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# BOSTON COLLEGE *SOCIAL WELFARE RESEARCH INSTITUTE*

PATTERN OF CHARITABLE CONTRIBUTIONS  
AND TRANSFERS TO RELATIVES AND FRIENDS  
BASED ON 1998 SCF

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## **Pattern of Charitable Contributions and Transfers to Relatives and Friends based on 1998 SCF**

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The Survey of Consumer Finances obtains information concerning financial support (excluding alimony and child support) for relatives and/or friends not living in the household. The information consists of (1) the total of all such support in the year preceding the survey year and (2) the relationship of the recipients to the respondent.

In 1997 approximately 12 million households made transfers to relatives and friends (mostly children, parents, and siblings) amounting to \$64 billion in total. Such transfers range from as little as \$20 to \$1,000,000 or more, with an average of \$5,359 for households making a transfer.

During the same time approximately 35 million households made charitable contributions of \$500 or more amounting to \$111 billion in total. These contributions ranged from \$500 to \$10.9 million, with an average of \$3,157 for households making contributions of \$500 or more.

Comparing these two distributions we find that there were nearly twice as many households making charitable contributions (of \$500 or more) as making transfers to relatives and friends not living in the household. The average contribution, however, was only 60 percent of the average amount of the interpersonal transfers.

Additional detail on the relationship of the recipient to members of the donor family is contained in Table 1. This table presents the recipients of the transfers and the percentage of households making such transfers that listed the given category as a recipient of the transfer. The table shows that children were the most frequent recipients (48%) followed by parents (26%) and then by siblings (19%).

Table 1: Recipients of Financial Support Transfers for Households Making Transfers

Recipient	Percent of Households
Child under age 18	11% <sup>1</sup>
Child age 18 or older	37%
Parent or parent in-law	26%
Grandchild <sup>2</sup>	9%
Grandparent	1%
Sibling or step sibling	19%
Niece/Nephew	4%
Friend	7%
Ex-spouse	2%
Other relative	2%
Aunt or uncle	1%

There are strong relationships between household income and household wealth on one hand and both charitable contributions and transfers to relatives and friends on the other (Tables 2 and 3). When averaged over all households, mean transfers are less than mean charitable contributions at every level of income and wealth except for negative incomes. When averaged over only contributing and transferring households, average transfers are larger than average contributions within every income and wealth category except for the highest levels of wealth. The reversal in pattern is the result of smaller proportions of households making transfers as opposed to the proportion of households making charitable contributions.

Table 2 presents charitable contributions, transfers to relatives and friends, the proportion of households making charitable contributions, and the proportion of households making transfers, all by household income. The table depicts a strong relationship between household income and charitable contributions (of \$500 or more). As income increases the value of charitable contributions, averaged over all households, also increases: for households in the \$1 to \$9,999 income category the average contribution is \$83; for households in the \$1,000,000 or more category the average contribution is \$65,629.

The table also depicts a strong relationship between household income and transfers for financial support. As household income increases the value of transfers to relatives and friends, averaged over all households, also increases: for households in the \$1 to \$9,999 income category the average transfer is \$59; for households in the \$1,000,000 or more category the average transfer is \$15,869.

There are similar relationships between household income on one hand and the proportions of households making a charitable contribution or making a transfer to relatives or friends on the

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<sup>1</sup> The percentages in this table add to more than 100 percent due to the fact that the respondent could check all the recipients to whom they had made a transfer during the course of the prior year.

other. As household income increases the aforementioned proportions trend upward as well: for households in the \$1 to \$1,999 income category the proportion of households making a charitable contribution (of \$500 or over) was 7 percent and the proportion of households making a transfer to relatives or friends was 3 percent; for households in the \$1,000,000 or more category the proportion of households making a charitable contribution (of \$500 or over) was 94 percent and the proportion of households making a transfer to relatives or friends was 28 percent.

At every level of positive income the average charitable contribution is larger, usually substantially larger, than the average transfer to relatives and friends. Similarly at every level of positive income the proportion of households making charitable contributions is substantially larger than the proportion of households making transfers to relatives and friends.

If we calculate average charitable contributions only for households making contributions and average transfers to relatives and friends only for households making transfers, the relationship between the two changes dramatically. In this case we find that for each level of income below \$1,000,000 the average amount transferred is greater, often substantially greater, than the average amount contributed. Only for households earning \$1,000,000 or more does average charitable contributions for those making a contribution exceed average transfers to relatives and friends for those making a transfer.

The reason for this reversal, of course, is that at each income level there is a smaller proportion of households making transfers to relatives and friends than making charitable contributions. The former group transfer larger amounts, in general, than do the latter group. However, because the proportions in the former group are smaller than the proportions in the latter group, the averages over all households leads to smaller average transfers as compared with average contributions.

The pattern of relationship between household net worth on one hand and both charitable contributions (of \$500 or more) and transfers to relatives and friends on the other is nearly identical to the corresponding pattern of relationship involving household income.

Table 3 presents charitable contributions, transfers to relatives and friends, the proportion of households making charitable contributions, and the proportion of households making transfers, all by household net worth. The table depicts a the strong relationship between household net worth and charitable contributions (of \$500 or more). As net worth increases the value of charitable contributions, averaged over all households, also increases: for households in the \$1 to \$9,999 net worth category the average contribution is \$147; for households in the \$10,000,000 or more category the average contribution is \$81,110.

The table also depicts a strong relationship between household net worth and to relatives and friends. As household net worth increases the value of transfers to relatives and friends, averaged over all households, also increases: for households in the \$1 to \$9,999 net worth

category the average transfer is \$134; for households in the \$10,000,000 or more category the average transfer is \$17,213.

There are a similar relationships between household net worth on one hand and the proportions of households making a charitable contribution or making a transfer to relatives or friends on the other. As household income increases the aforementioned proportions trend upward as well. The trend is relatively strong for charitable contributions but relatively weak for transfers. For households in the \$1 to \$1,999 net worth category the proportion of households making a charitable contribution (of \$500 or over) was 10 percent and the proportion of households making a transfer to relatives or friends was 9 percent; for households in the \$10,000,000 or more category the proportion of households making a charitable contribution (of \$500 or over) was 98 percent and the proportion of households making a transfer to relatives or friends was 42 percent.

At nearly every level of net worth the average charitable contribution is larger than the average transfer to relatives and friends. Similarly at every level of net worth the proportion of households making charitable contributions is substantially larger than the proportion of households making transfers to relatives and friends.

If we calculate average charitable contributions only for households making contributions and average transfers to relatives and friends only for households making transfers, the relationship between the two again changes dramatically. In this case we find that for almost every level of net worth below \$10,000,000 the average amount transferred is greater, often substantially greater, than the average amount contributed. Only for households owning \$10,000,000 or more in net worth does average charitable contributions for those making a contribution substantially exceed average transfers to relatives and friends for those making a transfer.

The reason once again for this reversal is that at each level of net worth there is a smaller proportion of households making transfers to relatives and friends than making charitable contributions. The former group transfer larger amounts, in general, than do the latter group. However, because the proportions in the former group are smaller than the proportions in the latter group, the averages over all households leads to smaller average transfers as compared with average contributions

A separate question deals with the joint pattern of charitable contributions and transfers to relatives and friends. There are two parts to the joint pattern: (1) the joint frequency distribution for status as a contributor (Of \$500 or more) to philanthropic causes and status as a household that makes transfers to relatives and friends; and (2) the relationship between the amount of the contributions and the amount of the transfers.

Table 4 addresses the first issue. It contains the estimated aforementioned joint frequency distribution. It also contains point estimates of household income, household wealth, household contributions and household transfers for combination of status's.

The table shows that 61 million households (60% of the all households) report neither contributions of \$500 or more nor transfers to relatives and friends or any amount; 30 million households (29% of all households) report contributions (of at least \$500), averaging \$2,937 but report no transfers; 6 million households (6% of all households) report no contributions of \$500 or more but do report transfers, averaging \$3,226; and 6 million households (6% of all households) report both contributions (of \$500 or more), averaging \$4,296, and transfers, averaging \$7,630.

Table 4: Frequency, Income, Net Worth, Contributions, and Transfers by Contribution and Transfer Status

	No Transfers to Family and Friends for Financial Support	Transfers to Family and Friends for Financial Support
Annual Charitable Contributions of Less than \$500	61.0 Million Households 59.5% of Population \$32,788 Mean Income \$24,000 Median Income \$106,340 Mean Net Worth \$30,500 Median Net Worth \$0 Mean Contribution \$0 Mean Transfer	6.1 Million Households 6.0% of Population \$36,403 Mean Income \$31,000 Median Income \$127,328 Mean Net Worth \$42,750 Median Net Worth \$0 Mean Contribution \$3,226 Mean Transfer
Annual Charitable Contributions of \$500 or More	29.7 Million Households 29.0% of Population \$81,808 Mean Income \$56,000 Median Income \$544,859 Mean Net Worth \$188,190 Median Net Worth \$2,937 Mean Contribution \$0 Mean Transfer	5.8 Million Households 5.6% of Population \$119,012 Mean Income \$62,000 Median Income \$957,239 Mean Net Worth \$204,800 Median Net Worth \$4,296 Mean Contribution \$7,630 Mean Transfer

Whether measured by medians or means, households that make transfers to relatives and friends, tend to have higher incomes and higher net worth as compared with households that do not make such transfers. Moreover, households that make charitable contributions (of \$500 or more) tend to have substantially higher incomes and larger net worth as compared with household that do not make such contributions. Moreover, the discrepancy between median and mean income indicate that the upper tail of the income and net worth distributions are included among the contributors. Ranking the cells of Table 4 by their mean or median income and net worth, we obtain the following ordering:

1. Households reporting no contributions (of \$500 or more) and no transfers,
2. Households reporting no contributions but transfers averaging \$3,226,
3. Households reporting contributions averaging \$2,937 but no transfers,
4. Households reporting contributions averaging \$4,296 and transfers averaging \$7,630.

It is worth noting again that within each contribution status category, the income and wealth differences between transfer status categories is substantially less than the differences between contribution status categories within each transfer status. In other words there is households that make transfers and those that do not are more similar in income and wealth as compared with households that make contributions (of \$500 or more) and those that do not.

The second type of relationship between contributions and transfers involves amounts. The amount of charitable contribution is positively correlated with the amount of transfer ( $r=.11$  over all households and  $r=.13$  over households making both a charitable contribution and a transfer). In terms of logarithms the correlations are even stronger ( $r=.12$  over all households and  $r=.40$  over households making both a charitable contribution and a transfer). These correlations tell us that there is a tendency for small contributions to be associated with small transfers and for large contributions to be associated with large transfers. This association is stronger among households that make both charitable contributions and transfers.

Since both charitable contributions are strongly related to income and wealth (tables 2 and 3), the association could be an artifact of this common relationship. If we partial out the effects of household income and wealth we find that there is still a positive but negligible correlation between the amount of charitable contributions and the amount of transfers to relatives and friends ( $\rho=.05$  for all households and  $\rho=.02$  for households making both contributions and transfers). In terms of logarithms there is still a relatively negligible positive degree of association among the group of all households ( $\rho=.06$ ). However, among households that make both a charitable contribution and a transfer the relationship remains moderately strong ( $\rho=.19$ ) in terms of logarithms.

From these correlations we conclude that most of the relationship between amounts contributed and amounts transferred is due the common variation in amounts of financial resources available in the household. Once financial resources are taken into account, there is little relationship between amounts contributed to charity and amounts transferred to relatives and friends, among the entire group of households. However, among households that make both contributions and transfers, the general pattern is one of positive relationship between contributions and transfers with a less tight relationship at the higher levels of contributions and transfers. Both over the entire group of households and over households making contributions and transfers, the amount of charitable contribution does not in general trade-off against the amount of transfer. They either co-vary in the same direction or are unrelated but there is no evidence of a pattern of negative co-variation.



When income and wealth are taken into account, charitable behavior and transfer behavior appear weakly related to each other, at least with respect to amounts contributed and transferred. Among the 6 percent of households that both make a contribution and a transfer, there is a tendency for small contributions to be associated with small transfers and for large contributions to be related to large transfers (but the relationship is not tight for large contributions and transfers).

**Table 2: 1997 Charitable Contributions and Transfers to Relatives and Friends by Family Income in 1998 Dollars**

[illegible]

**Table 3: 1997 Charitable Contributions and Transfers to Relatives and Friends by Family Net Worth in 1998 Dollars**

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