

Appendix: Parental Wealth and Transitions into and out of Marriage

In this section, we provide more detailed information on our analyses of the association between parental wealth and 1) entry into first marriage 2) divorce.

We begin with an analysis of how entry into marriage is affected by parental wealth for a representative sample of unmarried adults. The PSID asked households to report their wealth every five years between 1984 and 1999 and biannually thereafter. We match these responses to the survey data for the children from these families using the PSID's Family Identification and Mapping System (FIMS). Since parents report their own wealth every five years, we linearly interpolate the wealth for the years between reports.

We estimate simple discrete time hazard models of entry into marriage. The dependent variable in these models is an indicator of whether the individual marries in the following calendar year. Individuals enter the sample at age 15 and are censored once they marry, leave the sample, or are over the age of 40. We include all person-year observations for which the parent reports positive wealth – something done by more than 95% of the sample. The estimates are from pooled probit models with standard errors clustered at the level of the individual. We control for parental and child age and education, whether the person is a student in the given year, whether the person is a parent in the given year, and race. For children, we use the highest education level that is observed for the individual. For parents, we use the current education of the father, if it is available. If necessary, we impute his education from the other years. If the education of the father is never available, the mother's education is used as the measure of parental education. The analyses are weighted using the year-specific individual weights, rescaled to average one in each year.

Table A-1 presents our estimation results. We present the probit estimates, standard errors in normal parentheses, and estimated marginal effects in squared parentheses. The marriage hazard – the probability that a previously unmarried adult marries within a year – is about 5.5 percent for men and 6.7 percent for women in each year. The baseline models labeled I show that parental wealth does not affect the marriage entry hazard for either men or women.

In the models labeled II, we add controls for labor force attachment and log wages among workers.¹ For this expanded model, as in the baseline specification, we find that parental wealth has no effect on the probability of entry into marriage for either men or women. These results suggest no selection *into* the sample of married couples used in main analysis.

To assess how parental wealth affects marital dissolution, we use the sample of married couples who reported explicit positive values for parents' wealth in 1988 and follow these couples forward in time. We study the probability of marital dissolution over the first 10 years of marriage, when divorce is most likely (Kreider 2005). We construct couple-year observations beginning in 1988 and continuing through 1998. For each observation, we use the PSID's marital history file to construct a dummy variable set equal to one if the couple divorces in the following calendar year. Couples are censored from the sample when their marriage dissolves (through divorce or death), they reach their tenth anniversary, either spouse reaches his or her 63rd birthday, or the couple is no longer observed in the sample. We then use the pooled cross-sectional data to estimate probit models of the hazard of divorce in each year, with standard errors clustered at the couple level. We weight the data using the 1988 household weights, the same weights that are used in the assortative mating analysis.

¹ Wages are adjusted for inflation to 1988 dollars in all years. Values of both labor market hours and wages above the 99th percentile are re-coded to the 99th percentile

Our models include several control variables that are expected to be associated with the couple's probability of divorce: whether the marriage began when the bride was a teenager, whether the current marriage is a first marriage for both spouses, whether either spouse became a parent prior to the beginning of the current marriage, whether the spouses became parents after the beginning of the marriage, and a quadratic in the duration of the marriage to date. In a second set of models, we further control for spouses' labor supply and wage rates during the current calendar year.

In this sample, the baseline probability of divorce is 2.1% per year. Table A-2 presents probit coefficients, clustered standard errors and estimated marginal effect of the marital dissolution models with and without the controls for labor force outcomes. We include separate terms for the log of the parental wealth of each spouse, as well as the interaction between spouses' parents' wealth. The interaction term captures whether any stabilizing or de-stabilizing effect of own parents' wealth varies by the wealth of in-laws. We find no statistically significant relationship between spouses' parents' wealth and their risk of divorce, regardless of whether we control for spouses' labor market outcomes. Furthermore, there is no evidence that the relationship between parental wealth and divorce varies with the wealth of one's in-laws.

Thus, we find little evidence of an association between parental wealth and either entry into first marriage or divorce, once other traits are controlled for. We conclude that the results presented in our main analysis as to the extent of marital sorting by parental wealth are not biased due to processes of selection into and out of marriage.

Table A-1: Hazard Model Estimates of Effect on Parental Wealth on Entry into Marriage (Robust Std Err. in Parentheses, Marginal Effect in Squared Parentheses).

	Men		Women	
	I	II	I	II
Ln(Parents' Wealth)	-0.00 (0.02) [-0.000]	-0.01 (0.02) [-0.001]	0.01 (0.02) [0.001]	0.00 (0.02) [0.000]
Labor Supply				
Contols: doesn't work, works part time, log of hourly wage (if works)	No	Yes	No	Yes
Pseudo R ²	0.08	0.09	0.06	0.06
N	17,919	17,919	16,118	16,118

Notes: Sample includes all observations from unmarried individuals ages 15-40 in the 1984-2007 waves of the PSID for whom parental wealth was measurable and positive. See text for full details of sample construction. Results shown are probit coefficients. Regressions control for race, own and parents' age and schooling, whether the individual is a parent, and whether the individual is a student. The top 1% of wealth values and wage rates were re-coded to the 99th percentile. All entries were weighted using year-specific individual PSID sample weights, rescaled to average one in each year.

Table A-2: Hazard Model Estimates of Probability of Divorce in Following Year, for First 10 years of Marriage. (Robust Std Err. In Parentheses, Marginal Effect in Squared Parentheses).

	I	II
Ln(Husband's Parents' Wealth)	-0.14 (0.53) [-0.002]	-0.29 (0.50) [-0.005]
Ln(Wife's Parents' Wealth)	-0.17 (0.55) [-0.003]	-0.33 (0.52) [-0.005]
Ln(Husband's Parents' Wealth)* Ln(Wife's Parents' Wealth)	0.02 (0.05) [0.000]	0.04 (0.04) [0.001]
Labor Supply Contols (for each spouse): doesn't work, works part time, log of hourly wage (if works)	No	Yes
Pseudo R ²	0.12	0.16
N	1,435	1,435

Notes: Sample includes observations from 1988 married couples with explicit parental wealth reported for both spouses. Person-year observations begin in 1988 and end when the marriage dissolves or reaches its 10th anniversary, when either spouse reaches age 63, or the couple is no longer observed in the PSID. See text for further details. Results shown are probit coefficients. All regressions control for race, spouses' and parents' age, the duration of the marriage, whether the marriage is the first for both spouses, whether the marriage began while the wife was a teenager, whether either spouse became a parent prior to the marriage, whether a child has been born to the spouses since the marriage began, and spouses' and parents' education. Full-time work defined as 30 hours per week. The top 1% of wealth values for each set of parents were re-coded to the 99th percentile. All entries were weighted using the 1988 PSID household-level weights.