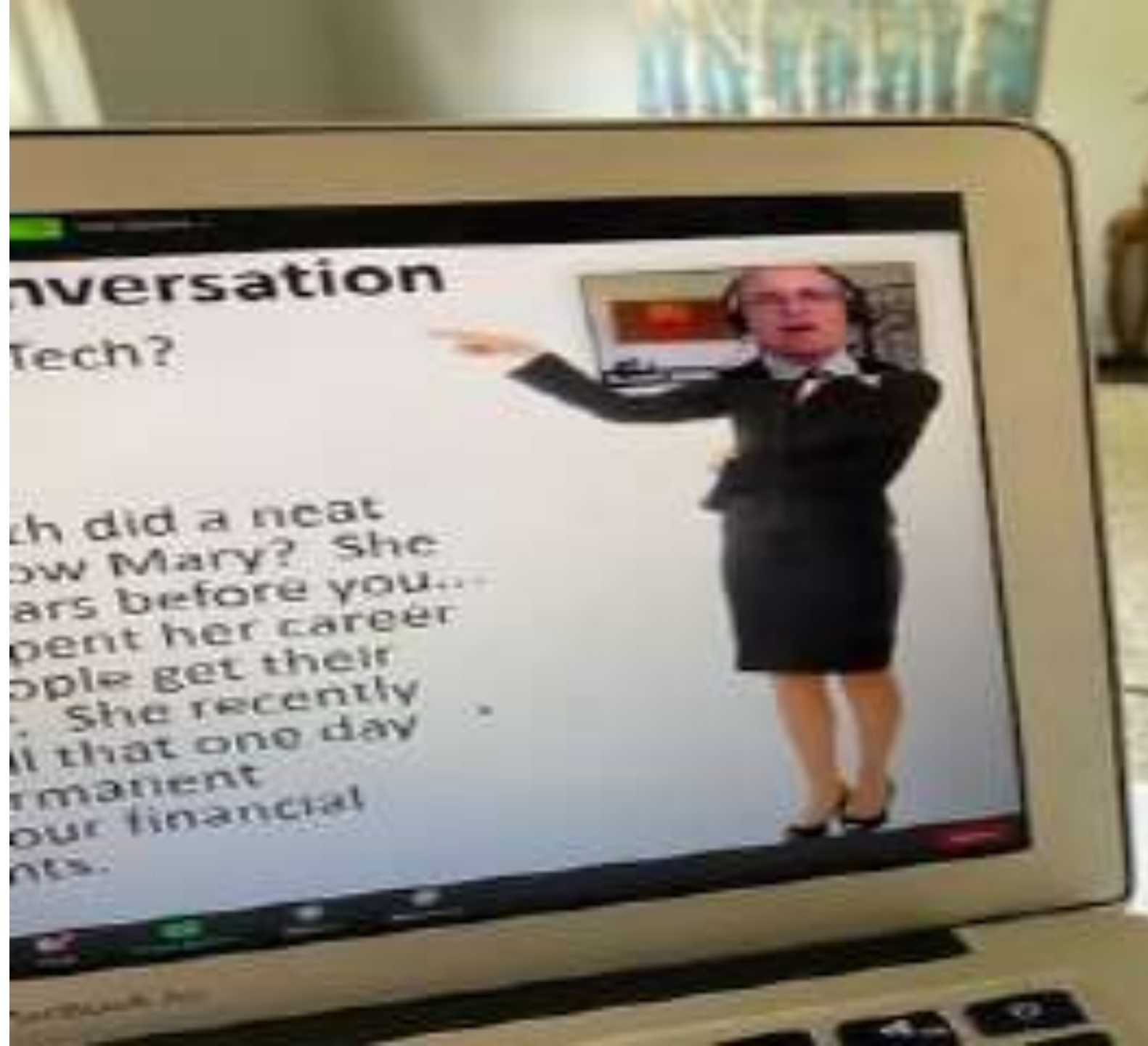




## Putting Research to Work in Your Planned Giving Program

# When slides don't look the same in Zoom

Thanks to Simon Williams at The Nature Conservancy for sharing this photo with me from a presentation for Planned Giving Round Table of Northern Nevada



# We've got numbers

---

- We've got new data!
- We've got new results!
- We've got new longitudinal, empirical, regression analyses!
- Woohoo!







But, let's get practical

The numbers can be interesting, but to put research to work it must help you

- Sell your work to your organization
- Get more dollars in the door



# Selling to the CFO

Statistics and stories to get leadership support for planned gift fundraising

## Planned giving conferences are great!

---

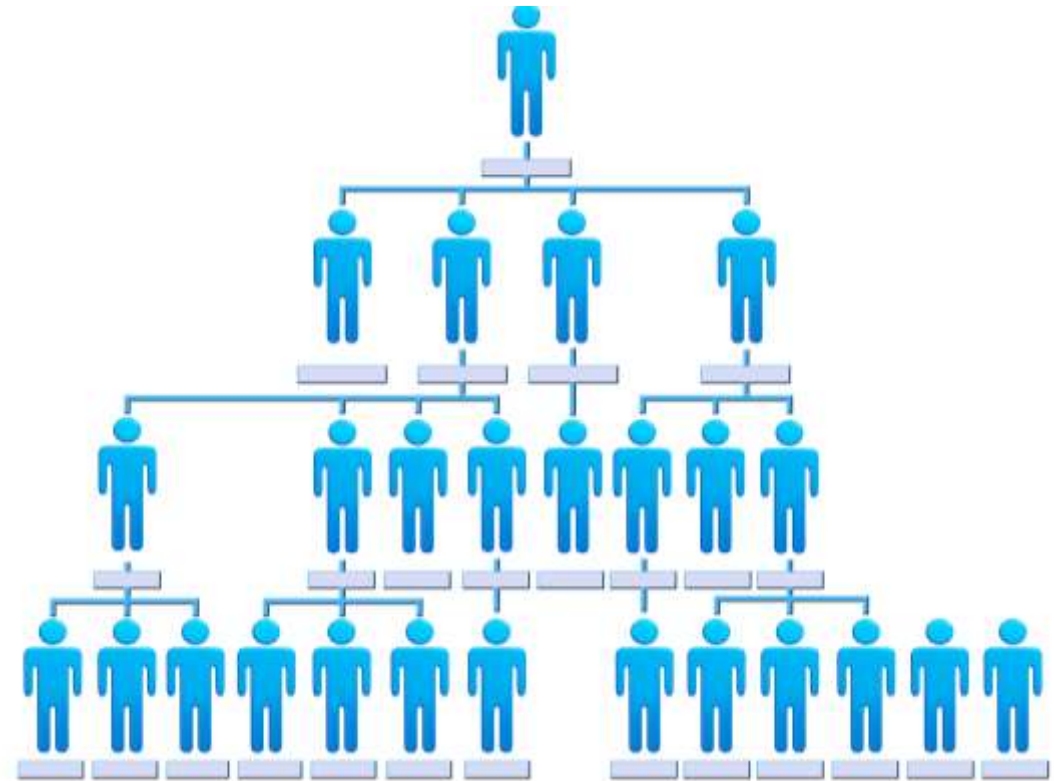
- Then we go back to the office
- And budgets get cut
- And other responsibilities get added



# Before we sell planned giving to donors, we've got to sell it to our organization

Decision-makers might be development director, executive director, board members or others

But let's focus on the toughest customer, the CFO





# The target

The risk-averse, herd animal known as the nonprofit CFO



This guy is not a fan of planned gift fundraising

- We'll get to that someday but right now, we've got pressing, urgent needs
- Legacy giving "metrics" are just fundraiser fantasy-land happy-talk
- Donor restrictions are the devil. Blended gifts and complex instruments are just a deeper level of hell. Donor's should just write the check and go away.



# Selling near term results

We need statistics AND we need story



# THE NEW STATISTICS OF ESTATE PLANNING: LIFETIME AND POST-MORTEM WILLS, TRUSTS, AND CHARITABLE PLANNING

by Russell N. James III\*

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\* Russell N. James III is a professor and the Director of Graduate Studies in Charitable Financial Planning at Texas Tech University in the Department of Personal Financial Planning.



## AMERICAN CHARITABLE REQUEST TRANSFERS ACROSS THE CENTURIES: EMPIRICAL FINDINGS AND IMPLICATIONS FOR POLICY AND PRACTICE

By Russell N. James III\*

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\* Russell N. James III is a professor and the Director of Graduate Studies in Charitable Financial Planning at Texas Tech University in the Department of Personal Financial Planning.

These results are all published (or forthcoming) in academic journals

Please connect with me on LinkedIn or send an email for a copy of these (and other) articles

## The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests

Russell N. James III\*

Traditionally, empirical analysis of estate planning has been limited to data from probate or estate tax records along with occasional anecdotal surveys of current plans or opinions. Additionally, the limited time allows for access to either convenience samples of survivors. However, each of these sources has profound limitations. Estate tax returns include only the wealthier estates, and individual-level data is confidential. Probate data is time-consuming to access and includes information only for one specific location. Popular internet panels, although potentially useful for experiments, are not nationally representative.

Today, an important additional source of data, The Health and Retirement Study ("HRS"), is available. It provides high-quality, nationally representative, longitudinal information on participants' estate planning. It not only tracks changes throughout the participants' lives but also includes details of subsequent post-mortem decisions. Critically, this study, beginning in 1992, has now accumulated a sufficient number of deceased participants (over 14,000) to permit sophisticated analysis of post-mortem wealth transfers. This Article reviews the salient aspects of HRS data for empirical research in estate planning and demonstrates the new types of analyses that are now possible. It does so by comprehensively updating current knowledge regarding charitable bequests planned from both new and previous analyses of this data. By illustrating how much the data can illuminate one particular estate planning decision (charitable bequests), this Article is intended to spur other researchers to the empirical analysis of estate planning to make further use of it.

\* Copyright © 2024 Russell N. James III. Professor and U.S. Foundation Chair in Personal Financial Planning, Texas Tech University, P.O. Box 590039, Lubbock, TX 79459-0039. E-mail: russell.james@ttu.edu. I am grateful to the University of Minnesota, University of Minnesota School of Law, and the University of Minnesota Law School for their support.



UC DAVIS LAW REVIEW





## The story: Gifts of assets not income

- The single most powerful donor transformation is to shift donations from disposable income (cash) to wealth (assets)
- Changes size of reference points
- Makes wealth donation-relevant (mental accounting)
- The first gift from wealth (not income) changes the future mindset



# The statistics: Gifts of assets not income

A study of one million nonprofit tax returns over six years shows that shifting to gifts of noncash assets drives total fundraising growth in every nonprofit sector, at every fundraising size, in every time period (same year, 3 years later, and 5 years later)

## Cash is not king for fund-raising: Gifts of noncash assets predict current and future contributions growth

Russell N. James III

Department of Behavioral Financial Planning, Texas Tech University, Lubbock, Texas  
Correspondence: Russell N. James, Texas Tech University, Director of Executive Studies in Charitable Planning, Box 40210, Lubbock, TX 79406-0210  
Email: russell.james@ttu.edu

Both fund-raising practitioners' advice and theoretical concepts from behavioral economics suggest that encouraging gifts of noncash assets may increase charitable giving. This paper analyzes data from 1,055,917 nonprofit tax returns (IRS Form 990) filed electronically for the tax years 2010–2016 to explore the association between various types of noncash gifts and intrayear and interyear contributions growth. Compared with organizations starting at the same general contributions level in 2010 that reported only cash contributions in 2010, (a) those reporting any noncash contributions in 2010 received 41% more general contributions 5 years later, and (b) those reporting any intangible personal property contributions (mostly securities) in 2010 received 306% more general contributions 5 years later. A fixed effects regression incorporating all years of data demonstrates that decreasing the share of contributions coming from cash (i.e., increasing the share from noncash assets) was strongly associated with contemporaneous contributions growth. The largest growth accompanied increases in the share of contributions from nonpublicly-traded securities and real estate. Relatively smaller or insignificant changes were observed when increasing the share of contributions from household goods, clothing, food, books, and collectibles. Shifting contributions from cash to noncash assets, particularly asset types representing substantial wealth, was strongly associated with contributions growth.

**KEYWORDS**  
charitable giving, fund-raising, IRS Form 990, philanthropy, planned giving



## Nonprofit Management & Leadership

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## Cash is Not King in Fundraising: Results from 1 Million Nonprofit Tax Returns

Professor Russell N. James III, J.D., Ph.D., CPA  
Director of Executive Studies in Charitable Planning  
Texas Tech University

Source: 11,000+ nonprofit tax returns (IRS Form 990) filed electronically for the tax years 2010–2016 and part of 2017 with permission of the IRS. Data from 2010–2016 nonprofit organizations reporting positive contributions.

5-year average growth in total fundraising	5-year average growth in total fundraising	5-year average growth in total fundraising
NONPROFITS reporting ONLY CASH gifts	NONPROFITS reporting ANY NONCASH gifts	NONPROFITS reporting SECURITIES NONCASH gifts
11% GROWTH	50% GROWTH	66% GROWTH

Noncash gifts predict long-term fundraising growth. Organizations that effectively grow contributions income can differ in many ways, but simply knowing what type of gifts an organization uses is a surprisingly powerful indicator. For example, nonprofits raising over \$1 million in 2010 that reported only cash gifts in 2010 received 11% more general contributions in 2015. In contrast, those reporting any noncash gifts in 2010 and 2015 grew their total contributions, on average, 50% over the same five-year period. Those specifically reporting noncash gifts of securities grew 66%. Thus, nonprofit organizations consistently receiving gifts of stocks or bonds grew their contributions at a faster rate than did those receiving only cash. Although 2010–2015 is the longest period with complete data, the results are not specific to just those years. For example, the 3-year rolling average total contributions growth ending at '13, '14, '15, and '16 was 5%, 1%, 2%, and 6%, respectively, for nonprofits taking only cash gifts, but 34%, 50%, 30%, and 20% for nonprofits taking any noncash gifts, and 44%, 42%, 50%, and 33% for nonprofits taking noncash gifts of securities.

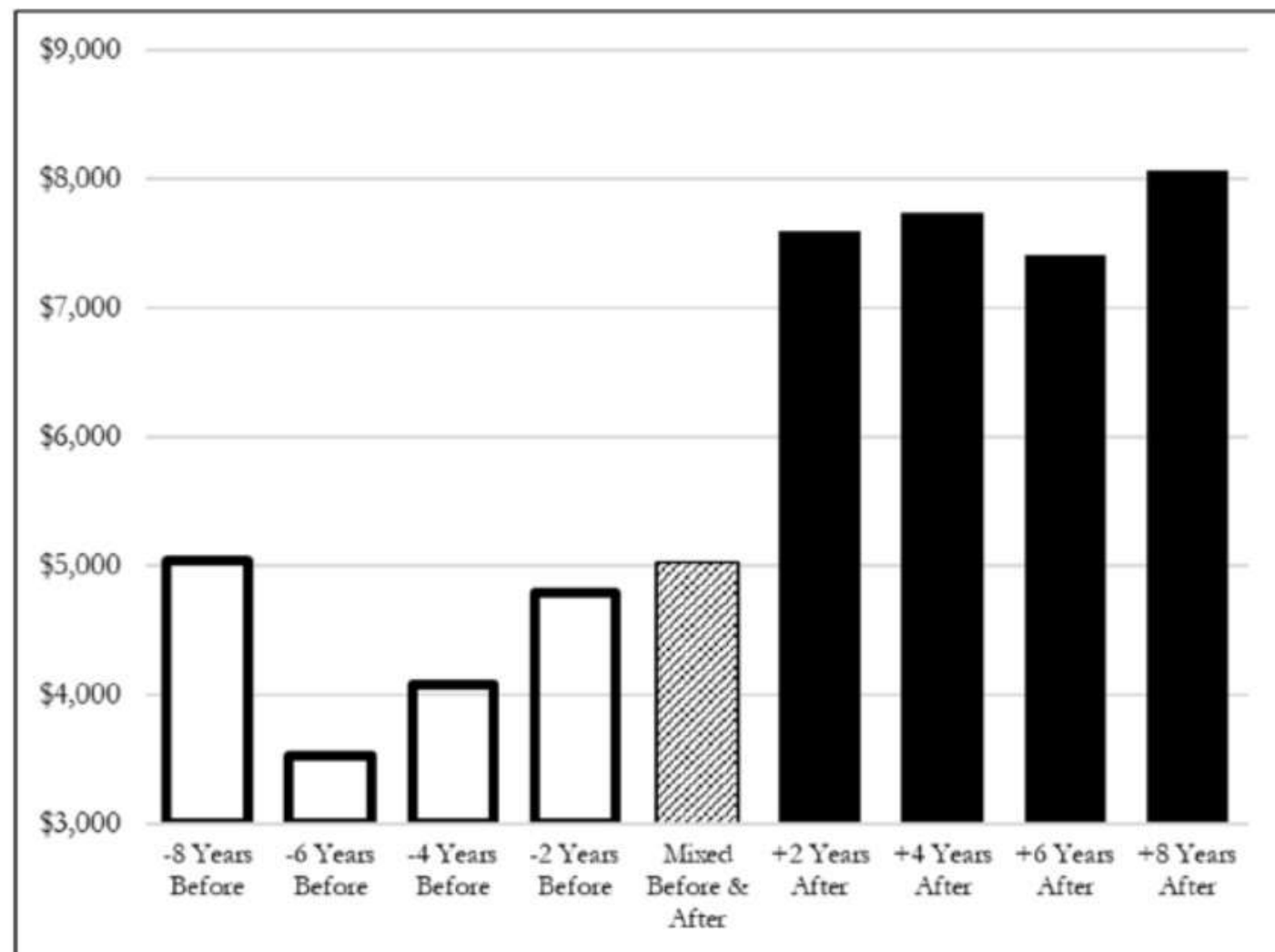
5-year average total fundraising growth by initial total fundraising size	5-year average total fundraising growth by initial total fundraising size	5-year average total fundraising growth by initial total fundraising size
only cash	any noncash	securities
11%	50%	66%

**This applies to nonprofits at all fundraising levels**  
These results show a dramatic difference overall, but how does this apply to organizations raising at different total fundraising levels? The second figure shows that, regardless of an organization's starting contributions level, those nonprofits consistently taking gifts of noncash assets – and particularly gifts of securities – grew total contributions much faster than did those raising only gifts of cash. Thus, the power of noncash gifts to predict long-term fundraising growth applies to nonprofit organizations at every fundraising level.

What happens IN THE SAME YEAR when gifts shift from cash to assets?	What happens IN THE SAME YEAR when gifts shift from cash to assets?	What happens IN THE SAME YEAR when gifts shift from cash to assets?
CASH GROWS	SECURITIES GROWS	REAL ESTATE GROWS
-13%	+18%	+26%

A smaller share from cash means growing contributions. Beyond receiving more noncash gifts, what happens when contributions shift towards a larger share of cash gifts or a larger share of noncash gifts? To answer that question, this analysis used all 26,036 of the 1,055,917 nonprofit tax returns that reported positive contributions, and compared organizations only with themselves at different points in time. Still in the same organization, when the share of total contributions coming from cash grew by 10%, total contributions in that same year, on average, fell by 13%. For example, if an organization raising \$10 million with 60% of its total contributions in 2010 shifted to 70% cash contributions in 2011, then it should also expect total contributions to fall 13% to \$8.7 million in that same year. In contrast, if the organization experienced a 10% shift from cash to securities, total contributions grew 18% to \$11.8 million in that same year.

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



# The statistics: Gifts of assets not income



UC DAVIS LAW REVIEW

## The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests

Russell N. James III\*

Traditionally, empirical analysis of estate planning has been limited to data from probate or estate tax records along with occasional one-time surveys of current plans or opinions. Additionally, the internet now allows easy access to online convenience samples of survey-takers. However, each of these sources has problematic features. Estate tax returns include only the wealthiest estates, and individual-level data is confidential. Probate data is time-consuming to access and includes information only for one specific location. Popular internet panels, although potentially useful for experiments, are not nationally representative.

Today, an important additional source of data, The Health and Retirement Study ("HRS") is available. It provides high-quality, nationally representative, longitudinal information on participants' estate planning. It not only tracks changes throughout the participants' lives but also includes details of subsequent post-mortem transfers. Critically, this study, originating in 1992, has now accumulated a sufficient number of deceased participants (over 14,000) to permit sophisticated analyses of post-mortem wealth transfers. This Article reviews the advantages of HRS data for empirical research in estate planning and demonstrates the new types of analyses that are now possible. It does so by comprehensively outlining current knowledge regarding charitable bequests gleaned from both new and previous analyses of this data. By illustrating how much this data can illuminate one particular estate planning decision (charitable bequests), this Article is intended to spur those interested in the empirical analysis of estate planning to make further use of it.

\* Copyright © 2020 Russell N. James III, Professor and CH Foundation Chair in Personal Financial Planning, Texas Tech University; B.A., Economics, Ph.D., Consumer Economics, University of Missouri-Columbia; J.D., University of Missouri School of Law.

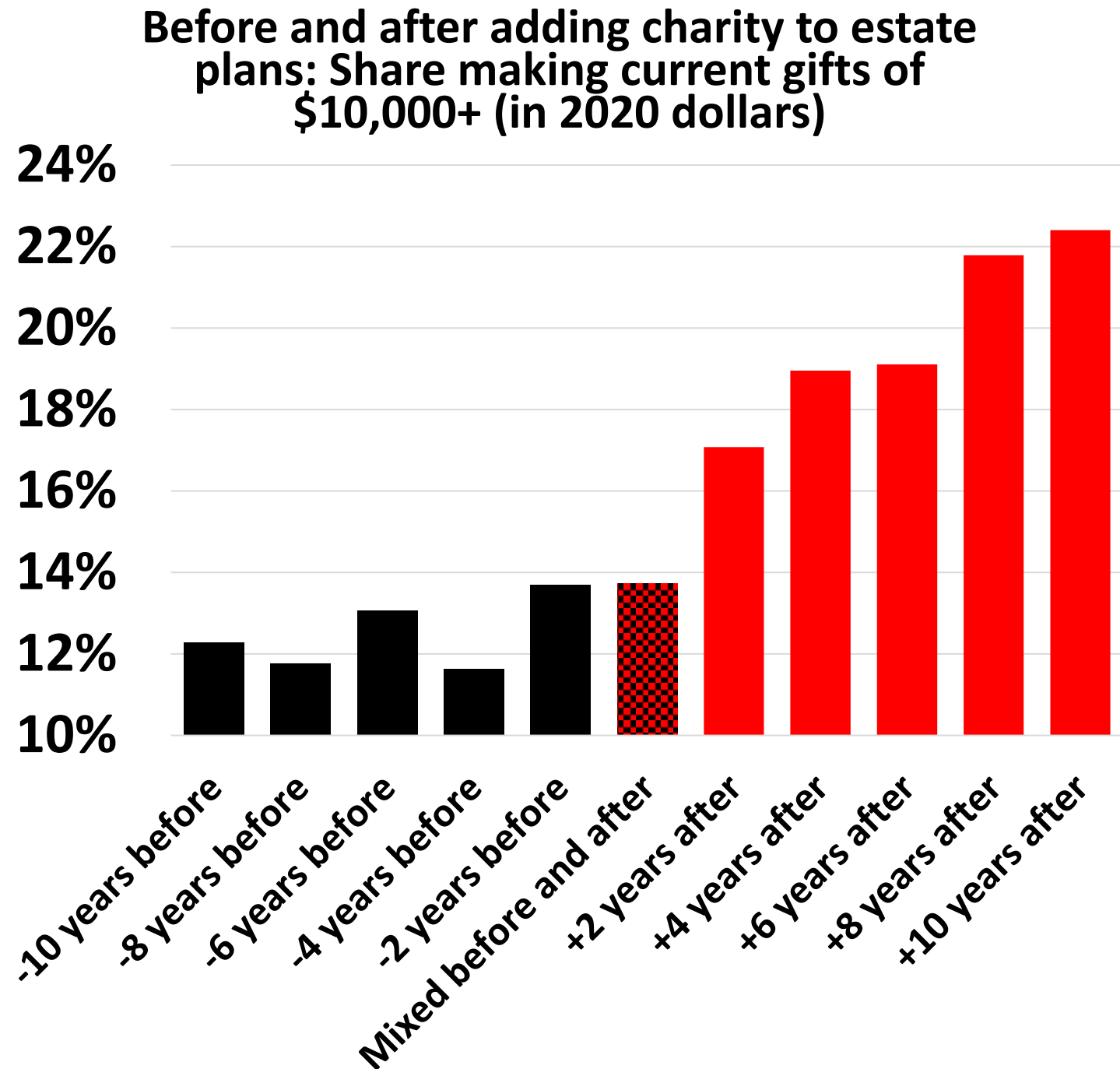


Current giving propensity  
increases after planning

The propensity to make inflation-adjusted gifts of \$1,000 or more rose from 51.5% in the years before the charitable component was added to the estate plan to 61.8% in the years after the charitable component was added to the estate plan.

Normally the propensity to donate begins to decline at around age 65 to 75, but the median age for those measured here was about age 75.

Major giving  
propensity  
increases  
after  
including  
charity in  
the estate  
plan







# Words have power

The story: Gifts  
of assets not  
income

- Stop selling leadership on “planned giving”
- Start selling them on “major gifts of assets”
- It’s big. It’s now (and later). It’s not “death talk.”

# The magic message: You're losing!

- Remember these are risk-averse herd animals
- Show them someone who is doing it better
- The day they let a tenured professor talk to the foundation board at Texas Tech...



	2017 Texas Tech Foundation	2017 Iowa State Foundation
Cash contributions	\$63,495,539	\$73,406,700
<b>Noncash contributions</b>	<b>\$7,475,636</b>	<b>\$109,538,183</b>
Total contributions	\$70,971,175	\$182,944,883
Noncash share	10%	60%
Publicly traded securities	X	X
Closely held securities	-	X
Partnerships, LLC, trust interests	-	X
Miscellaneous securities	-	X
Residential real estate	-	X
Commercial real estate	-	X
Art	-	X
Historical Art	-	X
Books	-	X
Collectibles	-	X
Historical Artifacts	-	X
Other-Grain, Gold, Life Insurance	<b>1 gift</b>	<b>102 gifts</b>

# In estate giving: We're going blind



- Estate tax numbers are disappearing (exemption amounts)
- Probate data is disappearing (TODs/Trusts)
- Estimations are more just guesses



Charity Name	Rank	Fundraised income	A/c Year	*Legacies	*Donations	*C
Cancer Research UK	1	368.171	Mar-09	156.708	133.862	
Oxfam	2	189.800	Apr-09	10.500	61.800	2
British Heart Foundation	3	175.462	Mar-09	50.322	30.583	
Royal National Lifeboat Institution	4	146.900	Dec-08	94.500	0	
NSPCC	5	126.788	Mar-09	20.654	98.468	
Macmillan Cancer Support	6	119.727	Dec-08	45.434	26.045	

Why is legacy fundraising investment so much stronger in the UK?

- They know who is winning
- They know who is losing
- They know who to copy
- “Best practices” aren’t just “practices”

# The magical solution

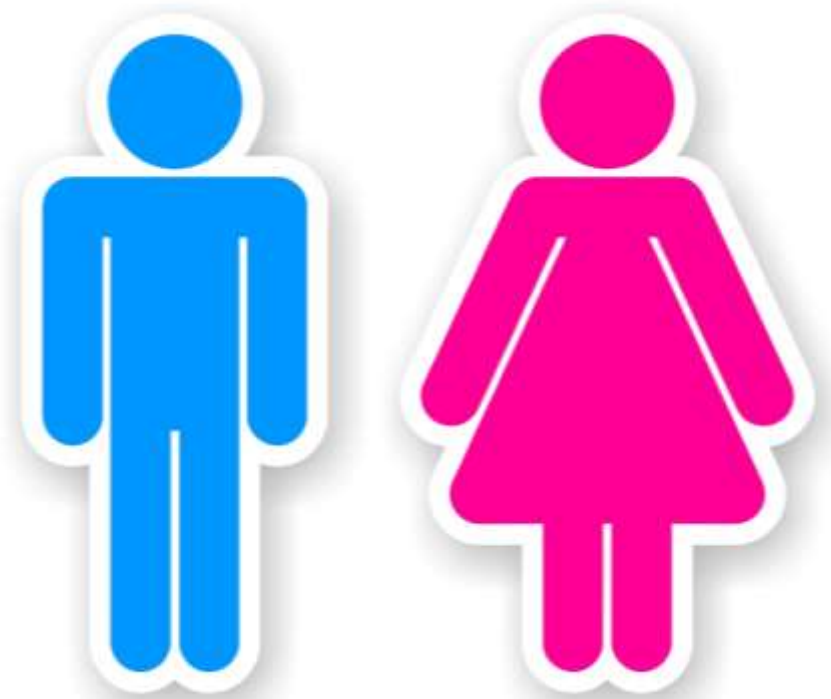
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- IRS Form 990 already has separate reporting for contributions from fundraising events, federated campaigns, related organizations, and 26 different types of noncash gifts
- A simple addition to Part VIII 1d: “Bequests or other death transfers”



We can't see it precisely,  
but you have competition

Among charitable decedents in  
1998, females, on average,  
supported 4.0 charitable  
organizations, while males  
supported 3.0 organizations.





You have competition

Among charitable estate tax returns filed in 2003, 38% gave to only one charitable organization, 30% gave to two, 32% gave to three or more, and only 5% gave to 10 or more, for an overall average of 3.5 organizations.



# Selling LONG TERM results

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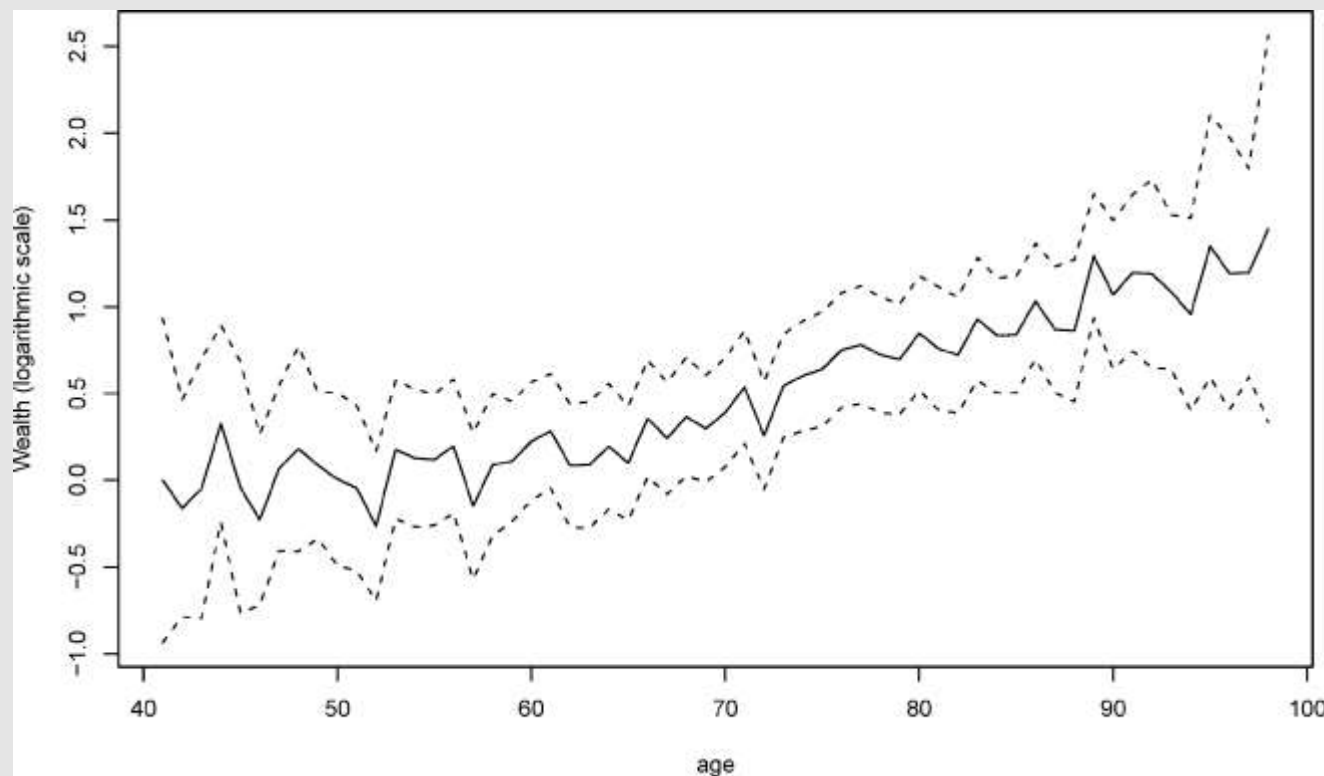
Statistics AND we need story




It's how rich  
people give



# Wealthy people like to hold wealth!



Among the top 6% of wealth holders, wealth increases with every year of age, even up to age 98



# The eternally forthcoming charitable wealth transfer

---

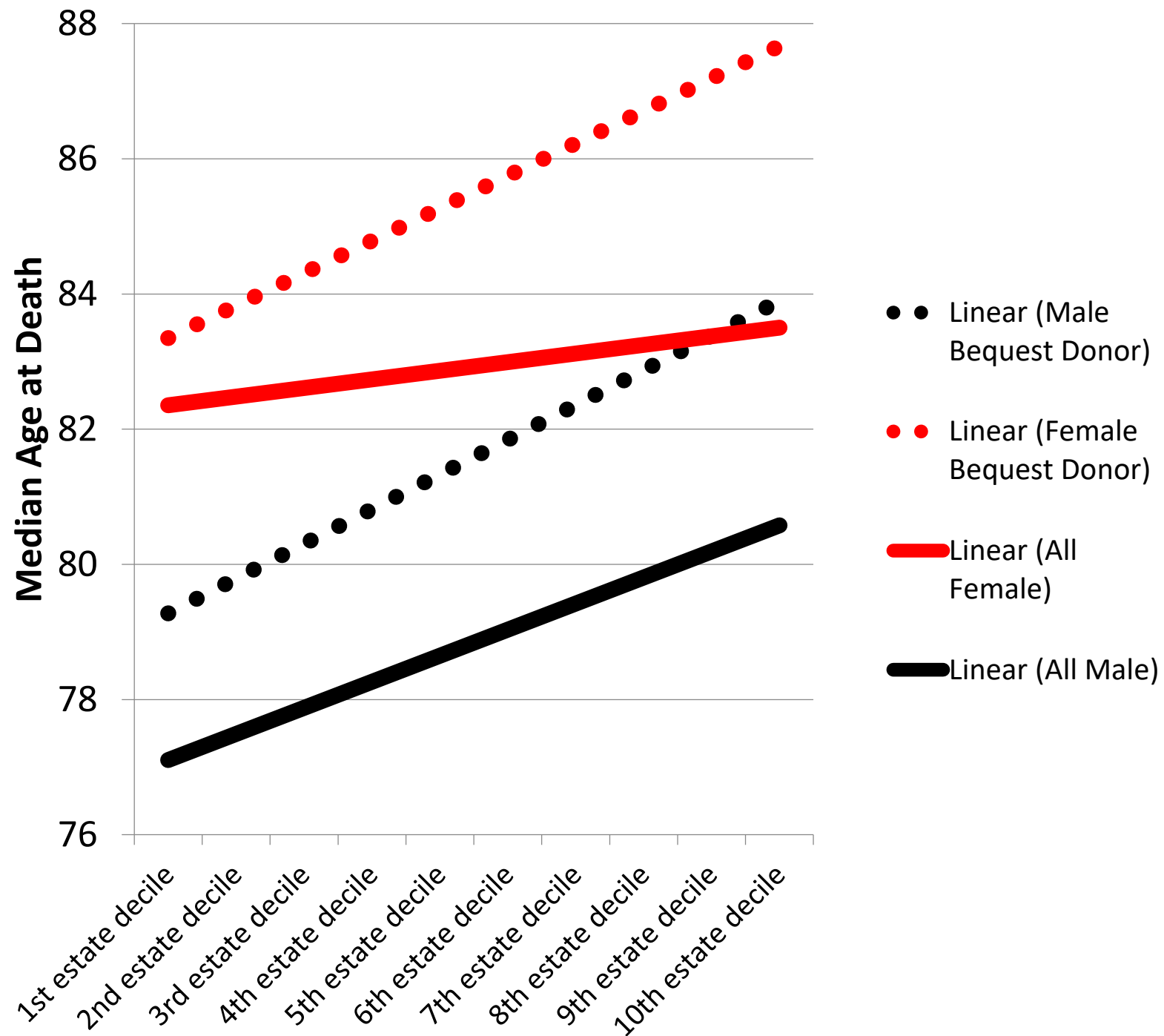
When was this  
supposed to happen?





# Crying “wolf” too soon

- The charitable “wealth transfer” publicity was premature (or just wrong)
- Wealthy people die old
- Wealthy donors die even older





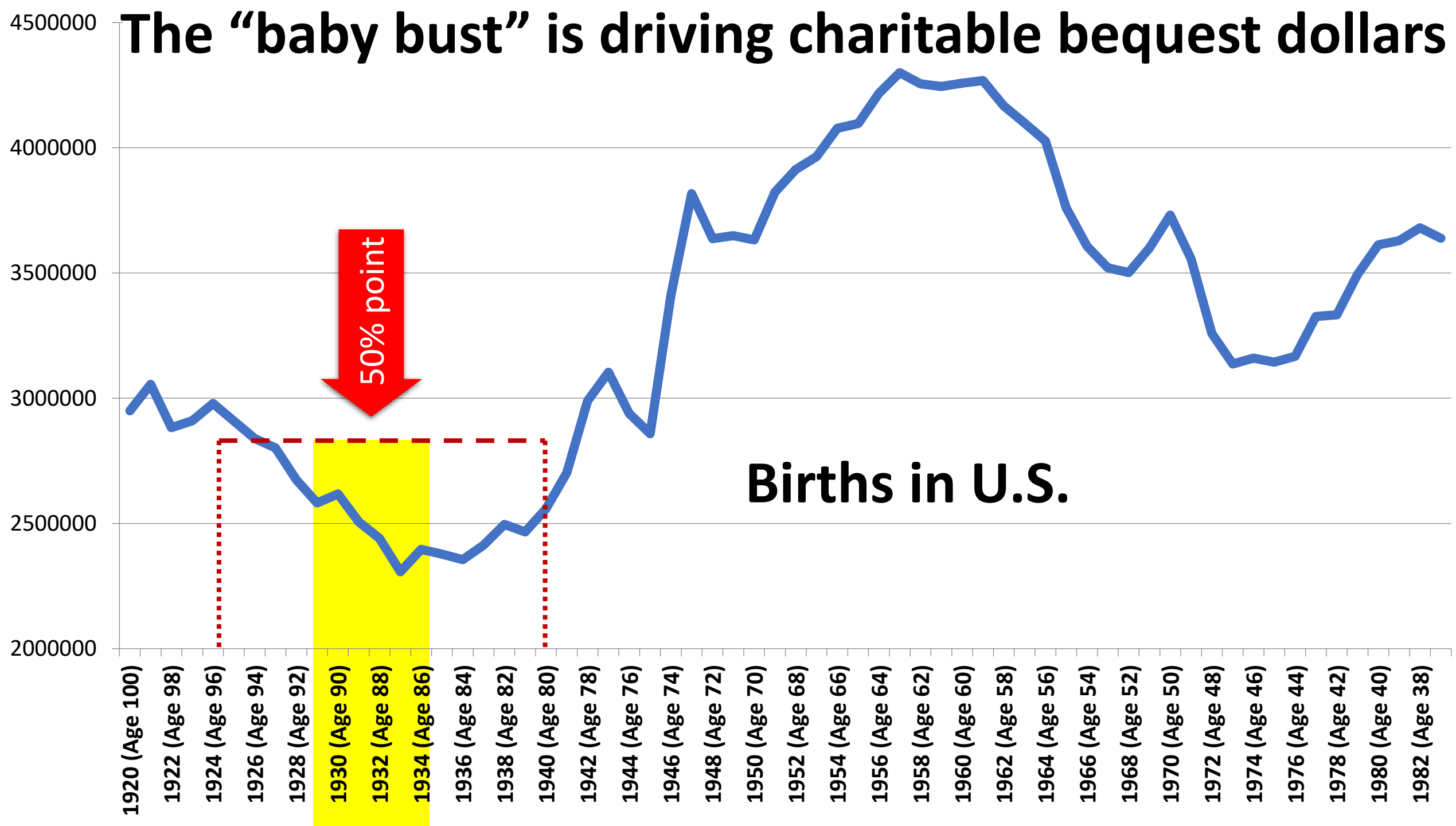
It's about the oldest  
old

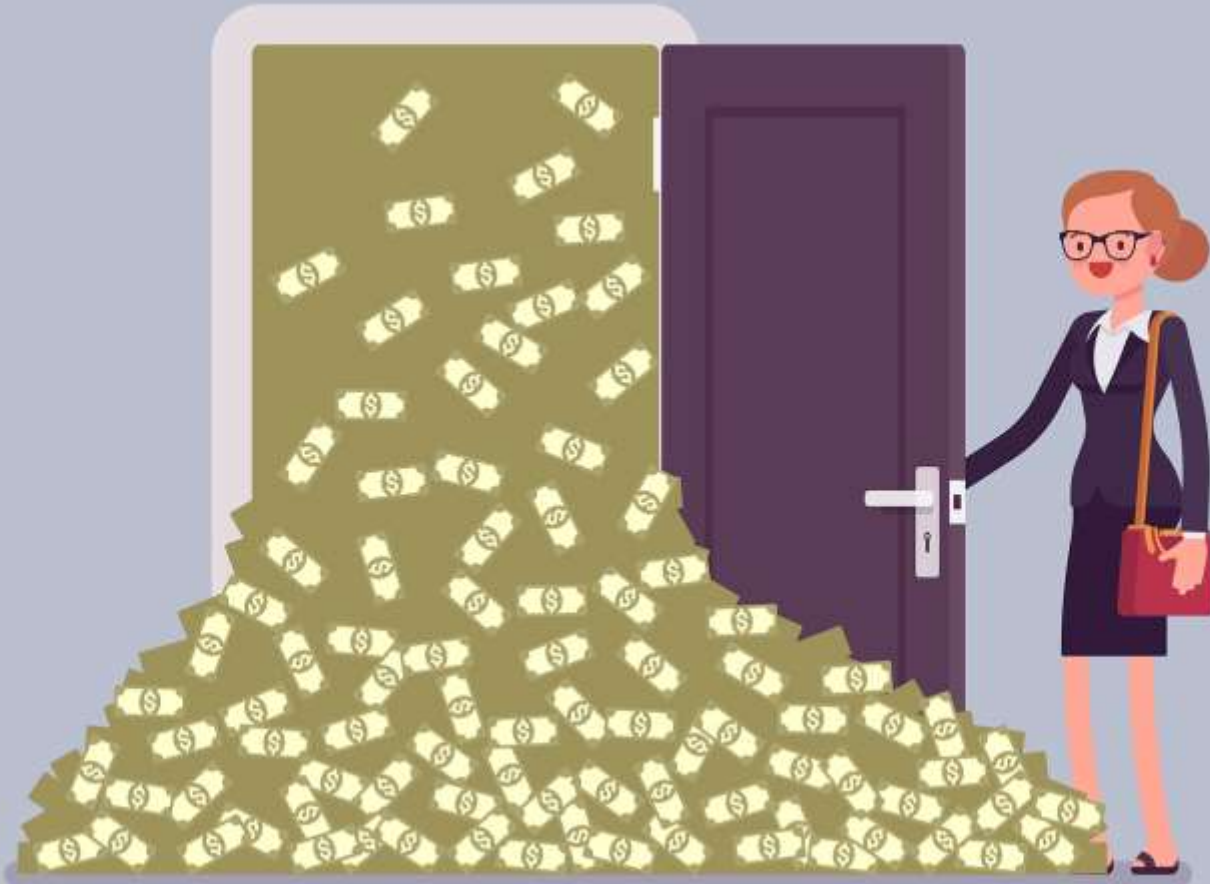
Decedents age 86+ transferred 55% of charitable estate dollars with decedents under age 65 contributing only 4% (2003 U.S. tax data)

Decedents age 90+ transferred half of charitable estate dollars (2010-12 Australian data)

This dollar midpoint age is increasing over time

# The “baby bust” is driving charitable bequest dollars





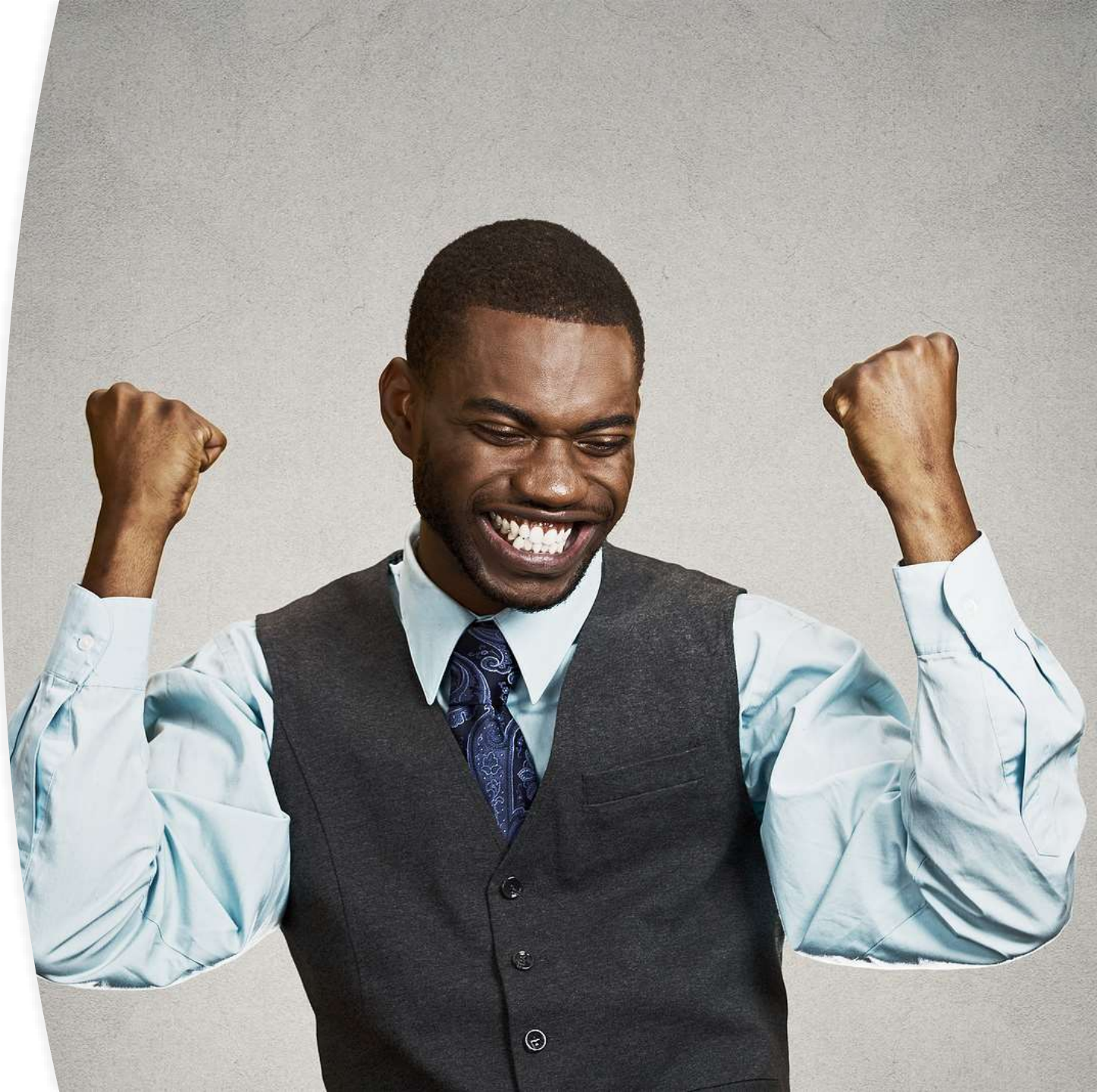
Getting  
dollars in  
the door

Warning:  
Some results  
are NSFW!



# Getting in the plan early is GREAT!

- Increases current giving
- Increases estate giving (those who had charitable plans in place longer gave larger estate gifts)
- Leads to conversations about switching to irrevocable estate gifts (CRT, RLE, CGA)





---

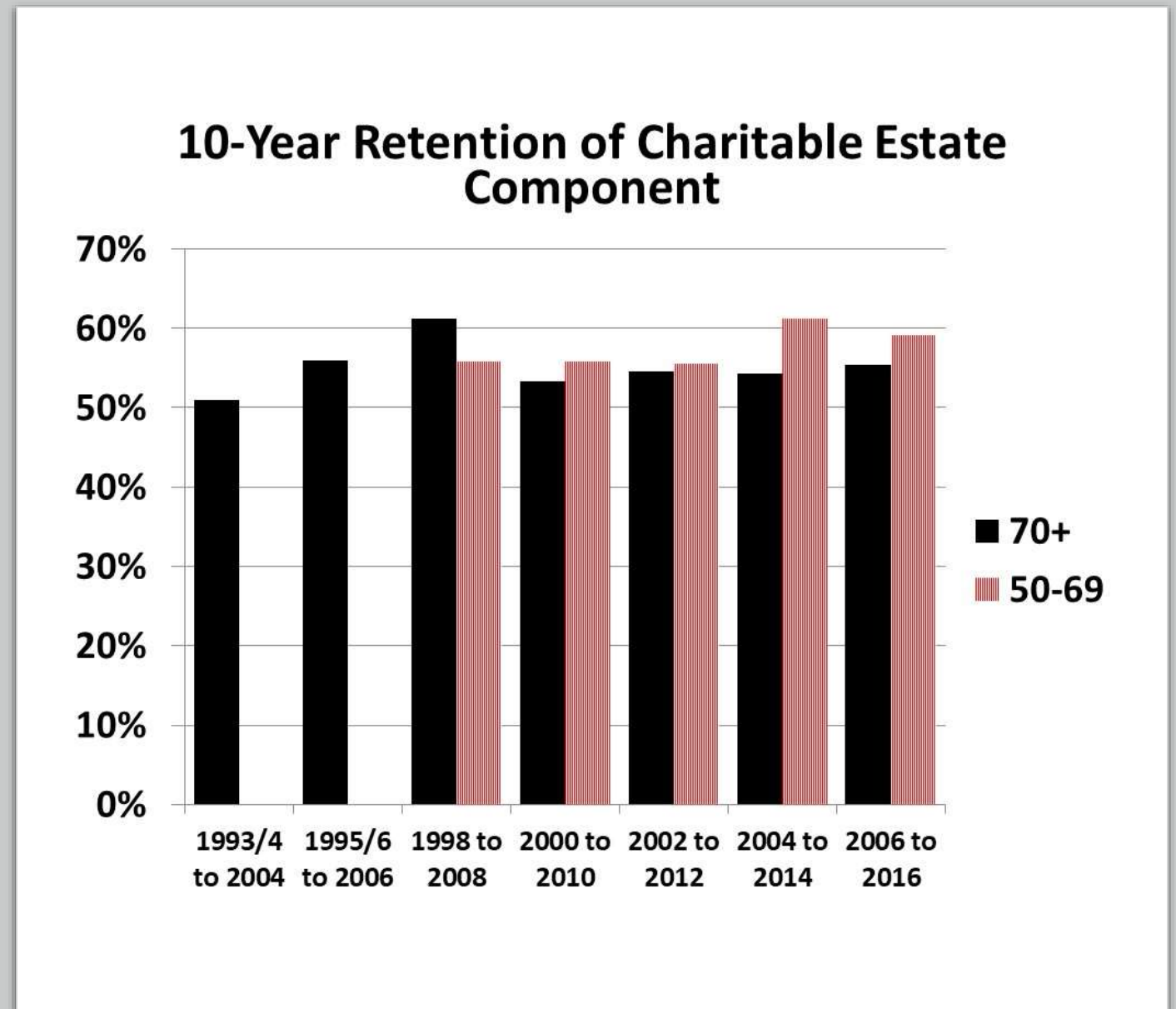
But “count it and forget it” doesn’t work!

---

These plans are highly fluid,  
especially in the last 2-5 years of life

These plans are fluid

Among older living adults, only about 55% of charitable estate components remain in the estate plan for at least ten years







## People often don't realize they are “dropping” the charity

---

- Estate planning lawyers rarely charge clients to read through, interpret, and understand the plan in the previous will that's about to be revoked anyway
- Instead, the process starts with client assets, family, and goals
- The charity need not be consciously “dropped”



# New results: Legacy societies

---

- Should we expect this fluidity among those who report to our organization that we are in their plans?
- Do legacy societies work?



## The 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





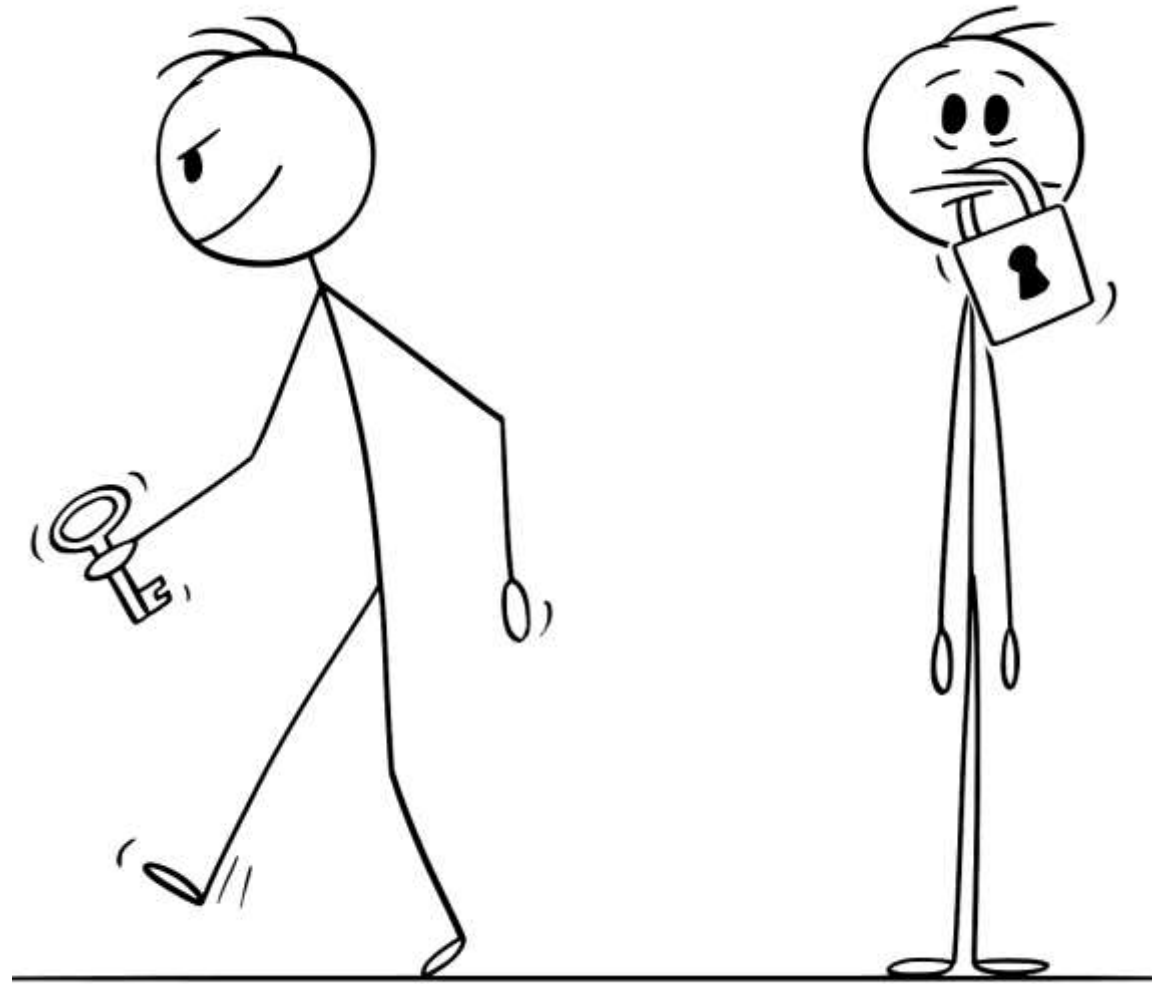
Some organizations did dramatically better than others

- The overall lost gift rate was 35%
- Different organizations' lost gift rates varied from 17% to 60%

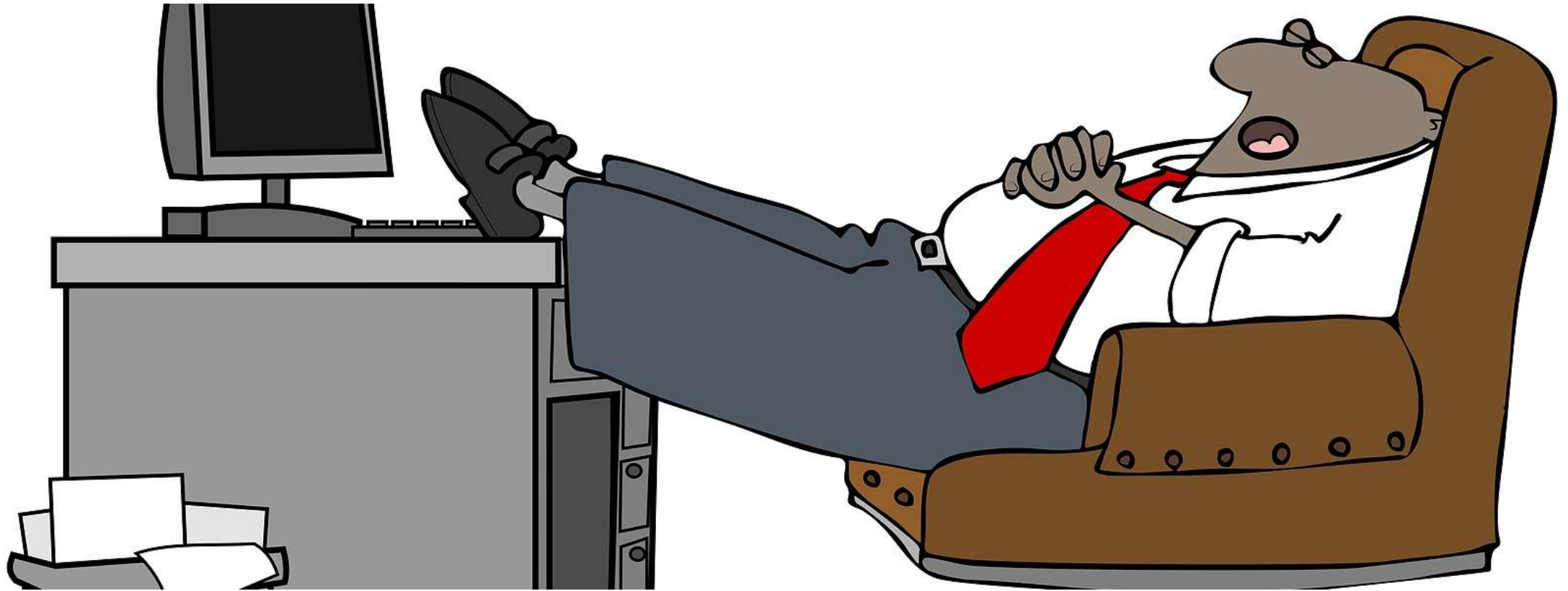
## Don't go "radio silent"

---

- 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







Legacy societies  
don't work unless  
you do

Over 30% of those who had confirmed the presence of a bequest gift to the charity did not receive a single communication of any type from the charity during their final two years of life



# They won't get there without us

---

- Among 264 people reporting to the charity that they were “intending” or “considering” an estate gift but not confirming it, 89% left no gift at death
- Among 507 people only requesting information from the charity about making a bequest gift, 95% left no gift at death

# Beyond “Count it and forget it”

---

- Getting in the will is great!
- But we need to stay in touch
- The score doesn't count until the clock runs out!



# Double discounting\*

1. Multiply estimated gift amount by the IRS remainder value factor for irrevocable gift to adjust for age
2. Multiply by the same factor again to incorporate risk of revocation (credit for reconfirmation)

\$100k revocable gift (4% interest rate)

Reported age 64 = \$26,542 [ $.51519 \times .51519$ ]

Reconfirmed by personal visit at 70 = \$35,717;  
76 = \$46,502; 81 = \$55,910; 86 = \$64,994



\* This concept was invented by Mick Koster at Carnegie Mellon University





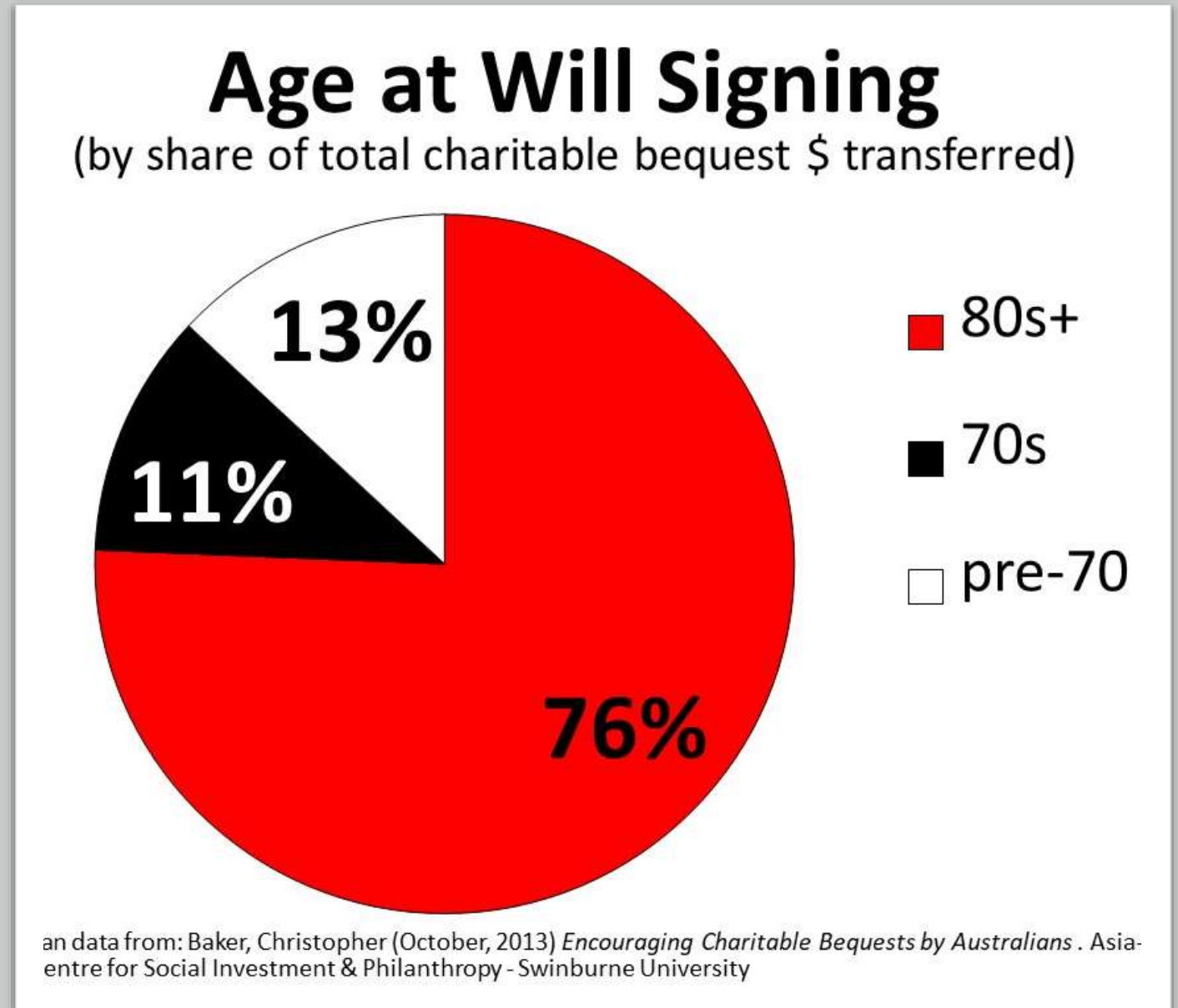
# Use metrics that “work”

---

- If fantasy works, sell fantasy
- If reality works, sell reality
- But just because it “works” internally doesn’t mean it will get estate dollars to the organization

It's about  
decisions made  
near the end of  
life

A national sample of  
Australian wills found  
that 76% of charitable  
bequest dollars were  
controlled by will  
documents signed at  
age 80 or older





It's about decisions made  
near the end of life

In the U.S., 61% of  
charitable  
decedents  
indicated having no  
charitable estate  
component at  
some point within  
the last five years  
of their lives

Communicating based on recency of donation is precisely the wrong approach

Lifetime giving among decedents who actually transferred dollars to charity at death		
Years before death	Share donating (\$500+)	Share volunteering (2+ hours/week)
17-18	57%	37%
15-16	54%	32%
13-14	53%	21%
11-12	53%	26%
9-1	53%	26%
7-8	50%	26%
5-6	44%	16%
3-4	40%	15%
0-2	39%	11%



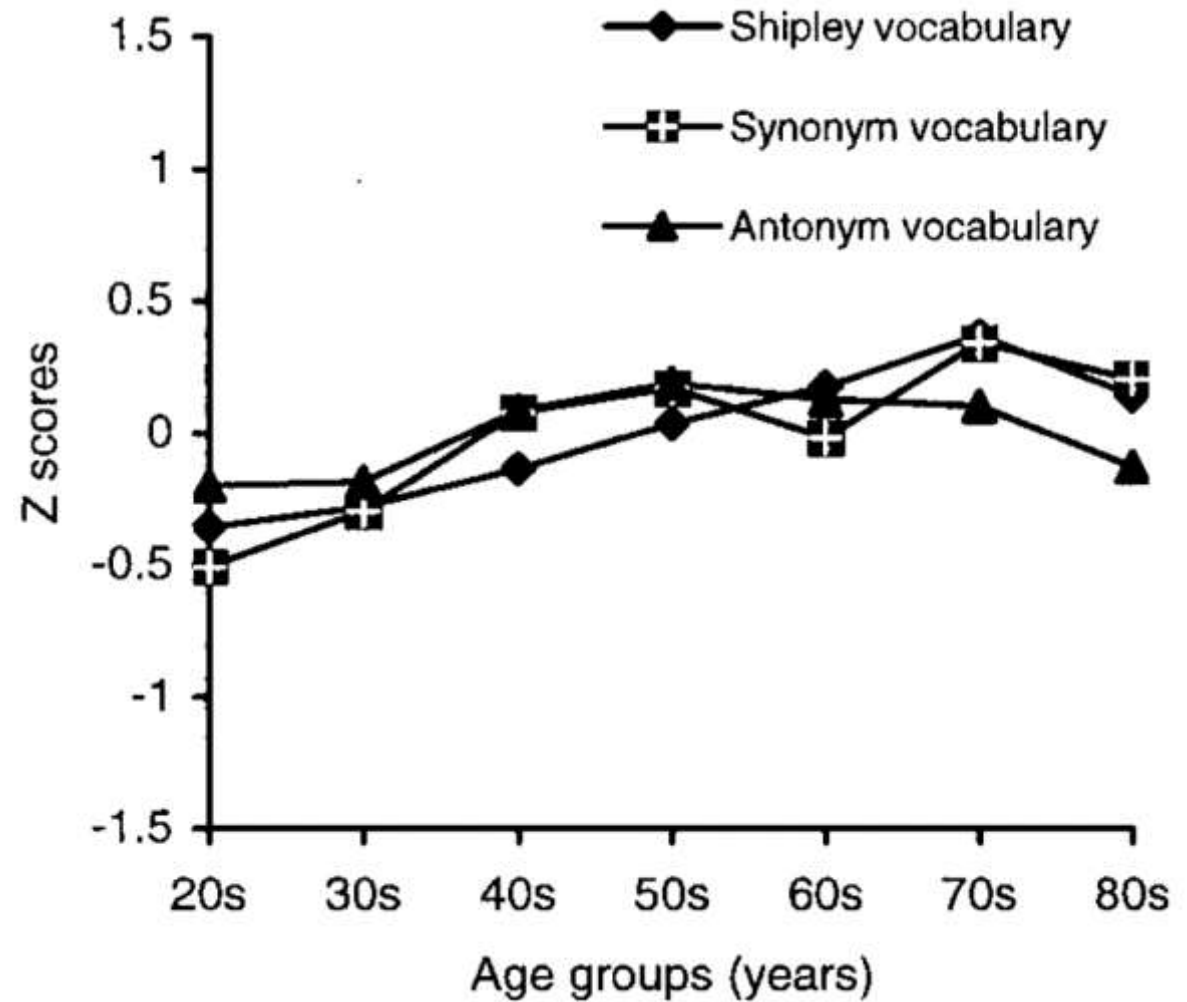
The typical system is designed to fail



- Communicating based on recency of donation is precisely the wrong approach
- Commit SEPARATE resources to age-stratified communication
- ROI arrives much faster

Keep it simple.  
Keep it story.

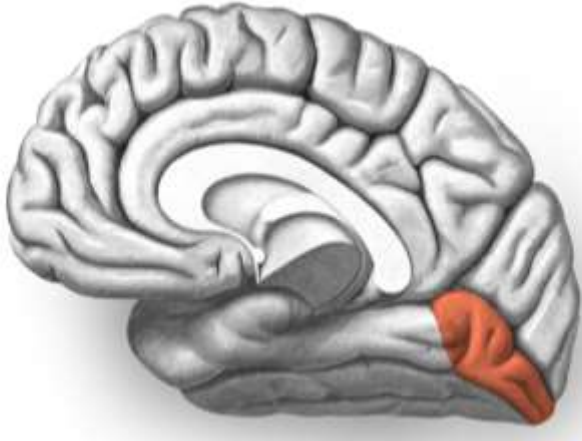
Although  
numerical ability  
declines strongly  
with age, verbal  
knowledge is  
retained more  
strongly



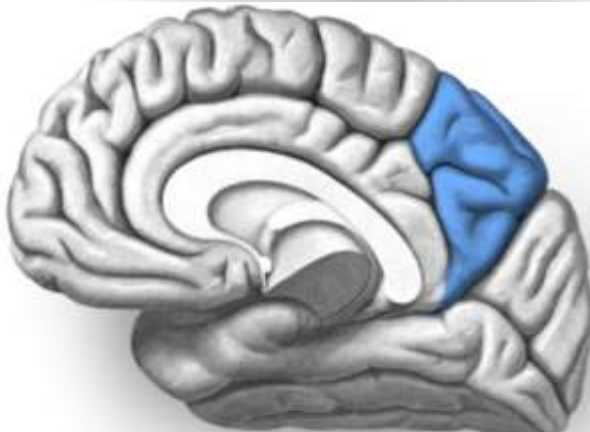
Not only visual story, but also the donor's story

Charitable bequest decisions activate visual imagery of **autobiographical** memories

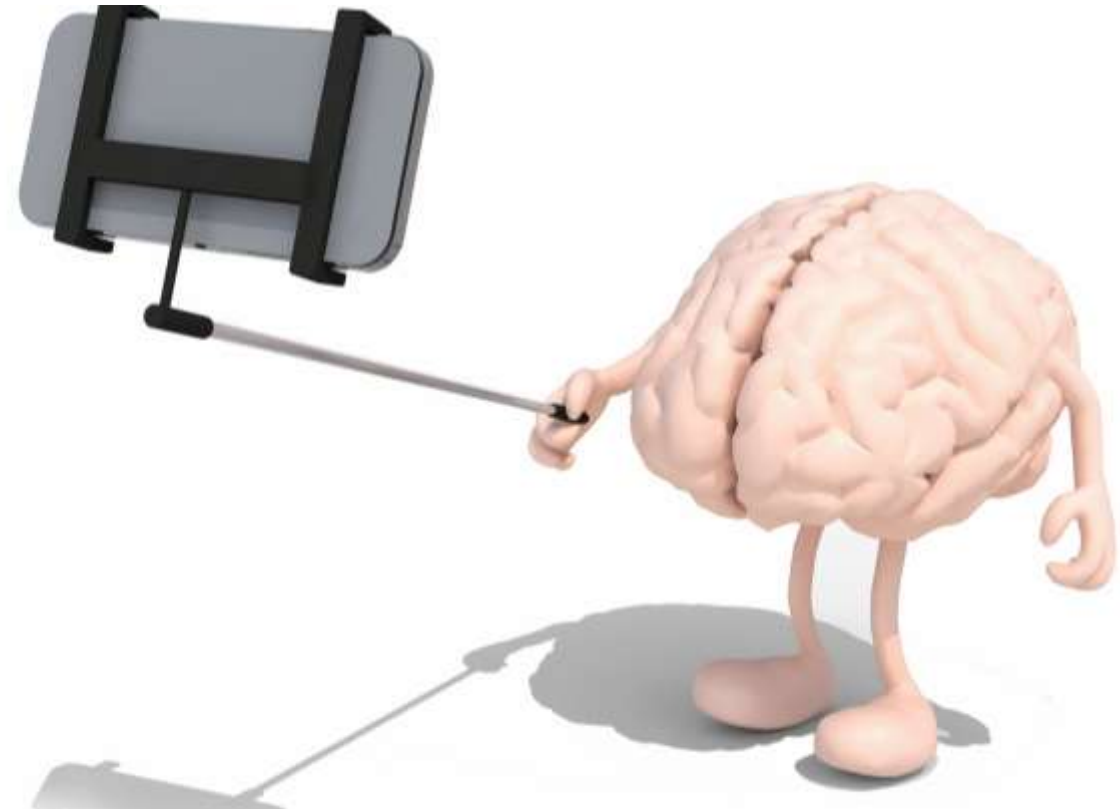
- Lingula gyrus (internal visualization)
- Precuneus (used to take an outside perspective on ourselves)



Lingual gyrus



Precuneus



James III, R. N., & O'Boyle, M. W. (2014). Charitable estate planning as visualized autobiography: An fMRI study of its neural correlates. *Nonprofit and Voluntary Sector Quarterly*, 43(2), 355-373.

# Selling donor “instructions”

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# Large gifts come with lots of instructions



- Instructions make the gift compelling
- They reflect the donor's values, life story, and identity

# Large gifts HAVE ALWAYS come with lots of instructions

In two studies of wills from the 1800s, charitable bequests were restricted in

- 14% of small cash gifts
- 58% of real estate or large cash gifts
- 70% of gifts of a share of the entire estate

James III, R. N. (2020). American Charitable Bequest Transfers across the Centuries: Empirical Findings and Implications for Policy and Practice. *Estate Planning & Community Property Law Journal*, 12, 235-285.







Gift restrictions  
make gifts larger  
in experiments

The instructions make the gift compelling



Include instructions reflecting the donor's identity

- The most extreme version of gift instructions: Foundations, funds, and trusts.
- Pages of detailed instructions controlling the gift for decades or even generations



We have competition for  
instructions: The private family  
foundation

Among decedents  
in 2004 and 2007  
with estates of  
more than \$5  
million, the share  
of charitable  
dollars going to  
private  
foundations was  
70% and 78%,  
respectively


78%

# The magic follow-up question for escalating estate gifts

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- “Have you ever thought about how you would like your gift to be used?”
- Share stories about planned gifts from another donor of a specific size (e.g., endowing a particular item)
- Permanence goals work well in estate experiments





Should I give a few people the “red carpet” or treat everyone the same?

- Is your goal to get more estate donors or more estate dollars?
- These aren't the same.

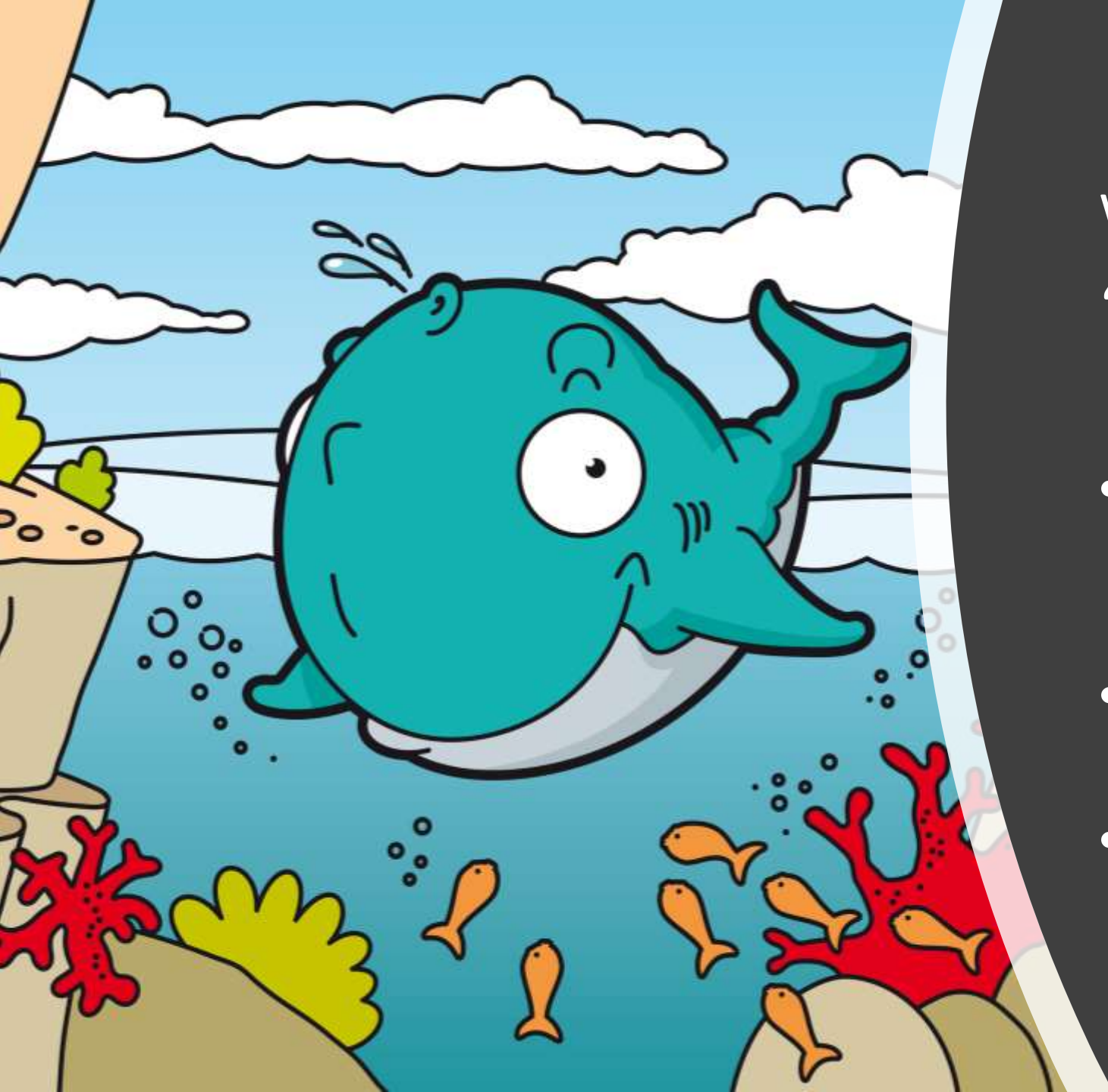




Welcome to the  
weird world of  
“Extremistan”

- There are no normal distributions here
- Only the outliers matter
- Typical bequest donors are financially irrelevant





## Welcome to “Extremistan”

- Imagine fishing in an ocean with only whales and sardines.
- There is one whale for every 100 sardines.
- Sardines are typical. And they don't matter.

Typical bequest donors are financially irrelevant



Among charitable decedents, the typical behavior is to leave less than 10% of the estate to charity

Over 60% of charitable estate tax returns reported these typical donations for decedents dying in 2001 when the exemption amount was only \$675,000

However, these typical charitable decedents were also financially irrelevant, transferring only 3.8% of all charitable bequest dollars

# Charitable bequests are from “Extremistan”



Among both 2001 and 2014 decedents filing tax returns, those who left at least 90% of their wealth to charity gave more than 55% of total charitable bequest dollars, even though they constituted only about 10% of all donors



# Typical bequest donors are financially irrelevant



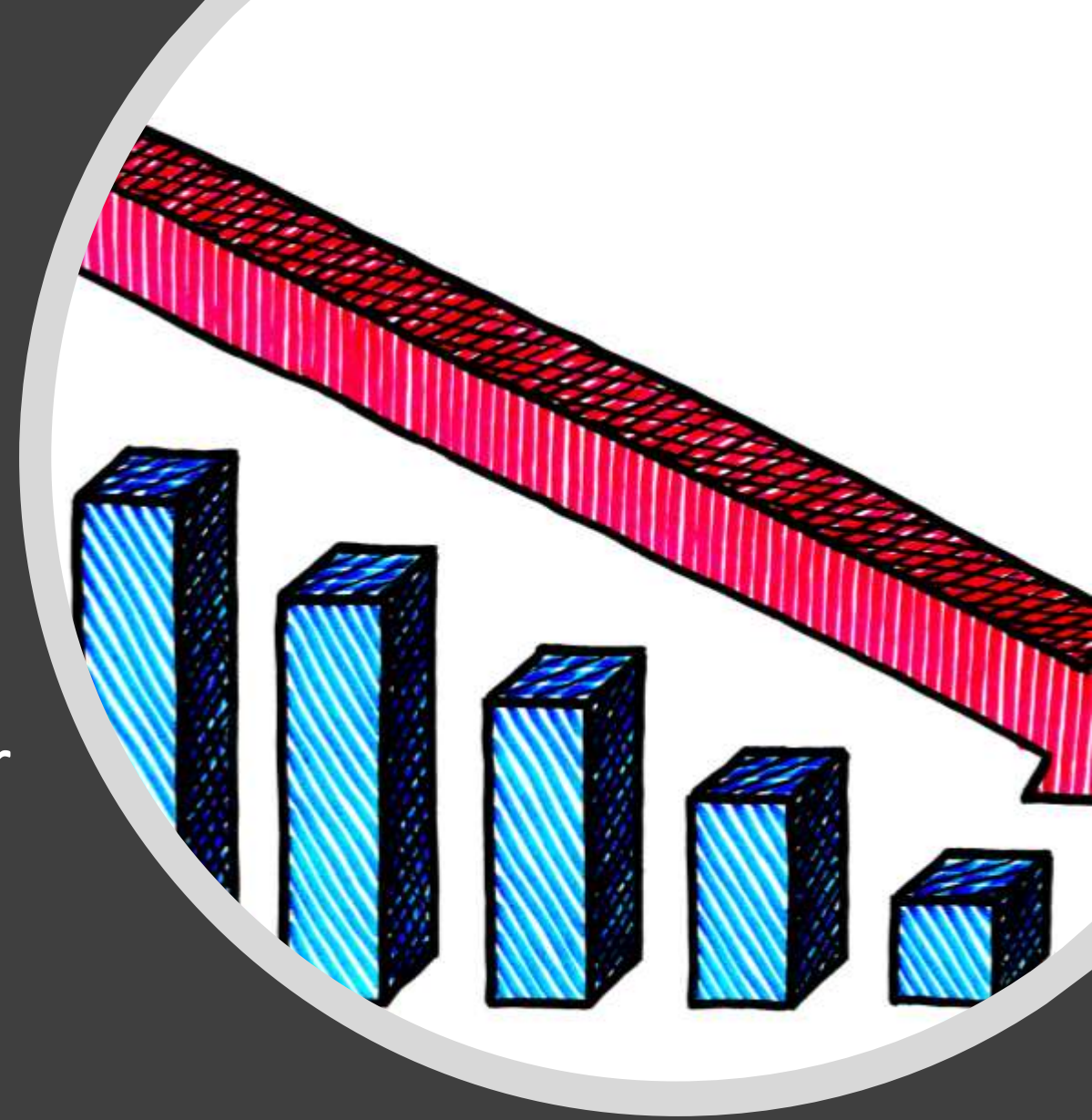
In 2003 estate tax returns (\$1MM estate tax exemption), the typical charitable decedent, representing about half of charitable estate tax returns, transferred less than \$100,000 to charity

These typical charitable decedents were financially irrelevant, transferring only 1.1% of total charitable bequest dollars



# Extremistan is getting more extreme

- A smaller share of decedents are transferring the same overall share of total wealth to charity
- From 1982 to 2014 the share of estate wealth going to charity among decedents with wealth over \$10 million (2014\$) went up
- But the share making any gifts dropped from 41.9% and 44.8% in 1982 and 1983, respectively to 32.6% and 32.7% in 2012 and 2013



Who drives  
charitable bequest  
dollars?

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- Wealthy
- Old
- Childless





It's about the wealthy

The gross estate category of more than \$50 million was first reported separately for returns filed in 2013.

In every year from 2013–2017, charitable decedents from this category, about 186 decedents annually, gave the majority of all charitable dollars reported on estate tax returns in the U.S.



It's ALWAYS BEEN about the wealthy

In 1916-1921, Over 30% of all charitable estate dollars came from the 35 wealthy decedents.

In 1922 over 55% came from 16 decedents.

# It's INCREASINGLY about the old

Among returns filed in 1963, 1970, 1973, 1977, 1983, 1987, 1990, those aged 75 and older made up 65%, 70%, 72%, 71%, 77%, 81%, and 83% of all charitable bequest donors, respectively.

Those under 65 constituted 13%, 9%, 8%, 10%, 7%, and 5%, of all donors, respectively.



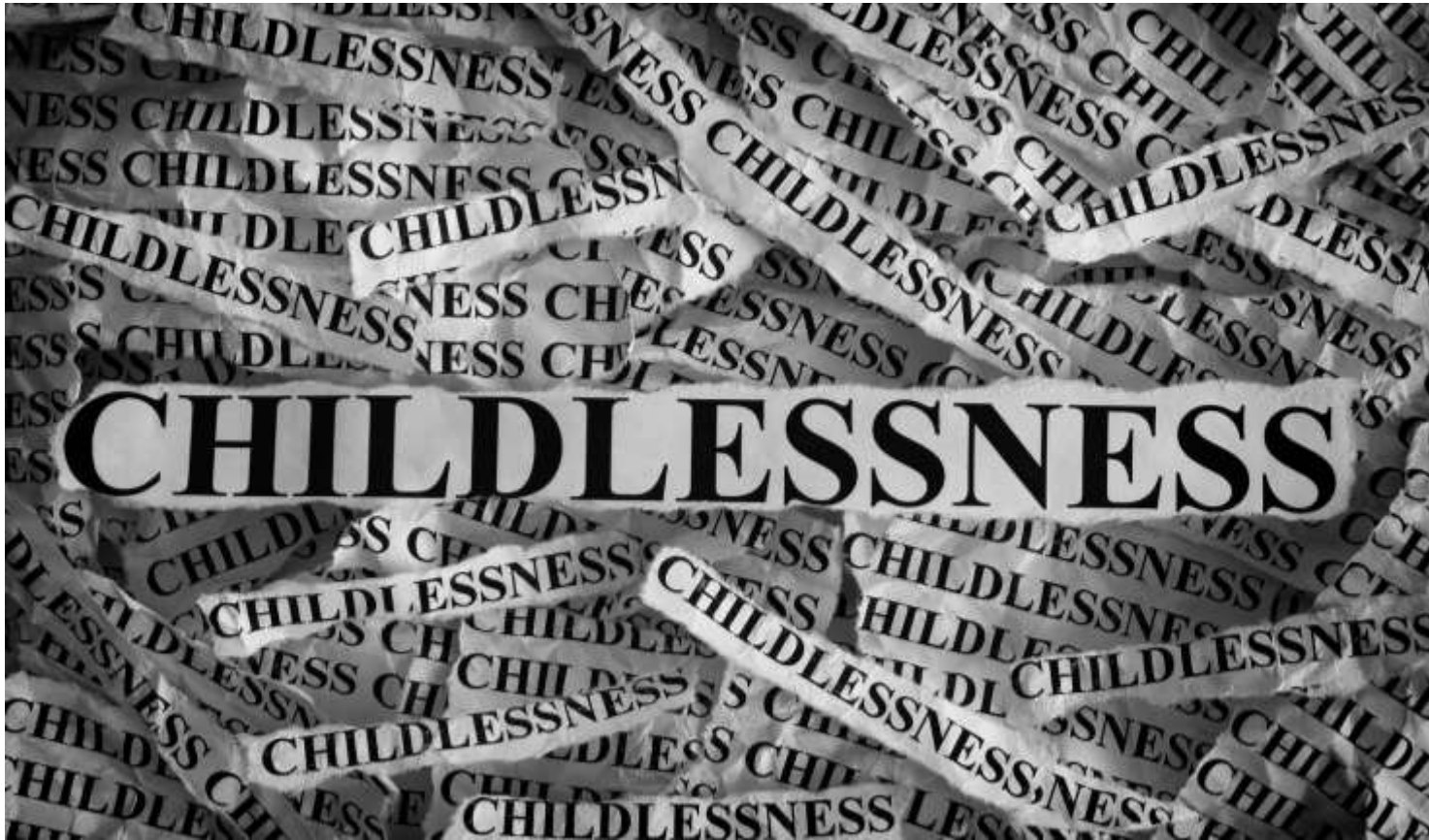


# It's increasingly about the old

Decedents aged 80 and older contributed 68%, 70%, and 77% of all charitable dollars in 1986, 1992, and 1995.

Decedents under age 50 contributed only 0.9% and 0.4% of all charitable dollars in 1992 in 1995, respectively





It's about the childless

In 2016, among living adults age 55+, the childless represented 8.8% of testate people and 25.7% of charitable testate people.

In decedents from the 1995-2006 HRS, only 9.8% (581 of 5,957) were childless, but they accounted for 51.9% of all charitable dollars transferred (\$26,057,269 of \$50,244,418).

# Story and Statistics

## Story:

- Gifts from wealth, not disposable income
- Major gifts of assets not planned giving
- The competition is winning

## Statistics:

- Gifts of assets, including planned gifts in wills, drive near term fundraising growth
- Large planned gifts come with detailed instructions
- Dollars are from the old, wealthy, and childless







## Putting Research to Work in Your Planned Giving Program