

Wills That Won't:

A 30-year national study of charitable planning additions, deletions, and ultimate estate transfers



**Russell
James**

Professor
Texas Tech
University

It's kind
of a
**BIG
DEAL**

Why this data is so
important



Small one-time
snapshots in life



Old
data

Post-mortem for
largest estates



This data



The entire “lifetime” movie
(tracking same people from mid-life to post-mortem)

The entire “lifetime” movie

- Matches sequence of lifetime responses with post-mortem distributions for over 12,000 decedents
- Identifies timing of plan changes
- Large, federally-funded, longitudinal, in-person, well-compensated, nationally representative, study on health and retirement issues

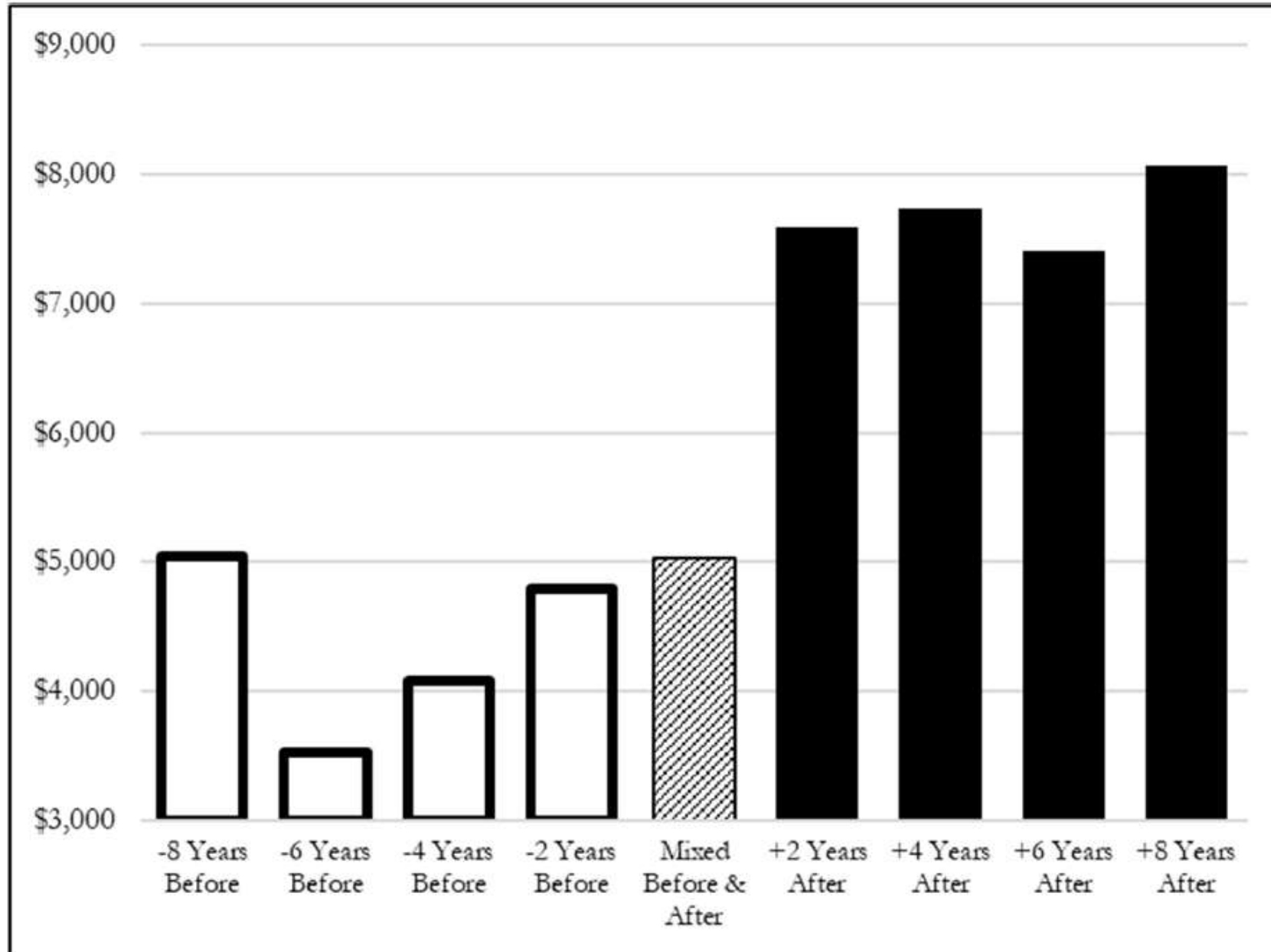


Does charitable bequest planning cannibalize current giving?



“I don’t give now, because I have a planned charitable bequest”

Figure 1. Average Annual Charitable Donations Before and After Adding Charity to an Estate Plan



James III, R. N. (2020). The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests. *UC Davis Law Review*, 53, 2397-2431.

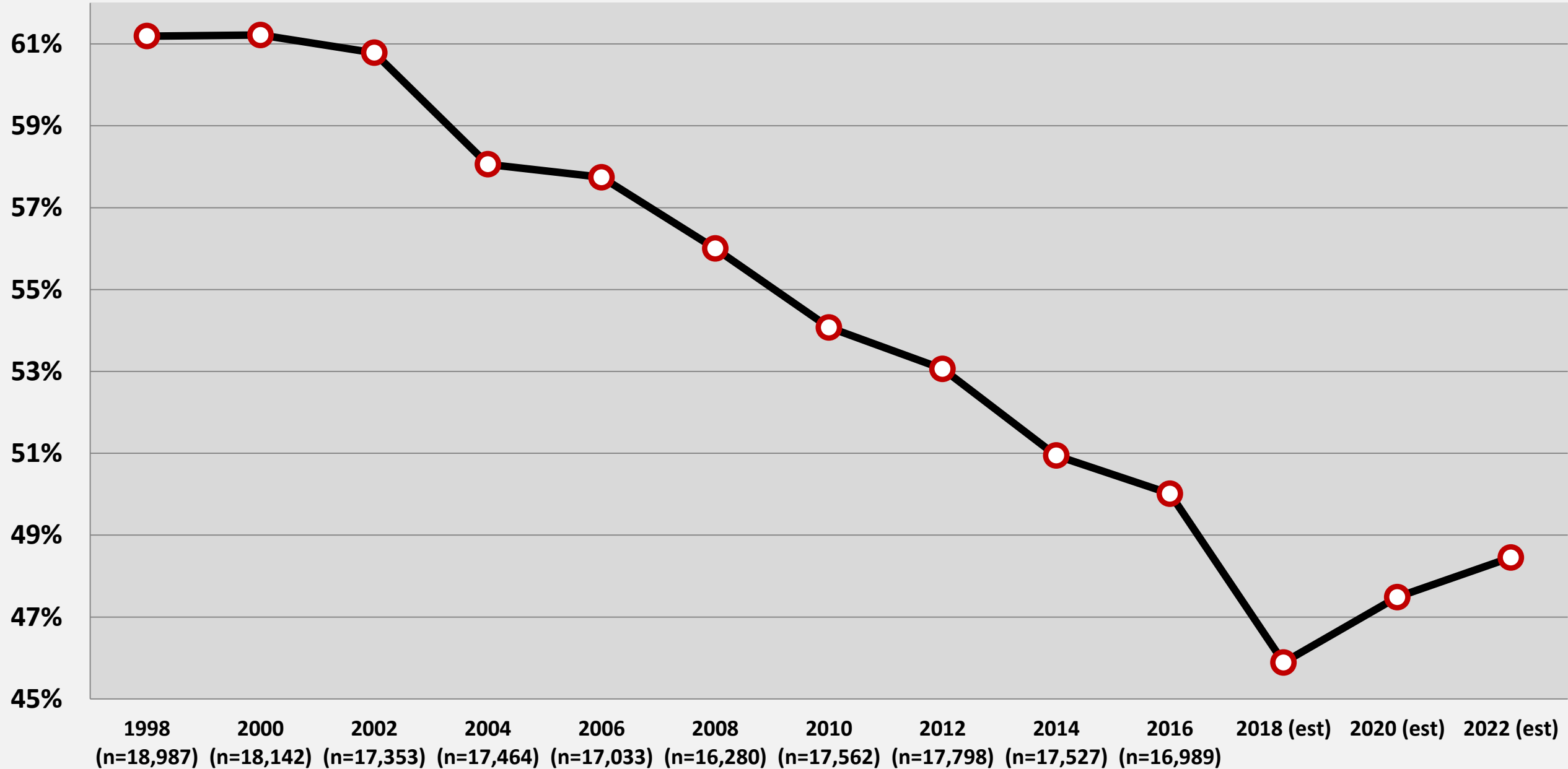
Warning!

Some
results
might
not be
pretty

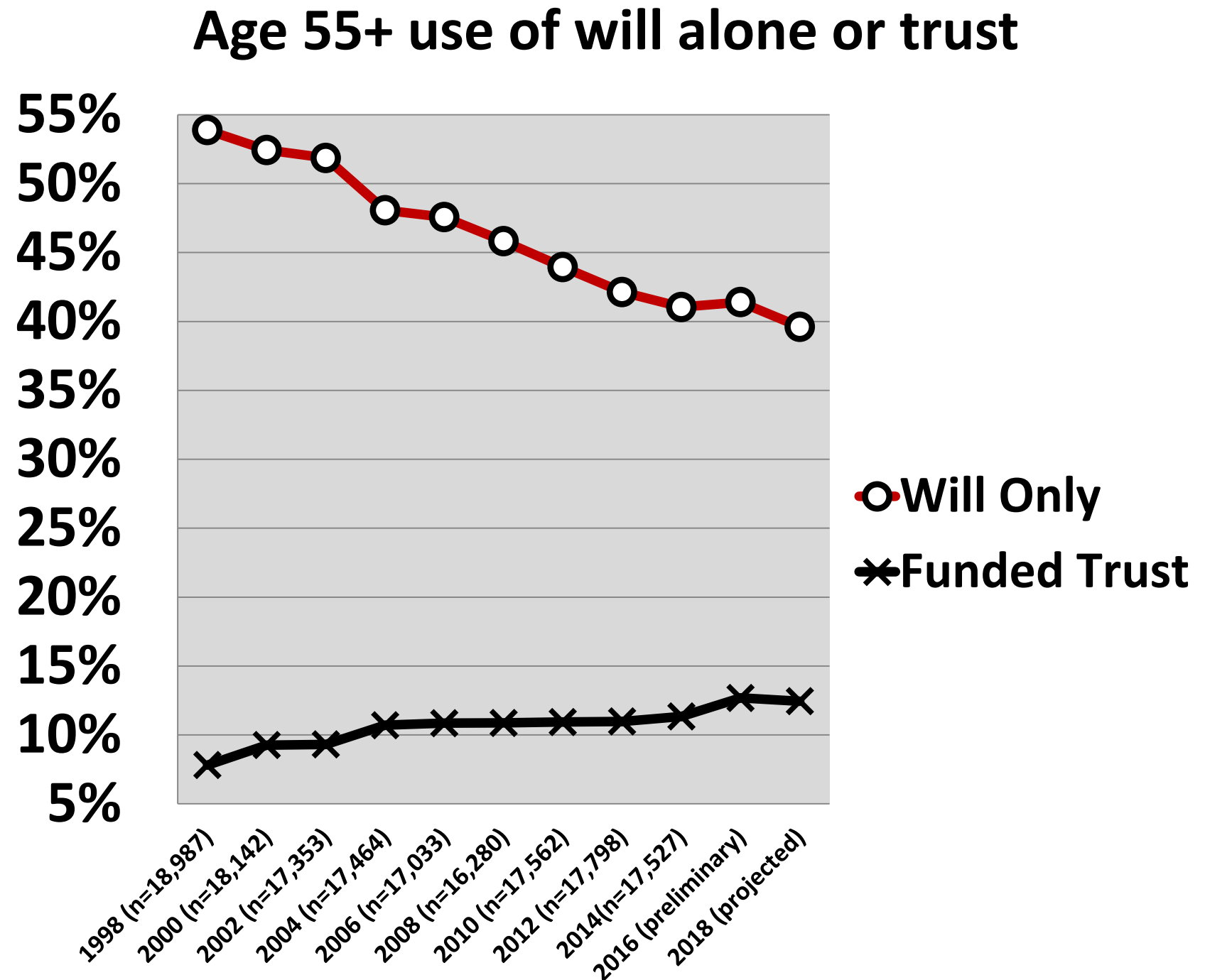




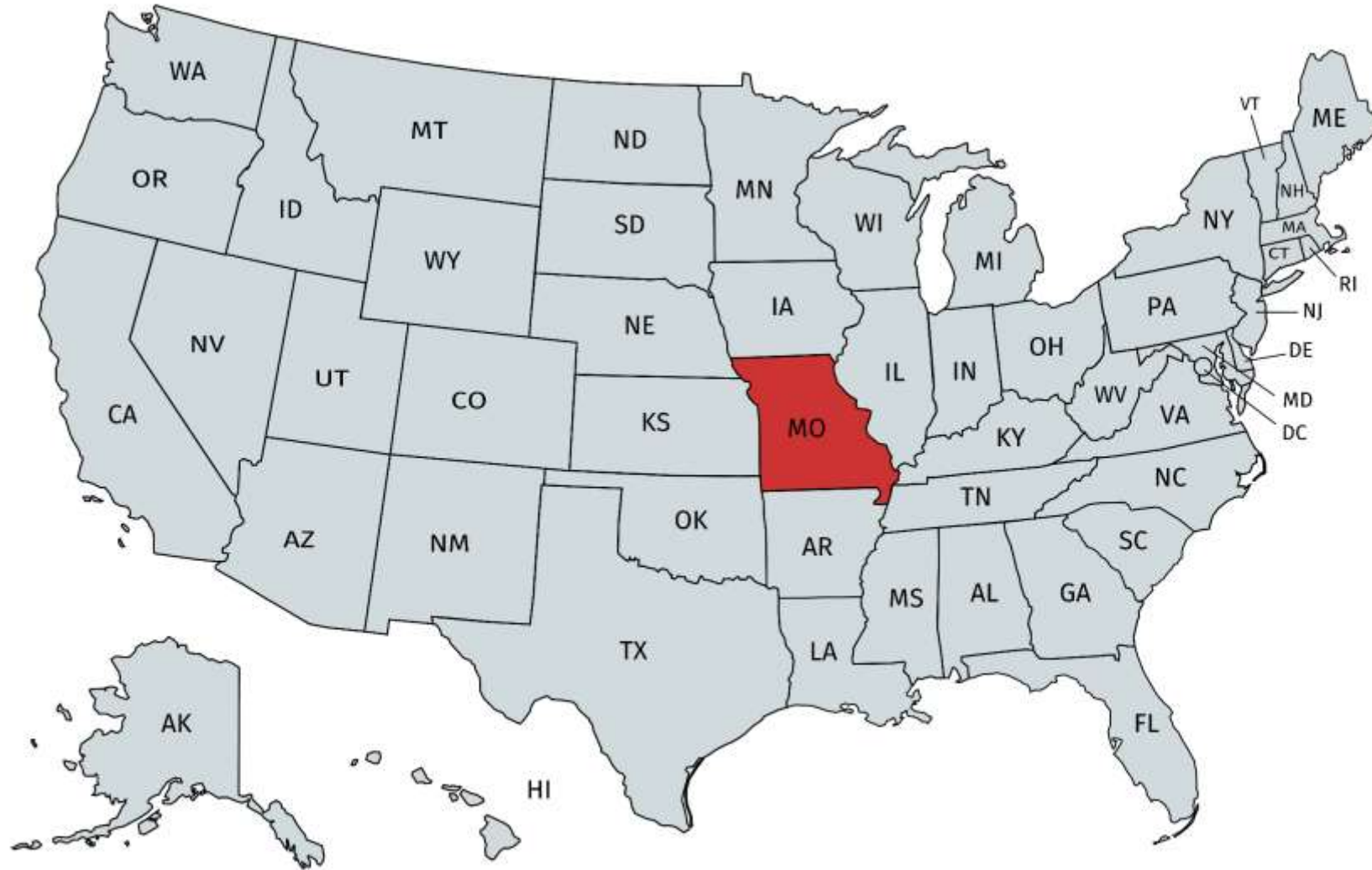
U.S. 55+ population with a will or trust



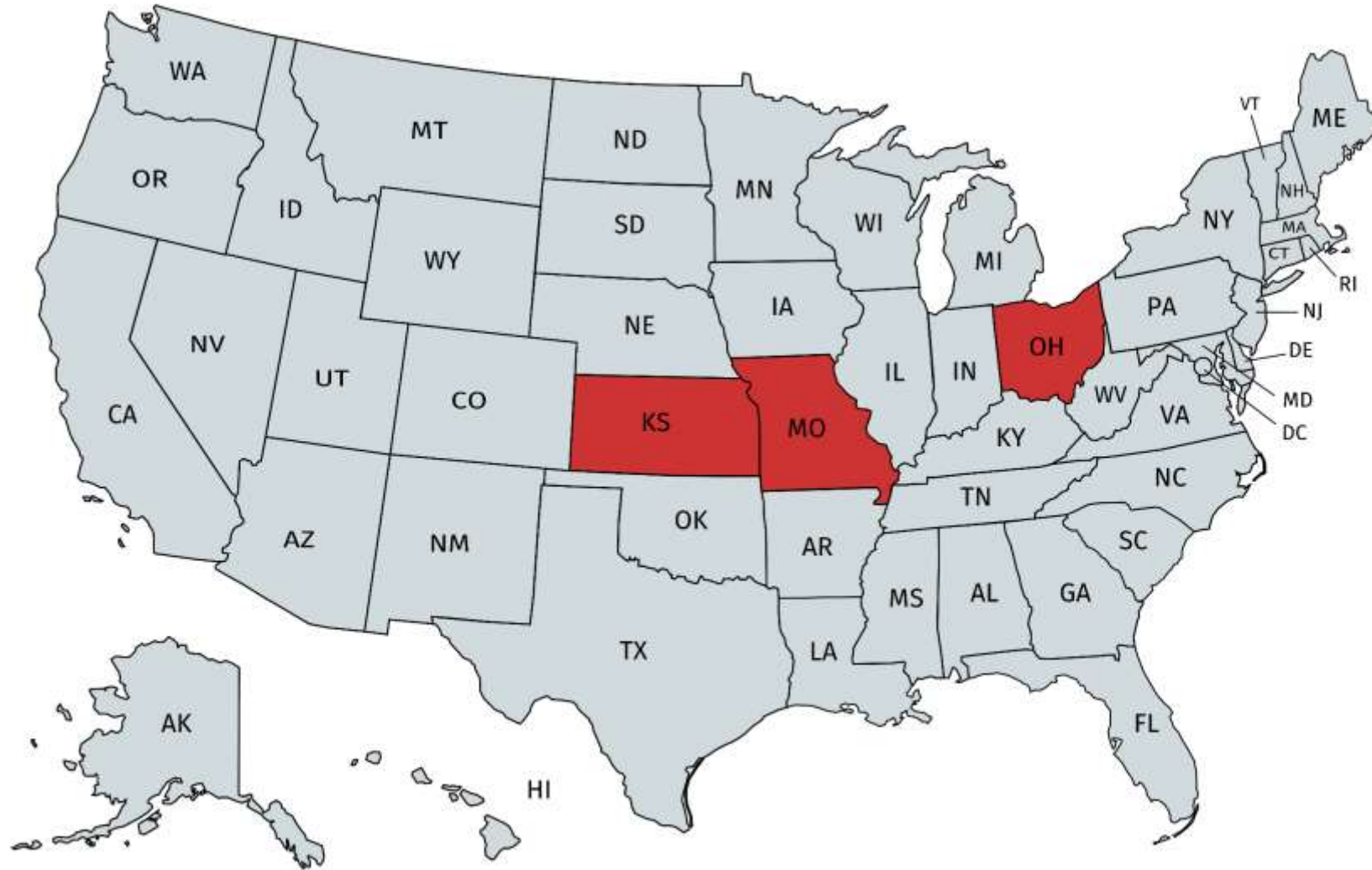
Opposing trends in use of wills only or funded trusts



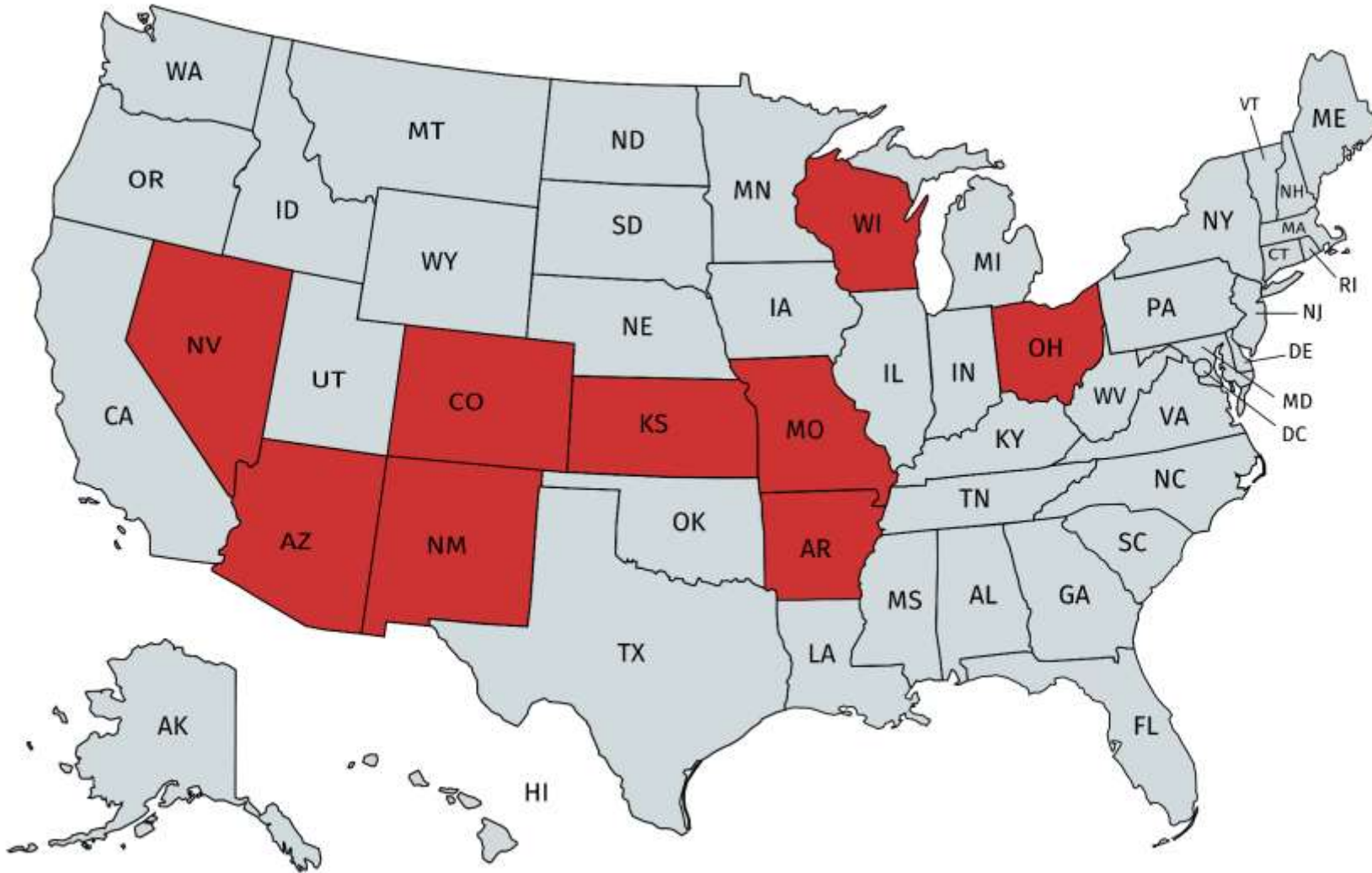
States allowing “Transfer on Death” deeds in 1995



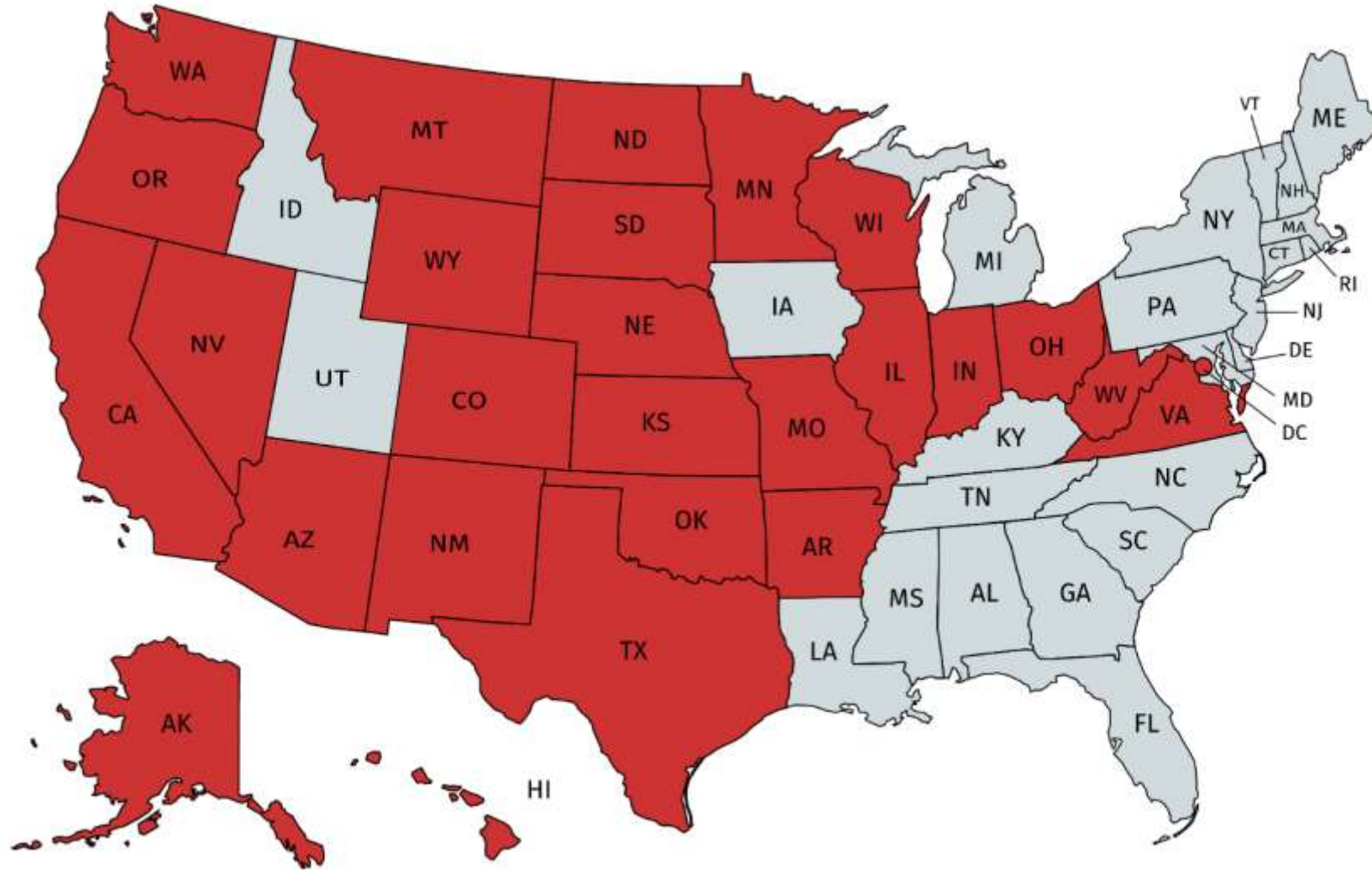
States allowing “Transfer on Death” deeds in 2000



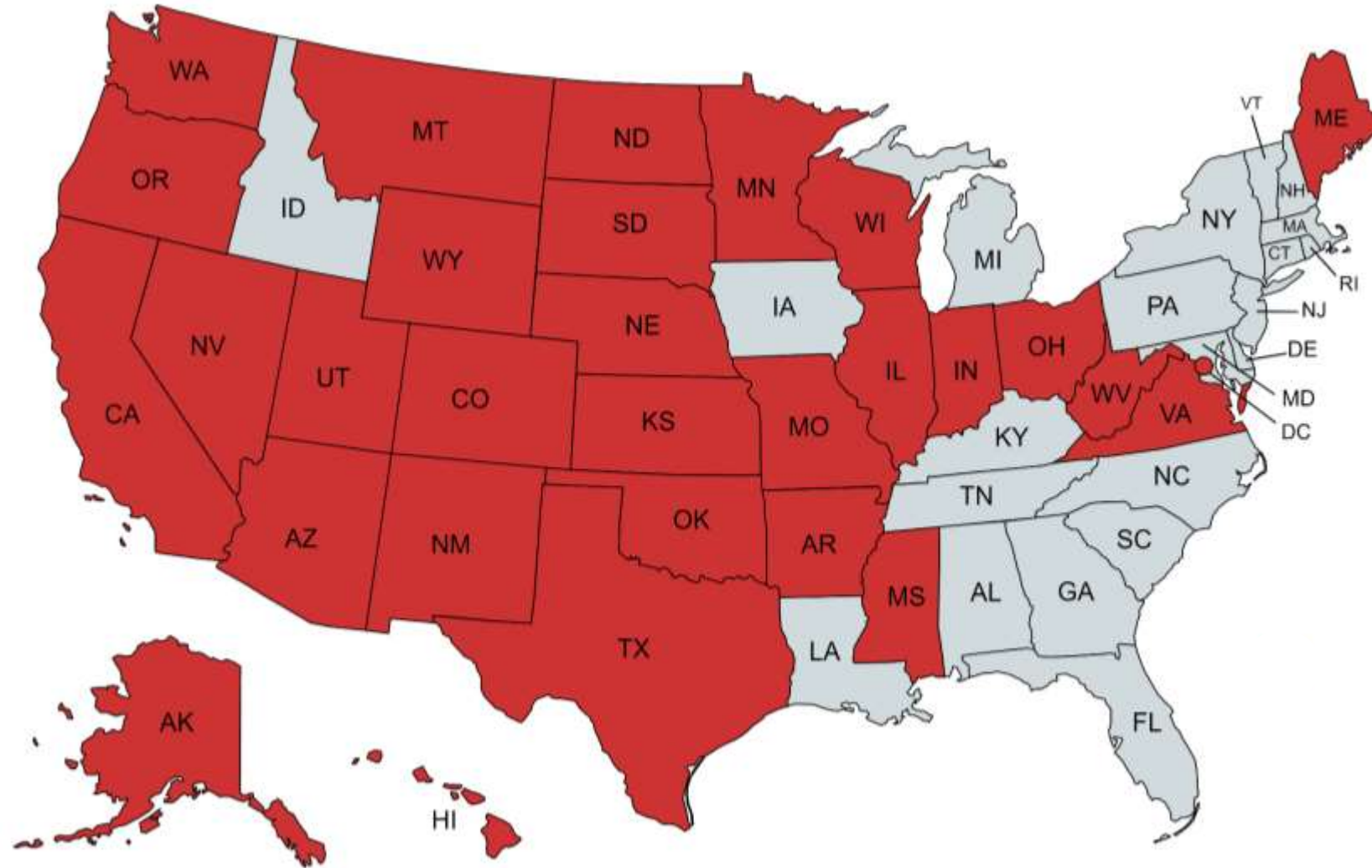
A map of the United States with 15 states highlighted in red. The highlighted states are Nevada (NV), Arizona (AZ), New Mexico (NM), Colorado (CO), Kansas (KS), Missouri (MO), Arkansas (AR), Wisconsin (WI), Ohio (OH), Michigan (MI), Illinois (IL), Indiana (IN), Kentucky (KY), Tennessee (TN), and Virginia (VA). The remaining 35 states are shown in light gray: Washington (WA), Oregon (OR), Idaho (ID), Montana (MT), Wyoming (WY), Utah (UT), California (CA), Nevada (NV), Arizona (AZ), New Mexico (NM), Texas (TX), Oklahoma (OK), Nebraska (NE), Kansas (KS), Missouri (MO), Arkansas (AR), Louisiana (LA), Mississippi (MS), Alabama (AL), Georgia (GA), South Carolina (SC), North Carolina (NC), Virginia (VA), West Virginia (WV), Kentucky (KY), Tennessee (TN), Kentucky (KY), Indiana (IN), Michigan (MI), Wisconsin (WI), Illinois (IL), Iowa (IA), Minnesota (MN), North Dakota (ND), South Dakota (SD), Montana (MT), Wyoming (WY), Idaho (ID), Oregon (OR), Washington (WA), Alaska (AK), Hawaii (HI), Vermont (VT), New Hampshire (NH), Maine (ME), Massachusetts (MA), Rhode Island (RI), Connecticut (CT), New Jersey (NJ), Delaware (DE), Maryland (MD), and the District of Columbia (DC).



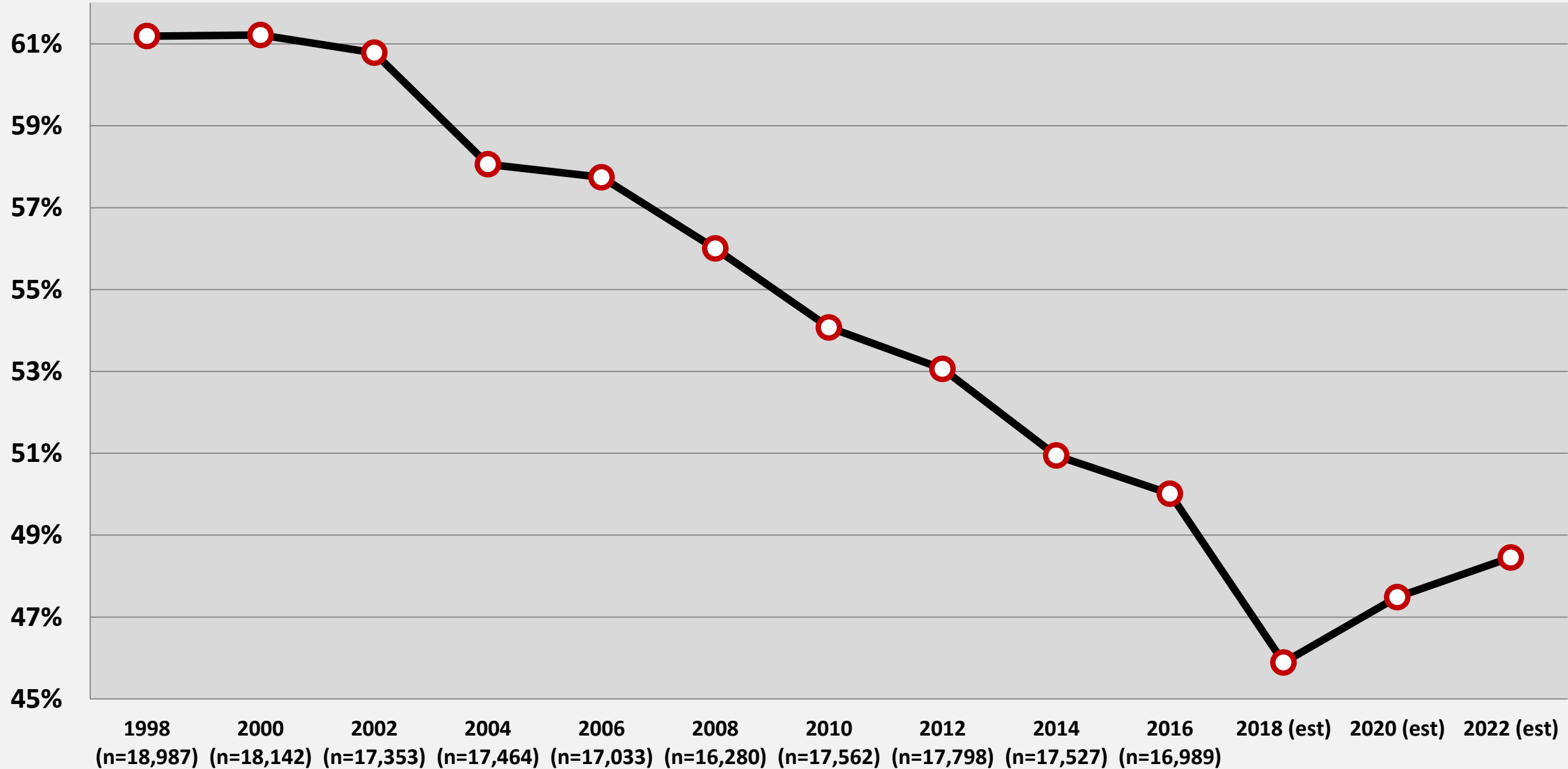
States allowing “Transfer on Death” deeds in 2017



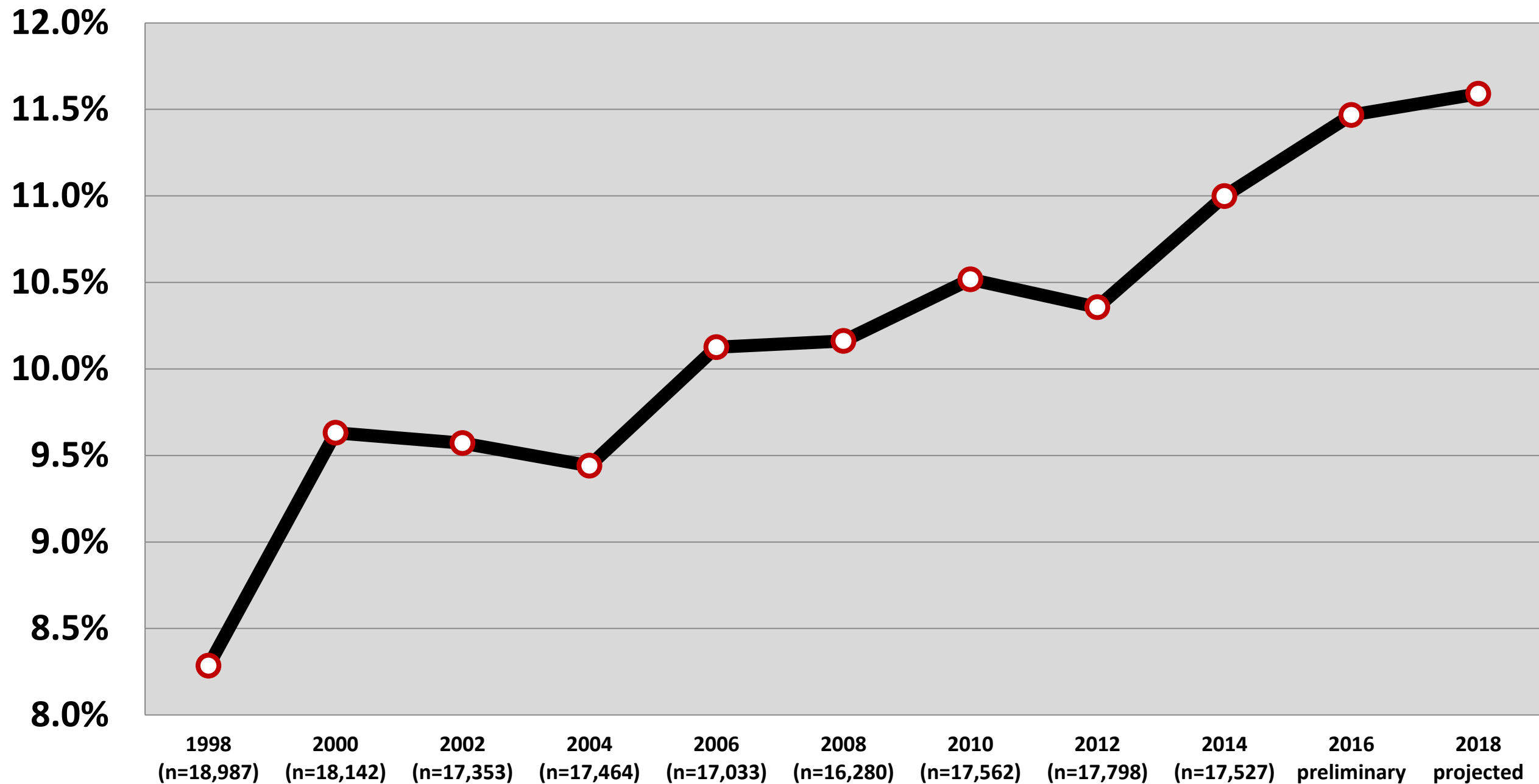
States allowing “Transfer on Death” deeds today



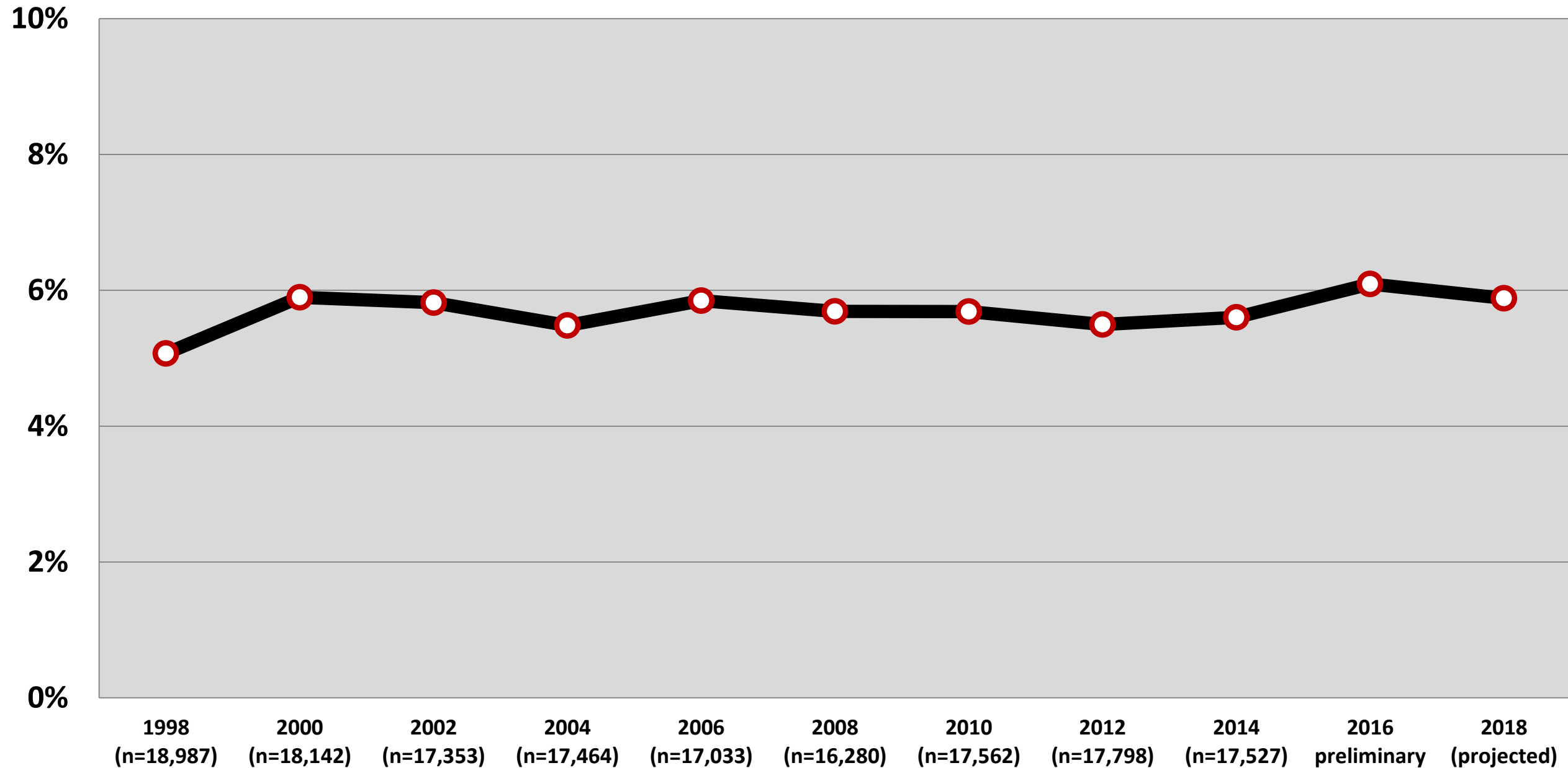
U.S. 55+ population with a will or trust



Charitable beneficiary among those aged 55+ with a will or trust



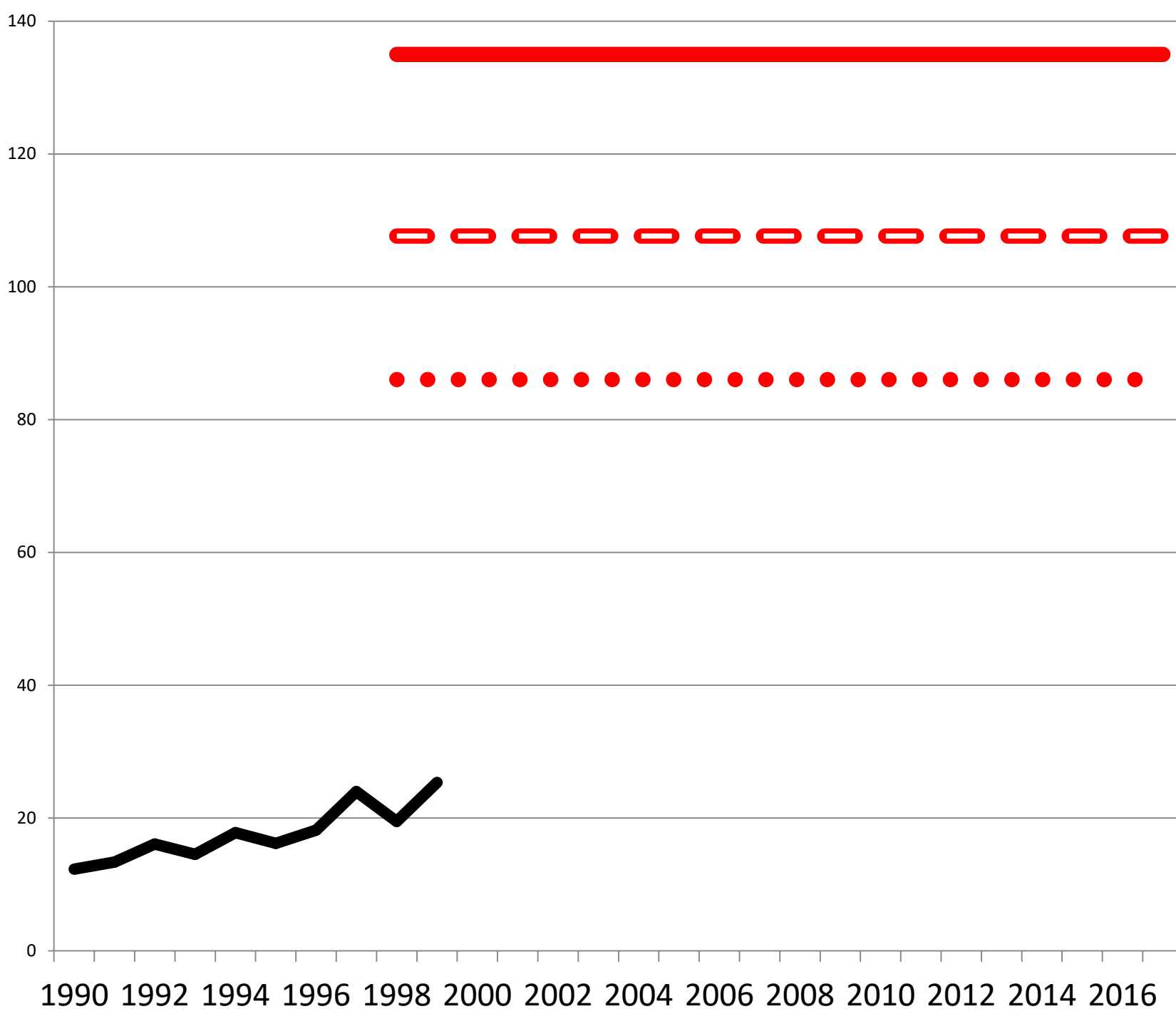
U.S. 55+ with a charitable beneficiary



Where's the boom?



\$ Billions Annually

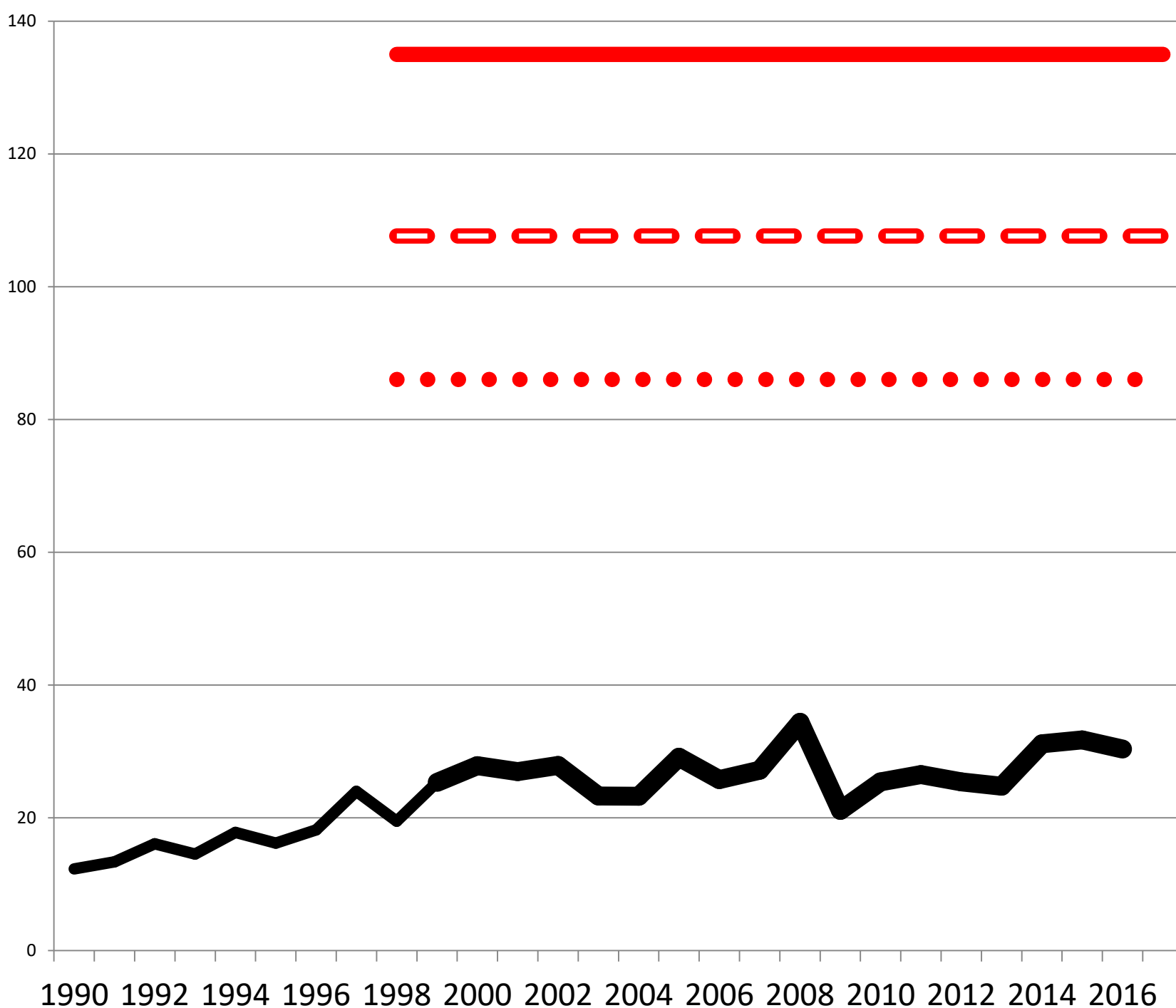


Charitable bequests: Predicted v. Received

- Est. High ('98-'17)
- Est. Middle ('98-'17)
- Est. Low ('98-'17)
- Charitable bequests received

Estimated annually is 1/20 of 20 year estimated total from P.G. Schervish and J. J. Havens (1999) "Millionaires and the millenium: New estimates of the forthcoming wealth transfer and the prospects for a golden age of philanthropy". Bequests received are inflation-adjusted numbers from Giving USA 2016

\$ Billions Annually



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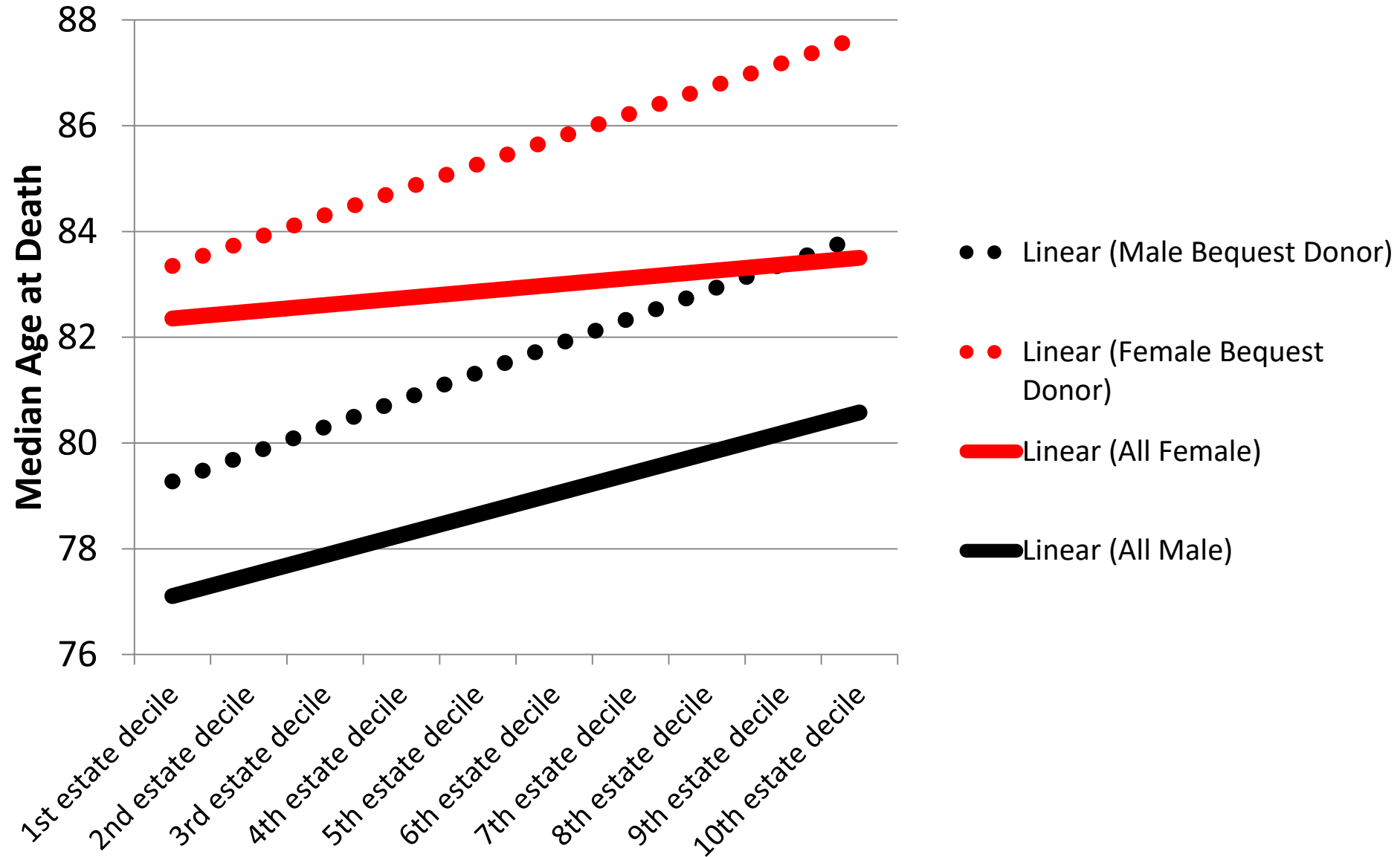
Charitable bequests since 2000
have trended flat...

**What's
going on?**

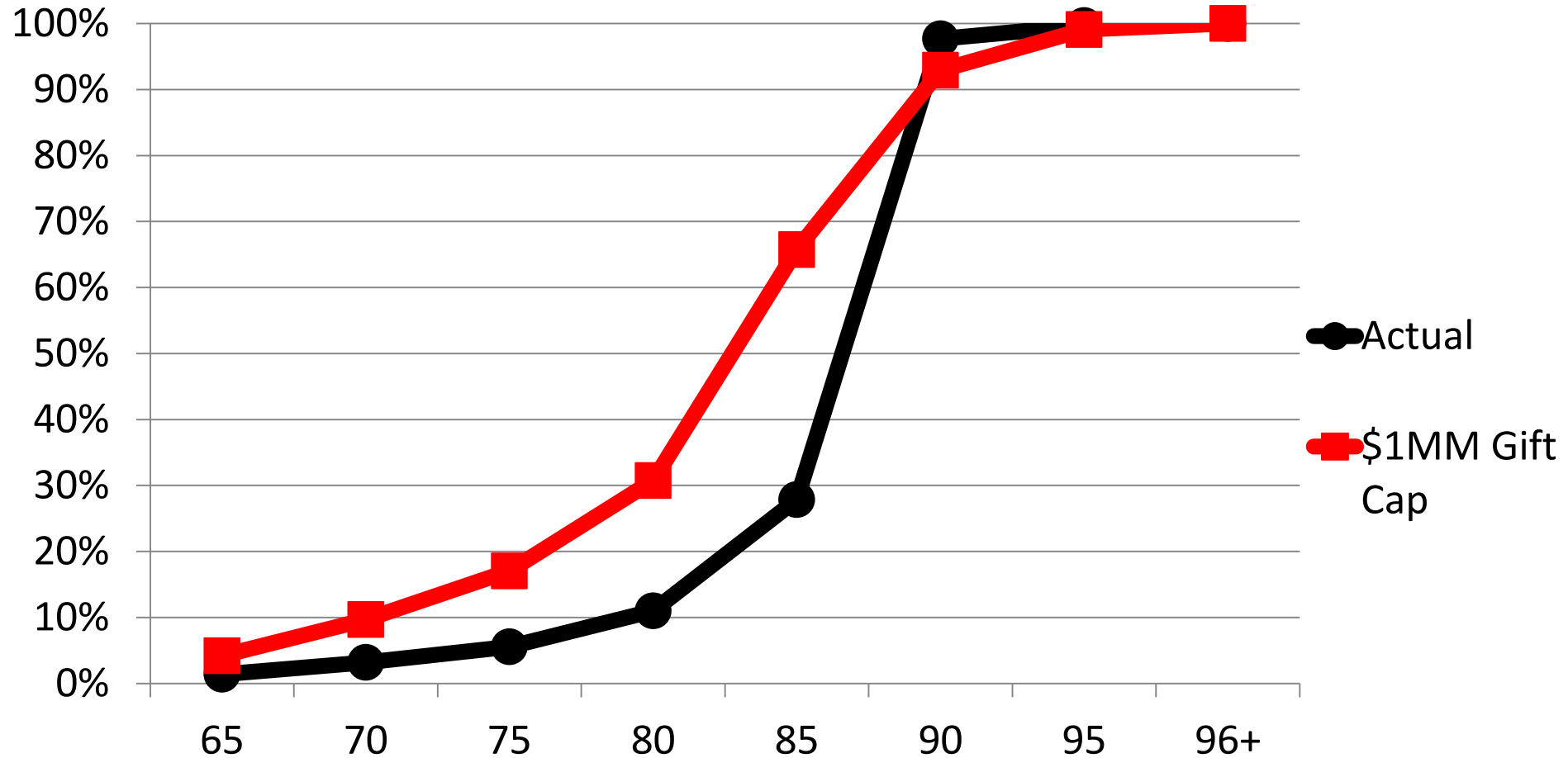


Wealthy people die old.

Wealthy bequest donors die even older.

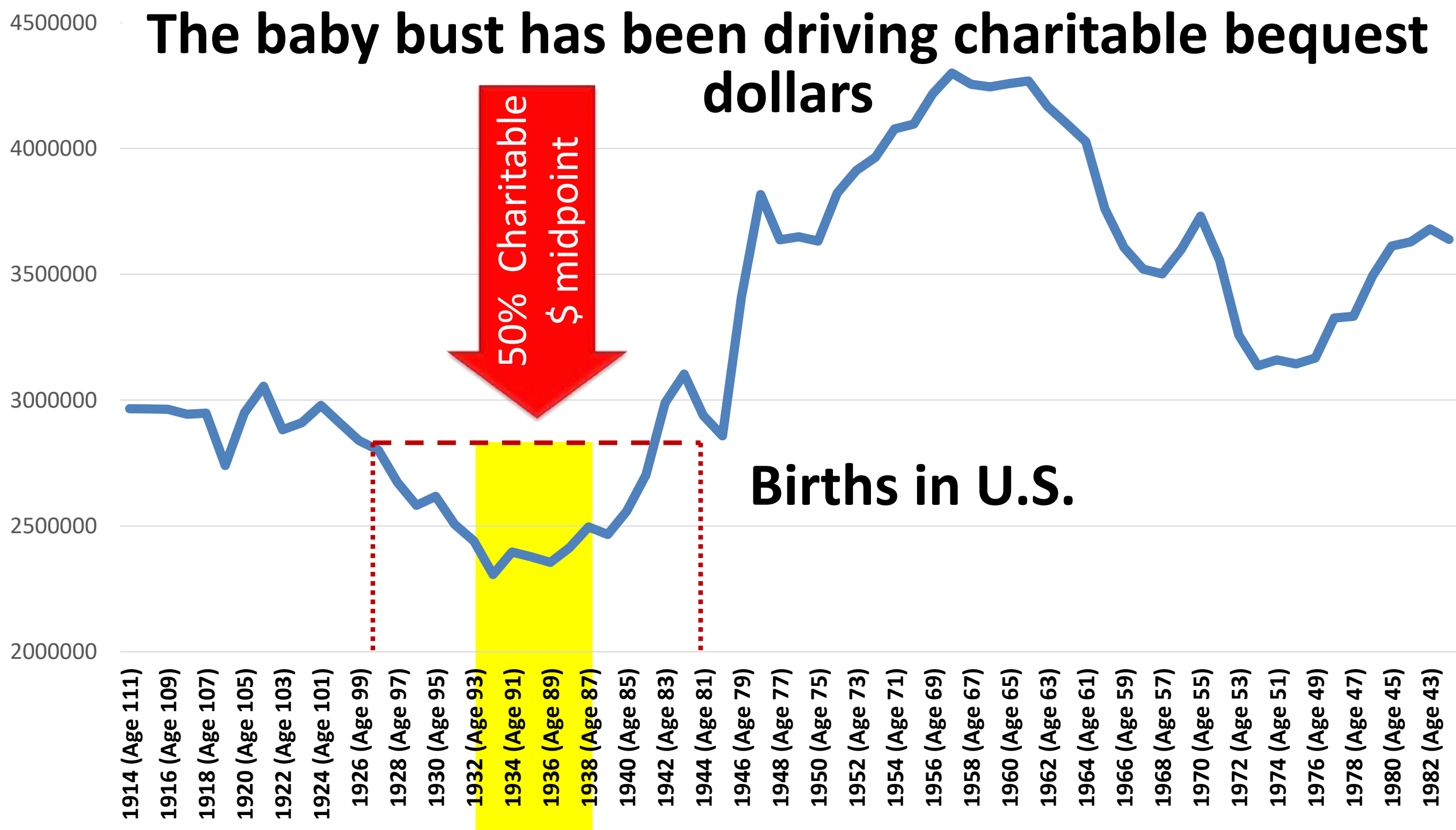


Cumulative share of charitable bequest dollars by donor age at death (12,238 decedents)

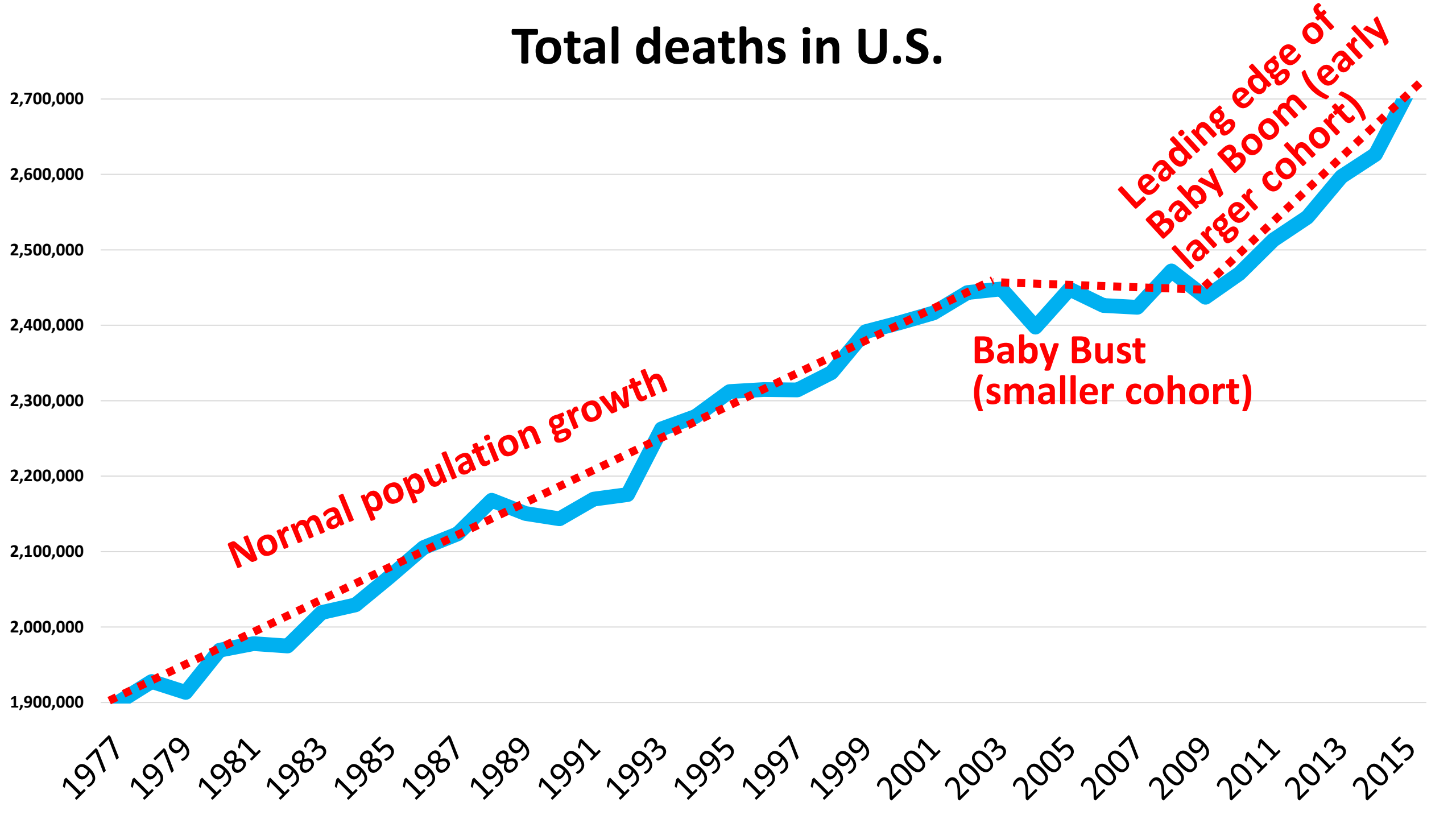


70-90% of charitable bequest dollars come from decedents aged 80+

The baby bust has been driving charitable bequest dollars

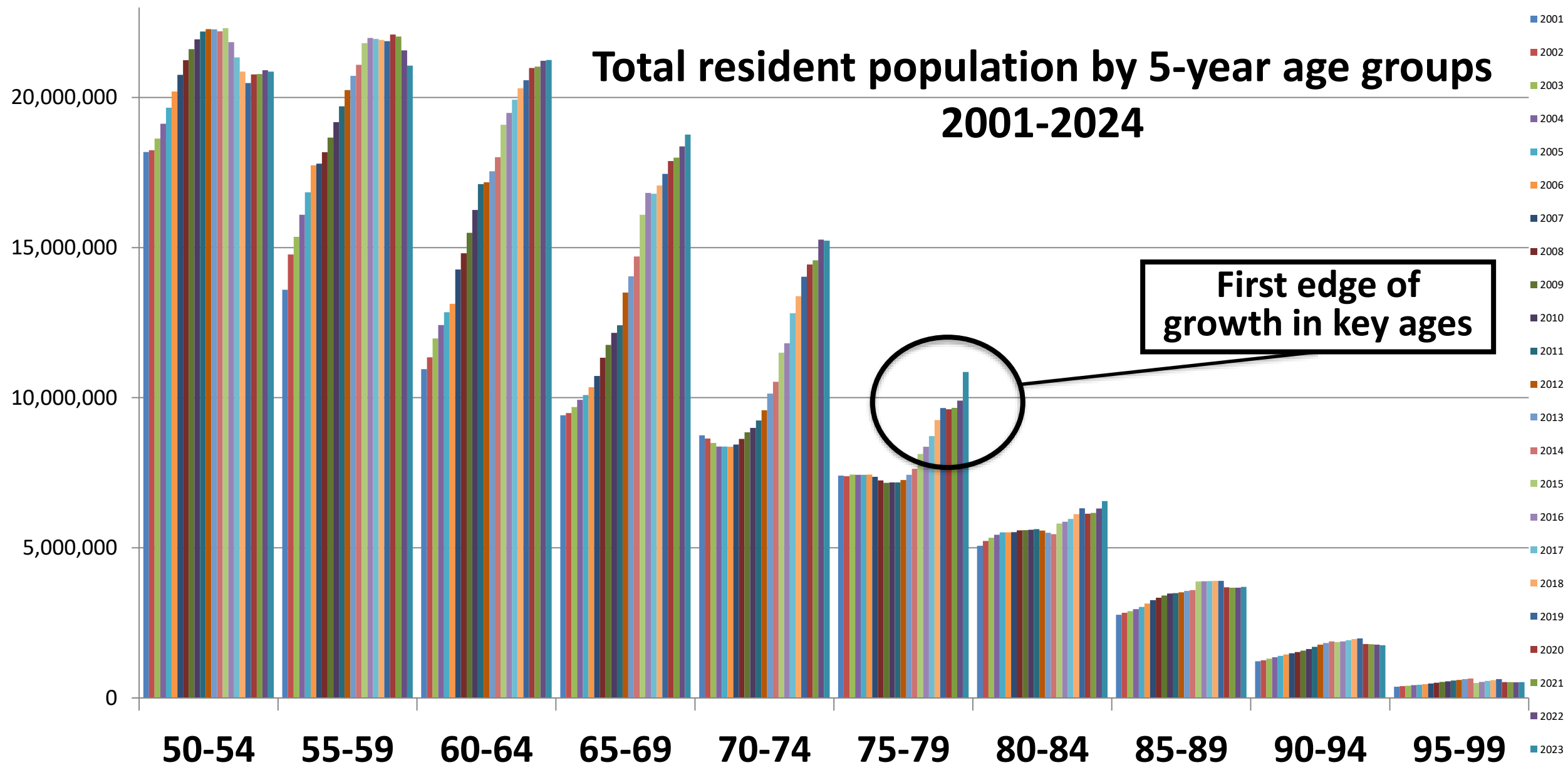


Total deaths in U.S.



Key population just starting to grow

Total resident population by 5-year age groups 2001-2024



Coming demographic wave will
impact CRT creation first, then CGA
creation, then bequests realization



CRT Creation
Peak Age:
70-74



CGA Creation
Peak Age:
75-79



Realized
Bequest Peak
Age: **88**

CRT deductions are dramatically overestimated

Deduction is based on receiving payments for a population average life expectancy, but...

1. Sick people don't buy annuities
2. Wealthy people live longer
3. People with charitable estate plans live longer than others of their same wealth



A CRT increases Investment Assets

- ↑ No upfront capital gains tax at sale
- ↑ Tax deferred growth (only distributions taxed)
- ↑ Immediate tax deduction
- ↑ Post-mortem management with DAF/PF beneficiary



If we use annuity purchaser life expectancy, will a maximum payout CRUT (with appreciated assets) give more after-tax dollars to clients & heirs than a direct investment with no charitable gift?

**The Tax
Benefit
\$**

**The
Charitable
Gift \$**



Direct Investment v. Max-Payout CRUT

Monte Carlo Simulation of 3,000,000 retirement lifetimes

- **Age 60 male & 55 female**
- **Vary life span** (2012 IAM Table)
- **Vary returns** (historic large cap std. dev.)
- **Annual consumption**
2.8% of initial investment
then inflation adjusted
- **20% basis asset**

Yeoman, John C. (2014). The economics of using a charitable remainder trust to fund a retirement portfolio. *The Journal of Wealth Management*, 40-50.



Direct Investment (No Charitable Gift)

(run out of money)

Failure

9.9%

(Average PV of initial \$)

Consumed

52.88%

(Average PV of initial \$)

for Heirs

47.12%

Max Payout CRUT

(any payment below
projected consumption)

Failure

7.9%

(Average PV of initial \$)

Consumed

53.10%

(Average PV of initial \$)

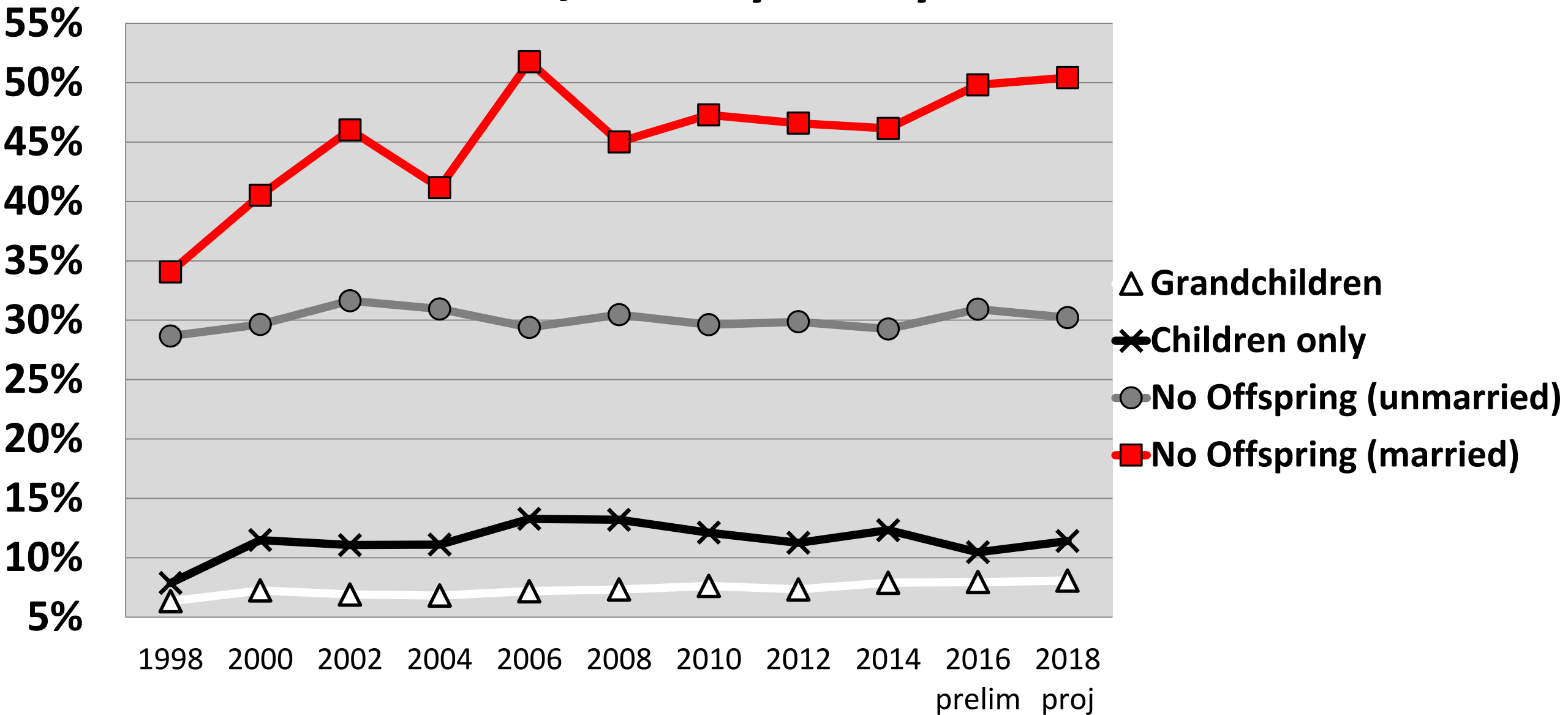
for Heirs

61.48%

**The future
is bright...**

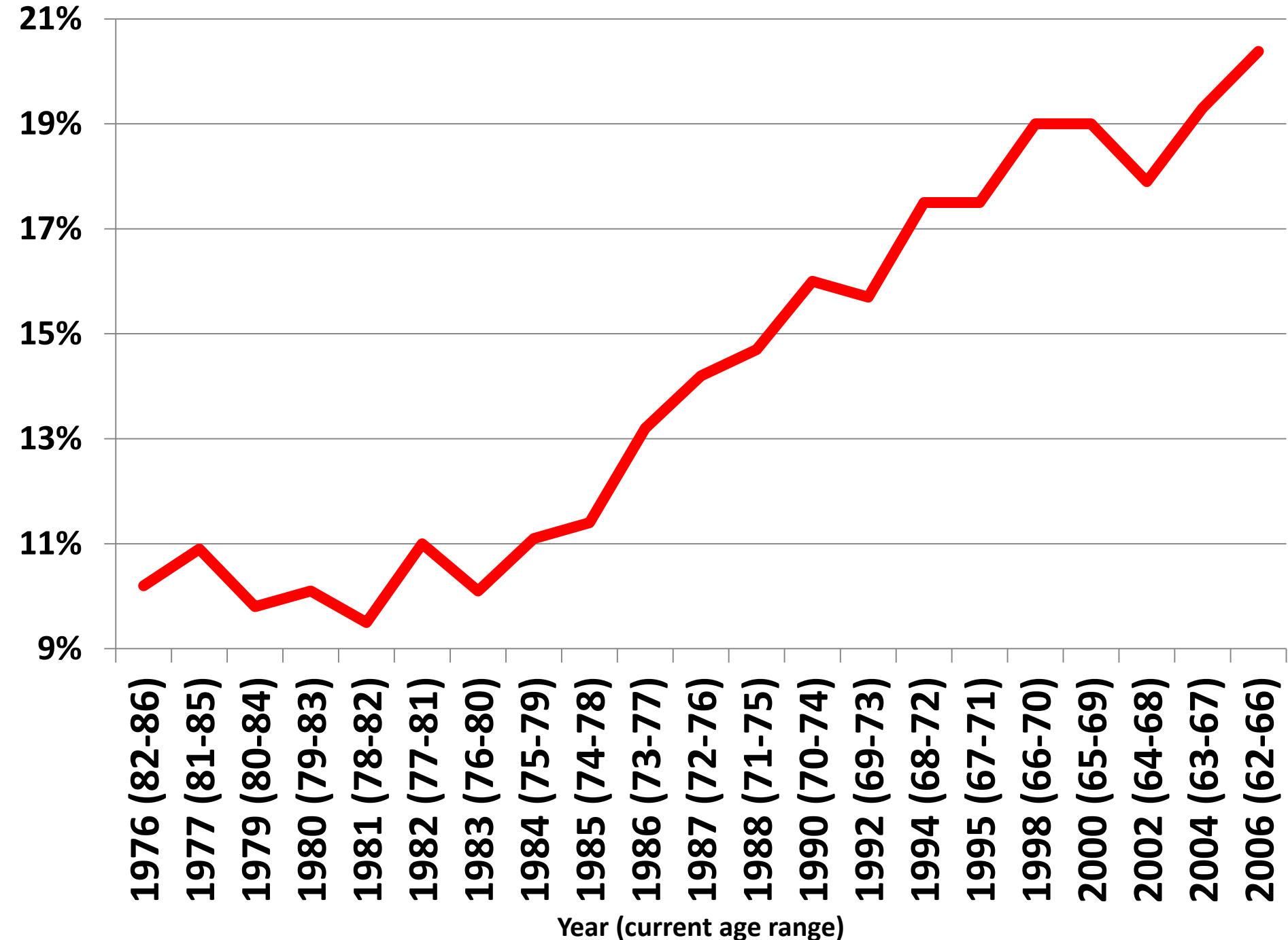


Age 55+ charitable recipient among those with will/trust by family status

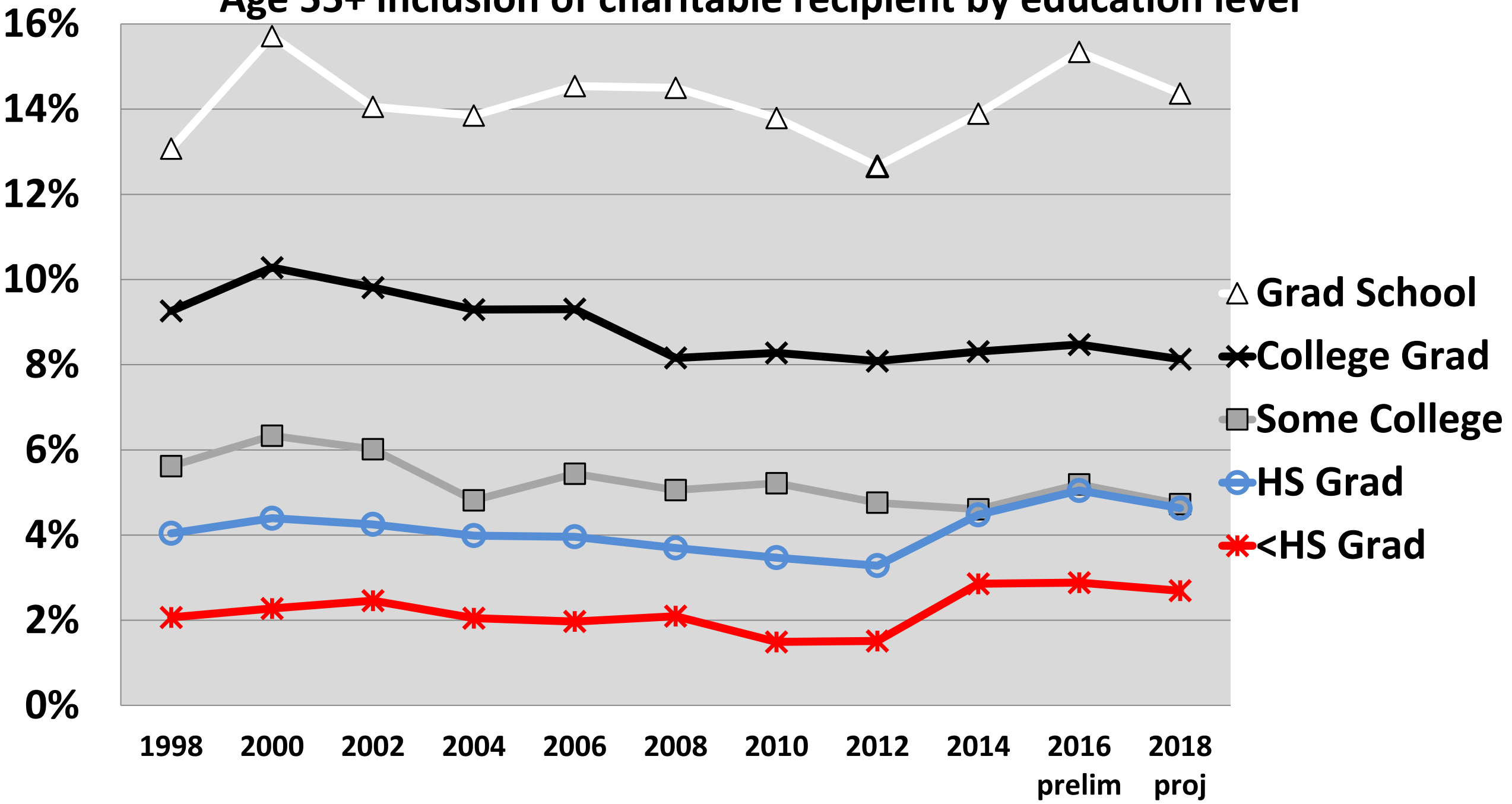


Percentage of U.S. women who were childless

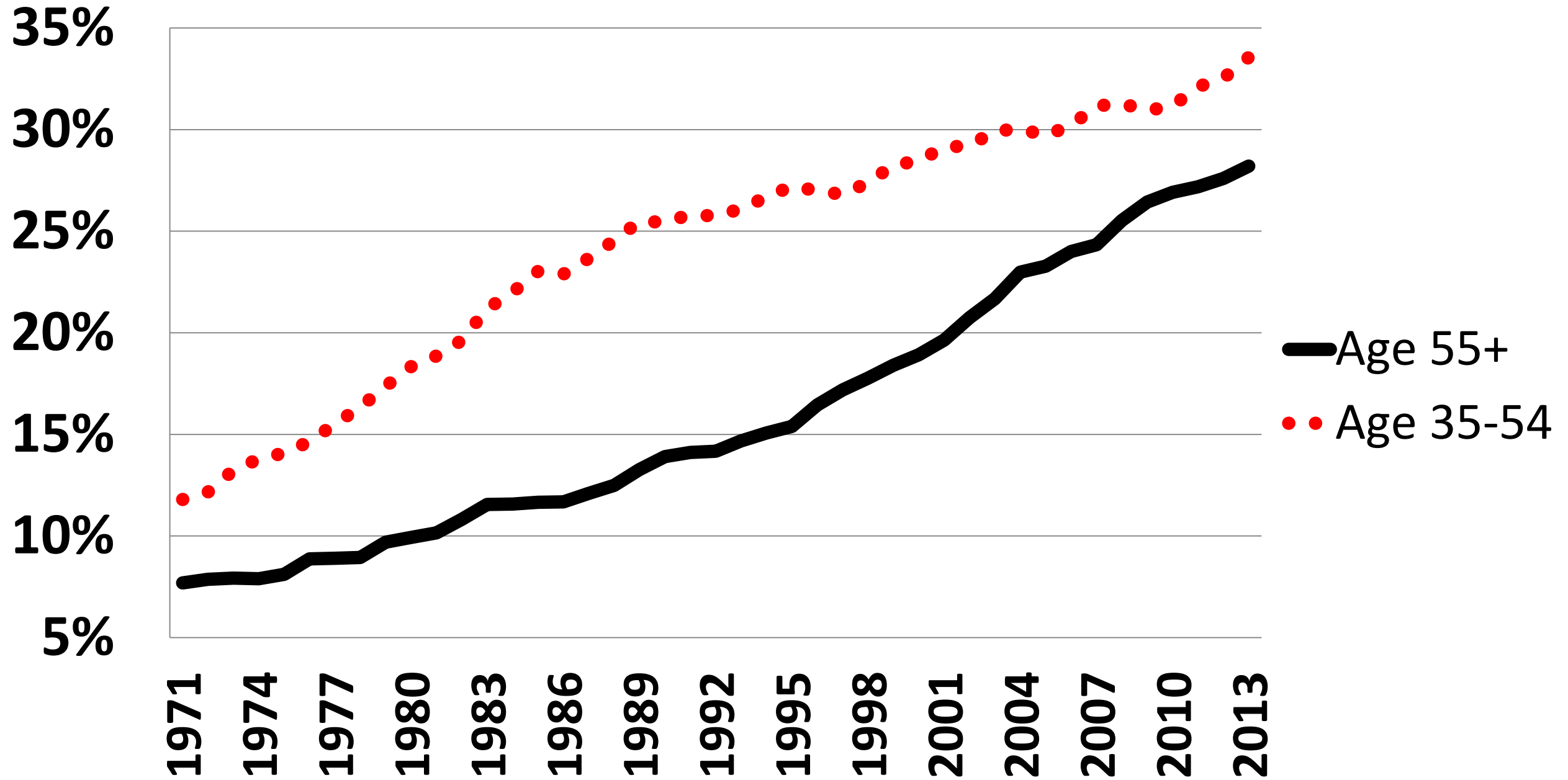
(measured at age 40-44 showing year of measurement and current age range)



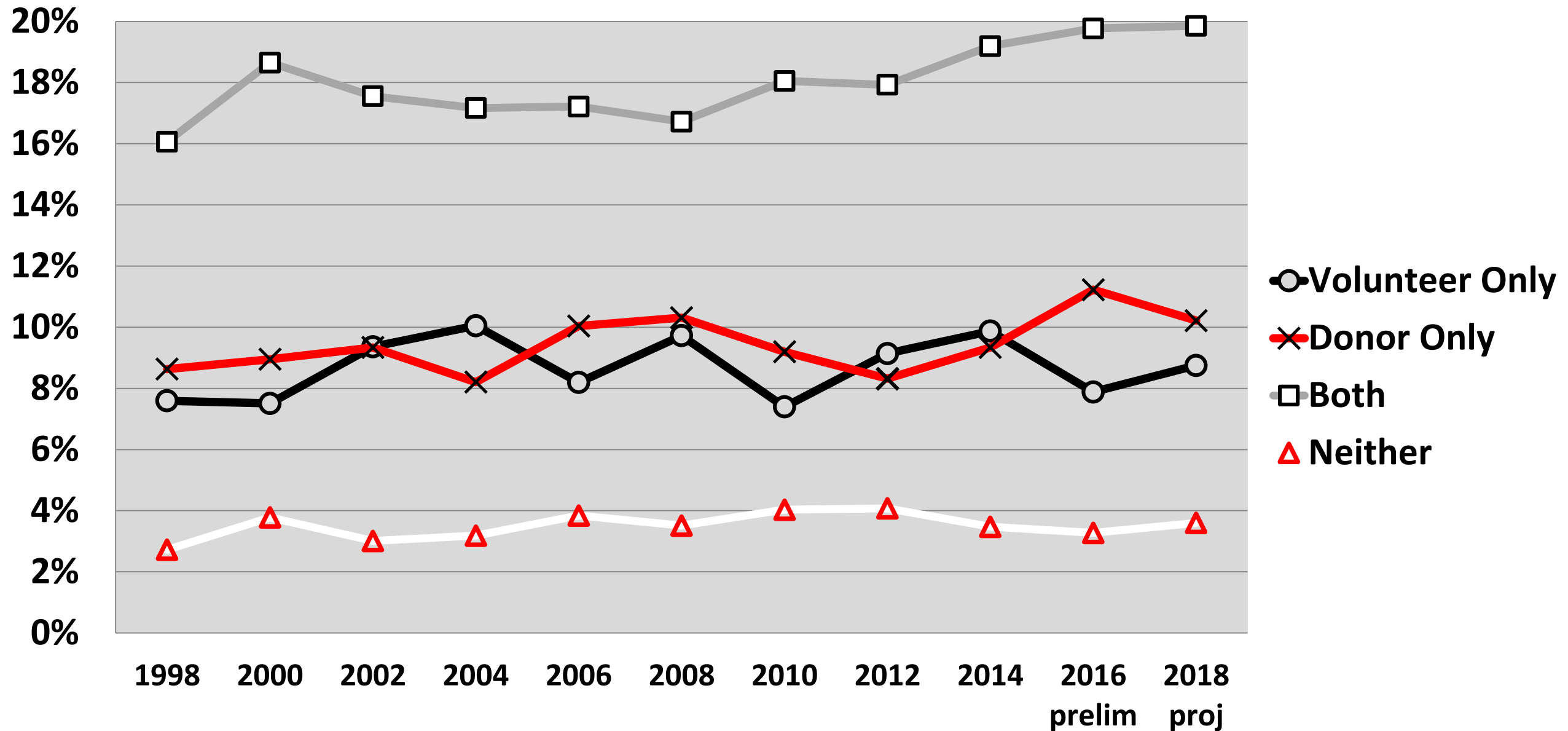
Age 55+ inclusion of charitable recipient by education level



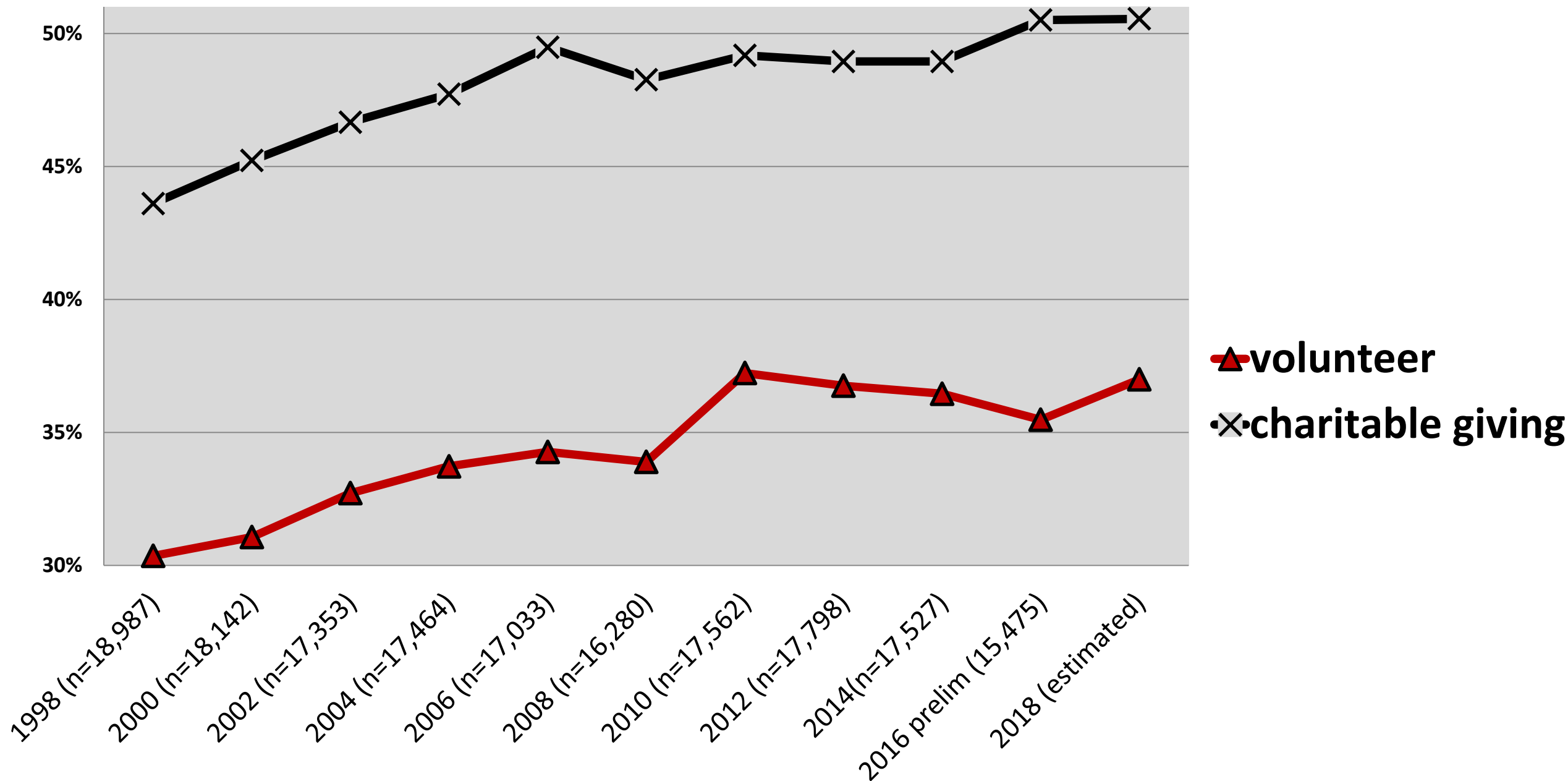
U.S. population share with bachelor's degree+



Age 55+ charitable beneficiary among those with will/trust by giving/volunteering



Age 55+ giving (\$500+) & volunteering (100+ hours)



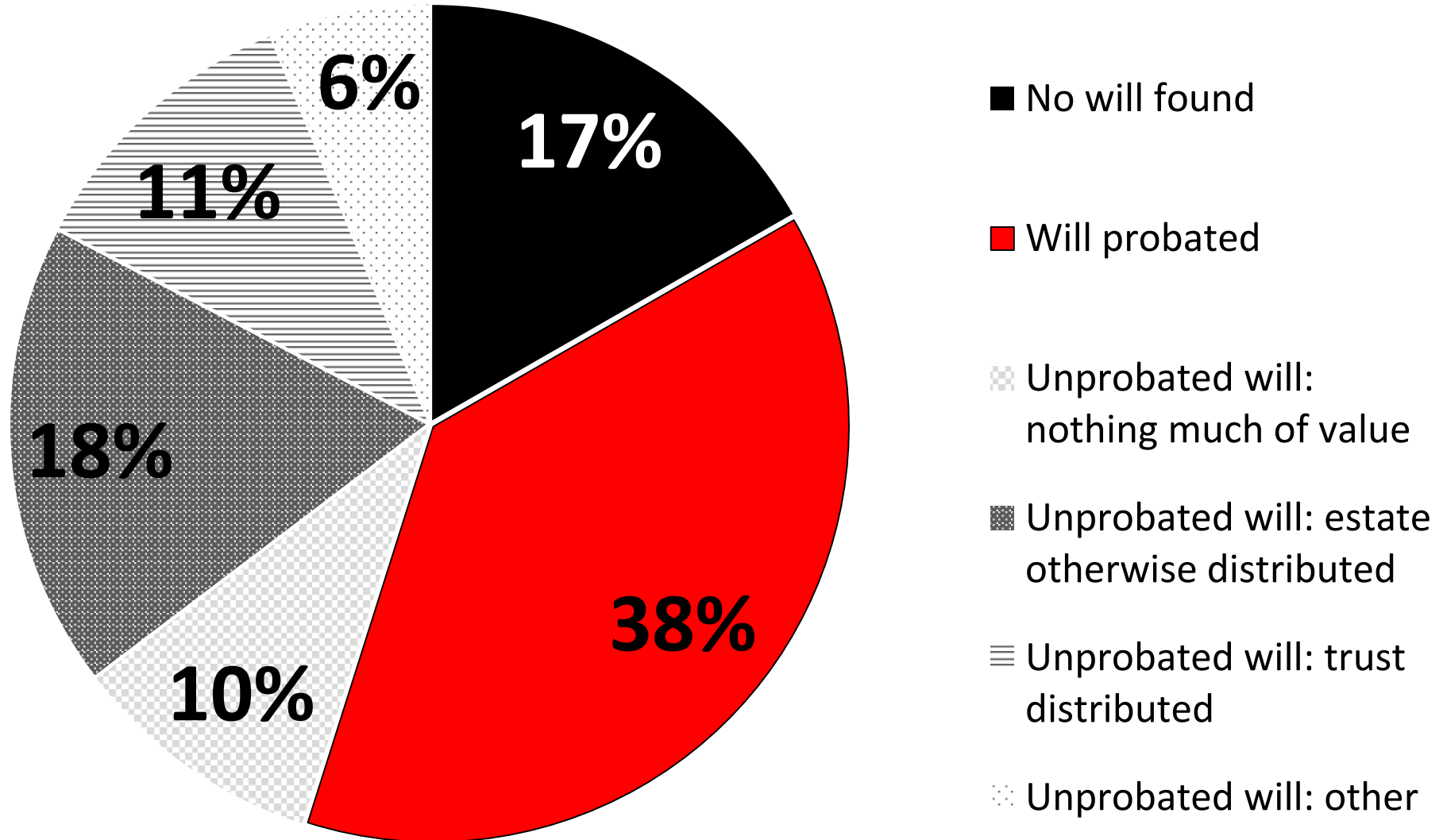
Wills that won't

What ultimately
happened to those
written and witnessed
will documents
reported during life?

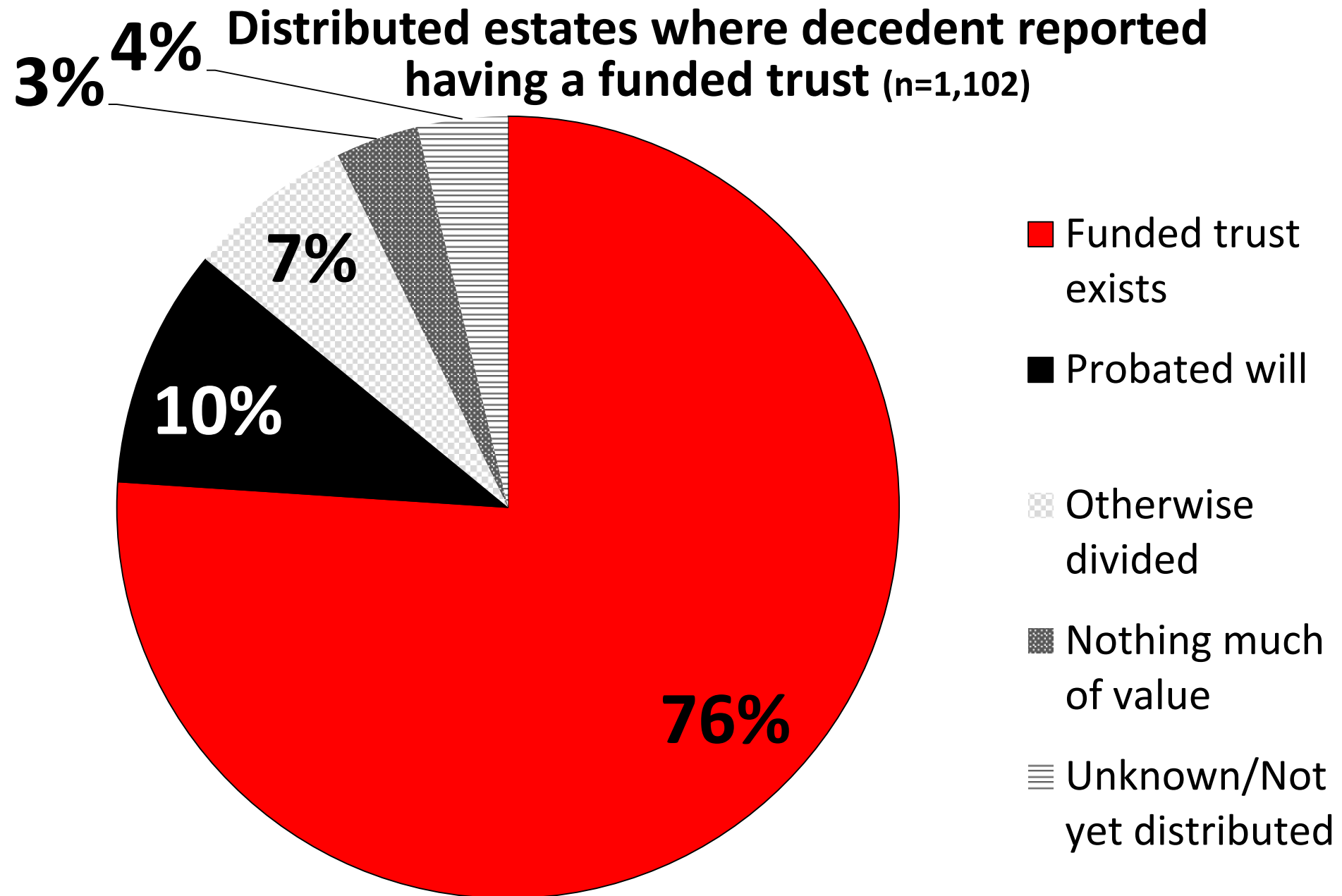


Reported wills are often unused

Distributed estates where decedent reported having a signed and witnessed will (n=7,150)



Funded trusts more likely to work



Documents

- The will is only a back-up document
- Ask about titling and beneficiary designations (especially qualified plans!)
- Most wills are never used – let me explain why
- Encourage trust planning
- Consider alternate will language “a dollar amount equal to ___ percent of my adjusted federal gross estate...”



Reaching the right people



at the right time

**Who are
these
people?**



Predicting who ACTUALLY leaves a charitable estate gift AT DEATH





**Lifetime predictors of a
post-mortem bequest gift**

1. *% years giving*
2. *No offspring*
3. *Highest giving*
4. *% years reporting funded trust*
5. *Female*
6. *Last reported wealth*
7. *Not married*
8. *Last reported giving*
9. *Growing wealth*
10. *% years volunteering*



Best 1 to 10-Item Models

Items	1	2	3	4	5	6	7	8	9	10
Base rate	2.36%	1.47%	1.49%	1.11%	-2.73%	-4.70%	-3.20%	-3.12%	-2.89%	-3.03%
% years giving	8.69%	8.85%	8.66%	6.40%	6.73%	5.96%	6.22%	6.16%	6.29%	5.68%
No offspring		8.66%	8.55%	8.60%	8.36%	9.56%	8.05%	8.00%	7.92%	7.95%
Highest giving \$k			0.12%	0.11%	0.11%	0.11%	0.11%	0.07%	0.07%	0.07%
% years reporting trust				10.19%	10.24%	8.43%	9.45%	9.36%	9.39%	9.46%
Female					2.45%	2.65%	2.00%	1.96%	1.90%	1.91%
Last wealth (doubles)						0.07%	0.08%	0.08%	0.06%	0.06%
Married							-2.18%	-2.23%	-2.30%	-2.26%
Last giving \$k								0.10%	0.10%	0.10%
Wealth trend									1.76%	1.83%
% years volunteering										2.41%

Other items valuable (p<.01) in larger models: Education level and Age at death

Predicting the actual dollars of charitable estate gifts at death

Note: Dollar-based analyses are always dominated by a few major donors, so the results may be less reliable than the “yes” v. “no” question.



1. *Avg. annual giving*
2. *Ending wealth*
3. *No offspring*
4. *Last reported giving*
5. *% years with funded trust*
6. *(-) Highest ever reported wealth*
7. *Avg. wealth over time*
8. *(-) Lowest ever reported wealth*
9. *(-) Highest \$ given in one year*
10. *Unmarried*



Best 1 to 10-Item Models

Items	1	2	3	4	5	6	7	8	9	10
base rate	1,499	703	-242	-199	-826	-561	-836	-636	-567	346
Average \$k giving	1,415	1,344	1,340	1,024	1,004	1,078	1,056	1,044	1,244	1,250
Last reported wealth \$k		4	4	3	3	5	4	4	4	5
No offspring exists			9,774	9,722	9,815	9,807	9,917	9,868	9,844	9,325
\$k of giving in last report				336	341	317	301	293	286	286
% years reporting funded trust					9,960	11,125	10,049	10,014	10,096	10,195
Highest reported wealth \$k						-2	-4	-5	-5	-5
Average reported wealth \$k							7	10	10	10
Lowest reported wealth \$k								-13	-13	-12
Highest \$k year of giving									-113	-114
Married										-2,409

Other items valuable (p<.01) in larger models: Education level and Any Gift at Last Report

Reaching the
right people



**at the right
time**

When do plans change?





**Factors predicting when
charitable plans are
ADDED**

**1. Approaching death
(final pre-death
survey)**

**2. Becoming a
widow/widower**

**3. Diagnosed with
cancer**

**4. Decline in self-reported
health**

5. Divorce

**6. Diagnosed with heart
problems**

**7. Diagnosed with a
stroke**

8. First grandchild

9. Increasing assets

**10. Increasing charitable
giving**





**Factors predicting when
charitable plans are
DROPPED**

1. *Decline in self-reported health*
2. *Approaching death (final pre-death survey)*
3. *Becoming a widow/widower*

4. *Divorce*
5. *Diagnosed with cancer*
6. *Diagnosed with heart problems*
7. *Diagnosed with a stroke*
8. *First grandchild*
9. *First child*
10. *Exiting homeownership*



Plans destabilize when



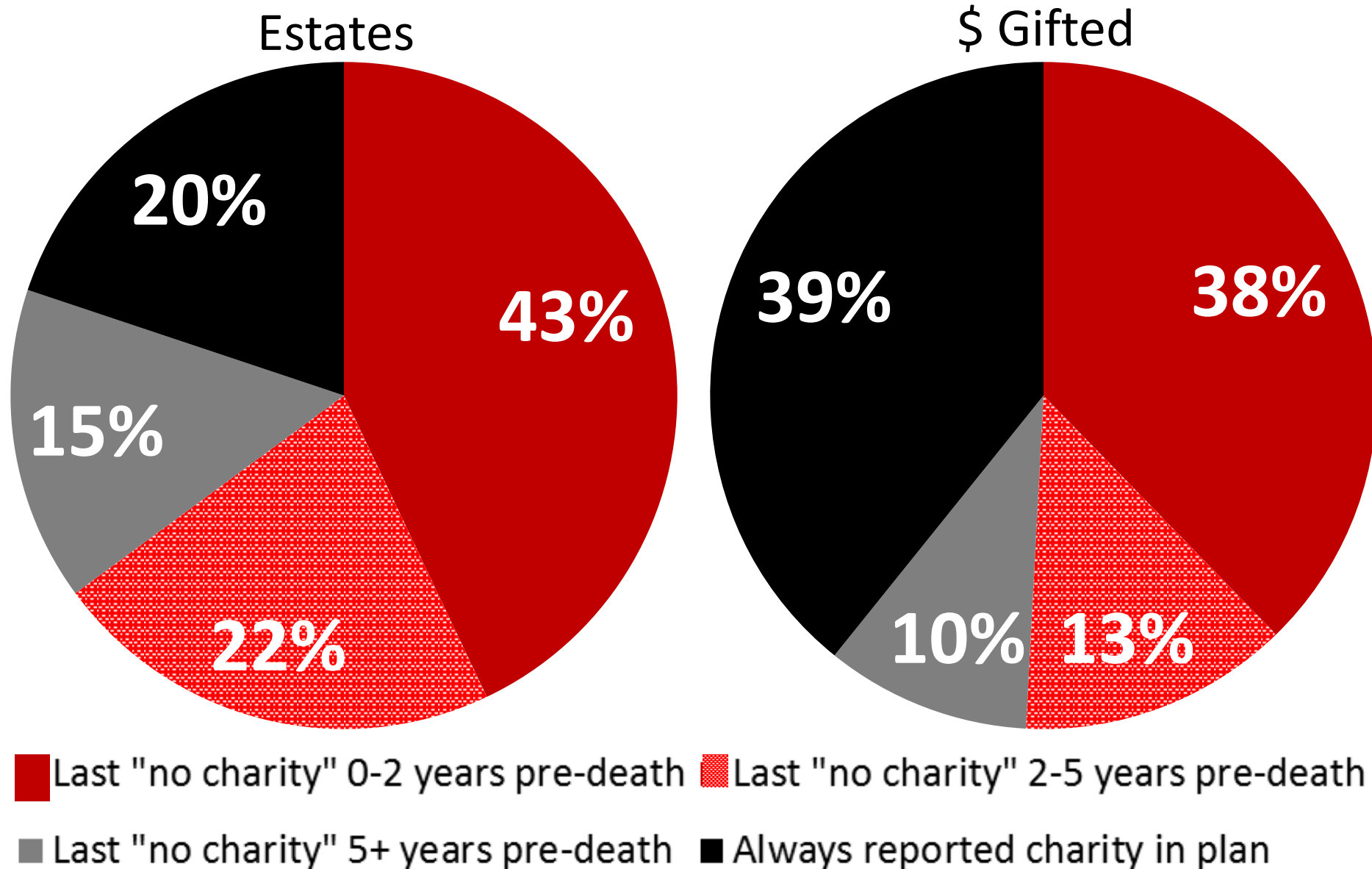
1. Death feels near

- *Final pre-death survey*
- *Decline in self-reported health*
- *Diagnosis with cancer*
- *Diagnosis with heart disease*
- *Diagnosis with stroke*
- *Becoming a widow or widower*

2. Family structure changes

- *Divorce*
- *First child*
- *First grandchild*
- *Becoming a widow or widower*

Most realized charitable plans (in red) added within 5 years of death



Although most charitable plans were added within 5 years of death, **ONE** longer-term plan was worth **THREE** first made in the last two years.



A 5% national sample of 2012 probate records in Australia showed an estimated

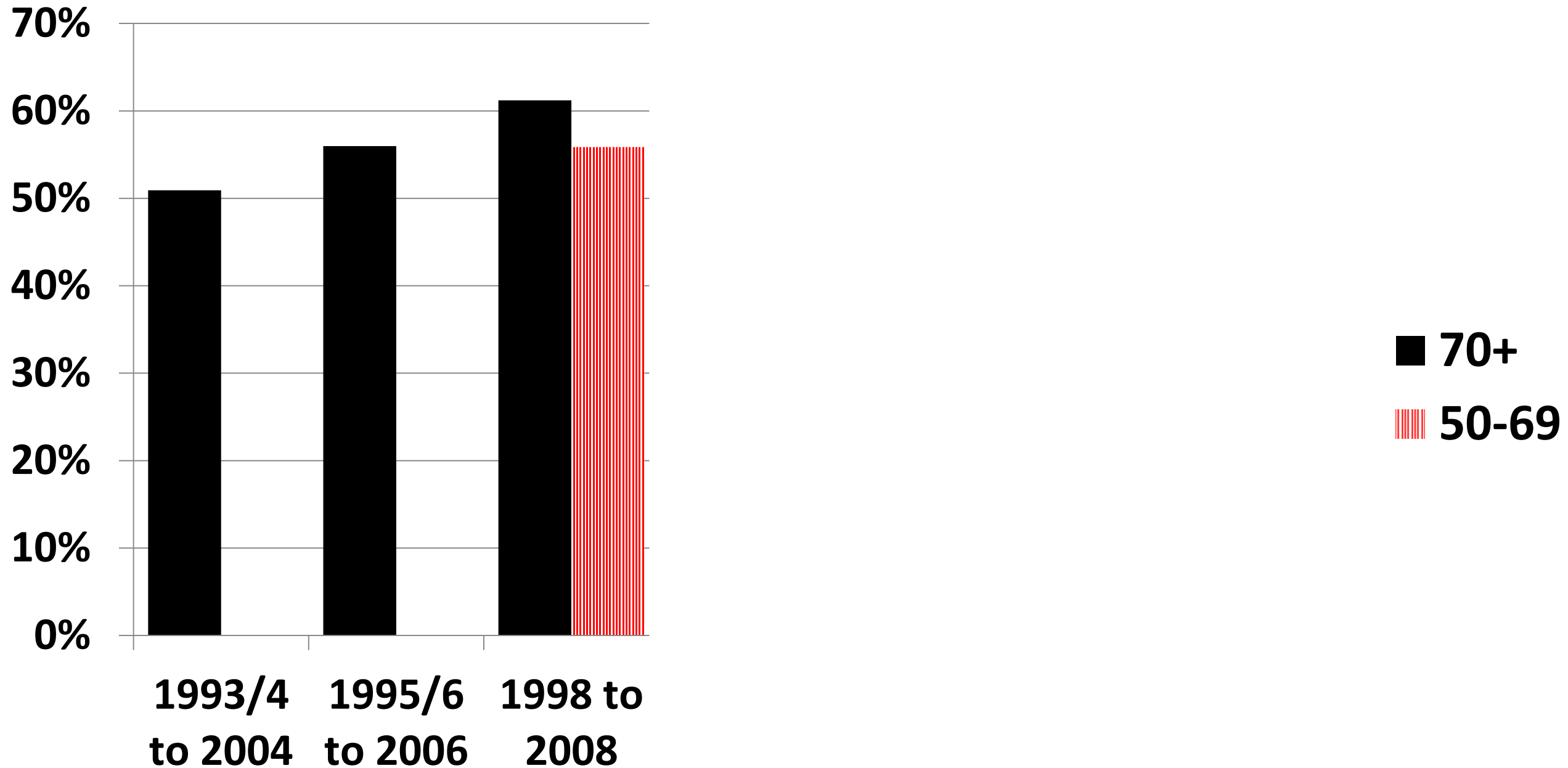
- 31% of charitable wills were signed within **2 years** of death
- 60% were signed within **5 years** of death



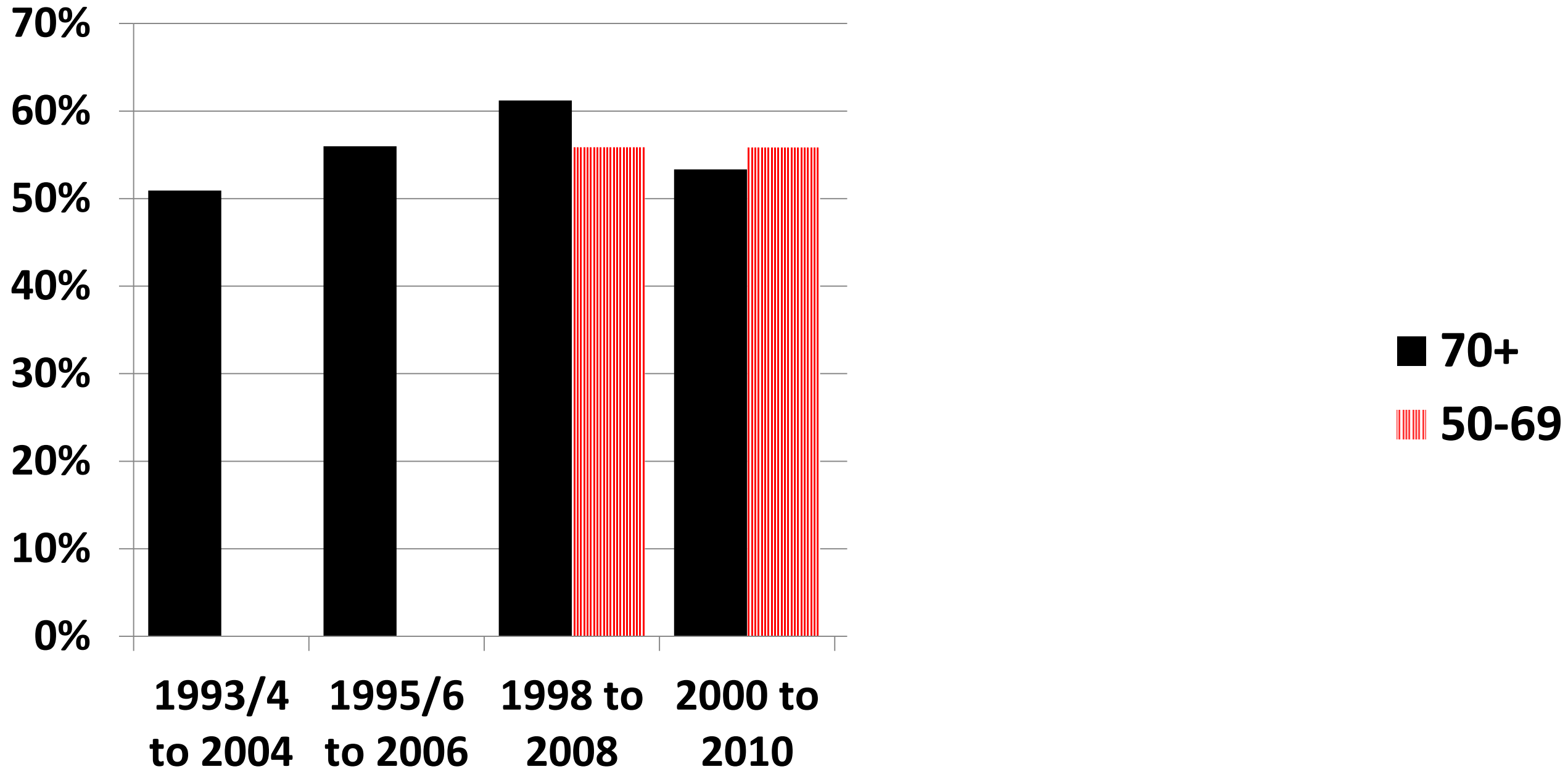
Plans destabilize as death approaches



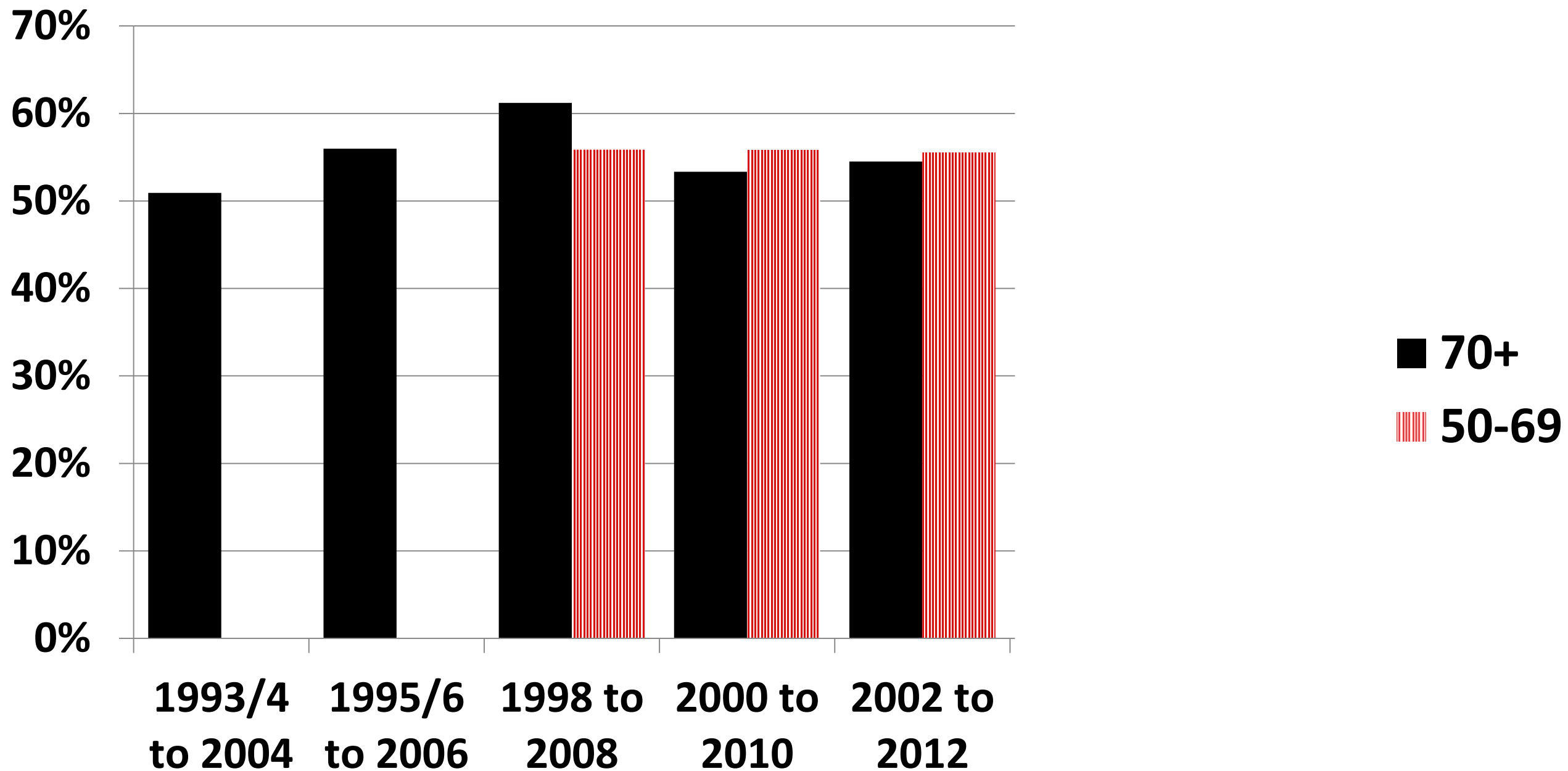
10-Year Retention of Charitable Estate Component



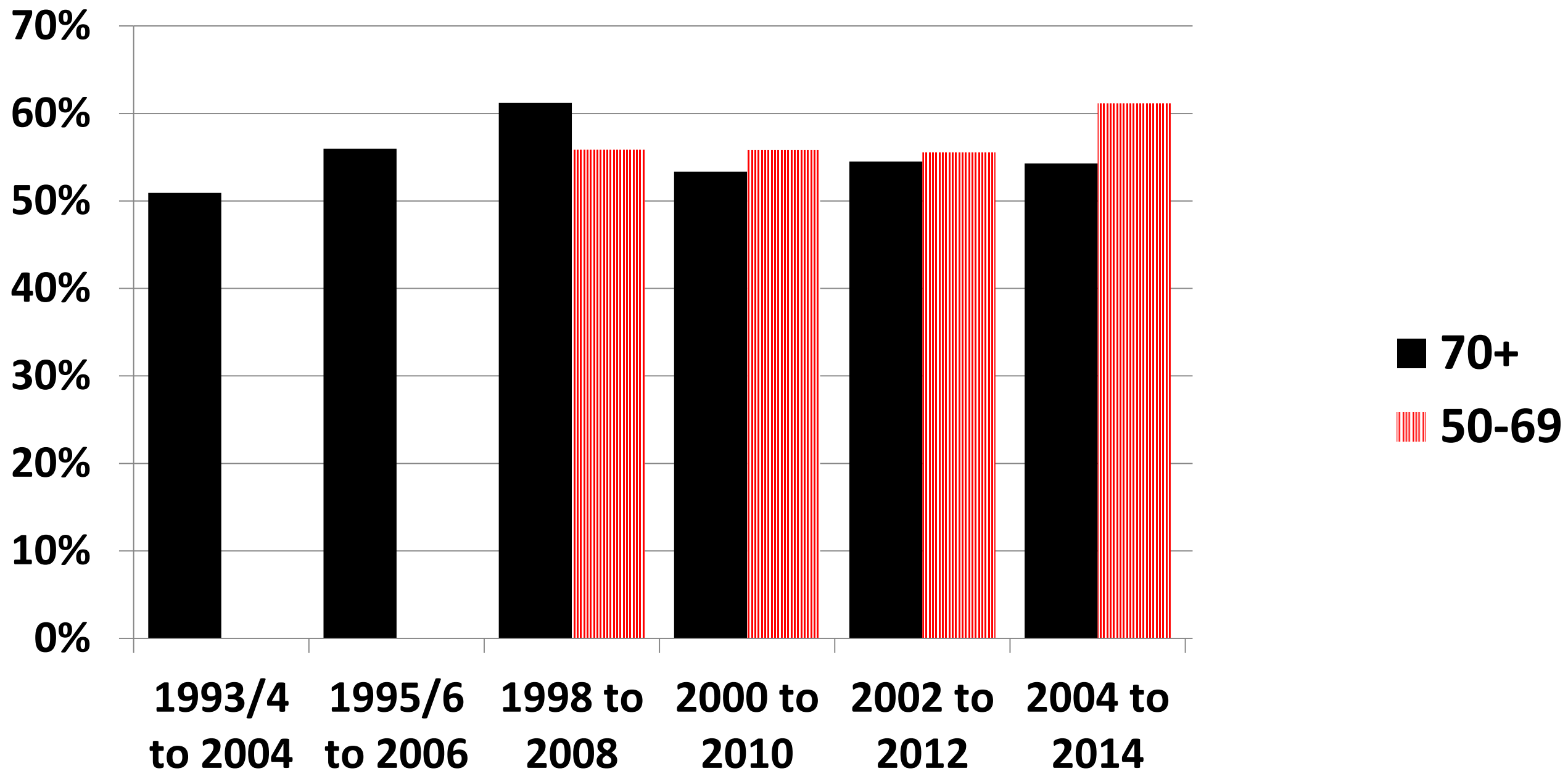
10-Year Retention of Charitable Estate Component



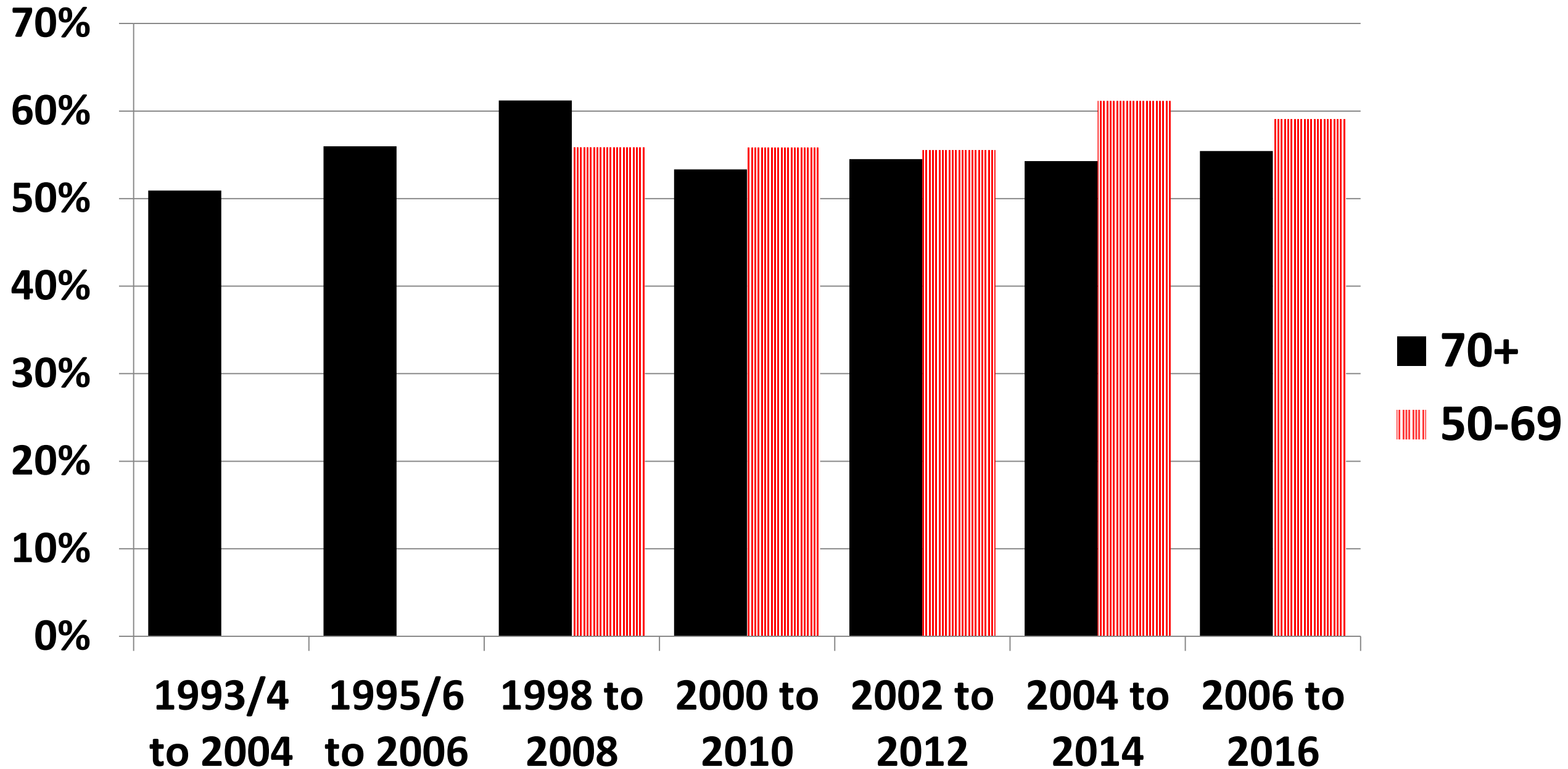
10-Year Retention of Charitable Estate Component



10-Year Retention of Charitable Estate Component

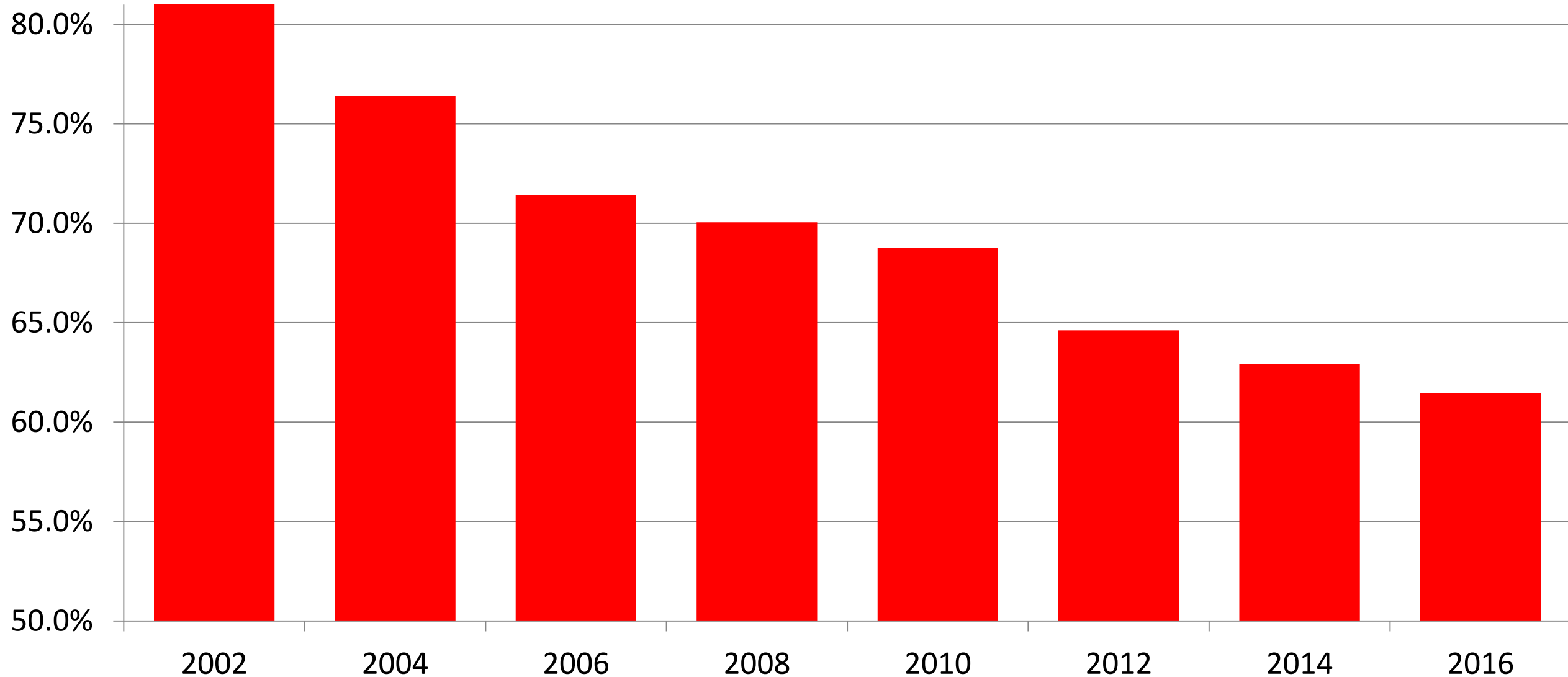


10-Year Retention of Charitable Estate Component



Charitable Plan Loss Trajectory

Among those still alive and answering the same question who reported having a charitable component in BOTH 1998 & 2000



**So where does
“Once in, Always in” come from?**



Plans destabilize as death nears

We can see this only in
a **LIFETIME**
survey



not in a
ONE TIME
survey



Fiction

The NCPG (2000) study showed that 90% of planned bequest donors don't change their plans

Fact

It showed that **IF** charity stayed in, plan changes decreased total charitable amount 10% of the time



Among those (avg. age of 58) **WITH** a charitable plan, 10% chose “Amount Decreased” when asked about their overall plan, “Has the amount of the charitable bequest ever increased or decreased?”

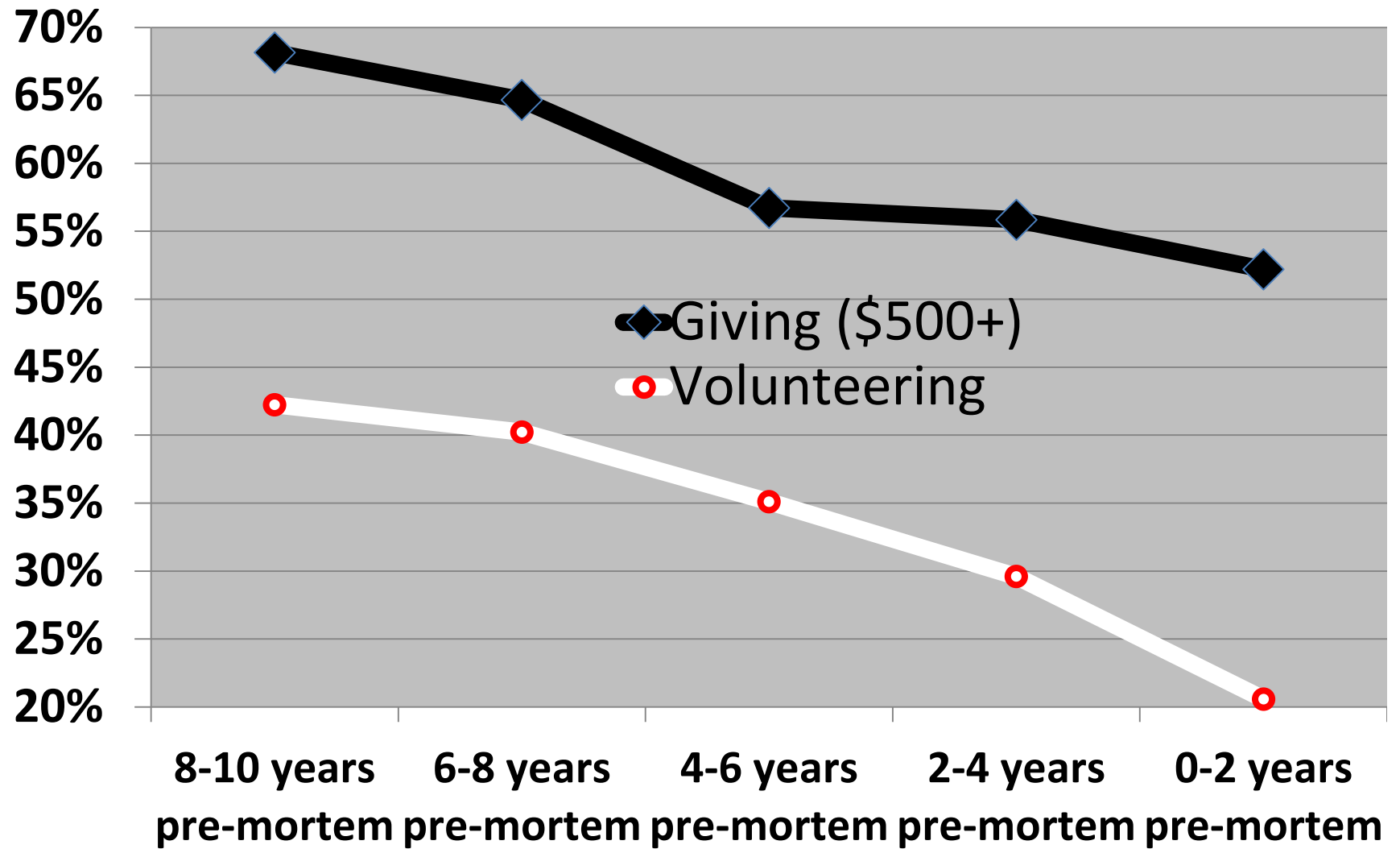
Practice suggestions

What now?



Many charities go silent at the most important point of decision.

Lifetime Giving and Volunteering by Estate Donors

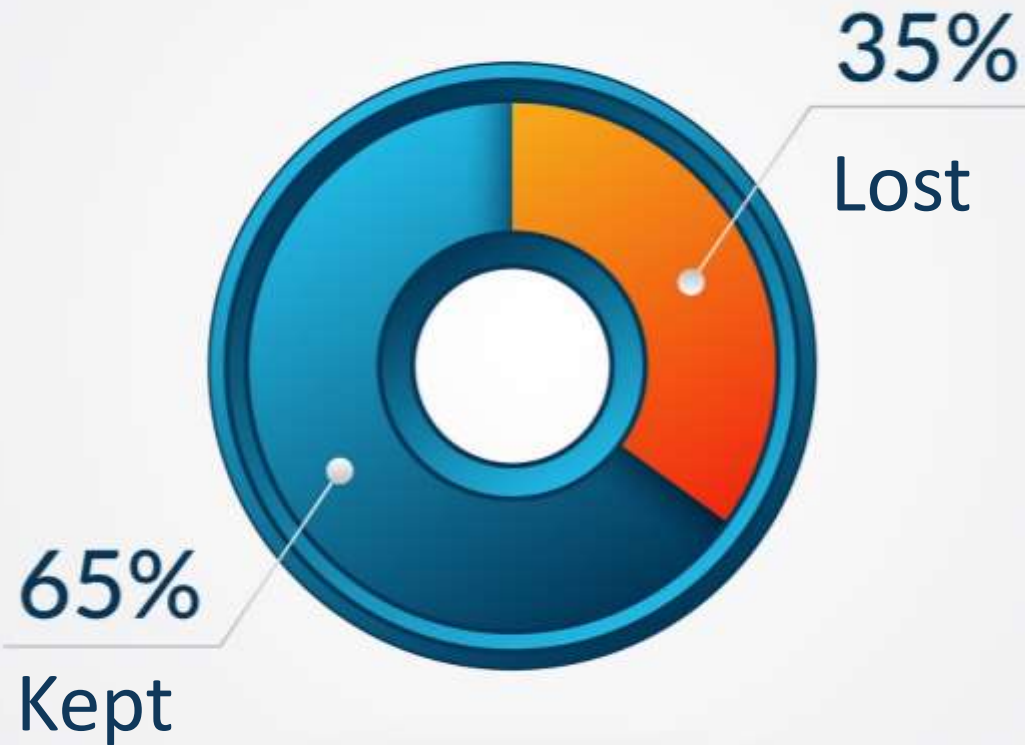


**“Count it and forget it”
doesn’t work!**



Another study

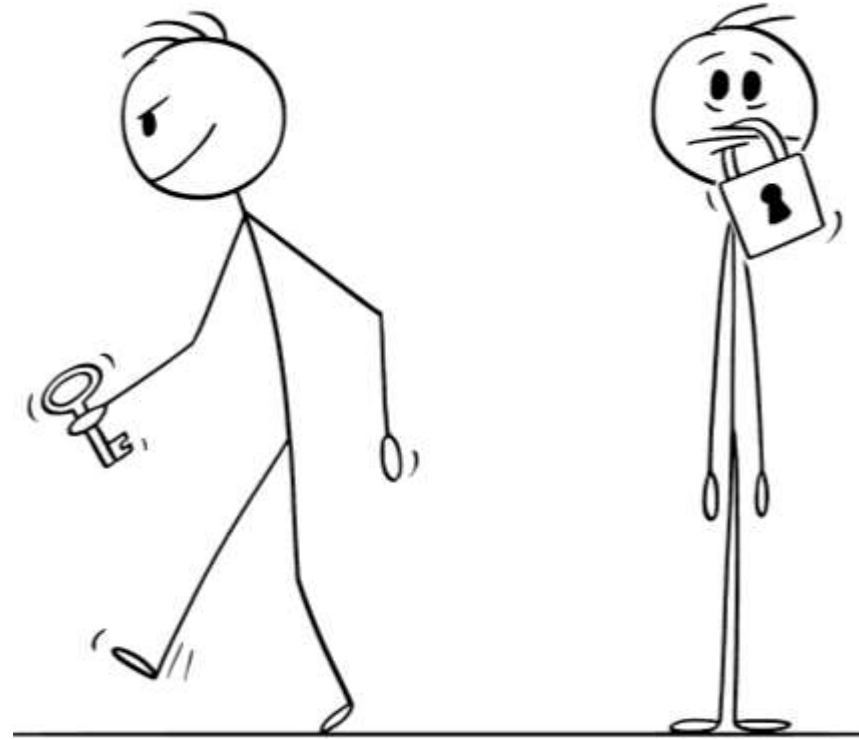
- Ten large Australian charities provided data from those dying in 2014-2017
- Among 700 known decedents who had confirmed the presence of a planned bequest gift to the charity during life, 65% generated an estate gift at death
- Because all estate gifts are known but not all deaths are known, these retention rates are estimated maximums



Wishart, R., & James III, R. N. (2021). The final outcome of charitable bequest gift intentions: Findings and implications for legacy fundraising. *Journal of Philanthropy and Marketing*, 26(4), e1703.

Don't go “radio silent”

- The average loss rate was 24% when the charity had at least one communication with the decedent within two years of death, and 48% otherwise
- This gap is likely much larger, because deaths among those with no communications who generate no gifts are less likely to be known by the charity



A woman with long, dark, wavy hair and bangs, wearing a white button-down shirt, is holding a small green seedling in her hands. She is looking directly at the camera with a slight smile. The background is plain white.

A bequest commitment is the beginning, not the end

Higher value
in converting
to irrevocable
commitments:
gift annuities,
charitable
remainder trusts,
remainder interests
in homes and farms.



Charitable
plans signed
earlier

DO

produce larger
gifts,

IF

they stay in (or
they return
later)

Don't
ignore
your
oldest
supporters



Half of all charitable bequest dollars came
from decedents this age and older...



Current U.S. study
(1992-2012):

Age 85

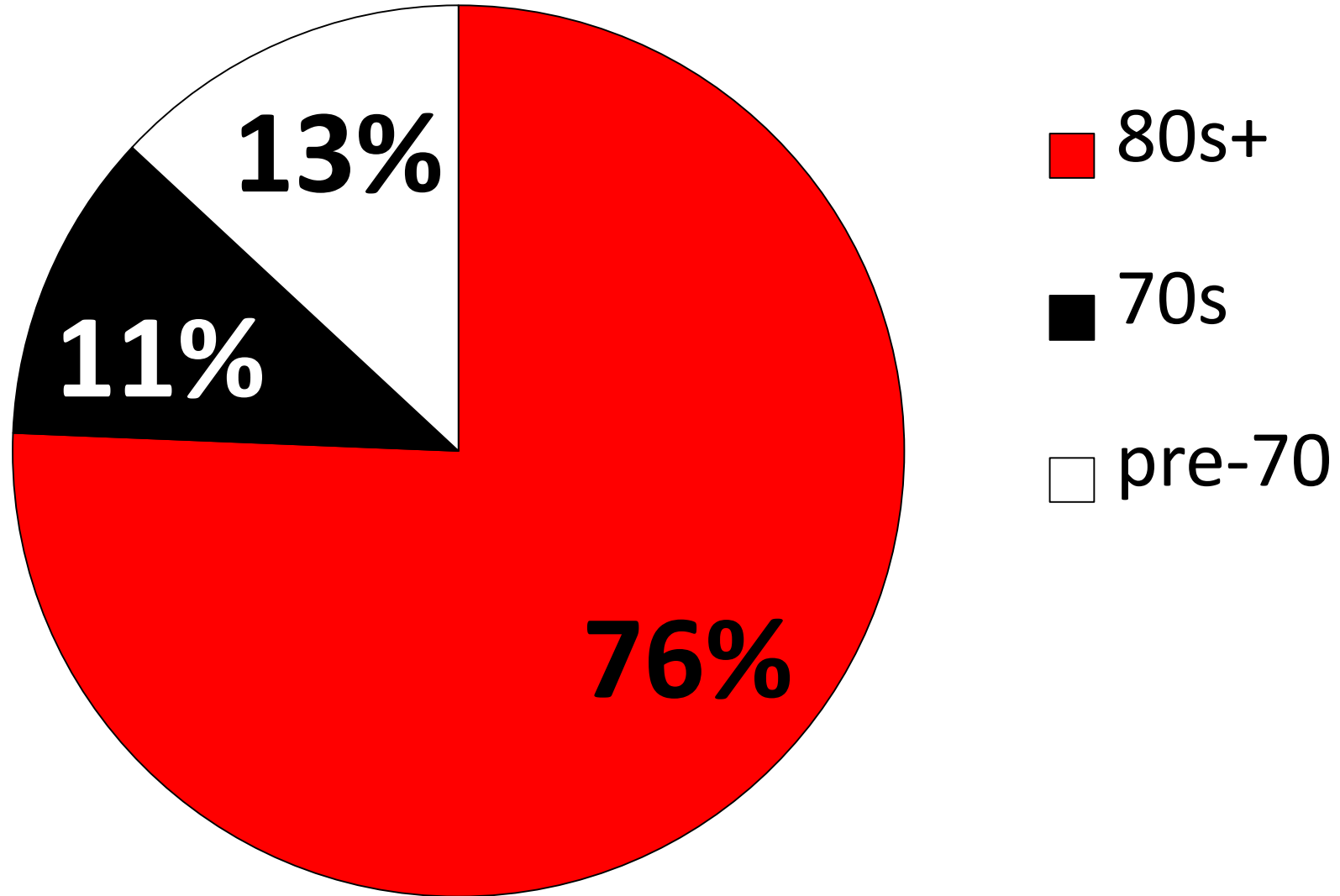
New Australian study
(5% sample of national
probate files 2010):

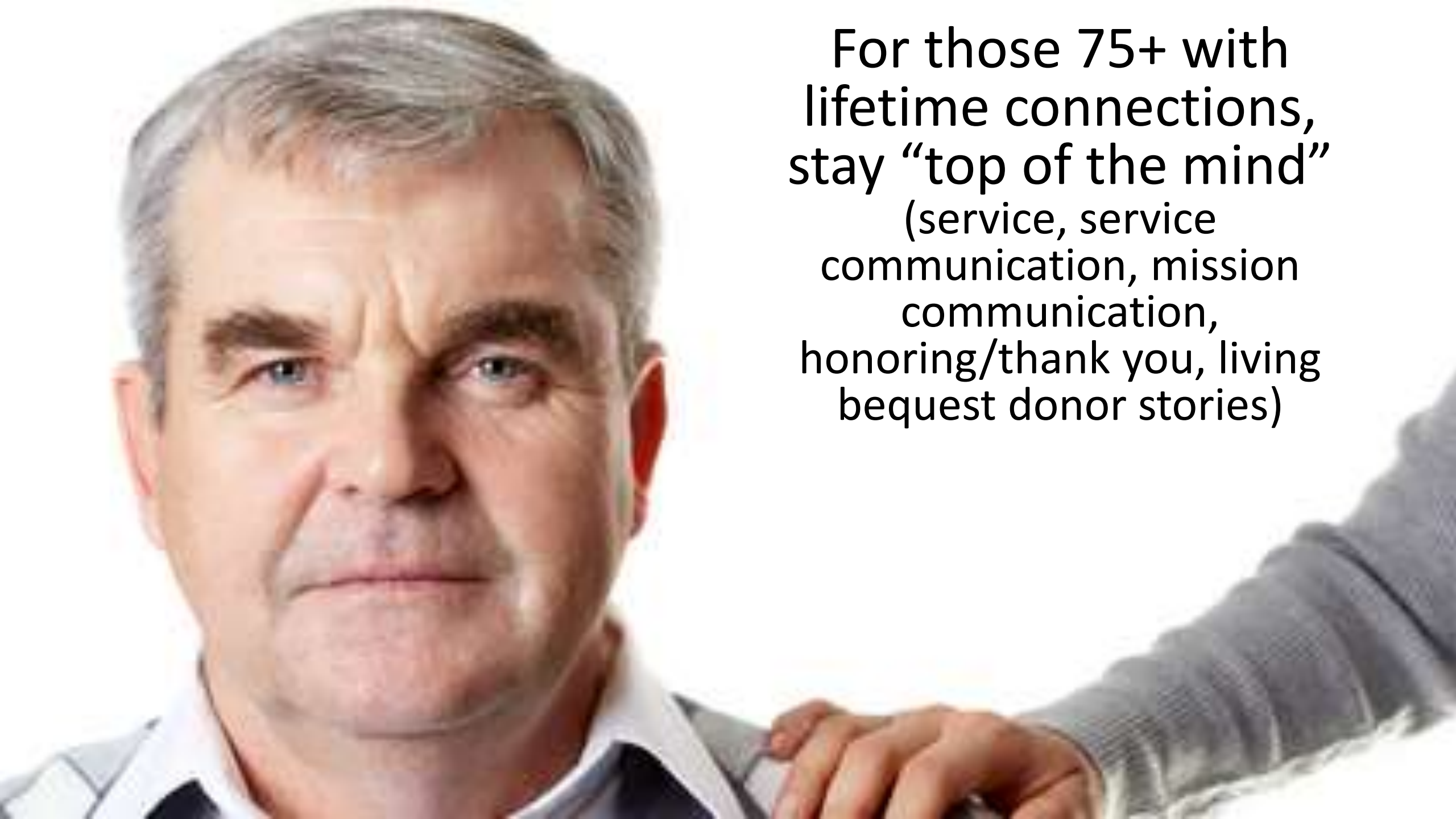
Age 90

Remember that most realized charitable
bequests are added within 5 years of death

Age at Will Signing

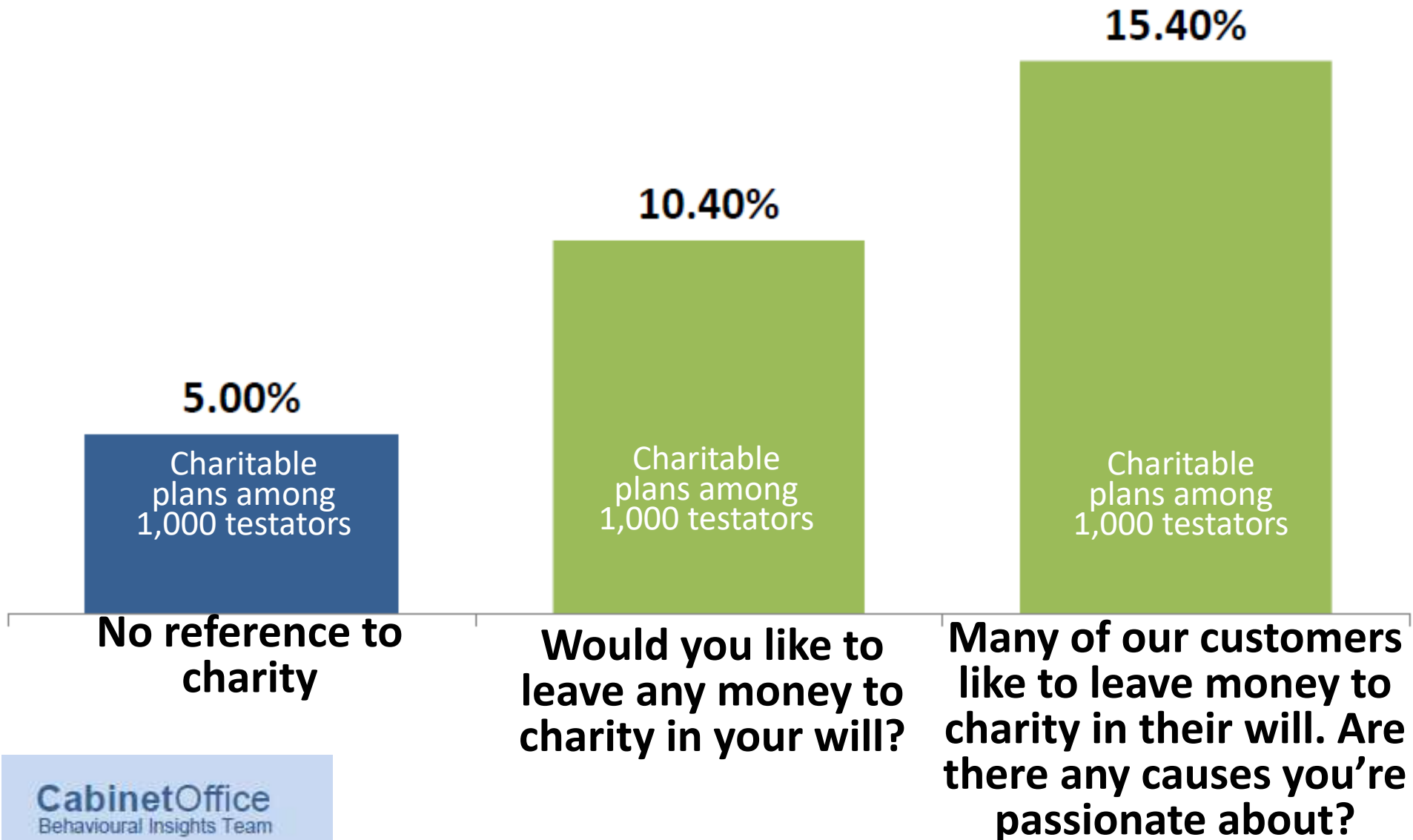
(by share of total charitable bequest \$ transferred)





For those 75+ with
lifetime connections,
stay “top of the mind”
(service, service
communication, mission
communication,
honoring/thank you, living
bequest donor stories)

Charitable bequest decisions are often unstable and easily influenced

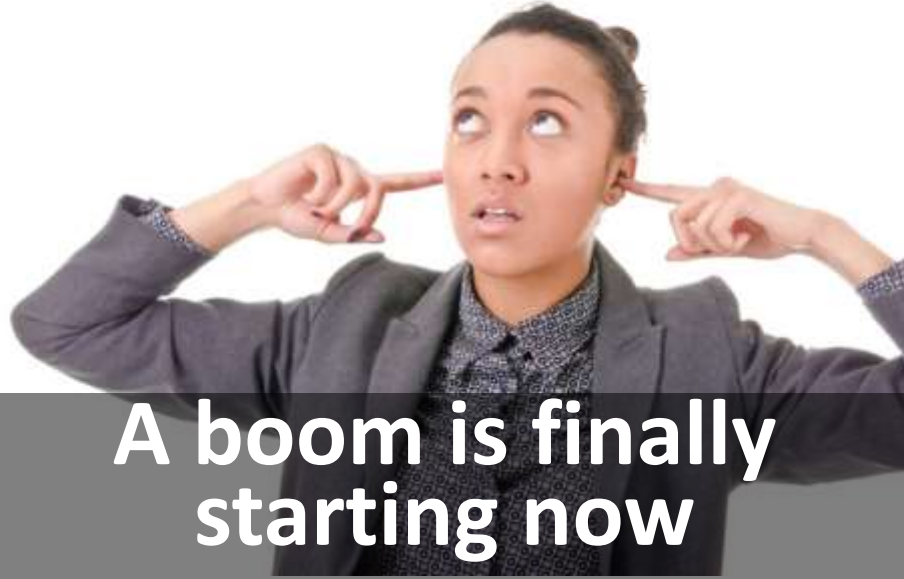


The score doesn't count until the clock runs out



- Plans change every time a donor opens a new account with a TOD/POD or changes a joint account owner
- Plans become unstable as death approaches
- Stay connected! Stay communicating!

Where's the boom?



A boom is finally starting now

Wills that won't



But, trusts do

Who are these people?



Wealthy, consistent donors with a trust (especially childless and unmarried)

When do plans change?



Approaching mortality & family changes

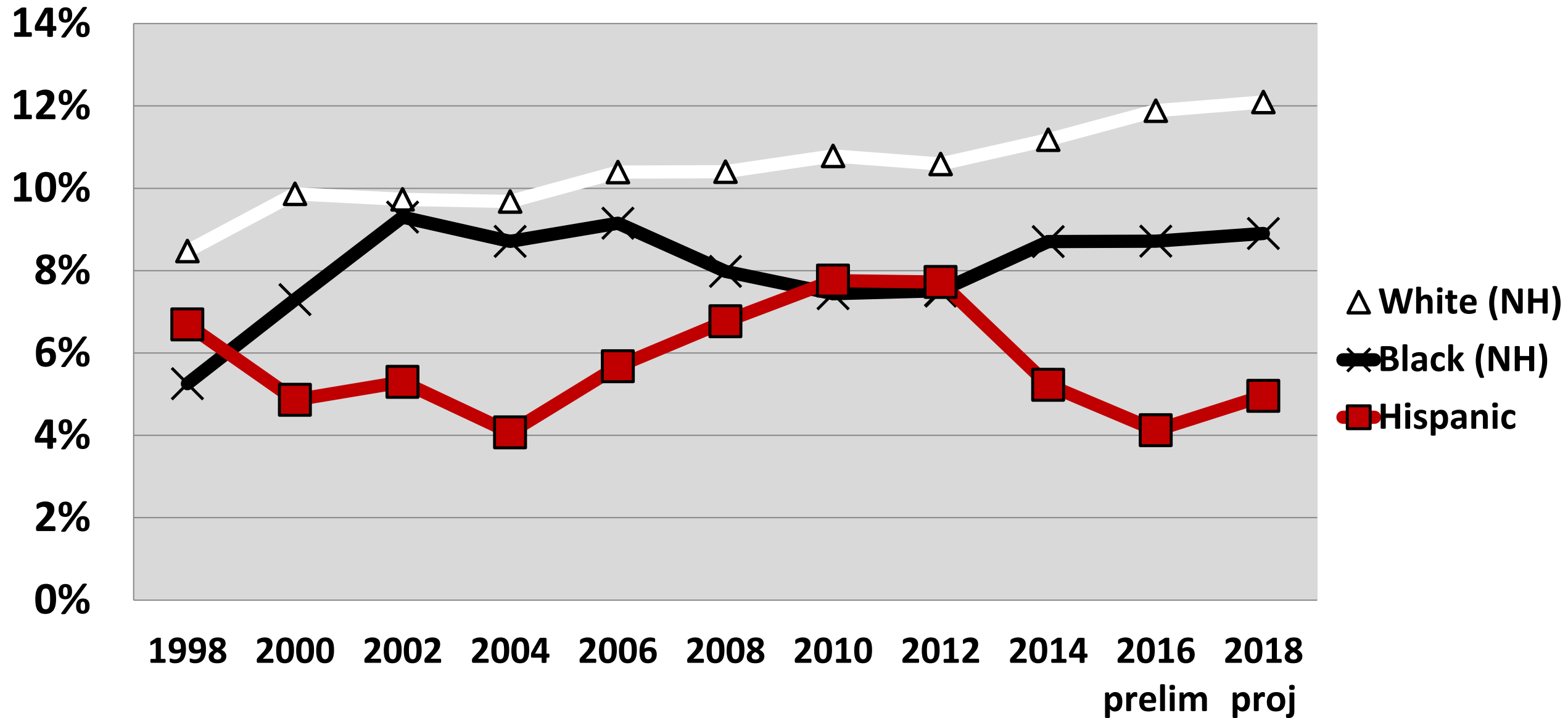
My
favorite
student
evaluation
from a
personal
finance
class...

*This class sucked.
It was all about
reality. I didn't
want to know this
stuff.*

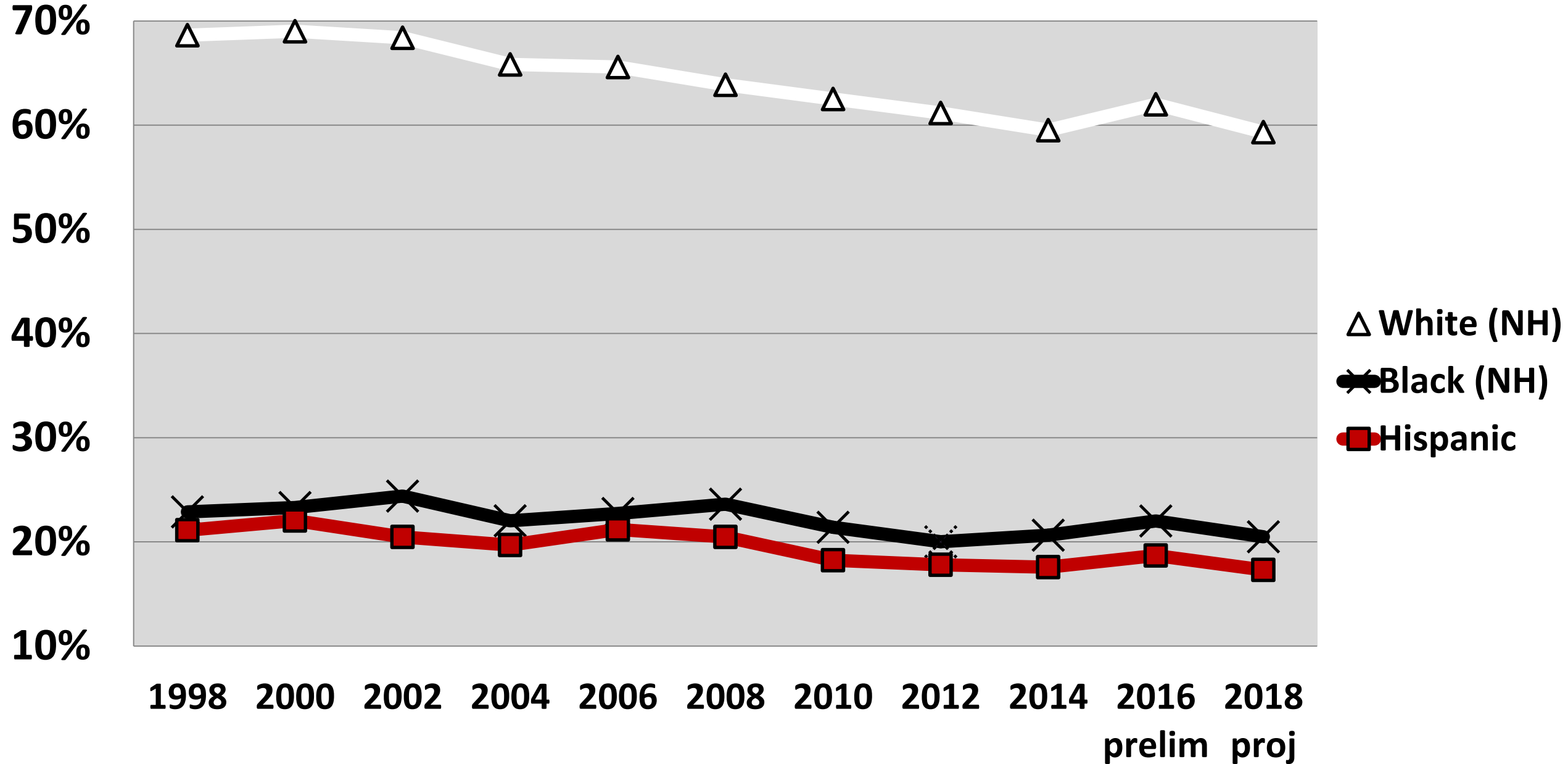
Race and ethnicity in charitable planning



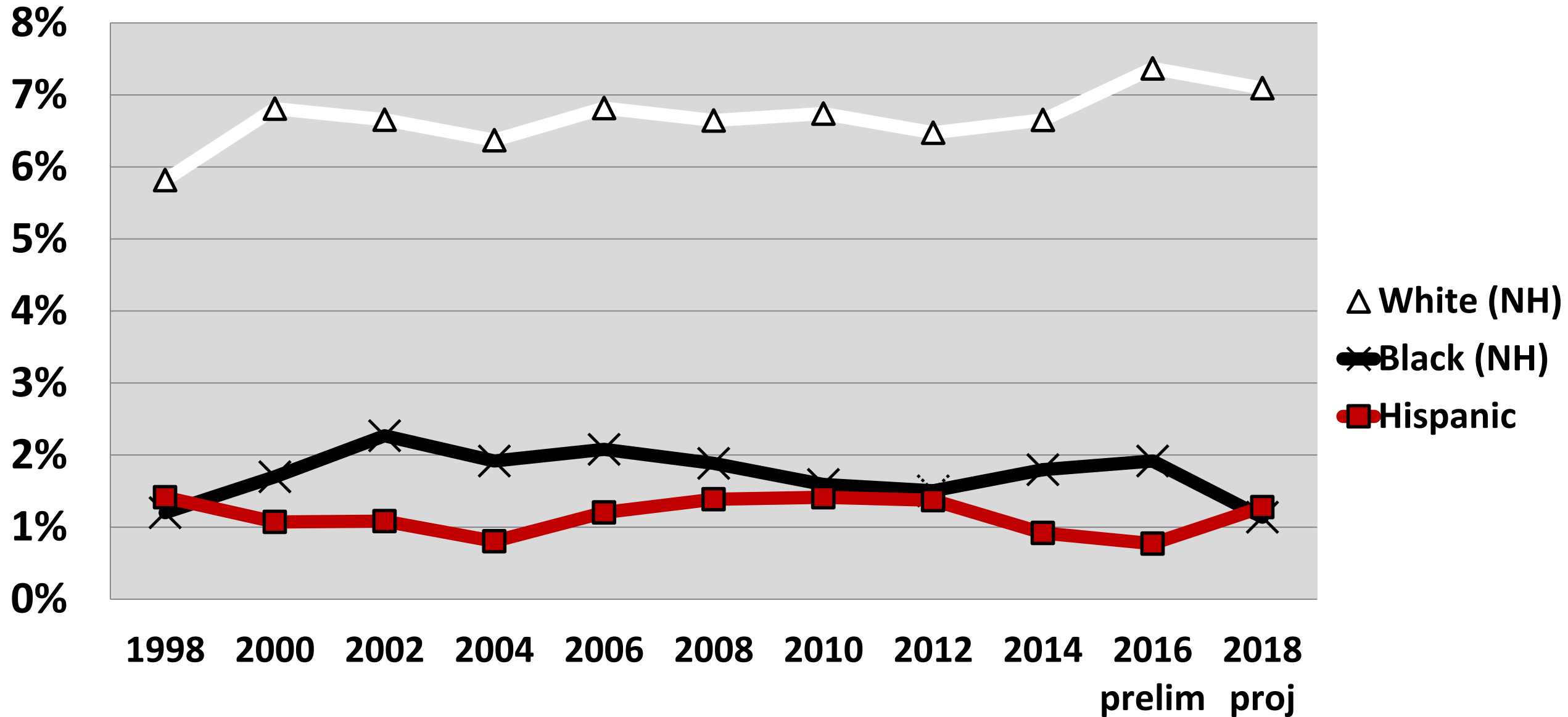
Age 55+ charitable beneficiary among those with will or trust by race/ethnicity



Age 55+ use of will or trust by race/ethnicity



Age 55+ inclusion of charitable beneficiary by race/ethnicity



Interest is higher among minorities



Leaving an estate or inheritance to a church, synagogue, mosque or religious organization is...

	Very important
White (Non-Hispanic)	14.4%
Black (Non-Hispanic)	38.7%
Hispanic	28.7%
Other	23.9%

Leaving an estate or inheritance to charity is...

	Very important
White (Non-Hispanic)	17.0%
Black (Non-Hispanic)	36.3%
Hispanic	25.5%
Other	25.9%

Lehman, J. & James, R. N., III (2018). The charitable bequest gap among African-Americans: Exploring charitable, religious, and family estate planning attitudes. Journal of Personal Finance. 17(1), 43-56.

**When death feels near or family
changes plans are
both dropped**



**and
added**

But what drives NET changes?

Combined effect (adding less dropping) of lifetime changes on the presence of a charitable plan

rank	Δ factor	Δ in conditional probability
1	Start (-stop) giving	+7.98%
2	Start (-stop) volunteering	+5.85%
3	+ assets by 10k	+0.01%
4	+ annual volunteering hours by 100	+0.91%
5	Being diagnosed with cancer	+7.28%
6	\$1k change in giving to charity	+0.10%
7	Becoming a widow/widower	+5.72%
8	The last survey before death	+5.28%

Wills That Won't:

A 30 year national study of charitable planning additions, deletions, and ultimate estate transfers

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