

# PARENTAL BELIEFS ABOUT RETURNS TO EDUCATIONAL INVESTMENTS - THE LATER THE BETTER?

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## **Abstract**

In this paper, we study parental beliefs about the returns to parental investments made during different periods of childhood. Using two independent samples, we document that parents perceive the returns to different late investments to be higher than the returns to early investments, and that they perceive investments in different time periods as substitutes rather than complements. We show that parental beliefs about the returns to investments vary substantially across the population and that individual beliefs are predictive of actual investment decisions. Moreover, we document that parental beliefs about the productivity of investments differ significantly across socio-economic groups. Perceived returns to early parental investments are positively associated with household income, thereby potentially contributing to the intergenerational persistence in earnings. (JEL: I24, I26, J13, J24, J62)

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*The editor in charge of this paper was Daniele Paserman.*

Acknowledgments: We are very grateful to the Editor and the five anonymous referees, Orazio Attanasio, Eva Berger, Betsy Caucutt, Flavio Cunha, Armin Falk, Christina Gravert, James J. Heckman, Stephanie Heger, Larry Katz, Daniel Kuehnle, Hamish Low, Bethan Morgan, Rajesh Ramachandran and Anna Vignoles for providing us with valuable comments and suggestions. We further thank seminar participants at University of Zurich, NHH Bergen, King's College London, Humboldt University, Freie University Berlin, CESifo Munich and the EDePo group at IFS, as well as participants of the IZA workshop on education, interventions and experiments in Bonn, the workshop on intergenerational mobility in Madrid, the Early-Career Behavioral Economics conference in Bonn, the Royal Economics Society Conference in Bristol, the EALE conference in Ghent, the MISOC workshop on parental beliefs, information and investments in Essex, and the Ce2 Workshop in Warsaw. Boneva acknowledges financial support from the British Academy and Rauh acknowledges financial support from the INET Institute at the University of Cambridge.

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