

You're in the Will! Now What?

Strategies That Lead to Larger Legacy and Lifetime Gifts

Professor Russell James, Texas Tech University

Hooray! They
put us in the will.

Now what?



Now what?

1

Option 1:
Count it and
forget it.

2

Option 2:
Hang on
tight!

3

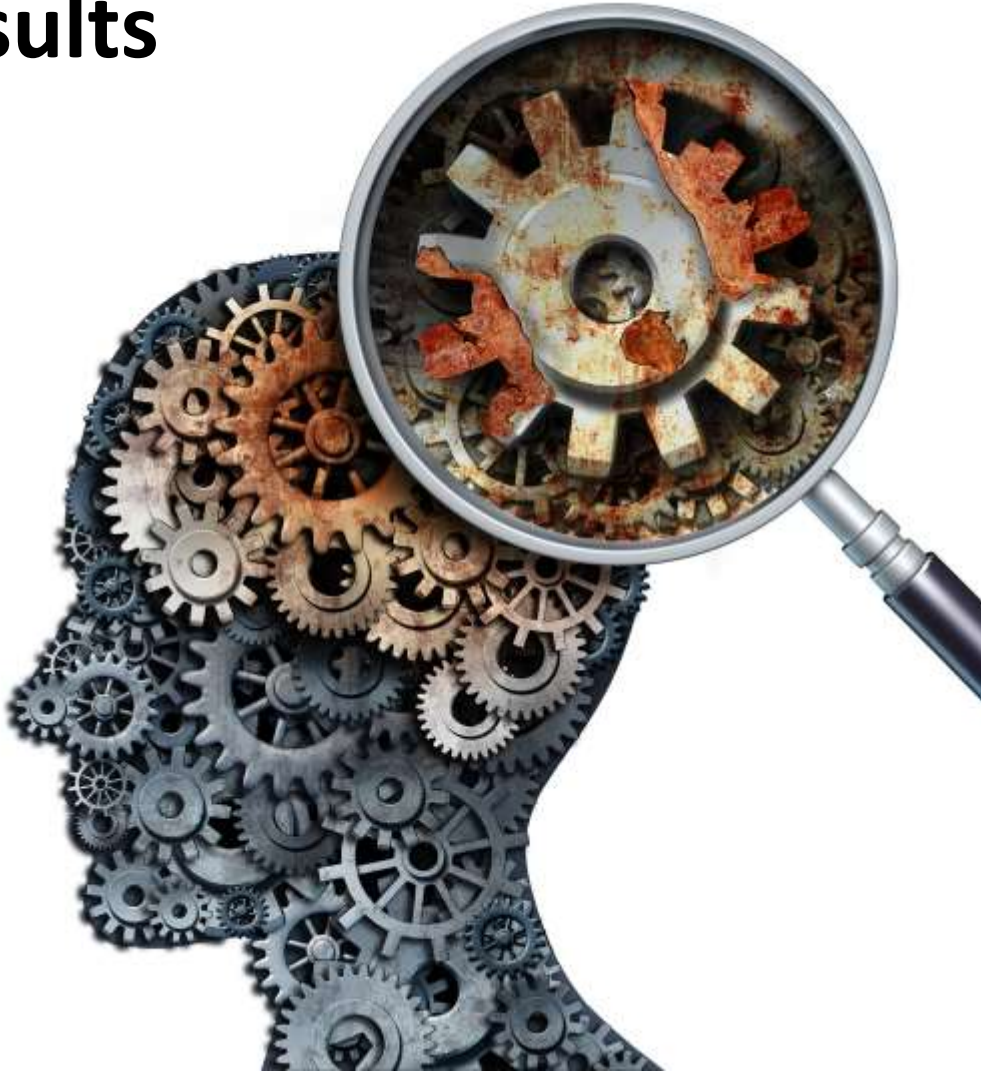
Option 3:
Make it
larger!

4

Option 4:
Make it
lifetime!

For each option

We'll look at the research results



We'll look at the practical strategies





Option 1: Count It and Forget It!

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

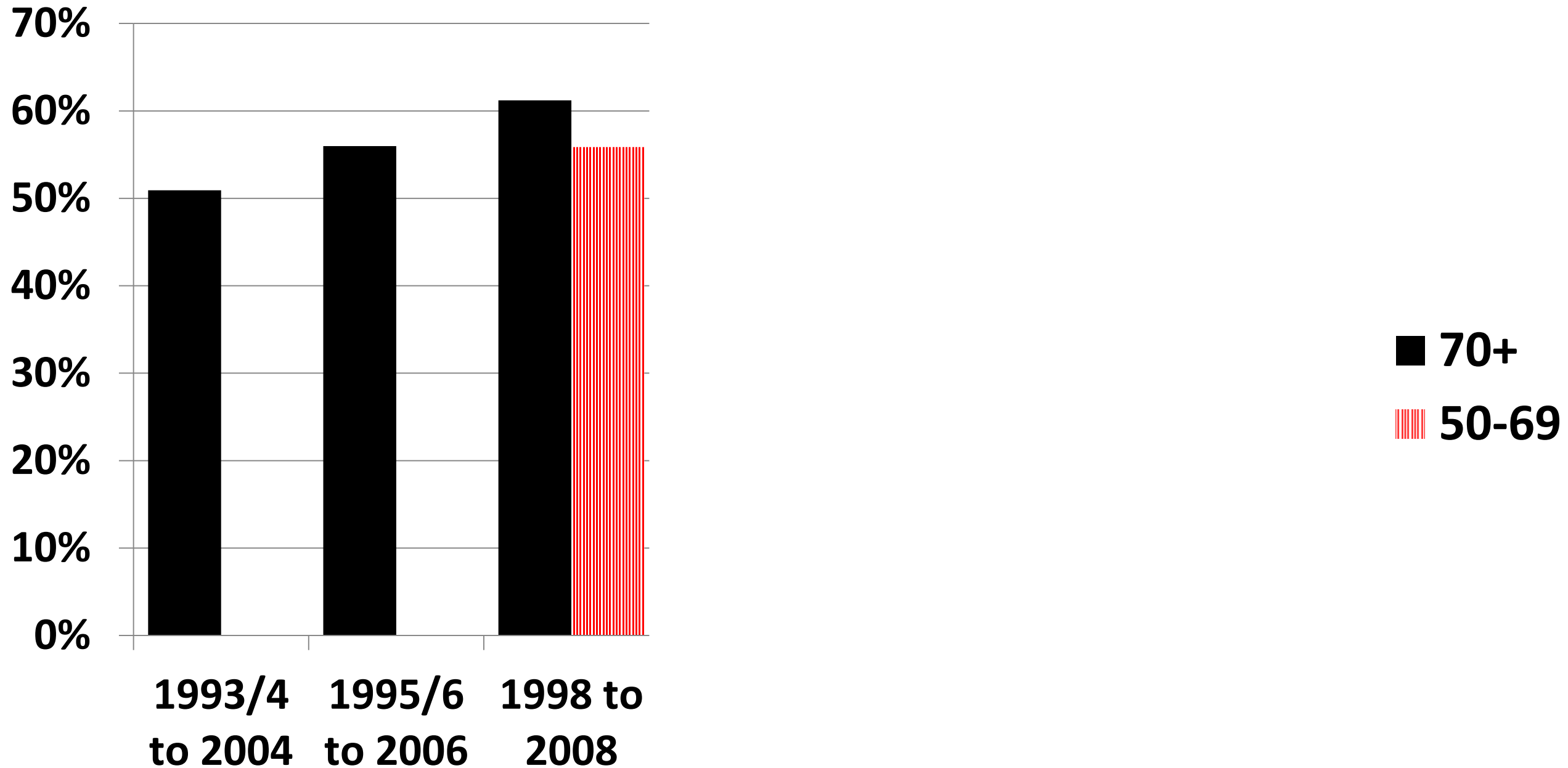


Count it and
forget it
does not
work!

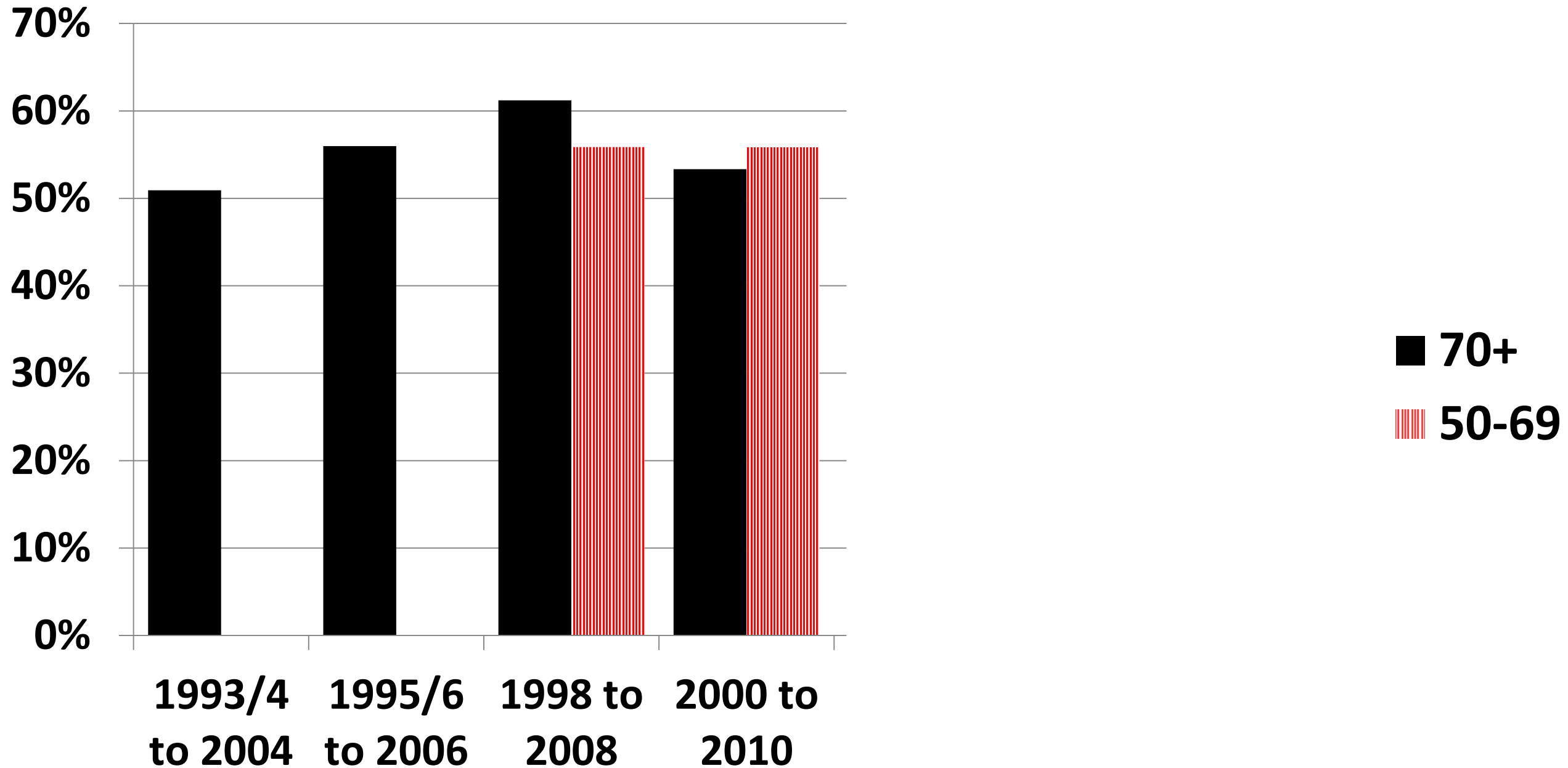
Let's look at
the data



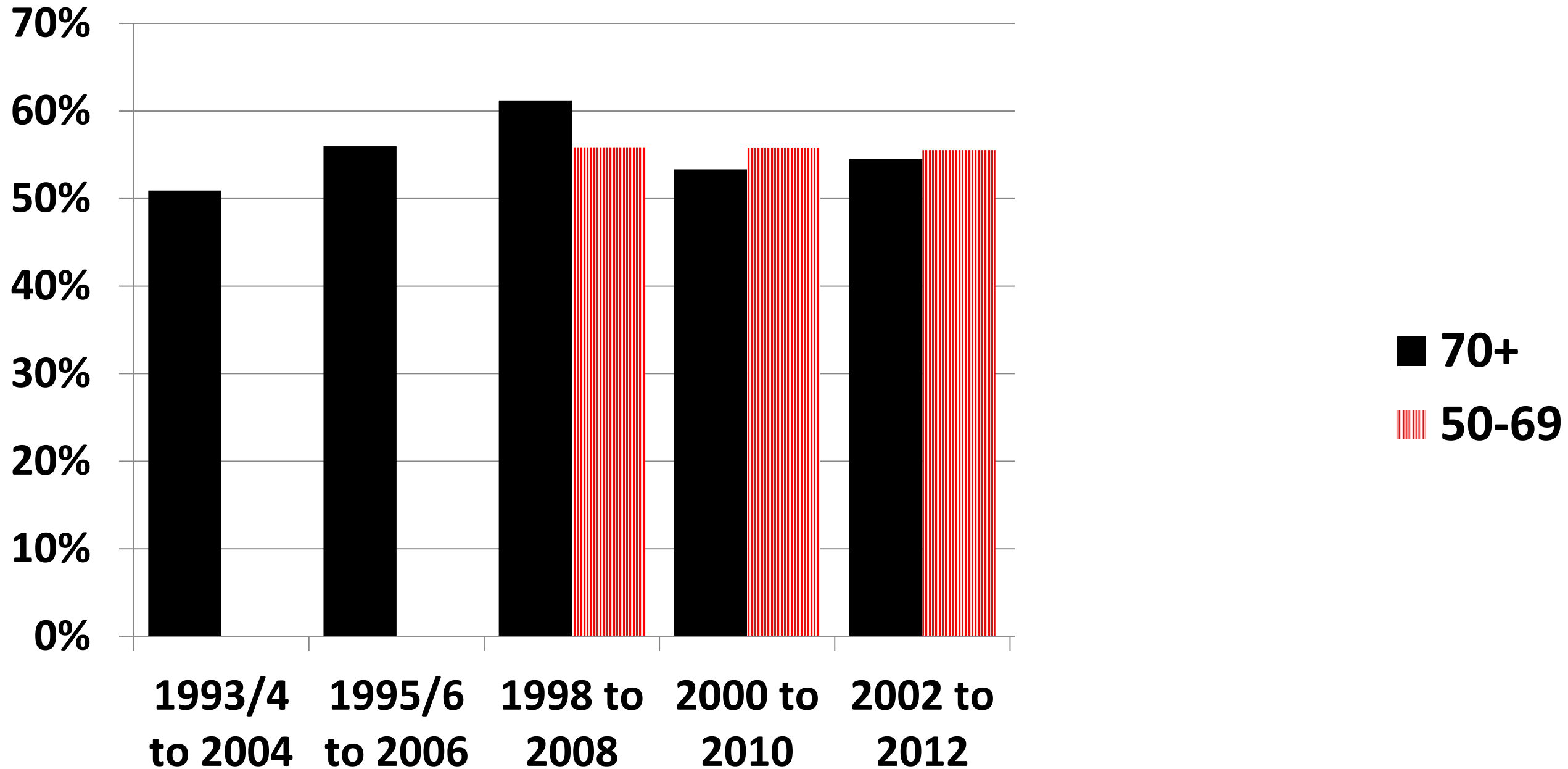
10-Year Retention of Charitable Estate Component



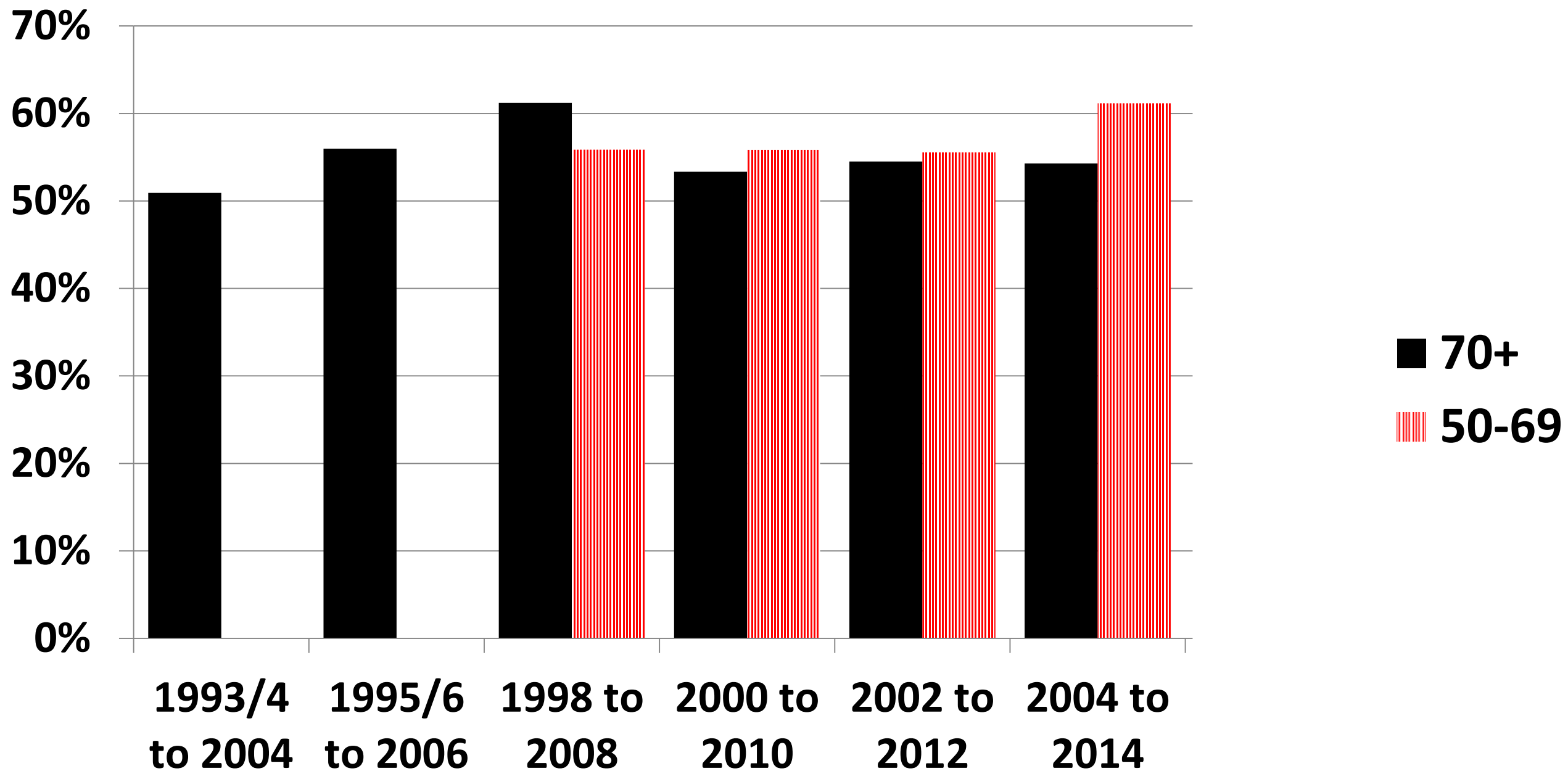
10-Year Retention of Charitable Estate Component



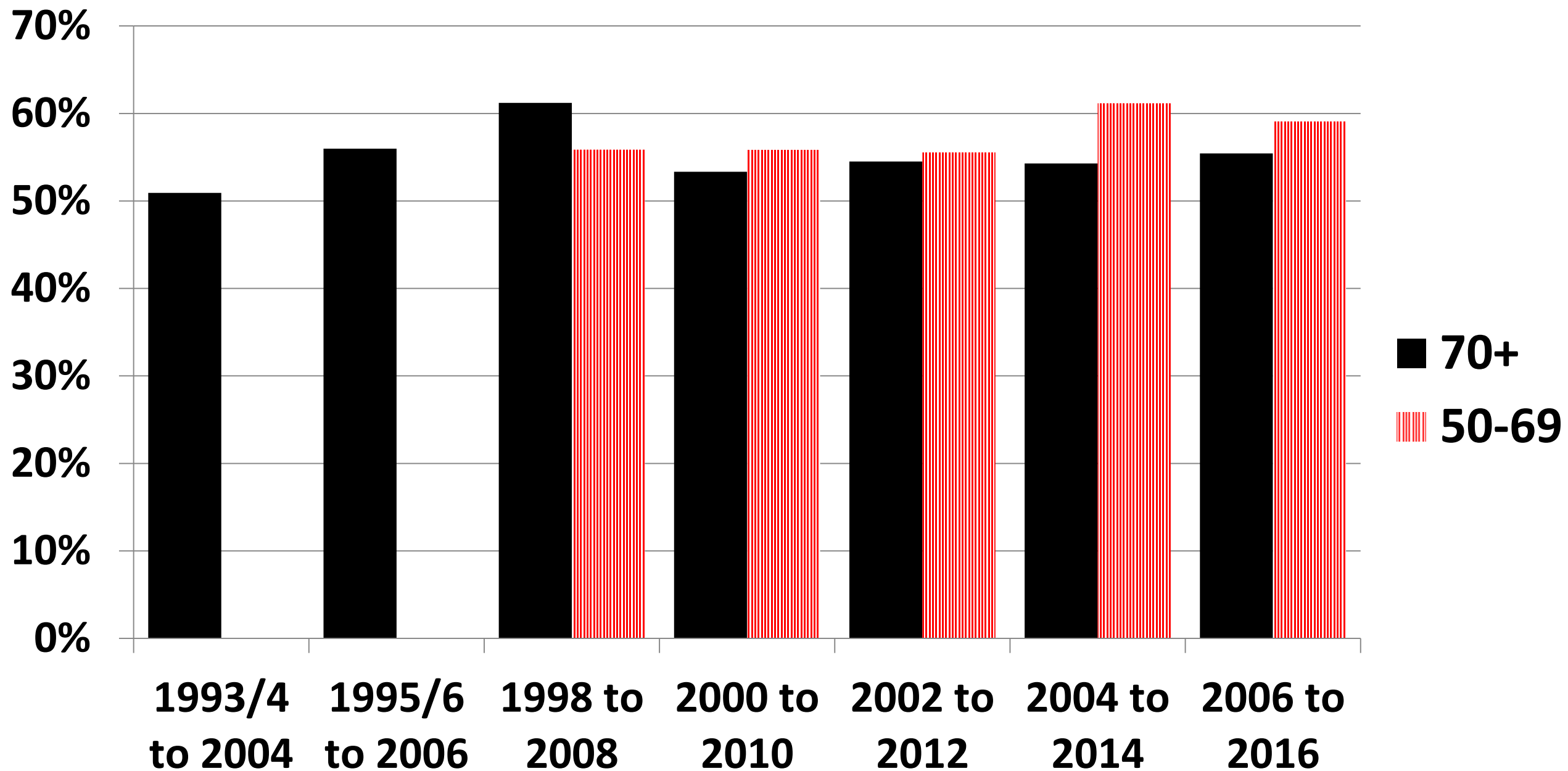
10-Year Retention of Charitable Estate Component



10-Year Retention of Charitable Estate Component

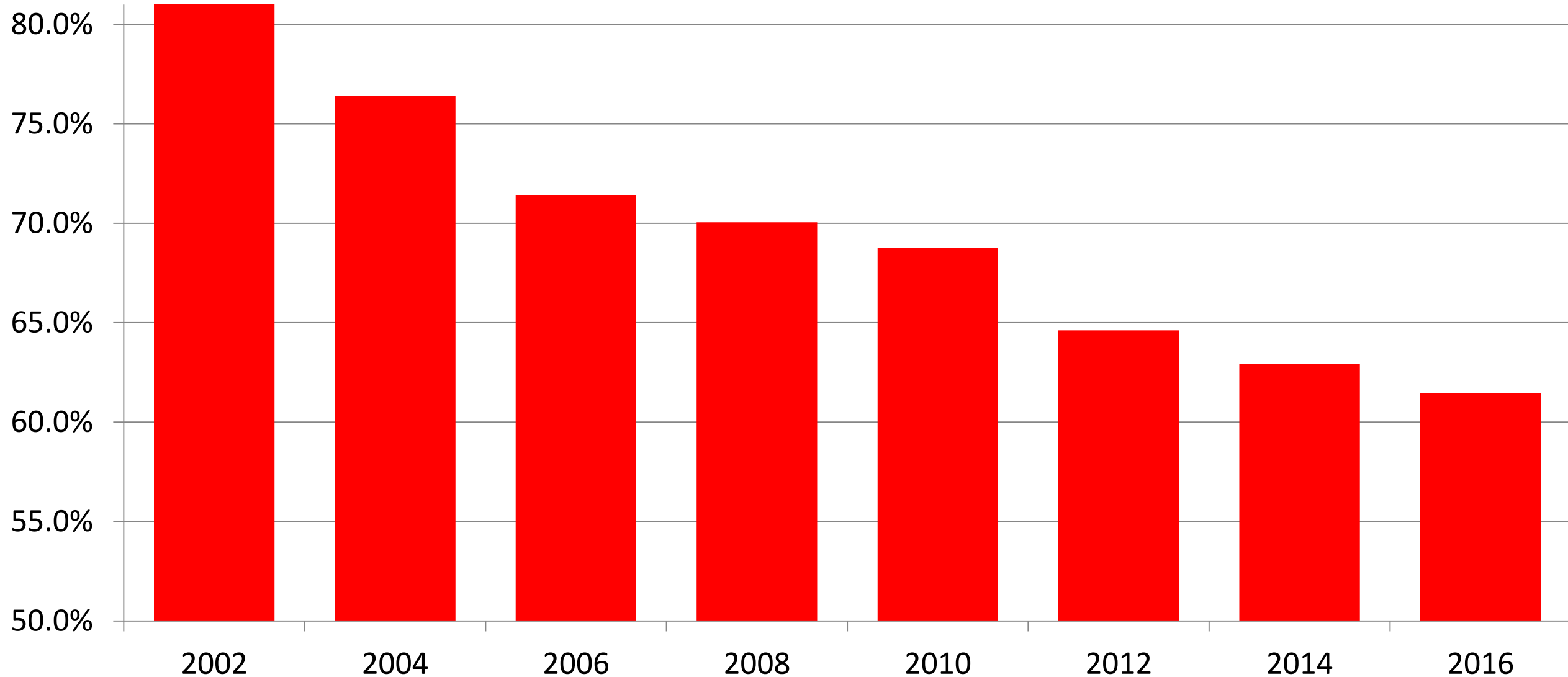


10-Year Retention of Charitable Estate Component



Charitable Plan Loss Trajectory

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



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



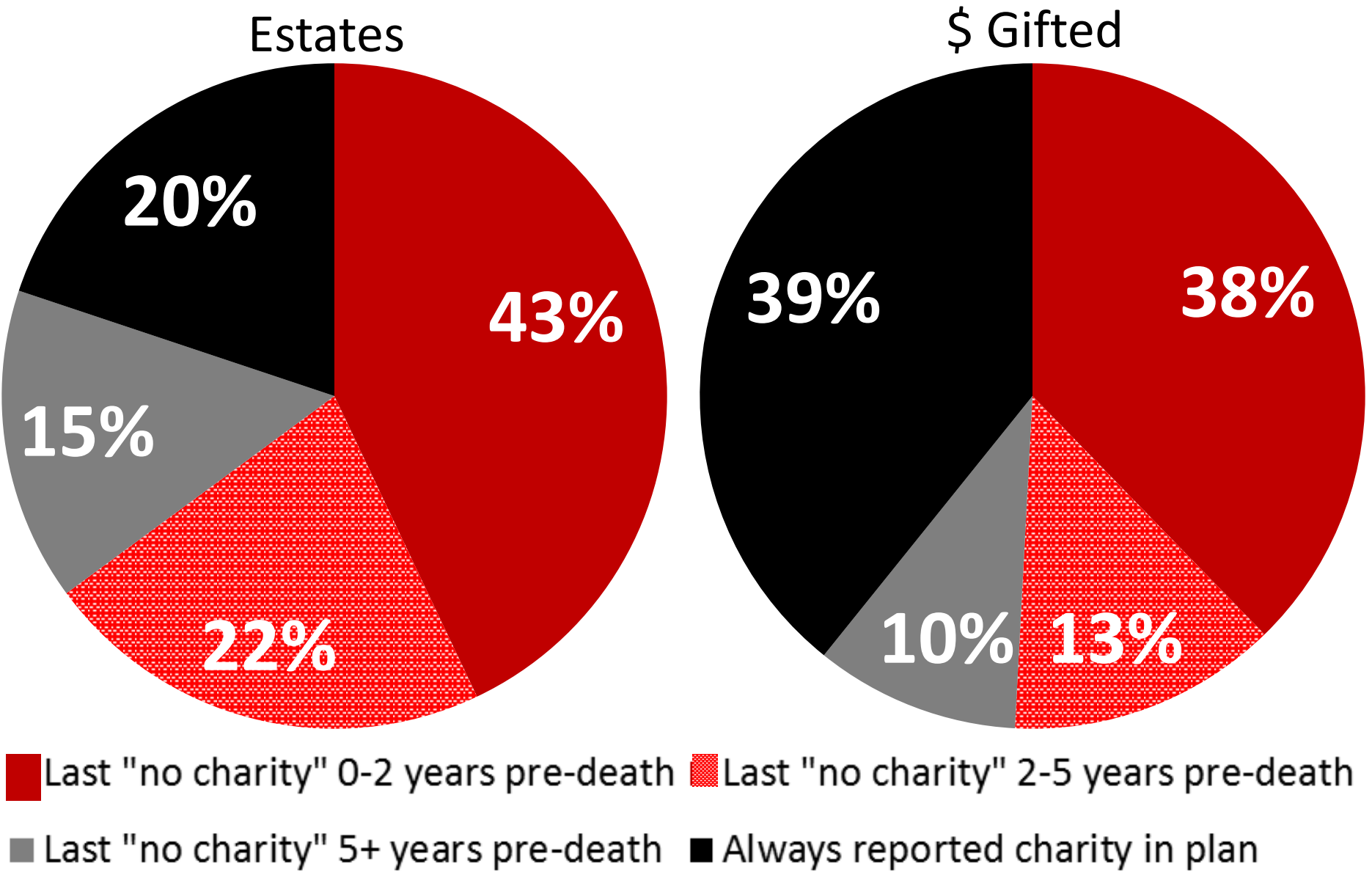
1. Death feels near

- *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 estate gifts (in red) were added within 5 years of death [12,000+ decedents]



A 5% national sample of 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





If you aren't top of the mind – you get left out!

- Standard practice is to generate new documents using current assets and current goals from standardized collection processes. Charging a client to read through their old will document isn't common or necessary.
- We're not adding codicils with quill pens. There is no automatic carryover of will provisions!
- The estate plan changes every time a person opens any new account with a beneficiary designation.



It's not all bad news: Getting in the will early is still really valuable!



Charitable
plans signed
earlier

DO

produce larger
gifts,

IF

they stay in (or
they return
later)

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 woman with long, dark, wavy hair and bangs, wearing a white button-down shirt, is holding a small green seedling with soil in her cupped hands. She is looking directly at the camera with a gentle expression.

A bequest commitment is the beginning, not the end

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



Option 2: Hang on tight!

- This is a highly fluid decision
- Often plans are change
- How should we respond?

Don't
ignore
your
oldest
supporters



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

U.S. study
Age 88

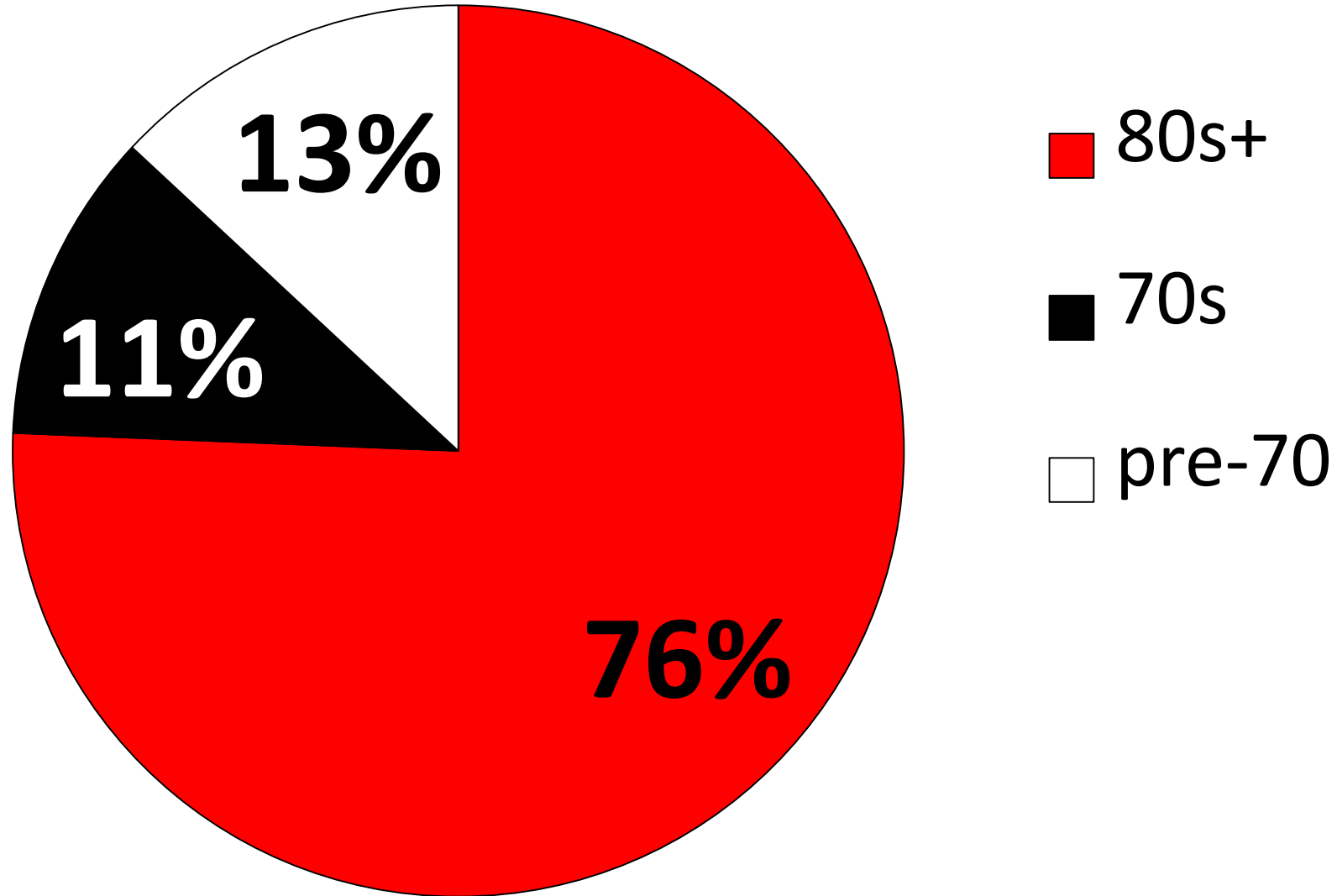
Australian study
Age 90

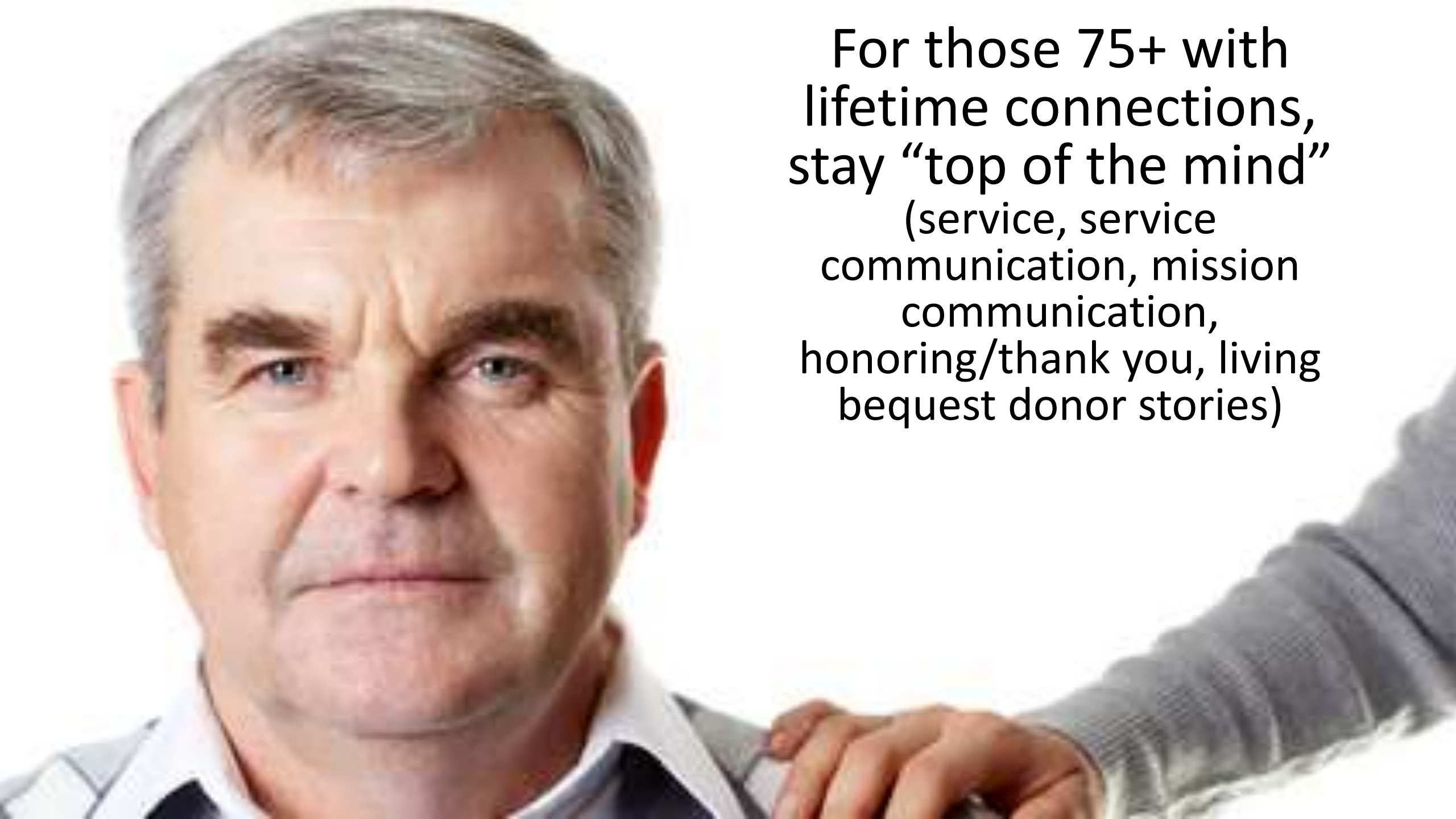
Remember that most realized charitable
bequests are added within 5 years of death



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)

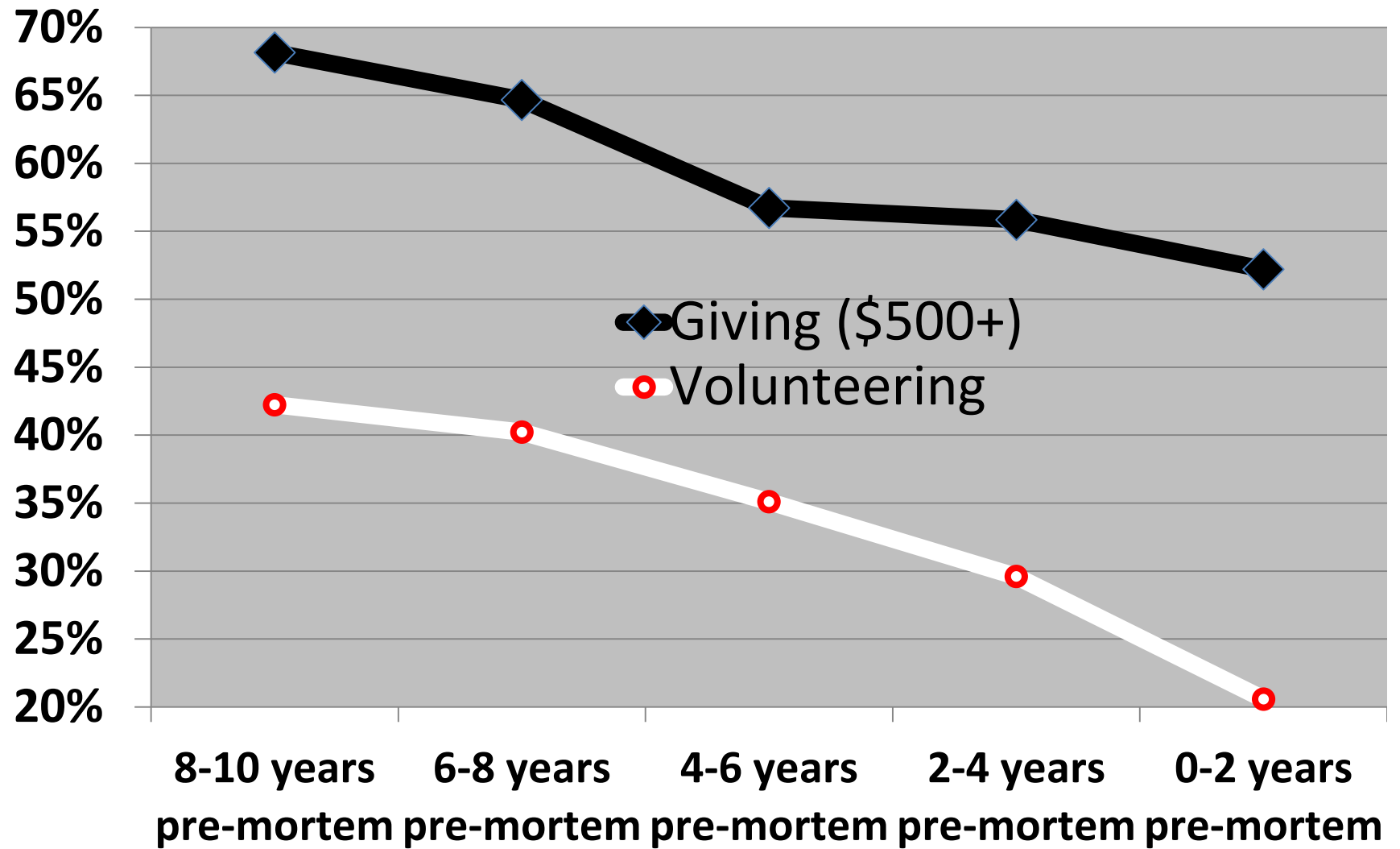
The score doesn't count until the clock runs out



- 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!

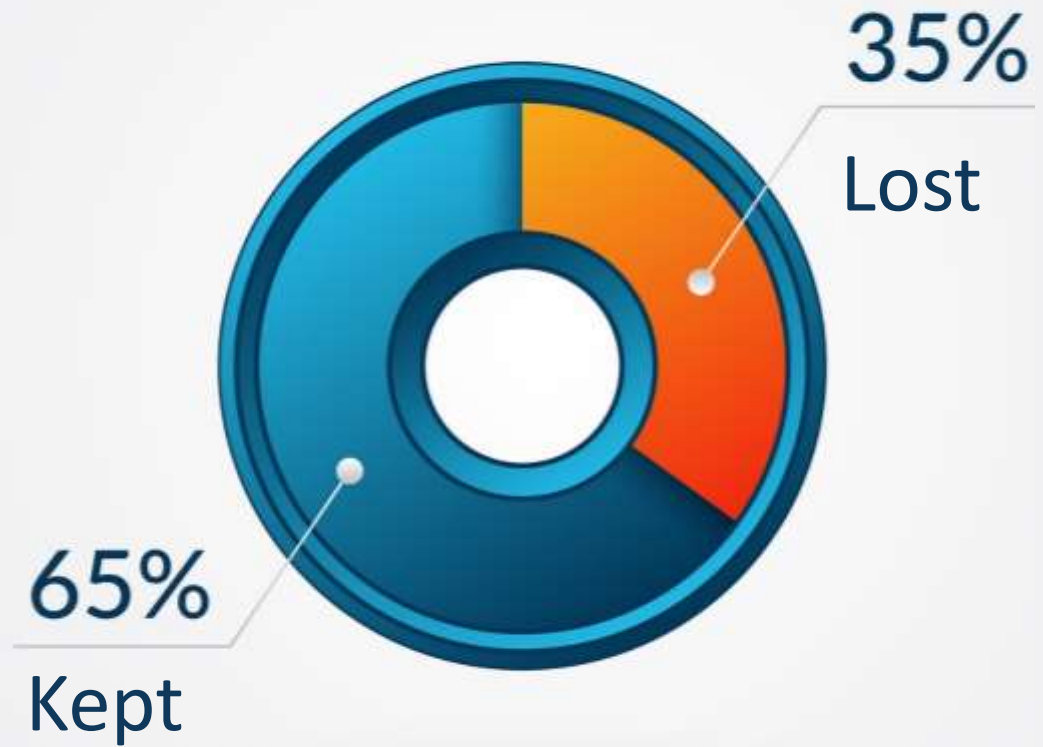
Many charities go silent at the most important point of decision.

Lifetime Giving and Volunteering by Estate Donors



Legacy societies study

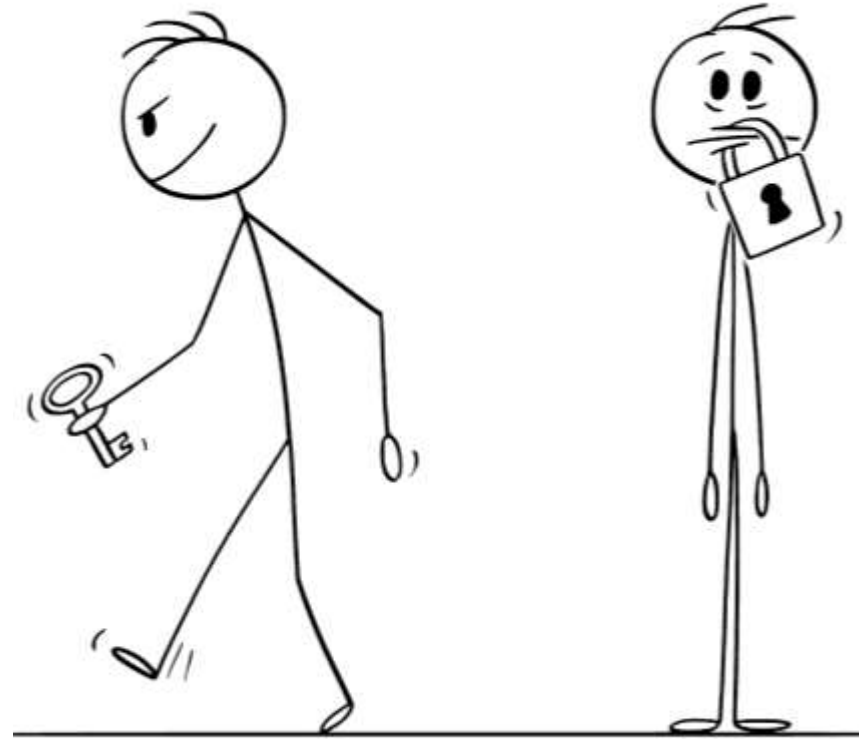
- Ten large Australian charities provided data from those dying in 2014-2017
- Among 700 known decedents who had confirmed the presence of a planned bequest gift to the charity during life, 65% generated an estate gift at death
- Because all estate gifts are known but not all deaths are known, these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



Now what?

- We have observational results that ending communications will double the loss rate
- We need to stay in contact
- But what should we be saying?



Messages that work in experimental research to maintain a charitable pledge

1. Expressions of gratitude
2. Increasing public visibility of the pledge
3. Social proof from examples of other pledgers
4. Increasing gift specificity
5. Including loved ones (gifts in honor/memory)
6. Increasing pledge formality

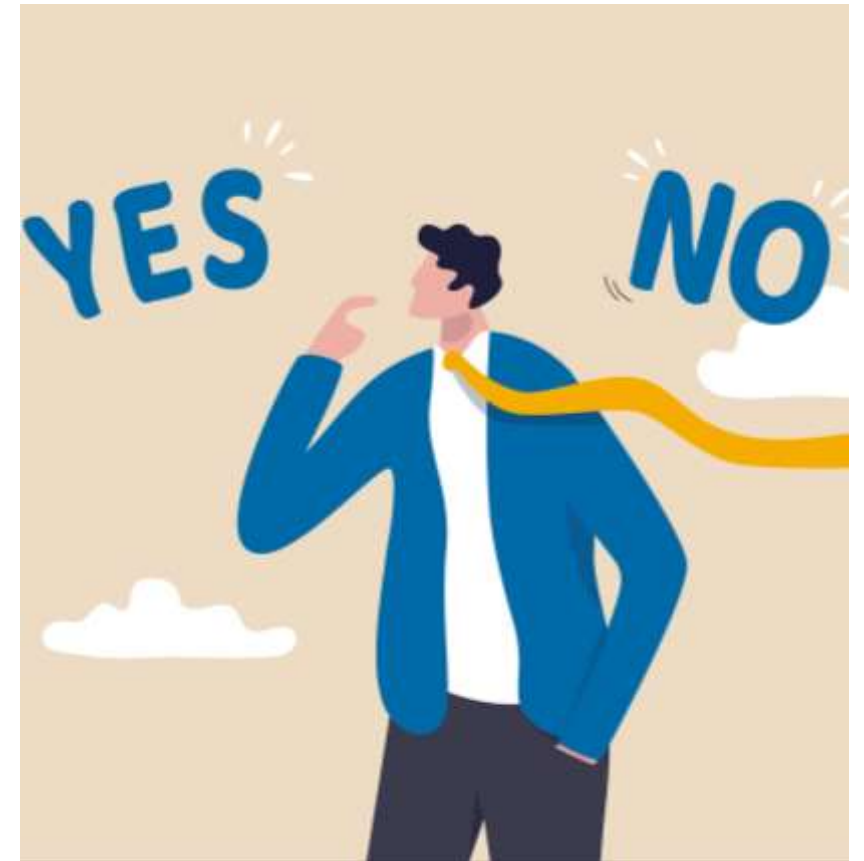


Maintain a pledge with a thank you

Charitable Giving Experiment Options:

1. Yes, give \$5 of payment.
2. No, don't give \$5 of payment.
3. "Yes, I'd like to donate \$5 next week. Ask me again next week and I will make my final decision."

This is WEAK commitment. They didn't give but chose this instead. Some weak pledgers received a note a few hours later. They were thanked for their decision to pledge and told their contribution would make an important difference in the life of the recipient family.



Thank-you message → Pledge fulfillment

Weak Pledge

No Message

29.2% Gave

Thank You Message
(a few hours after weak pledge)

52.1% Gave

What works
to maintain
pledges?

Gratitude!



“Thank you event” from *Doctors Without Borders*

- Attendees: loyal donors, major donors, and legacy society members.
- Showed the work of our teams in the field (e.g., an inflatable field hospital tent and other stations that made our humanitarian efforts tangible; a video highlighting the work; speech by from president)
- Fundraising director expressed gratitude to the attending donors, also taking a moment to remember deceased legacy donors.
- Emphasized that legacy gifts already fund every sixth mission of *Doctors Without Borders*.
- Results: Dramatically higher attendance and “significantly more announcements of legacy gifts than at traditional inheritance-law events.”

A row of ten light-colored wooden blocks, each with a black letter, spelling out the word "GRATITUDE". The blocks are arranged horizontally and are slightly shadowed on the surface below them.

What works to maintain pledges? Specificity and formality

- An experiment with three different types of requests.
- Requesting a pledge to give without committing to an amount, only 23% of donors follow through on their pledge promise to donate.
- Requesting a specific pledge amount increases fulfillment to 36%
- Putting the intended donation on paper with the signature of the solicitor, and given to the donor, this rate improves to 44%



Koessler, A. K. (2022). Pledges and how social influence shapes their effectiveness. *Journal of Behavioral and Experimental Economics*, 98, 101848.

Social proof from seeing others make pledges increases both pledging and pledge fulfillment

“When a pledge-maker was the only group member to make the pledge, these single pledge-makers fulfilled their pledge and donated the socially optimal amount 83% of the time in the first contribution round. When other group members also made the pledge, the compliance rate increased up to 99.1% when all group members made the pledge.”



Koessler, A. K. (2022). Pledges and how social influence shapes their effectiveness. *Journal of Behavioral and Experimental Economics*, 98, 101848

Pledges in honor/memory of a loved one are likely more stable

In an experiment, this intervention increased pledge fulfillment: “Think of a person who is extremely important to you and helped you to become the person you are today, then sign the pledge with both your own initials plus the initials of that person.”



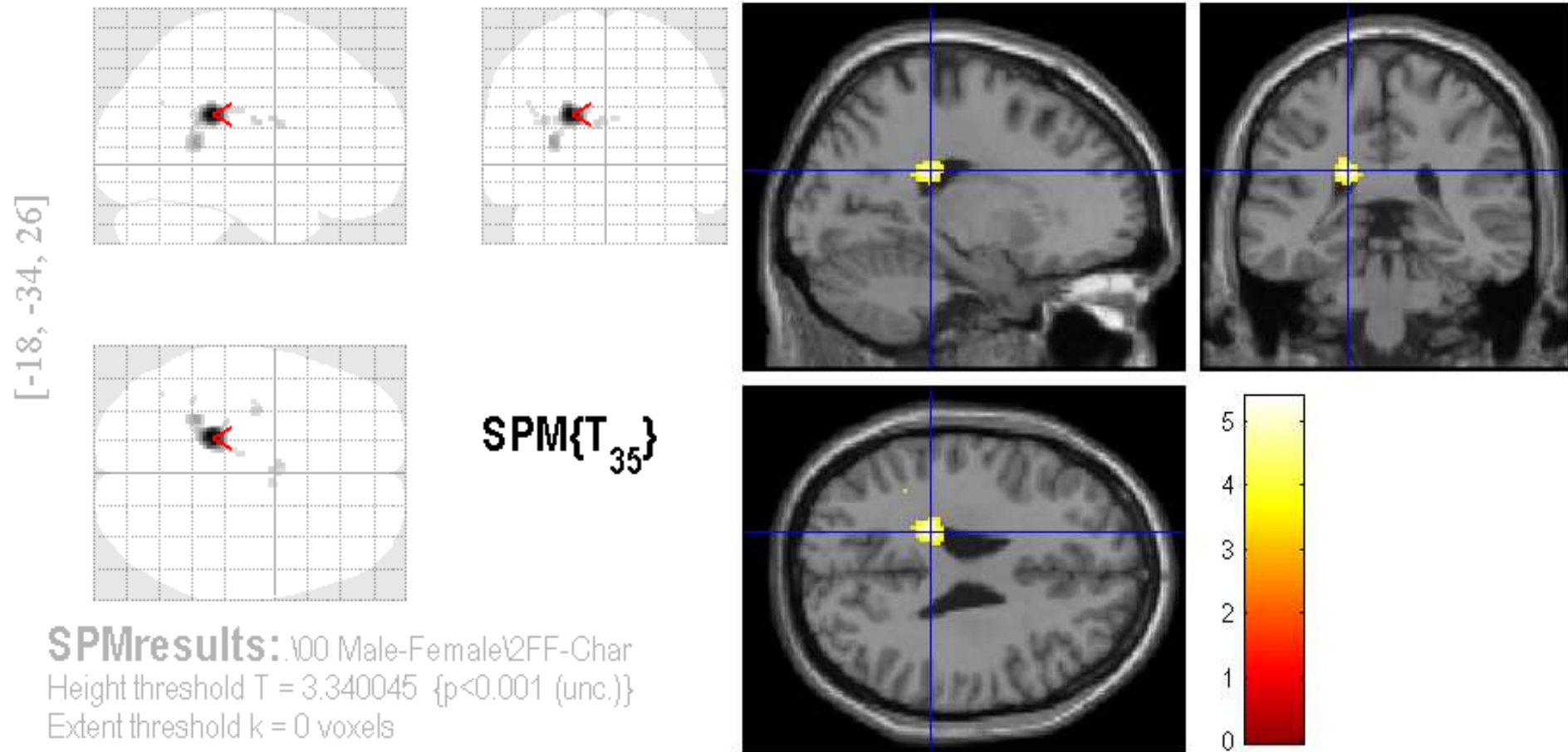
Chou, E. Y., Hsu, D. Y., & Hernon, E. (2020). From slacktivism to activism: Improving the commitment power of e-pledges for prosocial causes. *PloS one*, 15(4), e0231314.

Bequests to friends and family (v. charitable bequests) more heavily involve brain regions of

1. **Emotion** (mid/posterior cingulate cortex; insula)

See Maddock, Garrett & Buonocore, 2003

2. **Memory** (hippocampus)

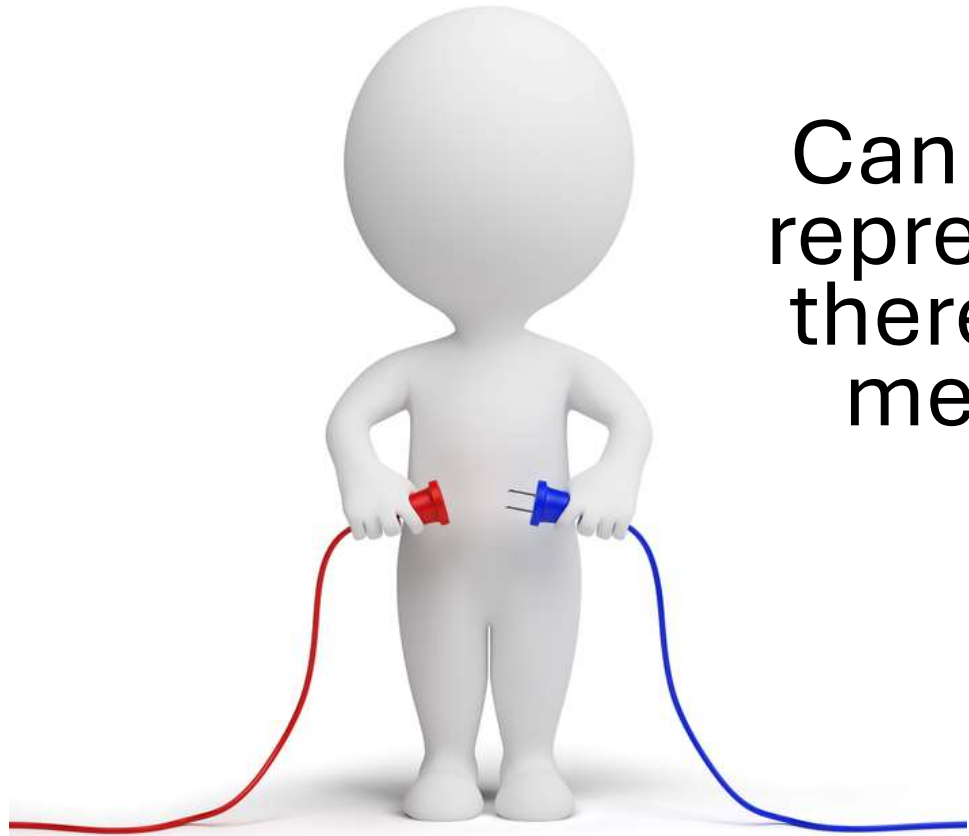
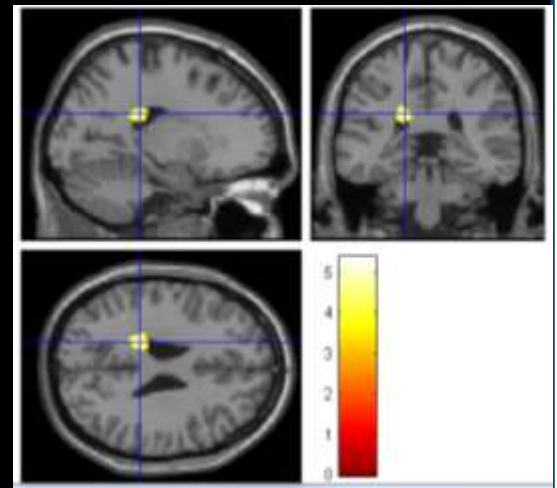


This difference was stronger for females than males.

Bequests to friends and family (v. charitable bequests) more heavily involve brain regions of **Emotion**

(mid/posterior cingulate cortex; insula) **and**

Memory (hippocampus)



Can a charitable bequest represent a loved one, and thereby connect with this memory and emotion?

Does a tribute bequest decision (where connections exist) generate more memory and emotion than a general bequest decision?



1. Bequest?

“If you signed a will in the next 3 months, what is the likelihood you might leave a BEQUEST gift to [org]?”

2. Connection?

Do you have a LIVING or DECEASED friend or family member who would appreciate (or would have appreciated) your support of [Type] Organization such as [Org], [Org2], or [Org3]?

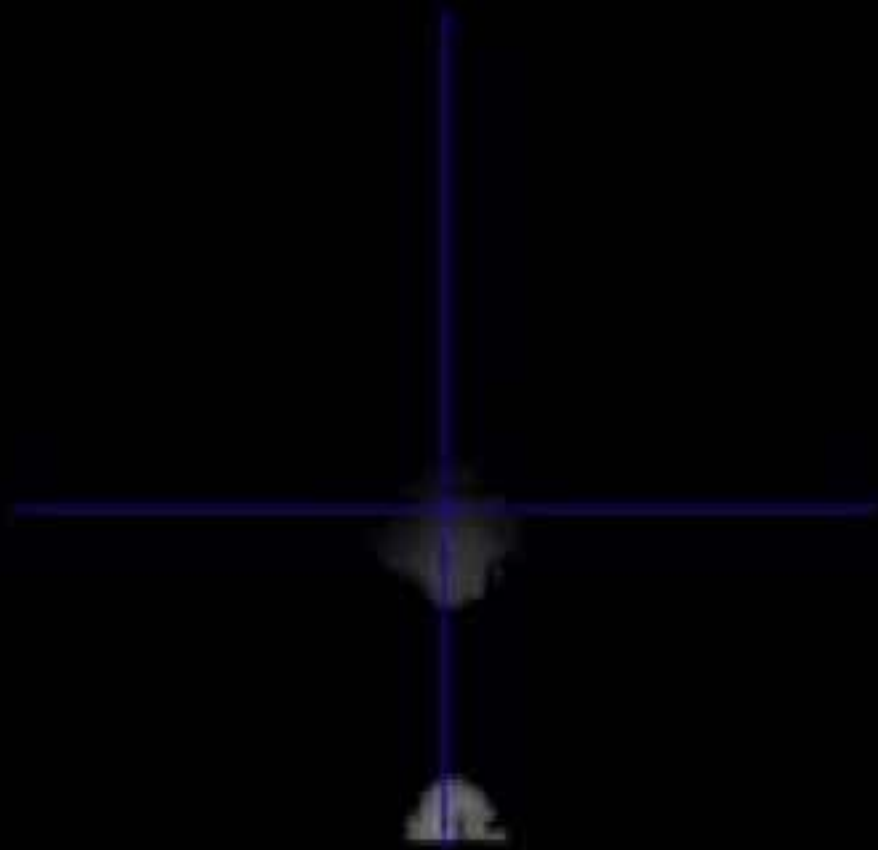
3. Contemplation

Please take the next few seconds to visualize how a friend or family member has been connected to this cause or organization.

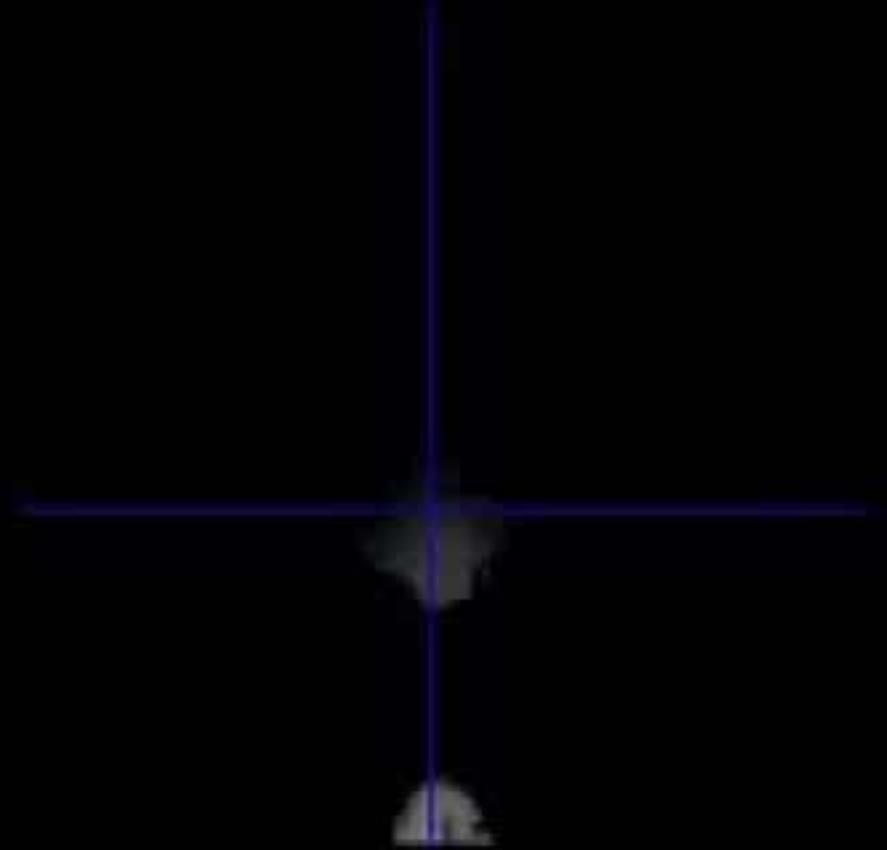
4. Tribute Bequest?

If you signed a will in the next 3 months, what is the likelihood you might leave a BEQUEST gift honoring a friend or family member to [Org]?

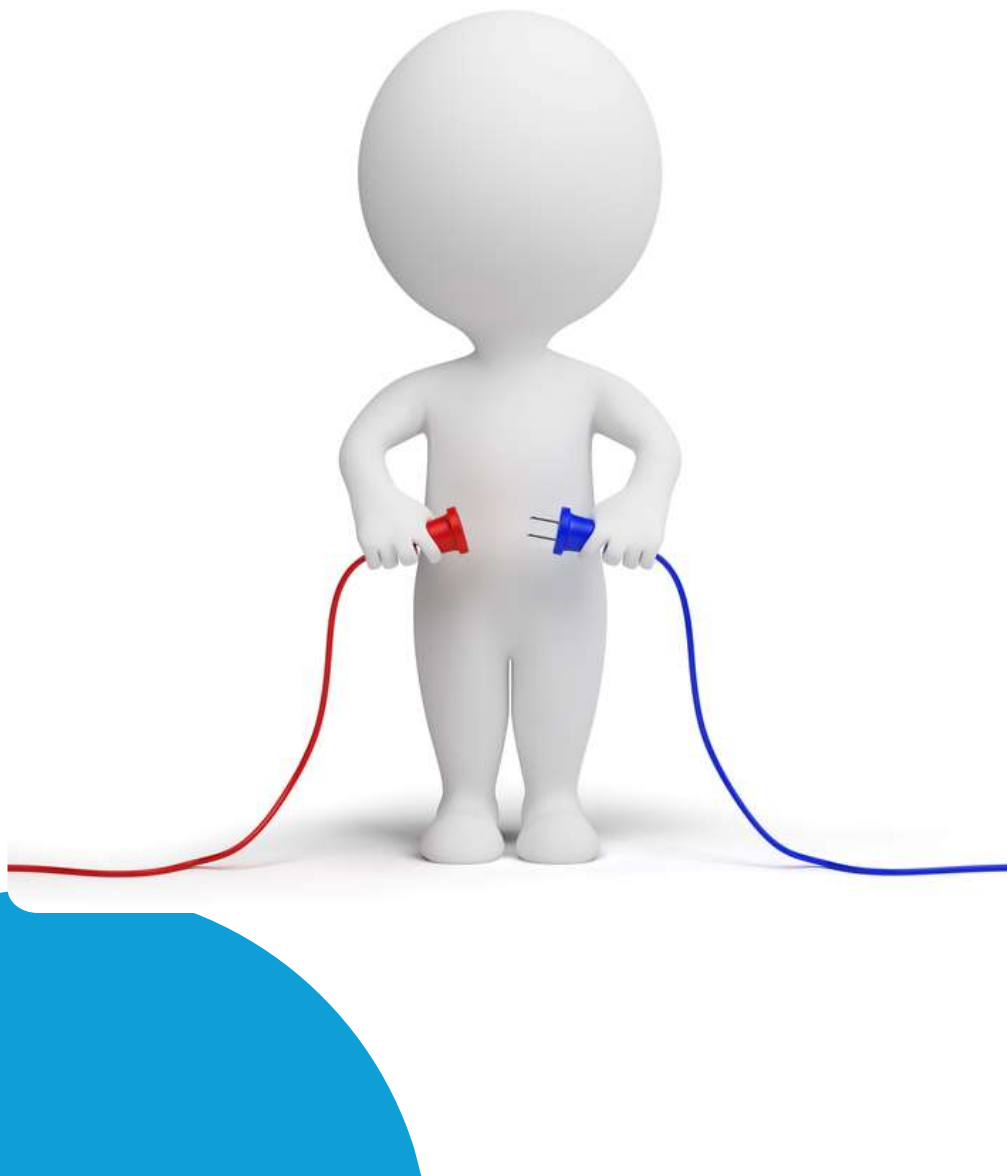
Differences in
neural
signatures of
simple
bequest
decision and
tribute
bequest
decision
following
contemplation
of loved one's
connection to
the cause or
organization



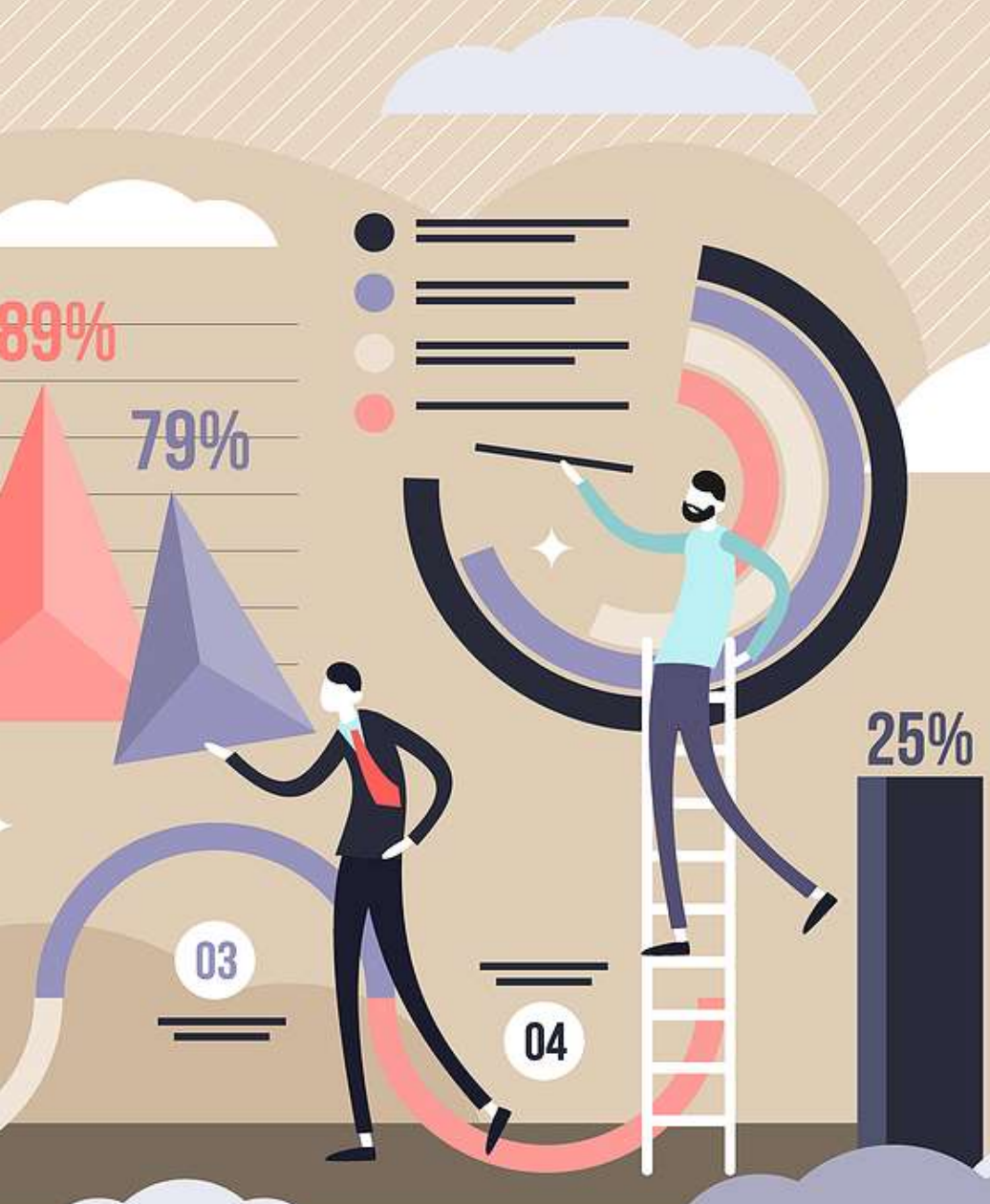
Bequest>



Tribute Beq>



A charitable
bequest in honor of
a loved one, more
strongly connects
with memory and
emotion



What do we confidently know about motivation across all experiments?

A statistical analysis of 21 systematic reviews incorporating **1,339** primary studies and over **2,139,938** participants summarizes,

“The most robust evidence found suggests charities could increase donations by (1) emphasizing individual beneficiaries, (2) increasing the visibility of donations, (3) describing the impact of the donation, and (4) enacting or promoting tax-deductibility of the charity”

How can we emphasize bequest pledger experiences that emphasize these proven motivators?



1. Emphasize individual beneficiaries
[Can you see the impact?]
2. Increase the visibility of donations
[Can others see the gift?]
3. Describe the impact of the donation
[Can you see the impact?]
4. Promote tax-deductibility of the gift
[Cost matters]

Practical examples

- Legacy society group functions (social proof, publicizing commitments) expressing gratitude
- Legacy society member recognition (social proof, publicizing commitments) expressing gratitude
- Formalizing what the charity will do if the gift is received. [Formalization works even if the donor only observes it!] Especially if the impact is visualizable.
- Asking about memorial/tribute recognition of loved ones
- Tax advantages of IRA/401(k) beneficiary designations





Option 3:
Make it
larger!

The money in estate gifts doesn't come from a lot of gifts. It comes from just a few.

Would you trade your ten largest estate gifts for all of the others combined? Most would say no.



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.

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 total charitable bequest dollars.

Typical bequest donors are financially irrelevant



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



Welcome to the
weird world of
“Extremistan”

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

What do big estate gifts look like?

Big gifts come with instructions!



Large gifts come with lots of instructions



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



Gift restrictions
make gifts larger
in experiments

Adding instructions makes the more gift
compelling for the donor

Study of the largest gifts to every size college/university

- Typically constitute about 10% of all gift income in any year
- “Only 14% of the gifts included unrestricted current use funding.”
- “More than 70% of gifts conferred naming rights on the donor.” “The possibility of galvanizing additional giving was cited as a goal [in most] gifts ... donors see principal or transformational gifts as an exemplary act with the potential to stimulate giving by others.”
- Two-thirds of these gifts funded endowments.

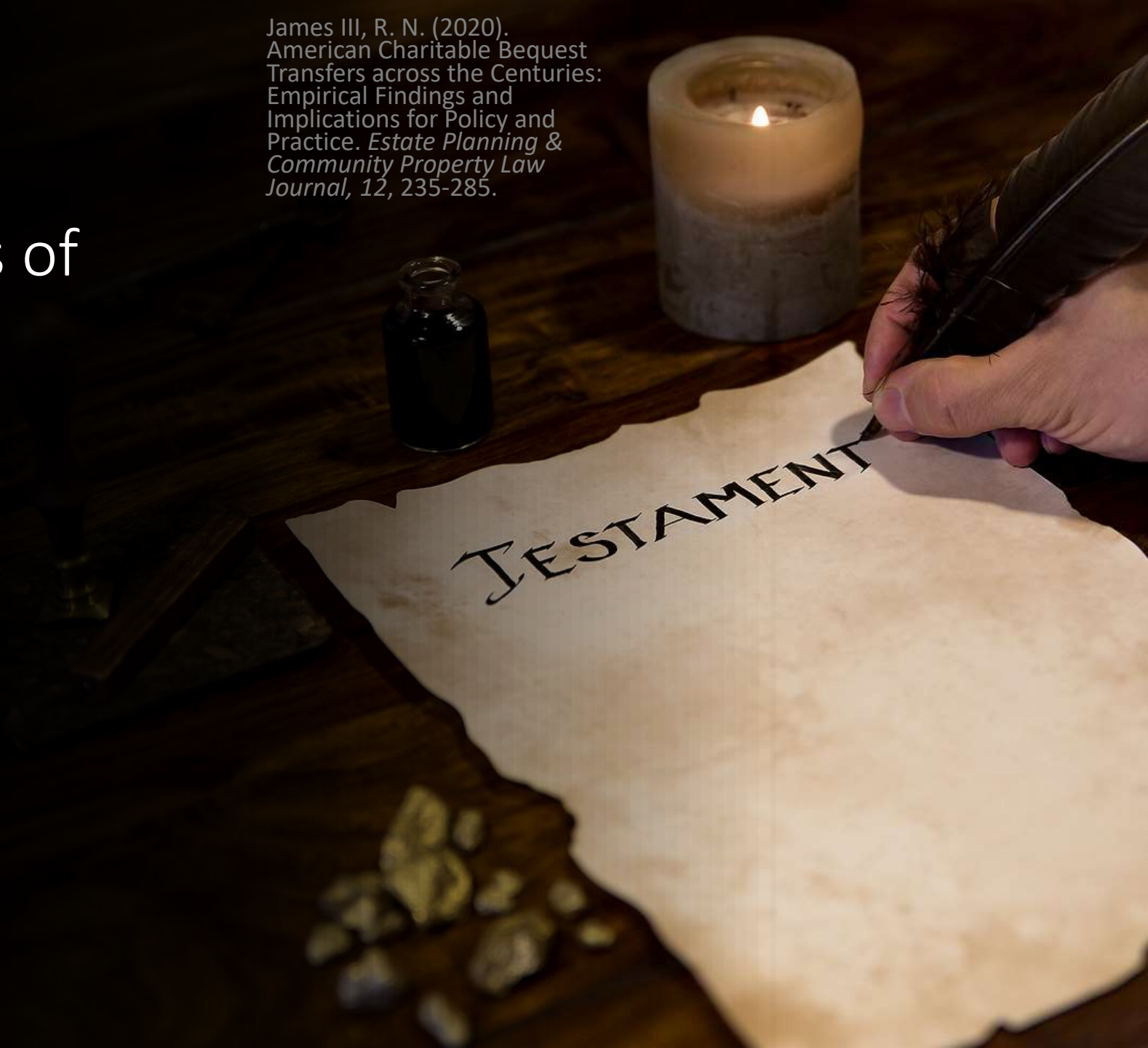


Large estate gifts HAVE ALWAYS come with lots of instructions

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.





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%

What motivates massive estate gifts?

It's an answered question. It's the features of the private family foundation.

- Lives forever
- Named for the donor or donor's family
- Controlled by the donor and the donor's appointees
- Used only for the specific purposes designated by the donor





Permanence and estate gifts

In one experiment, a poverty relief charity was described as either,

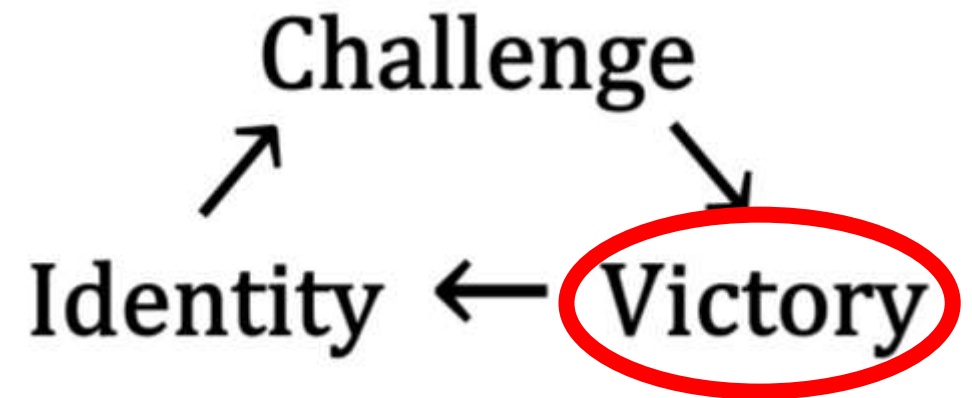
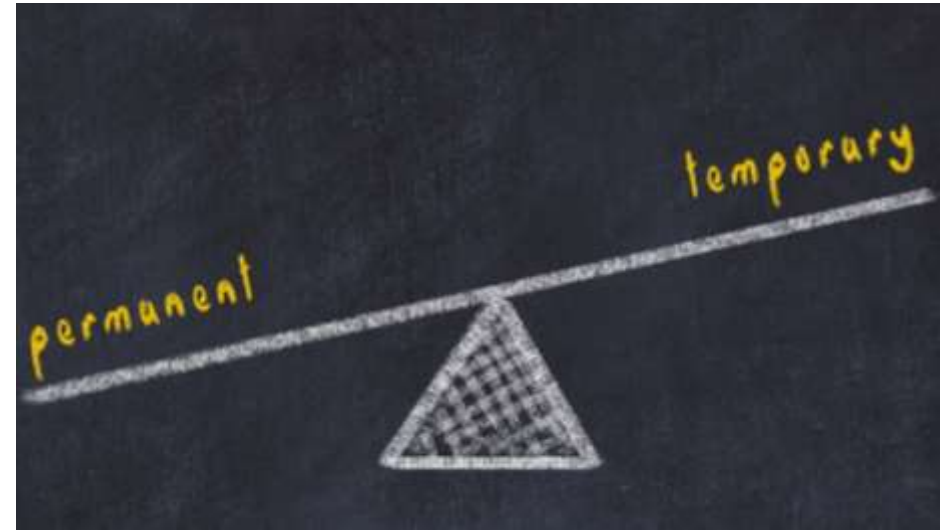
- “meeting the immediate needs of people,” or
- “creating lasting improvements that would benefit people in the future”

Normally, the first description generated more gifts but for people reminded of their mortality, the results reversed: Permanence language generated 3X gifts.

Permanence and estate gifts

Those with a preference were 3X more likely to want a permanent fund for bequest gifts than for current gifts.

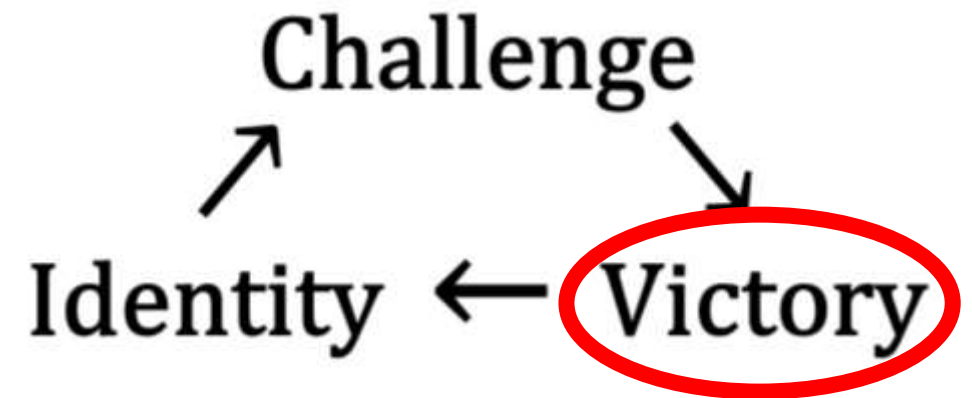
The most powerful motivation to make a second gift in memory of a loved one was the chance to make the fund permanent.



Permanence and estate gifts

The ultimate “victory” in legacy giving is symbolic immortality. The donor’s identity – his people, values, or story – lives on after death.

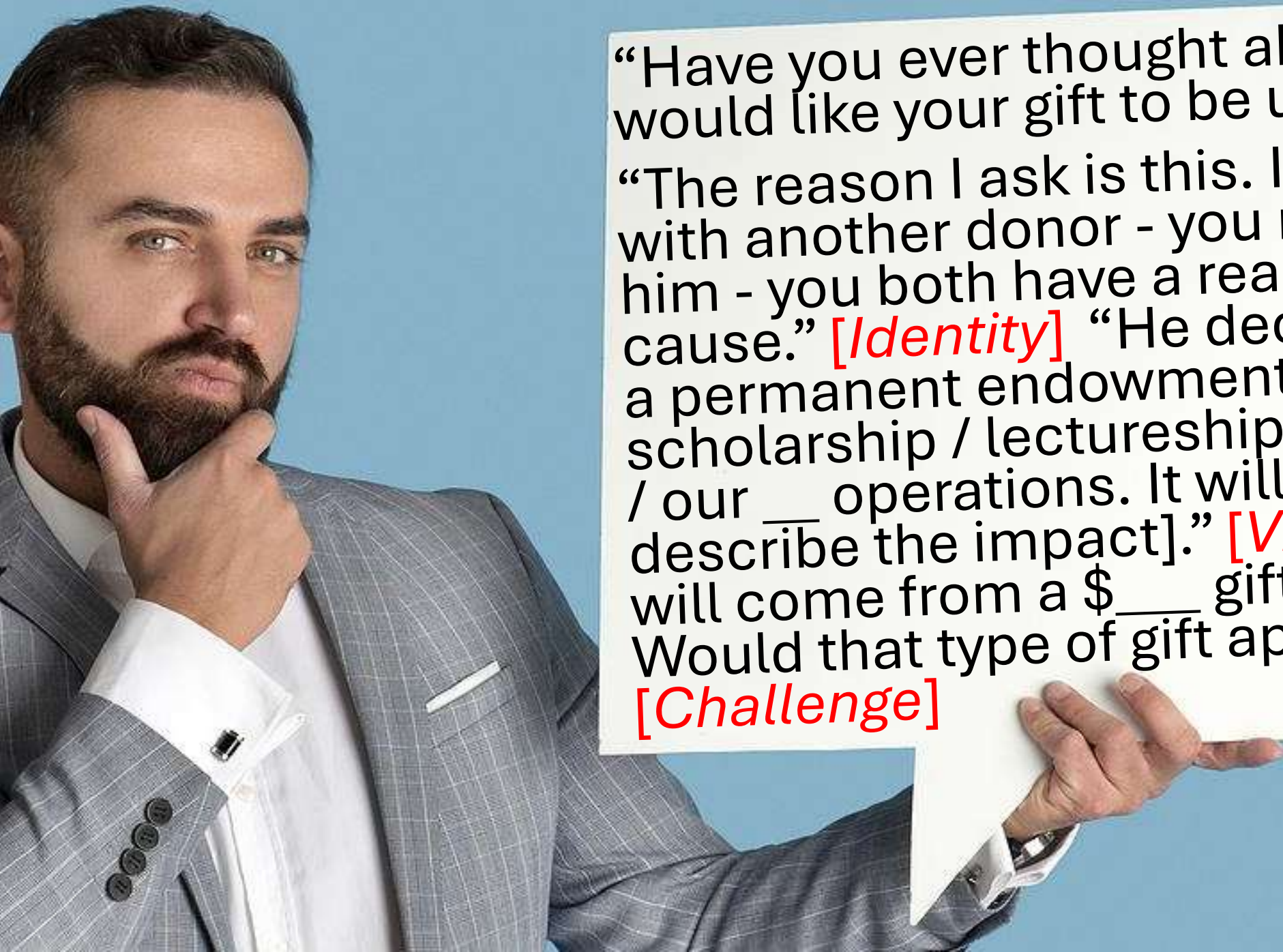
- Permanence language
- Permanence structure: scholarship, lectureship, professorship, endowment funding a favorite part of operations



The magic follow-up question for escalating estate gifts

- “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





“Have you ever thought about how you would like your gift to be used?”

“The reason I ask is this. I was working with another donor - you remind me of him - you both have a real heart for this cause.” *[Identity]* “He decided to create a permanent endowment for a scholarship / lectureship / professorship / our ___ operations. It will ... [here describe the impact].” *[Victory]* “This will come from a \$___ gift in his will. Would that type of gift appeal to you?”
[Challenge]

Large estate gifts provide permanence and visualizable impact

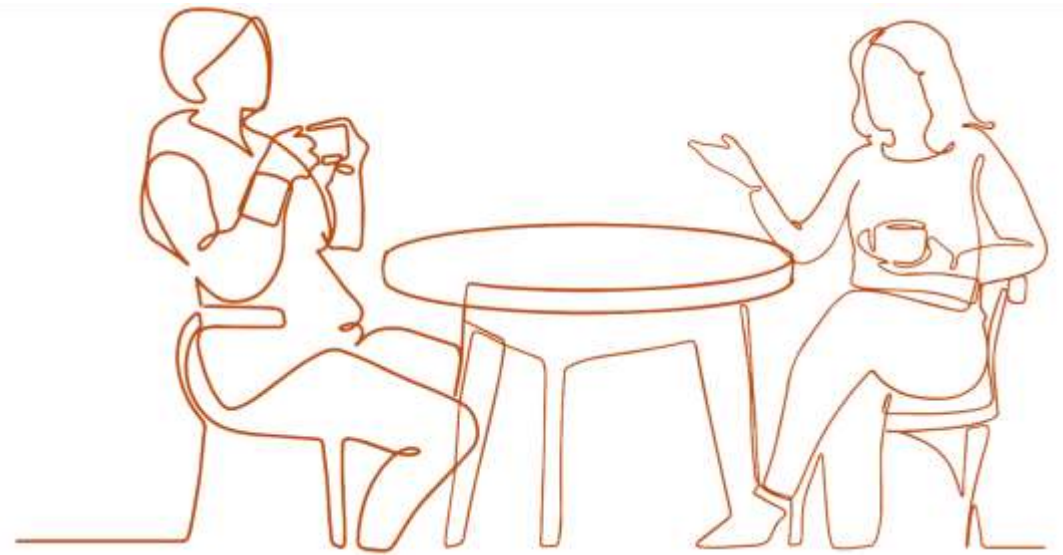
- Making the gift more attractive and enjoyable in these ways also leads to higher gift retention.
- Moving towards endowment with visualizable impact then allows for the next step...



Option 4:
Make it
lifetime!

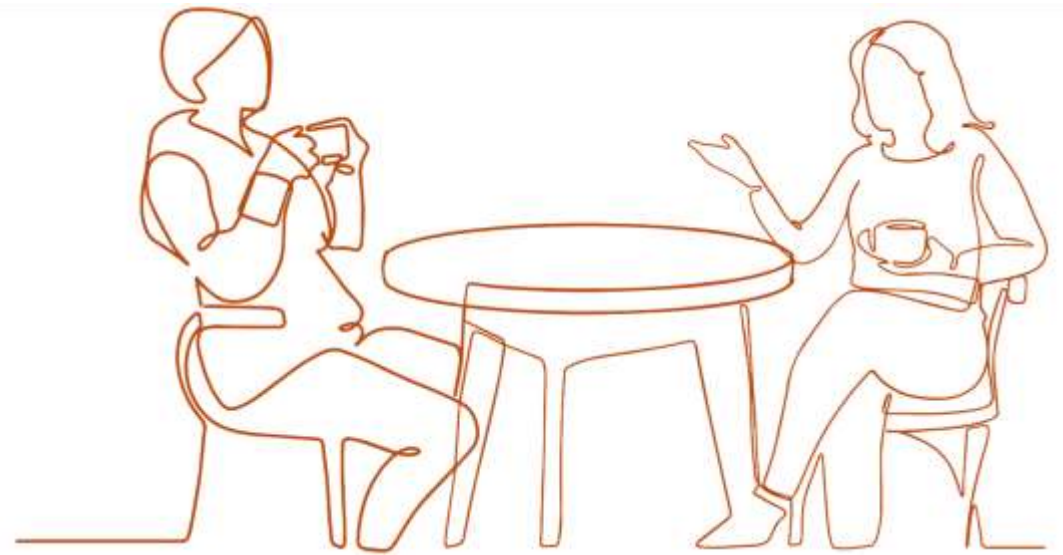


Conversations



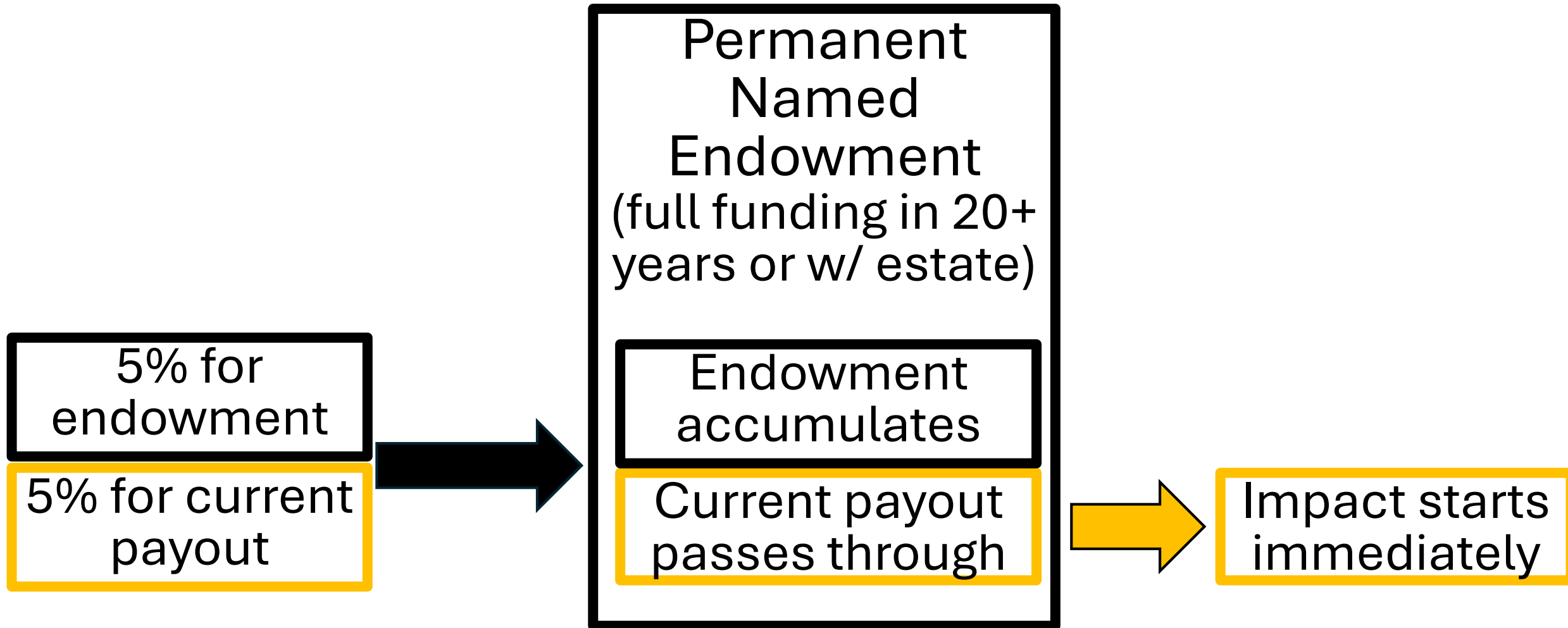
- “Thank you so much for including us in your plans. To treat us like a family member – that means so much!”
- “It’s great to think about the impact your permanent endowed *[cause area/scholarship/professorship]* will make over so many years!”
- “Would you ever consider starting that now so you could see the impact personally?”

Too much for an immediate gift?



“I understand. It’s a common circumstance. Many people in your situation have decided to start their permanent fund right away using our 5 & 5 plan [or “virtual endowment”]. Your permanent fund will pay out 5% per year. If you decide to make annual gifts of that 5% payout plus 5% to fund the endowment, you could start your permanent fund immediately. Because it’s backed up by your estate plan, your named fund will be permanent no matter what, but this way you can see the impact right away. Is that something you might consider?”

“Virtual” or “5&5” Endowment





The virtuous cycle

Making it a permanent endowment gift with specific, visualizable impact makes it attractive.

- This increases gift retention.

Making it a permanent endowment gift with specific, visualizable impact gives a reason for a larger gift.

- This increase gift size.

Making it a permanent endowment gift with specific, visualizable impact gives an attractive way to start it today through 5&5 or “virtual endowment” funding.

- This makes the gift right now.

Discussing other irrevocable options

- Funding with a Charitable Gift Annuity to provide lifetime income. (Use 3rd party provider if not offering CGAs.)
- Immediate tax deduction for donating the inheritance rights to farmland or personal residences (Retained Life Estate)
- Income and deduction with Charitable Remainder Trusts



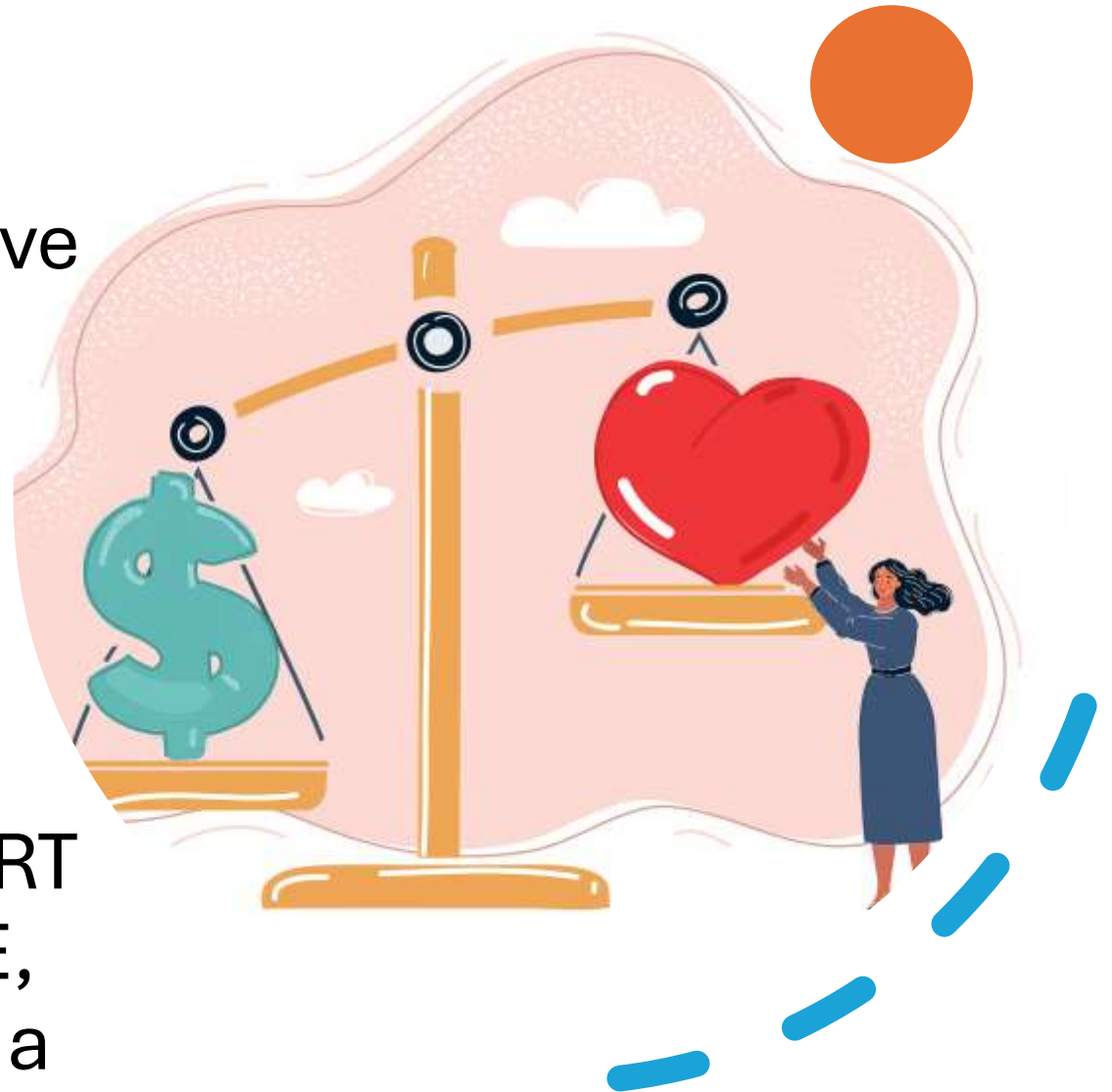
Make it attractive then make it possible

Make the legacy gift more attractive

- Specific and visualizable
- Personal
- Permanent

Then make it possible today

- Creative gift planning: Virtual endowment, CGA-funding, CRT residuum-secured loans, RLE, asset gifts, QCDs, waiting for a sale or inheritance.



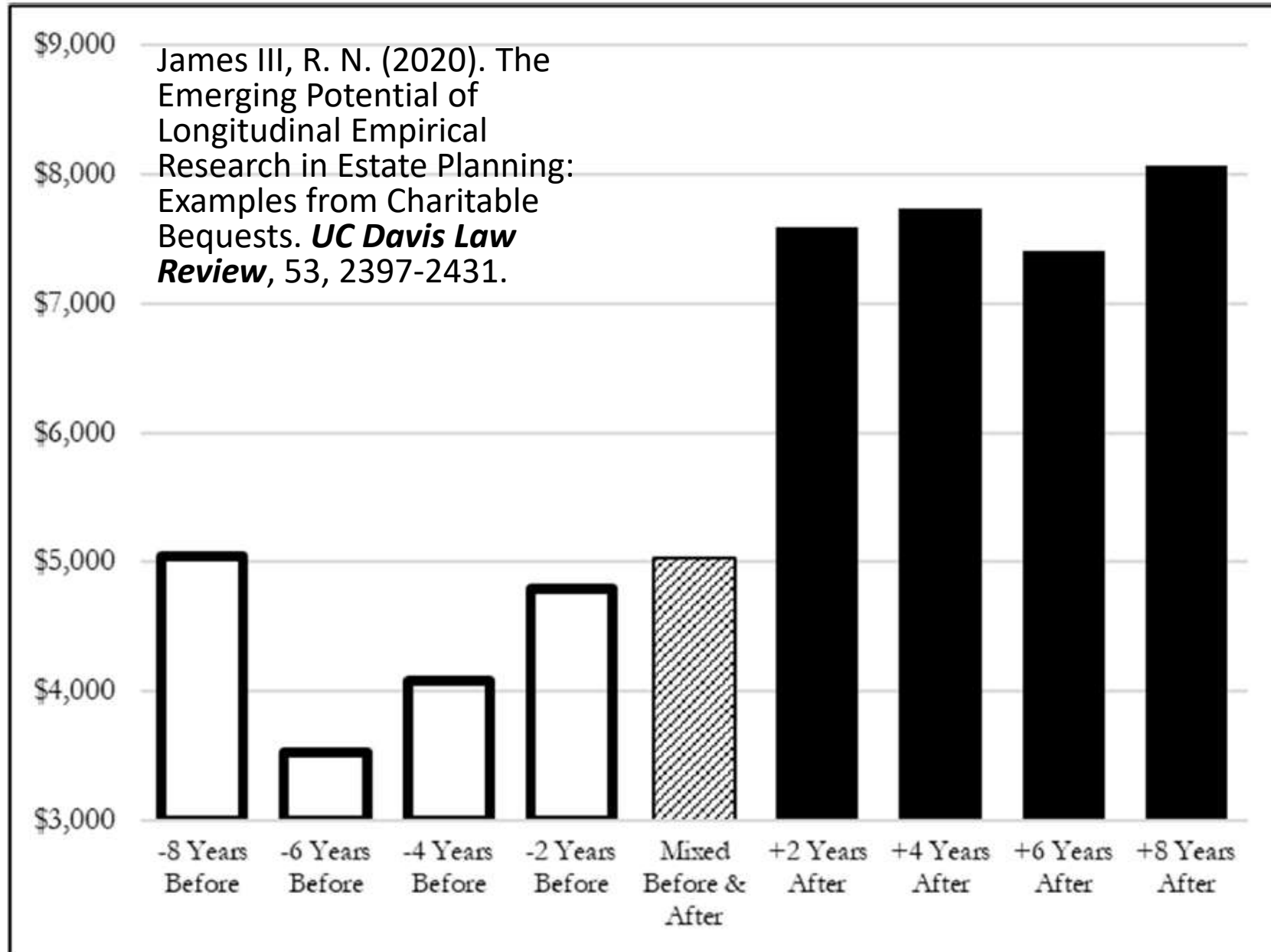
Reframing a simple ask

When a specific need or project arises, “You’ve included a gift in your will already. Would you consider moving 10% of that to a current gift in order to *[charitable outcome]*?”



*Language suggested by Heaven Edwards, CFRE

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



Getting in the will can expand the donor's current giving

- For most people the first time they will commit to a charitable gift from their wealth rather than from their disposable income is in the will
- Reframing the donor's wealth as "donation relevant" is psychologically powerful

The will plan as a gateway to major gifts of assets

Among 18,078 supporters (humanitarian charity) responding to the survey

Most supporters (80%) say they are “unlikely” to make a gift in a will to support the org.

0.4%

Have made a “gift of assets (i.e., stock, real estate, retirement/ bank account or life insurance)”

2.2%

Would consider doing so

2.6%

Total openness to asset gifting

Just under 2% of supporters have already included a gift in their will.

21.2%

Have made a “gift of assets (i.e., stock, real estate, retirement/ bank account or life insurance)”

15.6%

Would consider doing so

36.8%

Total openness to asset gifting

14X greater
openness to
asset gifting

Hooray! They
put us in the will.

Now what?



Now what?

1

Option 1:
Count it and
forget it.

2

Option 2:
Hang on
tight!

3

Option 3:
Make it
larger!

4

Option 4:
Make it
lifetime!

For free links to all my
slides, videos, papers,
books, please connect on
LinkedIn!

You're in the Will! Now What?

Strategies That Leads to the Larger Legacy and Lifetime Gifts

Professor Russell James, Texas Tech University