Charitable Bequest Demographics
What do we know about who makes charitable plans and charitable bequests?

Dr. Russell James
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Previous studies

**One time survey**
- Non-response bias if the whole survey was about charitable giving

**After death distributions**
- Only for taxable estates
- Rare single county probate studies
Current study

Longitudinal
Same people asked every two years

Distributions
After death nearest relatives are asked about final distributions
New Questions

Changes
Not just who has charitable plans but when do they add and drop them

Intentions v. Outcomes
Did during life plans result in after death distributions
Details

• Nationally representative of over 50 population since 1998.
• Over 20,000 people per survey.
• In person interviews, some follow up by phone.

• Started in 1992
• Questions within larger Health & Retirement Study
• Respondents paid
What share of people over 50 in the U.S. have “made provisions for any charities in [their] will or trust?”
U.S. Over 50 Population

- No Charitable Plans, 94.3%
- Charitable Plans, 5.7%

* Weighted nationally representative 2006 sample
U.S. Over 50 Population

- No Planning Documents, 56.10%
- Plans Without Charity, 38.2%
- Charitable Plans, 5.7%

*Weighted nationally representative 2006 sample
What share of over-50 charitable donors giving over $500 per year indicate that they have a charitable estate plan?
Donors Giving $500+ per year, weighted nationally representative 2006 sample

Over-50 Donors with Charitable Plans, 9.4%

Over-50 Donors With No Charitable Plans, 90.6%

* Donors giving $500+ per year, weighted nationally representative 2006 sample
Can that be right?

- Maybe a lot of donors will eventually get around to making a charitable plan?
- Will donors ever get around to making a charitable plan?
88%–90% of donors ($500+/year) over age 50 will die with no charitable estate plan.

Projecting based on age, gender and mortality or tracking actual post-death distributions
You mean 90% of our donors will die without leaving a gift?

You mean we could generate 9 times more estate gifts from our current donors?
Among donors ($500+) over 50 with an estate plan, what is the single most significant factor associated with having a charitable estate plan?

Age? Education? Wealth? Income?
<table>
<thead>
<tr>
<th>Family Status</th>
<th>% indicating a charitable estate plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Offspring</td>
<td>50.0%</td>
</tr>
<tr>
<td>Children Only</td>
<td>17.1%</td>
</tr>
<tr>
<td>Grandchildren</td>
<td>9.8%</td>
</tr>
</tbody>
</table>
Regression: Compare only otherwise identical people

Example: The effect of differences in education among those making the same income, with the same wealth, same family structure, etc.
Likelihood of having a charitable plan
(comparing otherwise identical individuals)

- Graduate degree (v. high school) +4.2 % points
- Gives $500+ per year to charity +3.1 % points
- Volunteers regularly +2.0 % points
- College degree (v. high school) +1.7 % points
- Has been diagnosed with a stroke +1.7 % points
- Is ten years older +1.2 % points
- Has been diagnosed with cancer +0.8 % points
- Is married (v. unmarried) +0.7 % points
- Diagnosed with a heart condition +0.4 % points
- Attends church 1+ times per month +0.2 % points
- Has $1,000,000 more in assets +0.1 % points
- Has $100,000 per year more income not significant
- Is male (v. female) not significant
- Has only children (v. no offspring) -2.8 % points
- Has grandchildren (v. no offspring) -10.5 % points
Find your estate donor...

A makes substantial charitable gifts, volunteers regularly, and has grandchildren

B doesn’t give to charity, doesn’t volunteer, and has no children
From an Australian study by Christopher Baker including 1729 wills:

“Australian will-makers without surviving children are ten times more likely to make a charitable gift from their estate”
How did giving during life compare with post death transfers?
Estate giving and annual giving for 6,342 deceased panel members

<table>
<thead>
<tr>
<th>Offspring</th>
<th>Last Annual Volunteer Hours</th>
<th>Average Annual Giving</th>
<th>Average Estate Giving</th>
<th>Estate Gift Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Children</td>
<td>32.6 (6.6)</td>
<td>$3,576</td>
<td>$44,849</td>
<td>12.6</td>
</tr>
<tr>
<td>Children Only</td>
<td>25.4 (7.1)</td>
<td>$1,316</td>
<td>$6,147</td>
<td>4.7</td>
</tr>
<tr>
<td>Grandchildren</td>
<td>23.2 (2.1)</td>
<td>$1,497</td>
<td>$4,320</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>24.3 (1.8)</td>
<td>$1,691</td>
<td>$8,582</td>
<td>5.1</td>
</tr>
</tbody>
</table>
When did people drop charitable plans?
Yes! → Yes! → No.

What happened here?
Factors that triggered dropping the charitable plan

1. Becoming a grandparent  0.7226* (0.2997)
2. Becoming a parent  0.6111† (0.3200)
3. Stopping current charitable giving  0.1198* (0.0934)
4. A drop in self-rated health  0.0768† (0.0461)

Some factors that didn’t seem to matter:

- Change in income
- Change in assets
- Change in marital status

*Fixed effects analysis including 1,306 people who reported a charitable plan and later reported no charitable plan. Coefficients show relative magnitude of factors.
When did people add charitable plans?
Factors that triggered adding a new charitable plan

<table>
<thead>
<tr>
<th>Factor</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting to make charitable gifts</td>
<td>0.1531†</td>
</tr>
<tr>
<td>An improvement in self-reported health</td>
<td>0.0927*</td>
</tr>
<tr>
<td>A $100k increase in assets</td>
<td>0.0061**</td>
</tr>
</tbody>
</table>

One factor dramatically reduced the likelihood that a new charitable plan would be added:

<table>
<thead>
<tr>
<th>Factor</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The addition of the first grandchild</td>
<td>-0.4641†</td>
</tr>
</tbody>
</table>
How often did planned bequests produce a post-death gift?

Yes!  Yes!  Yes!  No.
How often did planned bequests produce a post-death gift?

Yes! 40.9%

No. 59.1%
How often did planned bequests produce a post-death gift?

Yes! Yes! 71.5%

No. No. 49.4%

surviving spouse

No surviving spouse
What’s the problem?
Are mischievous heirs stealing the documents?
No estate documents found

- Reported trust with no charitable plan: 2%
- Reported trust with charitable plan: 4%
- Reported will with no charitable plan: 15%
- Reported will with charitable plan: 9%
Does choice of planning document matter?
Estate generating a charitable gift

Reported trust with charitable plan: 56%
Reported only will with charitable plan: 35%
Does document choice really matter or is it just the people who are different?

<table>
<thead>
<tr>
<th>Variable</th>
<th>Decedent had reported a funded inter vivos trust</th>
<th>Decedent had reported only a will</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable estate distribution</td>
<td>56%</td>
<td>35%**</td>
</tr>
<tr>
<td>Household assets prior to death</td>
<td>$1,120,591</td>
<td>$378,361**</td>
</tr>
<tr>
<td>Household income prior to death</td>
<td>$78,496</td>
<td>$51,326</td>
</tr>
<tr>
<td>Married</td>
<td>47.5%</td>
<td>46.3%*</td>
</tr>
<tr>
<td>Had child(ren) and grandchild(ren)</td>
<td>58.8%</td>
<td>55.5%</td>
</tr>
<tr>
<td>Had child(ren) only</td>
<td>7.5%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Age</td>
<td>83.2</td>
<td>80.6 *</td>
</tr>
<tr>
<td>Male</td>
<td>37.5%</td>
<td>40.6%</td>
</tr>
<tr>
<td>No estate documents found</td>
<td>3.7%</td>
<td>9.2%†</td>
</tr>
<tr>
<td>n</td>
<td>80</td>
<td>218</td>
</tr>
</tbody>
</table>
Regression: Compare only otherwise identical people

Example: The effect of differences in trusts among those with same education, income, wealth, family structure, etc.
Trust increases likelihood of charitable transfer by 14-15 % points

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Linear Probability Model</th>
<th>Linear Probability Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.3532 (0.0328)**</td>
<td>-0.1882 (0.2913)</td>
</tr>
<tr>
<td>I.V. Trust (Funded)</td>
<td>0.2093 (0.0633)**</td>
<td>0.1461 (0.0629)*</td>
</tr>
<tr>
<td>Wealth (100k)</td>
<td></td>
<td>0.0037 (0.0022)†</td>
</tr>
<tr>
<td>Self-reported Health</td>
<td></td>
<td>-0.0174 (0.0241)</td>
</tr>
<tr>
<td>Income (100k)</td>
<td></td>
<td>0.0435 (0.0198)*</td>
</tr>
<tr>
<td>Married</td>
<td></td>
<td>-0.1632 (0.0644)*</td>
</tr>
<tr>
<td>Children and Grandchildren</td>
<td></td>
<td>-0.1172 (0.0600)†</td>
</tr>
<tr>
<td>Children Only</td>
<td></td>
<td>-0.2012 (0.1027)†</td>
</tr>
<tr>
<td>White</td>
<td></td>
<td>0.0429 (0.168)</td>
</tr>
<tr>
<td>Black</td>
<td></td>
<td>-0.1111 (0.2113)</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td>0.0084 (0.0029)**</td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td>-0.0405 (0.0599)</td>
</tr>
</tbody>
</table>
Why are trusts more effective?

Charitable plan and only will

Will probated
60%

Will not probated
40%
Consider using a phrase such as “a dollar amount equal to 10% of my gross estate for federal estate tax purposes”
Do the estates of people who make charitable estate plans grow differently than the general population?
After making their plan, charitable estate donors grew their estates 50%-100% faster than did others with the same initial wealth.
Using Demographics to Make Future Projections

Dr. Russell James
Texas Tech University
Dramatic increases on the horizon

Temporary drop in key demographic population
The fall and rise in live births - UK
Persons alive in the UK, 2008-2030

Age 50-

Age 55-

Age 60-

Age 65-

Age 70-

Age 75-

Age 80-

Age 85-

Age 90-

Age 95-

Age 100+
Ireland population pyramid, 2001

- Without the large post-war baby boom, expect less rapid growth in older ages
- Growth will come primarily due to improved longevity
Projecting future bequest giving

Frequency of future bequest gifts
• Change in population
• Change in tendency to make bequest gifts
Do the boomers give differently?

• After controlling for wealth and income, the baby boom cohort gave at a significantly lower rate during middle age than the pre-war cohort did (Wilhelm, Rooney, and Tempel, 2008).

• Will boomers also be less charitable in estate giving?
Data

• 1996-2006 Health and Retirement Study (HRS), a nationally representative, biennial, longitudinal study.

• Analysis weighted to project to national means and adjusted for complex sample selection process.
Charitable Estate Planning among US Adults Aged 55-65
What is driving this trend?
### Weighted descriptive statistics of adults aged 55-65 (‘96 & ‘06 HRS)

<table>
<thead>
<tr>
<th>Variable</th>
<th>1996</th>
<th>2006</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable estate plan</td>
<td>3.81%</td>
<td>5.43%*</td>
<td>42.5%</td>
</tr>
<tr>
<td>Will or trust executed</td>
<td>51.72%</td>
<td>43.63%*</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Funded trust</td>
<td>4.53%</td>
<td>6.60%*</td>
<td>45.7%</td>
</tr>
<tr>
<td>&lt;High School</td>
<td>24.57%</td>
<td>14.76%*</td>
<td>-39.9%</td>
</tr>
<tr>
<td>High school graduate</td>
<td>36.22%</td>
<td>30.73%*</td>
<td>-15.2%</td>
</tr>
<tr>
<td>Some college</td>
<td>19.37%</td>
<td>24.77%*</td>
<td>27.9%</td>
</tr>
<tr>
<td>College graduate</td>
<td>8.82%</td>
<td>13.53%*</td>
<td>53.4%</td>
</tr>
<tr>
<td>Graduate education</td>
<td>10.82%</td>
<td>15.55%*</td>
<td>43.7%</td>
</tr>
<tr>
<td>Household assets (2006$)</td>
<td>$384,419</td>
<td>686,258</td>
<td>78.5%</td>
</tr>
<tr>
<td>Household income (2006$)</td>
<td>$76,372</td>
<td>100,865</td>
<td>32.1%</td>
</tr>
<tr>
<td>Charitable giving &gt;$650</td>
<td>33.85%</td>
<td>36.27%*</td>
<td>7.1%</td>
</tr>
<tr>
<td>Number of children</td>
<td>3.30 (2.17) [0.03]</td>
<td>2.83* (2.01) [0.03]</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Number of grandchildren</td>
<td>4.48 (5.10) [0.10]</td>
<td>3.79* [4.94] (0.08)</td>
<td>-15.5%</td>
</tr>
<tr>
<td>No children</td>
<td>6.83%</td>
<td>8.34%*</td>
<td>22.1%</td>
</tr>
<tr>
<td>No grandchildren</td>
<td>21.03%</td>
<td>29.1%*</td>
<td>38.4%</td>
</tr>
</tbody>
</table>
Charitable estate planning among adults aged 55-65
Increases in charitable planning are driven by increases in childlessness and education.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimate (s.e.)</th>
<th>p-value</th>
<th>Estimate (s.e.)</th>
<th>p-value</th>
<th>Estimate (s.e.)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>0.0138 (0.0032)</td>
<td>&lt;.0001</td>
<td>0.0033 (0.0034)</td>
<td>0.3298</td>
<td>0.0015 (0.0036)</td>
<td>0.664</td>
</tr>
<tr>
<td>Any children</td>
<td>-0.6251 (0.0345)</td>
<td>&lt;.0001</td>
<td>-0.6224 (0.0479)</td>
<td>&lt;.0001</td>
<td>....</td>
<td>....</td>
</tr>
<tr>
<td>Years of Education</td>
<td>0.1412 (0.0048)</td>
<td>&lt;.0001</td>
<td>....</td>
<td>....</td>
<td>full set of control variables</td>
<td></td>
</tr>
</tbody>
</table>

Probit analysis of all respondents age 55-65 in 1996-2006 HRS. Outcome variable is the presence of charitable estate planning.
Basic relationship

• This suggests that the overall trend of increased charitable estate planning may have been driven, in large part, by changes in childlessness and education.

• Such a relationship has important implications for predicting charitable estate planning levels in the future.
Upcoming cohorts and childlessness

• Childlessness among women who will be entering the 55-65 age group over the next decade will be substantially higher than those in the 55-65 age group during 2006 (the year of the latest HRS survey).

• Women in the 56-61 age group during 2006 reported a childlessness rate of 16.0% in 1990 when they were aged 40-44 (Dye, 2005). In comparison, women in the 40-44 age range in 2004 (i.e., those who will begin entering the 55-65 near retirement age group in 2015) reported a childlessness rate of 19.3% (Dye, 2005).
Similar trends in U.K.

Source: http://www.statistics.gov.uk/cci/nugget.asp?id=369
## Table 3

Percentage of childless women by age and year of birth of woman, England and Wales, 1922-1972

<table>
<thead>
<tr>
<th>Women born in</th>
<th>Age 25</th>
<th>Age 35</th>
<th>Age 45</th>
<th>Approx. end of childbearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1922</td>
<td>48</td>
<td>20</td>
<td>18</td>
<td>1967</td>
</tr>
<tr>
<td>1927</td>
<td>45</td>
<td>18</td>
<td>16</td>
<td>1972</td>
</tr>
<tr>
<td>1932</td>
<td>43</td>
<td>15</td>
<td>13</td>
<td>1977</td>
</tr>
<tr>
<td>1937</td>
<td>37</td>
<td>13</td>
<td>12</td>
<td>1982</td>
</tr>
<tr>
<td>1942</td>
<td>33</td>
<td>12</td>
<td>11</td>
<td>1987</td>
</tr>
<tr>
<td>1947</td>
<td>37</td>
<td>14</td>
<td>12</td>
<td>1992</td>
</tr>
<tr>
<td>1952</td>
<td>45</td>
<td>18</td>
<td>16</td>
<td>1997</td>
</tr>
<tr>
<td>1957</td>
<td>51</td>
<td>21</td>
<td>17</td>
<td>2002</td>
</tr>
<tr>
<td>1962</td>
<td>58</td>
<td>25</td>
<td>21</td>
<td>2007</td>
</tr>
<tr>
<td>1967</td>
<td>61</td>
<td>29</td>
<td>22</td>
<td>2012</td>
</tr>
<tr>
<td>1972</td>
<td>63</td>
<td>29</td>
<td>23</td>
<td>2017</td>
</tr>
</tbody>
</table>

Figures above the stepped line represent actual events which occurred up to the end of 1997. Figures below the line incorporate projected births from 1998 onwards. Projected births are calculated using the Government Actuary’s Department principal 1996-based projection.
Upcoming cohorts and education

• Similarly, a college education is much more common among the upcoming cohorts of individuals nearing retirement age than among the current 55-65 group (Stoops, 2004).

• In 1996, less than 27% of those in the 35-54 age group had at least a bachelor’s degree.

• By 2007, over 31% of those in the 35-54 age group had at least a bachelor’s degree (Current Population Survey, 2007).

• Thus, one can expect the upcoming cohorts of individuals nearing retirement to be more educated than individuals currently in the 55-65 age group.
Growth trends in charitable estate planning

1. Overall graying of the population
2. Increased childlessness of upcoming and future cohorts
3. Increased education of upcoming and future cohorts

The financial planner without a basic understanding of planned giving options may leave greater and greater numbers of clients underserved.
Charitable Bequest Demographics
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About the Author
Russell James, J.D., Ph.D., CFP® is an Associate Professor and the Director of Graduate Studies in Charitable Planning in the Division of Personal Financial Planning at Texas Tech University. He graduated, *cum laude*, from the University of Missouri School of Law where he was a member of the Missouri Law Review. While in law school he received the United Missouri Bank Award for Most Outstanding Work in Gift and Estate Taxation and Planning and the American Jurisprudence Award for Most Outstanding Work in Federal Income Taxation. After graduation, he worked as the Director of Planned Giving for Central Christian College, Moberly, Missouri for six years and also built a successful law practice limited to estate and gift planning. He later served as president of the college for more than five years, where he had direct and supervisory responsibility for all fundraising. Dr. James received his Ph.D. in Consumer & Family Economics from the University of Missouri where his dissertation was on the topic of charitable giving. Dr. James has over 100 publications in print or in press in academic journals, conference proceedings, professional periodicals, and books. He writes regularly for Advancing Philanthropy, the magazine of the Association of Fundraising Professionals. He has presented his research in the U.S. and across the world including as an invited speaker in Ireland, Scotland, England, The Netherlands, Spain, Germany, and South Korea. (click here for complete CV)