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Title: Long-Run Saving Dynamics: Evidence from Unexpected Inheritances

Abstract: Long-run saving dynamics following large financial windfalls are a central aspect of consumption-saving behavior. By combining a Danish panel of yearly administrative wealth reports with the unexpected timing of sudden parental deaths, we exploit inheritance episodes to provide novel causal evidence on these dynamics. In the years after inheritance net worth converges back towards the level accumulated before parental death, and this convergence is faster for liquid assets. Using a generalized structural framework, we show that buffer-stock and two-assets models can fit these patterns, but only if agents are impatient enough and have both strong precautionary and post-retirement saving motives.