

Planned Giving

Trends, opportunities and challenges in bequests, endowments and major gifts

By Russell N. James III, J.D., Ph.D.

Bequests, endowments and major gifts—part of your donors' big plans—are critical to your organization and what it will accomplish in the future. If you have a suggestion, challenge or information you would like to share regarding planned giving and major gifts, please email ap@afpnet.org.

Charitable Estate Planning

Who is likely to add—or remove—a planned charitable estate gift? When are they likely to do it? Until now, the answers to these questions could be based only on personal experiences or a handful of examples. New research, funded by a grant from the AFP Foundation for Philanthropy through support of Legacy Leaders Inc., has shed some light on these basic questions.

The complete study *Causes and Correlates of Charitable Giving in Estate Planning: A Cross-Sectional and Longitudinal Examination of Older Adults* by Russell N. James III, J.D., Ph.D., will be published in the academic journal *Nonprofit and Voluntary Sector Quarterly* (<http://nvs.sagepub.com>) in early 2009.

The AFP Research Council and the AFP Foundation for Philanthropy, with its research partner Legacy Leaders, offers grants for up to Can\$10,000 annually to individuals who wish to undertake research projects related to planned giving. More information about the Legacy Leaders Planned Giving Research Program is available on the AFP website, www.afpnet.org/research_and_statistics/afp_research.

Founded in 1995, Legacy Leaders Inc., with offices in Toronto and Philadelphia (www.legacyleaders.ca), works with North American nonprofit organizations that want to get the most from planned-giving products and services. The company focuses on the implementation of bequest, annuity and life insurance solicitation programs.

Previous research on the topic had used only post-mortem records or one-time surveys, but none had tracked individuals over a period of years. A new study, *Causes and Correlates of Charitable Giving in Estate Planning: A Cross-Sectional and Longitudinal Examination of Older Adults*, is the first nationally representative, longitudinal analysis of charitable bequest behavior among older adults. The study followed the same group of individuals over several years, tracking more than 20,000 older Americans (over the age of 50) between 1995 and 2006 as part of a larger health and retirement study.

The research attempted to answer three basic questions: who had charitable estate plans, who added charitable estate plans and who dropped charitable estate plan? Each of the three questions can have different relevance for planned-giving professionals.



For example, if you are working with a group of donors who have already named your organization in a will, you might be more interested in factors that increase the likelihood of removing a charitable estate component. However, if you are targeting prospective estate donors, you might want to know who has charitable estate plans or who is likely to adopt a charitable estate plan in the near future.

Table 1
Share of Americans Over Age 50
With a Charitable Testamentary Provision

Family Status	All	Current Donors	All With a Will or Trust	Current Donors With a Will or Trust
No offspring	19.1%	32.7%	36.4%	50.0%
Children only	7.3%	10.9%	13.0%	17.1%
Grandchildren	4.1%	6.8%	7.2%	9.8%


James Yang/Images.com

Table 2
Considering two otherwise demographically and financially identical senior adults, how does the likelihood of one of them having a charitable estate plan change if he or she:

Has a graduate degree	+4.2 percentage points
Gives at least \$500 per year to charity	+3.1 percentage points
Volunteers regularly	+2.0 percentage points
Has a college degree (versus high school)	+1.7 percentage points
Has been diagnosed with a stroke	+1.7 percentage points
Is 10 years older	+1.2 percentage points
Has been diagnosed with cancer	+0.8 percentage points
Is married (versus unmarried)	+0.7 percentage points
Has been diagnosed with a heart condition	+0.4 percentage points
Attends church at least once per month	+0.2 percentage points
Has \$1 million or more in assets	+0.1 percentage points
Has \$100,000 per year or more income	Not significant
Is male (versus female)	Not significant
Has only children (versus no offspring)	-2.8 percentage points
Has grandchildren (versus no offspring)	-10.5 percentage points

The study produced important findings in the following areas:

1. **Charitable estate planning is not common.** Among those over age 50 who were donating more than \$500 per year to charitable organizations, fewer than 9.5 percent had a charitable estate plan. Theoretically, some of these donors might add an estate gift before death. However, both age-mortality adjusted projections and the estate distributions from recently deceased study participants suggested that, ultimately, only 10 percent to 12 percent of donors would die with any charitable estate provision. For those who think the generational transfer will automatically flood their organizations with resources, it is time to think again. Without putting in the hard work of generating these planned gifts, 90 percent of donor mortality will simply result in lost current giving.



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2. The most dominant factor in predicting charitable estate planning is not wealth, income, education or even current giving or volunteering. By far, the dominant predictor of charitable estate planning is the absence of children. Among current donors over age 50 who had already completed a will

or trust, only 9.8 percent of those with grandchildren included a charitable component. For similar donors without any offspring, 50 percent had a charitable estate plan. This five-to-one ratio of charitable estate planning among childless individuals as compared to grandparents was also true among all

seniors, all seniors with a will or trust and all seniors who were current donors. (See Table 1.)

While some connection between offspring and charitable estate giving was expected, the magnitude of the effect was surprising. Consider this comparison. Senior adult “A” makes substantial charitable gifts, volunteers regularly and has grandchildren. Senior adult “B” does not give to charity, does not volunteer and has no children. “A” and “B” are otherwise demographically and financially identical. Who is more likely to have a charitable estate plan? Senior adult “B”—by a wide margin. In fact, even if senior adult “A” had more income, education or assets, he or she is still less likely to leave a charitable estate gift than senior adult “B.” Table 2 shows the effects of a variety of factors in predicting the likelihood that a senior adult will have a charitable estate plan.

This strength of the relationship with childlessness may suggest a modification to standard strategies of targeting potential estate donors. Often, fundraisers target their largest current donors first and work their way down according to annual giving levels. While this strategy is still valid, it may be most effective if combined with a simultaneous strategy of identifying supporters without children.



The image is a promotional flyer for the 46th AFP International Conference on Fundraising. It features a dark green background with a purple and yellow horizontal band. The AFP logo is in the top left. The main headline is 'GET JAZZED FOR NEW ORLEANS!' in large white letters. Below this is a list of five bullet points highlighting conference features. At the bottom, it lists the dates (March 29 - April 1, 2009) and location (New Orleans, Louisiana). A saxophone is visible in the bottom right corner.

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Table 3
Predicting a Charitable Estate Planning Change

The changes most likely to predict the removal of a charitable estate plan:

- Becoming a grandparent
- Becoming a parent
- Stopping charitable giving
- A drop in self-reported health

The changes most likely to predict the addition of a charitable estate plan:

- Starting to make charitable gifts
- An improvement in self-reported health
- An increase in assets

For those who think the generational transfer will automatically flood their organizations with resources, it is time to think again. Without putting in the hard work of generating these planned gifts, 90 percent of donor mortality will simply result in lost current giving.

3. Various factors affect why people add or drop a charitable estate provision. Altogether, 1,306 individuals reported dropping the charitable component of their estate plan during the course of the study. Conversely, 1,477 seniors reported adding a charitable component during the study. What factors accompanied these changes? The biggest factor that reduced the likelihood of adding a charitable estate plan was becoming a grandparent. Similarly, becoming a parent for the first time significantly increased the likelihood of dropping a charitable estate plan.

Another hint that the charitable estate plan would be dropped was the cessation of current giving.

Finally, a substantial drop in self-reported health (this is how the person rates his or her own health, not a doctor's evaluation) also increased the likelihood that the charitable component of an estate plan would be dropped. (Survey respondents were asked whether they consider their health excellent, very good, good, fair or poor.)

On the other hand, an increase in self-reported health increased the likelihood of adding a charitable estate component. A person with improved

self-reported health is one who in the previous survey (usually two years prior) had reported a lower level ("good," for example) and now reports a higher level (such as "very good").

In addition, a substantial increase in wealth raised the likelihood of adding a charitable estate component, as did beginning to make charitable gifts.

Oftentimes research studies confirm common-sense impressions. Even so, such studies can separate common-sense truth from commonsense myth. These new findings on charitable estate planning provide a solid research-based foundation for fundraisers to develop their own day-to-day best practices for acquiring and retaining charitable estate donors. ☺



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