Life Cycle Implications of Schooling on Financial Assets

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Abstract

This research explores the impact of education on individuals' involvement with financial assets such as savings, annuities/IRAs, and stocks in the United States throughout their lifetimes. Utilizing panel data and various identification strategies, the findings indicate that education leads to greater investment in these assets, although the extent varies depending on the individual's life stage and level of education. The paper examines how higher incomes resulting from better education, improved financial behaviors, and an increased willingness to take risks due to educational attainment contribute to these outcomes. While all three factors are influential, the impact of education is moderated by variables such as parental wealth and inheritance. This research suggests that increasing education could help more people invest wisely and increase their financial stability. It provides insights into the relationship between education and financial management, highlighting potential avenues for enabling more individuals to benefit from financial assets.

Keywords: Financial Assets · Returns to Education · Savings · Stocks · Annuity

JEL Codes: C01 · D14 · I24 · I26 · G10

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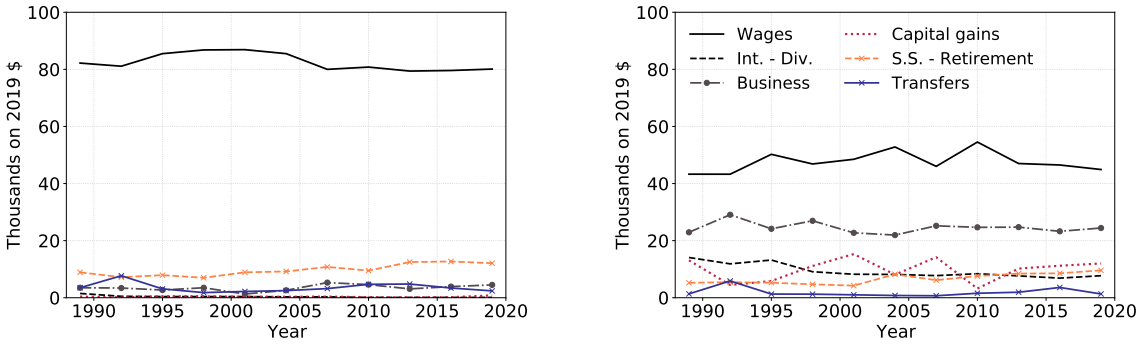
1 Introduction

Understanding the dynamics of financial market participation and the determinants behind these choices is essential for addressing broader economic challenges, including wealth inequality and financial insecurity. This study investigates the influence of education on financial asset selection and investment timing, which are particularly important in shaping individuals' economic resilience and long-term financial well-being. The nuanced role of education in empowering individuals to navigate the complexities of financial markets, make informed investment decisions, and ultimately secure their financial future highlights an important path to mitigating economic disparities. By explaining the connections between educational attainment and financial behavior, this research sheds light on the potential of education as a tool for enhancing economic equity and stability. This exploration becomes even more critical when considering the stark contrasts in income sources across different segments of the wealth distribution.

A significant share of individuals rely heavily on a few sources of income. The bottom part of the distribution receives about 80% of their income on average from wages. However, for the wealthiest portion of the distribution wages make up only about 40% of their income on average, while other sources such as social security or retirement, transfers, businesses, interest or dividends, and capital gains are also important. This difference can be appreciated in Figure 1.



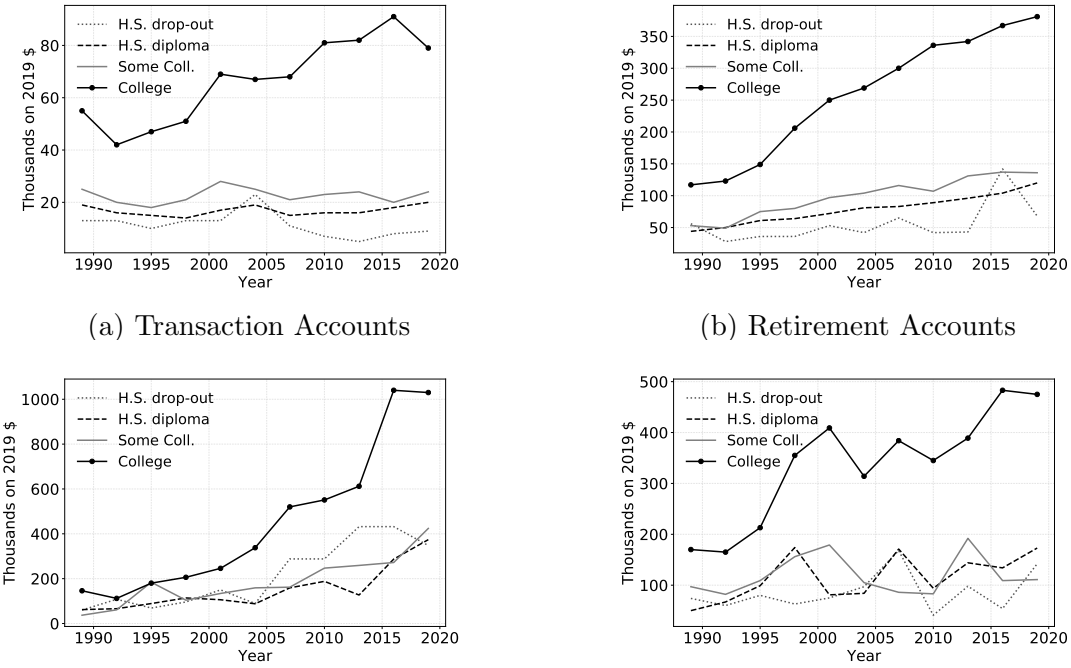
(a) P25 - P49.9 (b) P90 - P100

Figure 1: Evolution of Sources of Income for the United States, 1980-2019

Note: Sources of income for second wealth decile in panel (a) and top wealth quartile in (b) from 1989-2019 for the United States. Source: Survey of Consumer Finance.

Even though these economic differences are known, additional differences arise when education is considered. Figure 2, demonstrates how different types of financial assets have evolved by educational level. These figures illustrate a significant increase in financial participation among college-educated individuals over time, compared to relatively stagnant trends for those without a college education. This visual evidence supports the exploration of education as a key factor in financial market participation.

The core hypothesis of this study posits that, after accounting for parental and individual backgrounds, individuals with higher educational levels will report higher participation in financial assets throughout their lives than those with less education. This



(a) Transaction Accounts

(b) Retirement Accounts

(c) Pooled Investment Funds

(d) Stocks

Figure 2: Evolution of Financial Assets by Educational Level, 1989-2019

Note: The graph plots the evolution of four types of financial assets by educational level for the United States. Transaction accounts include assets such as money market accounts, checking accounts, savings accounts, call accounts, and prepaid cards. retirement accounts, which include IRAs, account pensions from current jobs, future pensions, and currently received account pensions. Pooled Investment Funds include a variety of financial products such as stock mutual funds, tax-free bond mutual funds, government bond mutual funds, other bond mutual funds, combination mutual funds, and other mutual funds. Source: Survey of Consumer Finance.

hypothesis prompts several research questions: Does higher education lead to increased investment in financial assets? Are these results consistent for the three types of financial assets? Can this relationship be considered causal? And does this causality vary across different life stages and educational levels? Identifying a causal link is challenging, particularly due to the complexities introduced by life cycle effects. This study specifically examines investments in three types of financial assets: savings accounts, annuities/IRAs, and stocks. To explore these questions, it utilizes a U.S. panel data set and employs various empirical strategies designed to reduce the impact of unobserved factors that may influence education choices and financial asset participation throughout the life cycle.

The results show that there is a causal relationship between education and financial assets, but this link changes depending on certain conditions and stages of life. Specifically, the causal effect of education on the three financial assets is only found in individuals with college and postgraduate education. Additional results show that these effects are non-linear and depend on the percentile of the wealth distribution the individual belongs to. To explain the main results, three different mechanisms are explored: income effect, financial literacy, and risk tolerance. It is shown that these mechanisms can significantly explain the increase in financial assets for individuals with higher education. However, some of these effects are nuanced and depend on the specific type of financial asset and

the stage of the life cycle.

In addition to contributing to the understanding of education's returns in terms of financial asset holdings, this research also contributes to the growing literature related to the determinants of specific financial asset investments. In this particular field of research, there have been very important contributions to understanding the effects of education or financial education on financial asset participation and financial literacy. There are several factors affecting the decisions, participation, and development of individuals in financial markets. For example cognitive ability (Agarwal & Mazumder, 2013), trust (Guiso et al., 2008), social interactions (Hong et al., 2004), genetics (Cesarini et al., 2010), quality of institutions (Osili & Paulson, 2008), information and transaction costs (Bogan, 2008), type of education (Christiansen, Joensen, & Rangvid, 2008). Additionally, (Fagereng, Mogstad, & Ronning, 2018) found that family background has a significant effect on the future investing behavior of children regardless of the child-parent genetic connection. According to (Karagiannaki, 2017) financial participation is associated with parental wealth and education and the lack of it, generates a significant welfare loss for individuals (Cocco, Gomes, & Maenhout, 2005). Financial sophistication and literacy being an additional factor that influences participation in financial markets (Hastings, Madrian, & Skimmyhorn, 2013) (Lusardi, Mitchell, & Curto, 2014) (Lusardi & Mitchell, 2007).

Nevertheless, education still plays an important role in understanding financial investment choices. For example, higher levels of education correlate positively with saving rates (Dynan, Skinner, & Zeldes, 2004), increase the probability of owning stocks ((Campbell, 2006) and (Bertaut & Starr-McCluer, 2000)), also it increase risk-taking in financial markets (Black, Devereux, Lundborg, & Majlesi, 2018), higher returns and participation in risky assets (Ehrlich, Hamlen, & Yin, 2008), the value of pension annuity claims (Bingley & Martinello, 2017), stock market participation (Bertaut, 1998). Causal evidence of education on homeownership is also found by Silles (2023). Important effects of education are found on financial market participation and management, increasing credit scores, the probability of having a pension, and reducing the probability of bankruptcy and foreclosure (Cole et al., 2012). An interesting contribution by Girshina (2019) showed that education has a positive effect on financial decision-making, higher portfolio returns, and savings that allow individuals to accumulate more wealth. Building on this and by including the role of parental wealth and integrating life cycle considerations into the analysis, I provide a comprehensive view of how education impacts financial behavior and asset accumulation over time. This contribution is particularly relevant given the existing evidence on the importance of education and family background in financial decision-making and market participation. Our findings aim to inform policy and educational strategies to enhance financial literacy and participation, ultimately fostering greater economic stability across different stages of life.

The remainder of the paper is organized as follows. Section 2 presents the empirical model and a brief descriptive analysis. The results are presented in Section 3 followed by potential mechanisms in Section 4. Lastly, Section 5 provides concluding remarks.

2 Empirical Model

Figure 2 illustrates the discrepancy in the number of financial assets held by individuals with a college education versus those with less education. However, it is uncertain whether education is truly the cause of this difference, as there may be other factors that influence an individual's financial asset accumulation. To address this issue, the current research employs an empirical analysis that accounts for unobserved characteristics that may be correlated with both educational attainment and financial assets.

To establish a causal link between education and financial assets, ordinary least squares (OLS) are first implemented. Studies on the impact of parents on their children's outcomes suggest that various factors, such as family composition, time effort, education, and financial and social status play a crucial role. Thus, controlling for these characteristics, such as individual ability and family background, allows us to isolate the effect of acquired education level on financial assets later in life. The equation used in this approach is:

$$\Gamma_{it} = \alpha + \beta_0 \, \text{Education}_i + \beta_1 \, \text{X}_i + \beta_2 \, \text{D}_{it} + \epsilon_t + \upsilon_{it} \tag{1}$$

where Γ is a specific dependent variable related to financial assets, *Education* is the level of education obtained by the individual, and X is a matrix of covariates that includes individual ability, and parental education and wealth. D includes some socio-demographic variables such as age, sex, race, inheritance, and parental presence during childhood. ϵ_t is a set of year dummy variables capturing time effects specific to year t, and lastly, υ is the idiosyncratic error term. Additionally, it is included in the analysis of age-cohorts effects to cover for additional sources of variation left out from the main control variables.

The foundation of this approach is that it takes into account all the factors that can influence financial assets and education. By controlling for these important individual characteristics, I aim to isolate the effect of education on financial assets. However, additional unobserved heterogeneity or unmeasured variables may exist that could affect the estimates of the relationship between education and financial assets. If this is the case, the estimates may be biased due to endogeneity, which is when the causal variable is correlated with the error term.

2.1 Finding Causality

2.1.1 Within Siblings Variation

There is a concern that some influential factors may remain unobserved and included in the error term, potentially causing bias in the estimates. To address this issue, a strategy is proposed that utilizes a separate dataset based on sibling data. By studying siblings, it is assumed that they were raised under similar conditions, with comparable parental resources and treatment, and inherited similar privileges. The underlying assumption is that differences in early life before educational choices, such as individual abilities and

family background, are minimized as siblings belong to the same family, and are likely to be more similar than a pair of strangers. This strategy takes into account unobserved characteristics such as parental guidance, risk preferences, or financial behavior that may affect both educational choices and financial asset accumulation. The additional advantage of this strategy is that it controls for factors that not only affect educational choices but also financial assets e.g. exposure to parents' investment choices. The equation that is used in this strategy is as follows:

$$\Delta.\Gamma_{jt} = \alpha + \beta_0 \, \Delta.\text{Education}_{jt} + \beta_1 \, \Delta.\text{Age}_{jt} + \epsilon_t + \upsilon_{jt} \tag{2}$$

where the indices j and t represent pairs of siblings and time respectively. The letter Δ in front of the variables represents the difference between the value of one sibling to the other sibling, considering the same order for the pairs in all the subtractions. Γ is a specific dependent variable related to financial assets. For the case of $\Delta.\Gamma$, it represents the difference in the level of a specific financial asset of a particular year between siblings 1 and 2. The variable $\Delta.Age$ controls the age difference between the siblings, ϵ_t is a set of year dummy variables capturing time effects and υ is the error term.

While this strategy has the potential to address the previous concerns, it also raises some questions about its reliability. For instance, parents may provide different treatment, such as monetary support or quality time, to their children, potentially favoring one child over the other in certain areas. This could violate the assumption of the strategy and lead to biased estimates of the relationship between education and financial assets. To address this issue, a final empirical strategy is proposed. It aims to overcome the limitations of the previous methods by considering other possible sources of bias.

2.1.2 Compulsory Schooling Laws

Since previous strategies could fail to capture some unobserved heterogeneity which could bias the estimated effects of education. This strategy relies on the exogenous variation in education arising from a different duration of compulsory schooling in different states in the United States.[2] Hence, I introduce an instrumental variable estimation that is used as a first stage of these exogenous compulsory schooling laws to capture how this variation will affect the level of schooling of individuals. This strategy looks from a different perspective at the relationship between education and financial assets. The previous strategies aimed at controlling most of the potential unobserved characteristics of individuals but this strategy skips the endogeneity problems and focuses only on the actual differences in education and how they can vary exogenously. The specification for the last empirical strategy is initially presented by the first stage equation of the instrumental variable approach:

$$\text{Schooling}_{it} = \beta_1 \, \text{Compulsory}_i + \epsilon_{it} \tag{3}$$

[2]Lochner and Moretti (2004) shows the evolution of the compulsory education laws by state.

where the variable *Schooling* is the amount of education acquired by an individual and *Compulsory* is the exogenous years of compulsory education that each individual faced during childhood in each particular state and year. To estimate the effect of education on the respective dependent variable using compulsory schooling as an instrumental variable, the second stage is specified as follows:

$$\Gamma_{it} = \alpha + \beta_0 \, \text{Schooling}_{it} + \upsilon_{it} \tag{4}$$

where Γ denotes a particular financial asset and β_0 the estimate of each additional year of compulsory education. The effects of *Schooling* in the second stage are endogenously obtained from the exogenous instrument introduced in the first stage. It is interesting to think about the potential effects of state compulsory attendance laws. Due to its exogenous origin, to a certain extent, it can be considered a natural experiment in the sense that different decisions taken by states during different periods affect the decisions of individuals also differently.[3]

2.2 Quantile Regression

After the causal relationship between education and financial assets has been explored, the last analysis done in this document introduces the quantile regression. This is done with the same data and under a similar specification as the first strategy that controls for parental background and individual ability. The quantile regression aims to further explore the effects of education on each one of the financial asset variables not as a whole but as its potential non-linearities. The main focus is to see if education affects differently to specific parts of the distribution of each financial asset with the idea that interesting dynamics appear at the tails of the distributions of these variables. This regression analysis also includes its effects by age groups to expand the knowledge of these non-linearities over the life cycle.

$$\text{Quant}_q(\Gamma_{it}) = \alpha_q + \beta_{0q} \, \text{Education}_i + \beta_{1q} \, \text{X}_i + \beta_{2q} \, \text{D}_{it} + \upsilon_{itq} \tag{5}$$

Equation 5 is jointly estimated for the 10th, 25th, 50th, 75th, 95th, and 99th percentiles of the specific distribution of the financial asset. Quantile regression is considered an extension of OLS regression. Because of this, the same list of explanatory variables is included as for equation 1 which estimates the average effect of education on financial assets.

2.3 Sample Selection and Data

This analysis utilizes two different datasets to examine inter- and intra-generational family links from 1999 to 2019. The first dataset, which is based on inter-generational family links (parent-child), is used for the ordinary least squares (OLS) specification,

[3]Details about compulsory schooling laws as an instrument in (Acemoglu & Angrist, 2000).

instrumental variables, and quantile-quantile regression. The second dataset, based on intra-generational links, is used only for the within-siblings variation. In both cases, the sample is limited to individuals older than 30 years of age who served as the head of their family unit (FU). The first dataset includes both male and female heads of FU, while the second dataset is restricted to pairs of male siblings due to the higher availability of observations. It is also important to note that only biological parent-child or sibling relationships are included in the analysis to minimize differences between these groups. Adopted or step-children or siblings are therefore excluded.

The data for this analysis comes from the Panel Study of Income Dynamics (PSID). In 1984, the PSID asked households detailed questions about their wealth, creating a comprehensive picture of household financial wealth. From the wealth supplements of the PSID, three dependent variables were selected to capture different aspects of wealth accumulation. The first variable is savings, which includes money held in checking or savings accounts, money market funds, certificates of deposit, government savings bonds, or treasury bills. This variable does not include private annuities or Individual Retirement Accounts (IRAs), which are captured in a separate variable. The third dependent variable is the value of stocks, which reflects the amount of money a household would have if they sold any owned shares of stock in publicly held corporations, mutual funds, or investment trusts at a given point in time. Many respondents in these variables report zero or negative values, so an inverse hyperbolic sine transformation was used to address this issue. This transformation allows zero and negative values to be retained without distorting standard errors, unlike the natural log transformation (Pence, 2006).

The education variable is obtained for every individual and reflects their highest level of educational attainment. It is assumed that after a certain age, individuals are unlikely to acquire additional education and primarily focus on their careers and accumulating wealth. Therefore, education is considered a time-invariant variable in this analysis. It is classified into five categories: high school dropouts (Education=0), high school degree (Education=1), up to two years (Education=2) or up to four years (Education=3) of college education, and at least one year of postgraduate education (Education=4). In addition to education, the analysis also considers socio-demographic characteristics, such as race, sex, and age; inherited wealth and parental presence at age 16; and parental background, including their education and net worth in 1984. The final variable is IQ test scores, which are used to control for individual ability. While there may be debate about the reliability of IQ tests for this purpose, this variable has been found to produce results similar to other more robust measures of ability.

The data used for compulsory schooling laws as an instrumental variable was obtained from Acemoglu and Angrist (2000) and it can be summarized as the maximum between two options. The first is the minimum years required before leaving school, taking into account age requirements. The second is the difference between the minimum dropout age and the maximum enrollment age.

2.4 Descriptive Analysis

The mean and median values of different variables are analyzed to understand any differences between them and identify potential inequalities. Table 1 shows that, on average, the amount of savings held by the heads of households increases with age, likely because older individuals tend to have higher incomes. However, the gap between the mean and median values of savings grows over time, suggesting that there may be inequalities within age cohorts. The mean values of investments in annuities and IRAs also increase with age, but the median values are consistently zero, indicating that these types of investments are mainly made by wealthier individuals. Similarly, the median values for stocks are zero at every age cohort, indicating that stock ownership is concentrated among a small group of individuals.

Table 2 presents the same variables grouped by education level, with each column representing a different level of education. The mean values of all variables except stocks generally increase with education, while the median values remain lower than the mean values, indicating the presence of inequalities within education levels. The median values for stocks, annuities, and IRAs are consistently zero, except for positive values in the college and postgraduate education categories for annuities and IRAs. This suggests that as education levels increase, median individuals may be more likely to invest in these types of assets. However, the gap between the mean and median values remains large, indicating that these investments are still concentrated among a small group of individuals. Overall, the results suggest that both age and education can play a role in determining an individual's access to financial resources and opportunities.

3 Empirical Results

3.1 Savings

Table 3 presents the results of an analysis using OLS regression to explore the relationship between education and savings while controlling for the influence of parental background and ability. The results show that a one percent increase in inheritance received by the head of the family unit is associated with a 12% increase in average savings over the life cycle, with the effect being significant mainly in late adulthood. Parental wealth also has a positive effect on savings with an average of 9% across the life cycle. The main independent variable shows that more years of education are consistently associated with higher savings at every stage of life. When education is divided into categories, we see that every level is positively and significantly related to savings, with the highest estimates observed in late adulthood and for higher levels of education.

Table 4 presents the results of an analysis using within-sibling difference as a strategy to explore the causal relationship between education and savings. The results, which are similar to those from the previous table, show that an increase in education is generally associated with an increase in savings throughout the life cycle. When we consider

education in categories, we see that this effect is only significant for individuals with some college, college, and postgraduate education. College-educated individuals tend to have higher levels of savings compared to postgraduate-educated individuals, possibly due to an earlier entry into the labor market, but this changes in the later stages of the life cycle. This may be due to a delay in entering the workforce due to additional years of education but with longer-term benefits in terms of savings. Overall, these results suggest that a causal effect may not be present for lower levels of education.

The results of an analysis using compulsory schooling laws as an instrumental variable in exploring the causal relationship between education and savings are presented in Table 5. Even though these are not reported for brevity, the first-stage results indicate that an increase in compulsory education has a positive and significant effect on an individual's future acquisition of education. When we use this variable as an instrument in our second stage of analysis, we find that an increase in years of education is consistently associated with an increase in savings at every stage of life, with the effect becoming stronger as individuals age. These results provide strong evidence of a causal link between education and savings. It is particularly important to study saving behavior in early adulthood, as this is a time of transition from parental dependence, education, and entering the labor market. It is noteworthy that panels (b) and (c) of table 5 only show IV estimates for college and postgraduate-educated individuals. This is due to the non-significant results obtained for other levels of education. These non-significant results confirm the results from table 4.

Table 6 presents the quantile regression results of the effect of explanatory variables on the distribution of savings. The results, which are presented in three panels, indicate that education has a non-linear effect on savings, increasing it at all points in the distribution with a stronger effect among those with higher savings. When we consider education in more detail, as shown in table 7, we find that lower levels of education show non-significant coefficients during later stages of the life cycle for lower percentiles. For individuals in their forties, the effect of education increases with percentiles, but for those in their sixties, it increases for the bottom percentiles, peaks, and then decreases for the top savers. Overall, these results, along with the non-linear patterns observed in Figure (3) for the main explanatory variables, suggest that education has a wide-ranging effect on savings, but this effect may not be causal in every education category or at every stage of the life cycle.

3.2 Annuities/IRAs

This subsection focuses on the effects of education on annuities and individual retirement accounts (IRAs). The results of the OLS analysis for annuities/IRAs are presented in Table 8. Control variables are found to have an impact on annuity/IRA participation with levels and significance similar to the previous subsection. The main independent variable, education, is found to have a positive effect on annuities/IRAs as expected. Higher levels of education are associated with higher participation in these financial assets. These

effects are found throughout the life cycle, with higher estimates for older age groups. When education is broken down into categories, it becomes clear that the effects of education on annuities/IRAs increase with both age and education level. Interestingly the average effects of education on annuities/IRAs are minimal for lower levels of education already in the OLS results.

The second empirical strategy, which uses within-sibling differences in education, also supports the existence of a causal relationship between education and annuities/IRAs. This is seen in the positive and significant estimates for education as a continuous variable in Table 9. However, when education is broken down into categories, it is found that only college and postgraduate-educated individuals show a significant effect on annuities/IRAs during the early stages of the life cycle.

The results of the instrumental variable analysis, presented in Table 10, further support the causal effect of education on individuals' participation in annuities/IRAs. The panels (a), (b), and (c) of the table show positive and statistically significant estimates for the educational variables. For panel (a) the second stage presents estimates of the impact of education on annuities/IRAs for the overall sample and at different stages of the life cycle. These estimates show a consistent pattern of increasing effects as individuals grow older, corroborating the findings from the previous empirical strategies. Panels (b) and (c) of table 10 provide strong evidence for the causal relationship between college and postgraduate-educated individuals and annuities/IRAs. Other levels of education are not reported due to non-significant results.

The results of the quantile regression are presented in Table 11, indicating that for the average life cycle, these variables have little effect on the lower percentiles of the distribution. Education is a particularly important explanatory variable in this analysis. When we consider education as a continuous variable, we find positive and significant estimates for the top 35th percentile of the annuities/IRA distribution, with a non-linear pattern peaking at the 75th percentile. When we divide education into categories in table 12, it is shown that even at the 65th-85th percentile, the effect of education on annuities/IRAs is non-significant or very small. In both tables, it can be appreciated that the effect of education on annuities/IRAs is small in early adulthood but becomes more pronounced in late adulthood, particularly for those with college and postgraduate education. Still, the position of the individual on the distribution is more important at the moment of defining the levels of significance. Figure 4 illustrates the non-linear behavior of the main explanatory variables across the distribution of annuities and IRAs.

3.3 Stocks

This subsection focuses on the effects of education on stocks. According to table 13, the coefficients for parental education and wealth and receiving an inheritance are positive and significant. When education is considered as a continuous variable, the results show that an increase in education leads to an increase in the number of stocks held by individuals over their life cycle. Interestingly, these results are positive and significant with education

as a continuous variable. However, when education is broken down into categories, the results indicate that only individuals with college or postgraduate education experience an increase in stock holdings. Another interesting finding is that these estimates are consistent across the life cycle.

The results of the second empirical strategy presented in Table 14 support the idea that education has a positive and significant effect on stock holdings both on average over the life cycle and at various stages of the life cycle for higher levels of education. The results show estimates with stronger statistical significance for individuals with college or postgraduate education. This strategy also suggests that lower levels of education may not necessarily lead to higher participation in stocks. The estimates show weaker significance for early adulthood, indicating higher and more relevant participation in this type of financial asset during the middle stages of the life cycle, decreasing its relevance at later stages.

The results of the third empirical strategy presented in Table 15 support the existence of a causal effect of education on stock holdings when considered as a continuous variable. Even though it is not reported, the results show that the compulsory variation of education leads to an increase in education in the first stage of the instrumental variables. As a result, in the second stage, higher years of education are associated with higher stock holdings. The results of this strategy are consistent with those of the previous two strategies, indicating that education plays a significant role in an individual's participation in stocks for the average but also across the life cycle. However, the effects are only found for college-educated and postgraduate-educated individuals in panels (b) and (c) respectively, and not for lower levels of education.

The results obtained for the quantile regression are presented in Table 16. This analysis focuses on the top 75% of the distribution of stocks due to the lack of participation of the remaining part. The main independent variable, education, is found to have a non-linear relationship with stocks for the top part of the distribution. When education is divided into categories in table 17, only college and postgraduate education are found to have positive and significant effects on stocks that increase as the percentiles increase. These effects are consistent throughout the life cycle. When education is broken down into categories, it is found that results are significant only at the 75th percentile regardless of the level of education. At the 95th and 99th percentiles, individuals with a college education are found to participate more in stocks than those with postgraduate education, however, over the life cycle, these effects are not necessarily found. The quantile regression results for the average education and life cycle effects are presented in figure 5.

4 Mechanisms

It's important to understand the pathways through which college and postgraduate education might influence greater participation in financial assets. While it's possible that higher education directly leads to increased financial asset involvement, there may be underlying mechanisms at play. This section delves into the potential mechanisms that

could explain the observed results. Specifically, I explore three key mechanisms: the income effect, financial behavior, and risk tolerance, all of which have been identified as potential factors contributing to this phenomenon.

4.1 Income Effect

One of the reasons why educated individuals invest more in financial assets might be through the so-called income effect. When people receive more education, they typically acquire skills and knowledge that are in demand by employers. As a result, they can secure jobs with better income (Card, 2001; Psacharopoulos & Patrinos, 2018). With higher incomes and after covering their consumption needs, they have the financial means to allocate a portion of their earnings to investments, such as stocks, bonds, or retirement accounts. This mechanism suggests that education not only opens doors to higher-paying careers but also provides the financial capacity to save and invest for the future.

In this analysis, the variables that represent the income effect mechanism are labor income, family income, and net worth. Labor income refers to the part of farm income and business income, wages, commissions, or professional practice. Family income includes the taxable income of the household plus total transfers. While net worth is constructed identically to parental wealth. The mechanism is intuitive, education leads to higher income, and this income leads to higher financial asset participation. The sign of the coefficient is expected to be positive.

The results including the income effect variables are presented in tables 18, 20 and 22 for savings, annuities/IRAs, and stocks respectively. The results indicate that family income and family net worth have a positive and significant impact on financial asset participation, aligning with the income effect mechanism. This suggests that increases in family income and net worth are likely to increase participation in the three financial financial assets. However, labor income alone has a strong influence on savings but not that big influence on annuities and stocks in this analysis. For brevity, the life cycle effects of the mechanisms are only shown for family income. The results for the life cycle effects are presented in tables 19, 21 and 23 for savings, annuities/IRAs, and stocks respectively. Similarly, these results are positive and significant at every stage of the life cycle for the three dependent variables, supporting the initial results of this mechanism.

Even though the income effect might be the most important mechanism driving the increase of financial assets for college and postgraduate-educated individuals, other mechanisms are explored because of the nuanced ways in which education shapes financial decision-making and risk-management strategies. Education does not only enhance earning potential but also equips individuals with the knowledge and skills to navigate financial markets more effectively, adopt healthier financial behaviors, and use their risk tolerance in line with long-term financial goals.

4.2 Financial Behavior

Education equips individuals with essential financial skills (Zhou, Yang, & Gan, 2023), reducing declaring bankruptcy, experiencing foreclosure, or being delinquent on a loan (Cole et al., 2012) and fostering responsible financial behaviors such as more adequate portfolio choices (Chu, Wang, Xiao, & Zhang, 2017), and lower overindebtedness (Lusardi & Tufano, 2015). Educated individuals navigate the complexities of the financial landscape more adeptly, consistently exhibiting financially responsible behaviors. This enhanced financial behavior, nurtured by education, encourages active participation in investments.

In this analysis, I employ 'Money Problem' and 'Debt' as variables to represent financial behavior. Specifically, the first variable is constructed based on individuals' experiences of being unable to pay their bills when due in 1996. Rather than viewing it solely as a reflection of momentary financial constraints in each specific year of the panel, I consider the variable as an intrinsic characteristic of the individual e.g. financial instability. This time-invariant variable encapsulates an individual's financial behavior and circumstances that persist over time. By treating it as an enduring trait, I aim to explore how this intrinsic aspect influences their financial decisions throughout the entire panel period. The second is a time-variant variable that reports all the added debt of the family in a particular year. As for the previous variable, this is not meant to reflect a momentary financial constraint but the lack of good financial behavior.

In general, the mechanism proposed is that higher levels of education lead to increased financial asset participation due to enhanced financial behavior. However, in this model, the opposite direction of the mechanism is explored due to the nature of the data. This means that a marginal increase in the 'Money Problem' or 'Debt' variables signifies poor financial behavior, which, in turn, correlates with decreased financial asset participation. The results of the inclusion of these variables in the analysis are presented in table 24, 25 and 26 for the money problems and in tables 27, 28 and 29 for debts for savings, annuities/IRAs and stocks respectively. It can be appreciated that the results for the average and life cycle effects are highly significant and negative. The estimates of the educational categories, after the inclusion of the mechanism, compared to the baseline model in tables 3, 3 and 13 for the same variables, show a smaller coefficient.

The negative sign suggests that individuals who exhibit bad financial practices are less likely to allocate a larger portion of their income to savings, annuities, and stocks, at any stage of their life cycle. The intuition can be, for example, that annuities represent a long-term financial commitment often associated with retirement planning. Individuals with poor financial behavior (higher "money problems" and "debts") are less likely to prioritize retirement planning and consider annuities as a reliable income source. Even though the majority of coefficients in these regression analyses are negative and significant, for stocks, the levels of significance decrease. Investing in stocks typically requires a higher level of financial literacy and comfort with risk. In addition to financial behavior, another crucial mechanism influencing financial asset participation is individuals' risk tolerance.

4.3 Risk Tolerance

Another factor potentially driving these results is the educated individuals' propensity for taking calculated financial risks (Tawiah, 2022; Hryshko et al., 2011). Risk tolerance reflects an individual's willingness and capacity to take on financial risk in pursuit of potential returns. This mechanism tries to explain how the increases in financial assets might be due to individuals' attitudes toward risk. In this analysis to try to address the risk tolerance mechanism, five different variables measuring risk tolerance are considered. The variables are constructed with individuals choosing between a new job that doubles their income or risking losing 10%, 20%, 75%, half, or a third of their current income with 50-50 chances. Due to data constraints, these variables were measured in 1996, before the panel data period, and are included with the idea that it will measure the level of risk tolerance of each individual. This analysis seeks to understand how pre-existing levels of risk tolerance, established before the panel's commencement, interact with educational attainment to influence financial decisions.

For savings, in tables 30, 31, 32, 33, and 34, it is shown that lower levels of risk tolerance have non-significant coefficients for the average and the early stages of the life cycle. However, more risk-tolerant individuals show significant and negative estimates at later stages of their life cycle. The negative coefficients suggest that those who are comfortable with risk are less likely to stash their money in traditional savings accounts. This makes sense because individuals who don't mind a bit of risk might prefer investing in assets that offer higher potential returns, even if they come with higher risks.

On the flip side, there are positive and statistically significant coefficients for annuities in tables 35, 36, 37, 38 and 39 for individuals with lower levels of risk tolerance. This suggests that individuals are more inclined to invest in these financial products, which provide a steady income stream over time. However, it's interesting to note that the direction of this preference for very high levels of risk tolerance turns negative. This suggests that extremely risk-loving individuals at later stages of their lives reduce their investment in annuities. These individuals might seek out even riskier investments instead of settling for annuities, which are typically considered safer but offer lower returns compared to other options like stocks.

Lastly, there are positive life cycle effects of higher risk tolerance on stock participation presented in tables 40, 41, 42, 43 and 44. The positive and significant coefficients for stocks indicate that individuals with higher risk tolerance are more likely to dabble in the stock market. This makes sense because stocks offer the potential for substantial returns, but they also come with significant risks. Moreover, as risk tolerance increases, so does the likelihood of investing in stocks. However, as in the previous type of asset, for the highest risk-tolerant individuals presented in table 44, the estimates are negative. This suggests that they would reduce their level of stocks and potentially invest it in places with more risk and higher returns.

5 Conclusions

This study confirms that education plays a crucial role in financial participation, particularly in savings, annuities/IRAs, and stocks in the United States. It shows that higher levels of education lead to more involvement in these financial assets across a person's life, with strong causal effects observed in those with college or postgraduate education. However, the impact varies by life stage and is influenced by factors like parental wealth and inheritance.

We discovered that higher incomes associated with better education, improved financial behavior, and increased risk tolerance are key drivers behind these effects. Education not only boosts investment due to higher earnings but also encourages smarter financial decisions and a greater willingness to invest in riskier assets. These effects are nuanced; they depend on the individual's background, suggesting a need for policies that enhance educational opportunities to promote broader financial participation and stability.

Further, our research highlights the importance of exploring the transition from education to the workforce and the impact of early financial literacy and parental influence on long-term financial behavior. Identifying these relationships can guide future studies and policy decisions aimed at making financial benefits more widely available and supporting economic well-being.

In conclusion, enhancing education appears to be a viable strategy for increasing financial asset participation, which could lead to improved household financial stability. This underscores the value of educational investments and the potential for tailored financial education and policy interventions

6 Appendix

6.1 Descriptive Analysis

Table 1: Mean of Dependent Variables by Age Cohort

	Age Cohort					
	30	40	50	60	70	Total
Savings	13359.49	22548.24	31199.71	48345.97	24477.50	25014.72
	(2500.00)	(3000.00)	(5000.00)	(10000.00)	(5000.00)	(4000.00)
Annuity/IRA	13126.68	32939.58	68714.15	149881.10	77120.91	50054.09
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Stocks	13817.91	47545.90	92943.36	144674.41	109299.17	61072.86
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Observations	19830					

Note: Median value in parentheses. The PSID data in this table is used with sampling weights. Columns report mean and median statistics for each respective age cohort.

Table 2: Mean of Dependent Variables by Education Level

	Education Level					
	0	1	2	3	4	Total
Savings	5873.20	10972.96	14633.02	31454.10	37415.48	20360.28
	(276.00)	(1000.00)	(2000.00)	(5000.00)	(10000.00)	(3000.00)
Annuity/IRA	4855.96	15005.28	21488.51	53735.87	100831.14	37886.42
	(0.00)	(0.00)	(0.00)	(0.00)	(2000.00)	(0.00)
Stocks	8045.83	10784.32	13245.51	101151.85	94961.02	46792.47
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Observations	29338					

Note: Median value in parentheses. Columns report mean and median statistics for each educational level. The PSID data in this table is used with sampling weights. Education levels are as specified in the text.

6.2 Savings

Table 3: OLS Regression: Effects of Education on Savings

(A) Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education	766.16***	1028.68***	1032.32***	1304.20***	1757.62***
	(62.03)	(55.25)	(67.75)	(83.35)	(150.87)
Parental Wealth	0.09***	0.07***	0.04***	0.09***	0.09**
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	184.63+	244.72**	−36.10	−592.28***	217.70
	(110.54)	(91.01)	(130.36)	(158.62)	(294.16)
Par.Education H.	409.47***	113.31	604.13***	434.75**	−70.61
	(114.74)	(96.85)	(122.17)	(139.58)	(283.06)
Inheritance	0.12***	0.19***	0.29***	0.19***	0.32***
	(0.01)	(0.04)	(0.04)	(0.03)	(0.06)
Observations	18057	6812	6276	4730	1809
Adjusted R^2	0.24	0.22	0.20	0.24	0.29
(B) Education Categories on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	231.10	891.51***	1771.79***	3137.17***	1958.14*
	(261.58)	(238.38)	(305.43)	(373.09)	(854.11)
Education=2	1271.22***	1590.34***	2640.37***	4289.99***	4912.11***
	(287.03)	(261.13)	(369.98)	(438.59)	(978.00)
Education=3	2805.20***	4855.09***	6233.01***	6775.16***	6443.91***
	(352.87)	(334.28)	(425.71)	(503.43)	(1022.86)
Education=4	4474.62***	5698.75***	5521.91***	9362.64***	11495.40***
	(439.84)	(373.48)	(488.14)	(565.31)	(1060.52)
Parental Wealth	0.09***	0.07***	0.04***	0.09***	0.09***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	190.91+	260.77**	−15.04	−588.23***	135.61
	(110.51)	(89.39)	(128.80)	(156.50)	(290.26)
Par.Education H.	417.58***	117.52	629.94***	466.57***	−114.58
	(115.12)	(96.09)	(121.10)	(140.35)	(278.84)
Inheritance	0.12***	0.19***	0.29***	0.19***	0.33***
	(0.01)	(0.04)	(0.04)	(0.03)	(0.06)
Observations	18057	6812	6276	4730	1809
Adjusted R^2	0.23	0.22	0.20	0.24	0.29

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Year, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on savings. Panel (B) reports effects of education categories on savings. The constant term is included but not reported for brevity.

Table 4: Within Variation Regression: Effects of Education on Savings

	Avg	Cohort			
		30	**40**	**50**	**60**
D.Highschool	566.66***	399.08+	−143.30	2142.36***	2401.44**
	(166.93)	(211.26)	(222.20)	(278.43)	(898.52)
D.Some College	1810.02***	1294.82***	1738.21***	2556.52***	4921.13***
	(199.94)	(220.26)	(263.85)	(341.42)	(1057.41)
D.College	4052.51***	2929.16***	4685.23***	4592.16***	5870.95***
	(366.79)	(432.02)	(453.00)	(681.27)	(1572.99)
D.Postgraduate	4413.40***	2862.69***	5187.60***	4256.24***	11818.27***
	(460.22)	(557.96)	(558.09)	(775.98)	(1838.52)
Observations	13510	4554	5575	3819	854
Adjusted R^2	0.02	0.02	0.06	0.03	0.07

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Time, socio-demographic, and cohort effects are included but not reported for brevity. Socio-demographics include the difference in age between siblings. The constant term is included but not reported for brevity.

Table 5: I.V. Regression: Effects of Education on Savings

(a) Avg. Education

	Avg	Cohort			
		30	**40**	**50**	**60**
Education	3814.06***	2846.72**	3955.73***	3671.54***	4541.56**
	(1147.97)	(871.70)	(666.29)	(687.14)	(1401.24)
F-statistic	43.93	8.22	22.25	48.66	22.75
Observations	9538.00	1389.00	3912.00	3644.00	1161.00

(b) College Education

	Avg	Cohort			
		30	**40**	**50**	**60**
College	30253.63+	31883.94+	25377.25***	30026.71***	29858.93*
	(15495.55)	(18941.06)	(5166.71)	(7657.45)	(12439.16)
F-statistic	24.46	2.18	15.23	26.20	12.48
Observations	9538.00	1389.00	3912.00	3644.00	1161.00

(c) Postgraduate Education

	Avg	Cohort			
		30	**40**	**50**	**60**
Postgraduate	47848.87	28037.00*	62797.15**	46867.75**	303594.33
	(34155.82)	(10910.02)	(22833.47)	(15531.22)	(910225.84)
F-statistic	17.68	5.09	4.77	15.52	0.24
Observations	9538.00	1389.00	3912.00	3644.00	1161.00

Note: Source: Panel Study of Income Dynamics. Standard errors in parentheses. Significance levels are denoted as follows: + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. The instrument is the years of compulsory schooling by state. Year and cohort effects are included. Parental wealth is included but not reported for brevity.

Table 6: Quantile Regression: Effects of Education on Savings

(A) Quantiles of Savings Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education	783.10***	1035.59***	1521.88***	1940.84***	1836.70***	2244.20***
	(29.39)	(39.95)	(63.39)	(108.74)	(161.99)	(242.07)
Inheritance	0.17***	0.24***	0.34***	0.28***	0.26***	0.09
	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)	(0.07)
Parental Wealth	0.03***	0.05***	0.09***	0.15***	0.16***	0.09**
	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	−52.34	−26.93	56.63	−107.17	−238.10	640.77
	(37.31)	(55.26)	(102.19)	(168.38)	(242.65)	(418.30)
Par.Education H.	191.57***	279.91***	282.65**	745.57***	1054.80***	147.90
	(37.62)	(53.83)	(100.96)	(181.64)	(250.87)	(373.96)
Observations	18055	18055	18055	18055	18055	18055
(B) Quantiles of Savings Distribution by Age Cohort						
	Cohort: 40			**Cohort: 60**		
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education	972.13***	1506.38***	1265.74***	1466.38***	1820.64***	943.22***
	(53.91)	(101.83)	(191.39)	(178.83)	(273.43)	(143.28)
Inheritance	0.34***	0.61***	0.45***	0.56***	0.43***	0.58***
	(0.05)	(0.13)	(0.04)	(0.15)	(0.05)	(0.04)
Parental Wealth	0.05***	0.09***	0.12***	0.08**	0.24***	0.17***
	(0.01)	(0.01)	(0.03)	(0.03)	(0.04)	(0.03)
Par.Education W.	125.17^{+}	233.98	−806.26**	684.89*	207.89	−618.92*
	(65.53)	(157.67)	(266.01)	(275.52)	(296.45)	(244.91)
Par.Education H.	247.10**	1068.09***	2062.80***	−37.98	−642.74*	542.03*
	(88.07)	(177.92)	(284.74)	(348.46)	(299.60)	(228.29)
Observations	6276	6276	6276	1809	1809	1809

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of savings. Panel (B) reports effects of education on different quantiles of the distribution of savings by age cohorts. The constant term is included but not reported for brevity.

Table 7: Quantile Regression: Effects of Education on Savings

(A) Quantiles of Savings Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education=1	500.62***	808.41***	1330.44***	2191.44***	4983.84***	4782.30***
	(64.94)	(83.65)	(148.26)	(537.90)	(904.10)	(886.52)
Education=2	1146.95***	1632.99***	2731.57***	4255.08***	5585.17***	5983.36***
	(83.33)	(82.83)	(269.55)	(607.69)	(751.33)	(1378.46)
Education=3	3199.05***	4521.42***	6939.35***	10193.95***	12477.11***	14157.43***
	(178.71)	(231.85)	(381.58)	(654.03)	(852.92)	(985.28)
Education=4	5478.05***	6987.40***	9620.26***	10532.68***	10431.45***	11805.12***
	(275.45)	(435.50)	(488.33)	(611.52)	(885.86)	(1208.78)
Inheritance	0.17***	0.24***	0.34***	0.29***	0.26***	0.11***
	(0.02)	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)
Parental Wealth	0.04***	0.05***	0.09***	0.15***	0.14***	0.07**
	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	−21.52	−14.39	10.51	−79.24	32.59	800.62*
	(25.79)	(54.90)	(103.06)	(172.77)	(231.01)	(353.05)
Par.Education H.	157.18***	278.09***	294.50**	725.26***	1212.58***	532.96+
	(40.01)	(52.92)	(105.63)	(170.68)	(219.20)	(280.38)
Observations	18055	18055	18055	18055	18055	18055
(B) Quantiles of Savings Distribution by Age Cohort						
	Cohort: 40			**Cohort: 60**		
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education=1	1154.47***	1761.28***	3158.35+	679.29	385.43	983.71
	(142.72)	(326.36)	(1913.01)	(557.73)	(2284.01)	(1625.54)
Education=2	1968.15***	3364.55***	3700.44*	3433.33***	1290.78	5418.56***
	(260.55)	(417.62)	(1872.44)	(897.71)	(2470.79)	(1522.23)
Education=3	5513.35***	8964.71***	10059.83***	3307.29***	3940.02	7517.41***
	(424.13)	(536.70)	(2035.17)	(821.09)	(2645.74)	(1519.89)
Education=4	5679.93***	7704.62***	6935.44***	11697.18***	8650.99***	4091.41*
	(417.94)	(921.39)	(1919.37)	(1530.82)	(2458.50)	(1646.74)
Inheritance	0.37***	0.68***	0.35***	0.49***	0.45***	0.53***
	(0.06)	(0.11)	(0.05)	(0.08)	(0.06)	(0.12)
Parental Wealth	0.04***	0.08***	0.11***	0.10**	0.27***	0.18***
	(0.01)	(0.01)	(0.02)	(0.03)	(0.04)	(0.03)
Par.Education W.	70.53	277.65	−663.70***	128.21	81.94	−965.85+
	(82.20)	(180.68)	(179.84)	(244.20)	(404.68)	(493.31)
Par.Education H.	323.74**	1014.04***	2397.60***	−293.61	−636.65+	1053.34***
	(104.17)	(185.30)	(174.90)	(290.60)	(349.59)	(188.81)
Observations	6276	6276	6276	1809	1809	1809

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of savings. Panel (B) reports effects of education on different quantiles of the distribution of savings by age cohorts. The constant term is included but not reported for brevity.

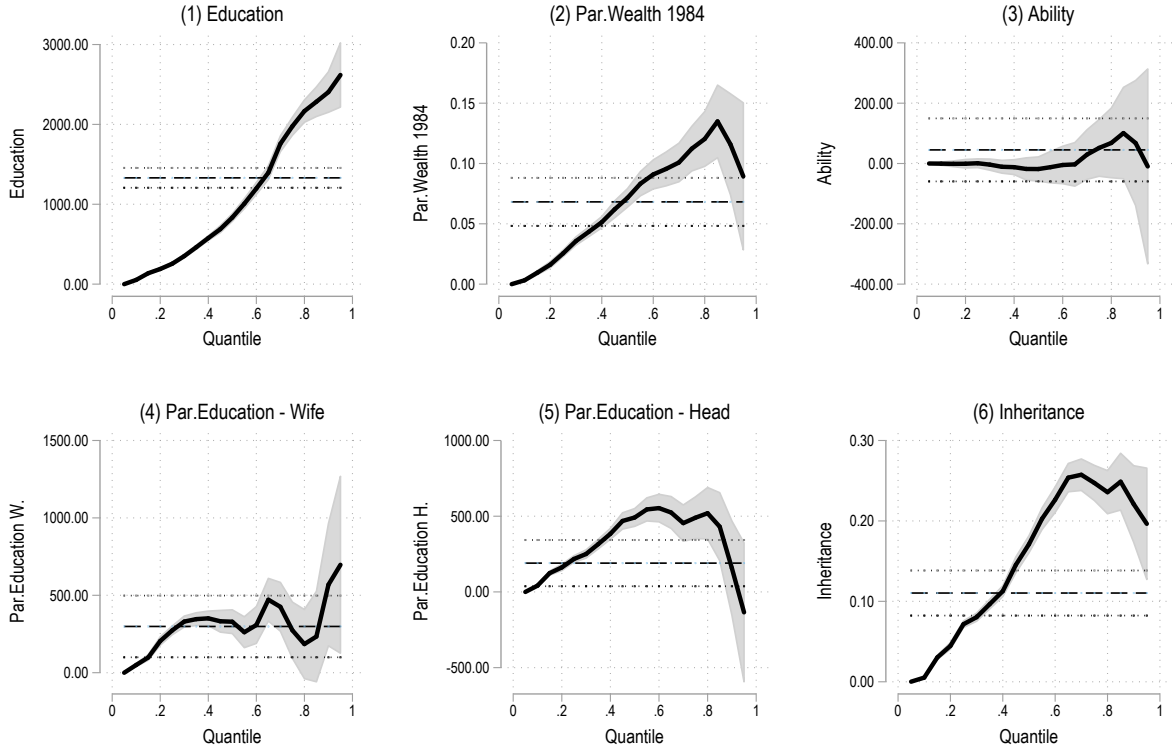


Figure 3: Quantile Regression Estimates on Savings

Note: The graph shows the results of the quantile regression for some variables. Each panel has the estimates from the OLS regression with a black dashed line and confidence intervals. The solid lines are the estimates from the quantile regression. The gray area is the confident intervals of the quantile regression at 95%. The results are heteroskedasticity robust and sample-weighted. Panel (1) plots the estimates for education on household savings. Panel (2) plots the estimates for parental wealth in 1984 on household savings. Panel (3) plots the estimates for individual ability on household savings. Panels (4) and (5) plot the estimates for parental education of the wife and the husband respectively, on household savings. Panel (6) plots the estimates for inheritance on household savings. Source: Panel Study of Income Dynamics.

6.3 Annuities/IRAs

Table 8: OLS Regression: Effects of Education on Annuities/IRAs

(A) Education on Annuities/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education	1019.73***	935.26***	1660.07***	1824.60***	2795.57***
	(74.71)	(60.59)	(83.45)	(108.02)	(222.86)
Parental Wealth	0.11***	0.09***	0.09***	0.04**	0.03
	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	286.01*	217.93*	435.33**	621.79**	691.44
	(138.24)	(88.84)	(148.70)	(219.21)	(459.58)
Par.Education H.	625.18***	268.60**	617.79***	966.99***	428.14
	(146.56)	(97.28)	(147.65)	(198.74)	(404.32)
Inheritance	0.06***	0.34***	0.22***	0.24***	0.41***
	(0.02)	(0.05)	(0.04)	(0.04)	(0.07)
Observations	20558	7028	6436	4825	1920
Adjusted R^2	0.25	0.21	0.26	0.26	0.30
(B) Education Categories on Annuities/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−112.78	37.72	1128.77***	3869.28***	2813.33**
	(277.83)	(237.70)	(289.97)	(467.90)	(891.09)
Education=2	983.70**	701.26**	2467.74***	3416.63***	8001.29***
	(327.27)	(260.62)	(362.23)	(501.52)	(1150.58)
Education=3	3383.19***	3634.27***	8018.21***	9218.22***	10810.48***
	(402.14)	(332.23)	(465.74)	(644.12)	(1212.34)
Education=4	5750.50***	5053.57***	8773.67***	12060.16***	17811.12***
	(536.21)	(428.42)	(600.21)	(720.28)	(1400.13)
Parental Wealth	0.11***	0.09***	0.09***	0.05**	0.04
	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	291.47*	216.39*	423.72**	607.85**	589.61
	(138.24)	(87.97)	(148.67)	(220.67)	(461.83)
Par.Education H.	627.62***	267.65**	624.67***	1013.42***	377.04
	(146.34)	(96.53)	(146.79)	(199.18)	(408.16)
Inheritance	0.06***	0.33***	0.22***	0.25***	0.44***
	(0.02)	(0.05)	(0.04)	(0.04)	(0.07)
Observations	20558	7028	6436	4825	1920
Adjusted R^2	0.25	0.21	0.26	0.26	0.30

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Year, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on annuities/IRAs. Panel (B) reports the effects of education categories on annuities/IRAs. The constant term is included but not reported for brevity.

Table 9: Within Variation Regression: Effects of Education on Annuities/IRAs

	Avg	Cohort			
		30	40	50	60
D.Highschool	905.71***	−52.08	896.73***	1902.61***	4361.49***
	(189.68)	(217.85)	(241.38)	(331.71)	(1243.71)
D.Some College	2110.27***	398.25	2002.78***	3929.39***	7212.20***
	(243.06)	(242.28)	(304.49)	(437.36)	(1572.77)
D.College	5485.06***	1808.32***	4617.95***	9561.95***	14746.74***
	(460.97)	(435.32)	(568.57)	(944.44)	(2384.58)
D.Postgraduate	5121.57***	3781.74***	4942.79***	6097.14***	13301.07***
	(572.43)	(554.02)	(694.62)	(1090.02)	(2635.70)
Observations	15111	4688	5646	3890	967
Adjusted R^2	0.02	0.05	0.04	0.06	0.06

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Time, socio-demographic, and cohort effects are included but not reported for brevity. Socio-demographics include the difference in age between siblings. The constant term is included but not reported for brevity.

Table 10: I.V. Regression: Effects of Education on Annuity/IRAs

(a) Avg. Education

	Avg	Cohort			
		30	40	50	60
Education	6621.09***	4048.83***	4973.38***	7652.27***	13008.05***
	(1738.64)	(1173.52)	(790.26)	(1117.63)	(3073.32)
F-statistic	38.02	15.87	39.76	32.75	10.56
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

(b) College Education

	Avg	Cohort			
		30	40	50	60
College	52638.66^{+}	45347.90^{+}	31905.83***	61844.97***	84752.13**
	(27218.42)	(26812.79)	(6351.32)	(14182.95)	(30500.15)
F-statistic	18.64	3.81	25.34	13.28	4.55
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

(c) Postgraduate Education

	Avg	Cohort			
		30	40	50	60
Postgraduate	82917.54	39876.46**	78952.41**	100797.42**	1405147.01
	(60987.50)	(14657.56)	(27543.18)	(32319.54)	(7400492.88)
F-statistic	12.61	9.87	8.25	6.79	0.02
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

Note: Source: Panel Study of Income Dynamics. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. The instrument is the years of compulsory schooling by state. Year and cohort effects are included. Parental wealth is included but not reported for brevity.

Table 11: Quantile Regression: Effects of Education on Annuities/IRAs

(A) Quantiles of Annuities/IRAs Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education	0.00	0.00	2206.42***	3221.77***	2449.58***	2367.44***
	(1284.53)	(33.50)	(107.44)	(115.28)	(164.32)	(191.00)
Inheritance	0.02	0.34***	0.29***	0.12***	0.06***	0.05
	(0.34)	(0.07)	(0.02)	(0.02)	(0.02)	(0.12)
Parental Wealth	0.00	0.00	0.11***	0.16***	0.15***	0.07*
	(0.20)	(0.00)	(0.01)	(0.02)	(0.02)	(0.03)
Par.Education W.	0.00	0.00	372.15**	236.84	326.28	425.55
	(2098.34)	(28.07)	(121.97)	(190.89)	(199.56)	(324.78)
Par.Education H.	0.00	0.00	601.93***	1244.70***	1429.86***	179.29
	(1816.00)	(37.68)	(142.99)	(184.80)	(200.07)	(261.91)
Observations	20556	20556	20556	20556	20556	20556
(B) Quantiles of Annuities/IRAs Distribution by Age Cohort						
		Cohort: 40			**Cohort: 60**	
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education	1105.61***	2195.12***	3136.50***	3198.47***	3836.22***	2395.94***
	(95.73)	(126.90)	(249.18)	(387.53)	(344.06)	(184.47)
Inheritance	0.34***	0.30***	0.00	0.57***	0.35***	0.07
	(0.01)	(0.05)	(0.05)	(0.13)	(0.06)	(0.05)
Parental Wealth	0.05***	0.13***	0.17***	0.08*	0.12+	0.12*
	(0.01)	(0.01)	(0.03)	(0.04)	(0.06)	(0.05)
Par.Education W.	387.69**	755.40**	−254.62	595.61	401.47	2170.87***
	(147.36)	(234.01)	(382.22)	(536.26)	(896.67)	(371.38)
Par.Education H.	329.71*	1757.10***	2272.04***	48.08	1458.44*	1353.16**
	(148.94)	(195.89)	(319.29)	(595.33)	(632.07)	(482.67)
Observations	6436	6436	6436	1920	1920	1920

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of annuities/IRAs. Panel (B) reports the effects of education on different quantiles of the distribution of annuities/IRAs by age cohorts. The constant term is included but not reported for brevity.

Table 12: Quantile Regression: Effects of Education on Annuities/IRAs

(A) Quantiles of Annuities/IRAs Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education=1	0.00	0.00	10.92	1539.67*	7428.51***	7129.95***
	(13073.57)	(14545.37)	(232.43)	(714.24)	(1003.23)	(1068.41)
Education=2	0.00	0.00	346.31	4600.10***	9282.91***	9842.10***
	(12434.28)	(13847.07)	(323.16)	(770.81)	(827.54)	(1489.70)
Education=3	0.00	0.00	11560.64***	14925.56***	16119.68***	16803.39***
	(11304.90)	(13342.11)	(696.72)	(641.41)	(735.66)	(1074.13)
Education=4	0.00	8813.74	20689.76***	18076.41***	16474.66***	16943.85***
	(12317.74)	(13303.32)	(526.92)	(662.07)	(613.33)	(1746.15)
Inheritance	0.02	0.28	0.34***	0.12***	0.06***	0.04
	(0.23)	(0.19)	(0.03)	(0.01)	(0.01)	(0.03)
Parental Wealth	0.00	0.00	0.04*	0.16***	0.15***	0.05**
	(0.05)	(0.02)	(0.01)	(0.01)	(0.02)	(0.02)
Par.Education W.	0.00	0.00	103.34	292.80+	218.11	312.20
	(450.73)	(248.50)	(134.28)	(169.93)	(167.31)	(247.35)
Par.Education H.	0.00	0.00	146.63	1180.67***	1572.52***	426.44*
	(434.71)	(211.85)	(168.70)	(176.46)	(173.75)	(201.88)
Observations	20556	20556	20556	20556	20556	20556

(B) Quantiles of Annuities/IRAs Distribution by Age Cohort						
	Cohort: 40			**Cohort: 60**		
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education=1	48.11	937.03*	4795.55***	41.52	2606.12*	4815.38**
	(110.83)	(397.94)	(841.48)	(609.21)	(1132.71)	(1799.82)
Education=2	266.96*	2584.28***	7849.54***	3261.18+	10629.55***	12142.68***
	(130.12)	(471.98)	(714.12)	(1708.70)	(1838.58)	(2935.44)
Education=3	7403.53***	12115.54***	17707.99***	8742.74***	13476.02***	12292.23***
	(525.68)	(714.35)	(1173.74)	(2106.36)	(1404.14)	(2748.85)
Education=4	8831.46***	12148.73***	17640.78***	23676.95***	24191.64***	16156.09***
	(833.81)	(1045.65)	(1940.62)	(2430.16)	(1826.99)	(2198.27)
Inheritance	0.32***	0.33***	−0.00	0.69***	0.41***	0.13
	(0.02)	(0.05)	(0.06)	(0.13)	(0.09)	(0.08)
Parental Wealth	0.03***	0.13***	0.18***	0.06	0.10*	0.14*
	(0.01)	(0.02)	(0.03)	(0.04)	(0.04)	(0.06)
Par.Education W.	182.73+	529.02***	−76.40	761.89	33.86	1794.39***
	(102.31)	(131.21)	(289.66)	(563.91)	(516.59)	(429.12)
Par.Education H.	73.81	1546.80***	2089.43***	−298.29	953.01+	1424.36**
	(97.44)	(222.30)	(264.21)	(699.24)	(512.98)	(550.11)
Observations	6436	6436	6436	1920	1920	1920

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of annuities/IRAs. Panel (B) reports effects of education on different quantiles of the distribution of annuities/IRAs by age cohorts. The constant term is included but not reported for brevity.

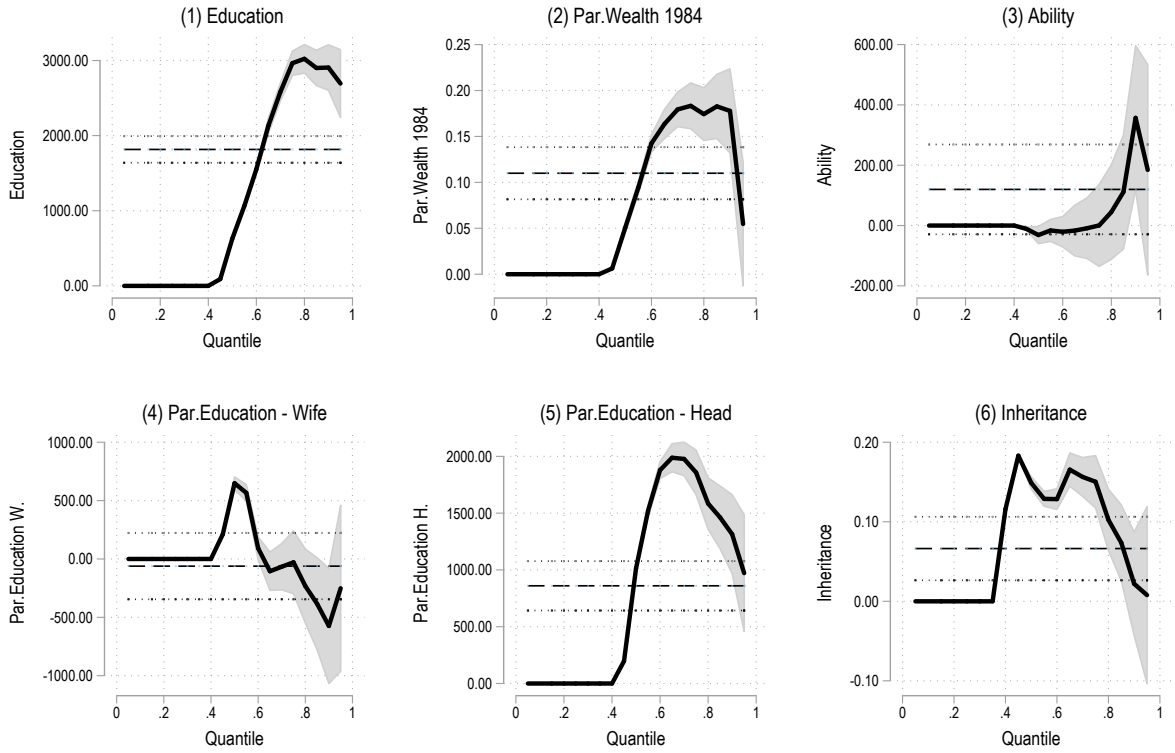


Figure 4: Quantile Regression Estimates on Annuities/IRAs

Note: The graph shows the results of the quantile regression for some variables on household annuities/IRAs. Each panel has the estimates from the OLS regression with a black dashed line and confidence intervals. The solid lines are the estimates from the quantile regression. The gray area is the confident intervals of the quantile regression at 95%. The results are heteroskedasticity robust and sample-weighted. Panel (1) plots the estimates for education on household annuities/IRAs. Panel (2) plots the estimates for parental wealth in 1984 on household annuities/IRAs. Panel (3) plots the estimates for individual ability on household annuities/IRAs. Panel (4) and (5) plot the estimates for parental education of the wife and the husband respectively, on household annuities/IRAs. Panel (6) plots the estimates for inheritance on household annuities/IRAs. Source: Panel Study of Income Dynamics.

6.4 Stocks

Table 13: OLS Regression: Effects of Education on Stocks

(A) Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education	621.47***	763.91***	861.59***	1006.27***	1349.61***
	(61.82)	(69.81)	(80.62)	(102.99)	(183.83)
Parental Wealth	0.10***	0.10***	0.07***	0.06***	0.12***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	194.14	189.80*	614.94***	220.55	3.43
	(125.25)	(93.87)	(134.76)	(213.44)	(396.34)
Par.Education H.	630.57***	303.96**	610.50***	1194.72***	1030.62**
	(134.91)	(96.70)	(129.80)	(186.40)	(364.25)
Inheritance	0.06***	0.27***	0.30***	0.23***	0.31***
	(0.02)	(0.06)	(0.05)	(0.04)	(0.08)
Observations	20558	7028	6436	4825	1920
Adjusted R^2	0.17	0.18	0.20	0.18	0.22
(B) Education Categories on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−158.13	−469.22*	−217.50	1048.46*	−871.27
	(189.60)	(234.24)	(272.87)	(407.93)	(567.12)
Education=2	666.61*	244.40	−229.69	963.97+	1083.73
	(263.19)	(271.02)	(315.02)	(499.36)	(755.99)
Education=3	2266.91***	3231.74***	3928.15***	4148.48***	3182.57**
	(332.01)	(357.87)	(457.27)	(625.66)	(1012.42)
Education=4	3230.26***	3179.80***	3598.63***	6034.48***	7116.73***
	(470.44)	(503.65)	(594.45)	(789.73)	(1254.59)
Parental Wealth	0.10***	0.10***	0.07***	0.06***	0.13***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	198.38	194.24*	587.96***	198.19	−59.96
	(124.86)	(93.22)	(133.96)	(212.15)	(387.79)
Par.Education H.	633.03***	299.04**	599.32***	1196.86***	951.25**
	(135.02)	(96.39)	(128.98)	(186.94)	(365.21)
Inheritance	0.06***	0.26***	0.29***	0.24***	0.32***
	(0.02)	(0.06)	(0.05)	(0.04)	(0.08)
Observations	20558	7028	6436	4825	1920
Adjusted R^2	0.17	0.19	0.20	0.18	0.22

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Year, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on stocks. Panel (B) reports effects of education categories on stocks. The constant term is included but not reported for brevity.

Table 14: Within Variation Regression: Effects of Education on Stocks

	Avg	Cohort			
		30	40	50	60
D.Highschool	587.83***	−5.50	460.15*	1390.41***	2026.28*
	(151.71)	(169.68)	(194.72)	(249.56)	(813.68)
D.Some College	756.15***	399.71*	713.84**	1447.82***	1610.10
	(184.79)	(181.81)	(221.55)	(294.37)	(1091.88)
D.College	2760.94***	774.99+	2736.61***	4329.58***	6819.81***
	(354.99)	(395.74)	(461.33)	(632.39)	(1614.41)
D.Postgraduate	2265.55***	1882.42***	2672.74***	1778.40*	5838.07**
	(478.70)	(505.04)	(614.37)	(858.32)	(2224.61)
Observations	15111	4688	5646	3890	967
Adjusted R^2	0.01	0.02	0.02	0.05	0.02

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Time, socio-demographic, and cohort effects are included but not reported for brevity. Socio-demographics include the difference in age between siblings. The constant term is included but not reported for brevity.

Table 15: I.V. Regression: Effects of Education on Stocks

(a) Avg. Education

	Avg	Cohort			
		30	40	50	60
Education	3259.17*	4100.32***	3024.87***	3362.74***	2854.71
	(1323.02)	(1180.40)	(707.93)	(837.07)	(1798.14)
F-statistic	11.21	11.70	32.80	31.21	15.46
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

(b) College Education

	Avg	Cohort			
		30	40	50	60
College	25584.07+	45924.54+	19405.51***	27177.38**	18599.46
	(14187.47)	(26284.57)	(5068.92)	(8273.71)	(13114.79)
F-statistic	6.49	2.96	26.33	20.87	12.34
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

(c) Postgraduate Education

	Avg	Cohort			
		30	40	50	60
Postgraduate	40976.99	40383.54**	48019.82**	44294.78**	308369.48
	(28140.77)	(15307.17)	(18405.68)	(16401.05)	(1606085.94)
F-statistic	4.44	6.75	12.23	14.10	0.23
Observations	10281.00	1389.00	3912.00	3681.00	1243.00

Note: Source: Panel Study of Income Dynamics. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. The instrument is the years of compulsory schooling by state. Year and cohort effects are included. Parental wealth is included but not reported for brevity.

Table 16: Quantile Regression: Effects of Education on Stocks

(A) Quantiles of Stocks Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education	0.00	0.00	0.00	2314.82***	2841.24***	3114.94***
	(.)	(1221.52)	(25.99)	(119.65)	(189.79)	(290.98)
Inheritance	0.00	0.03	0.48***	0.45***	0.23***	0.04
	(.)	(0.32)	(0.10)	(0.01)	(0.03)	(0.06)
Parental Wealth	0.00	0.00	0.00	0.16***	0.21***	0.28***
	(.)	(0.19)	(0.00)	(0.01)	(0.02)	(0.04)
Par.Education W.	0.00	0.00	0.00	482.97**	343.90	122.80
	(.)	(1995.40)	(29.32)	(150.83)	(302.69)	(390.46)
Par.Education H.	0.00	0.00	45.00	1879.72***	2163.43***	1888.93***
	(.)	(1726.91)	(117.88)	(126.76)	(301.30)	(417.29)
Observations	20556	20556	20556	20556	20556	20556
(B) Quantiles of Stocks Distribution by Age Cohort						
		Cohort: 40			**Cohort: 60**	
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education	5.22	843.54***	2121.87***	0.00	1561.62***	5478.32***
	(20.26)	(102.52)	(188.76)	(57.54)	(357.33)	(360.49)
Inheritance	0.16	0.60***	0.52***	0.42***	0.58+	1.05***
	(0.10)	(0.14)	(0.09)	(0.10)	(0.31)	(0.18)
Parental Wealth	0.00	0.05***	0.15***	0.00	0.16**	0.02
	(0.00)	(0.01)	(0.02)	(0.01)	(0.05)	(0.07)
Par.Education W.	−0.63	439.58+	2768.53***	0.00	−603.12	−539.29
	(20.68)	(239.88)	(280.65)	(90.57)	(634.62)	(950.64)
Par.Education H.	4.24	1703.03***	1820.98***	1545.81**	2559.04***	2175.35***
	(28.02)	(305.18)	(216.93)	(539.47)	(673.08)	(654.02)
Observations	6436	6436	6436	1920	1920	1920

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of stocks. Panel (B) reports effects of education on different quantiles of the distribution of stocks by age cohorts. The constant term is included but not reported for brevity.

Table 17: Quantile Regression: Effects of Education on Stocks

(A) Quantiles of Stocks Distribution						
	0.40	**0.50**	**0.65**	**0.85**	**0.95**	**0.99**
Education=1	0.00	0.00	0.00	−515.01	−1473.27	1800.95*
	(.)	(426.27)	(15562.75)	(538.06)	(944.01)	(847.76)
Education=2	0.00	0.00	0.00	679.02	1123.68	3867.73***
	(.)	(406.14)	(14819.79)	(604.93)	(886.33)	(888.37)
Education=3	0.00	0.00	0.00	13024.20***	12470.16***	18417.10***
	(.)	(366.32)	(14219.81)	(622.51)	(1209.10)	(1760.06)
Education=4	0.00	0.00	3900.35	18605.06***	13743.72***	14929.12***
	(.)	(372.84)	(14172.32)	(658.96)	(1169.61)	(1143.26)
Inheritance	0.00	0.00	0.33	0.44***	0.26***	0.04
	(.)	(0.01)	(0.20)	(0.02)	(0.02)	(0.06)
Parental Wealth	0.00	0.00	0.00	0.13***	0.23***	0.29***
	(.)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)
Par.Education W.	0.00	0.00	0.00	335.70*	375.60	1040.11***
	(.)	(67.03)	(206.20)	(166.81)	(299.93)	(283.86)
Par.Education H.	0.00	0.00	−0.00	1506.76***	2086.69***	1163.59***
	(.)	(57.68)	(175.13)	(162.61)	(312.27)	(269.42)
Observations	20556	20556	20556	20556	20556	20556

(B) Quantiles of Stocks Distribution by Age Cohort						
	Cohort: 40			**Cohort: 60**		
	0.50	**0.75**	**0.95**	**0.50**	**0.75**	**0.95**
Education=1	0.00	103.07	66.59	−0.00	−1732.74*	−1795.68
	(3848.49)	(230.70)	(648.64)	(136.27)	(840.28)	(2584.77)
Education=2	0.00	435.58	−272.65	0.00	2869.97*	500.01
	(3739.52)	(266.39)	(811.57)	(154.72)	(1327.34)	(2287.43)
Education=3	780.07	6942.49***	11183.41***	−0.00	−63.59	17200.41***
	(3655.14)	(564.08)	(1436.02)	(175.20)	(1336.00)	(2375.21)
Education=4	962.42	7896.27***	11079.37***	5950.40*	11505.66***	23637.52***
	(3657.67)	(1369.80)	(1790.64)	(2377.89)	(2662.98)	(2200.12)
Inheritance	0.12	0.50***	0.41***	0.24***	0.63***	0.79***
	(0.21)	(0.13)	(0.07)	(0.05)	(0.13)	(0.17)
Parental Wealth	−0.00	0.05***	0.17***	0.00	0.22***	0.21**
	(0.02)	(0.01)	(0.02)	(0.01)	(0.05)	(0.08)
Par.Education W.	−0.00	260.58	2620.99***	−0.00	−445.21	−596.43
	(231.60)	(237.46)	(353.35)	(53.46)	(342.78)	(925.30)
Par.Education H.	0.00	1192.70***	1261.67***	568.82	1523.11***	2516.22***
	(217.00)	(315.36)	(274.04)	(437.65)	(432.21)	(710.93)
Observations	6436	6436	6436	1920	1920	1920

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included in the panel (A) and (B). Socio-demographic variables include age, sex, and race of individuals. Panel (A) reports the effects of education on different quantiles of the distribution of stocks. Panel (B) reports effects of education on different quantiles of the distribution of stocks by age cohorts. The constant term is included but not reported for brevity.

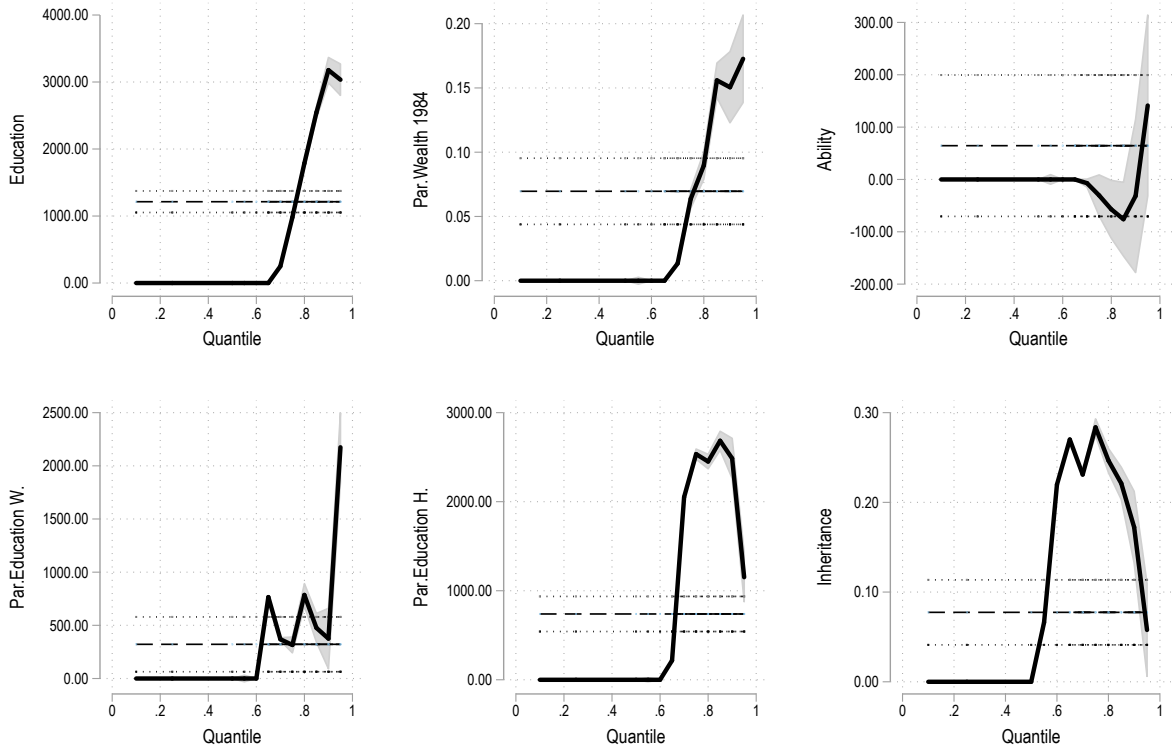


Figure 5: Quantile Regression Estimates on Stocks

Note: The graph shows the results of the quantile regression for some variables on household stocks. Each panel has the estimates from the OLS regression with a black dashed line and confidence intervals. The solid lines are the estimates from the quantile regression. The gray area is the confident intervals of the quantile regression at 95%. The results are heteroskedasticity robust and sample-weighted. Panel (1) plots the estimates for education on household stocks. Panel (2) plots the estimates for parental wealth in 1984 on household stocks. Panel (3) plots the estimates for individual ability on household stocks. Panels (4) and (5) plot the estimates for parental education of the wife and the husband respectively, on household stocks. Panel (6) plots the estimates for inheritance on household stocks. Source: Panel Study of Income Dynamics.

6.5 Mechanism 1: Income Effect

Table 18: Saving's Regression Mechanisms: Income Effect

Dependent Variable: Savings				
	(A)	**(B)**	**(C)**	**(D)**
Education=1	231.10	97.86	−97.08	60.89
	(261.58)	(255.81)	(240.45)	(206.45)
Education=2	1271.22***	1048.07***	693.50*	863.30***
	(287.03)	(285.28)	(270.02)	(234.06)
Education=3	2805.20***	2360.28***	1718.45***	2489.08***
	(352.87)	(349.97)	(331.87)	(282.03)
Education=4	4474.62***	3784.58***	2964.77***	4148.09***
	(439.84)	(445.08)	(419.39)	(362.87)
Inheritance	0.12***	0.12***	0.12***	0.09***
	(0.01)	(0.01)	(0.01)	(0.01)
Parental Wealth	0.09***	0.08***	0.07***	0.03***
	(0.01)	(0.01)	(0.01)	(0.01)
Par.Education W.	190.91+	168.54	144.89	105.29
	(110.51)	(107.70)	(100.28)	(90.38)
Par.Education H.	417.58***	379.52***	286.22**	279.28**
	(115.12)	(112.81)	(105.92)	(92.41)
Labor Income		0.10***		
		(0.01)		
Family Income			0.27***	
			(0.01)	
Wealth				0.20***
				(0.01)
Adjusted R^2	0.23	0.26	0.32	0.45
Observations	18057.00	18057.00	18057.00	18057.00

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. Column (A) reports the baseline model, (B) includes labor income, (C) family income, and (D) household wealth. The constant term is included but not reported for brevity.

Table 19: Saving's Regression Mechanisms: Income Effect

	(A)				(B)			
	30	**40**	**50**	**60**	**30**	**40**	**50**	**60**
Education=1	891.51***	1771.79***	3137.17***	1958.14*	357.17+	716.64*	1793.55***	1962.83*
	(238.38)	(305.43)	(373.09)	(854.11)	(215.71)	(300.52)	(350.42)	(800.37)
Education=2	1590.34***	2640.37***	4289.99***	4912.11***	362.27	1126.05**	2629.60***	3338.98***
	(261.13)	(369.98)	(438.59)	(978.00)	(236.49)	(354.04)	(445.04)	(939.41)
Education=3	4855.09***	6233.01***	6775.16***	6443.91***	2313.52***	2678.96***	3358.39***	4368.94***
	(334.28)	(425.71)	(503.43)	(1022.86)	(298.00)	(408.11)	(483.60)	(977.75)
Education=4	5698.75***	5521.91***	9362.64***	11495.40***	3096.53***	1630.83***	4968.31***	8167.99***
	(373.48)	(488.14)	(565.31)	(1060.52)	(356.06)	(472.45)	(572.13)	(1072.20)
Inheritance	0.19***	0.29***	0.19***	0.33***	0.14***	0.26***	0.19***	0.26***
	(0.04)	(0.04)	(0.03)	(0.06)	(0.04)	(0.04)	(0.03)	(0.06)
Parental Wealth	0.07***	0.04***	0.09***	0.09***	0.05***	0.02*	0.08***	0.09***
	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	260.77**	−15.04	−588.23***	135.61	198.48*	98.70	−456.08**	−41.59
	(89.39)	(128.80)	(156.50)	(290.26)	(79.86)	(111.55)	(139.07)	(282.80)
Par.Education H.	117.52	629.94***	466.57***	−114.58	11.40	563.62***	336.55**	−209.11
	(96.09)	(121.10)	(140.35)	(278.84)	(86.41)	(107.81)	(127.39)	(271.81)
Family Income					0.35***	0.42***	0.40***	0.39***
					(0.02)	(0.02)	(0.02)	(0.04)
Observations	6812	6276	4730	1809	6812	6276	4730	1809
Adjusted R^2	0.22	0.20	0.24	0.29	0.35	0.35	0.36	0.35

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 20: Annuity's Regression Mechanisms: Income Effect

Dependent Variable: Annuities/IRAs				
	(A)	**(B)**	**(C)**	**(D)**
Education=1	−112.78	−236.00	−506.40^{+}	−528.98*
	(277.83)	(275.86)	(269.68)	(231.94)
Education=2	983.70**	790.21*	354.82	205.83
	(327.27)	(328.83)	(320.93)	(274.71)
Education=3	3383.19***	3017.75***	2231.87***	2543.90***
	(402.14)	(405.49)	(390.11)	(332.17)
Education=4	5750.50***	5217.02***	4255.16***	5138.77***
	(536.21)	(540.61)	(525.03)	(448.32)
Inheritance	0.06***	0.06***	0.06***	0.01
	(0.02)	(0.02)	(0.02)	(0.01)
Parental Wealth	0.11***	0.11***	0.10***	0.03**
	(0.01)	(0.01)	(0.01)	(0.01)
Par.Education W.	291.47*	277.63*	260.97*	178.66
	(138.24)	(136.73)	(132.28)	(116.51)
Par.Education H.	627.62***	606.82***	522.86***	439.41***
	(146.34)	(144.80)	(139.21)	(120.52)
Labor Income		0.07***		
		(0.01)		
Family Income			0.24***	
			(0.01)	
Wealth				0.29***
				(0.01)
Adjusted R^2	0.25	0.26	0.29	0.45
Observations	20558.00	20558.00	20558.00	20558.00

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. Column (A) reports the baseline model, (B) includes labor income, (C) family income, and (D) household wealth. The constant term is included but not reported for brevity.

Table 21: Annuity's Regression Mechanisms: Income Effect

	(A)				(B)			
	30	**40**	**50**	**60**	**30**	**40**	**50**	**60**
Education=1	37.72	1128.77***	3869.28***	2813.33**	−375.52	68.89	2246.54***	2582.32**
	(237.70)	(289.97)	(467.90)	(891.09)	(235.43)	(303.90)	(472.34)	(901.03)
Education=2	701.26**	2467.74***	3416.63***	8001.29***	−263.23	981.29**	1342.57**	4857.84***
	(260.62)	(362.23)	(501.52)	(1150.58)	(264.32)	(357.61)	(509.43)	(1134.25)
Education=3	3634.27***	8018.21***	9218.22***	10810.48***	1601.46***	4532.51***	4807.47***	6640.68***
	(332.23)	(465.74)	(644.12)	(1212.34)	(321.27)	(451.34)	(620.31)	(1150.35)
Education=4	5053.57***	8773.67***	12060.16***	17811.12***	2977.80***	4969.90***	6469.58***	11218.57***
	(428.42)	(600.21)	(720.28)	(1400.13)	(417.90)	(581.60)	(721.62)	(1405.20)
Inheritance	0.33***	0.22***	0.25***	0.44***	0.29***	0.19***	0.24***	0.31***
	(0.05)	(0.04)	(0.04)	(0.07)	(0.05)	(0.04)	(0.04)	(0.06)
Parental Wealth	0.09***	0.09***	0.05**	0.04	0.08***	0.07***	0.04**	0.03
	(0.01)	(0.01)	(0.02)	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	216.39*	423.72**	607.85**	589.61	172.72*	521.29***	789.01***	250.13
	(87.97)	(148.67)	(220.67)	(461.83)	(81.64)	(135.88)	(202.38)	(444.79)
Par.Education H.	267.65**	624.67***	1013.42***	377.04	178.79*	561.54***	832.87***	265.13
	(96.53)	(146.79)	(199.18)	(408.16)	(90.04)	(132.49)	(180.95)	(376.61)
Family Income					0.28***	0.41***	0.52***	0.74***
					(0.02)	(0.02)	(0.02)	(0.05)
Observations	7028	6436	4825	1920	7028	6436	4825	1920
Adjusted R^2	0.21	0.26	0.26	0.30	0.28	0.36	0.37	0.40

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 22: Stock's Regression Mechanisms: Income Effect

Dependent Variable: Stocks				
	(A)	**(B)**	**(C)**	**(D)**
Education=1	−158.13	−209.16	−380.83*	−460.72*
	(189.60)	(190.12)	(189.32)	(179.29)
Education=2	666.61*	587.80*	312.22	130.41
	(263.19)	(268.13)	(264.77)	(237.32)
Education=3	2266.91***	2119.46***	1607.88***	1773.79***
	(332.01)	(337.25)	(326.53)	(304.73)
Education=4	3230.26***	3017.42***	2363.20***	2830.79***
	(470.44)	(479.61)	(472.25)	(428.94)
Inheritance	0.06***	0.06***	0.06***	0.04*
	(0.02)	(0.02)	(0.02)	(0.01)
Parental Wealth	0.10***	0.10***	0.09***	0.06***
	(0.01)	(0.01)	(0.01)	(0.01)
Par.Education W.	198.38	192.91	177.67	132.77
	(124.86)	(124.52)	(122.97)	(114.37)
Par.Education H.	633.03***	626.01***	573.98***	547.22***
	(135.02)	(134.57)	(131.58)	(122.52)
Labor Income		0.03*		
		(0.01)		
Family Income			0.14***	
			(0.01)	
Wealth				0.16***
				(0.01)
Adjusted R^2	0.17	0.18	0.20	0.31
Observations	20558.00	20558.00	20558.00	20558.00

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. Column (A) reports the baseline model, (B) includes labor income, (C) family income, and (D) household wealth. The constant term is included but not reported for brevity.

Table 23: Stock's Regression Mechanisms: Income Effect

	(A)				(B)			
	30	**40**	**50**	**60**	**30**	**40**	**50**	**60**
Education=1	−469.22*	−217.50	1048.46*	−871.27	−801.29***	−932.19**	35.19	−993.35+
	(234.24)	(272.87)	(407.93)	(567.12)	(240.40)	(285.81)	(430.26)	(594.95)
Education=2	244.40	−229.69	963.97+	1083.73	−530.64+	−1232.03***	−331.12	−577.37
	(271.02)	(315.02)	(499.36)	(755.99)	(276.26)	(331.56)	(519.49)	(795.88)
Education=3	3231.74***	3928.15***	4148.48***	3182.57**	1598.23***	1577.71***	1394.32*	979.10
	(357.87)	(457.27)	(625.66)	(1012.42)	(347.68)	(443.50)	(618.34)	(936.84)
Education=4	3179.80***	3598.63***	6034.48***	7116.73***	1511.76***	1033.70+	2543.62**	3633.01**
	(503.65)	(594.45)	(789.73)	(1254.59)	(458.84)	(597.46)	(807.61)	(1309.04)
Inheritance	0.26***	0.29***	0.24***	0.32***	0.23***	0.28***	0.23***	0.25**
	(0.06)	(0.05)	(0.04)	(0.08)	(0.05)	(0.05)	(0.04)	(0.08)
Parental Wealth	0.10***	0.07***	0.06***	0.13***	0.09***	0.06***	0.06***	0.12***
	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	194.24*	587.96***	198.19	−59.96	159.15+	653.75***	311.31	−239.35
	(93.22)	(133.96)	(212.15)	(387.79)	(90.65)	(129.10)	(202.41)	(385.00)
Par.Education H.	299.04**	599.32***	1196.86***	951.25**	227.63*	556.75***	1084.12***	892.12*
	(96.39)	(128.98)	(186.94)	(365.21)	(94.15)	(123.22)	(176.39)	(350.48)
Family Income					0.23***	0.28***	0.32***	0.39***
					(0.02)	(0.02)	(0.03)	(0.05)
Observations	7028	6436	4825	1920	7028	6436	4825	1920
Adjusted R^2	0.19	0.20	0.18	0.22	0.23	0.25	0.23	0.26

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

6.6 Mechanism 2: Financial Behavior

Table 24: Saving's Regression Mechanisms: Financial Behavior

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	67.41	718.83**	1431.00***	2653.18***	1663.57+
	(266.28)	(244.10)	(302.76)	(386.37)	(887.28)
Education=2	1075.50***	1461.63***	2350.73***	3793.21***	4593.00***
	(293.39)	(268.21)	(380.60)	(452.62)	(993.78)
Education=3	2543.52***	4511.95***	5668.17***	5983.11***	6180.92***
	(359.80)	(338.03)	(423.93)	(506.02)	(1041.49)
Education=4	4121.85***	5344.94***	5081.03***	8462.80***	10235.51***
	(441.15)	(377.60)	(485.88)	(568.25)	(1073.79)
Inheritance	0.13***	0.19***	0.27***	0.18***	0.33***
	(0.01)	(0.04)	(0.04)	(0.04)	(0.07)
Parental Wealth	0.08***	0.06***	0.03*	0.08***	0.07**
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	212.89+	270.25**	−19.39	−558.76***	119.17
	(110.86)	(91.09)	(130.86)	(156.06)	(286.23)
Par.Education H.	374.23***	69.36	591.86***	477.27***	−48.79
	(113.73)	(96.89)	(122.58)	(139.20)	(278.57)
Money Problem	−2408.72***	−1935.86***	−2797.57***	−3177.26***	−5189.58***
	(221.22)	(192.18)	(234.90)	(298.62)	(605.90)
Observations	17510	6663	6083	4539	1751
Adjusted R^2	0.25	0.23	0.22	0.26	0.33

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 25: Annuity's Regression Mechanisms: Financial Behavior

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−205.14	−152.22	896.64**	3257.13***	2326.84*
	(288.62)	(244.51)	(301.52)	(497.84)	(976.45)
Education=2	867.29*	544.60*	2210.23***	2911.16***	7613.54***
	(338.22)	(265.97)	(378.70)	(528.62)	(1196.39)
Education=3	3213.29***	3386.80***	7543.77***	8500.15***	10319.12***
	(407.49)	(334.99)	(468.70)	(663.65)	(1283.06)
Education=4	5521.39***	4796.21***	8374.86***	11005.94***	16293.26***
	(535.05)	(427.03)	(597.75)	(729.97)	(1416.70)
Inheritance	0.06***	0.33***	0.20***	0.24***	0.43***
	(0.01)	(0.05)	(0.04)	(0.04)	(0.08)
Parental Wealth	0.10***	0.09***	0.08***	0.04*	0.02
	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	276.72*	225.56*	391.21**	659.62**	532.91
	(140.20)	(90.64)	(150.03)	(221.92)	(465.84)
Par.Education H.	619.86***	238.21*	608.48***	935.06***	456.39
	(147.55)	(98.19)	(148.07)	(200.68)	(415.51)
Money Problem	−2175.75***	−1106.08***	−2682.11***	−5053.79***	−6197.22***
	(251.10)	(184.05)	(285.18)	(388.49)	(878.05)
Observations	19929	6871	6240	4632	1852
Adjusted R^2	0.25	0.22	0.27	0.29	0.32

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 26: Stock's Regression Mechanisms: Financial Behavior

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−214.95	−612.77*	−353.00	685.49	−1216.97+
	(199.95)	(246.67)	(282.67)	(439.33)	(661.33)
Education=2	606.11*	149.68	−375.61	496.83	673.21
	(275.28)	(278.93)	(325.92)	(525.59)	(832.75)
Education=3	2175.86***	3021.57***	3735.61***	3789.49***	2849.82**
	(339.28)	(363.38)	(460.66)	(645.86)	(1084.61)
Education=4	3105.03***	3009.76***	3416.45***	5423.98***	6049.94***
	(475.93)	(504.22)	(595.07)	(802.49)	(1277.81)
Parental Wealth	0.10***	0.09***	0.07***	0.06***	0.12***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	176.22	184.92+	568.06***	186.99	−120.17
	(127.77)	(96.78)	(136.15)	(214.51)	(396.65)
Par.Education H.	637.46***	286.40**	617.36***	1179.66***	1082.65**
	(137.48)	(97.71)	(132.07)	(189.22)	(373.84)
Inheritance	0.06***	0.27***	0.29***	0.21***	0.30***
	(0.02)	(0.06)	(0.05)	(0.04)	(0.09)
Money Problem	−1107.38***	−784.96***	−871.66***	−2388.01***	−3593.39***
	(204.60)	(181.96)	(245.65)	(324.41)	(600.50)
Observations	19929	6871	6240	4632	1852
Adjusted R^2	0.18	0.19	0.20	0.19	0.23

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 27: Saving's Regression Mechanisms: Financial Behavior

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	440.93	563.07^{+}	1689.30***	3706.14***	445.66
	(288.17)	(291.78)	(339.62)	(458.04)	(1184.54)
Education=2	1448.81***	1570.07***	2482.28***	4704.16***	3115.02*
	(325.58)	(332.08)	(413.33)	(550.34)	(1374.75)
Education=3	3338.46***	4734.68***	5906.35***	8018.17***	3111.72^{+}
	(397.98)	(405.01)	(480.42)	(585.43)	(1635.64)
Education=4	4034.46***	5324.84***	4407.68***	9856.65***	4609.80***
	(507.48)	(499.93)	(560.61)	(617.00)	(1356.03)
Inheritance	0.12***	0.11*	0.32***	0.24***	0.32**
	(0.02)	(0.04)	(0.05)	(0.04)	(0.11)
Parental Wealth	0.08***	0.06***	0.03*	0.09***	0.13***
	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)
Par.Education W.	77.83	233.78*	11.72	−557.08**	894.35*
	(141.54)	(113.21)	(154.52)	(176.90)	(438.36)
Par.Education H.	365.89**	81.25	801.96***	108.90	−919.23*
	(140.88)	(118.58)	(134.11)	(172.35)	(414.01)
Debt	−0.02***	−0.06***	−0.10***	−0.13***	−0.13***
	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)
Observations	9276	4211	4730	3008	541
Adjusted R^2	0.22	0.20	0.22	0.28	0.46

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 28: Annuity's Regression Mechanisms: Financial Behavior

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	195.32	−167.57	1192.09***	4465.65***	−1303.05
	(320.93)	(304.57)	(338.27)	(646.03)	(1562.61)
Education=2	1045.73**	840.82*	2025.26***	4100.01***	5611.67**
	(380.67)	(341.28)	(416.11)	(672.74)	(2145.03)
Education=3	3887.61***	3653.50***	8145.34***	9711.51***	10117.90***
	(493.98)	(408.45)	(549.30)	(814.91)	(2347.18)
Education=4	6021.95***	5089.14***	8596.82***	12703.34***	13911.69***
	(695.06)	(576.62)	(731.63)	(878.66)	(1945.28)
Inheritance	0.03+	0.33***	0.16***	0.30***	0.81**
	(0.02)	(0.07)	(0.04)	(0.05)	(0.25)
Parental Wealth	0.09***	0.10***	0.07***	0.01	0.06
	(0.01)	(0.01)	(0.01)	(0.02)	(0.05)
Par.Education W.	305.64+	136.28	556.04**	423.56+	332.99
	(183.72)	(114.13)	(172.78)	(251.99)	(690.16)
Par.Education H.	587.06**	393.94**	778.04***	405.81+	−1217.82
	(184.56)	(122.41)	(156.95)	(232.03)	(754.67)
Debt	−0.02**	−0.05***	−0.07***	−0.07**	−0.09***
	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)
Observations	9276	4211	4730	3008	541
Adjusted R^2	0.22	0.24	0.29	0.23	0.39

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 29: Stock's Regression Mechanisms: Financial Behavior

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	-498.00^{+}	-693.04^{*}	-51.16	1854.56^{***}	-3428.05^{**}
	(265.95)	(309.91)	(320.88)	(435.02)	(1165.38)
Education=2	374.06	670.98^{+}	-275.16	1509.09^{**}	-3835.93^{**}
	(339.72)	(368.75)	(376.84)	(545.81)	(1299.85)
Education=3	2690.90^{***}	3952.89^{***}	3989.56^{***}	5787.96^{***}	-245.42
	(484.00)	(481.77)	(544.07)	(705.94)	(2061.77)
Education=4	3599.65^{***}	3932.96^{***}	4567.15^{***}	6623.86^{***}	1437.05
	(672.99)	(768.40)	(740.99)	(866.36)	(2026.39)
Inheritance	0.05^{*}	0.35^{***}	0.27^{***}	0.34^{***}	0.35
	(0.02)	(0.08)	(0.05)	(0.06)	(0.23)
Parental Wealth	0.10^{***}	0.11^{***}	0.05^{***}	0.04^{*}	0.30^{***}
	(0.01)	(0.01)	(0.01)	(0.02)	(0.06)
Par.Education W.	300.73	237.74^{+}	457.10^{**}	-94.54	2129.78^{**}
	(186.44)	(128.71)	(170.70)	(252.38)	(674.19)
Par.Education H.	763.58^{***}	245.84^{+}	1056.16^{***}	1130.24^{***}	-1622.93^{*}
	(187.85)	(137.89)	(145.87)	(231.51)	(795.34)
Debt	-0.01^{*}	-0.07^{***}	-0.07^{**}	-0.10^{***}	-0.09^{***}
	(0.00)	(0.01)	(0.03)	(0.02)	(0.02)
Observations	9276	4211	4730	3008	541
Adjusted R^2	0.18	0.21	0.22	0.19	0.26

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

6.7 Mechanism 3: Risk Tolerance

Table 30: Saving's Regression Mechanisms: Risk Tolerance

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	642.57	1360.29**	2397.71***	4355.42***	3783.71+
	(500.25)	(434.01)	(537.90)	(532.89)	(1960.04)
Education=2	1800.94***	2941.51***	3682.20***	6100.89***	5788.37*
	(503.02)	(470.40)	(649.67)	(649.47)	(2289.30)
Education=3	3350.22***	4853.31***	6456.81***	10268.32***	6778.01**
	(581.41)	(574.40)	(764.80)	(812.83)	(2251.08)
Education=4	5285.86***	6940.11***	6441.73***	11737.48***	10847.97***
	(731.22)	(624.03)	(788.62)	(797.76)	(2216.42)
Inheritance	0.14***	0.20*	0.47***	0.19***	0.45***
	(0.02)	(0.08)	(0.09)	(0.04)	(0.09)
Parental Wealth	0.11***	0.08***	0.03*	0.12***	0.23***
	(0.02)	(0.01)	(0.02)	(0.02)	(0.05)
Par.Education W.	30.31	5.79	36.23	−1024.10***	−368.26
	(184.13)	(147.94)	(231.64)	(258.18)	(472.68)
Par.Education H.	143.99	−334.95*	−210.96	645.53*	1037.86*
	(200.87)	(152.13)	(218.00)	(275.91)	(525.52)
10% Income Cut	222.87	337.38	−141.66	−1085.90*	−724.16
	(401.27)	(333.54)	(408.81)	(504.81)	(995.73)
Observations	6299	2338	2127	1699	697
Adjusted R^2	0.25	0.19	0.18	0.31	0.36

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 31: Saving's Regression Mechanisms: Risk Tolerance

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	9.79	1071.64**	2214.69***	3500.45***	2504.25
	(422.60)	(392.53)	(480.57)	(484.15)	(1712.99)
Education=2	1223.80**	2557.06***	3556.73***	5487.89***	5243.12**
	(435.87)	(418.34)	(581.43)	(588.43)	(1929.18)
Education=3	2489.65***	4707.96***	5943.69***	8933.96***	5712.81**
	(491.79)	(512.32)	(672.35)	(696.91)	(1900.67)
Education=4	4641.72***	6101.45***	6050.47***	10547.15***	11058.43***
	(605.37)	(516.75)	(682.98)	(686.71)	(1903.84)
Inheritance	0.14***	0.17**	0.43***	0.24***	0.52***
	(0.02)	(0.05)	(0.07)	(0.05)	(0.08)
Parental Wealth	0.09***	0.05***	0.05***	0.09***	0.19***
	(0.02)	(0.01)	(0.01)	(0.02)	(0.04)
Par.Education W.	134.63	299.83**	33.33	−786.81***	−942.01*
	(148.75)	(110.81)	(169.12)	(211.72)	(399.48)
Par.Education H.	161.54	−296.90*	25.15	485.20*	901.22*
	(162.35)	(125.21)	(169.52)	(215.82)	(400.11)
20% Income Cut	−431.97	64.46	72.83	−2093.48***	−4066.11***
	(367.94)	(321.39)	(376.55)	(467.04)	(741.72)
Observations	8682	3302	2928	2278	936
Adjusted R^2	0.24	0.18	0.18	0.28	0.38

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 32: Saving's Regression Mechanisms: Risk Tolerance

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−44.72	692.31*	1784.37***	2723.01***	704.96
	(334.87)	(309.21)	(369.14)	(468.11)	(1303.80)
Education=2	1084.81**	1564.22***	2906.64***	4354.02***	4369.23**
	(350.79)	(329.24)	(432.89)	(527.93)	(1436.01)
Education=3	2629.18***	4751.84***	5883.81***	6119.13***	5009.84***
	(397.09)	(390.51)	(474.43)	(576.84)	(1459.97)
Education=4	4255.78***	5422.42***	5159.21***	8398.44***	9173.27***
	(485.44)	(414.24)	(522.87)	(644.51)	(1463.55)
Inheritance	0.12***	0.18***	0.30***	0.18***	0.31***
	(0.02)	(0.04)	(0.04)	(0.04)	(0.07)
Parental Wealth	0.08***	0.06***	0.03*	0.10***	0.13***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Par.Education W.	176.64	253.69*	34.34	−476.83**	−340.35
	(124.87)	(101.16)	(143.23)	(169.86)	(318.60)
Par.Education H.	465.69***	129.46	620.98***	584.05***	350.71
	(127.64)	(106.20)	(132.17)	(151.86)	(321.45)
Third Income Cut	259.42	203.55	378.37	−483.78	−1075.32
	(287.71)	(235.07)	(275.32)	(346.90)	(664.86)
Observations	14432	5382	5043	3803	1463
Adjusted R^2	0.22	0.20	0.17	0.22	0.28

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 33: Saving's Regression Mechanisms: Risk Tolerance

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−99.86	−109.38	1523.88*	2344.61**	−1099.95
	(559.58)	(526.09)	(591.82)	(831.75)	(1835.97)
Education=2	890.86	127.23	2168.73**	2845.89**	2833.81
	(586.18)	(558.40)	(659.69)	(900.80)	(2068.24)
Education=3	2751.87***	4500.50***	5855.30***	2927.21**	4590.41*
	(666.07)	(593.11)	(692.74)	(924.53)	(2165.46)
Education=4	3704.99***	4435.91***	3977.62***	6165.81***	7310.71***
	(807.23)	(720.77)	(822.03)	(1097.52)	(2183.67)
Inheritance	0.10***	0.20**	0.16***	0.14**	0.27*
	(0.02)	(0.06)	(0.04)	(0.05)	(0.11)
Parental Wealth	0.07***	0.07***	0.00	0.10***	−0.01
	(0.02)	(0.01)	(0.02)	(0.02)	(0.05)
Par.Education W.	196.29	106.92	19.11	−6.79	−46.20
	(217.64)	(168.39)	(213.38)	(262.83)	(490.39)
Par.Education H.	923.47***	802.38***	1193.31***	850.68***	−110.38
	(212.80)	(168.74)	(190.71)	(215.12)	(516.66)
Half Income Cut	−1.44	−206.70	−1293.70**	−2476.50***	−110.51
	(479.24)	(347.24)	(433.54)	(575.95)	(1133.92)
Observations	5727	2053	2096	1530	538
Adjusted R^2	0.19	0.26	0.20	0.18	0.17

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 34: Saving's Regression Mechanisms: Risk Tolerance

Education on Savings Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	504.53	310.33	1573.26*	1440.63	167.91
	(871.80)	(683.72)	(774.95)	(968.53)	(2519.72)
Education=2	1242.90	−323.47	585.94	3437.78***	8283.90**
	(896.34)	(702.75)	(830.72)	(1030.50)	(3079.28)
Education=3	2504.56*	4280.89***	4248.51***	1791.12+	12133.93***
	(972.46)	(770.39)	(873.33)	(1068.10)	(2908.27)
Education=4	2461.21*	4232.89***	3452.73**	2671.47*	11887.48**
	(1190.05)	(890.73)	(1141.78)	(1315.36)	(3749.29)
Inheritance	0.07*	0.27***	0.12*	0.10*	0.64***
	(0.03)	(0.07)	(0.05)	(0.04)	(0.19)
Parental Wealth	0.06*	0.08***	0.00	0.09***	−0.20**
	(0.02)	(0.02)	(0.02)	(0.02)	(0.07)
Par.Education W.	381.22	24.37	−215.56	−1.74	1596.56*
	(313.16)	(241.44)	(294.15)	(321.61)	(734.89)
Par.Education H.	1178.23***	811.34***	1590.29***	1613.00***	394.64
	(309.10)	(225.96)	(286.55)	(263.15)	(959.83)
75% Income Cut	472.54	765.87	916.96	−1844.74**	−6481.17**
	(690.25)	(486.85)	(586.31)	(658.34)	(2205.65)
Observations	3118	1143	1179	822	251
Adjusted R^2	0.18	0.29	0.20	0.21	0.28

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 35: Annuity's Regression Mechanisms: Risk Tolerance

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	496.58	−330.74	1743.06***	5401.66***	5216.20**
	(550.44)	(412.83)	(481.66)	(900.05)	(1988.14)
Education=2	1051.18+	905.91+	2551.58***	4556.79***	8065.39**
	(605.31)	(485.53)	(628.50)	(965.06)	(2508.40)
Education=3	3790.26***	3117.28***	6908.34***	10871.42***	11826.23***
	(713.33)	(608.92)	(826.41)	(1172.55)	(2503.62)
Education=4	5114.88***	4767.27***	5855.57***	12442.32***	15340.62***
	(891.35)	(702.09)	(980.74)	(1187.03)	(2527.65)
Inheritance	0.05*	0.20**	0.17**	0.13+	−0.06
	(0.02)	(0.07)	(0.06)	(0.07)	(0.11)
Parental Wealth	0.10***	0.10***	0.10***	0.01	0.08
	(0.02)	(0.01)	(0.02)	(0.03)	(0.06)
Par.Education W.	458.28+	199.55	341.89	413.31	2055.99**
	(240.97)	(167.05)	(254.70)	(355.45)	(771.18)
Par.Education H.	523.62*	364.74*	305.59	1097.77**	33.00
	(255.92)	(162.52)	(277.50)	(383.51)	(768.26)
10% Income Cut	860.88+	611.73+	1135.96*	1922.60**	2344.61+
	(473.98)	(347.63)	(478.64)	(672.50)	(1351.83)
Observations	7177	2418	2182	1729	740
Adjusted R^2	0.22	0.20	0.17	0.22	0.21

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 36: Annuity's Regression Mechanisms: Risk Tolerance

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−65.21	64.44	1554.54***	5178.31***	2742.29
	(467.35)	(383.58)	(418.78)	(794.77)	(1730.08)
Education=2	459.36	1310.36**	2690.19***	3660.45***	6075.50**
	(519.71)	(430.92)	(517.34)	(818.76)	(2105.14)
Education=3	3331.81***	3497.69***	7795.18***	12084.06***	10767.21***
	(614.70)	(534.91)	(721.88)	(1040.77)	(2127.53)
Education=4	5876.80***	5599.96***	6789.44***	11940.50***	16317.96***
	(779.18)	(586.85)	(814.83)	(1057.55)	(2196.88)
Inheritance	0.06**	0.18**	0.15**	0.11+	0.29**
	(0.02)	(0.06)	(0.05)	(0.06)	(0.11)
Parental Wealth	0.10***	0.08***	0.09***	0.05+	0.14**
	(0.02)	(0.01)	(0.02)	(0.03)	(0.05)
Par.Education W.	456.11*	188.50	539.22**	1249.21***	1364.68*
	(194.88)	(129.46)	(207.07)	(353.25)	(636.64)
Par.Education H.	444.95*	109.88	324.13	853.10*	−551.76
	(209.49)	(138.79)	(229.02)	(337.95)	(601.67)
20% Income Cut	831.37+	799.44*	1133.48*	1803.06*	2886.75*
	(466.15)	(358.39)	(468.85)	(723.35)	(1256.67)
Observations	9882	3408	3012	2321	993
Adjusted R^2	0.25	0.18	0.20	0.26	0.28

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 37: Annuity's Regression Mechanisms: Risk Tolerance

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−293.32	−65.99	1475.28***	4735.35***	3467.92*
	(384.06)	(312.93)	(370.26)	(607.74)	(1358.11)
Education=2	663.07	843.78*	2906.38***	3501.18***	7265.47***
	(427.22)	(334.28)	(440.77)	(610.83)	(1628.74)
Education=3	3337.30***	3742.86***	8112.09***	9422.02***	10365.10***
	(494.90)	(400.12)	(526.59)	(744.03)	(1668.47)
Education=4	5401.93***	4606.59***	8460.55***	11504.52***	15977.16***
	(623.41)	(478.01)	(652.37)	(805.29)	(1792.41)
Inheritance	0.05**	0.33***	0.18***	0.23***	0.41***
	(0.02)	(0.06)	(0.04)	(0.04)	(0.08)
Parental Wealth	0.11***	0.09***	0.08***	0.05**	0.07+
	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)
Par.Education W.	372.21*	254.61*	598.72***	813.43***	409.82
	(162.76)	(102.75)	(162.52)	(243.23)	(530.20)
Par.Education H.	730.86***	324.70**	652.94***	1200.35***	717.03
	(169.37)	(110.01)	(160.55)	(224.29)	(487.14)
Third Income Cut	288.07	−375.94	1076.18**	−1113.32*	−45.91
	(351.20)	(230.12)	(327.90)	(482.45)	(993.82)
Observations	16382	5548	5167	3886	1549
Adjusted R^2	0.24	0.20	0.25	0.24	0.24

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 38: Annuity's Regression Mechanisms: Risk Tolerance

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−558.44	−746.00	1330.39*	4702.44***	3637.52
	(697.88)	(560.84)	(662.04)	(872.38)	(2317.58)
Education=2	991.66	−47.92	3440.62***	3136.34***	7989.08**
	(753.43)	(568.80)	(756.56)	(884.36)	(2802.68)
Education=3	3289.39***	3498.97***	8803.36***	6665.70***	9106.65**
	(848.51)	(622.82)	(785.72)	(1060.14)	(2818.10)
Education=4	4859.08***	3046.74***	10816.02***	10950.68***	18126.67***
	(1042.07)	(827.08)	(1050.06)	(1175.51)	(3052.18)
Inheritance	0.03	0.47***	0.20***	0.33***	0.59***
	(0.02)	(0.09)	(0.06)	(0.05)	(0.13)
Parental Wealth	0.12***	0.10***	0.08***	0.03	−0.14+
	(0.02)	(0.01)	(0.02)	(0.03)	(0.08)
Par.Education W.	226.82	305.79+	684.19**	599.46+	−1075.30
	(281.93)	(166.45)	(239.25)	(334.52)	(873.21)
Par.Education H.	1126.11***	642.80***	890.66***	1339.69***	1825.58*
	(282.76)	(175.44)	(214.14)	(294.75)	(779.54)
Half Income Cut	−323.00	98.03	−901.69+	−1636.82*	−1798.14
	(580.55)	(361.44)	(482.97)	(700.70)	(1657.81)
Observations	6467	2113	2136	1570	565
Adjusted R^2	0.24	0.27	0.29	0.26	0.25

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 39: Annuity's Regression Mechanisms: Risk Tolerance

Education on Annuity/IRAs Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−424.00	33.18	1355.11*	1423.44	856.66
	(865.60)	(853.92)	(681.39)	(1091.75)	(3999.46)
Education=2	626.23	−468.12	2241.65**	1806.73	13486.12**
	(1066.95)	(863.44)	(782.06)	(1175.60)	(4726.66)
Education=3	2886.69*	3897.29***	8467.65***	4647.62**	10285.60*
	(1139.76)	(974.87)	(880.02)	(1522.90)	(4501.48)
Education=4	3336.89*	2506.24*	10381.81***	9423.47***	26592.27***
	(1326.49)	(1116.04)	(1391.99)	(1623.19)	(5907.10)
Inheritance	0.02	0.53***	0.11	0.30***	0.68**
	(0.03)	(0.13)	(0.07)	(0.05)	(0.25)
Parental Wealth	0.12***	0.12***	0.09***	0.05	−0.32**
	(0.03)	(0.02)	(0.02)	(0.04)	(0.12)
Par.Education W.	273.08	334.18	877.60**	135.56	−360.09
	(382.17)	(232.40)	(308.30)	(443.38)	(1080.82)
Par.Education H.	1414.02***	837.76***	1240.10***	1852.17***	−195.35
	(386.40)	(236.30)	(264.65)	(431.54)	(1368.90)
75% Income Cut	−547.20	8.78	68.18	−3060.34**	−13738.72***
	(823.70)	(494.14)	(664.21)	(1001.17)	(3837.44)
Observations	3515	1175	1193	844	267
Adjusted R^2	0.24	0.29	0.34	0.29	0.29

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 40: Stock's Regression Mechanisms: Risk Tolerance

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−167.50	−68.45	−626.10	1069.18^{+}	540.55
	(350.89)	(425.19)	(452.89)	(565.66)	(1032.28)
Education=2	1069.22^{+}	871.58^{+}	402.59	1641.67*	−666.51
	(564.09)	(472.80)	(536.77)	(748.14)	(1320.33)
Education=3	1575.90**	2502.73***	2893.72***	3546.20***	27.32
	(541.10)	(713.51)	(803.44)	(915.92)	(1599.10)
Education=4	2825.49***	3974.15***	3409.66**	6082.65***	4688.35*
	(681.20)	(1048.71)	(1114.56)	(1082.43)	(1896.83)
Inheritance	0.05^{+}	0.29*	0.17*	0.00	0.13
	(0.03)	(0.13)	(0.07)	(0.05)	(0.14)
Parental Wealth	0.08***	0.11***	0.08***	0.06**	0.21***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)
Par.Education W.	245.81	111.13	346.77	6.47	163.30
	(200.20)	(211.02)	(234.12)	(296.90)	(581.30)
Par.Education H.	546.67*	146.58	263.91	1418.91***	1932.42**
	(228.66)	(177.52)	(243.85)	(368.71)	(705.37)
10% Income Cut	771.37^{+}	1456.56***	869.55*	1449.96**	1119.23
	(410.70)	(432.96)	(424.79)	(534.90)	(964.26)
Observations	7177	2418	2182	1729	740
Adjusted R^2	0.15	0.16	0.13	0.15	0.22

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 41: Stock's Regression Mechanisms: Risk Tolerance

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−354.22	−304.91	−502.60	1126.43*	−1317.46
	(318.27)	(393.79)	(412.35)	(536.81)	(974.21)
Education=2	567.70	519.89	−81.78	1856.45**	−1496.70
	(471.97)	(434.53)	(460.35)	(637.31)	(1194.68)
Education=3	1533.31**	3300.16***	4041.06***	4233.09***	−1405.19
	(469.97)	(586.28)	(717.32)	(823.41)	(1423.40)
Education=4	2961.40***	3283.49***	2721.68**	5370.33***	5055.13**
	(613.87)	(793.91)	(869.38)	(931.27)	(1686.36)
Inheritance	0.04+	0.19*	0.17*	0.11+	0.24+
	(0.02)	(0.09)	(0.07)	(0.06)	(0.12)
Parental Wealth	0.10***	0.11***	0.06***	0.08***	0.27***
	(0.02)	(0.01)	(0.02)	(0.02)	(0.04)
Par.Education W.	252.03	213.45	708.64***	20.38	−203.33
	(168.25)	(151.25)	(187.10)	(305.31)	(497.73)
Par.Education H.	592.86**	161.67	338.01+	1305.43***	1298.33*
	(188.48)	(143.10)	(199.91)	(319.28)	(545.06)
20% Income Cut	830.51+	183.17	849.15*	833.79	1749.90
	(450.17)	(360.03)	(412.54)	(590.45)	(1135.94)
Observations	9882	3408	3012	2321	993
Adjusted R^2	0.16	0.16	0.15	0.17	0.27

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 42: Stock's Regression Mechanisms: Risk Tolerance

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−117.55	−639.37*	−155.82	1243.74*	−680.91
	(266.37)	(322.19)	(358.73)	(537.10)	(762.21)
Education=2	835.12*	384.51	−141.81	1128.34+	913.24
	(357.49)	(356.60)	(390.94)	(628.57)	(965.93)
Education=3	2299.48***	3307.57***	3884.69***	3762.96***	1915.87
	(412.23)	(441.60)	(520.25)	(745.55)	(1280.30)
Education=4	3204.37***	3306.74***	3657.45***	5427.92***	5513.19***
	(545.77)	(590.40)	(666.32)	(904.31)	(1442.02)
Inheritance	0.06***	0.28***	0.30***	0.18***	0.29**
	(0.02)	(0.06)	(0.05)	(0.05)	(0.09)
Parental Wealth	0.11***	0.11***	0.07***	0.08***	0.18***
	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)
Par.Education W.	248.65+	196.55+	706.51***	348.25	−346.57
	(147.51)	(110.30)	(148.01)	(239.45)	(435.92)
Par.Education H.	691.15***	314.67**	607.30***	1319.26***	1468.54***
	(153.43)	(107.02)	(141.72)	(212.11)	(428.41)
Third Income Cut	711.23*	121.29	1141.75***	913.88*	430.61
	(331.38)	(254.06)	(315.24)	(447.71)	(913.10)
Observations	16382	5548	5167	3886	1549
Adjusted R^2	0.17	0.18	0.20	0.17	0.21

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 43: Stock's Regression Mechanisms: Risk Tolerance

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	278.96	−1675.72**	552.71	1611.80	−519.31
	(481.46)	(622.17)	(611.84)	(1010.99)	(1341.51)
Education=2	1258.03*	−46.56	308.99	256.93	3718.21*
	(560.93)	(678.83)	(665.65)	(1108.89)	(1801.42)
Education=3	3381.28***	3016.01***	4282.22***	3174.69*	6200.60**
	(743.46)	(730.88)	(757.26)	(1331.68)	(2336.85)
Education=4	3786.46***	3133.28***	5396.85***	5457.86***	7250.48**
	(979.46)	(892.21)	(1020.68)	(1632.30)	(2625.44)
Inheritance	0.08**	0.36***	0.41***	0.27***	0.43***
	(0.02)	(0.07)	(0.08)	(0.07)	(0.13)
Parental Wealth	0.13***	0.10***	0.08***	0.06**	−0.02
	(0.02)	(0.02)	(0.02)	(0.02)	(0.07)
Par.Education W.	216.01	158.48	648.05**	710.22*	−906.32
	(264.14)	(169.28)	(233.06)	(361.33)	(647.39)
Par.Education H.	794.99**	505.02**	843.37***	1031.56***	1497.98*
	(257.08)	(158.42)	(195.55)	(286.49)	(684.02)
Half Income Cut	552.35	1303.11***	196.36	−164.23	2768.79*
	(547.13)	(371.91)	(484.34)	(758.39)	(1406.25)
Observations	6467	2113	2136	1570	565
Adjusted R^2	0.18	0.23	0.24	0.18	0.18

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

Table 44: Stock's Regression Mechanisms: Risk Tolerance

Education on Stocks Over the Life Cycle					
	Avg	**Cohort**			
		30	**40**	**50**	**60**
Education=1	−136.41	−1158.43	−733.56	−1537.03	−2336.88
	(751.29)	(909.19)	(830.64)	(1394.37)	(2124.49)
Education=2	637.70	−284.90	−1177.94	−2663.12^{+}	8241.89**
	(888.51)	(961.83)	(940.38)	(1473.70)	(2836.26)
Education=3	2477.28*	4413.27***	2674.50**	−875.15	3011.50
	(1034.45)	(1085.44)	(1013.52)	(1823.45)	(2906.58)
Education=4	2629.52^{+}	4525.92***	3865.25**	4169.21^{+}	11990.11*
	(1358.38)	(1265.48)	(1476.11)	(2310.43)	(4651.24)
Inheritance	0.06^{+}	0.53***	0.30***	0.25***	0.65***
	(0.04)	(0.09)	(0.09)	(0.05)	(0.16)
Parental Wealth	0.16***	0.11***	0.11***	0.14***	0.14
	(0.03)	(0.02)	(0.02)	(0.03)	(0.10)
Par.Education W.	243.29	300.06	1074.64**	109.04	−966.90
	(370.21)	(233.72)	(329.94)	(491.15)	(825.21)
Par.Education H.	988.10**	384.76^{+}	1002.70***	1692.14***	3009.07**
	(344.85)	(205.82)	(280.57)	(413.48)	(1109.92)
75% Income Cut	−923.87	−1023.90*	−1521.47*	−2162.90*	−6140.44*
	(761.91)	(500.09)	(650.51)	(973.28)	(2843.81)
Observations	3515	1175	1193	844	267
Adjusted R^2	0.20	0.31	0.26	0.23	0.36

Note: Source: PSID. Standard errors in parentheses. Significance levels are denoted as follows: $^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Standard errors are heteroskedastic robust. The data uses sampling weights. Time, socio-demographic, and cohort effects are included. Socio-demographic variables include age, sex, and race of individuals. The constant term is included but not reported for brevity.

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