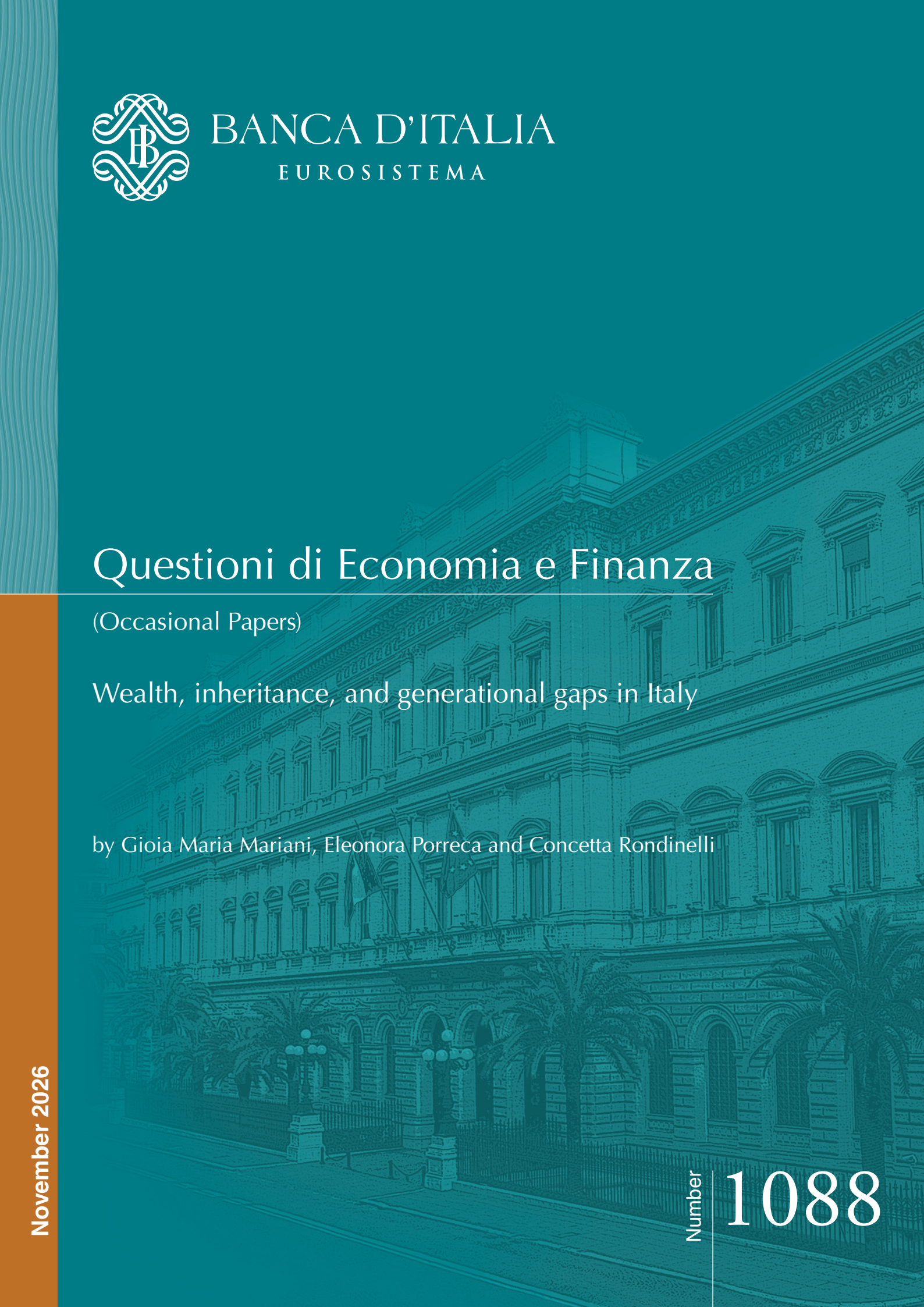
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(Occasional Papers)

Wealth, inheritance, and generational gaps in Italy

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WEALTH, INHERITANCE, AND GENERATIONAL GAPS IN ITALY

by Gioia Maria Mariani*, Eleonora Porreca** and Concetta Rondinelli***

Abstract

Using data from the Italian Survey on Household Income and Wealth for the 1991–2022 period, we examine how cohort-specific wealth accumulation and demographic change shape intergenerational wealth transmission and its distributive implications. We find that the growing concentration of wealth among older households primarily reflects cohort effects rather than population ageing. Generations born in the 1940s and early 1950s accumulated substantially more wealth, benefiting from larger capital gains. A cohort-level simulation suggests that potential inheritances may increasingly compensate for younger generations' weaker wealth accumulation. Their distributive effects, however, depend on family background: inheritances narrow relative wealth differences among households at opposite ends of the educational-background distribution but widen disparities among households reaching similar educational thresholds from different family origins. A Shapley decomposition further shows that declining fertility and changing household partnership patterns affect potential inheritances asymmetrically across educational groups, reinforcing advantages associated with more highly-educated family backgrounds. These findings highlight the role of demographic change in intergenerational wealth persistence.

JEL Classification: D31, D15, E21, J11.

Keywords: household wealth, intergenerational transfers, inheritance, wealth inequality, demographic change.

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1 Introduction

Wealth accumulation differs substantially across generations. Individuals born at different points in time face different labor-market conditions, housing opportunities, credit constraints, and asset-price dynamics, which can leave persistent marks on household balance sheets. These differences may also extend beyond the generations that originally experienced them, as accumulated wealth is transmitted to descendants through inheritances (Piketty and Zucman, 2015; Alvaredo et al., 2017). In ageing societies, demographic change may further affect this process by altering the accumulation and transmission of resources across generations (Lee and Mason, 2011). Understanding the interaction between cohort-specific accumulation, demographic change, and intergenerational transfers is therefore important for explaining the evolution and distribution of household wealth.

Italy provides a particularly informative setting in which to study these mechanisms. The generations that entered adulthood during the decades of strong post-war economic growth experienced relatively favorable labor-market conditions and substantial increases in asset values, particularly housing. Previous studies document more favorable wage profiles for generations entering the Italian labor market in the 1970s and 1980s than for subsequent cohorts (Rosolia and Torrini, 2007, 2016), while household wealth accumulation was supported by strong economic growth and favorable house-price dynamics between the 1970s and the 1990s (Brandolini et al., 2004, 2010; Brandolini and D'Alessio, 2012; Cannari and D'Alessio, 2006). These developments occurred in a country characterized by high homeownership and a large stock of household wealth, and were followed by profound demographic changes, including persistently low fertility, delayed family formation, and a progressive reduction in household size (Billari and Kohler, 2004; Modena et al., 2014). These changes can affect not only the accumulation of wealth but also how the resources accumulated by older generations are eventually transmitted to their descendants. Yet relatively little is known about how cohort-specific wealth accumulation, demographic change and intergenerational transfers jointly shape the evolution and distribution of household wealth in Italy. Existing studies have typically examined these dimensions separately, devoting less attention to the links between them.

Using the 1991–2022 waves of the Survey on Household Income and Wealth (SHIW), this paper examines cohort-specific differences in wealth accumulation and how their interaction with demographic change shapes intergenerational wealth transmission and disparities across family backgrounds. Our empirical analysis proceeds in three steps. First, we assess the extent to which the growing concentration of wealth among older households reflects population ageing or persistent differences in wealth accumulation across birth cohorts. We estimate cohort-specific wealth profiles using an Age–Period–Cohort (APC) model and examine the contribution of savings and capital gains to wealth accumulation across generations. Second, building on these estimates, we construct a cohort-level simulation of potential intergenerational transfers and assess how inherited resources may affect relative wealth differences across educational backgrounds. Third,

we investigate how changes in fertility and partnership patterns shape potential inheritances and their distributive implications, using a Shapley-value decomposition to quantify the contribution of each demographic factor.

Our results reveal substantial differences in wealth accumulation across generations. Cohorts born during the 1940s and early 1950s accumulated considerably more wealth over their life cycle than both earlier and later generations. These differences are not primarily explained by population ageing, as changes in age composition account for only a limited part of the growing concentration of wealth among older households. The decomposition of wealth accumulation also reveals distinct accumulation patterns: the favorable trajectories of the post-war cohorts coincided with substantially larger capital gains, whereas younger cohorts accumulated less wealth and relied predominantly on savings. As these relatively wealthy cohorts reach the later stages of their life cycle, our intergenerational transfer exercise suggests that potential inheritances may account for an increasing share of the wealth of younger generations, partly compensating for their weaker accumulation capacity. Their distributive implications, however, depend on family background. Potential inheritances narrow relative wealth differences between households at opposite ends of the educational-background distribution, while widening disparities between households that reach a similar educational threshold but differ in their family origins. Demographic changes further shape these effects asymmetrically: declining fertility increases potential inheritances primarily among households from more educated backgrounds, while the declining share of households living as couples reduces potential transfers particularly among those from less advantaged backgrounds. Consequently, demographic changes partly offset the equalizing effect of inheritances across educational-background groups while reinforcing wealth disparities associated with family origin among educationally upward-mobile households.

Our paper contributes to two related strands of the literature. The first documents differences in wealth accumulation across birth cohorts and relates them to the economic conditions experienced by successive generations over their life cycle (Kapteyn et al., 2005; Gale and Pence, 2006). We extend this literature by linking cohort-specific wealth accumulation paths, including the different contributions of savings and capital gains, to the resources potentially transmitted to subsequent generations. This perspective highlights how differences in accumulation across cohorts may have consequences beyond the generations directly exposed to them.

The second strand examines the role of inheritances and family background in shaping wealth inequality. Previous studies show that inheritances may reduce relative wealth inequality, at least in the short run (Wolff and Gittleman, 2014; Boserup et al., 2016; Bönke et al., 2017; Elinder et al., 2018; Nekoei and Seim, 2023), while more recent evidence highlights how their distributive effects depend on the size of transfers (Morelli et al., 2025). Other studies emphasize the importance of inherited wealth and family background for wealth disparities, intergenerational persistence, and inequality of opportunity (De Nardi and Yang, 2016; Adermon et al., 2018; Palomino et al., 2022; Nolan et al., 2021; Salas-Rojo and Rodríguez, 2022). Recent evidence for Italy also points to a

growing role of intergenerational transfers in the future distribution of wealth (Bavaro et al., 2025). We contribute to this literature by showing that potential inheritances may reduce relative wealth differences between households at opposite ends of the educational-background distribution while reinforcing disparities among households that reach a similar educational threshold but differ in their family origins. Importantly, we further show how differences in fertility and household partnership patterns contribute to these contrasting distributive effects.

By bringing these strands together, our analysis highlights how cohort-specific wealth accumulation and demographic change interact in shaping the intergenerational transmission of wealth, providing a channel through which advantages associated with family background may persist even among households that reach similar educational thresholds.

The remainder of the paper is organized as follows. Section 2 documents demographic changes in Italy and examines the role of population ageing in the evolution of household wealth. Section 3 analyzes cohort-specific wealth accumulation and the contributions of savings and capital gains. Section 4 examines potential intergenerational wealth transfers, their implications for wealth disparities across family backgrounds, and the role of fertility and partnership patterns in shaping these effects. Section 5 concludes.

2 Demographic dynamics and wealth in Italy

2.1 Demographic trends

According to data from the Italian National Institute of Statistics (ISTAT) there has been a progressive shift in the age distribution of the Italian population toward older age groups. This change is reflected in the increase in the structural dependency ratio – which measures the ratio between the population aged under 14 and over 65 and the working-age population – which rose by more than ten percentage points from 47 per cent in 1991 (Figure 1a). The increase is entirely attributable to the growth in the share of the older population, while the relative weight of those under 14 has slightly declined, in line with the gradual and persistent fall in cohort fertility, measured as the average number of children born to a woman over her reproductive life (Figure 1b). In particular, the average number of children per woman fell from values close to the replacement level (2.1 children) for women born in the first half of the twentieth century to around 1.5 children for cohorts born in the 1970s.[1]

Along with the decline in the average number of children, there has also been a pronounced postponement of motherhood. The average age of the mother at childbirth reached values close to 30 years for women born in 1975, about five years higher than for cohorts born between 1945 and 1955 (Figure 1c). This increase reflects broader transformations in the timing of the

[1]The figure shows only the cohorts for which fertility has been fully observed.

transition to adulthood and in family behavior, associated both with the growing participation of women in the labor market and with the spread of unstable forms of employment among young people (Billari and Rosina, 2004; Billari and Kohler, 2004; Barbieri and Scherer, 2009; Modena et al., 2014; Alderotti et al., 2025). In particular, longer educational careers, delayed entry into stable employment, and difficulties in achieving independent economic and housing conditions tend to postpone fertility decisions. The postponement of motherhood also reduces the time horizon available for any subsequent births, indirectly contributing to the decline in overall fertility (Caltabiano et al., 2009).

Finally, the progressive shift of the population toward older ages is also driven by the steady increase in life expectancy at birth, which rose from about 65 years for cohorts born in 1950 to about 83 years for the most recent cohorts (Figure 1d), reflecting one of the main demographic forces underlying population ageing in advanced economies (Lee and Mason, 2011).

The decline and postponement of fertility and increasing life expectancy have taken place alongside broader changes in family formation and living arrangements. While the number of households has continued to increase, their average size has declined substantially, accompanied by a marked rise in one-person households. Between 2011 and 2021, the number of households in Italy increased by 6.4 percent, while their average size fell from 2.40 to 2.24 members and the share of one-person households rose from 31.2 to 36.8 percent (Chieppa et al., 2023). These trends are expected to continue in the coming decades, with further declines in average household size and increases in the number of people living alone (Lo Conte et al., 2023).

Taken together, these demographic transformations may have important implications for household wealth dynamics. Changes in longevity, fertility, and family structure can affect wealth accumulation over the life cycle as well as the amount and distribution of resources potentially transmitted across generations. We first focus on one specific channel, asking to what extent the shift in the age structure of the population can account for the changing distribution and level of household wealth. The role of fertility and family structure in intergenerational wealth transmission is considered in Section 4.

2.2 The relationship between wealth and the population age structure

The shift toward older age groups documented above has been accompanied by a substantial redistribution of both households and wealth across age groups. According to data from the Survey on Household Income and Wealth (SHIW), between 1991 and 2022 the share of households with a head aged over 65 increased by about 5 percentage points, reaching 28 per cent in 2022. Over the same period, the share of households with a head under 35 declined sharply (to 6 per cent from 16; Figure 2a).[2]

[2]In addition to the decline in the younger population, this trend also reflects the lower frequency with which individuals under 35 can assume the role of main income earner, as a result of increasing difficulties in forming

The same shift is even clearer when looking at the distribution of total net wealth held by different age groups. In particular, the share of wealth held by households with an older head almost doubled, reaching 32 per cent in 2022, while that of younger households fell significantly, from 13 to 4 per cent (Figure 2b). This dynamic also reflects heterogeneous trends in average wealth by age group. Older households were relatively less affected by the decline in house prices observed around 2016; by contrast, the wealth of younger households fell significantly, especially in the period following the 2007 financial crisis (Figure 2c).[3]

A decomposition exercise of the change in the share of wealth held by each age group into two components – the change in the share of households and the change in relative average wealth – shows that, for younger households, the decline in the wealth share is mainly due to the significant reduction in their demographic weight. By contrast, for older households, the increase in the share held is explained above all by the better performance of their average wealth relative to the overall average (Figure 2d)[4].

Population ageing does not appear to be the main driver of the growth in aggregate average net wealth either (22 per cent between 1991 and 2022). A *shift-and-share* decomposition exercise shows that the contribution of changes in population shares by age group is negligible compared with that arising from changes in average wealth within each group. [5] [6]

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an independent household: according to Istat data, in 2022, 67 per cent of young people aged between 18 and 34 lived with at least one parent (60 per cent in 2001, the first year for which this information is available).

[3]Sample estimates of wealth may be subject to biases due to the respondents' reticence or difficulties in evaluating the assets, which in the context of this analysis could affect the results if they were systematically correlated with age group. However, the comparison with estimates adjusted using the Distributional Wealth Accounts methodology (Bank of Italy, DWA) shows substantial alignment for younger households, while a slight underestimation of wealth emerges for older individuals. These biases do not appear to undermine the results, since both the share of wealth held by older households and their average wealth could at most be slightly higher.

[4]The logarithmic change in the wealth share of age group i can be written as $\Delta \ln s_i = \Delta \ln p_i + \Delta \ln \bar{w}_i^{\text{rel}}$, where $p_i = n_i/N$ denotes the share of households belonging to age group i, and $\bar{w}_i^{\text{rel}} = \frac{\bar{w}_i}{\bar{W}}$ is the average wealth of the group relative to the aggregate average. This relationship follows directly from the identity

$$s_i = \frac{n_i \bar{w}_i}{N \bar{W}} = \frac{n_i}{N} \cdot \frac{\bar{w}_i}{\bar{W}} = p_i \, \bar{w}_i^{\text{rel}},$$

after taking logarithms and first differences between 1991 and 2022.

[5]The *shift-and-share* analysis decomposes the change in an aggregate variable into the components due to (i) the recomposition of shares across groups (*share*) and (ii) the change in levels within groups (*shift*). Denoting by $Y_t = \sum_{i=1}^{I} p_{i,t} \, y_{i,t}$ aggregate average wealth at time t, where $p_{i,t}$ is the population share of each age group i and $y_{i,t}$ the corresponding mean value, the change between t and $t+1$ can be written as

$$\Delta Y \equiv Y_{t+1} - Y_t \approx \underbrace{\sum_i (p_{i,t+1} - p_{i,t}) \, y_{i,t}}_{\text{share effect (recomposition)}} + \underbrace{\sum_i p_{i,t} \, (y_{i,t+1} - y_{i,t})}_{\text{shift effect (within-group changes)}} .$$

[6]The results of the two decomposition exercises are substantially unchanged when considering equivalized wealth (adjusted according to the OECD scale) to account for differences in household composition.

3 Wealth across generations

Previous results show that older individuals today are substantially wealthier than older individuals were in previous decades, reflecting stronger wealth accumulation rather than a larger demographic weight among the population. To understand the sources of this advantage, this section adopts a cohort perspective and traces the wealth accumulation profiles of successive generations over the life cycle.

3.1 Wealth accumulation over the life cycle by cohort

Figure 3 shows the evolution of total average net wealth (panel a) over the life cycle for eleven birth cohorts. The cohorts are defined on the basis of the year of birth of the household's main income earner and are constructed using five-year intervals; the first and last cohorts include a larger number of years to ensure an adequate sample size. The estimates are obtained by regressing the logarithm of average net wealth in the cell defined by median cohort age, cohort of the household head, and survey year on a set of age, cohort, and survey year dummies. Following the approach of Deaton and Paxson (1994), fixed effects for the survey year are constrained to have zero mean and to be orthogonal to a linear trend.[7] Once the series is cleaned of short-term cyclical effects common to all cohorts, any long-term trends in the data can be interpreted as the result of age or cohort effects.[8]

The estimates reported in panel (a) of Figure 3 show overall hump-shaped net wealth profiles over the life cycle, characterized by a pronounced accumulation phase up to around age 65, followed by gradual decumulation at older ages. Up to the cohorts born in the 1950s, a clear generational improvement emerges: the wealth of each cohort is progressively higher than that of the preceding cohort. However, starting with cohorts born after the mid-1950s, we observe a reversal, with lower wealth levels and less pronounced growth profiles. In particular, the highest values over almost the entire life cycle are those for the cohorts 1941–1945 and 1946–1950, while younger cohorts display lower initial levels and the trajectories are still in an ascending phase. Those differences across cohorts, both in levels and in the slopes of the profiles, reflect the heterogeneity

[7] The constraints are needed to overcome the non-identification problem of the Age–Period–Cohort (APC) model due to the perfect collinearity of the relationship $Period = Age + Cohort$. To check the robustness of the estimates obtained under the assumptions on period fixed effects, the analysis is repeated by imposing the same constraints (zero mean and orthogonality to a linear trend) alternatively on cohort or age fixed effects. As a further check, the APC model is also estimated using cubic splines for age, period, and cohort, in order to capture nonlinear patterns. The alternative methodologies yield qualitatively similar results: the ranking of generations by wealth levels remains unchanged and the profiles over the life cycle retain the typical hump-shaped pattern, with accumulation up to middle age and then the subsequent decumulation. The same features are also found in the main specification of the APC model with constraints on period fixed effects when the dependent variable is equivalized wealth, obtained by dividing household wealth by the OECD scale to account for differences in household composition. These results are available upon request.

[8] The predicted value from the regression (transformed from logarithms into levels), net of the survey-year effect, is smoothed using a second-degree polynomial of the median age for each cohort.

that is attributable not only to generation-specific preferences and behavior, but also to different exposures to macroeconomic conditions at key moments in the life cycle, such as the timing of entry into the labor market, phases of expansion or contraction in real estate and financial markets, and credit-access conditions, whose effects may be persistent (see, for example, Rosolia and Torrini, 2007, 2016; Brandolini and D'Alessio, 2012).

Panel (b) of Figure 3 shows that gross real wealth drives the pattern observed for total net wealth, reflecting the importance of real estate assets in the portfolio of Italian households. As before, cohorts born up to the 1950s display higher levels and faster progressions, while younger cohorts show later and less intense accumulation, consistent with the postponement of home purchase and less favorable housing-market conditions (Brandolini and D'Alessio, 2012; Brandolini et al., 2010). It is plausible that the accumulation of gross real wealth observed for younger generations is made possible by greater reliance on debt, as shown in panel (d).

The accumulation of financial wealth, shown in panel (c), is slower than that observed for real wealth. Again, generations born up to the mid-1950s display higher levels and stronger growth. Starting with cohorts born after 1955, however, a deterioration is observed: the initial levels are lower and accumulation dynamics are less pronounced. Differences across cohorts are also more marked than those observed for real wealth, suggesting that the financial component is more strongly influenced by household saving and investment decisions and by the economic context in which these decisions are made.

Overall, the results indicate that younger generations not only accumulate lower levels of wealth, but do so while facing relatively higher and more persistent levels of debt. This combination may have important implications both for future accumulation capacity and for households' financial vulnerability, making the wealth paths of more recent cohorts more exposed to economic shocks and to conditions in credit and asset markets (Bottazzi et al., 2006; Mian et al., 2013; Brandolini and D'Alessio, 2012).

Figure 4 shows the importance of age and cohort effects in estimating average wealth: once cyclical effects are removed, the estimated model consistently reproduces the observed pattern of average net wealth. The red dashed line, constructed by keeping the 1991 age structure constant, isolates the composition effect alone; its deviation from the predicted series is contained, as it is close to zero until 2010 and limited thereafter as well, with a difference of about 7 per cent in 2022. The green and blue dashed lines, obtained by assuming that the cohort effect remained constant and equal to that of respectively the 1941–1945 and 1946–1950 cohorts, outline a different scenario: in both cases, counterfactual wealth is persistently above the predicted series. The gap is around 25 per cent in the early years of the analysis and remains large, about 15 per cent in the last available year. These results suggest that persistent cohort differences in wealth accumulation, rather than changes in age composition alone, play a central role in explaining the evolution of average household wealth and its increasing concentration among older households.

The generational differences documented so far naturally raise the question of their implica-

tions for the future evolution of average wealth. To address this point, we consider counterfactual scenarios that assign different levels of cohort effects to subsequent cohorts. In Figure 5 we show the evolution of the age distribution of the household head over the simulation horizon by using Istat population projections by age group.[9] We consider three scenarios: (i) we assign the average effect estimated for the 1975–1992 generation to the cohorts born after 1992; (ii) we assign to all generations the cohort effect estimated for those born in 1941–1945; (iii) we assign to all generations the cohort effect estimated for those born in 1946–1950. The last two assumptions reflect historically more favorable profiles. The distance between the trajectories projected for 2024–2050 is marked: when profiles similar to those of the wealthiest post-war cohorts are assumed, average wealth is persistently higher; when the profiles of cohorts born after 1975 are maintained, the dynamics appear substantially more subdued. This highlights the crucial role of the cohort effect: in the absence of a recovery in generational profiles, average wealth growth could remain moderate.

3.2 Sources of wealth accumulation across cohorts

The cohort differences documented in Section 3.1 are likely to reflect the heterogeneous economic conditions faced by successive generations over the life cycle, including differences in labor market conditions at entry, earnings growth over the working life, access to homeownership and credit markets, and asset price dynamics (Rosolia and Torrini, 2007; Brandolini et al., 2004, 2010; Brandolini and D'Alessio, 2012; Cannari and D'Alessio, 2006). While the APC framework identifies the existence of persistent cohort differences after removing short-run cyclical fluctuations, it does not provide information on the mechanisms through which wealth is accumulated, i.e. whether through different saving behavior or asset-price dynamics.

To better understand the sources of the cohort differences documented above, we employ an accounting framework and decompose wealth accumulation into savings and capital gains. For each cohort c and survey year t, average net wealth is assumed to satisfy the following identity:

$$\bar{W}_{t,c} = \bar{W}_{t-1,c} + \hat{S}_{t,c} + \widehat{CG}_{t,c}, \tag{1}$$

where $\bar{W}_{t,c}$ denotes average net wealth, $\widehat{CG}_{t,c}$ the estimated capital gains component and $\hat{S}_{t,c}$ the estimated savings component. Since capital gains are not directly observed in the SHIW, they are imputed by applying asset-specific aggregate rates of return to the average portfolio composition of each cohort-year cell. These asset revaluation rates are cumulated over the interval between successive survey waves.[10] Savings are then obtained as the residual required to satisfy

[9] Population shares by age group are mapped into the household universe by multiplying them, for each age group, by the share of individuals who are household heads estimated from SHIW data; this yields the projected distribution of households by the age of the household head used in the simulations.

[10] The analysis is restricted to SHIW waves from 1995 onward due to the availability of data on asset revaluations.

the wealth accumulation identity. Appendix B describes in detail the construction of aggregate returns and their matching with survey wealth stocks.

Figure 6 reports the resulting decomposition for the eleven birth cohorts and three broad age intervals (30–45, 46–65, and 65–80 years), corresponding to the main phases of the wealth accumulation process. The grey bar represents wealth at the beginning of each age interval, while the black and blue bars report the cumulative contribution of savings and capital gains accrued within the interval. Two main findings emerge. First, the cohorts born between the early 1940s and 1955 benefited substantially from asset revaluations during their main accumulation phase. Considering the absolute contributions of savings and capital gains to wealth accumulation, capital gains account for almost all accumulation flows between ages 46 and 65 for the cohort born in 1941–45 (98 per cent), around two-thirds for the 1946–50 cohort, and almost 60 per cent for the 1951–55 cohort. Second, the role of capital gains declines sharply for cohorts born after the mid-1950s. For the cohorts born in 1956–60, 1961–65 and 1966–70, capital gains account for less than 10 per cent of absolute accumulation flow between ages 46 and 65. Wealth accumulation among these generations is therefore driven primarily by savings. At the same time, the average amount of wealth accumulated over the life cycle is considerably smaller than that observed for the cohorts born in the 1940s and early 1950s. The decomposition therefore suggests that the favorable wealth trajectories of the post-war generations were closely linked to the appreciation of a relatively large stock of assets accumulated earlier in life, whereas more recent cohorts have accumulated lower levels of wealth primarily through saving and under considerably less favorable asset-price conditions.[11]

These findings complement the APC results. Unlike the APC estimates, which remove period-specific shocks common to all cohorts, the accounting decomposition incorporates the realized effects of asset-price fluctuations. Therefore, the decomposition should not be interpreted as an explanation of cohort effects, but rather as an exercise describing the contribution of different accumulation channels. Nevertheless, the substantially larger role of capital gains among the post-war cohorts suggests that favorable asset revaluations may have contributed to the emergence of the persistent generational differences in wealth accumulation documented by the APC analysis.

4 Intergenerational transmission of wealth

The results of the previous section document substantial differences in wealth accumulation across generations. Cohorts born during the 1940s and early 1950s accumulated considerably more wealth

[11] As a robustness check, the same exercise is repeated using SHIW-adjusted data, which are constructed among the Distributional Wealth Accounts (DWA) project for Italian households (Neri et al., 2024) and which reconcile SHIW wealth holdings with national accounts aggregates. Figure B.2 in Appendix B shows very similar qualitative patterns, indicating that the results are not driven by discrepancies between survey and macroeconomic wealth totals. Although wealth levels are higher in the SHIW-adjusted data, the relative importance of savings and capital gains across cohorts remains broadly unchanged.

over their life cycle than subsequent generations, with asset revaluations playing an important role in their accumulation paths. As these relatively wealthy cohorts reach the later stages of their life cycle, part of the wealth they accumulated will eventually be transmitted to younger generations. Intergenerational transfers therefore provide a channel through which differences in wealth accumulation across cohorts can persist beyond the generations that originally experienced them. This channel may become particularly relevant for younger cohorts, whose capacity to accumulate wealth on their own has been substantially weaker. The growing importance of inherited wealth and its implications for the distribution of wealth across and within generations have received increasing attention in the literature (Alvaredo et al., 2017; Acciari and Morelli, 2020; Acciari et al., 2024).

The extent to which wealth accumulated by older cohorts translates into resources available to subsequent generations, however, depends not only on the amount of wealth available for transmission but also on demographic factors that determine how these resources are shared across and within families. In particular, fertility and family formation affect both the number of potential heirs and the number of families of origin from which a household may receive transfers. Demographic change may therefore shape both the size of potential inheritances and their distribution across households with different family backgrounds.

Against this background, this section examines how the wealth accumulated by older cohorts may be transmitted to subsequent generations and how this transmission affects wealth differences among recipients. We proceed in three steps. First, we construct a cohort-level measure of potential inheritance that maps the wealth held by parent cohorts at older ages into potential transfers to the corresponding child-recipient cohorts, taking family structure into account. Second, we examine how potential inheritances vary with educational background and whether their inclusion narrows or widens wealth differences associated with both family origins and characteristics of the children's generation. Finally, we investigate the role of demographic change in shaping these patterns, using a Shapley-value decomposition to quantify the contributions of fertility and couple formation to the evolution of potential inheritance across cohorts and to its distributive effects.

The exercise is not intended to predict realized inheritances, but rather to quantify the extent to which the wealth accumulated by older generations could affect the resources and relative wealth position of subsequent cohorts if transmitted to them.

4.1 Potential intergenerational transfers

To assess the role of potential intergenerational wealth transmission in shaping wealth differences across cohorts, we construct a stylized exercise that matches parent-donor cohorts with child-recipient cohorts and combines their estimated wealth profiles with information on family structure. The exercise provides an estimate of the potential inheritance received by each recipient

cohort and of its contribution to household wealth at the time of receipt.

To link parent-donor and child-recipient cohorts, we assume that, for each parent cohort, the corresponding child-recipient cohort is born approximately 25 years later. This assumption is consistent with the pattern shown in Figure 1c: the average age at first childbirth remains approximately constant at 25 years for women born up to the mid-1950s. The subsequent postponement of childbearing does not affect our cohort matching, as the donor cohorts considered in the analysis are restricted to those born up to 1950. Parent cohorts are therefore those born between 1911 and 1950, while the corresponding recipient cohorts are those born between 1951 and 1975; the youngest cohort, born between 1976 and 1992, cannot be matched symmetrically and is excluded from the exercise. To ensure adequate sample size, we define three broad parent–child cohort pairings (Table 1): parents born between 1911 and 1930 are associated with child-recipients born between 1951 and 1955; parents born between 1931 and 1940 with child-recipients born between 1956 and 1965; and parents born between 1941 and 1950 with child-recipients born between 1966 and 1975.

Since wealth is measured at the household level, cohort membership is defined using the birth cohort of the household head. This approximation is unlikely to materially affect the matching, as households containing members belonging simultaneously to the parent and recipient cohorts considered in the exercise represent a relatively small share of the sample.[12] This issue is mitigated by the exclusion of younger cohorts, among whom prolonged co-residence with parents is more prevalent, consistent with the progressive postponement of home-leaving across recent generations in Italy (Brini et al., 2025; Istat, 2014).

The exercise builds on the cohort-specific wealth profiles estimated in Section 3.1, applied separately to the parent generation and to the child-recipient generation. The APC estimates provide average wealth at different stages of the life cycle, allowing us to approximate the resources potentially available for transmission at older ages and relate them with the wealth held by the corresponding child-recipient cohorts.

Alongside these wealth profiles, for each parent generation we compute the average number of children and the share of households living in a couple at ages 75–80; for each child-recipient generation, we analogously reconstruct the share of households in a couple in the 50–55 age range. These three demographic indicators — parents' couple status, parents' number of children, and children's couple status — are the demographic factors whose influence on potential inheritance will be discussed in the remainder of the section.

Potential inherited wealth is estimated through the following steps:

1. for each parent cohort, we consider estimated average net wealth between ages 75 and 80, the last interval of the life cycle observed in our analysis, as a measure

[12] Across all survey waves, such multigenerational households account on average for about 1, 3 and 7 per cent of households in the three parent–recipient cohort pairings, respectively.

of the resources potentially available for transmission;

2. potential inheritance per child is constructed taking into account that Italian succession law grants a share of the estate to the surviving spouse: if the deceased has a surviving partner, children are granted a collective share equal to 2/3 of the estate (with the remaining 1/3 going to the spouse); in the absence of a spouse, the estate is to be divided entirely among the children.[13] Denoting by G the share of households consisting of couples within the parents' cohort, the average share of wealth actually transferable to children is defined as:

$$q = \frac{2}{3}G + (1 - G) \tag{2}$$

We combine this information to compute the average potential transfer per child I, according to the following formula:

$$I = \frac{\hat{W} \cdot q}{N}(1 + C) \tag{3}$$

where $\hat{W}$ denotes estimated parental wealth, q is the share of wealth transferred through inheritance, N is the average number of children of the corresponding parent-cohort, and C is the share of households in the child-recipient's cohort where the household's head has a partner. Indeed, the factor $(1 + C)$ reflects the assumption that a household in a couple can receive transfers from the families of origin of both partners. Thus, child-recipients' partnership status affects potential inheritance at the household level through the number of families of origin, rather than by changing the amount inherited by each individual from their own parents.

3. we assign this amount to the corresponding child-recipient cohort between ages 50 and 55, consistently with the assumed 25-year average distance between parent and recipient cohorts;

4. finally, we add the estimated potential inheritance to the estimated average wealth of the corresponding recipient cohort and calculate the share of potential

[13] The split we use here is the one prescribed by intestate succession rules ("successione legittima"), which apply in the absence of a will. The forced-heirship share ("quota di legittima") is instead the minimum share of the estate that the law reserves to specific heirs (spouse and children) against the testator's wishes, and applies when succession is regulated by a will ("successione testamentaria"); depending on the number of children, this protected share can differ slightly from the intestate proportions used in our baseline calculation. We adopt the intestate rule as our benchmark because wills account for a relatively small share of successions in Italy: according to Statistics of the Notarial Archives, in 2022, only about 13 per cent of deaths were followed by a testamentary succession.

inheritance in post-transfer wealth at the time of receipt.[14]

The exercise assumes that parental net wealth is transmitted *pro quota* to children at the end of the observed life cycle without taking into account *inter vivos* transfers and succession tax. This is a simplifying assumption, and the resulting estimates should therefore be interpreted as a measure of potential wealth transmission across cohorts rather than as a prediction of realized inheritances. The assumption is nevertheless consistent with some features of the Italian institutional setting. Indeed inheritances are substantially more common than *inter vivos* transfers[15], which are considerably smaller in aggregate than transfers at death (Acciari and Morelli, 2020). Moreover, transfers between parents and children are subject to a relatively low inheritance tax rate of 4 per cent, applied only to the portion of each inheritance share exceeding €1 million.

The estimates indicate that, at the time of receipt, the importance of potential inheritances increases across successive recipient cohorts (Table 1, Panel A, Column 1). Potential inherited wealth accounts for about 35 per cent of post-transfer wealth for the child cohort born between 1951 and 1955, 40 per cent for the 1956–1965 cohort, and 47 per cent for the 1966–1975 cohort. The higher share for the youngest child-recipient cohort reflects its correspondence with parents born between 1941 and 1950, whose wealth profiles are substantially higher than those of earlier parent cohorts (described in Section 3.1).

Both the wealth potentially transferred and the wealth of recipient cohorts are predominantly held in real assets, consistent with the importance of housing in Italian household portfolios throughout the life cycle (Giordano et al., 2026). At the time of transfer, real assets account for about 85–93 per cent of parental wealth, while they represent around 90–95 per cent of recipient wealth. The increasing importance of potential inheritances therefore largely reflects the transmission of housing and other real assets accumulated by older cohorts rather than differences in portfolio composition.

4.2 Distributive implications of potential intergenerational transfers

The growing importance of potential inheritances across successive child-recipient cohorts does not by itself determine their distributive implications. These depend on how potential transfers vary across households with different family backgrounds and on their wealth prior to the transfer. We therefore examine whether potential inheritances differ systematically across socio-economic backgrounds and how their inclusion changes relative wealth differences between these groups.

Educational classification. Ideally, assessing how intergenerational transfers vary with family background would require joint information on the wealth of parents and their children. Since

[14]The share is calculated as the ratio between potential inherited wealth and the sum of estimated recipient household net wealth and the potential inheritance.

[15]According to the 2014 wave of the SHIW, about 14 per cent of households reported having ever received an inheritance, compared with around 4 per cent reporting an *inter vivos* transfer.

the SHIW does not provide this information, we exploit information on parental educational attainment reported by respondents to use education as a common indicator of socio-economic position for both parent and child generations. Throughout the analysis, family background is therefore proxied by parental educational attainment rather than directly observed parental wealth or a broader measure of socio-economic circumstances. For households whose head has a partner, we also account for the partner's family background, using information on the educational attainment of the parents of both the household head and their partner.[16]

We distinguish educational attainment in the child-recipient generation from that of the family of origin. Parents are classified as educated if they attained at least lower secondary education, while members of the child-recipient generation are classified as educated if they hold at least an upper secondary school diploma. Lower secondary education and upper secondary school diploma represent, respectively, educational attainment above the median for the parental and child-recipient generations.

We then classify households by educational attainment, applying the same classification rule to both generations, although using generation-specific educational thresholds. A couple is classified as educated if at least one of its members meets the relevant educational threshold: upper secondary education for the child-recipient generation and lower secondary education for the parental generation. Otherwise, the couple is classified as not educated. For single-person households, classification is based on the educational attainment of the household head.[17] Information on respondents' parents' education allows us to link the educational group of the child-recipient household to that of the corresponding parent generation.

Combining these classifications yields four possible combinations of educational attainment across parent and child-recipient generations. We focus on three groups:[18]

- *Not Educated Children – Not Educated Parents* (NEC–NEP): households in which the child-recipient generation is not educated and neither of the two parental couples is educated;

- *Educated Children – Educated Parents* (EC–EP): households in which the child-recipient generation is educated and at least one of the two parental couples is educated;

[16]Information on parental education for the household head has been collected since 1993, while information on the partner's parents has not been collected from 2014 onward. Whenever possible, we exploit the panel component of the SHIW to recover this information from previous waves; otherwise, we impute it using separate logit models for each parental figure. The models include the age and education of the household head and partner, occupational characteristics, geographical area of residence, municipality size, and survey-year fixed effects.

[17]Because aggregating the underlying educational configurations necessarily involves some discretion, we also consider a different classification scheme, where for a household to be considered educated, both members of the couple must satisfy the educational criterion, both in parents' and in children's generations. The main results are qualitatively unchanged.

[18]We exclude the residual category of households with non-educated children and educated parents, as it represents only a negligible share of the sample.

- *Educated Children – Not Educated Parents* (EC–NEP): households in which the child-recipient generation reaches the educational threshold while neither of the two parental couples is educated, thus capturing upward educational mobility.

The three groups allow us to consider two distinct dimensions of wealth inequality across family backgrounds. Comparing EC–EP with NEC–NEP captures wealth differences between households located at opposite ends of the educational-background distribution. By contrast, comparing EC–EP with EC–NEP focuses on households that both reach the educational threshold in the child-recipient generation but differ in their family of origin. This second comparison is particularly informative about whether intergenerational wealth transmission reinforces differences associated with family background among households that have achieved similar educational outcomes.[19]

We replicate the intergenerational transfer exercise described in Section 4.1 separately for educated and non-educated parent cohorts.[20] The resulting potential transfer is then assigned to the average wealth of households in the corresponding child-recipient cohort and educational-background group. Results are reported in columns (2)–(4), Panel A, of Table 1. Lastly, to assess the distributive implications of intergenerational transfers, we compare the average wealth of the EC–EP group, the most advantaged in terms of educational background, with that of the other two groups, before and after accounting for intergenerational transfers. Table 2 reports the results.

Potential inheritances across family backgrounds. Table 1 shows that the importance of potential inheritances increases across successive child-recipient cohorts, although their relative importance differs across family backgrounds. The share of potential inheritance in post-transfer wealth rises from 42 to 62 per cent for NEC–NEP households, from 38 to 48 per cent for EC–EP households, and from 31 to 42 per cent for the upwardly mobile EC–NEP group between the oldest and youngest child-recipient cohorts. Potential inheritances therefore become increasingly

[19] As expected, the classification is correlated with households' position in the wealth distribution: about 40 per cent of households below the median belong to the NEC–NEP group, while around 66 per cent of households in the top decile belong to the EC–EP group.

[20] For the EC–EP group, the baseline formula is adjusted to account for the fact that, by definition, at least one of the two parental couples is educated, while the other may be either educated or non-educated. Therefore, for child-recipient households in a couple, potential inheritance may originate from two educated parental couples or from one educated and one non-educated parental couple. Denoting by $\frac{\hat{W}^E \cdot q^E}{N^E}$ and $\frac{\hat{W}^N \cdot q^N}{N^N}$ the individual inheritances computed using the baseline formula, without adjusting for the share of couples, for educated and non-educated parents, respectively, we define potential inheritance for EC–EP households as:

$$I^{EC-EP} = (1-C)\,\frac{\hat{W}^E \cdot q^E}{N^E} + C\left[\theta\,(2\frac{\hat{W}^E \cdot q^E}{N^E}) + (1-\theta)\,(\frac{\hat{W}^E \cdot q^E}{N^E} + \frac{\hat{W}^N \cdot q^N}{N^N})\right],$$

where θ is the probability that both parental couples are educated, conditional on the child-recipient household belonging to the EC–EP group; its average value in our sample is 0.5. This correction is applied only to the EC–EP scenario; for the NEC–NEP and EC–NEP scenarios the baseline formula is retained, since neither parental couple is educated by definition.

important for all three groups, but their relative contribution to wealth is systematically lower for EC–NEP households.

The particularly high inheritance share among NEC–NEP households should not be interpreted as implying that these households receive larger transfers in absolute terms. Since the share is measured relative to post-transfer wealth, a given transfer represents a larger fraction of total resources for households with lower pre-transfer wealth. More informative for the comparison across family backgrounds is the systematically smaller contribution of potential inheritance to the wealth of EC–NEP households relative to EC–EP households. This suggests that households that achieved upward educational mobility rely relatively less on resources potentially transmitted from their family of origin.

Distributive implications. Panel A of Table 2 reports the corresponding wealth ratios before and after accounting for potential inheritances. The wealth gap between households with highly educated family backgrounds (EC–EP) and those with low-educated backgrounds (NEC–NEP) widens across successive cohorts when intergenerational transfers are excluded, with the wealth ratio increasing from 2.3 for the oldest child cohort to 3.5 for the youngest. Accounting for potential inheritances narrows the gap across all cohorts, with the effect being particularly pronounced for the youngest cohort, for which the ratio falls from 3.5 to 2.5. A different pattern emerges when comparing EC–EP households with the upwardly mobile group (EC–NEP). Without transfers, the wealth ratio is relatively stable across cohorts, although it is slightly higher for the youngest cohort, at 1.5. Accounting for potential inheritances slightly widens the gap, increasing the wealth ratio by about 0.2 across cohorts. These contrasting patterns highlight how the distributive implications of potential inheritances depend on the dimension of inequality considered. While inheritances may narrow relative wealth gaps between households at opposite ends of the educational-background distribution, they can simultaneously reinforce advantages associated with family origin among households that have reached similar educational thresholds. This second result is consistent with evidence on the importance of parental wealth for children's economic outcomes (Karagiannaki, 2017).

4.3 Demographic changes and potential intergenerational transfers

The potential inheritance framework developed above highlights three demographic channels through which intergenerational wealth transmission may vary across cohorts and educational backgrounds: parents' partnership status (G), the average number of children (N), and child-recipients' partnership status (C). Tables 3 and 4 document the evolution of these factors. Among parent cohorts, the share of households living as couples remains broadly stable for educated households but declines among less-educated households, while the reduction in family size is concentrated among educated parents (Table 3). Among child-recipient cohorts, the share of households living as couples declines across all educational groups, but considerably less among

EC-EP households (Table 4). These patterns are consistent with evidence on educational differences in fertility and union formation in Italy (Impicciatore and Zuanna, 2017; Meggiolaro et al., 2024; Bastianelli et al., 2024). More broadly, demographic differences in household structure have been shown to contribute to inequality in economic outcomes across countries (Azzollini et al., 2023).

To quantify the contribution of demographic changes to potential inheritances, we construct a counterfactual exercise using the oldest parent–child cohort pairing as the benchmark (parents born in 1911–1930 and child-recipients born in 1951–1955). For each subsequent cohort c, we compare potential inheritance under its observed demographic characteristics, $x_c = (G_c, N_c, C_c)$, with the amount obtained by assigning the demographic characteristics of the benchmark cohort, x_1, while holding parental wealth fixed at the level estimated for cohort c:

$$\Delta I_c \;=\; I(x_c; W_c) - I(x_1; W_c). \tag{4}$$

We then apply a Shapley-value decomposition (Shorrocks, 2013) to attribute this difference to changes in parents' partnership status, fertility, and child-recipients' partnership status. The method averages the marginal contribution of each factor across all possible sequences in which demographic characteristics are changed, ensuring that the three contributions sum exactly to ΔI_c. The decomposition is performed separately for each child-recipient cohort and educational group. The exercise thus captures the contribution of demographic changes to potential wealth transmission, holding parental wealth constant, rather than their overall effects on wealth accumulation and inequality. Further methodological details are provided in Appendix C.

Figure 8 reports the contribution of each demographic factor to changes in potential inheritance relative to the benchmark cohort. Two main patterns emerge. First, the declining share of child-recipient households living as couples reduces potential inheritances across all educational groups, with increasingly large effects for younger cohorts. Second, changes in fertility have markedly different implications across family backgrounds. For EC–EP households, declining fertility substantially increases potential inheritance, particularly for the youngest cohort. By contrast, the contribution of fertility is considerably smaller for NEC–NEP and EC–NEP households, reflecting the more limited decline in the number of children among less-educated parents. Changes in parents' partnership status play a comparatively minor role.

These differences lead to contrasting overall effects of demographic change. For the youngest child-recipient cohort, demographic changes increase potential inheritance by approximately €28,000 for EC–EP households, as the positive contribution of declining fertility more than offsets the negative contribution of the declining share of households living as couples. For NEC–NEP and EC–NEP households, by contrast, demographic changes reduce potential inheritance by approximately €20,000, as the decline in the share of households living as couples dominates the more limited contribution of fertility. Thus, demographic changes have heterogeneous effects on potential inheritances, increasing the resources potentially transmitted to households from more

advantaged educational backgrounds while reducing those available to households from less advantaged backgrounds.

We next examine how demographic changes affect the distributive role of potential inheritances by comparing the observed demographic structure with a counterfactual in which demographic characteristics are held at their benchmark levels. Panel B of Table 1 shows their effect on the weight of potential inheritance in household wealth, while Panel B of Table 2 examines their implications for wealth differences across educational backgrounds. While demographic changes have a limited effect on the aggregate share of potential inheritance in household wealth, their implications differ substantially across educational backgrounds. They increase the relative importance of potential inheritance for EC–EP households while reducing it for NEC–NEP and EC–NEP households. As a result, demographic changes partly offset the equalizing effect of potential inheritances when comparing EC–EP with NEC–NEP households, while reinforcing the widening of the wealth gap between EC–EP households and the upwardly mobile EC–NEP group. For the youngest cohort, the EC–EP/EC–NEP wealth ratio reaches 1.64 under the observed demographic structure, compared with 1.48 when demographic characteristics are held at their benchmark levels. These findings suggest that demographic changes, through their effects on potential wealth transmission, may reinforce wealth disparities associated with family background even among households that have achieved similar educational outcomes.

While our analysis focuses on two dimensions of demographic change, namely fertility and household partnership patterns, other demographic developments may also shape intergenerational wealth transmission. In particular, increases in life expectancy and the postponement of childbearing may affect both the amount of wealth transferred and the timing at which transfers are received. These dimensions are not explicitly incorporated in our framework and therefore remain beyond the scope of the present analysis. Future research could extend this approach to investigate how these additional demographic forces interact with wealth accumulation and intergenerational transfers in shaping wealth inequality.

5 Conclusions

This paper has examined how differences in wealth accumulation across birth cohorts interact with demographic change and intergenerational transfers to shape household wealth inequality. Our findings suggest that favorable accumulation conditions experienced by particular generations may have consequences beyond their life cycle, as accumulated wealth is transmitted to subsequent generations. The distributive implications of this process depend not only on wealth accumulation across generations, but also on how family background and demographic change shape the transmission of accumulated wealth.

These findings have broader implications for the persistence of wealth inequality across generations. In particular, inherited wealth may preserve advantages associated with family origin

even when descendants reach similar educational thresholds. Upward educational mobility may therefore not be sufficient to offset disparities in inherited resources, suggesting that educational advancement does not necessarily translate into comparable opportunities for wealth accumulation. Moreover, the fact that inheritances may reduce some relative wealth differences while reinforcing others highlights the importance of considering disparities across family backgrounds alongside aggregate measures of wealth inequality.

Demographic change adds a further dimension to this process. Differences in fertility and household partnership patterns across socio-economic groups may affect both the amount and the distribution of wealth potentially transmitted. Our results suggest that these mechanisms can reinforce pre-existing advantages even when their aggregate effect on potential inheritances is limited. While our analysis relies on a stylized simulation and does not identify the overall effects of demographic change on wealth inequality, it highlights the importance of jointly considering wealth accumulation, family structure, and intergenerational transfers. More broadly, understanding the persistence of wealth inequality requires considering not only how wealth is accumulated across generations, but also how family background and demographic change shape its transmission.

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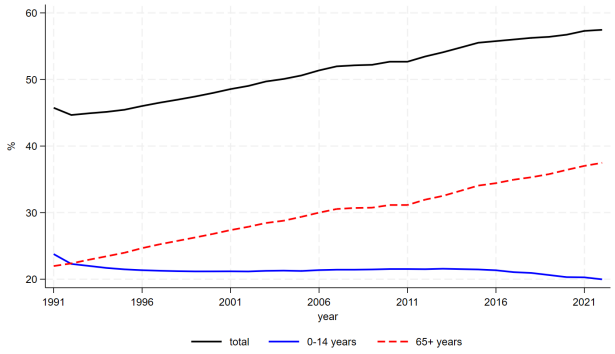
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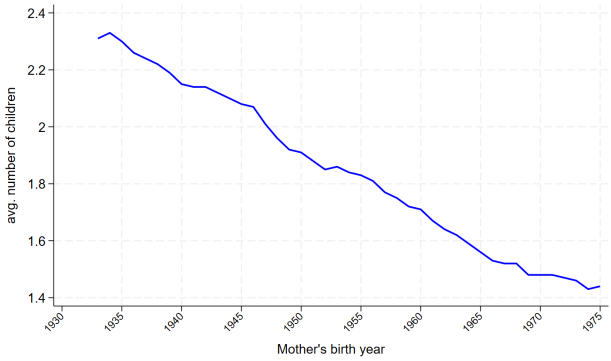
Figures and tables

Figure 1: Demographic trends

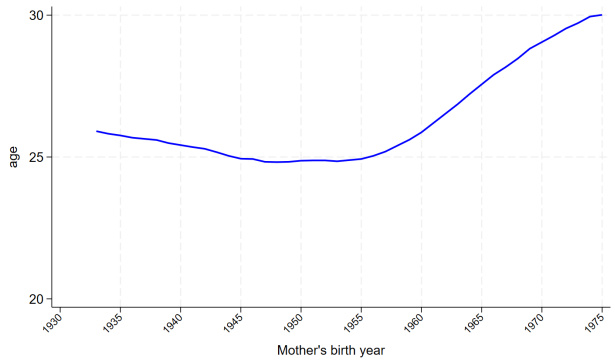
(a) Structural dependency ratios



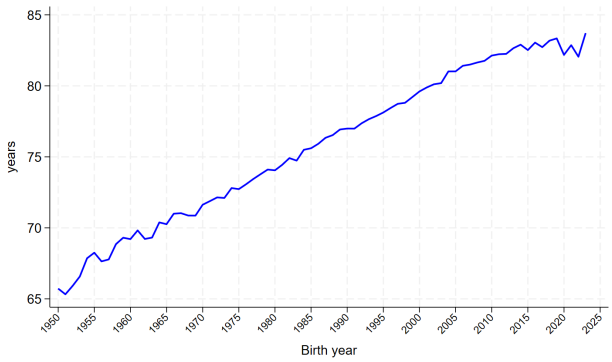
(b) Total fertility rate



(c) Average age of the mother at childbirth



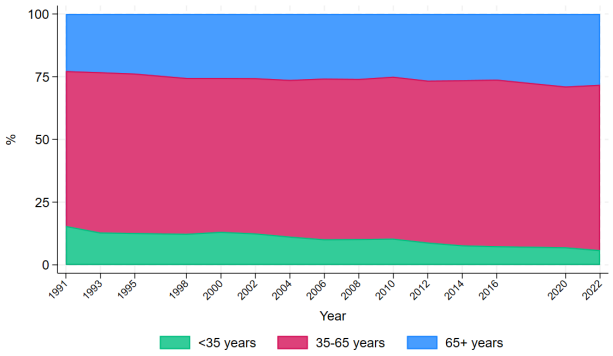
(d) Life expectancy at birth



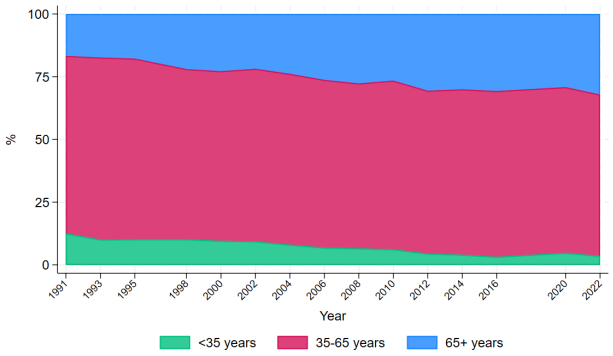
Source: Istat for panels a), b), and c); UN for panel d).
Note: The structural dependency ratio measures the ratio between the population aged under 14 and over 65 and the working-age population.

Figure 2: Population and net wealth shares by age group

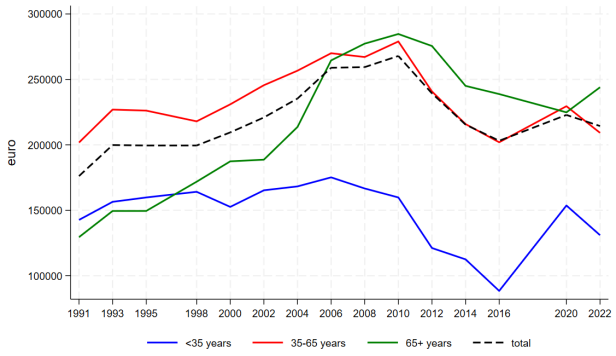
(a) Household shares



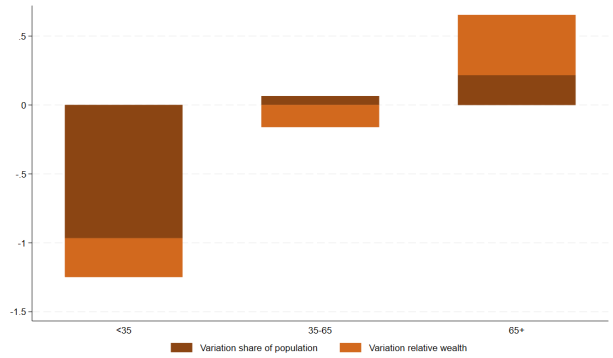
(b) Wealth shares



(c) Average net wealth

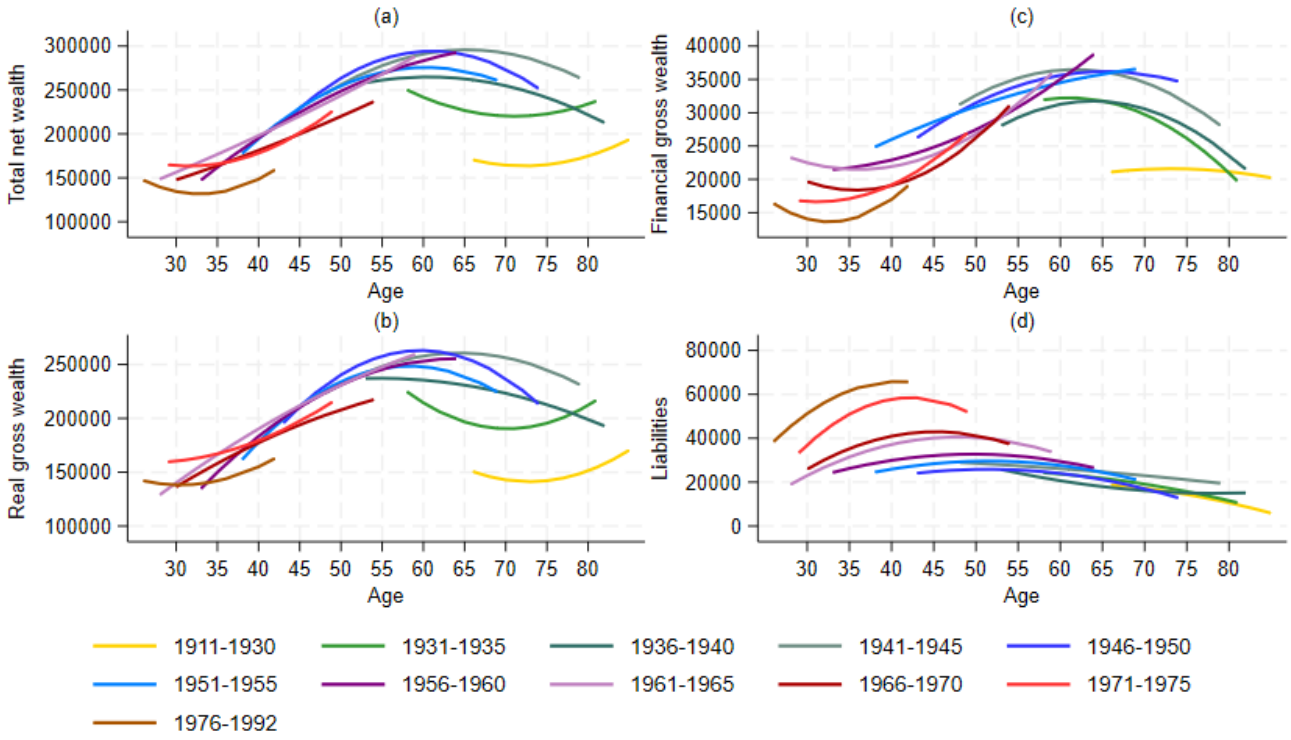


(d) Decomposition of change in wealth share



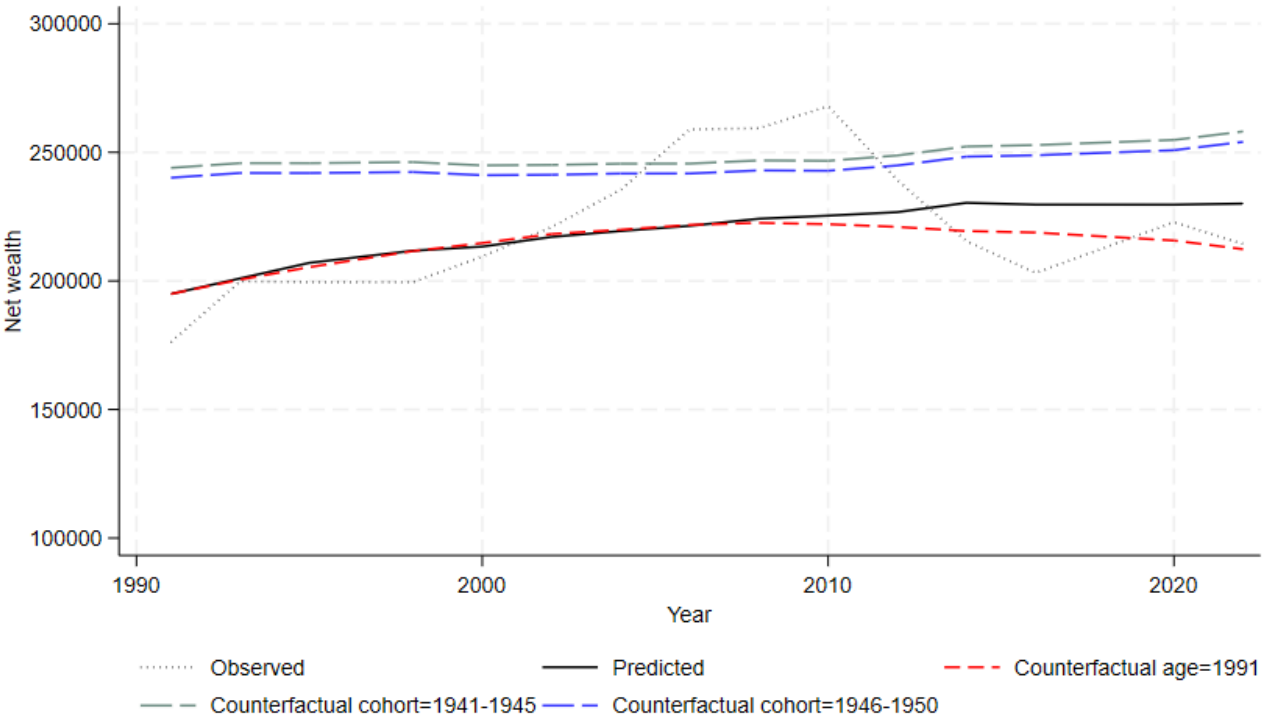
Source: Survey on Household Income and Wealth (1991-2022).
Notes: The age group refers to that of the household head, defined as the main income earner. In panel c), values are expressed in euros at 2015 prices. Panel d) shows the decomposition of the logarithmic change in the wealth share of each age group between 1991 and 2022 into two components: the change in the group's demographic share and the change in its average wealth relative to the aggregate average.

Figure 3: Wealth over the life cycle



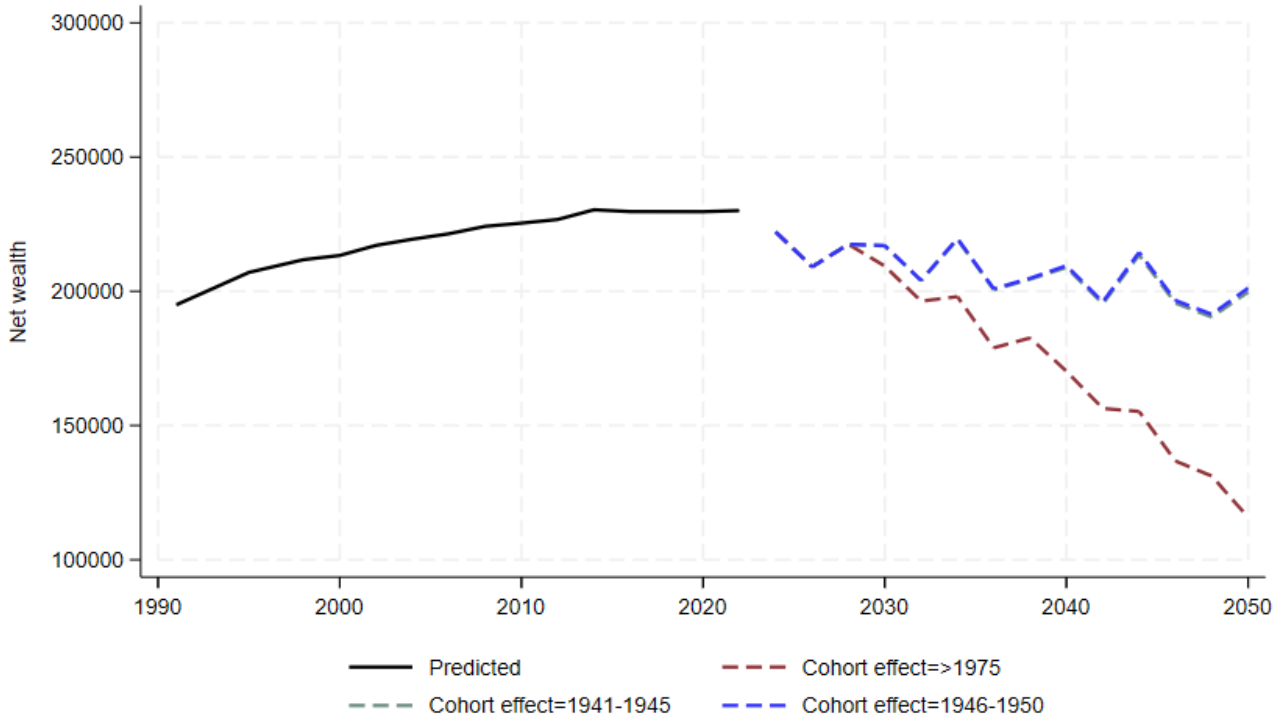
Source: Survey on Household Income and Wealth (1991-2022). Notes: the figure shows total average net wealth (panel a), gross real wealth (panel b), gross financial wealth (panel c), and financial liabilities (panel d). The estimates are based on a regression of average household wealth (in logs) at the age–cohort–year cell level. Year fixed effects are constrained to have zero mean and to be orthogonal to a linear trend (Deaton and Paxson 1994). Predicted values are then smoothed using a second-degree polynomial in age.

Figure 4: Age and cohort effects on average wealth



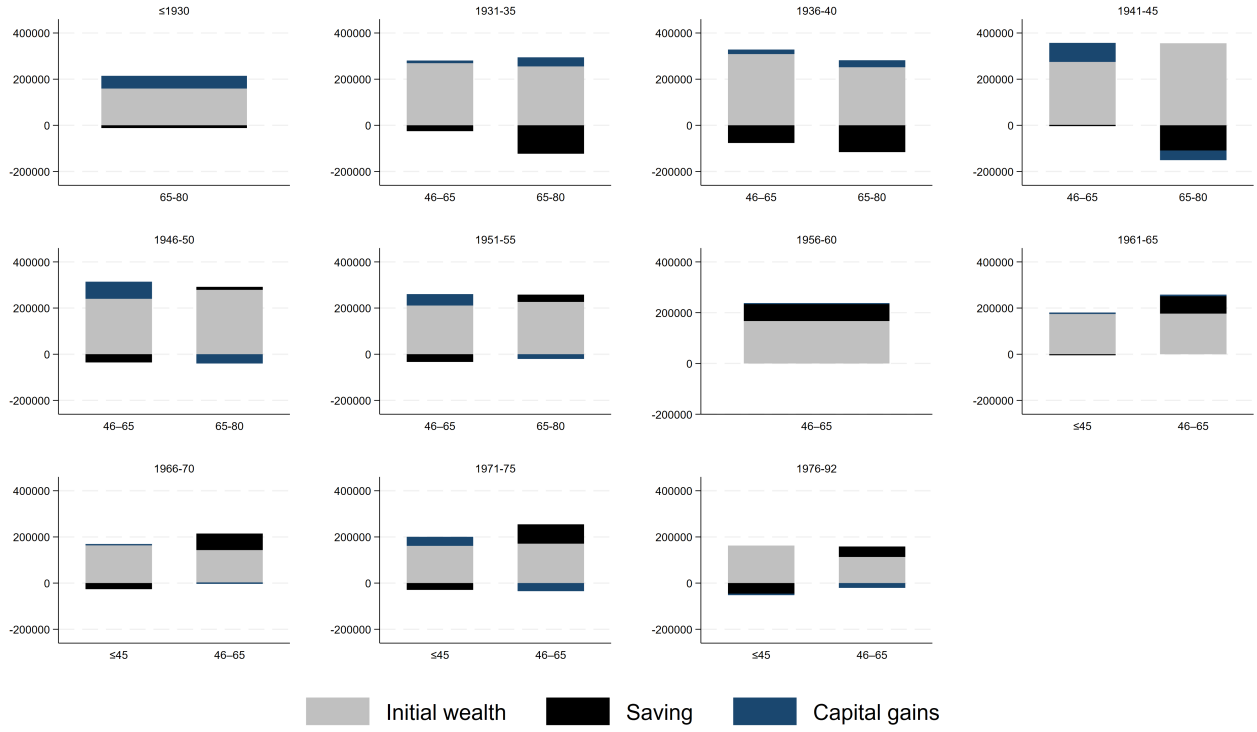
Source: Survey on Household Income and Wealth (1991-2022).
Notes: counterfactual average wealth with age=1991 is obtained by weighting, in each year, the estimated average wealth for each age cell with the corresponding 1991 weights; counterfactual average wealth with cohort=1941–1945 and cohort=1946–1950 is obtained by imputing to each cohort the average cohort effect estimated, respectively, for those born between 1941 and 1945 and between 1946 and 1950.

Figure 5: Projected net wealth under alternative cohort scenarios



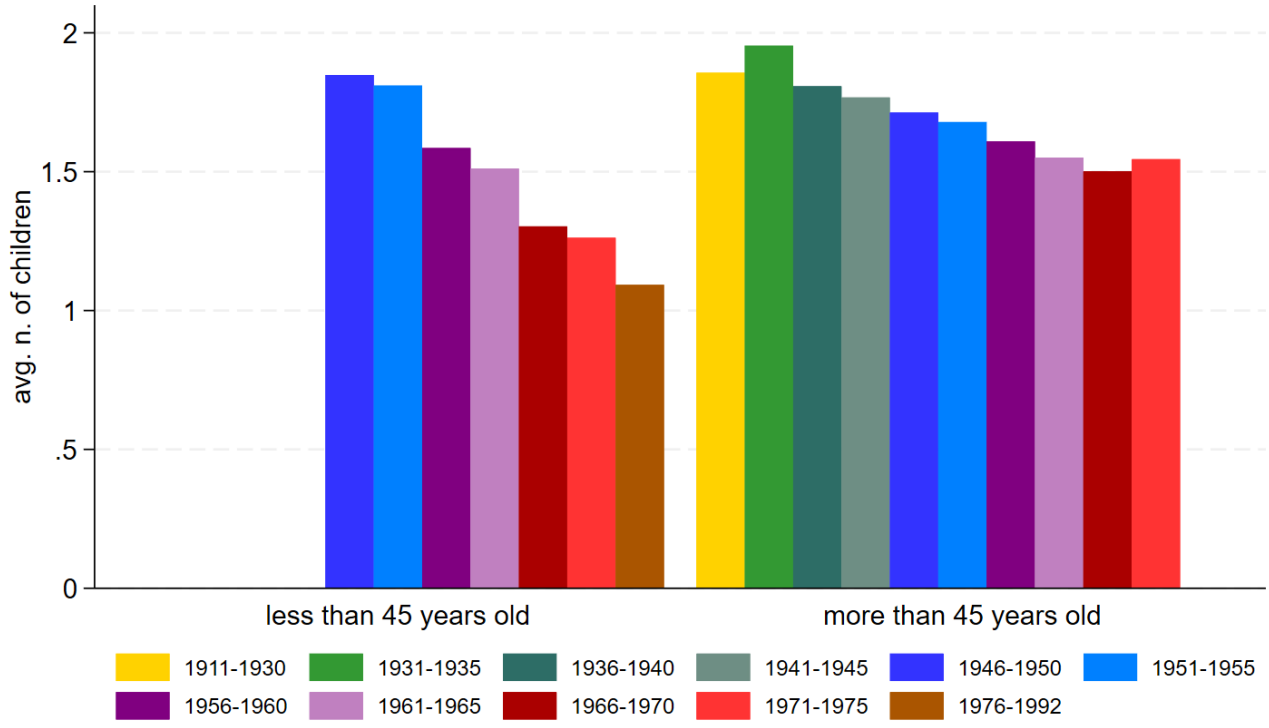
Source: Survey on Household Income and Wealth (1991-2022).
Notes: projected average net wealth between 2024 and 2050 is calculated on the basis of the estimated cohort and age effects. Cohort effect>=1975: all cohorts are assigned the average effect estimated for cohorts born from 1975 to 1992; cohort effect=1941–1945: all cohorts are assigned the average cohort effect estimated for cohorts born between 1941 and 1945; cohort effect=1946–1950: all cohorts are assigned the average cohort effect estimated for cohorts born between 1946 and 1950.

Figure 6: Decomposition of average net wealth growth across cohorts: savings vs. capital gains



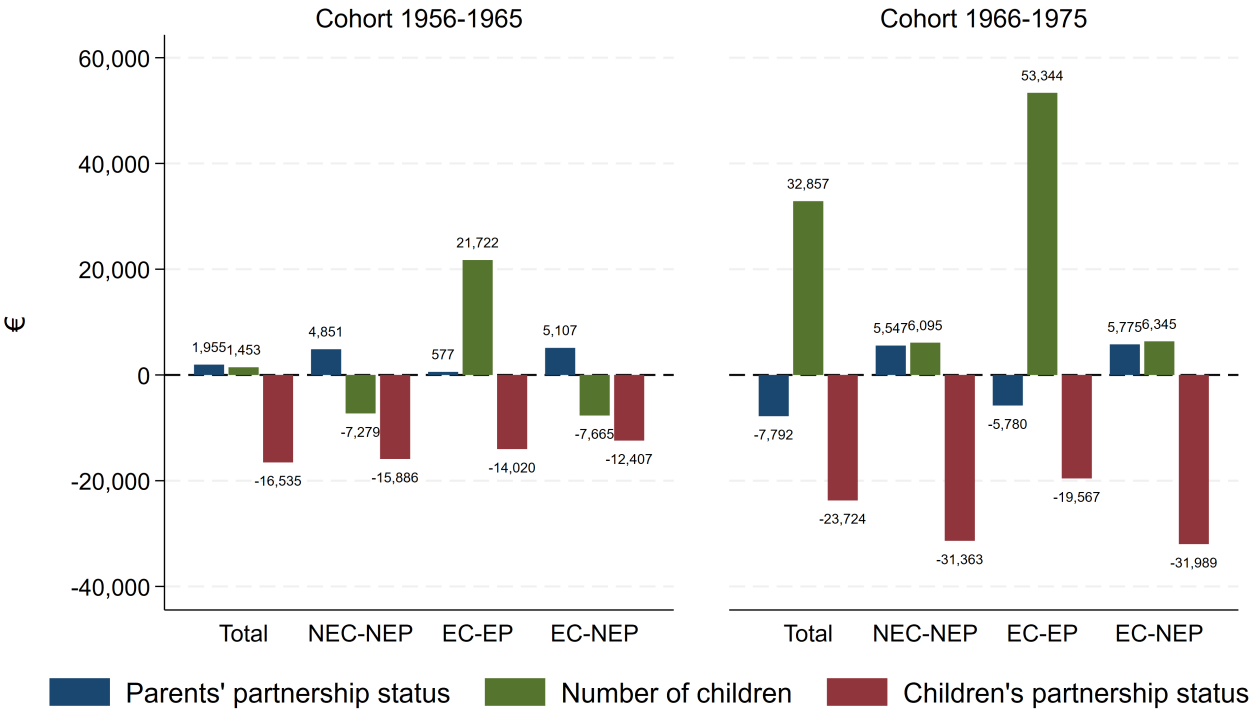
Source: Survey on Household Income and Wealth (1995-2022).
Notes: the figure decomposes average real wealth by birth cohort and age group into three components: initial wealth, i.e. wealth at the beginning of each age interval, saving and capital gains. Capital gains are imputed by applying asset-specific aggregate returns to the average portfolio composition of each cohort. Saving is computed as the residual needed to satisfy the wealth accumulation identity. Asset holdings are winsorized at the top 1 per cent of their cohort-year distribution.

Figure 7: Average number of children by cohort



Source: Survey on Household Income and Wealth (1991-2022).

Figure 8: Shapley decomposition of counterfactual inheritance: contributions of demographic factors



Source: Survey on Household Income and Wealth (1991-2022).
Notes: the figure reports a Shapley decomposition of the difference in potential inheritance between the benchmark cohort (1951-1955) and subsequent ones. The decomposition isolates the contribution of three demographic mechanisms: parents' partnership status, fertility (number of children), and children's partnership status. In each counterfactual, parental wealth is held fixed at the level observed for the cohort under consideration, while demographic parameters are sequentially replaced by those of the benchmark cohort. Contributions are expressed in monetary units and add up exactly to the total difference in expected inheritance. Positive (negative) contributions increase (decrease) inheritance relative to the benchmark demographic structure.

Table 1: Weight of potential inheritance in wealth across cohorts

Parent cohort	Child cohort	Educational groups			
		Total	NEC-NEP	EC-EP	EC-NEP
		(1)	(2)	(3)	(4)
Panel A: Observed potential inheritance					
1911–1930	1951–1955	0.35	0.42	0.38	0.31
1931–1940	1956–1965	0.40	0.48	0.43	0.36
1941–1950	1966–1975	0.47	0.62	0.48	0.42
Panel B: Counterfactual inheritance					
1911–1930	1951–1955	0.35	0.42	0.38	0.31
1931–1940	1956–1965	0.42	0.52	0.42	0.38
1941–1950	1966–1975	0.47	0.65	0.46	0.45

Source: Survey on Household Income and Wealth (1993-2022).

Notes: the table shows the share of potential inheritance in the wealth of child cohorts between ages 50 and 55 if their respective parent cohorts transferred it between ages 75 and 80, on average and for different combinations of child/parent education. The share is calculated as the ratio between potentially inherited wealth and the sum of household net wealth and the value of the inheritance itself. Panel A reports the share of potential inheritance computed according to the observed values. Panel B reports the counterfactual share, computed where inheritance is evaluated holding parental wealth fixed at the level of the corresponding parent cohort and imposing the demographic characteristics of the benchmark cohort (1951–1955) according to the exercise described in Section 4.3.

Table 2: Wealth ratios with and without inheritance by education of the household and parents

Cohort	EC-EP/NEC-NEP		EC-EP/EC-NEP	
	No transfers	With transfers	No transfers	With transfers
	(1)	(2)	(3)	(4)
Panel A: Observed potential inheritance				
1951–1955	2.3	2.2	1.4	1.6
1956–1965	2.6	2.3	1.4	1.6
1966–1975	3.5	2.5	1.5	1.6
Panel B: Counterfactual inheritance				
1951–1955	2.3	2.2	1.4	1.6
1956–1965	2.6	2.2	1.4	1.5
1966–1975	3.5	2.2	1.5	1.5

Source: Survey on Household Income and Wealth (1993-2022).

Notes: the table shows the ratio between the average wealth of children's cohorts according to the education level of the household and that of the family of origin, distinguishing between values calculated net of potential inheritance ("No transfers") and values obtained including inheritance ("With transfers"). In Panel A, "With transfers" includes potential inheritance computed with observed values; in Panel B, it incorporates counterfactual inheritance, where inheritance is evaluated holding parental wealth fixed at the level of the corresponding parent cohort and imposing the demographic characteristics of the benchmark cohort (1951–1955) according to the exercise described in Section 4.3.

Table 3: Demographic trends by parent cohort and education

	Share of Couples Educational attainment			avg. nr of children Educational attainment		
	Non educated	Educated	Total	Non educated	Educated	Total
Parent Cohort						
1911–1930	0.28	0.55	0.34	1.8	1.7	1.7
1931–1940	0.20	0.58	0.32	1.9	1.6	1.8
1941–1950	0.16	0.59	0.42	1.7	1.4	1.5
Total	0.24	0.58	0.35	1.8	1.6	1.7

Source: Survey on Household Income and Wealth (1993-2022).
Notes: the table reports, for each parent cohort and level of educational attainment, the share of households in which the household head has a partner and the average number of children, measured when the household head is between 75 and 80 years old. A household is classified as educated if the household head or their partner has attained at least lower secondary education.

Table 4: Demographic trends by children cohort and educational groups

	Share of Couples Educational groups			
	NEC-NEP	EC-EP	EC-NEP	Total
Child Cohort				
1951–1955	0.81	0.86	0.88	0.84
1956–1965	0.63	0.76	0.74	0.70
1966–1975	0.48	0.71	0.55	0.62
Total	0.65	0.75	0.72	0.71

Source: Survey on Household Income and Wealth (1993-2022).
Notes: the table reports, for each child-recipient cohort and each combination of child and parent educational attainment, the share of households in which the household head has a partner, measured when the household head is between 50 and 55 years old.

Appendix

A The Survey on Household Income and Wealth

We use data from the Survey on Household Income and Wealth (SHIW) conducted by the Bank of Italy since the 1960s. The SHIW is a nationally representative survey collecting detailed information on the demographic characteristics, income, wealth, liabilities and consumption of Italian households. The Survey constitutes the main source of microdata on the economic conditions of Italian households.

Unless otherwise specified, the analysis uses all available cross-sectional waves from 1991 to 2022. Throughout the paper, the unit of observation is the household, and age and cohort are defined with reference to the household head, identified as the main income earner. To focus on households in the main wealth accumulation phase of the life cycle, the sample is restricted to household heads aged between 30 and 80 years.

Household net wealth is defined as the sum of real and financial assets net of financial liabilities. Real assets include owner-occupied housing, other real estate and business assets, while financial wealth includes deposits, government securities, bonds, equities, mutual funds and other financial instruments. Financial liabilities comprise mortgages and other debts owed to banks and financial institutions. Unless otherwise stated, all monetary variables are expressed in 2015 euros using the consumer price index.

To ensure that the estimates are representative of the Italian population, all descriptive statistics and regression estimates are computed using the sampling weights provided by the survey. Average wealth profiles are obtained at the age–cohort–survey year cell level, where each cell average is calculated using the corresponding household sampling weights.

The SHIW has a rotating panel component that allows some households to be interviewed in consecutive waves. The analysis exploits the panel structure only when reconstructing information on the educational attainment of the parents of the household head's partner, while all other results are based on repeated cross-sections.

As with all household wealth surveys, the SHIW may underestimate wealth at the top of the distribution because of non-response and measurement error. To assess the robustness of the results, the decomposition of wealth growth into savings and capital gains is replicated using the SHIW-adjusted data developed within the Distributional Wealth Accounts (DWA) project, which reconcile survey estimates with national accounts aggregates. The qualitative results remain unchanged.

Further details on the survey design and sampling methodology are available in the methodological documentation of the Survey on Household Income and Wealth published by the Bank of Italy.[21]

[21] See the Bank of Italy webpage on the Survey on Household Income and Wealth: `https://www.bancaditalia.it/statistiche/tematiche/indagini-famiglie-imprese/bilanci-famiglie/index.html?com.dotmarketing.htmlpage.language=1`.

B Matching SHIW wealth stocks to macroeconomic returns

The estimation of capital gains at the cohort level requires combining information from aggregate national accounts with household-level portfolio holdings observed in the SHIW. We first derive asset-specific rates of return for the household sector using balance-sheet information and corresponding transaction flows from the national accounts and subsequently apply these returns to the portfolio composition observed in the survey. This procedure allows us to estimate the contribution of capital gains to wealth accumulation while preserving the heterogeneity in asset holdings across cohorts. For this analysis, we use data from 1995 onward because of the availability of financial national accounts.

We begin from the standard wealth accumulation identity for the household sector:

$$W_t = W_{t-1} + S_t + CG_t, \tag{B.1}$$

where W_t denotes aggregate household wealth, S_t net saving, and CG_t capital gains between periods $t-1$ and t.

For each financial asset category, nominal capital gains are obtained as the difference between the observed variation in the aggregate stock and the corresponding transactions recorded in the financial accounts. These valuation changes are accumulated over the years between two consecutive SHIW waves and expressed relative to the stock held at the beginning of the interval. The resulting nominal rates of return are then converted into real returns using cumulative consumer price inflation over the same period.

For non-financial assets, we consider the sum of housing wealth and non-financial business wealth. Since transaction data are not available for exactly the same aggregate, we use ISTAT time series on net investment in non-financial assets of consumer and producer households as a proxy for the corresponding flow component. Capital gains are then obtained as the residual difference between the observed variation in aggregate wealth and net investment. Although the investment series and the wealth aggregate do not perfectly coincide by construction, this represents the closest available approximation. As a result, estimated capital gains for non-financial wealth should be interpreted with some caution, as they may capture not only pure asset-price revaluations but also other factors reflecting differences between the underlying investment and wealth aggregates.

Figure B.1 illustrates the decomposition of aggregate real household wealth growth into savings and estimated capital gains. Aggregate wealth growth displays considerable volatility, reflecting mainly fluctuations in asset prices over time. During the second half of the 1990s and the years preceding the global financial crisis, capital gains account for a large share of wealth accumulation, reflecting favorable asset-price dynamics. By contrast, following the global financial crisis, the contribution of capital gains declines markedly and wealth growth is driven primarily by saving flows. Capital gains regain importance in the most recent years, reflecting the recovery in asset valuations. Their contribution turns negative in 2022, however, as the surge in inflation more than offsets nominal asset-price growth, resulting in negative real capital gains.

Once aggregate real rates of return have been estimated, they are assigned to the corresponding wealth components observed in the SHIW. Table B.1 reports the mapping between survey wealth categories and the asset classes used in the national accounts.[22] For each asset class j, the

[22]The mapping shown refers to the 2022 survey wave and is presented for illustrative purposes. While the

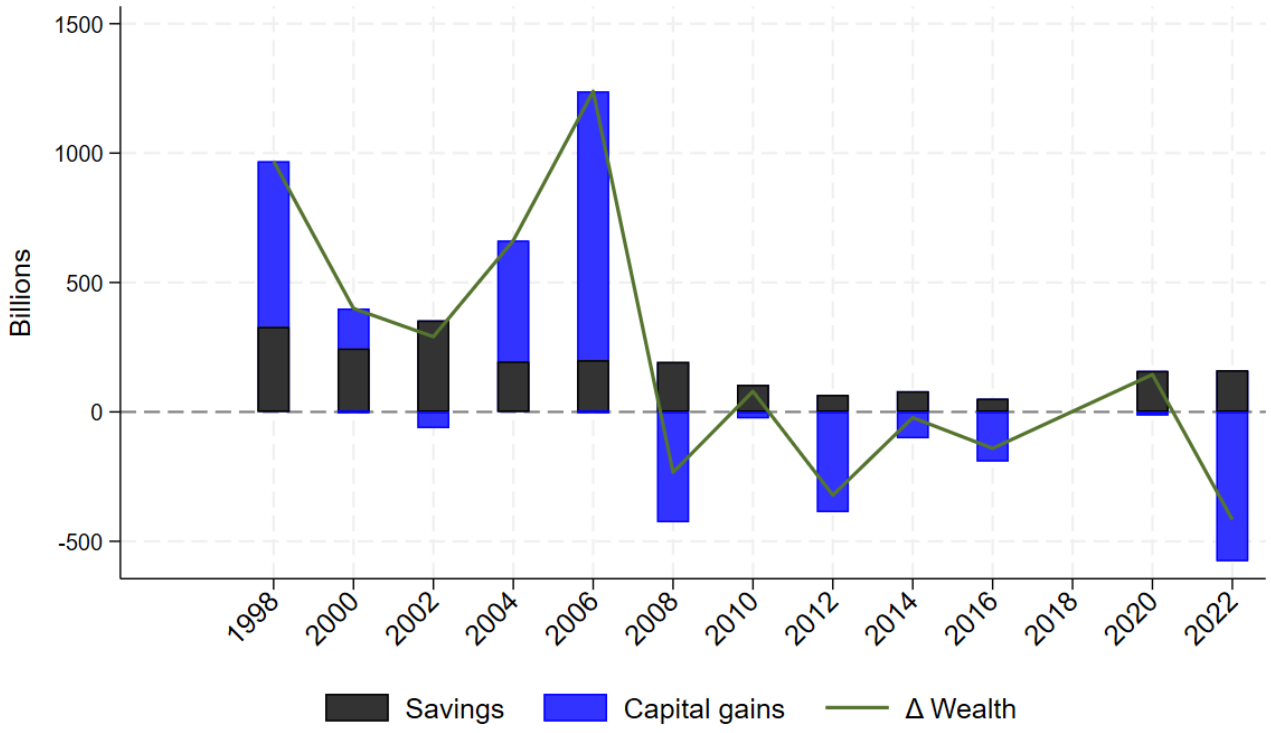
corresponding aggregate real rate of return $r_{j,t}$ is applied to the average real holdings of that asset within each cohort–survey year cell. Estimated capital gains are therefore computed as

$$\widehat{CG}_{t,c} = \sum_{j} r_{j,t} \bar{A}_{j,t-1,c}, \tag{B.2}$$

where $\bar{A}_{j,t-1,c}$ denotes the average real holdings of asset j for cohort c in the previous survey wave. Because all households holding the same asset are assigned the corresponding aggregate return within each survey interval, differences in estimated capital gains across cohorts arise from differences in wealth levels, portfolio composition, and the sequence of returns experienced over the life cycle.

Not all wealth components are matched to a corresponding aggregate return series. Deposits, liabilities and loans to cooperatives are assigned a zero rate of return because changes in these positions mainly reflect transactions rather than valuation effects. Foreign securities and the residual category of other financial assets are also assigned a zero rate of return because corresponding aggregate return series are not available and these asset categories account for only a very small share of household wealth.

Figure B.1: Decomposition of aggregate household wealth changes into savings and capital gains



Source: national accounts data. Notes: the green line reports the change in total real household wealth. Black bars denote the contribution of savings, while blue bars represent estimated capital gains obtained from aggregate balance-sheet and flows information.

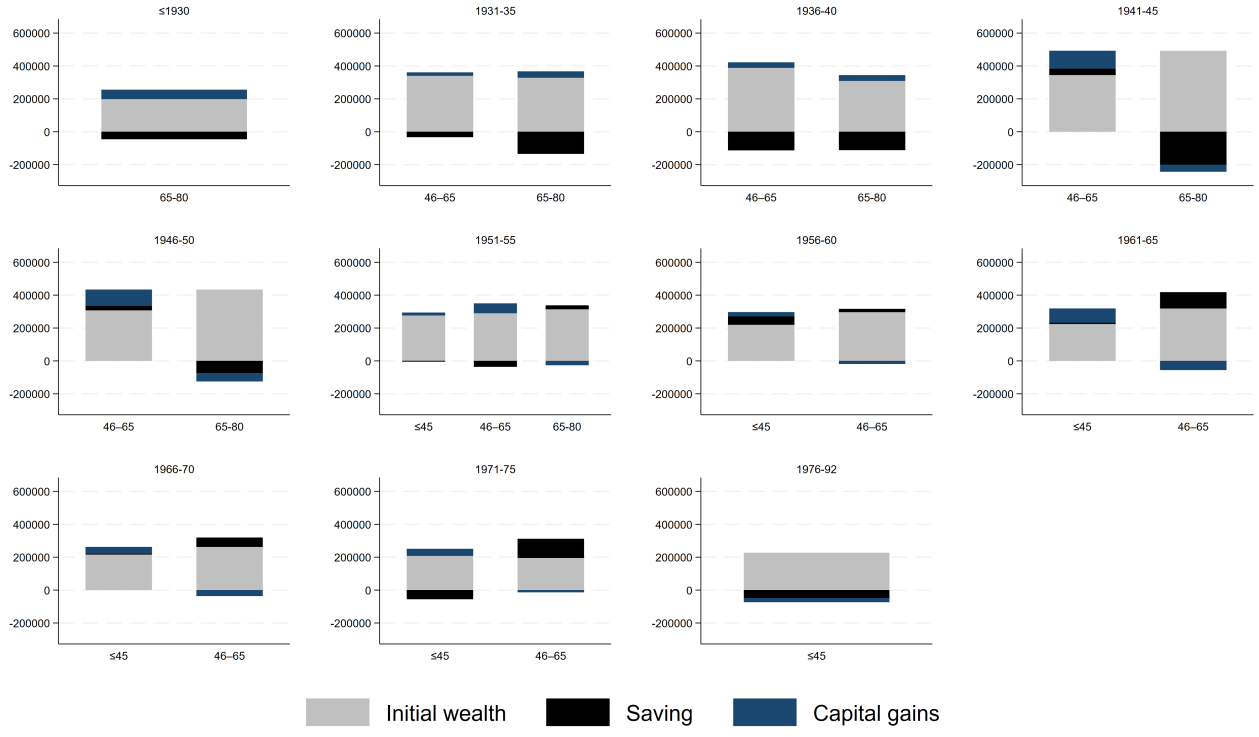
classification of some financial instruments varies slightly across survey waves because of changes in questionnaire design, the definitions of the main categories remain stable throughout the sample period.

Table B.1: Mapping between SHIW wealth components and macroeconomic asset categories

	SHIW variables	Macro category
Asset	Bonds issued by Italian firms, Bonds issued by Italian banks	Private Debt Securities
Asset	Government securities (BOTs, BTPs, other)	Government Debt Securities
Asset	Bank and PO current account, Bank and PO savings account, Repos and/or PO savings certificates	Deposits
Asset	Shares in companies limited by shares (srl) and shares in unlisted companies	Financial Business Wealth
Asset	Managed portfolios, funds, ETFs	Investment Fund Shares
Asset	Shares in listed companies	Listed Shares
Asset	Real estate (AR1), Business equity (AR2)	Housing Wealth and Non-Financial Business Wealth
Liability	Bank and financial liabilities (PF1)	Total Liabilities

Notes: the mapping reported in the table corresponds to the 2022 SHIW wave and is shown as an illustrative example. The classification of financial assets may vary slightly across survey waves because some financial instruments are introduced, discontinued, or redefined over time. The definitions of the non-financial wealth components, namely real estate (AR1) and business equity (AR2), as well as liabilities to banks and financial companies (PF1), are stable across all waves of the survey.

Figure B.2: Decomposition of average net wealth growth across cohorts with SHIW-adjusted data: savings vs. capital gains



Source: SHIW-adjusted data (1995-2022), constructed among the Distributional Wealth Accounts (DWA) project for Italian households. Notes: the figure decomposes average real wealth by birth cohort and age group into three components: initial wealth, i.e. wealth at the beginning of each age interval, saving and capital gains. Capital gains are imputed by applying asset-specific aggregate returns to the average portfolio composition of each cohort. Saving is computed as the residual needed to satisfy the wealth accumulation identity. Asset holdings are winsorized at the top 1 per cent of their cohort-year distribution.

C Shapley decomposition of demographic contributions to potential inheritance

The potential inheritance exercise described in Section 4.3 depends on three demographic factors: parents' partnership status (G), the average number of children (N), and child-recipients' partnership status (C). For each cohort c and educational group, we define $x_c = (G_c, N_c, C_c)$ and denote potential inheritance by $I(x_c; W_c)$, where W_c represents the estimated parental wealth associated with cohort c.

We assess the contribution of demographic change by comparing potential inheritance evaluated at the observed demographic characteristics of cohort c with a counterfactual in which these characteristics are replaced by those of the benchmark cohort x_1, holding parental wealth fixed at W_c:

$$\Delta I_c \;=\; I(x_c; W_c) - I(x_1; W_c), \tag{C.1}$$

Since potential inheritance is a nonlinear function of demographic characteristics, the contribution of each factor depends on the order in which the factors are allowed to vary. We therefore use a Shapley-value decomposition (Shorrocks, 2013), which averages the marginal contribution of each demographic factor over all possible sequences of changes from benchmark to observed values.

With three factors, the decomposition involves eight combinations of benchmark and observed demographic characteristics. Each factor's contribution is computed as the weighted average of its marginal effects, with weights of 1/3 when the factor changes first or last and 1/6 when it changes second. By construction, the sum of the contributions of G, N, and C equals ΔI_c.

For EC–EP households, the decomposition accounts for the possibility that potential inheritance originates from two educated parental couples or from one educated and one non-educated parental couple, as described in Section 4.3. Parental wealth is held fixed throughout the decomposition, separately for educated and non-educated parents.