 1996, not when received inheritance gift
Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

- **Scenario 1**. This scenario assumed that the shares of the total inheritances/ gifts of money received by each age group (as shown in Figure 4.6) also apply in the 1996-2006 period. This is considered to be a reasonable assumption in this preliminary work on the topic, as it is expected that past relationships of transfers (i.e. primarily from parents to children) will continue in the near future.

Figure 4.6:
Distribution of the Value of Inheritances and Gifts of Money in 1991-1996 by Age Group* of Household Head, Canada



* Age group at end of period, not when received inheritance/gift
Source: Estimates and projections by Clayton Research

- **Scenario 2**. The first step in this scenario was to assume that the average amounts received per household remained relatively constant over the next 10 years. These averages were then applied to the projected number of households to produce a first estimate of inheritances/gifts of money by age group. The distribution by age group resulting from this analysis was then applied to the actual total value of inheritances and gifts of money.

- **Best estimate**. This scenario is the midpoint between Scenario 1 and Scenario 2. The resulting inheritances and gifts of money, as a whole, by age group are shown on Figure 4.7 and Figure 4.8.

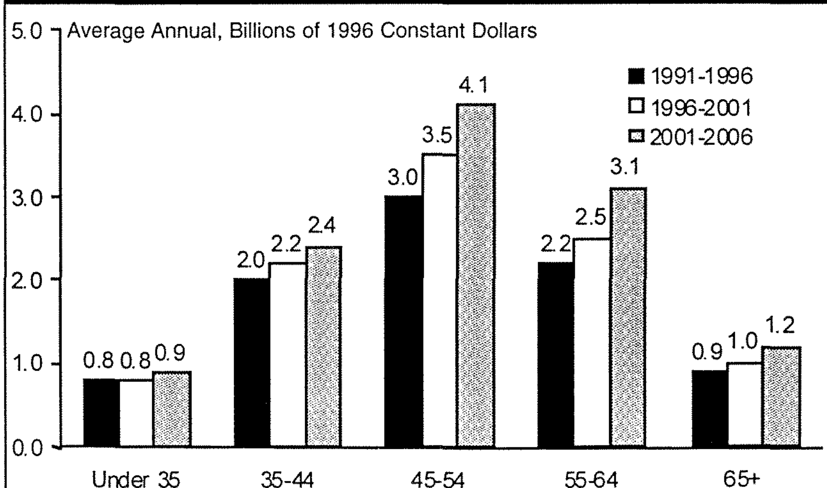
Over the projection period, the number of households in each age group will be changing. Therefore, these estimates of the total value of inheritances and gifts of money do not provide a clear picture of what the impact might be on a relative basis.

Therefore, the estimates of the total value of inheritances and gifts of money by age groups were also converted to a per-household basis (Figure 4.9). The per-household analysis allows assessments to be made of what the average impact of the higher volumes of inheritances/gifts of money will be.

It is recognized that there is no "average" household. As well, only a small proportion of all households will receive an inheritance/gift of money in any year – the FIRM data for the 1991-1996 period indicated that only about 1 in 80 households receive an inheritance each year and only about 1 in 140 a gift of money over $5,000.

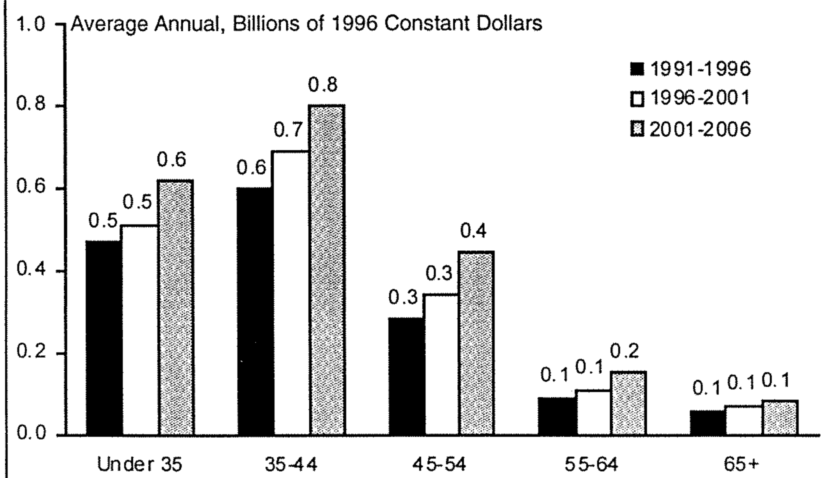
However, the averages are useful in assessing how inheritances and gifts of money might render households better (or worse) off in the future

Figure 4.7:
Total Value of Inheritances by Age Group* of Household Head



* Age group at end of period, not when received inheritance
Source: Estimates and projections by Clayton Research

Figure 4.8:
Total Value of Gifts of Money by Age Group* of Household Head

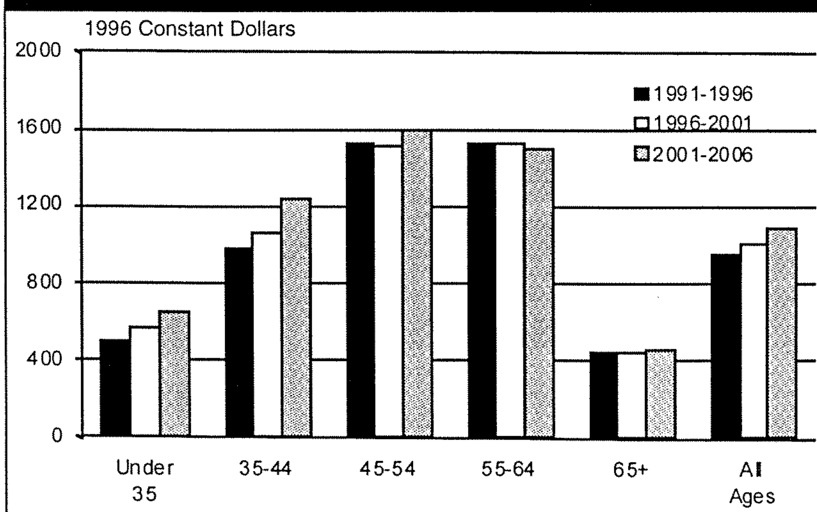


* Age group at end of period, not when received gift
Source: Estimates and projections by Clayton Research

compared to the recent past. This is important in terms of what changes might be expected in housing and mortgage market behaviour.

A review of the averages suggests that the largest positive impact will be on households in the 35-44 age groups and, to a lesser extent, the under-35 age groups.

Figure 4.9:
Average Value of Inheritances and Gifts of Money Per Household by Age Group* of Household Head**



* Age group at end of period, not when received inheritance/gift
** Per all households, not only those who receive an inheritance/gift of money
Source: Estimates and projections by Clayton Research

While the total value of inheritances/gifts of money going to the 55-64 age groups will be growing over the next 10 years, households in this age group may actually receive smaller amounts on average over the next 10 years. This reflects the growth in the size of this group as the leading edge of the baby boom generation starts to move into it, and therefore the larger families/number of siblings among whom inheritances will be shared.

Summary and Implications for the Current Study

- The most common wealth transfers have been from parents to their children. Based on households' stated intentions for their estate, this is expected to also be the case over the next 10 years.
- For most people currently in the 65-and-older age groups, their children are currently in the 35 to 55 age groups. This suggests that the baby boom generation (currently in the 30 to 50 year age groups) will be receiving the bulk of inheritances over the next 10 years.
- The growth expected in the total amounts of inheritances and gifts of money by age group will be offset in most cases by the growth in the number of households sharing in

the amounts transferred. Therefore, the impact on the average household over the next 10 years is expected to be relatively modest.

- There will be some variations by age group, however, with somewhat stronger more positive impacts on the under-45 age groups.
- These are very important results for the remainder of the analysis. If over the next 10 years households in the 45-64 age groups are receiving similar amounts in inheritances and gifts of money as their counterparts in 1991-1996, then they may also react similarly in terms of how the inheritances/gifts of money are used in terms of their housing and mortgage market related activity.
- Younger households, on the other hand, are expected to see some gain in the amounts of inheritances/gifts of money they receive on a per-household basis. Therefore, their housing and mortgage market behaviour may be impacted to some degree.
- The expected impacts of future inheritances and gifts of money on the housing and mortgage markets are discussed further in Chapter 6.

CHAPTER 5: ANTICIPATED USES OF FUTURE INHERITANCES AND GIFTS OF MONEY

This chapter explores past uses of inheritances and gifts of money and anticipated uses over the next 10 years.

Past Uses of Inheritances and Gifts of Money Provide Insight into Future Uses

As discussed earlier, the past is often a good indicator of how households will act in the future. As part of the custom research on the FIRM Residential Mortgage Survey, households were asked about the primary use to which they had put past inheritances (Figure 5.1).

Figure 5.1: Primary Uses of Inheritances/Gifts of Money

	Inheritance	Gift of Money
	*As Percent of Households Ever Receiving Inheritance/ Gift of Money**	
To Purchase a Property:	**16**	**33**
Downpayment on first home, newly built	4	8
Downpayment on first home, existing	6	17
Traded up to a more expensive, newly built home	2	3
Traded up to a more expensive, existing home	2	2
Purchased a vacation/investment property	2	3
To Pay Down Debt:	**21**	**25**
Paid down mortgage	8	10
Paid down other debt	13	14
Renovations to home	**11**	**6**
Investments/Savings	**27**	**14**
RSP contribution	4	3
Other investment/savings	23	10
Other Purposes	**25**	**22**
Travel/vacation	8	2
Charitable donations	1	0
Purchased vehicle	4	7
Children's education	1	0
Other	11	12
Subtotal housing/mortgage market related	*35*	*49*

* All respondents who ever received an inheritance/gift of money, regardless of when it was received

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

A wide variety of primary uses were indicated for inheritances:

- About 1 in 4 households who reported an inheritance used the money primarily to add to their investments/savings.
- Paying down debt was also an important use – 8 percent used it primarily to pay down their mortgage and 13 percent to pay down other debt.
- Only about 1 in 6 households who had received an inheritance reported using the money primarily to purchase a home or a vacation or investment property.
- There was some variation in uses by the value of the inheritance. Those with larger inheritances ($25,000 or more, in nominal dollars based on when received) were more likely to have used the inheritance to help purchase a property, and less likely to use it to pay down debt (Figure 5.2).
- The primary purpose that inheritances were put to also varied by when the inheritance was received (Figure 5.3). Those who had received their inheritance after 1980 were less likely to have used it to purchase a property and more likely to have used it to pay down debt. For those receiving the inheritance in the 1991-1996 period, a large proportion indicated it was put to "other" uses.

Results were also tabulated by the approximate age at which the household received the inheritance (Figure 5.4).

Households with heads under the age of 35 when they received the inheritance were more likely to have used it to purchase a home than those aged 35 years or older. About 1 in 4 households under the age of 35 and in the 35-54 age groups also used

Figure 5.2: Primary Uses of Inheritances by Value

	Under $25,000	$25,000 and over
	*As Percent of Households Ever Receiving Inheritance**	
To Purchase a Property:	**14**	**20**
Downpayment on first home, newly built	3	4
Downpayment on first home, existing	5	8
Traded up to a more expensive, newly built home	1	4
Traded up to a more expensive, existing home	2	2
Purchased a vacation/investment property	3	2
To Pay Down Debt:	**24**	**16**
Paid down mortgage	8	9
Paid down other debt	17	6
Renovations to home	**11**	**9**
Investments/Savings	**25**	**30**
RSP contribution	5	2
Other investment/savings	20	28
Other Purposes	**24**	**26**
Travel/vacation	6	13
Charitable donations	1	1
Purchased vehicle	5	3
Children's education	1	1
Other	11	9
Subtotal housing/mortgage market related	*33*	*39*

* All respondents who ever received an inheritance, regardless of when it was received

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

Figure 5.3: Primary Uses of Inheritances by Period Received

	Before 1981	1981-1990	1991-1996
	As Percent of Households Ever Receiving Inheritance		
To Purchase a Property:	**28**	**17**	**9**
Downpayment on first home, newly built	8	4	2
Downpayment on first home, existing	10	6	5
Traded up to a more expensive, newly built home	1	3	2
Traded up to a more expensive, existing home	6	1	0
Purchased a vacation/investment property	3	4	1
To Pay Down Debt:	**14**	**23**	**23**
Paid down mortgage	8	9	7
Paid down other debt	6	14	16
Renovations to home	**13**	**11**	**9**
Investments/Savings	**20**	**25**	**33**
RSP contribution	3	3	6
Other investment/savings	18	22	27
Other Purposes	**22**	**23**	**41**
Travel/vacation	7	10	7
Charitable donations	0	1	1
Purchased vehicle	3	4	5
Children's education	2	1	1
Other	11	8	27
Subtotal housing/mortgage market related	*49*	*37*	*25*

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

Figure 5.4: Primary Uses of Inheritances by Age When Received

	Under 35	35-54	55 or older
	*As Percent of Households Ever Receiving Inheritance**		
To Purchase a Property:	**28**	**12**	**8**
Downpayment on first home, newly built	8	3	1
Downpayment on first home, existing	13	3	1
Traded up to a more expensive, newly built home	3	2	1
Traded up to a more expensive, existing home	2	1	3
Purchased a vacation/investment property	2	3	2
To Pay Down Debt:	**25**	**22**	**7**
Paid down mortgage	9	9	3
Paid down other debt	16	13	4
Renovations to home	**9**	**14**	**7**
Investments/Savings	**19**	**27**	**45**
RSP contribution	5	3	5
Other investment/savings	14	24	40
Other Purposes	**18**	**26**	**34**
Travel/vacation	3	8	15
Charitable donations	1	0	3
Purchased vehicle	5	3	5
Children's education	0	1	1
Other	9	14	10
Subtotal housing/mortgage market related	*46*	*35*	*18*

* All respondents who ever received an inheritance, regardless of when it was received

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

their inheritances to pay down existing debt. Households who received an inheritance in later years (i.e. 55 or older) were more likely to use the money for investments or travel.

Gifts of money were used more often than inheritances to help purchase a first home (Figure 5.1). One in four recipients of a gift of money indicated that they put it towards a downpayment on a first home (predominantly existing homes) – this compares to 1 in 10 households receiving an inheritance.

Gifts of money were less likely to be used for renovations, or for investments/savings, than inheritances.

As with inheritances, younger households (under 35 years) were more likely to use gifts of money to purchase a property than older households (Figure 5.5).

Figure 5.5:
Primary Uses of Gifts by Age When Received

	Under 35	35-54	55 or older
	*As Percent of Households Ever Receiving Gift of Money**		
To Purchase a Property:	**38**	**16**	**0**
Downpayment on first home, newly built	10	4	0
Downpayment on first home, existing	21	8	0
Traded up to a more expensive, newly built home	2	1	0
Traded up to a more expensive, existing home	2	1	0
Purchased a vacation/investment property	3	1	0
To Pay Down Debt:	**21**	**33**	**25**
Paid down mortgage	8	13	17
Paid down other debt	14	20	8
Renovations to home	**6**	**5**	**8**
Investments/Savings	**14**	**19**	**17**
RSP contribution	2	4	8
Other investment/savings	12	15	8
Other Purposes	**21**	**28**	**51**
Travel/vacation	0	4	17
Charitable donations	0	0	17
Purchased vehicle	11	8	8
Children's education	0	1	1
Other	11	15	8
Subtotal housing/mortgage market related	*51*	*35*	*25*

* All respondents who ever received a gift of money, regardless of when it was received

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

To summarize, past inheritances were more often used for purposes other than those which are housing and mortgage market related. Only in about one-third of cases were the inheritances used primarily for housing (e.g. first homes, trading up, renovations) or mortgage market (paying down mortgage debt) related purposes. The proportion is even lower for more recent inheritances (about one-quarter in 1991-1996).

Gifts of money, however, were used more often for housing and mortgage market related purposes than inheritance. In fact, roughly half of respondents receiving a past gift of money of more than $5,000 used it for housing or mortgage market related purposes.

Various Surveys of Future Intentions Show Mixed Potential for Use of Inheritances

Households who receive inheritances and gifts of money in the future will not necessarily use them for the same purposes as past recipients. It is therefore also important to examine households' stated future intentions.

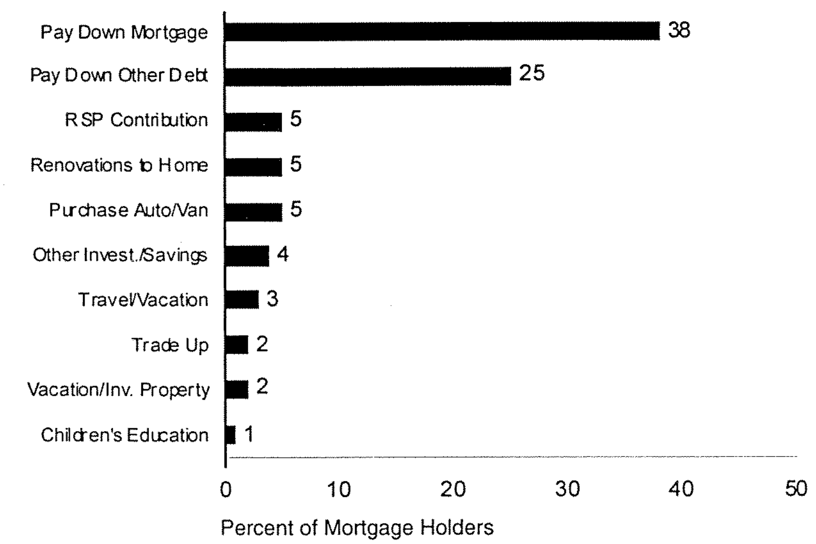
Questions on future intentions for inheritances or other "windfalls" have been asked as part of several surveys in recent years.

- In a **Canadian Facts** survey conducted twice a year (**Investing or Using a $25,000 Windfall**), respondents are asked to indicate how they would invest or use a $25,000 windfall (more than one use is possible). In the March 1996 results, about 4 out of 10 respondents indicated they would use at least part of such a windfall to invest in specific financial products (e.g. bank deposits, savings bonds, RSPs, GICs, mutual funds, stocks, etc.); about 3 in 10 said they would use at least part it to pay down debt. Housing market related uses were less common. Only 7 percent said they would invest in/buy real estate and only 3 percent would use it to renovate their home.

- A similar question was asked in the **March 1996 FIRM Residential Mortgage Survey**. The sample included **only residential mortgage holders**, who were asked to indicate their primary (and secondary) uses of a $25,000 windfall. The main primary uses indicated were to pay down current mortgage and other household borrowing; few mortgage holders said they would use the windfall to trade up in the housing market, or to renovate their home (Figure 5.6).

- A survey conducted by Environics for CMHC (**Consumer Housing Preferences in the 1990s**) showed that about half of households under the age of 55 anticipating an inheritance would buy a new or existing

Figure 5.6:
Primary Use of $25,000 Windfall



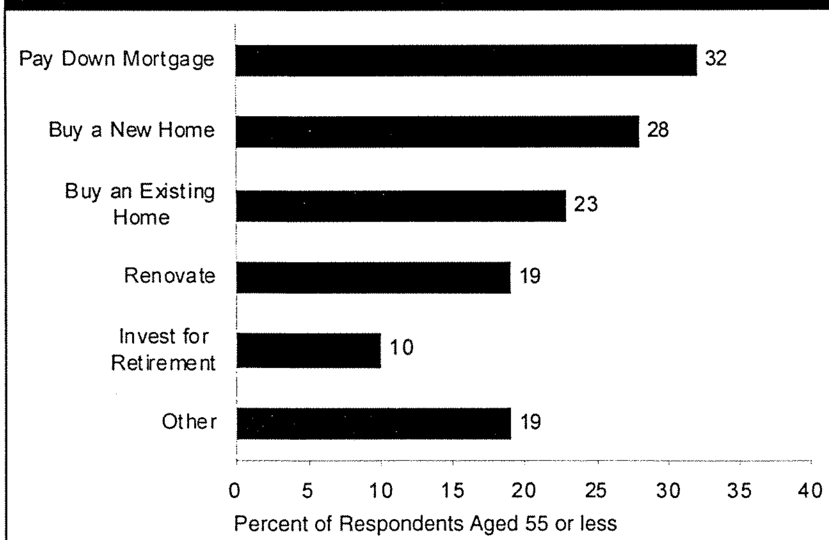
Source: The FIRM Residential Mortgage Survey, March 1996

home, about one-quarter would pay down their mortgage and about one-fifth would undertake a renovation (Figure 5.7). This focus on housing and mortgage market related activities differs substantially from other surveys conducted.

- In a **Royal Bank** survey (**Homeownership and Mortgages**, conducted by **Environics** in 1995), two-thirds of households indicated that "if they came into some money," they would purchase a home or another home (79 percent of renters and 56 percent of owners). This high proportion for home purchase is substantially above that for the other surveys discussed here. The vagueness of the question in relation to the amount of money may be a factor here.

- The survey conducted by Gallup Canada on behalf of Investors Group asked respondents who said they were expecting an inheritance in the future the primary use to which they would put the inheritance (Figure 5.8). The responses showed a marked leaning towards investments and children's education. Housing and mortgage related uses (which are only subgroups of the categories major purchases and paying down debt) were relatively less important.

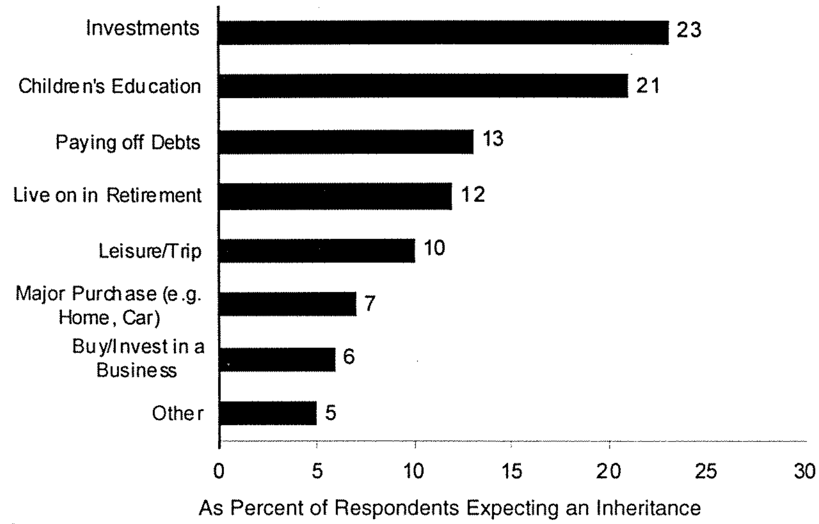
Figure 5.7:
Plans for Future Inheritances



* Multiple responses possible
Source: CMHC, "Consumer Housing Preferences in the 1990s', 1995

There are no decisive patterns shown by the various sources for the likely use of inheritances and gifts of money in the future. This may in part reflect differences across the surveys in terms of the specific wording of the question being asked, the primary focus of the research and the specific options provided for consideration.

Figure 5.8:
Primary Uses of Expected Future Inheritances



Source: Investors Group/Gallup Poll, May 1997

- Recent surveys which ask how future inheritances might be spent have resulted in a wide range – and often conflicting – results. However, most sources have suggested that those receiving inheritances in the future will be using them primarily for non-housing market related purposes

- Given the uncertainty with respect to future intentions, it appears that the best information available at present, at least as a starting point, is the historical patterns shown by the FIRM survey results. Any expected shifts from this historical pattern, and reasons why, are discussed in the next chapter which looks more closely at the expected impacts of inheritances and gifts of money on the housing and mortgage markets.

Conclusions and Implications for the Current Study

- Inheritances and gifts of money are used for a wide variety of purposes, and these purposes can vary depending on the age at which the inheritance is received, the time period in which the inheritance is received, and the size of the inheritance.

- The majority of past inheritances have been used for purposes other than those which are housing and mortgage market related, and there has been a shift away from housing and mortgage market related purposes in recent years. A larger proportion of gifts of money have been used for housing and mortgage market related purposes.

CHAPTER 6: THE IMPACT OF INHERITANCES AND GIFTS OF MONEY ON THE HOUSING AND MORTGAGE MARKETS

This chapter focuses on the specific impacts that inheritances and gifts of money are expected to have on the housing and mortgage markets over the next 10 years.

Usage Patterns in 1986-1996 Provide a Starting Point to Quantify Impacts of Inheritances and Gifts of Money on the Housing and Mortgage Markets

For this preliminary analysis, households receiving inheritances in the 1996-2006 period were assumed to use them in the same fashion as their counterparts of the same broad age groups in 1986-1996 (Figure 6.1). While it would have been preferable to use results for the 1991-1996 period alone, sample sizes by age group were considered to be insufficient.

These propensities were then applied to the "best estimate" values of inheritances and gifts of money by age group in 1996-2001 and 2001-2006 (as shown on Figures 4.7 and 4.8) to determine the flows of inheritances and gifts of money into the housing and mortgage markets.

The detailed results of the analysis are shown on Figure 6.2 on the next page. Highlights include:

- Over the next 10 years, about $2.7 billion per year is expected to flow into the housing market due to inheritances and gifts of money. This is roughly a half billion more per year than was the case in the 1991-1996 period.
- Over half of the benefits to the housing sector are expected to be in the renovation sector.
- Based on past patterns, the existing home market is expected to benefit to a larger extent than the new home market from inheritances and gifts of money. However, given a "fixed" supply in the existing home market, it is possible that some of the potential impact on the existing home

Figure 6.1:
Primary Uses of Inheritances and Gifts of Money by Age

	Under 35	35-54	55 or older	All Ages
	As Percent of Households Receiving Inheritance/Gift of Money in 1986-1996			
	Inheritances			
To Purchase a Property:	24.0	7.2	5.5	8.5
Downpayment on first home, newly built	7.0	0.0	0.0	0.6
Downpayment on first home, existing	12.0	2.0	1.1	2.8
Trade up, newly built home	2.0	1.7	0.0	1.5
Trade up, existing home	0.0	0.7	2.2	0.8
Purchase vacation/investment property	3.0	2.8	2.2	2.8
To Pay Down Debt:	27.0	18.3	7.7	18.0
Paid down mortgage	9.0	6.5	3.3	6.4
Paid down other debt	18.0	11.8	4.4	11.6
Renovations to Home	8.0	12.9	9.9	12.2
Investments/Savings	21.0	33.8	45.0	33.8
All Other Purposes	20.0	27.8	31.9	27.5
All Purposes	100.0	100.0	100.0	100.0
Subtotal housing/mortgage market related	***41.0***	***26.6***	***18.7***	***27.1***
	Gifts of Money			
To Purchase a Property:	34.7	9.3	0.0	17.1
Downpayment on first home, newly built	8.0	1.5	0.0	3.5
Downpayment on first home, existing	20.0	6.3	0.0	10.4
Trade up, newly built home	2.7	0.0	0.0	0.9
Trade up, existing home	2.7	0.0	0.0	0.9
Purchase vacation/investment property	1.3	1.5	0.0	1.4
To Pay Down Debt:	21.4	35.2	25.0	30.4
Paid down mortgage	6.7	15.2	12.5	12.4
Paid down other debt	14.7	20.0	12.5	18.0
Renovations to Home	5.3	5.9	12.5	5.9
Investments/Savings	13.3	18.4	12.5	16.6
All Other Purposes	25.3	31.2	50.0	30.0
All Purposes	100.0	100.0	100.0	100.0
Subtotal housing/mortgage market related	***46.7***	***30.4***	***25.0***	***35.4***

Source: The FIRM Residential Mortgage Survey, custom research commissioned by CMHC, September 1996

**Figure 6.2:
Summary of Flows of Inheritances and Gifts of Money into the Housing and Mortgage Markets, Canada**

	Total Flows				Net Flows Relative to 1991-1996		
	1991-1996	1996-2001	2001-2006	1996-2006	1996-2001	2001-2006	1996-2006
	Average Annual, Millions of 1996 Constant Dollars						
Impact from Inheritances:							
First home market, new	55	58	65	62	3	10	7
First home market, existing	249	277	314	295	28	64	46
Move-up market, new	137	155	174	164	18	37	27
Move-up market, existing	68	78	95	86	10	27	19
Vacation home/investment property market	248	282	323	302	34	75	55
Renovation	1,085	1,237	1,418	1,328	152	334	243
Total	1,841	2,087	2,388	2,238	246	547	397
Subtotal new home market	*192*	*213*	*239*	*226*	*21*	*47*	34
Subtotal existing home market	*317*	*355*	*408*	*382*	*38*	*92*	65
Subtotal first-time buyer market	*304*	*335*	*379*	*357*	*31*	*74*	53
Subtotal move-up buyer market	*205*	*233*	*268*	*251*	*28*	*64*	46
Mortgage Market*	-571	-648	-736	-692	-76	-165	-121
Impact from Gifts of Money:							
First home market, new	52	59	71	65	6	18	12
First home market, existing	154	174	210	192	20	56	38
Move-up market, new	13	14	17	15	1	4	3
Move-up market, existing	13	14	17	15	1	4	3
Vacation home/investment property market	21	24	29	27	3	8	6
Renovation	88	103	126	114	15	38	26
Total	341	388	469	429	47	129	88
Subtotal new home market	*65*	*73*	*88*	*80*	*8*	*23*	15
Subtotal existing home market	*167*	*188*	*227*	*207*	*21*	*60*	41
Subtotal first-time buyer market	*206*	*233*	*281*	*257*	*27*	*74*	50
Subtotal move-up buyer market	*25*	*28*	*34*	*31*	*2*	*8*	5
Mortgage Market*	-185	-217	-262	-240	-32	-78	-55
Total							
First home market, new	107	117	136	126	10	28	19
First home market, existing	403	452	524	488	48	120	84
Move-up market, new	150	169	190	180	19	41	30
Move-up market, existing	80	92	112	102	12	31	21
Vacation home/investment property market	269	306	352	329	37	83	60
Renovation	1,173	1,339	1,544	1,442	167	372	269
Total	2,182	2,475	2,858	2,666	293	676	484
Subtotal new home market	*257*	*286*	*326*	*306*	*29*	*69*	*49*
Subtotal existing home market	*484*	*543*	*635*	*589*	*60*	*152*	*106*
Subtotal first-time buyer market	*511*	*568*	*659*	*614*	*58*	*149*	*103*
Subtotal move-up buyer market	*230*	*261*	*302*	*281*	*31*	*72*	*52*
Mortgage Market*	-756	-864	-999	-931	-108	-243	-176

* The values for the mortgage market are shown as negatives, since they represent amounts by which households would be paying down their mortgage, which is a negative impact for mortgage lenders

Source: Estimates and projections by Clayton Research

market (as shown by Figure 6.2) might actually spill over to the new home market. To the extent that this were to occur, the relative impacts would be higher for the new home market and lower for the existing home market than shown here.

- The vacation and investment market (which would include rental properties, as well as some commercial properties) is expected to benefit from inheritances and gifts of money to a similar extent as the new home market.

- Just over $900 million per year of inheritances and gifts of money is expected to be used by households to pay down their mortgage debt. This is about $175 million more per year than estimated for the 1991-1996 period.[15]

Relative Impact of Higher Levels of Inheritances and Gifts of Money Expected to be Very, Very Small

While the amounts of money expected to flow into the housing and mortgage markets over the next 10 years from inheritances and gifts of money may seem substantial in dollar terms, they must be put into perspective.

To do this, both the total amounts, as well as the net amounts (i.e. the increases relative to the 1991-1996 period) were expressed as a percentage of the estimated size of the market in 1996 (Figure 6-3, next page). Note that it was not possible to do this for the vacation/investment home market, as no reliable estimates exist of the size of this market segment.

When looked at on this basis, the small role that inheritances and gifts of money are expected to play in the housing and mortgage markets over the next 10 years becomes very apparent.

For example, the total value of inheritances and gifts of money expected to flow into the new and existing home markets represent less than 2 percent of the total value of these markets. If one focuses on the net change in the flows relative to the 1991-1996 period – which would represent the degree of the "boost" that might be expected from higher levels of inheritances and gifts of money – the net impact on the market is negligible.

In relative terms, the largest impact is in the renovation sector – but even here, the contribution of inheritances and gifts of money is still a very small proportion of the total market. The relative impacts are smallest in the mortgage market.

It should be stressed that the analysis here does not show the net impact of inheritances on each sector, but rather only the flow of inheritances and gifts of money directly into each sector. To analyze the net impact of inheritances and gifts of money on each sector would require the development of an in-depth behavioural model which takes account of how people modify their behaviour after receiving inheritances/gifts of money, and in particular to what extent inheritances and gifts of money replace other sources of funds. The development of such a model was beyond the scope of this preliminary work on the subject, but could form the basis for future work in this area.

Summary and Implications for the Current Study

- The analysis in this chapter suggests that in general inheritances and gifts of money are likely to have a very small impact on the housing and mortgage markets over the next 10 years.

- As well, while some increase in the level of inheritances is expected over the next 10 years, in terms of the total size of the market, the relative impacts are expected to be very small.

- In the introduction to this report, it was suggested that the results of this analysis would be of interest to a variety of housing and mortgage industry participants. Below, we extrapolate the key results for each group.

Figure 6.3:
Size and Relative Importance of Flows of Inheritances and Gifts of Money into the Housing and Mortgage Markets, Canada*

	Estimated Size of Market in 1996	Average Annual Flows of Inheritances and Gifts of Money into Each Market Sector			Expressed as % of the Total Estimated Value of the Sector in 1996	
		Estimated 1991-1999	Projected 1996-2006	Change 1996-2006 Relative to 1991-1996	Projected 1996-2006	Change 1996-2006 Relative to 1991-1996
	Millions of 1996 Constant Dollars					
First home market, new	7,000	107	126	19	1.80%	0.27%
First home market, existing	20,000	403	488	84	2.44%	0.42%
Move-up market, new	16,000	150	180	30	1.12%	0.19%
Move-up market, existing	28,000	80	102	21	0.36%	0.08%
Vacation home/investiment property market	n.a.	269	329	60	n.a.	n.a.
Renovation	19,000	1,173	1,442	269	7.59%	1.42%
Total	n.a.	2,182	2,666	484	n.a.	n.a.
Subtotal new home market	23,000	257	306	49	1.33%	0.21%
Subtotal existing home new	48,000	484	589	106	1.23%	0.22%
Subtotal first-time buyer new	27,000	511	614	103	2.27%	0.38%
Subtotal move-up buyer	44,000	230	281	52	0.64%	0.12%
Mortgage market**	359,000	-756	-931	-176	-0.26%	-0.05%

* The analysis here shows only the flows of inheritances and gifts of money into each sector – it does not necessarily reflect the net impact that these flows will ultimately have on each market sector.

** The values for the mortgage market are shown as negatives, since they represent amounts by which households use inheritances and gifts of money to pay down their mortgage.

Source: Estimates and projections by Clayton Research

- **Mortgage insurers:** Inheritances and gifts of money are expected to have a larger relative impact on the first-time than the move-up buyer market (Figure 6.3). However, the expected net impact on the first-time buyer market of moderately higher inheritances and gifts of money over the next 10 years is very small in terms of the total size of the market. Therefore, other things being equal, there is unlikely to be any significant reduction in the need for mortgage insurance over the next 10 years.
- **Mortgage lenders:** The analysis here suggests that there is no apparent basis for any fear that future inheritances and gifts of money could have a detrimental impact on the mortgage market from a lender's perspective. Relatively few recipients have used inheritances and gifts of money in the past to pay down mortgage debt; they are more likely to use the money for other purposes, including paying down non-mortgage debt.

However, survey information (such as from CMHC's **Consumer Housing Preferences in the 1990s** study) related to future intentions suggests there may be some increase in this purpose for the future. This appears possible given the rise in mortgage debt in recent years and the additional burden on households. A shift towards this purpose has not been built into the projections here. However, given the very low relative impact at present, the degree of the shift would need to be fairly substantial to have any significant impact on the overall mortgage market in the future.

- **New home builders:** Relatively few recipients use inheritances or gifts of money to help purchase a new home. Based on past patterns, the existing home market is expected to benefit to a larger extent than the new home market from inheritances and gifts of money. Over the next 10 years, only an extra $50 million per year is expected to flow into the new home market due to higher inheritances and gifts of money.

  However, given a "fixed" supply in the existing home market, it is possible that some of the potential impact on the existing home market could actually spill over to the new home market. To the extent that this were to occur, the relative impacts would be higher for the new home market and lower for the existing home market than shown here.

- **Renovators:** In relative terms, the renovation sector is the area where inheritances and gifts of money have the largest impact. Higher levels of inheritances and gifts of money over the next 10 years are expected to add an additional $269 million to the market each year, compared to the 1991-1996 period – this increase excludes other boosts to renovation spending expected to occur due to market related factors (such as the ageing of the stock in relative terms).

- **Building product manufacturers and suppliers:** This group can expect only a modest boost in sales over the next 10 years due to inheritances and gifts of money, with the renovation sector providing most of the modest kick.

- **Recreational property developers:** An extra $60 million per year is expected to be pumped into the vacation home and investment property market over the next 10 years due to higher levels of inheritances and gifts of money. This is more than the new home market.

CHAPTER 7: DIRECTIONS FOR FUTURE RESEARCH

- The current study was intended as a preliminary investigation into the topic of inheritances and their expected impact on the housing and mortgage markets. This chapter recognizes the limited scope of the current study and makes suggestions as to how the research might be expanded upon in the future.

Potential refinements to the research include:

- **Develop a behavioural model to look at the ultimate net impacts of inheritances and gifts of money on the housing and mortgage market.** The simple analysis here is limited to an assessment of the flows of inheritances and gifts of money into various sectors of the housing and mortgage markets. As cautioned earlier, the analysis does not go the further step of determining what the ultimate net impacts will be on each sector. As suggested, this would require the development of a behavioural model which determines to what extent the inheritances/gifts of money alter behaviour (e.g. propensities to buy a home, to pay down a mortgage, etc.) as opposed to simply replacing other sources of funds. However, given the relatively small role that inheritances and gifts of money were shown to play in terms of the size of the total housing and mortgage markets, it may be that the added value of such an in-depth undertaking would be relatively minor.

- **Expand the analysis for a longer timeframe.** The current analysis was limited to the next 10 years. However, it is possible, depending on how wealth by age group evolves, that inheritances and gifts of money could have a more substantial impact on the housing and mortgage markets in the future. Expansion of the timeframe would require longer-term projections of wealth, which were not available for the current study. However, some very preliminary projections prepared for the 2006-2016 period (based on assuming constant wealth by age group) suggest that the level of gifts and inheritances will continue to grow over the longer term.

- **Incorporate updated Statistics Canada estimates of wealth and past inheritances when available.** As emphasized in Chapter 2 and Chapter 3, historical data on wealth by age group and past levels of inheritances and gifts of money is very limited. This necessitated the use of some simplifying assumptions for the current study. Statistics Canada is currently developing a new wealth survey which may also collect information on past inheritances. Both these pieces of information would be valuable in refining the estimates here.

- **Refine the analysis of future trends in growth in wealth by age group:** Much of the relatively weak net impacts of inheritances and gifts of money on the housing and mortgage markets that are shown for the next 10 years relative to the first half of the 1990s are the result of a lack of growth in real wealth per capita for seniors since the mid-1980s. If wealth per senior were to start to grow again, the levels of inheritances and gifts of money might be corresponding much higher in the future. Again, however, expected future trends in wealth by age group require a good historical basis, which is currently lacking.

- **Undertake more in-depth analysis of potential shifts in uses of inheritances and gifts of money in the future.** For the preliminary work here, it was assumed that inheritances and gifts of money are used by households of various ages in a similar fashion to how they have been used in the recent past. However, it is likely that some propensities will shift in the future. For example, as touched on earlier in this report, high levels of mortgage debt relative to the past might encourage recipients of inheritances and gifts of money to use them to pay down mortgage debt more often than their counterparts in the past. On the other hand, since currently low mortgage rates make the burden of this debt more manageable, this may not be the case. The net impact is not obvious, but might be refined with further analysis.

- **Conduct more extensive survey work on inheritances and gifts of money.** As discussed previously, the custom research on inheritances and gifts of money undertaken on the FIRM survey as part of this study was intended to provide some initial information on the topic. Additional survey work (either as part of FIRM or as an independent survey) would not only help to confirm these initial FIRM results, but also provide the opportunity to explore additional areas. For example, as indicated in the first point in this chapter, the analysis of the ultimate net impact of inheritances and gifts of money on the housing and mortgage markets should ideally take account of how recipients behaviour is altered from what otherwise may have occurred upon receipt of the money. Additional survey work could help identify these behavioural changes. For example, would a recipient who used an inheritance to purchase a first home have bought a first home even they had not received the inheritance? If so, did the inheritance allow them to make a larger downpayment than they otherwise might have (and therefore, negated the need for mortgage insurance)?

Given the relatively small impact that the current analysis has shown inheritances and gifts of money to have on the housing and mortgage market, it may not be deemed worthwhile to pursue any of these additional areas of research in the near future. Marginal changes in the underlying assumptions that might result from more in-depth analysis are unlikely to change the general conclusions to any large extent. It would appear to be reasonable to wait until more reliable estimates of wealth by age group and past levels of inheritances are available from Statistics Canada's new wealth survey before attempting to refine the analysis.

1 In this report, a distinction is made between the term "bequest", which is used to refer to the action of leaving all or a portion of one's estate to an heir or heirs and "inheritance" which refers to the amount received by any individual heir.

2 The new survey is discussed in Statistics Canada, **Towards a New Canadian Asset and Debt Survey: A Content Discussion Paper**, February 1997.

3 Data from the three previous surveys is not examined here, as the coverage broadened over time: the last three surveys provide the most consistent information.

4 Wealth is defined here as the difference between total assets and total debt. It is also referred to as "net worth".

5 G. Oja. "Changes in the Distribution of Wealth in Canada, 1970-1984": section on "Data limitations".

6 Investor Economics. "Segmenting for Success: How to Win the Battle for Retail Financial Services Customers", October 1995. These estimates disaggregate Statistics Canada's estimates of assets and debts for the personal and unincorporated business sector as a whole (as contained in National Balance Sheets Accounts, Catalogue 13-214) by age group, as well as other variables, such as income, region, etc., using age-specific Revenue Canada tax file information. Much of the analysis of current and future estimates of wealth for the current study relies on the wealth information developed by Investor Economics. These are considered to be the best estimates currently available of wealth by age group, as 1) they are the product of in-depth analysis and an extensive modelling framework; 2) they are consistent with control totals from published Statistics Canada National Balance Sheet information; and 3) they have been adopted by some financial institutions to assist in their strategic planning.

7 The addition of custom questions related to inheritances and gifts of money to the FIRM survey was intended as an initial effort to fill the information gap on this topic in a short timeframe with a limited cost outlay. More information on the FIRM custom research work is provided in Appendix B. While the results are based on relatively small sample sizes, they provide the necessary input for the modelling exercise undertaken as part of this study. Future analyses on the topic of inheritances and gifts of money would benefit from more in-depth survey work on a larger sample (as discussed in Chapter 7, Directions for Future Research).

8 This was done by using the change in the value of the CPI in 1996 over the average value of the CPI for 1991-1996.

9 See previous footnote.

10 This was done by dividing by the 1989 exchange rate of $0.844 U.S. and then multiplying by the change in the CPI for Canada between 1989 and 1996 of 18.9%).

11 Although the projections of inheritances in the Investor Economics study have not been adopted for use in the current study, this does not negate the use of the Investor Economics estimates/projections of wealth by age group in this study. The wealth estimates were derived based on a comprehensive analysis, and are consistent with Statistics Canada estimates of total wealth for all age groups. As there are no published

information available on historical inheritances, however, there were no control totals which the Investor Economics analysis on inheritances could tie into.

12 For example, some givers would be empty-nesters in the 55-64 age groups helping out their children.

13 That is, the total value of gifts of money is a ratio of the total wealth of persons aged 55 and over (for inheritances, it is a ratio of the total wealth of persons aged 65 and older).

14 The projections of future population and households by age group adopted for this report are from CMHC's medium scenario, as outlined in "The Long-Term Housing Outlook".

15 Note that the mortgage market impacts shown here relate solely to the use of inheritances/gifts of money to pay down mortgage debt. They do not include any positive impacts which might be generated by additional home sales.

Appendix A

A Simple Model to Estimate the Impact of Future Inheritances and Gifts of Money on the Housing and Mortgage Markets

This Appendix provides a brief description of the model which was specifically developed for this study in order to help assess the impact of inheritances and gifts of money on the housing and mortgage markets.

The Purpose of the Model

The model was developed as a preliminary attempt to help to quantify:

- The relative impact of inheritance and gifts of money on the housing and mortgage markets in the recent past; and
- Expected changes in the degree of the impacts in the future.

Caveat

It is recognized that the model has limitations, including a lack of reliable data on current and future wealth by age group. The model is by no means intended to be the definitive analysis in this area; rather, it is a first attempt to model the broad scope and impacts of inheritances and gifts of money on the housing and mortgage market. The focus of the exercise was not so much on actual levels of impacts, but rather the relative scope of the impacts and relative changes over time.

Model Structure

The model is developed as spreadsheet workbooks, each with several worksheets. The model is set up by 5-year periods, from 1991-1996 through 2011-2016; the study analysis, however, is limited to the next 10 years (i.e. 1996-2001 and 2001-2006).

The model is age specific, by 10-year age cohorts from 15-24 through 75 and over. CMHC's medium projection of population and households by age group (from **The Long-Term Housing Outlook**) was adopted for the analysis.

There are three main components or modules to the model. Each is described briefly in the following sections.

The Wealth by Age Group Module

This module contains estimates of per capita and total wealth by age group for each of the periods under consideration. The wealth estimates are based on information on current estimates of total wealth by age group generated by Investor Economics, as well as Investor Economics outlook for future trends in growth in average wealth by age group.

The Wealth Transfer Module

In this module, the total level of inheritances and gifts of money is determined, as well as the distribution of the total by age group of the recipients.

Estimates of the levels of inheritances and gifts of money for the 1991-1996 period were developed based on information from the custom FIRM survey work undertaken for this study.

For the 1996-2001 and 2001-2006 periods, it was assumed that inheritances were a function of the wealth of seniors (i.e. persons aged 65 and older). It was assumed that the ratio of inheritances to the total wealth of seniors aged 65 and over remained constant at the 1991-1996 ratio over the projection period. Therefore, any future growth in inheritances is solely a function of growth in the number of seniors and growth in their average wealth.

For gifts of money, it was assumed that they were a function of the wealth of persons aged 55 and older. Again, it was assumed that the ratio of gifts of money to the total wealth of the population aged 55 and older remained constant over the projection period.

To distribute the total level of inheritances and gifts of money by age group of recipient, three scenarios were developed:

- **Scenario 1**. This scenario assumed that the shares of the total inheritances/gifts of money received by each age group also apply in the 1996-2006 period. This is considered to be a reasonable assumption in this preliminary work on the topic, as it is expected that past relationships of transfers (i.e. primarily from parents to children) will continue in the near future.
- **Scenario 2**. The first step in this scenario was to assume that the average amounts received per household remained relatively constant over the next 10 years. These averages were then applied to the projected number of households to produce a first estimate of inheritances/gifts of money by age group. The distribution by age group resulting from this analysis was then applied to the actual total value of inheritances and gifts of money.
- **Best estimate**. This scenario is the midpoint between Scenario 1 and Scenario 2.

The Primary Use Module

In this module, the inheritances and gifts of money received by each age group are distributed according to primary use. Historical information on inheritances and gifts of money was derived for the 1991-1996 period from the custom survey work undertaken on the FIRM survey. It was assumed that the composition of primary uses remained constant over the projection period, although there is the potential to alter this assumption.

Again, three scenarios were developed, which are consistent with the varying assumptions about the age distribution of the inheritances and gifts of money. The results reported in the main body of the report reflect the best-estimate scenario.

Appendix B:

The FIRM Survey Custom Research on Inheritances and Gifts of Money

This appendix briefly discusses the custom research commissioned by CMHC on the 10th quarter FIRM Residential Mortgage Survey, mailed out in September 1996.

The research was intended to provide background and quantitative information for the current study on the impact of inheritances on the mortgage market in Canada. In particular, the results provided the necessary input assumptions for the modelling exercise undertaken for this study (as discussed Appendix A).

What is the FIRM?

The FIRM (Financial Industry Research Monitor) Residential Mortgage Survey is a quarterly tracking of Canadian consumer attitudes and intentions regarding residential mortgage borrowing and mortgage lenders.

FIRM is a joint venture of Clayton Research Associates Limited and The NPD Group Canada (at the time of the custom research, The NPD Group was still called ISL International Surveys Limited).

The FIRM Residential Mortgage Survey is conducted by mail using The NPD Group's Interview Home Opinion Panel. Approximately 6,000 questionnaires are mailed out each quarter. The households selected for the survey are balanced to be representative of Canadian households on a number of key demographic variables.

The Custom Research Commissioned by CMHC on Inheritances and Gifts of Money

On the March 1996 FIRM Residential Mortgage Survey, custom questions were commissioned by CMHC to gain information on households' experience and intentions with respect to inheritances and gifts of money. The research was restricted to inheritances/gifts of money of $5,000 or more (in nominal terms).

The research explored the extent and size of inheritances/gifts of money in the past, who they came from and how they were used. It also explored households' future intentions about their estate, specifically with respect to who would share in it.

A copy of the questionnaire is provided on the next page.

A total of 3,077 households responded to the September 1996 FIRM survey. Of these households, 2,777 completed the questionnaire related to inheritances/gifts of money; 536 indicated that they had received an inheritance at some point in the past and 220 indicated they had received a gift of money.

Highlights of the survey results were presented in a separate report entitled **FIRM Custom Research on Inheritances and Gifts of Money: Summary Report**. Detailed tabulations were also provided in a companion volume.

While the custom research results are based on relatively small sample sizes, they provide the necessary input for the modelling exercise undertaken as part of this study. Future analyses on the topic of inheritances and gifts of money would benefit from more in-depth survey work on a larger sample.

FIRM Custom Research on Inheritances and Gifts of Money: Survey Questions

INHERITANCES/GIFTS OF MONEY | PANEL MEMBER: | THIS SECTION TO BE COMPLETED BY ALL RESPONDENTS, WHETHER OR NOT YOU HAVE A MORTGAGE. (1-2)-03 (3-17)-Dup

1. Have you and/or your spouse ever received either (a) an inheritance of $5,000 or more or (b) a gift of money from a living person of $5,000 or more?

Yes.......................... 1 → Proceed to Q.2 No.......................... 2 → Skip to Q.6 (18)

FOR QUESTIONS 2 THROUGH 5, ANSWER SEPARATELY FOR INHERITANCES AND GIFTS OF MONEY; ANSWER FOR BOTH IF APPLICABLE. IF YOU AND/OR YOUR SPOUSE HAVE EVER RECEIVED MORE THAN ONE INHERITANCE AND/OR GIFT OF MONEY OVER $5,000, ANSWER FOR THE MOST RECENT YOU HAVE RECEIVED IN EACH CATEGORY.

2. In what time period, approximately, was the inheritance and/or gift of money received? (CIRCLE ONE ANSWER FOR EACH WHERE APPLICABLE)

	a. Inheritance	b. Gift
Before 1976	1 (19)	1 (20)
1976 to 1980	2	2
1981 to 1985	3	3
1986 to 1990	4	4
1991 to 1996	5	5

3. What was the approximate value of the inheritance and/or gift of money? (CIRCLE ONE ANSWER FOR EACH WHERE APPLICABLE)

	a. Inheritance	b. Gift
$5,000-$9,999	1 (21)	1 (22)
$10,000-24,999	2	2
$25,000-$49,999	3	3
$50,000-$99,999	4	4
$100,000-$249,999	5	5
$250,000-$499,999	6	6
$500,000-$999,999	7	7
$1 million or more	8	8

4. From whom did you receive the inheritance and/or gift of money? (CIRCLE ONE ANSWER FOR EACH WHERE APPLICABLE)

	a. Inheritance	b. Gift
Spouse	1 (23)	1 (24)
Parent(s)	2	2
Grandparent(s)	3	3
Children	4	4
Brother/Sister	5	5
Other Relative	6	6
Friend	7	7
Other	8	8

5. What was the primary use you made of the inheritance and/or gift of money? (CIRCLE ONE ANSWER FOR EACH WHERE APPLICABLE)

	a. Inheritance	b. Gift
Downpayment on a first home, newly built	1 (25)	1 (27)
Downpayment on a first home, existing	2	2
Traded up to a more expensive newly built home	3	3
Traded up to a more expensive, existing home	4	4
Purchased a vacation/ investment property	5	5
Paid down mortgage	6	6
Paid down other debt	7	7
Renovations to home	8	8
Travel/vacation	9	9
Charitable donations	0	0
RSP contribution	1 (26)	1 (28)
Other investment/savings	2	2
Purchased a vehicle	3	3
Children's education	4	4
Other	5	5

6. **This question should be answered by the main panel member.**

This next question deals with your future plans regarding the inheritance of your estate. As you may know, different people have different wishes regarding who and how many will inherit their estate.

Looking ahead now, and regardless of the value of your estate, or whether or not you have a "will", please indicate who you plan on inheriting your estate. Listed below are different possible beneficiaries. For each type of beneficiary listed below, please indicate the number of each who would inherit your estate. Please also indicate who the primary beneficiary would be (ie. the beneficiary who will receive the largest portion of your estate).

Please indicate your answer separately for the following situations: a) if you are outlived by your spouse and b) if you survive longer than your spouse

Therefore, if you currently have a spouse, or expect to have one in the future, answer in both Part a and Part b. If you do not currently have a spouse, and do not expect to have one in the future, provide your answer in Part b only.

	a. Outlived by Spouse		b. If Survive Longer Than Spouse/No Spouse	
	Write in Number of Beneficiaries of Each Type	Primary Beneficiary (Circle One)	Write in Number of Beneficiaries of Each Type	Primary Beneficiary (Circle One)
Spouse	______ (29-30)	0 (49)	n.a. (50-51)	n.a. (68)
Children	______	1	______	1
Grandchildren	______	2	______	2
Sister(s)/brother(s)	______	3	______	3
Parent(s)	______	4	______	4
Other relative(s)	______	5	______	5
Friends	______	6	______	6
Charities	______	7	______	7
Others	______	8	______	8
Total number	______ (47-48)		______ (66-67)	

THANK YOU. PLEASE GO TO NEXT SECTION ON HOUSEHOLD BORROWING

Appendix C

Information Sources

The following are information sources either directly used or cited in this report, or which served as general background references.

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