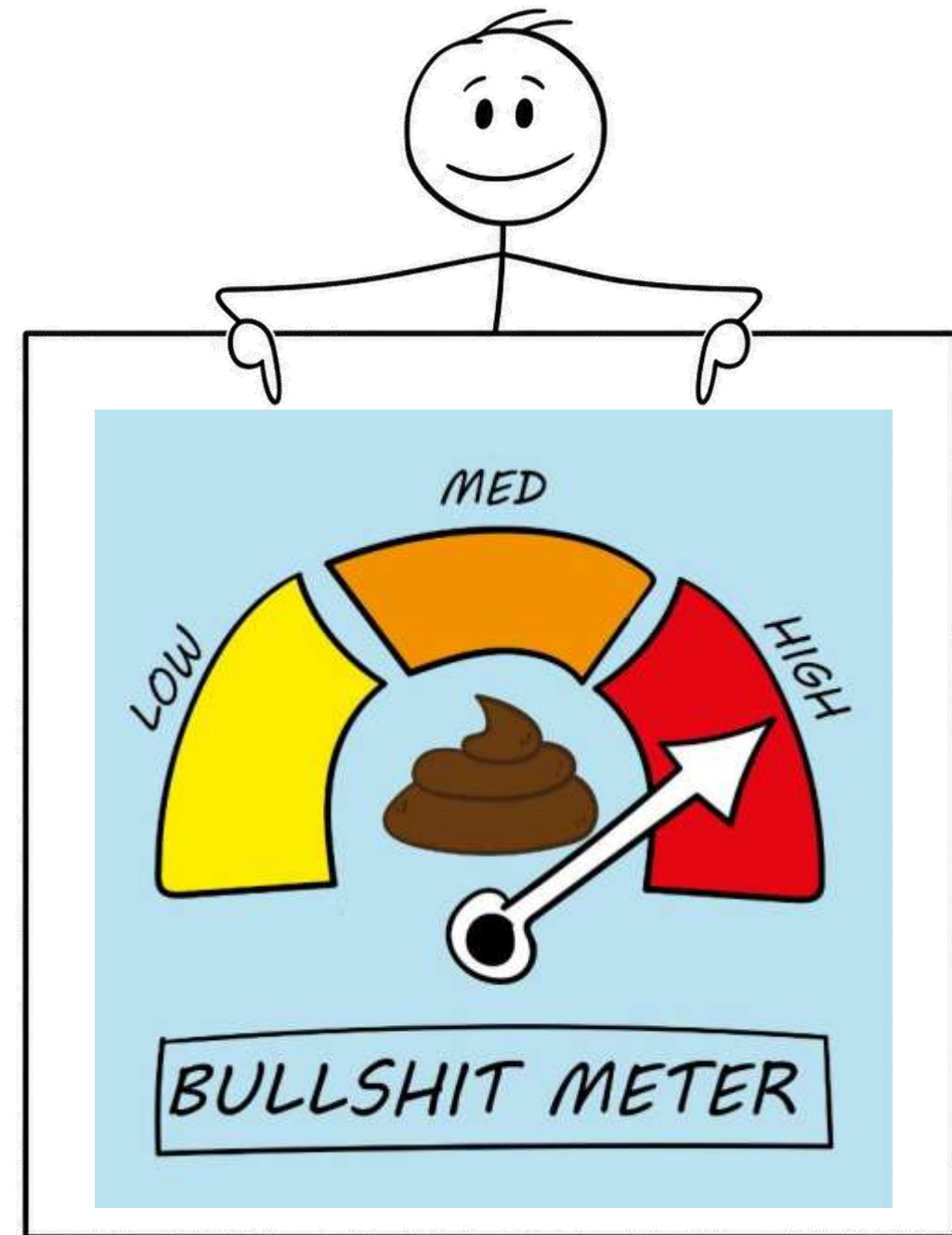


Top 10 Inheritance Myths

What Really Happens to Heirs,
Wealth, and Giving in the “Great
Wealth Transfer”



**You wish it were true;
so I'll tell you it is, and
you'll be happy.**



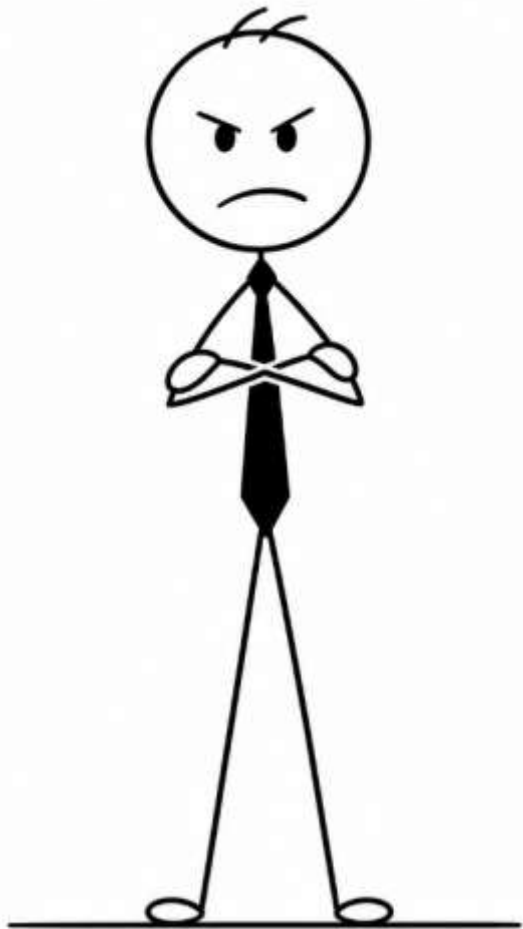
**How about a nice cup of
reality?**



Warning: You may not want to repeat what you are about to learn. (But it's still important that you know it!)



Top 10 Inheritance Myths



1. Woohoo! It's a \$124 Zillion-Bajillion Great Wealth Transfer.
2. Get ready millennials! It will create young wealth holders.
3. This will be “generational” wealth! Inherited money lasts a long time.
4. It's all about will power! Will documents control these transfers.
5. Woohoo! It's an \$18 Zillion-Bajillion CHARITABLE Transfer.
6. The charitable dollars will be unrestricted gifts to your favorite charities.
7. If your nonprofit doesn't get in the plan, it's fine. The heirs will be charitable.
8. There is strength in volume! The key to nonprofit estate dollars is getting more legacy society members.
9. Your nonprofit doesn't need to focus on old people. Once you're in the plan, you stay in!
10. Your nonprofit doesn't need to be proactive in probate.



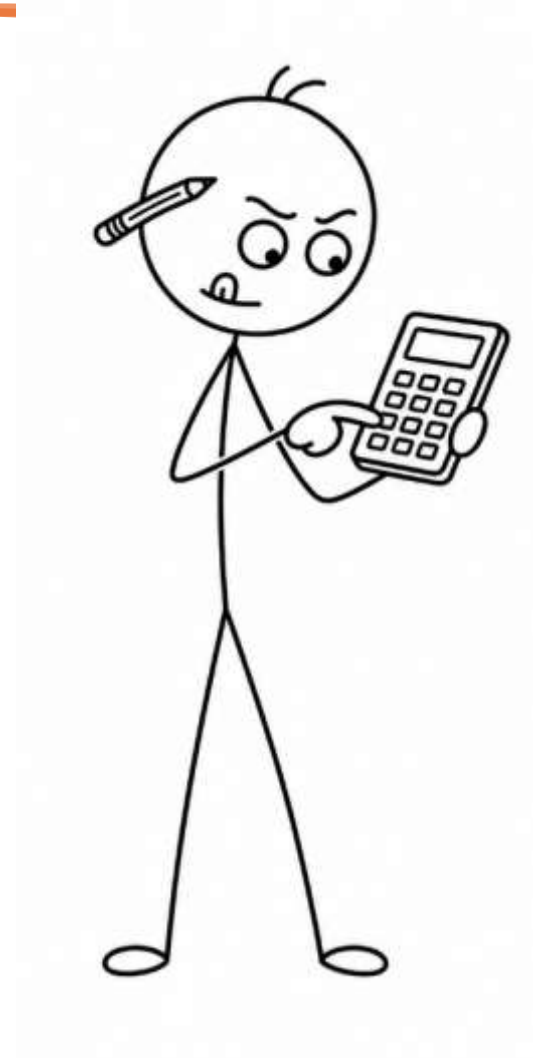
Myth #1

Woohoo! It's a \$124 Zillion-Bajillion
Great Wealth Transfer.

Data on Actual Estate transfers

- Comprehensive estimate using data from the Federal Reserve Board's Survey of Consumer Finances is that **\$600 billion** total was transferred in 2021.
- This is what actually happened.

Gale, W. G., Hall, O., & Sabelhaus, J. (2024). Taxing the Great Wealth Transfer: Revenue and Distributional Effects. Brookings Institute

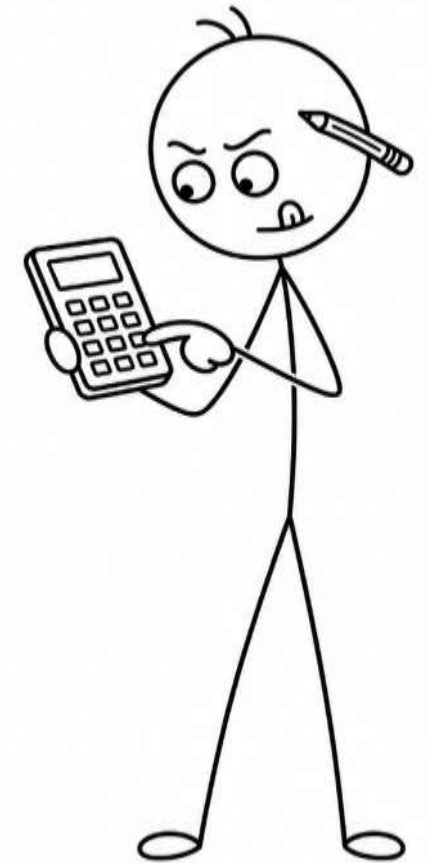


Census projected deaths in the U.S.

Census estimates total deaths in the U.S.:

- From 2023 – 2033 will grow 18%.
- From 2023 – 2043 will grow 34%.
- Peaks in 2052 at 39% higher, then begins to decline

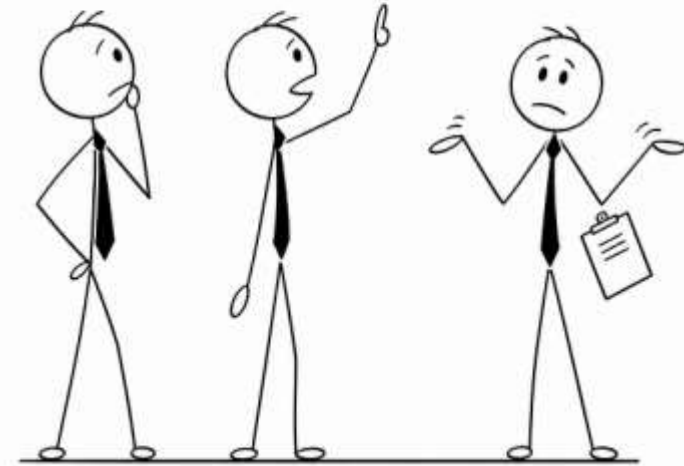
That **\$600 billion** actual transfers in 2021 was at pandemic era death levels, which shouldn't be reached again until 2032!



Most quoted: **\$124 Trillion over 25 years**

$$16 + 3\% = 124$$

- \$600 Billion in 2021 adjusted for differences in projected deaths over 25 years yields **\$16 Trillion**.
- Add 2% inflation for **\$22 Trillion** in nominal (not real) dollars
- Add 1% economy growth for **\$26 Trillion**.



So how do we get to the **5X** larger **\$124 trillion** “estimate”? It’s from a “proprietary research process” (i.e., it’s a super-duper secret, so don’t ask).

Yes, the trend is up.
But it's not stupid.

- The most quoted figure from a super-secret process appears to be 5X too large.
- And nobody cares.
- The point is, it's going up. Growth continues until 2052.

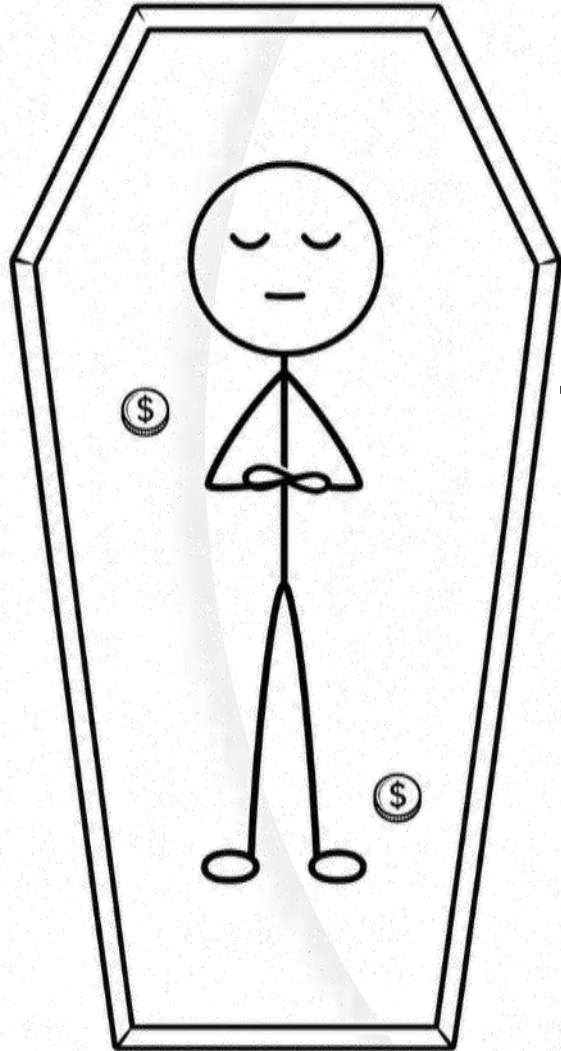




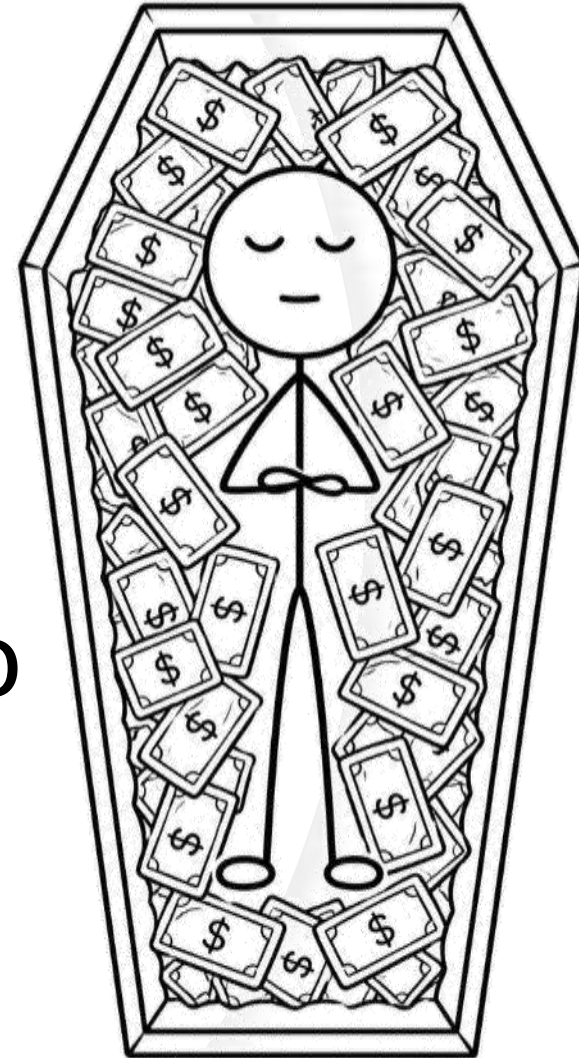
Myth #2

Get ready millennials!
It will create young new wealth
holders.

1. Wealth doesn't transfer when people die; it transfers when people with wealth die.



2. Wealth doesn't transfer to **the next generation** until people with wealth and no surviving spouse die.



Wealthy people live longer

+14 year (male life expectancy at 40)

+10 year (female life expectancy at 40)

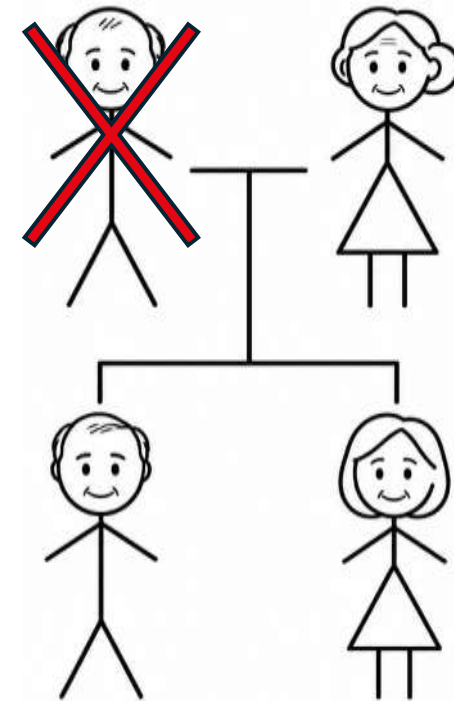
“Men at the age of 40 in the bottom 1 percent of the income distribution had a life expectancy of almost 73 years, women 79 years. Men in the top 1 percent of the income distribution had a life expectancy of 87 years, women 89 years.”

<https://www.ama-assn.org/public-health/health-equity/growing-health-disparity-life-expectancy-richest-poorest-americans>

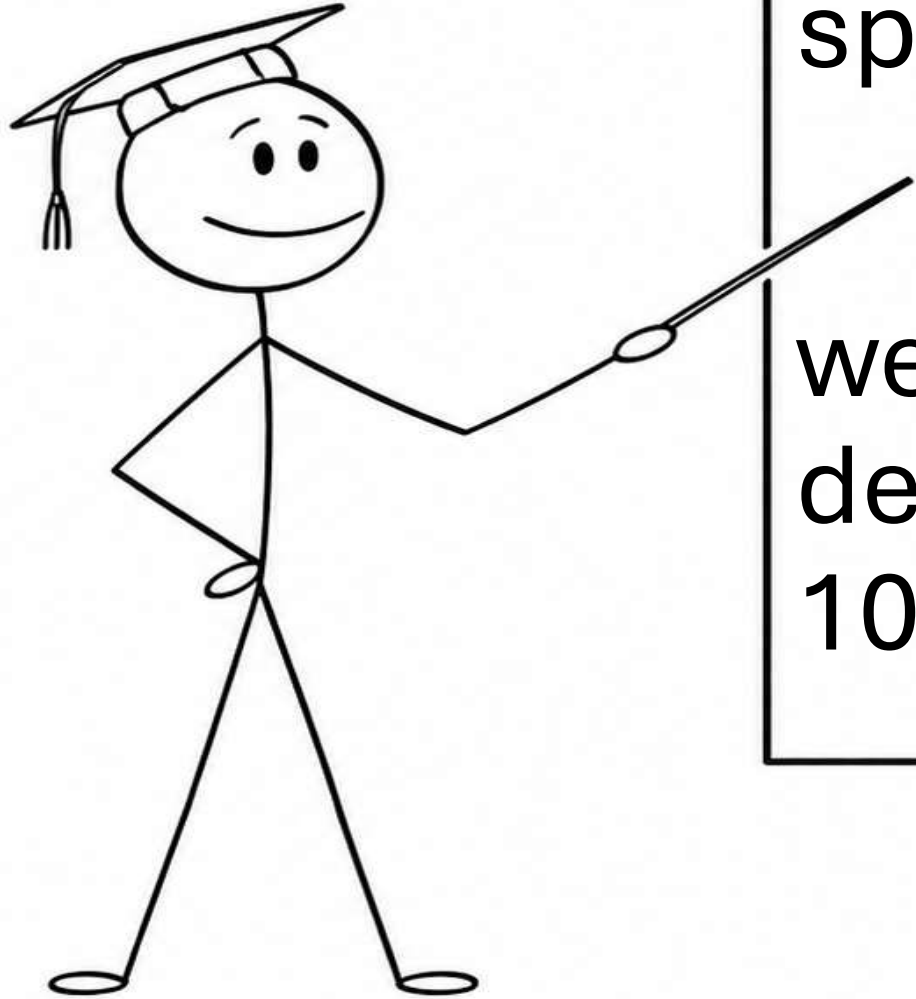


Transfers to the next generation tend to happen only at the death of the surviving spouse

This further delays the transfer to the next generation until the widow/widower passes.

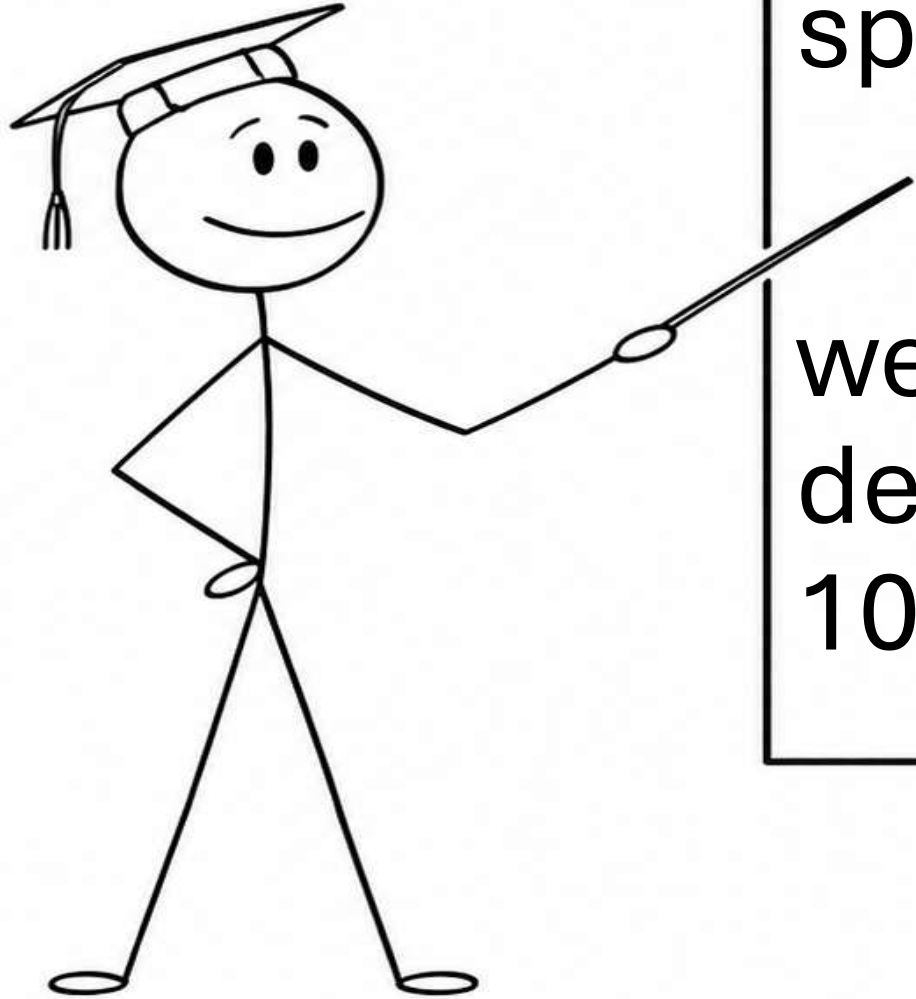


Quiz Question!



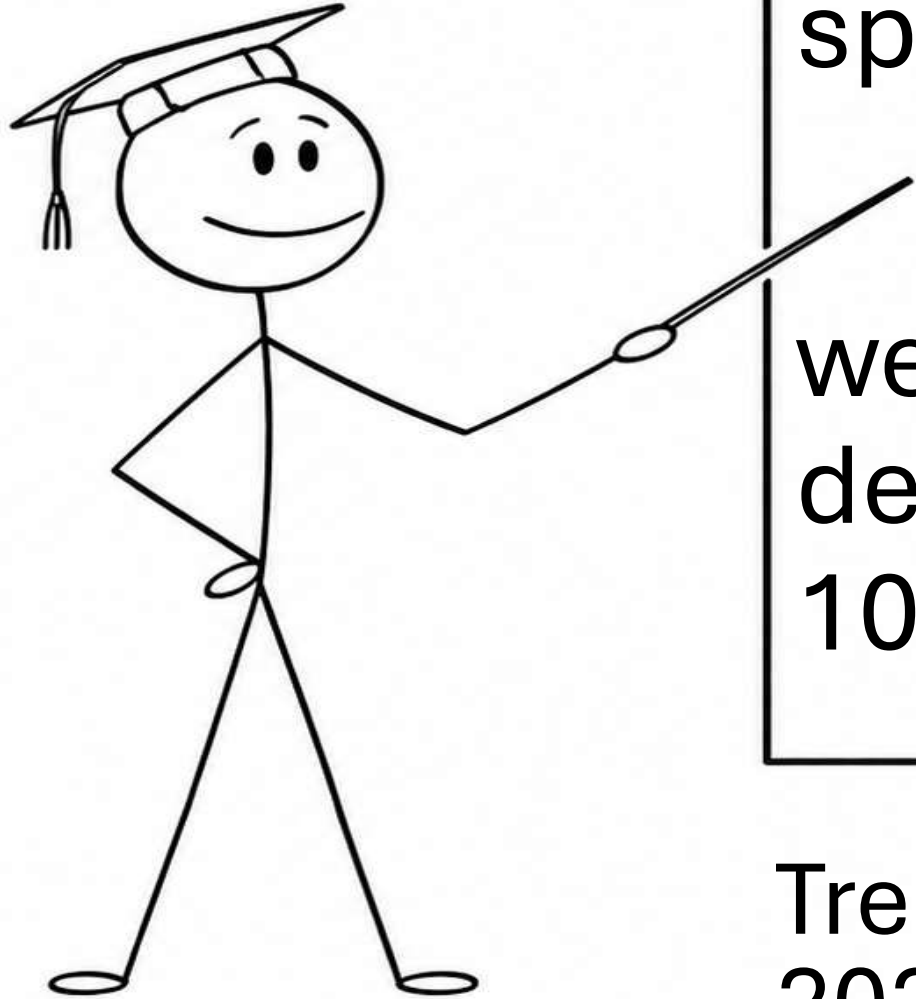
In IRS data, among surviving spouses (widows/widowers), _____ % of estate dollars were transferred by decedents in their 90s and 100s.

Quiz Question!



In IRS data, among surviving spouses (widows/widowers), **61%** of estate dollars were transferred by decedents in their 90s and 100s.

Quiz Question!

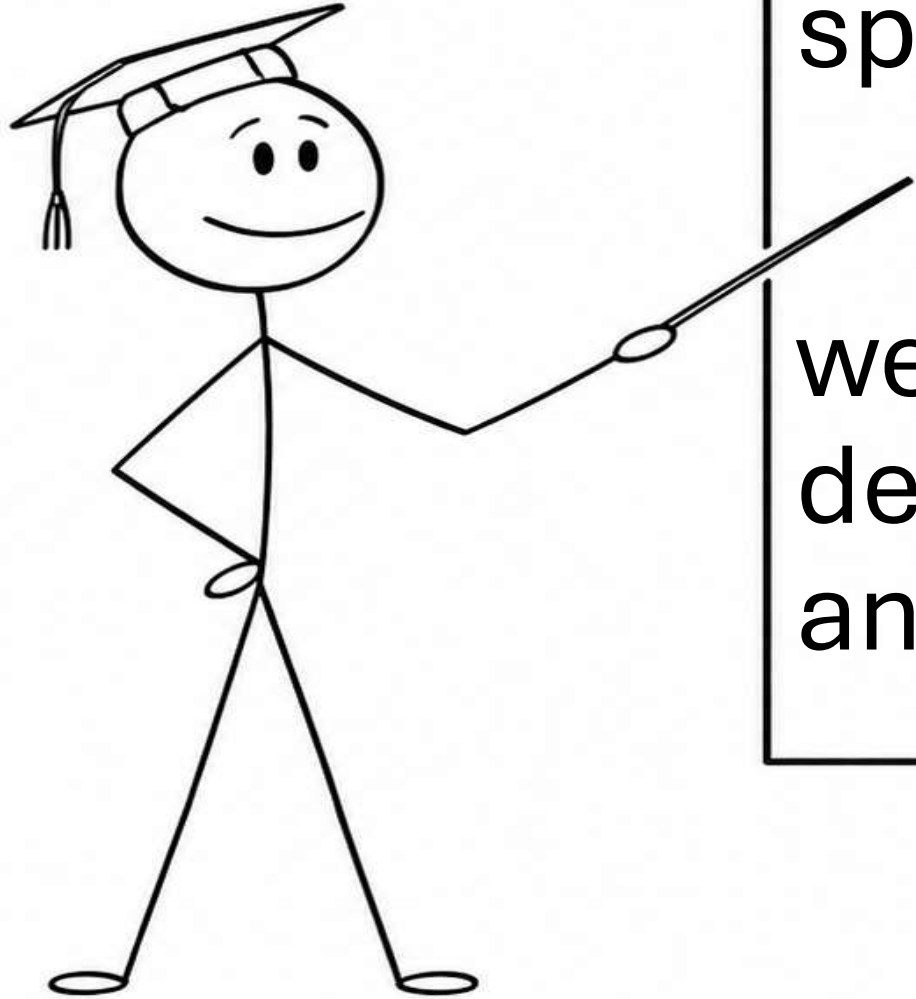


In IRS data, among surviving spouses (widows/widowers), **61%** of estate dollars were transferred by decedents in their 90s and 100s.

Trend projections suggest the 2026 share is **69%**.

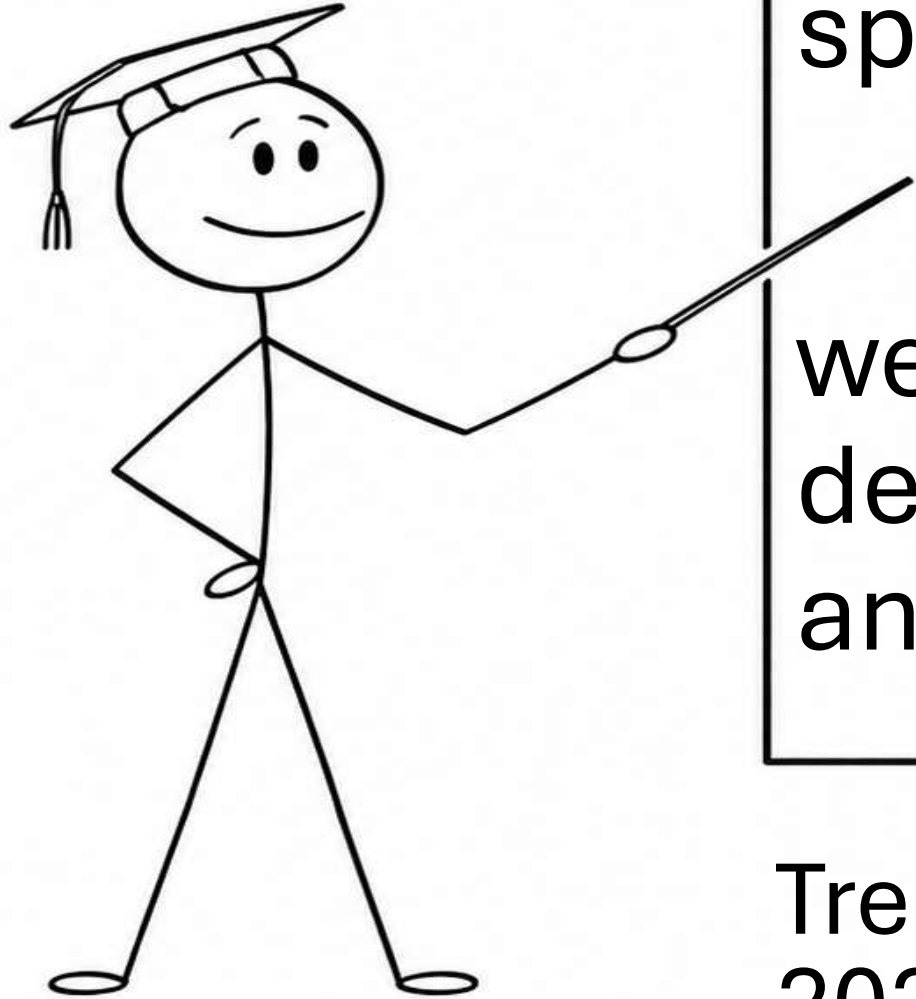
<https://www.irs.gov/statistics/soi-tax-stats-estate-tax-year-of-death-tables>

Quiz Question!



In IRS data, among surviving spouses (widows/widowers),
_____ % of estate dollars
were transferred by
decedents in their **80s**, 90s
and 100s.

Quiz Question!



In IRS data, among surviving spouses (widows/widowers), **91%** of estate dollars were transferred by decedents in their **80s**, 90s and 100s.

Trend projections suggest the 2026 share is **97%**

<https://www.irs.gov/statistics/soi-tax-stats-estate-tax-year-of-death-tables>

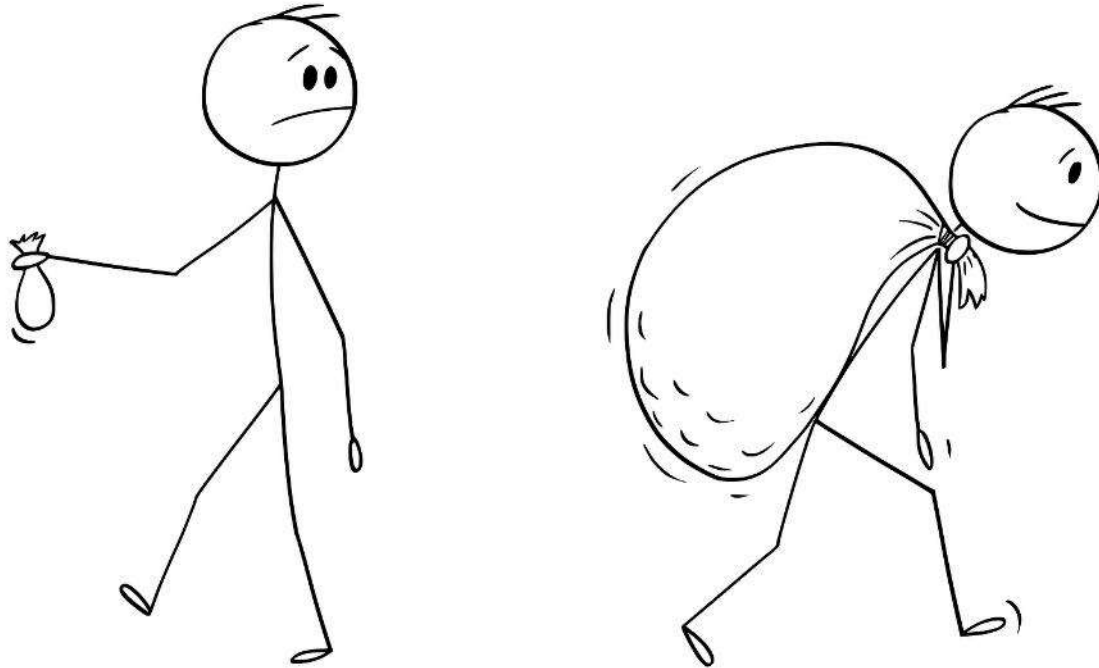
When does the probability of receiving an inheritance of any size peak?

Age 60

Federal Reserve numbers <https://www.federalreserve.gov/econres/notes/feds-notes/how-does-intergenerational-wealth-transmission-affect-wealth-concentration-20180601.html>

- But the larger the estate, the longer the decedent lives. So, the big dollars transfer later.
- And this is older data ('95-'16) so the current number should be much older





If you aren't already wealthy, don't hold your breath

- 92% of inherited dollars go to those who were **already in the top half** of wealth holders
- Most inherited dollars go to those already in the Top 10% of wealth

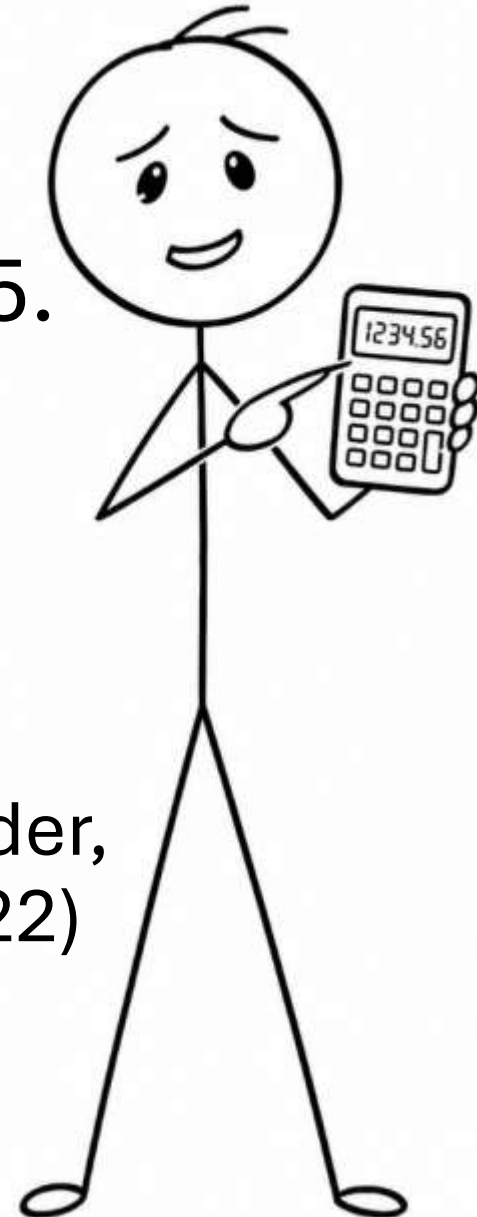
Sadly, you won't get clicks with the real story, but these work better!

- **Yahoo Finance** (December 13, 2024), “How Millennials Could Get Rich During the Great Wealth Transfer”.
- **Forbes** (Mar. 1, 2024): “Great Wealth Transfer: How The \$90 Trillion Windfall For Millennials Could Change The Job Market And Economy.”



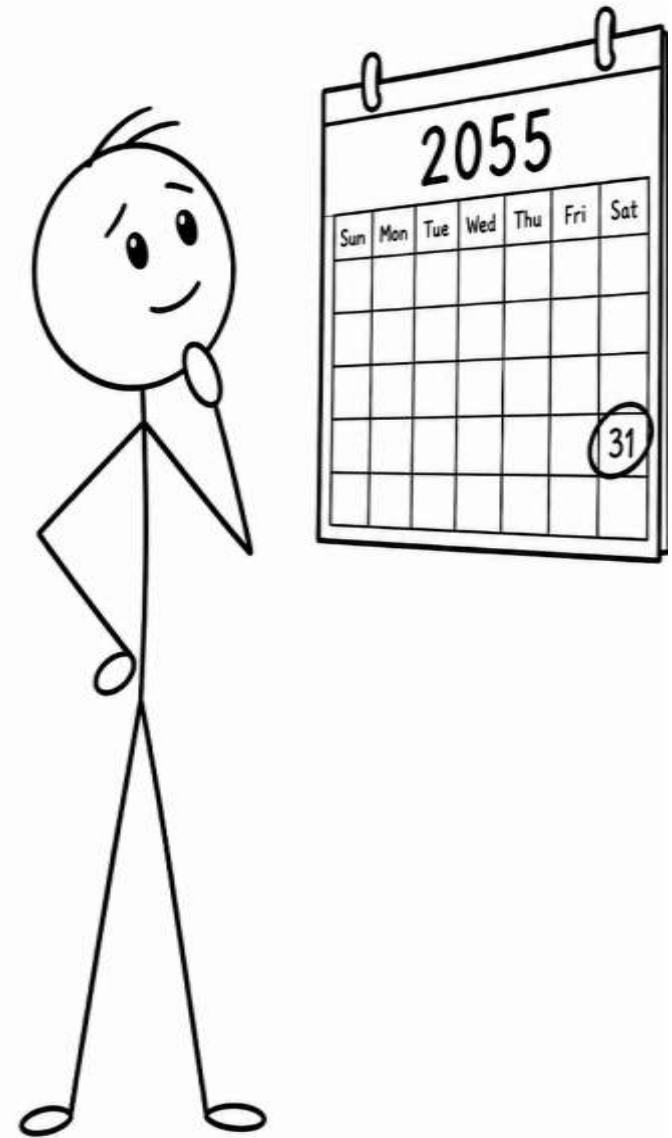
You might love to work with young donors, but that's not normally where the money is and the "Great Wealth Transfer" won't change that!

- <1/3 of charitable income deductions from <55.
 - + Doesn't count QCD gifts (age 70+ only)
 - + Estate gifts (96% of dollars from decedents 65+)
 - + Large gifts (often exceeding deduction limits)
- It's even more extreme for big gifts:
 - "61% of the [principal gift] donors were aged 72 or older, and 36% were 53 to 71 years of age." (CASE study 2022)
 - For \$50MM+ gifts to any cause, average age was 74. (Philanthropy 50 study 2025)



But won't focusing on young low-capacity donors pay off someday?

- Charitable preferences shift over the life course with transitions such as marriage, children leaving home, relocation, and health changes (Einolf, 2018; Einolf & Philbrick, 2014; Rooney et al., 2021).
- Charitable preferences are not the same in the 30s and the 60s!
- National new donor retention for one year is 20%. In year two, it drops another quarter. Project that out over decades!



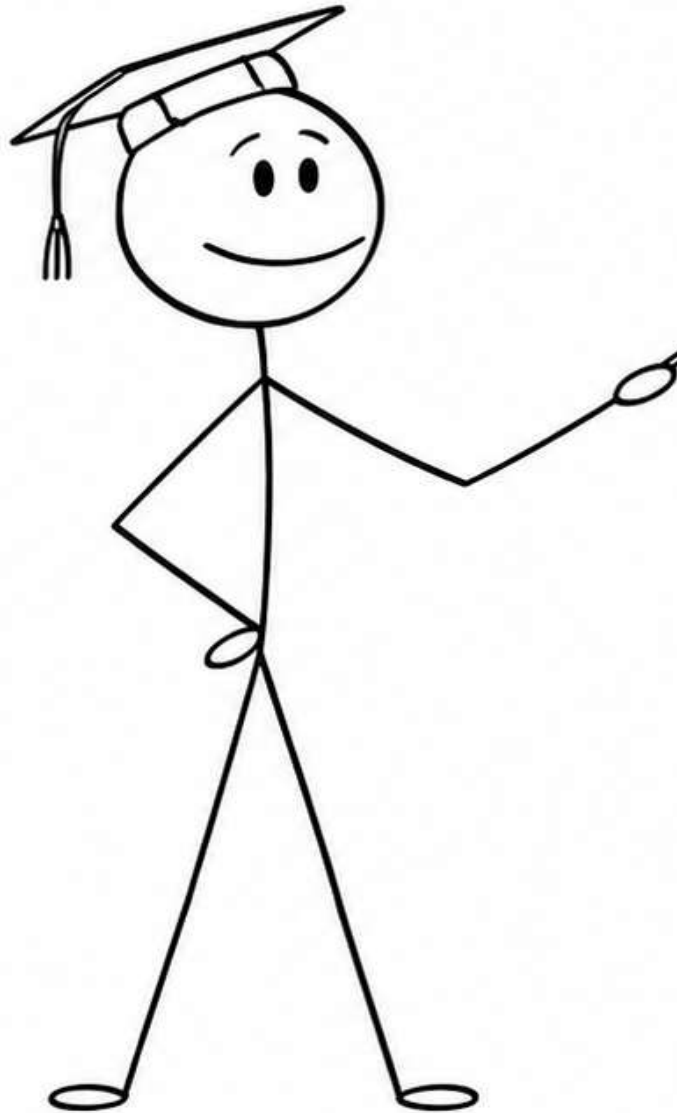
“If you’re selling dentures, don’t spend all your advertising in High School Yearbooks.”



Myth #3

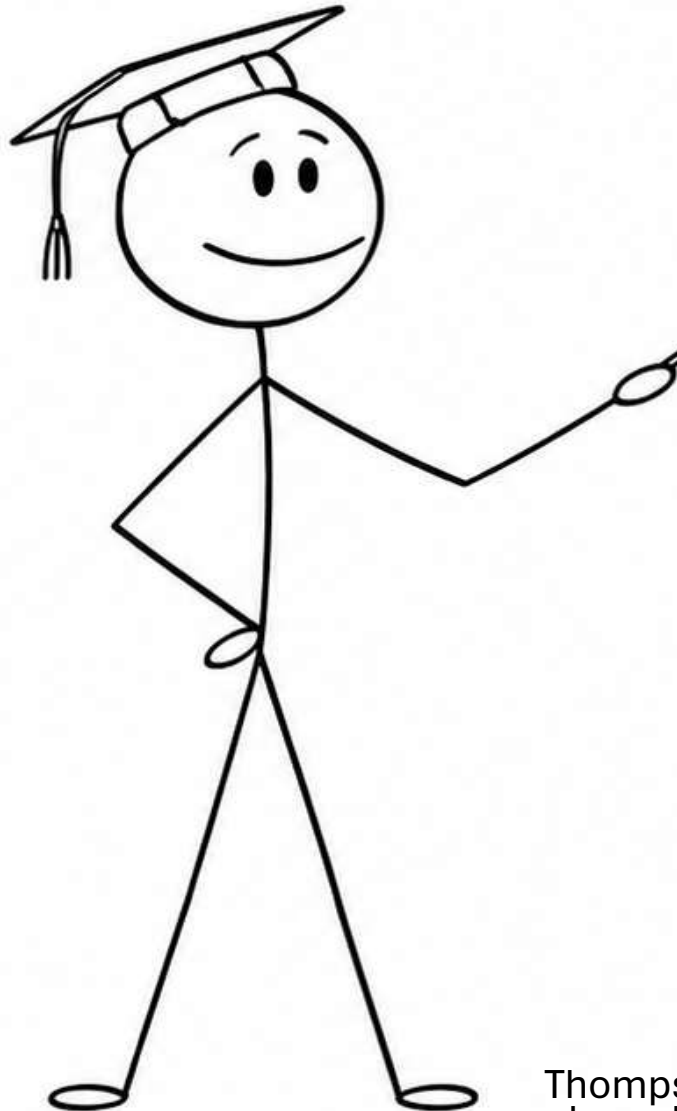
This will be “generational” wealth
because inherited money lasts a long
time.

Quiz Question #2!



What percentage of heirs (age 50+) had their net worth fall back to (or below) its pre-inheritance level within 12 months?

Quiz Question #2!



What percentage of heirs
(age 50+) had their net
worth fall back to (or
below) its pre-inheritance
level within 12 months?

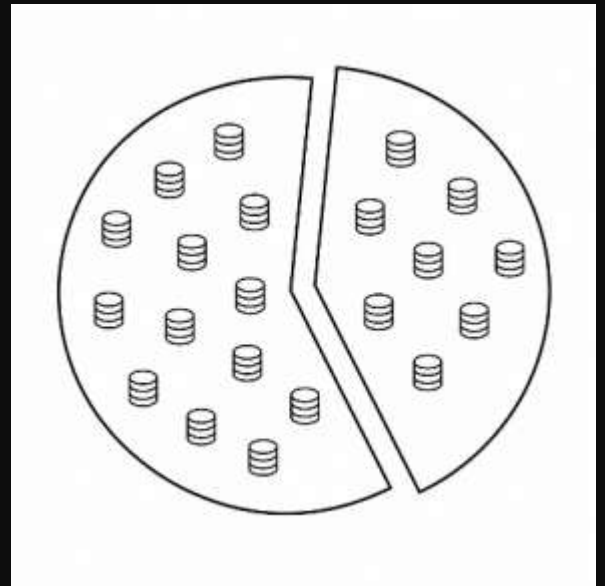
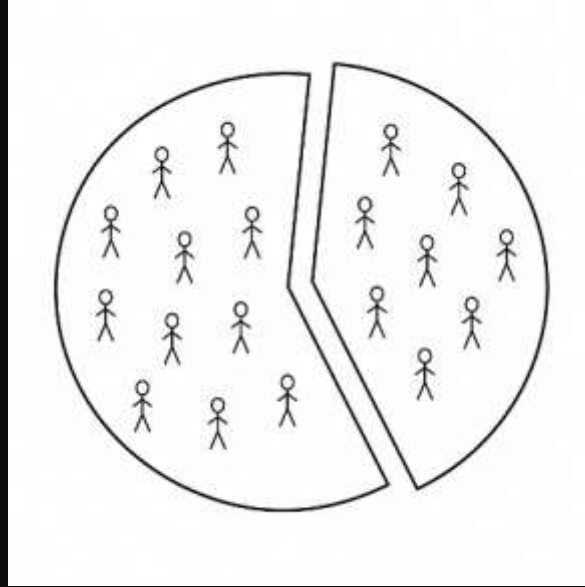
42%

**A greater share than for ANY
OTHER TYPE of Financial Windfall**

Thompson, C., & James III, R. (2026). Dissipation of inheritance windfalls and the case for time-phased transfers: An empirical assessment from HRS data. *Financial Services Review*, 34(1), 24-42.

Share of heirs vs share of total dollars

- That's the share of inheritances that immediately disappear.
- What about the share of total dollars? Total dollars will be dominated by the larger inheritances.
- Typical heir vs typical dollar



45% (heirs < 50)
or
39% (heirs 50+)
of total inherited
dollars
disappear
immediately

- Heirs under age 50: **45 cents from each dollar had disappeared** when measured about 12 months later.
- Heirs age 50+: **39 cents from each dollar had disappeared** when measured about 12 months later.
- This is the share of total dollars, so larger estates tend to dominate these numbers

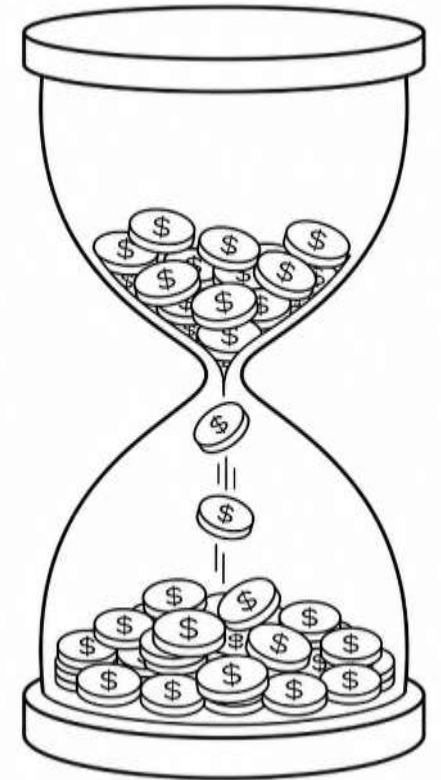
[20-50] Zagorsky, J. L. (2013). Do people save or spend their inheritances? Understanding what happens to inherited wealth. *Journal of Family and Economic Issues*, 34(1), 64-76; [50+]Thompson, C., & James III, R. (2026). Dissipation of inheritance windfalls and the case for time-phased transfers: An empirical assessment from HRS data. *Financial Services Review*, 34(1), 24-42.

What about “BIG” inheritances?

Dissipation takes a bit longer

For large inheritances (5X-100X heirs' annual income):

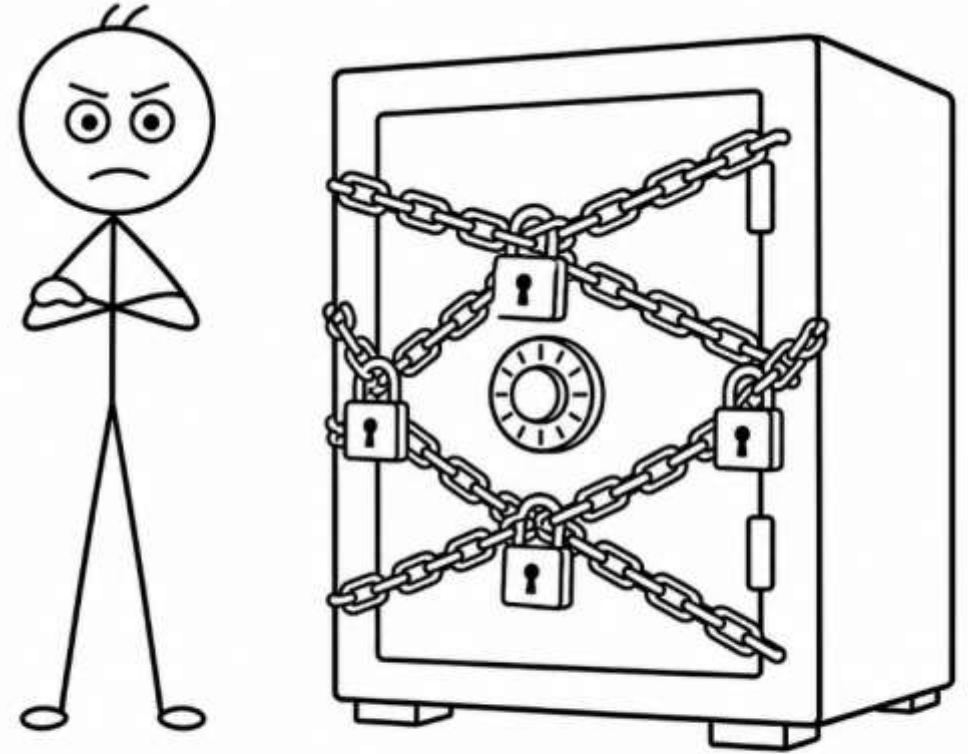
- “Heirs deplete most of the initial burst of wealth obtained through inheritance within six years of parental death”
- The result? **“a gradual convergence toward the path established before parental death”** [no lasting impact]



Druehl, J., & Martinello, A. (2022). Long-run saving dynamics: Evidence from unexpected inheritances. *Review of Economics and Statistics*, 104(5), 1079-1095. [Appendix G: “the convergence patterns are the same”]

But a small segment never touch the principal:
“That’s not my money, that’s family money”

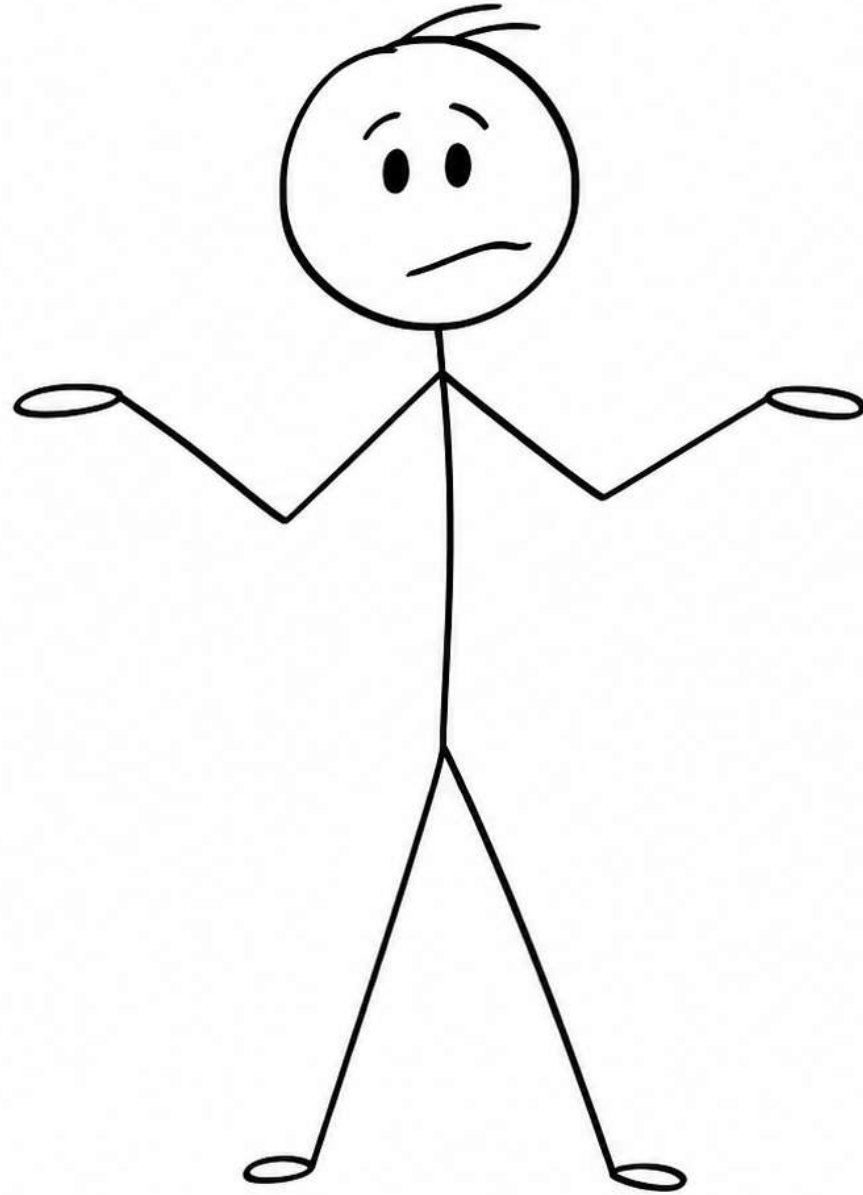
- A different national study finds, “By year 7, the distribution of wealth looks similar to the distribution of wealth of their peers **who did not receive any inheritances**, everywhere except at the very top [*top 2%*] where we see persistent effects.”
- No lasting impact for 98% of heirs.



Nekoei, A., & Seim, D. (2023). How do inheritances shape wealth inequality? Theory and evidence from Sweden. *The Review of Economic Studies*, 90(1), 463-498.
Note that Druedahl & Martinello (2022) excluded the top 1% from their study.

What does it get spent on?

How can you
spend it all in a
way that does not
lead to increased
lower net worth?



Cars

A 2023 study:
Spending on
automobiles
spikes during the
first two years
after death.



Spending on cars, eating out, household decorations & furnishings go up

- A 2025 study: Inheritance was associated with an immediate increase in spending on big-ticket goods such as cars and household furnishings.
- An immediate increase in spending on restaurants (but not food at home).



They quit their jobs

- Labor income drops significantly.

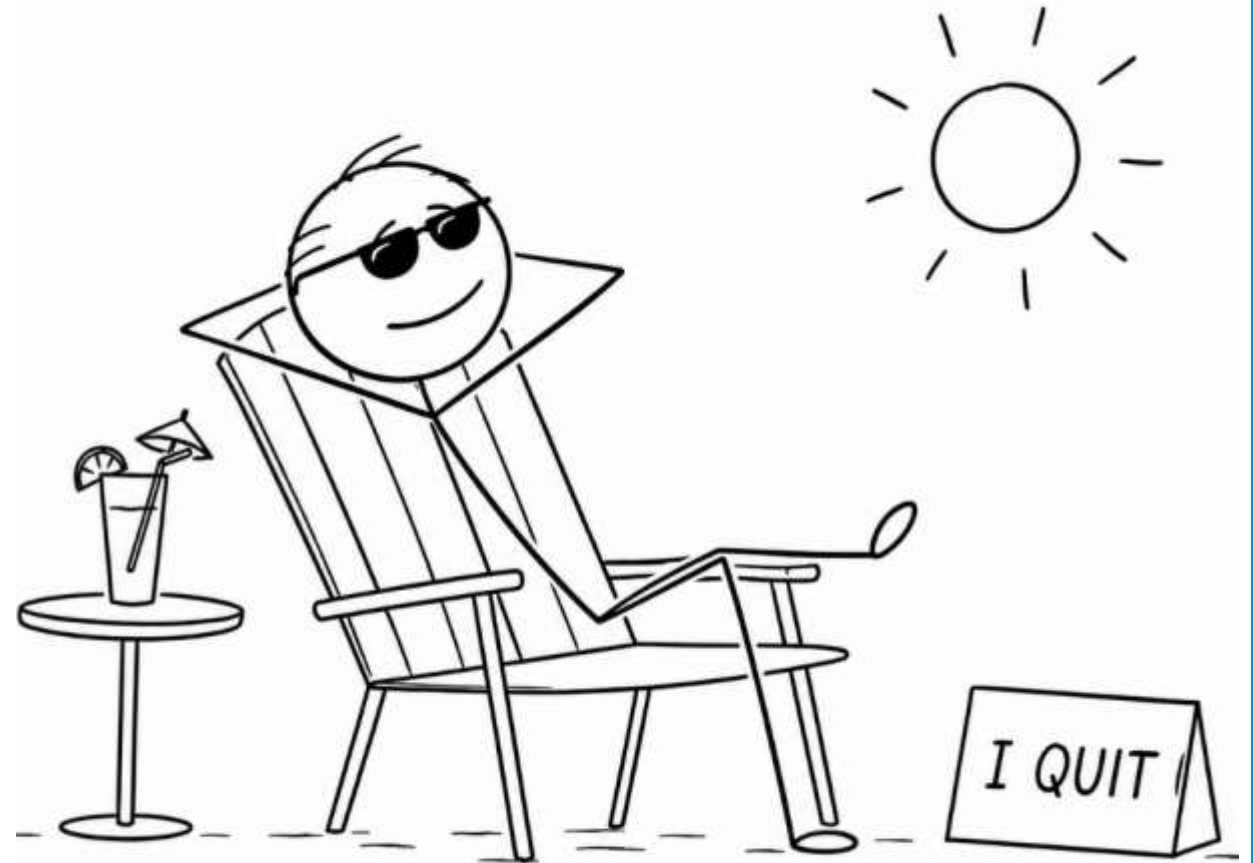
Nekoei, A., & Seim, D. (2023). How do inheritances shape wealth inequality? Theory and evidence from Sweden. *The Review of Economic Studies*, 90(1), 463-498. (Note that the labor income recovers after 7 years, i.e., after the inheritance is gone.)

- They switch status to retired or “self-employed.”

Holtz-Eakin, D., Joulfaian, D., & Rosen, H. S. (1993). The Carnegie conjecture: Some empirical evidence. *The Quarterly Journal of Economics*, 108(2), 413-435.; Retirement effects. Brown, J. R., Coile, C. C., & Weisbenner, S. J. (2010). The effect of inheritance receipt on retirement. *The Review of Economics and Statistics*, 92(2), 425-434.; Self-employment effects. Blanchflower, D. G., & Oswald, A. J. (1998). *What Makes an Entrepreneur?* *Journal of Labor Economics*, 16(1), 26-60.; Among women. Belloc, I., Molina, J. A., & Velilla, J. (2025). Unexpected inheritances and household labor supply: Does the identity of the recipient matter?. *Review of Income and Wealth*, 71(1), e12723.

- Their behavior matches lottery winners

Cesarini, D., Lindqvist, E., Notowidigdo, M. J., & Östling, R. (2017). The effect of wealth on individual and household labor supply: evidence from Swedish lotteries. *American Economic Review*, 107(12), 3917-3946.



Heirs don't just spend it after it arrives. They spend it before it arrives!

“The positive effect on consumption of an anticipated bequest is about half as large as the effect of an inheritance in hand.”

Steinberg, R., Zhang, Y., Brown, E., & Rooney, P. (2010). Earned, owned, or transferred: are donations sensitive to the composition of income and wealth?



They may have
already
borrowed and
spent it
(unless their
credit is
already maxed
out)

- Households expecting an inheritance in the future consume as if they were already in a higher wealth decile.
- However, “liquidity constrained” households don’t because they don’t have access to borrowing



Client reality

If you don't put instructions with your money, it may be used in a way that contradicts your values.



Client reality

If you don't put instructions with your money, it may be used in a way that contradicts your values.

Why don't clients (or advisors) understand this reality?

- **Because during planning, it's just money.**
- **As a received inheritance, it's **DEATH MONEY.****

Hundreds of experimental studies find that mortality reminders lead to



1. Avoidance



2. Pursuit of permanence or
“symbolic immortality”

Hundreds of experimental studies find that mortality reminders lead to



1. Avoidance

Here, have some “mom death” money! It’s money from your mom’s death!

Hey, you still have \$50,000 in your “mom death account.”

What do you want to do with it?

Avoidance: I want to stop being reminded of this

Hundreds of experimental studies find that mortality reminders lead to



1. Avoidance

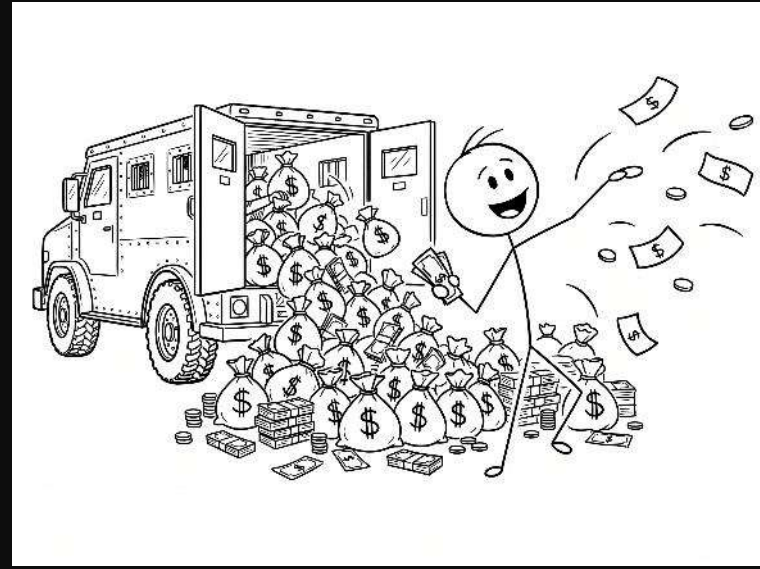
The worst possible time to leave money to heirs is in one lump sum at death.

Spreading it out over time is better.

Not just for spendthrift heirs who are “bad with money.” It’s a different psychological challenge

Estate Planning Practice Point

- How much do you want as one lump sum at death?
- How much spread out over time?
- Define inheritance goals in terms of ongoing impact (e.g., income, lawsuit/spendthrift protection, wage matching payments, specific expenditures, etc.).
- This often leaves dramatically more for charitable goals.

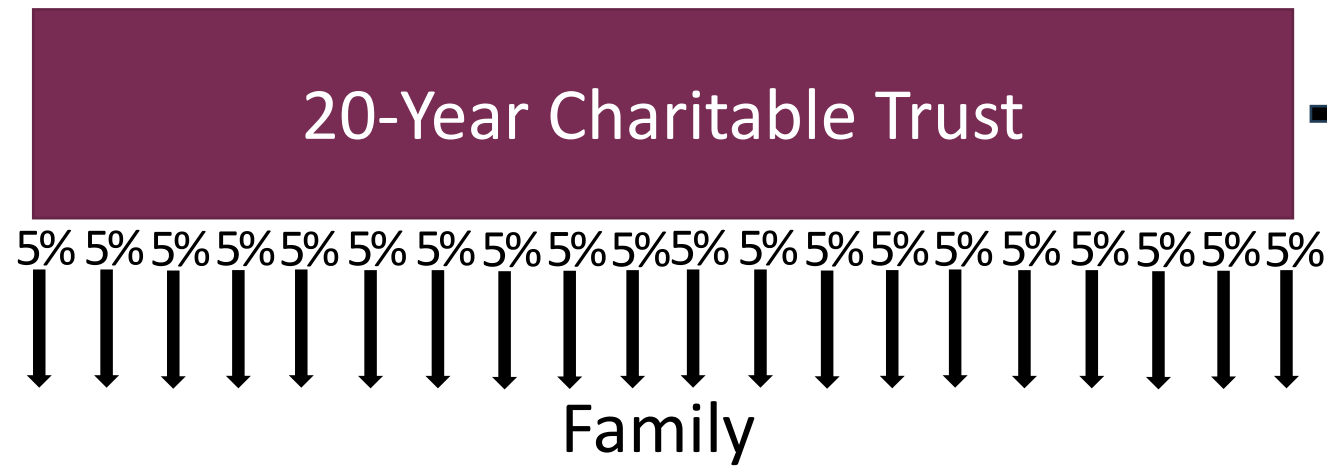


Income-based
charitable planning:
“I feel obligated to
give it all to family”

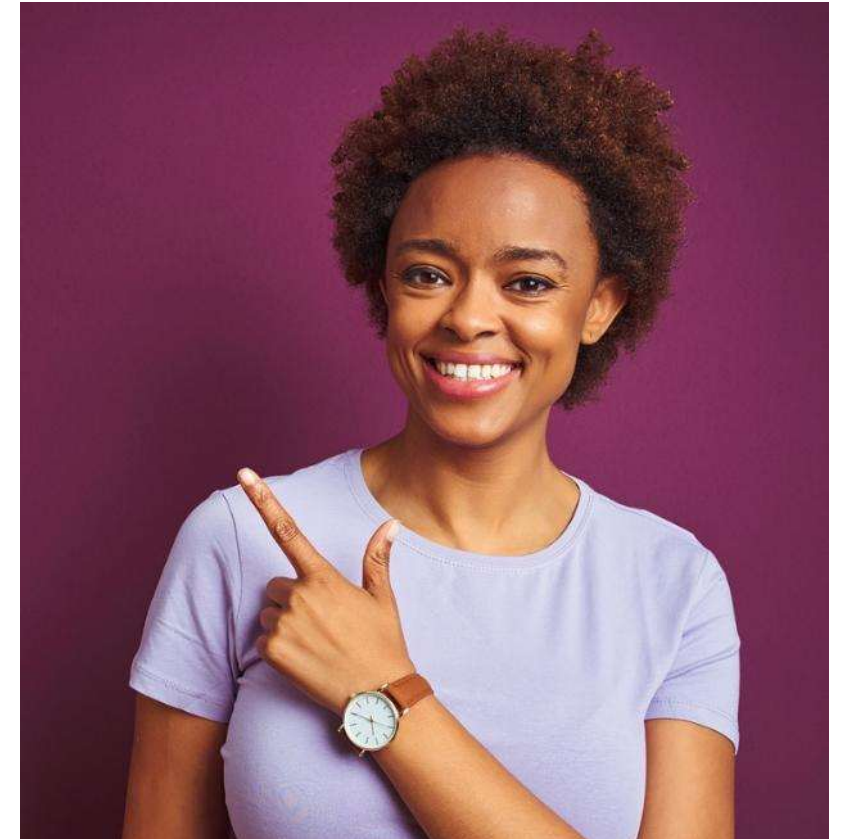
I understand that feeling.
I work with others who
have felt the same way.
Some of them have found
that they can transfer
100% to the family but
still leave a charitable
legacy. Would you be
interested in hearing
more about that?



“100% +
charity”



Your charitable trust pays family 5% per year for 20 years. That totals to 100% but it's spread out over time. The principal then goes to charity. It can be a tax-smart way to provide for family and still support the causes you care about.



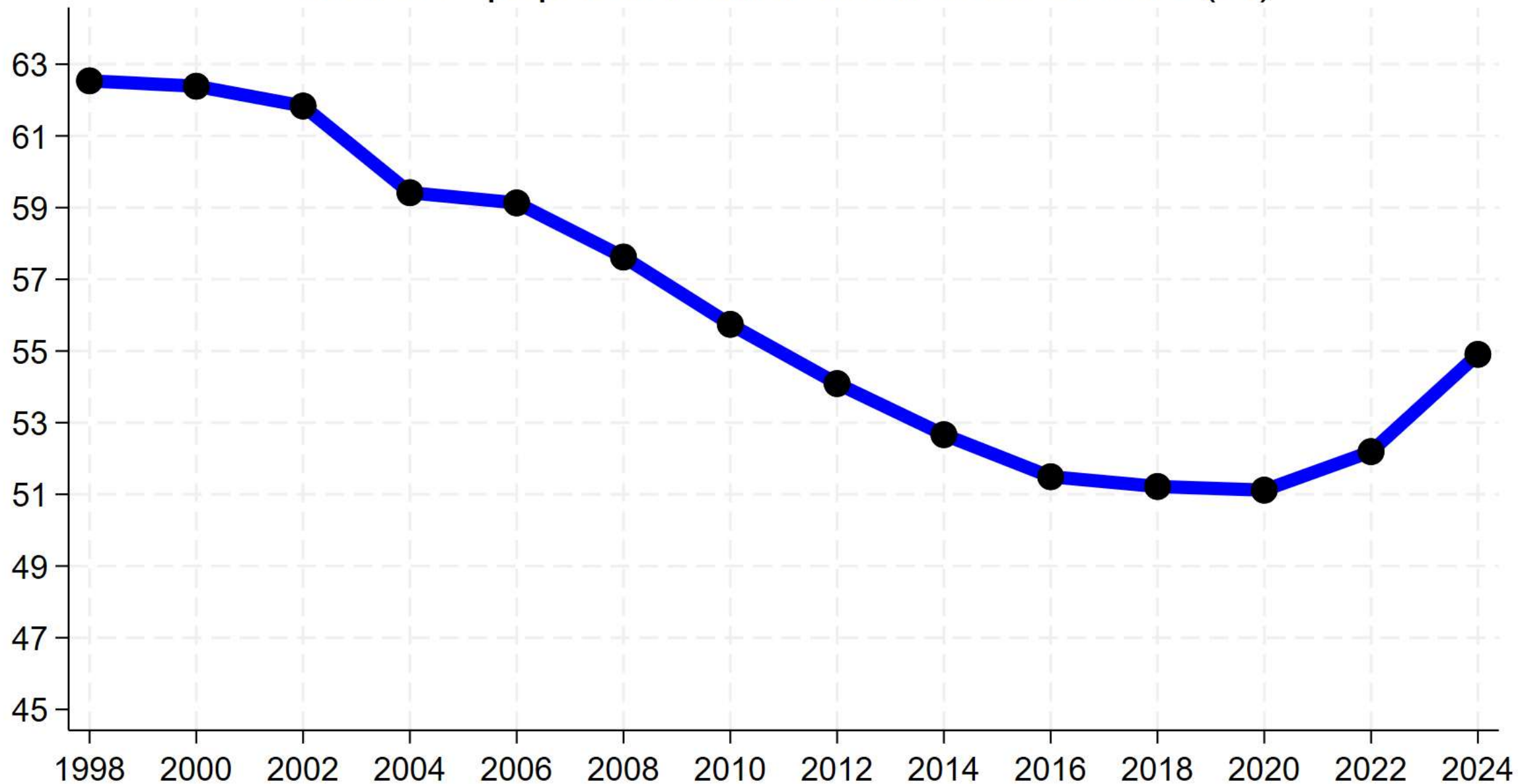


Myth #4

It's all about will power!

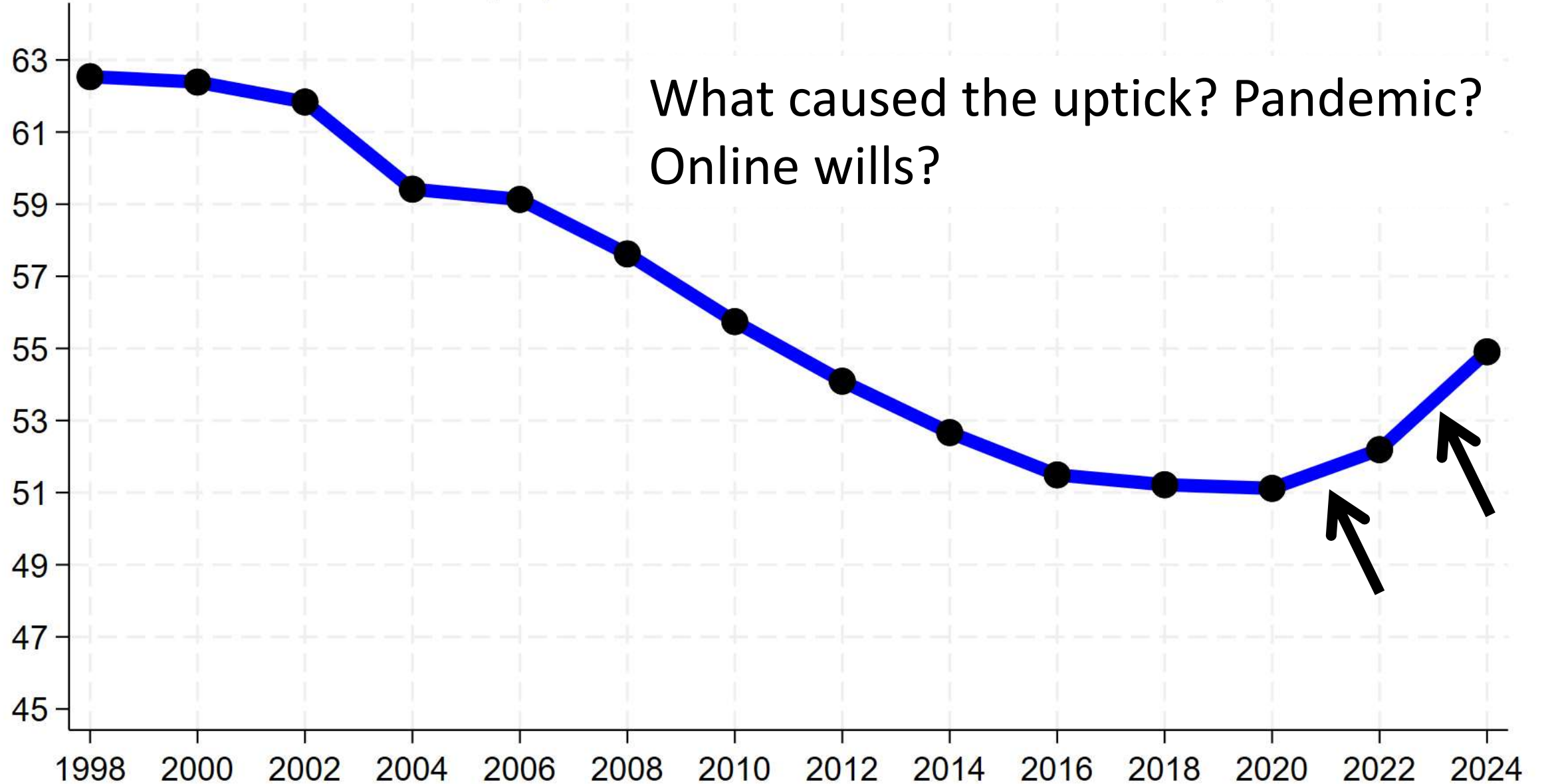
Will documents control the transfers.

U.S. 55+ population share with a will or trust (%)



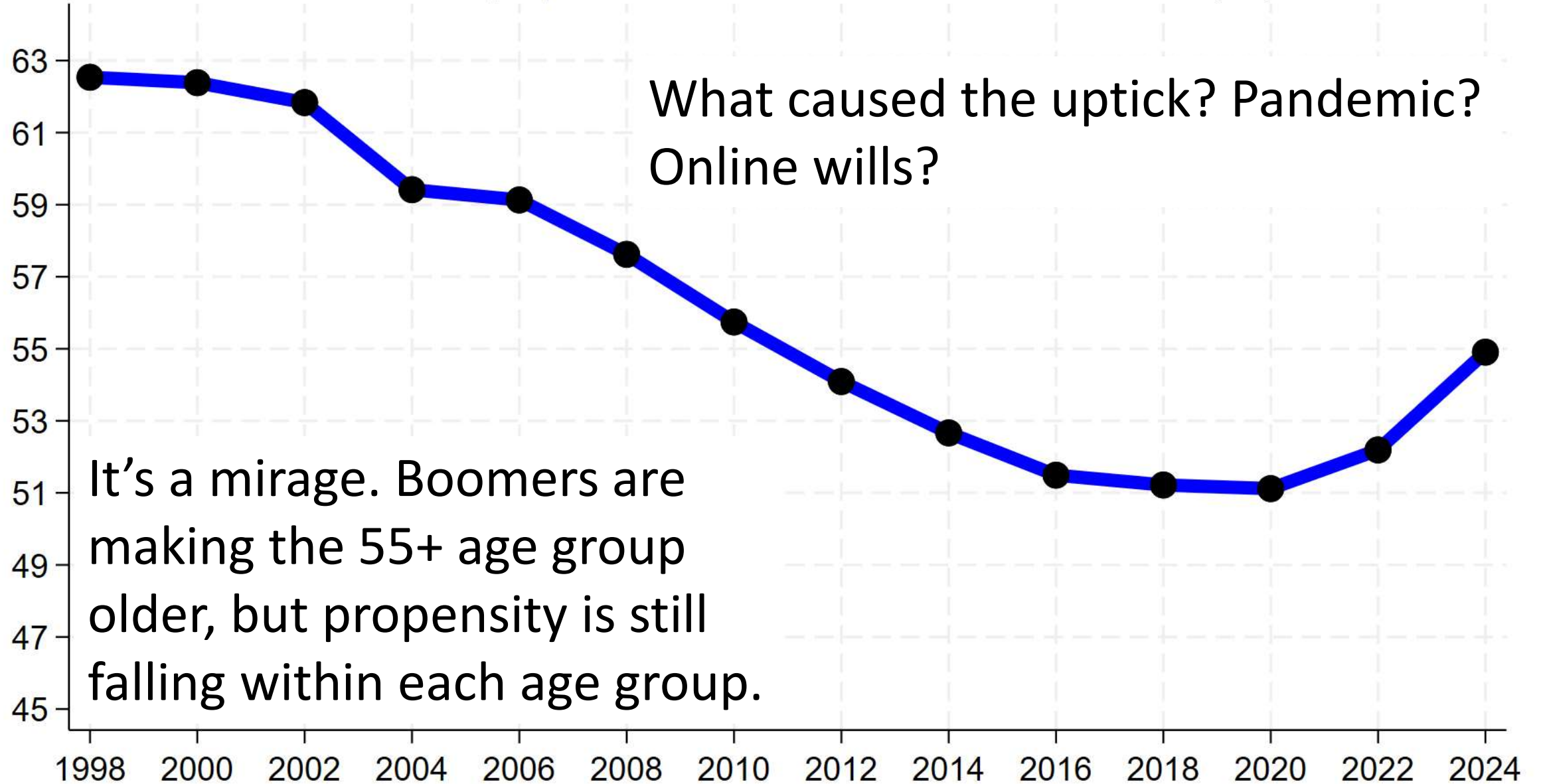
2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

U.S. 55+ population share with a will or trust (%)



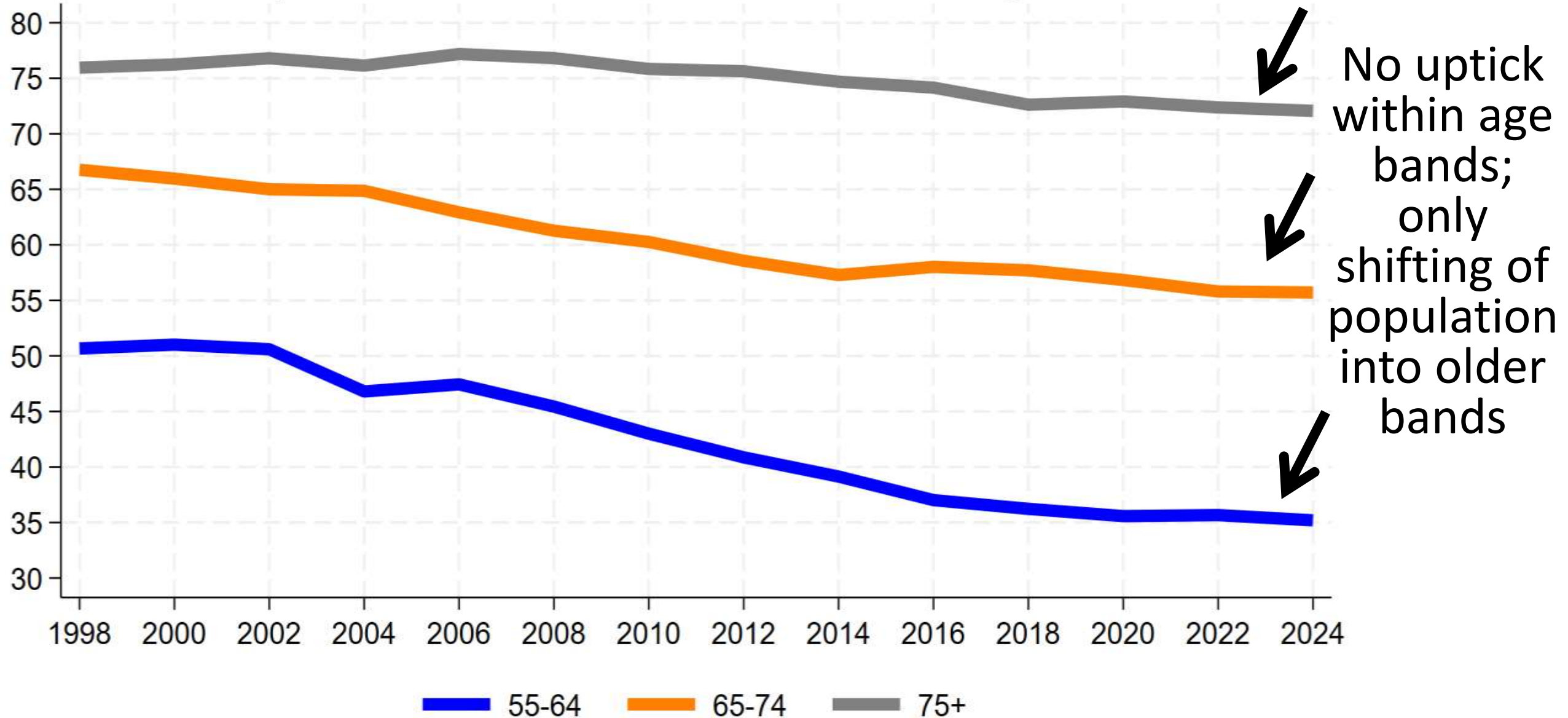
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U.S. 55+ population share with a will or trust (%)



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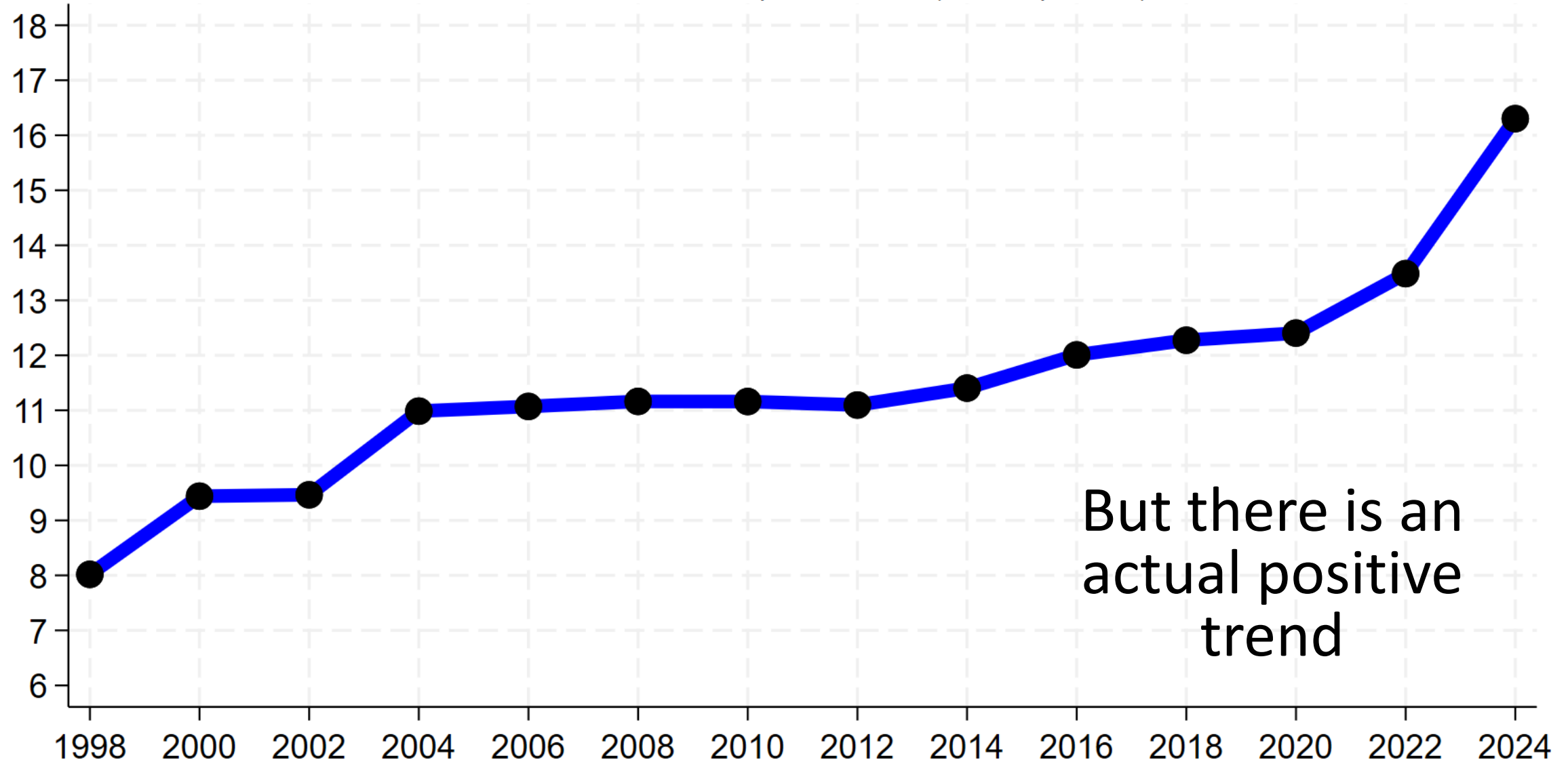
Population share with a will or trust within age bands



2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

U.S. 55+ population share with a funded trust (%)

Strict definition: assets reported in trust (Q464 equivalent)

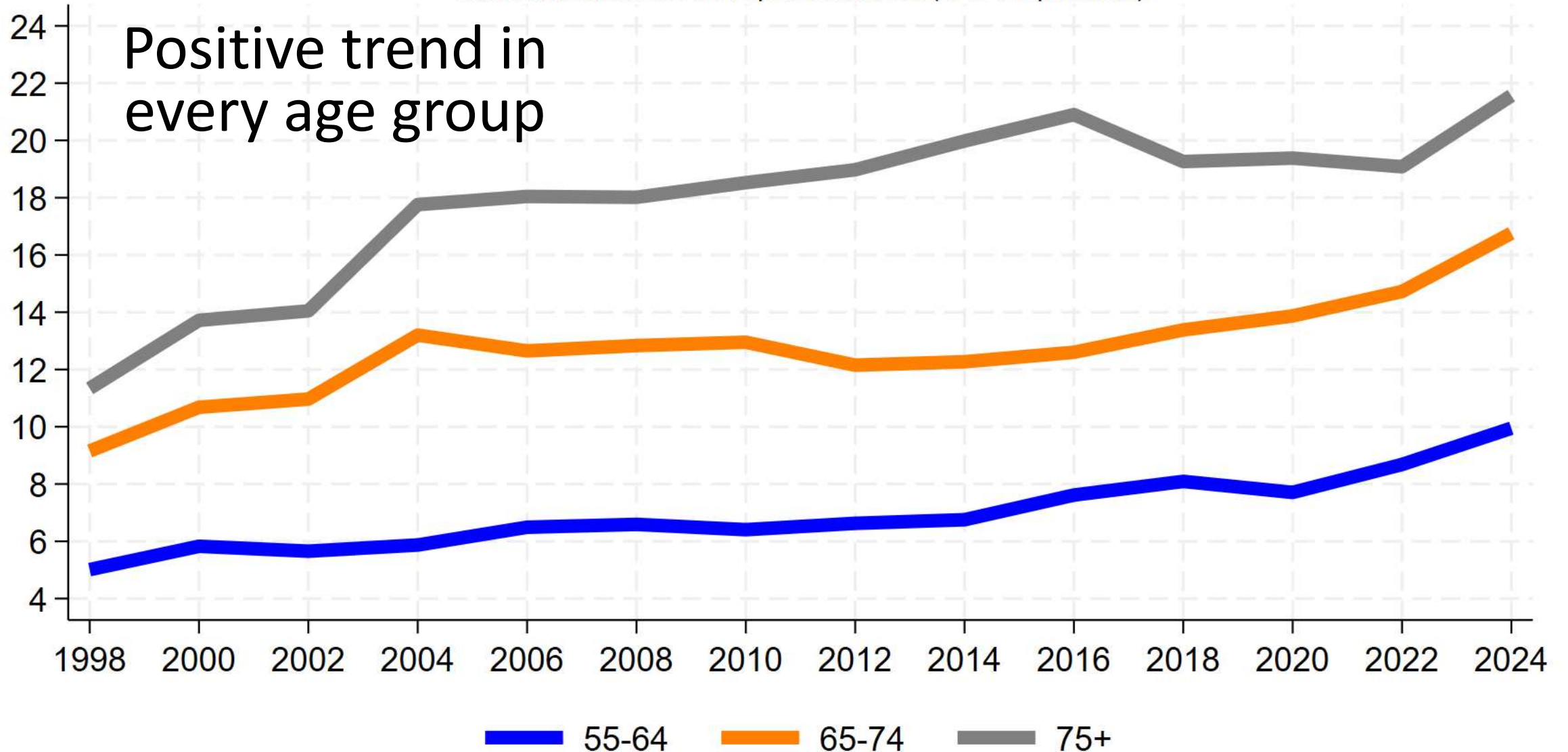


But there is an
actual positive
trend

2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

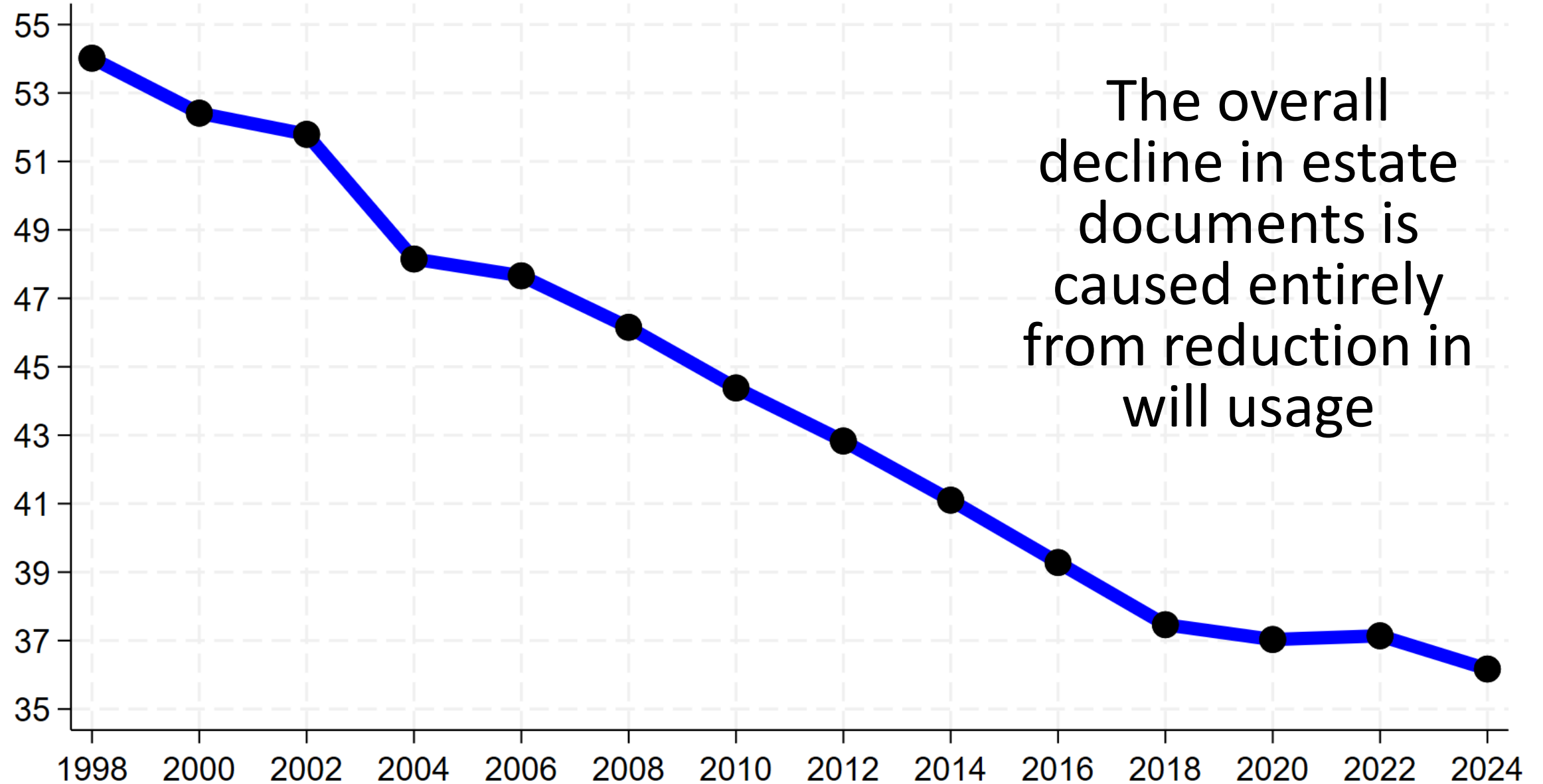
Share with funded trust

Strict definition: assets reported in trust (Q464 equivalent)



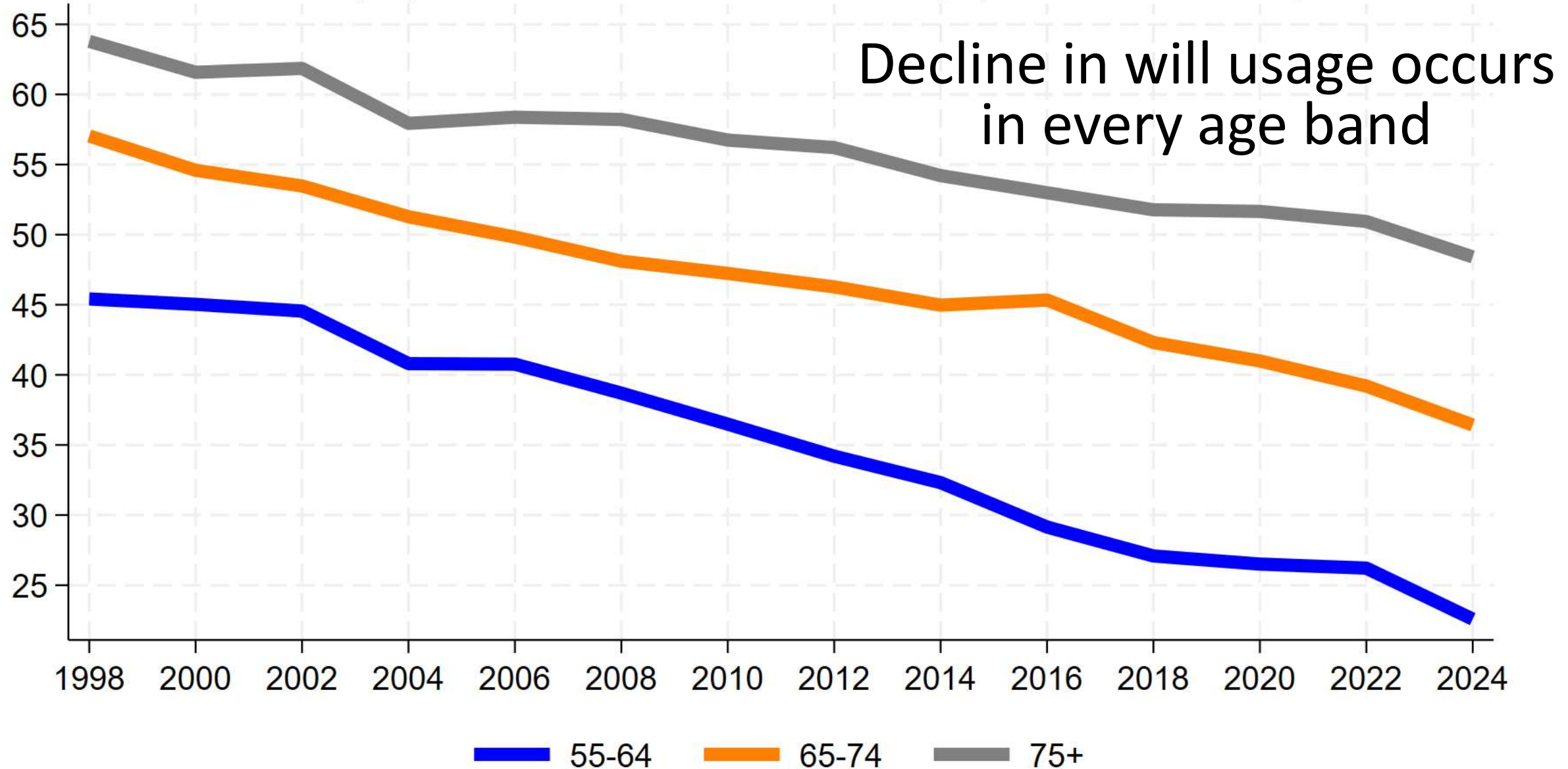
2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

U.S. 55+ population share with a will only (no funded trust)



2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

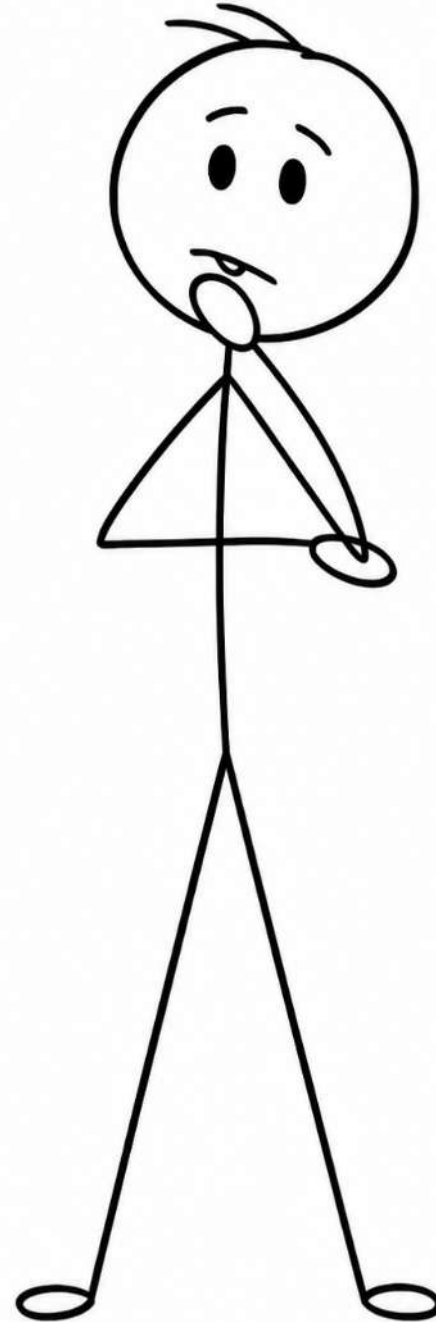
U.S. population share with will only (no funded trust)



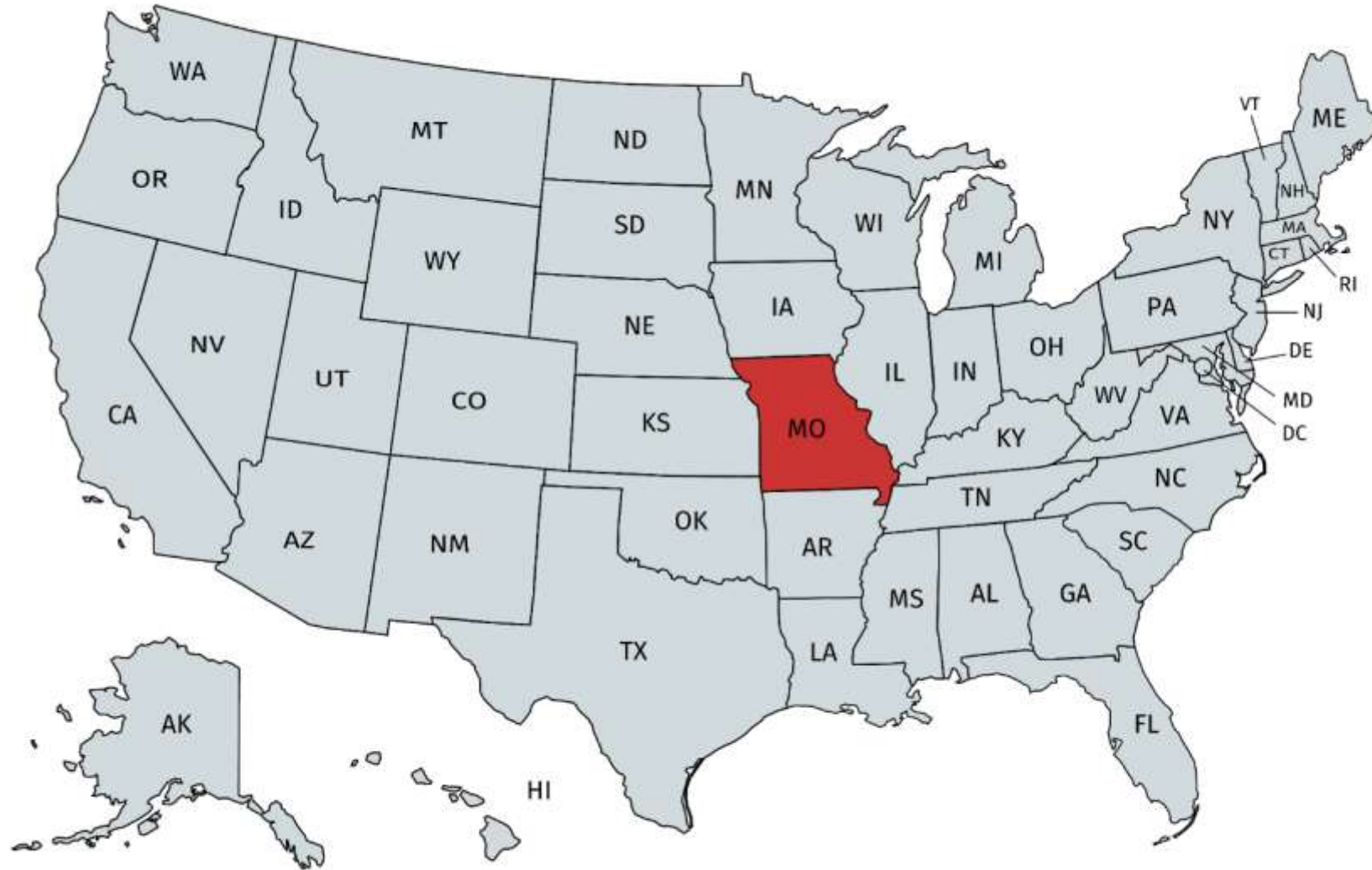
2024 uses 2022 SWGTR among 2024 respondents with a positive 2022 weight; sensitivity estimate, not an official 2024 cross-sectional estimate.

Why are will documents becoming less common?

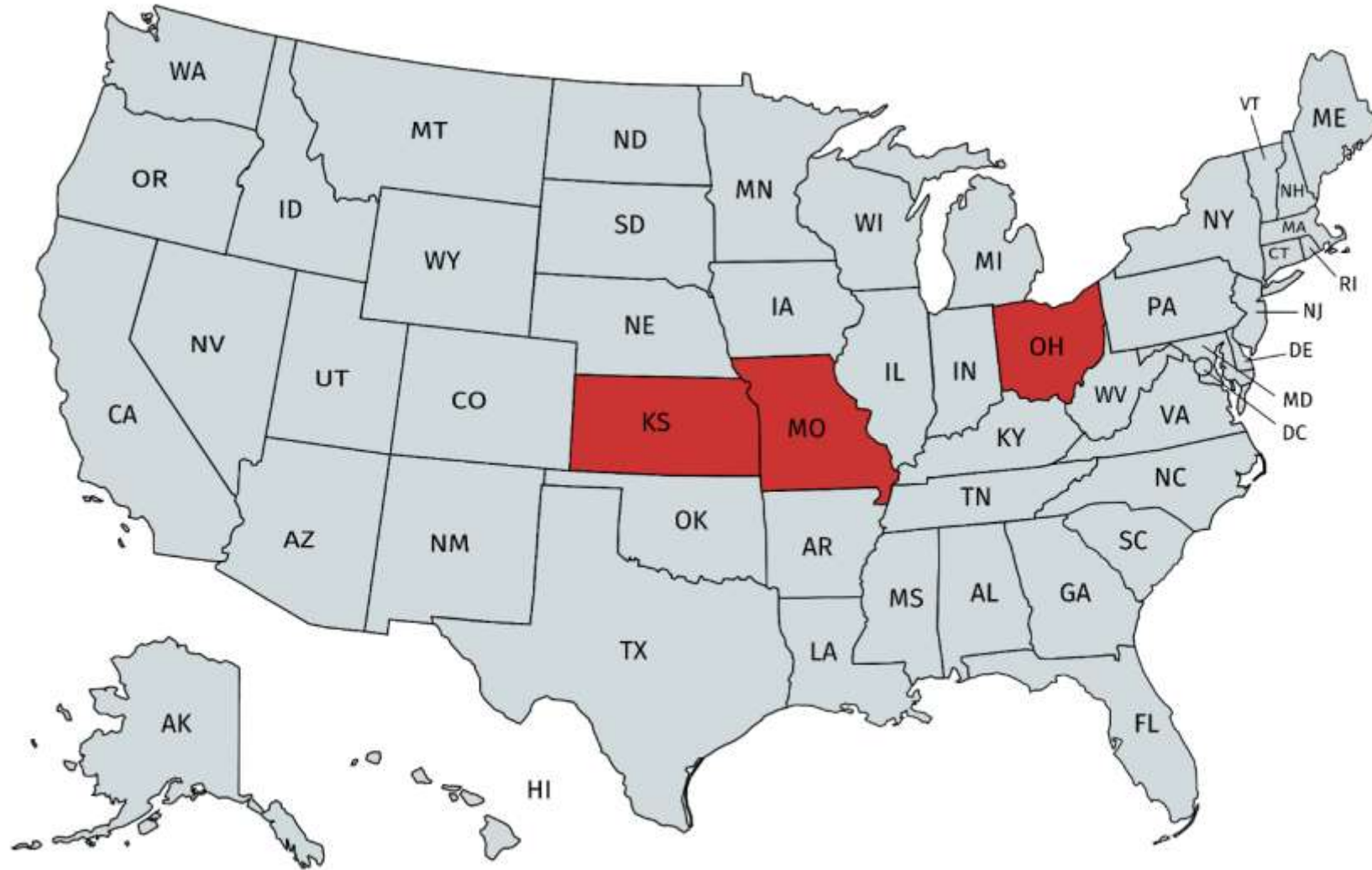
What's behind the trend?



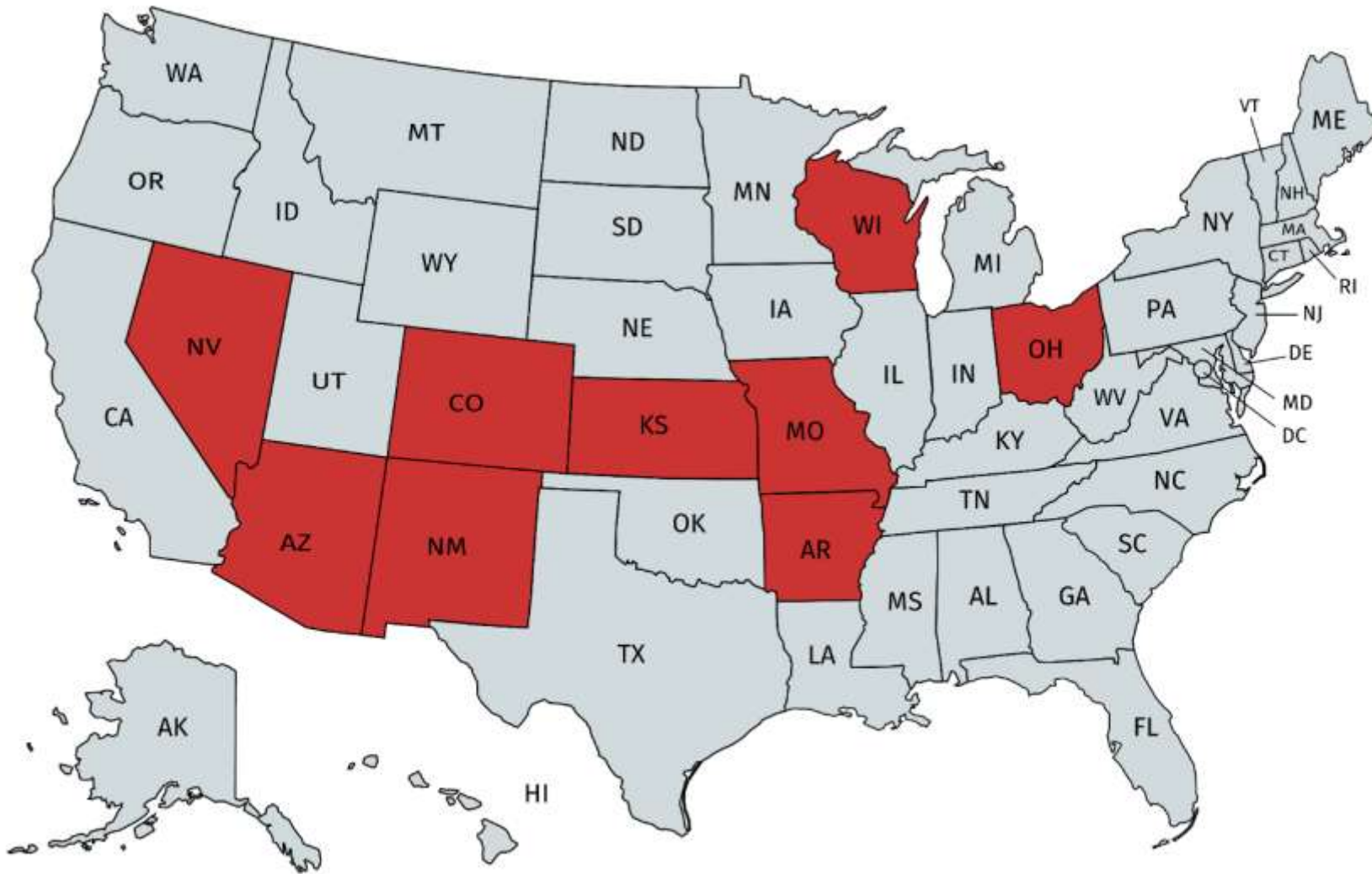
States allowing “Transfer on Death” deeds in 1994



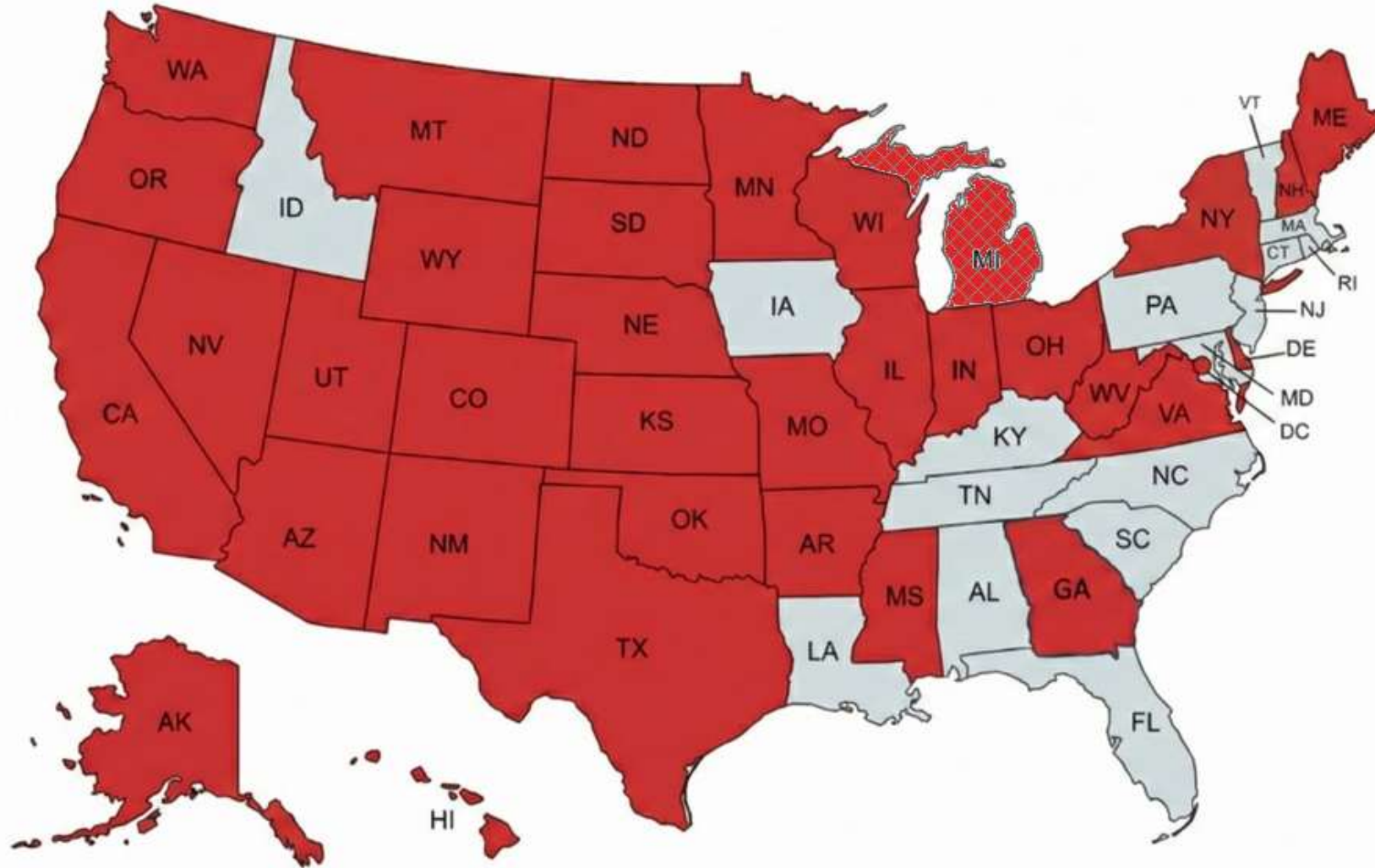
States allowing “Transfer on Death” deeds in 2000



A map of the United States with 12 states highlighted in red. These 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), and Indiana (IN). The remaining 40 states and the District of Columbia are shown in light gray. The highlighted states are distributed across the West, Midwest, and Northeast regions of the country.

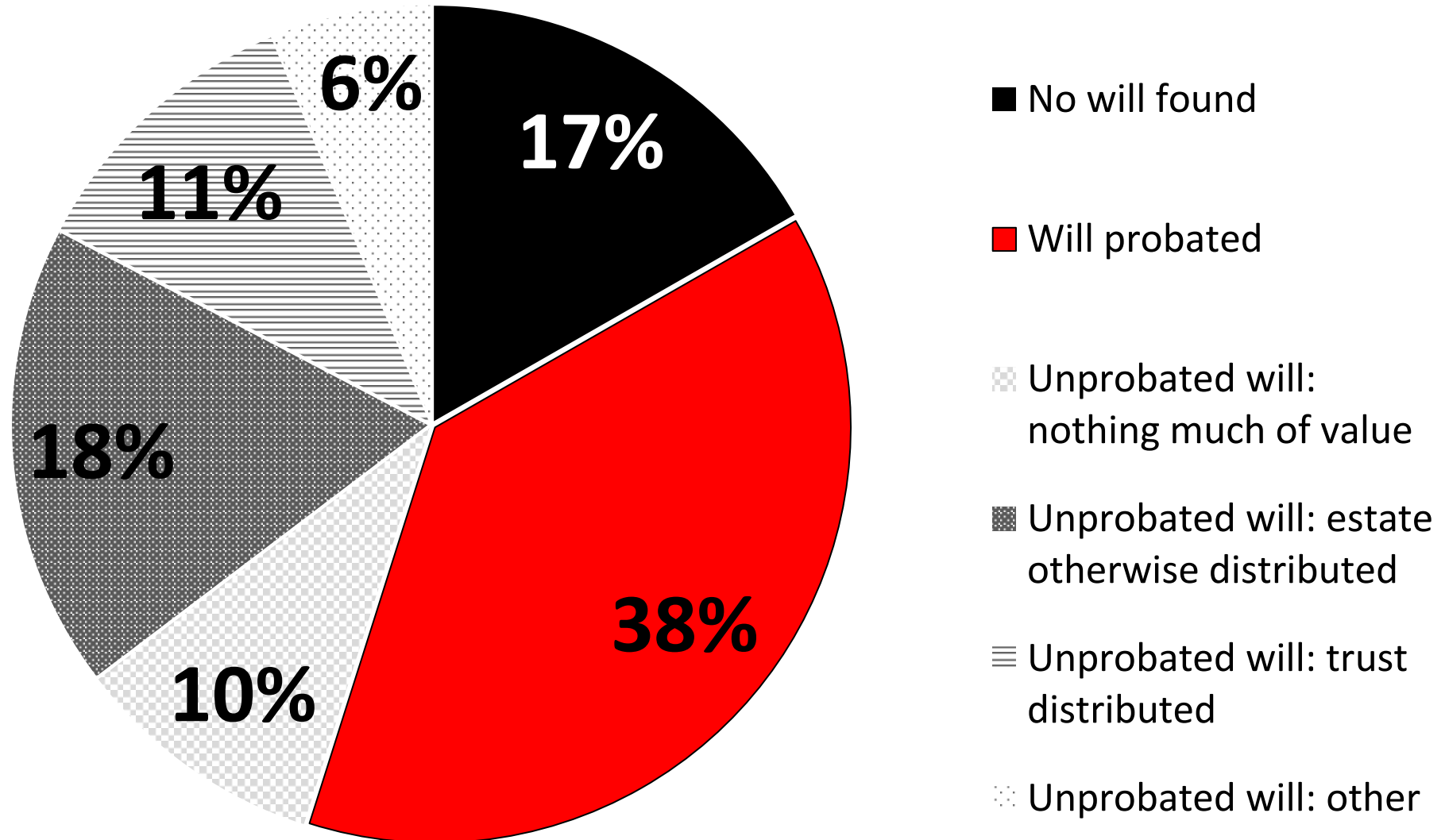


States allowing “Transfer on Death” deeds today

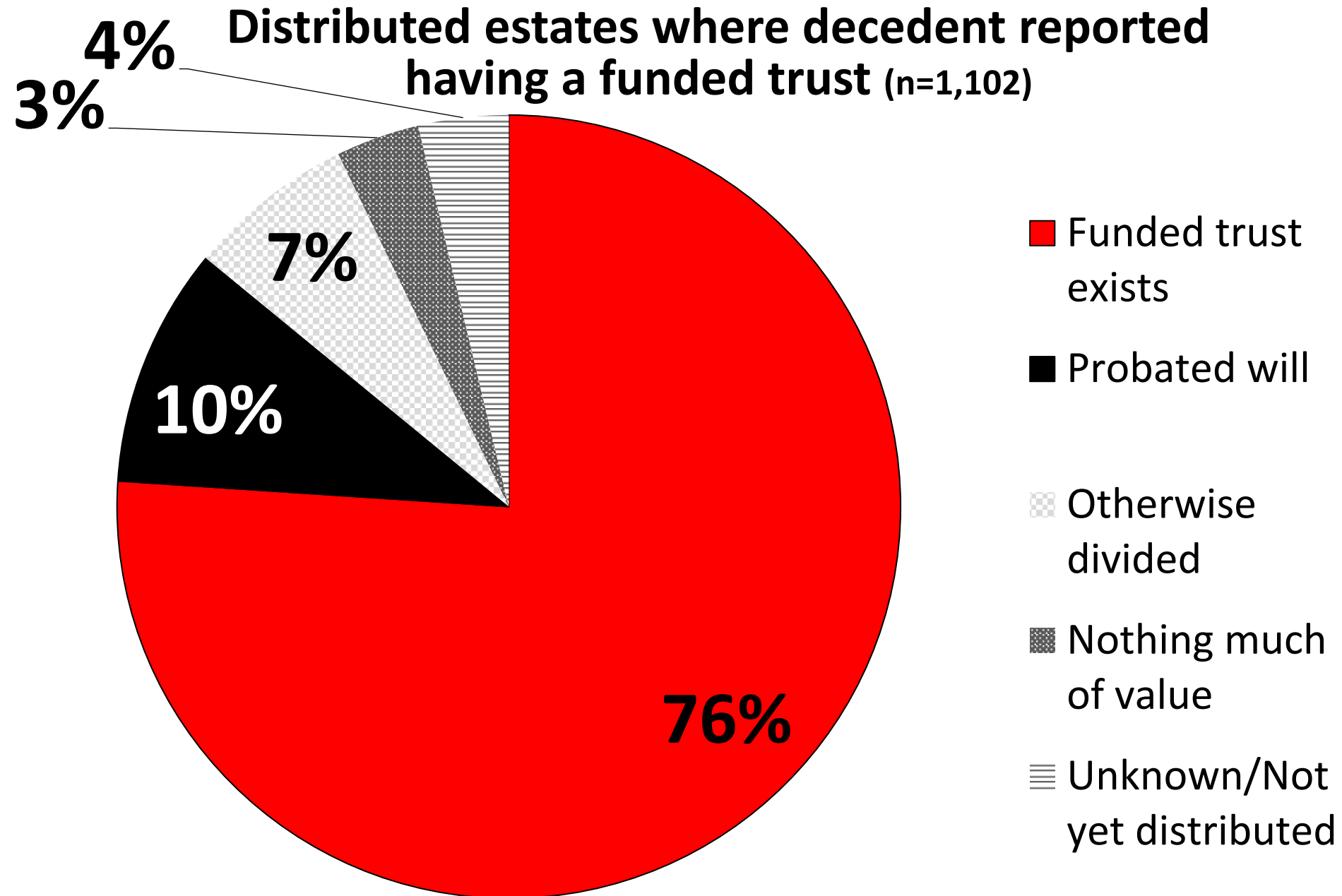


Most will documents control nothing

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



Funded trusts are more likely to work



Having a trust predicts actual transfers to charity among those reporting a charitable component

Q: Is it actually the trust or is it the kind of people who have trusts?

A: It's the trust.

Intercept	0.3532 (0.0328)**	0.3609 (0.0686)**	-0.1882 (0.2913)
I.V. Trust (Funded)	0.2093 (0.0633)**	0.1825 (0.0656)**	0.1461 (0.0629)*
Wealth (100k)		0.0038 (0.0023)	0.0037 (0.0022) †
Self-reported health		-0.0091 (0.0249)	-0.0174 (0.0241)
Income (100k)			0.0435 (0.0198)*
Married			-0.1632 (0.0644)*
Children and grandchildren			-0.1172 (0.0600) †
Children only			-0.2012 (0.1027) †
White			0.0429 (0.168)
Black			-0.1111 (0.2113)
Age			0.0084 (0.0029)**
Male			-0.0405 (0.0599)

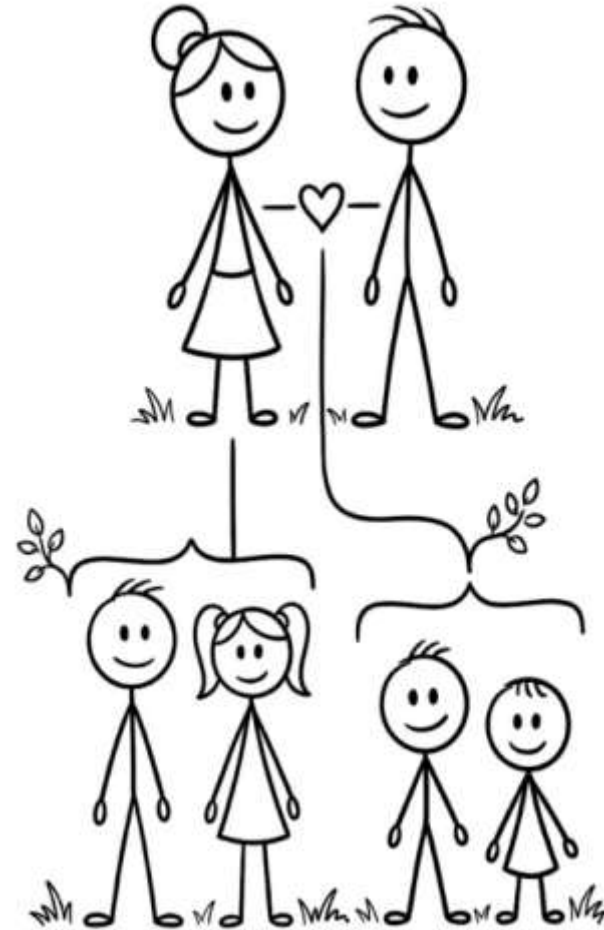
Table 3. Likelihood of Planned Charitable Estate Gift Fulfillment (Health and Retirement Study 1995-2006)

James, R. N., III. (2009). Wills, trusts, and charitable estate planning: A panel study of document effectiveness. *Journal of Financial Counseling & Planning*, 20(1), 3-14.

Second driver of decline in documentation: The rise of blended families

Married with children age 50+

- Nuclear = **35% no will/trust**
- Blended (stepchildren) = **56% no will/trust**
 - This planning gap remains when comparing those of similar wealth and other demographics.
- Pew reports the share of children living with two married parents in their first marriage fell from 73% in 1960 to 61% in 1980 to 46% in 2014



Van Cleve, M. & James III, R. N.
(2026). *An Estate Planning Paradox in
Blended Families: Greater Need,
Less Planning*. Manuscript currently
under review.

For nonprofits encourage trusts and TODs

- Titling controls the actual assets regardless of will provisions.
- IRA/401k money should be the first dollars that go to charity. (Family pays income taxes on these.)
- Single account designation avoids the need to plan the entire estate, possibly side-stepping the blended family conflict?



“I’ve got all my planning done. I don’t want to open that back up again.”

I understand that feeling. I work with others who have felt the same way. They’ve found that the smartest gift actually takes less than 10 minutes.

If any IRA or 401K money goes to family, they have to pay income taxes on that. But any share that goes to our nonprofit avoids those taxes. You can add us as a beneficiary online in just a few minutes. It’s actually the smartest way to make an estate gift.





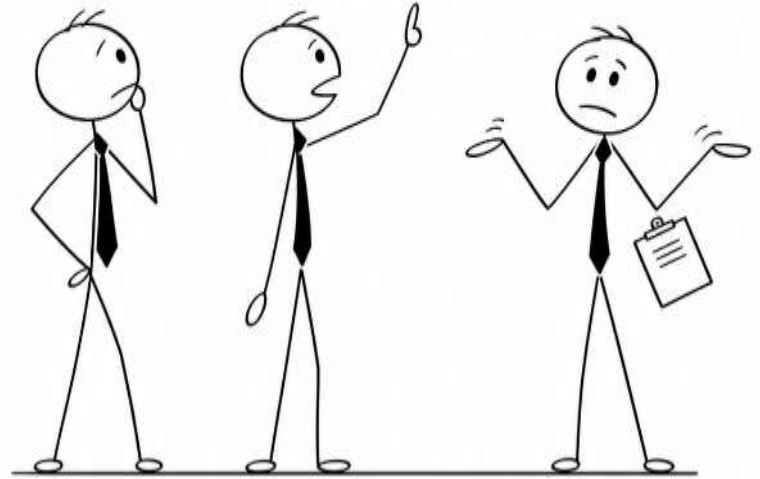
Myth #5

Woohoo! It's an \$18 Zillion-Bajillion
Transfer **TO CHARITIES.**

If the overall estimate wasn't extreme enough for you, let's look at the charitable transfer estimate

- Giving USA charitable bequests 2024: **\$52** billion; 2025: **\$62** billion
- Most popular estimate \$18 trillion to charity 2024-2048 (same “proprietary” method source)
- That would require **\$778** billion every year for the remaining 23 years.
- 12X greater than highest experienced so far.

$$1 + 1 = 18$$



The future of
charitable estate giving
is bright!



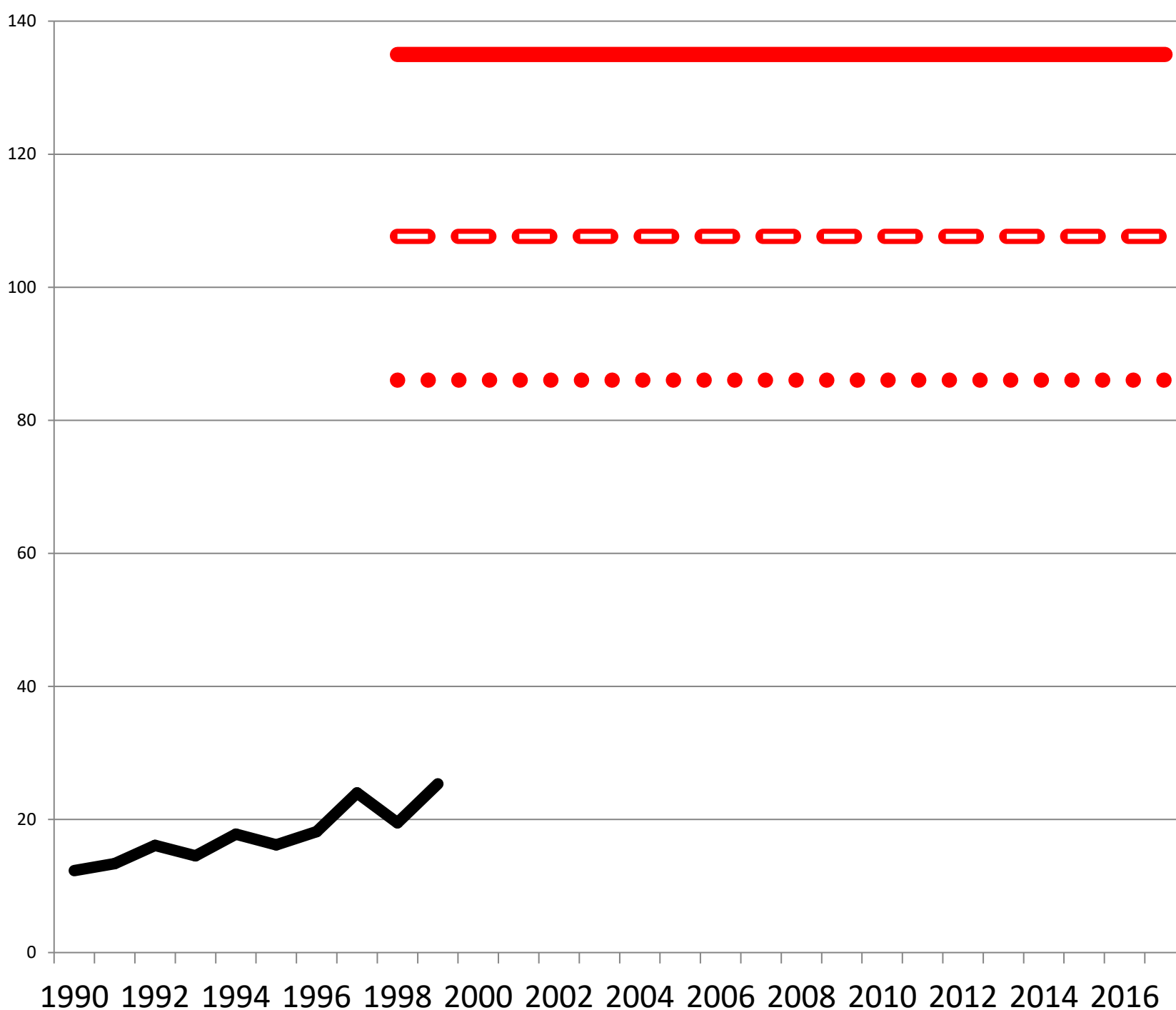
But it's not stupid.



What happened in the last predicted boom?



\$ Billions Annually

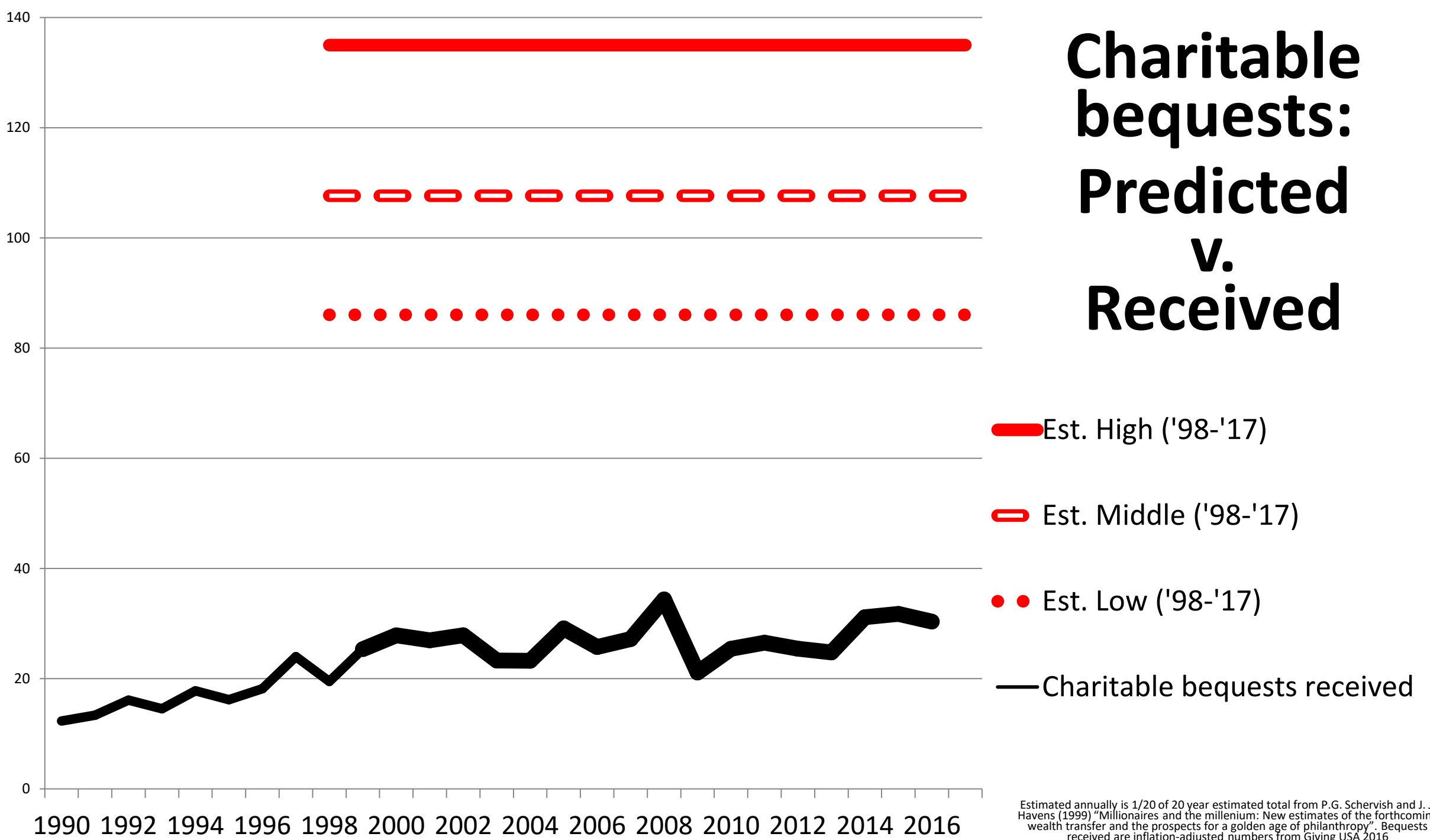


Charitable bequests: Predicted v. Received

- 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



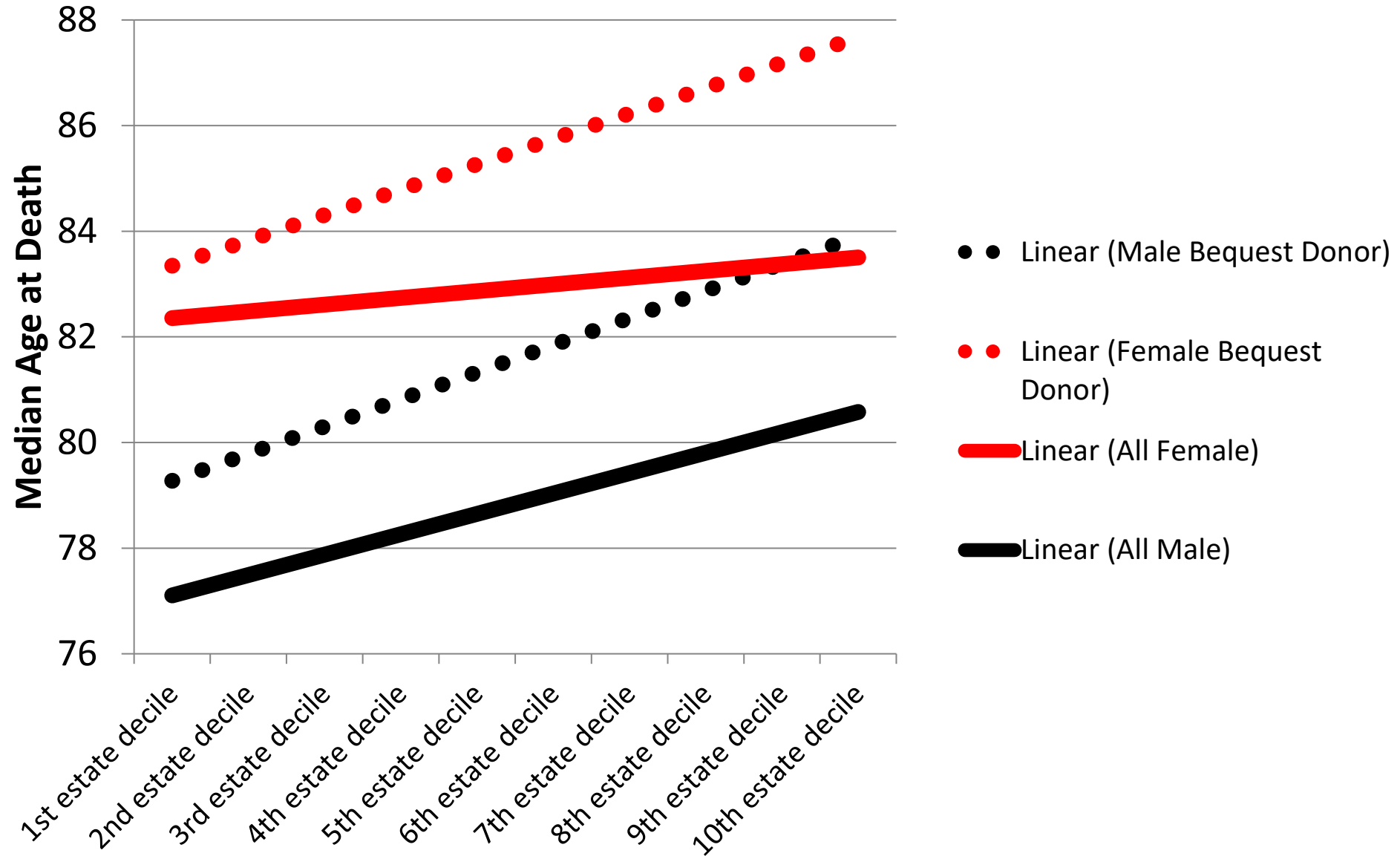
Charitable bequests 2000-2018
were flat but now are definitely
rising...

**What
happened?**



Wealthy people die old.

Wealthy bequest donors die even older.



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



U.S. study

HRS Study of 6,124 decedents 2010-2021:

Age 90

Australian study

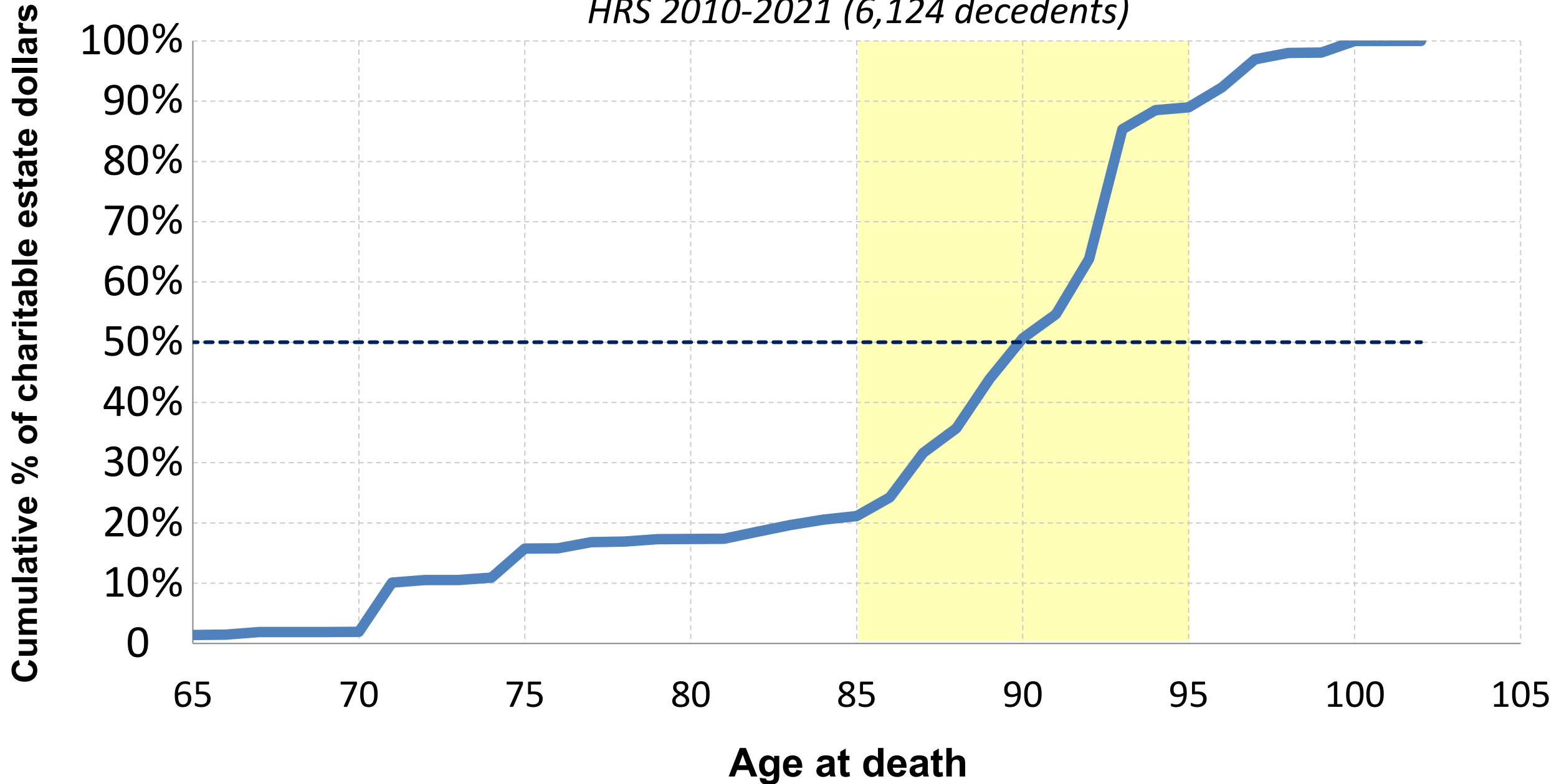
(5% sample of national probate files) in 2012 :

Age 90

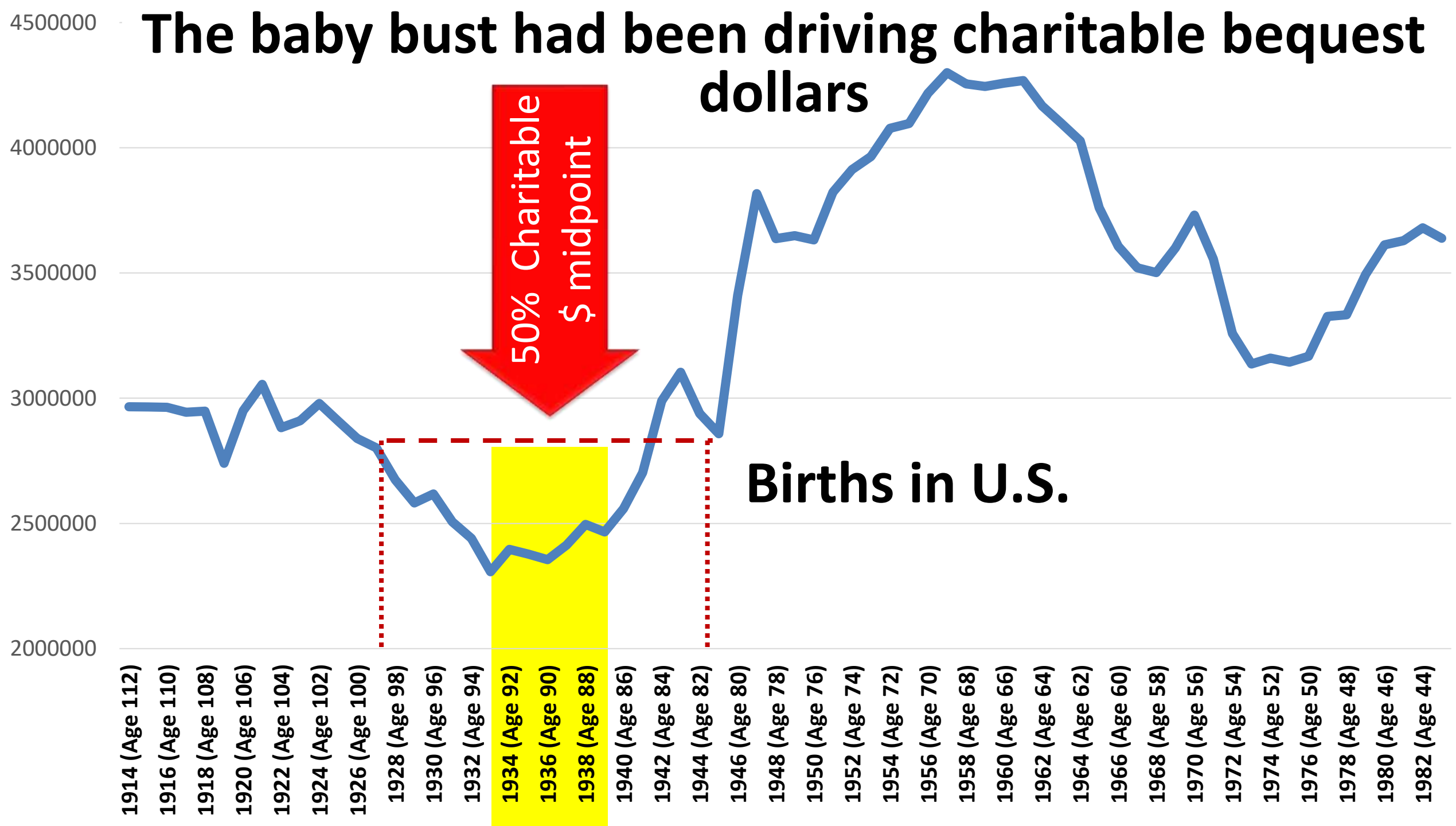
Remember that most realized charitable bequests are added within 5 years of death

Cumulative Distribution of Charitable Estate Dollars by Age at Death

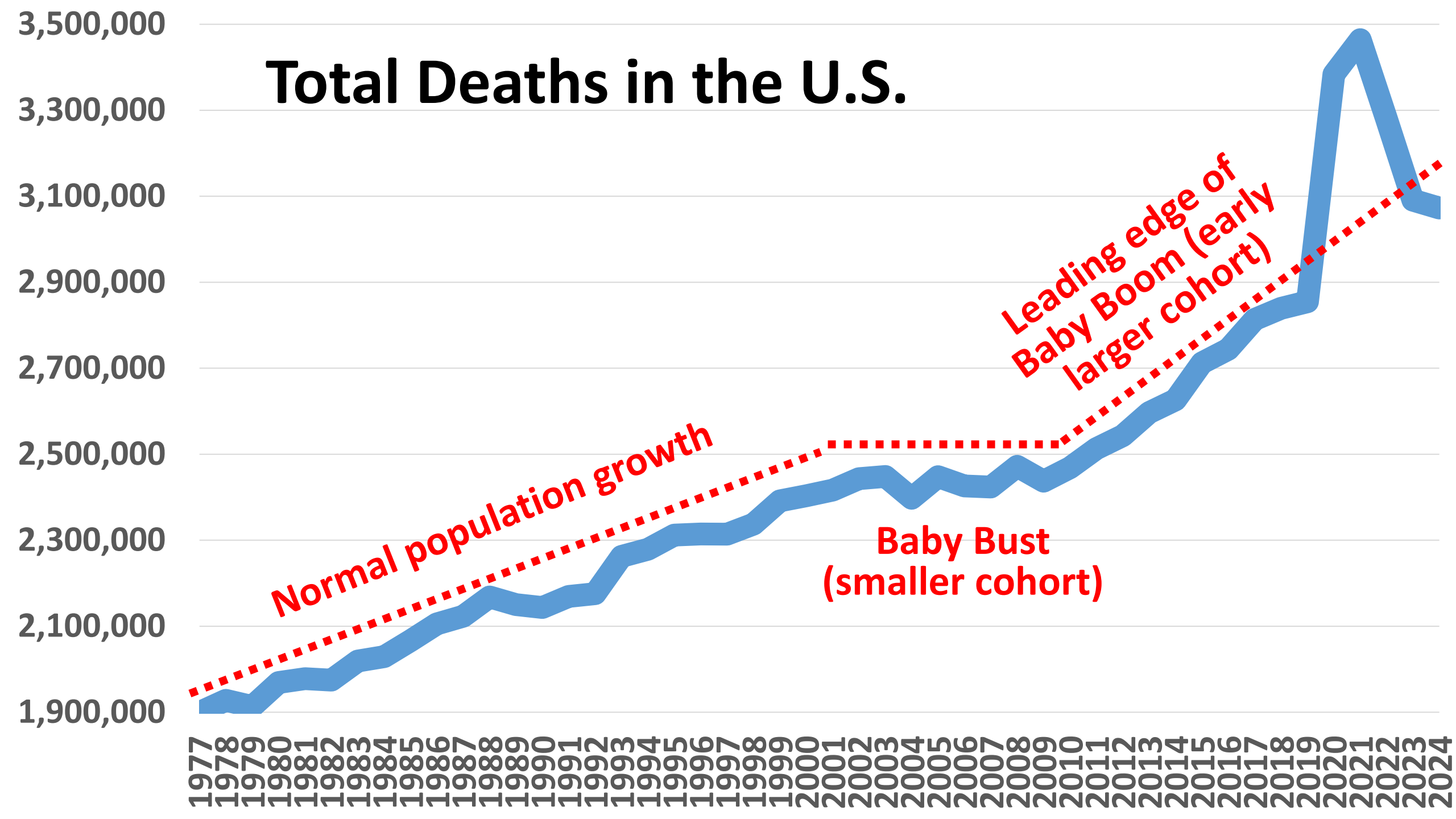
HRS 2010-2021 (6,124 decedents)



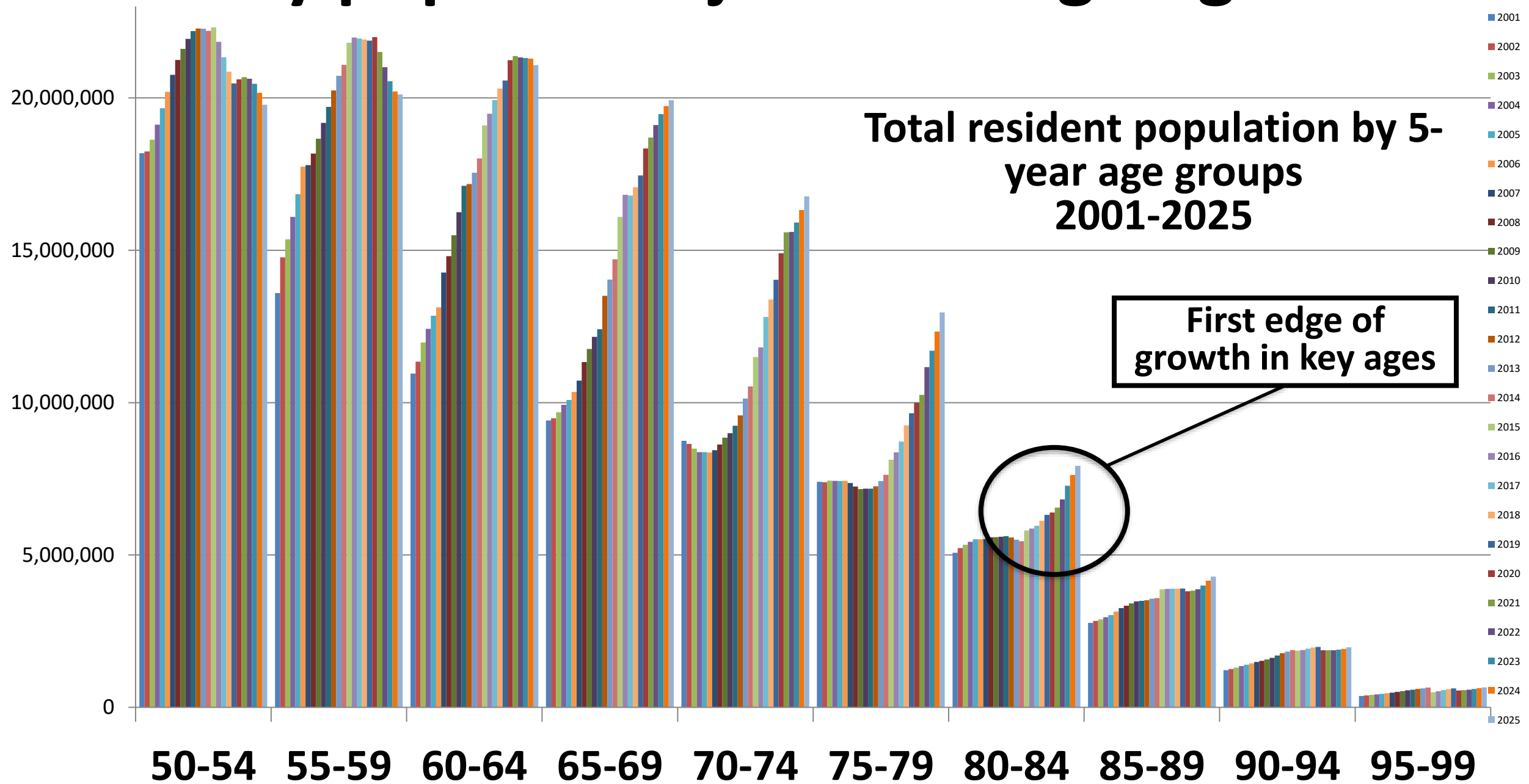
The baby bust had been driving charitable bequest dollars



Total Deaths in the U.S.



Key population just starting to grow



The demographic wave impacts CRT
creation first, then CGA creation,
then bequests realization



CRT Creation
Peak Age:
70-74

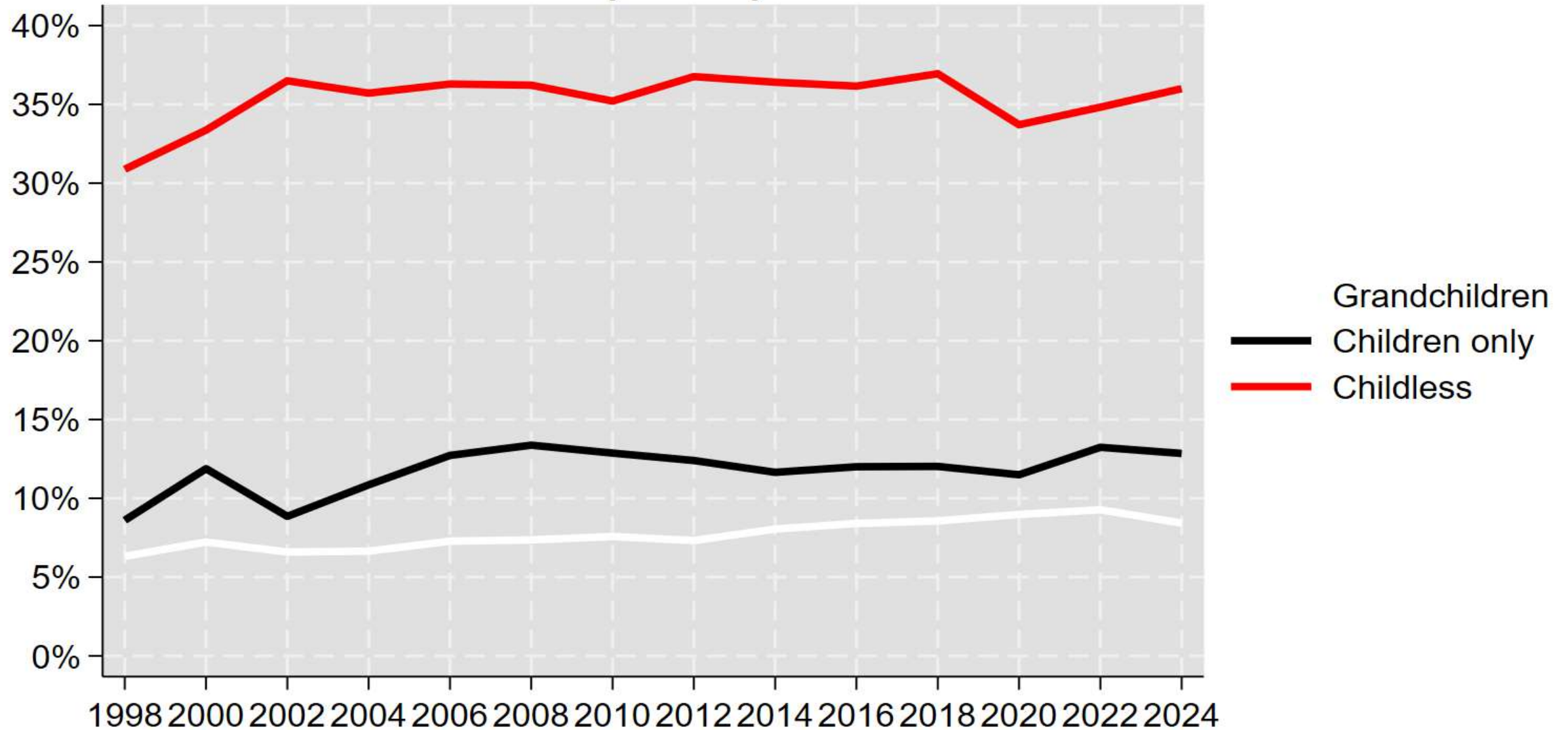


CGA Creation
Peak Age:
75-79



Realized
Bequest Peak
Age: **90**

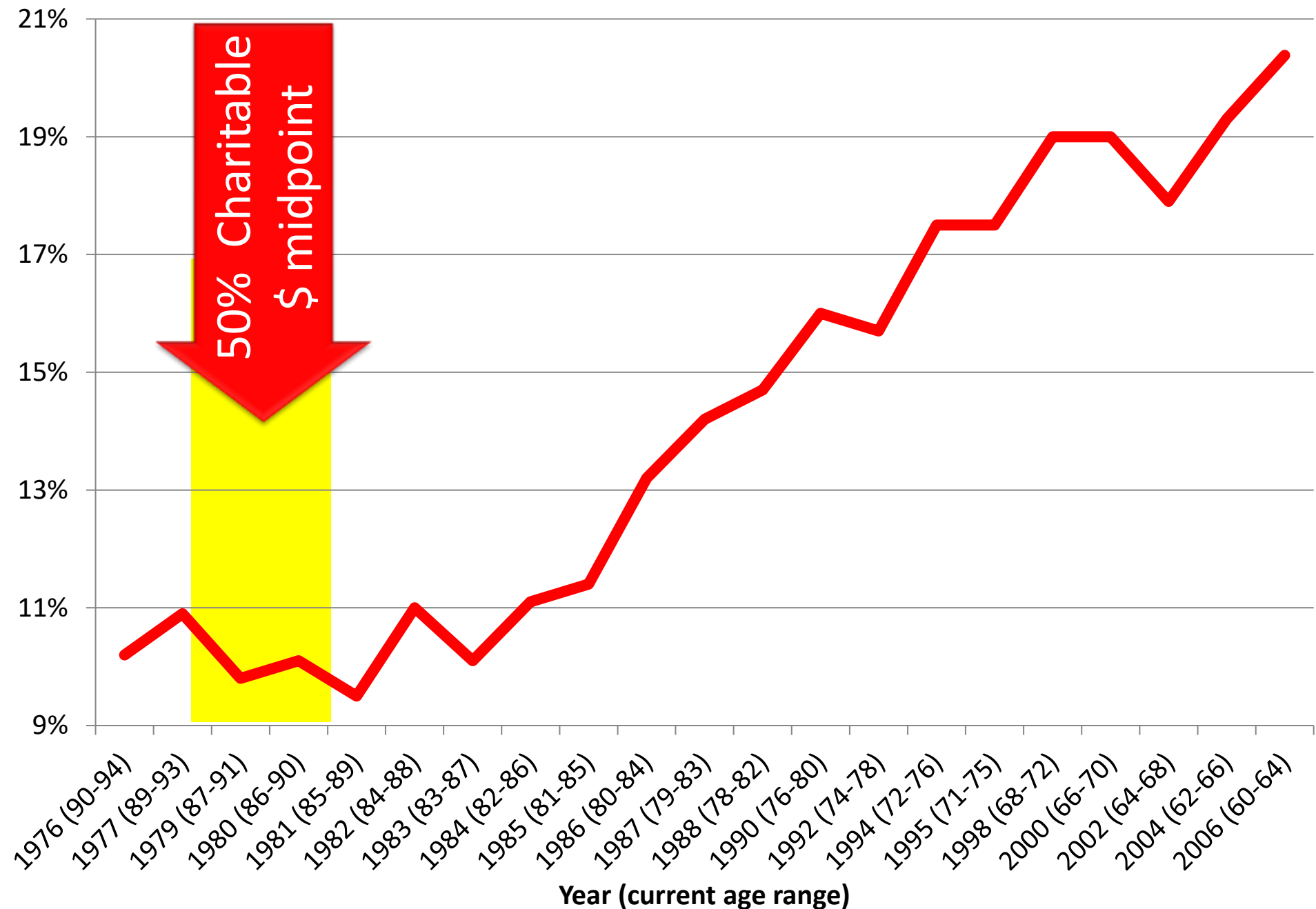
Age 55+ charitable beneficiary among those with will/trust by family status



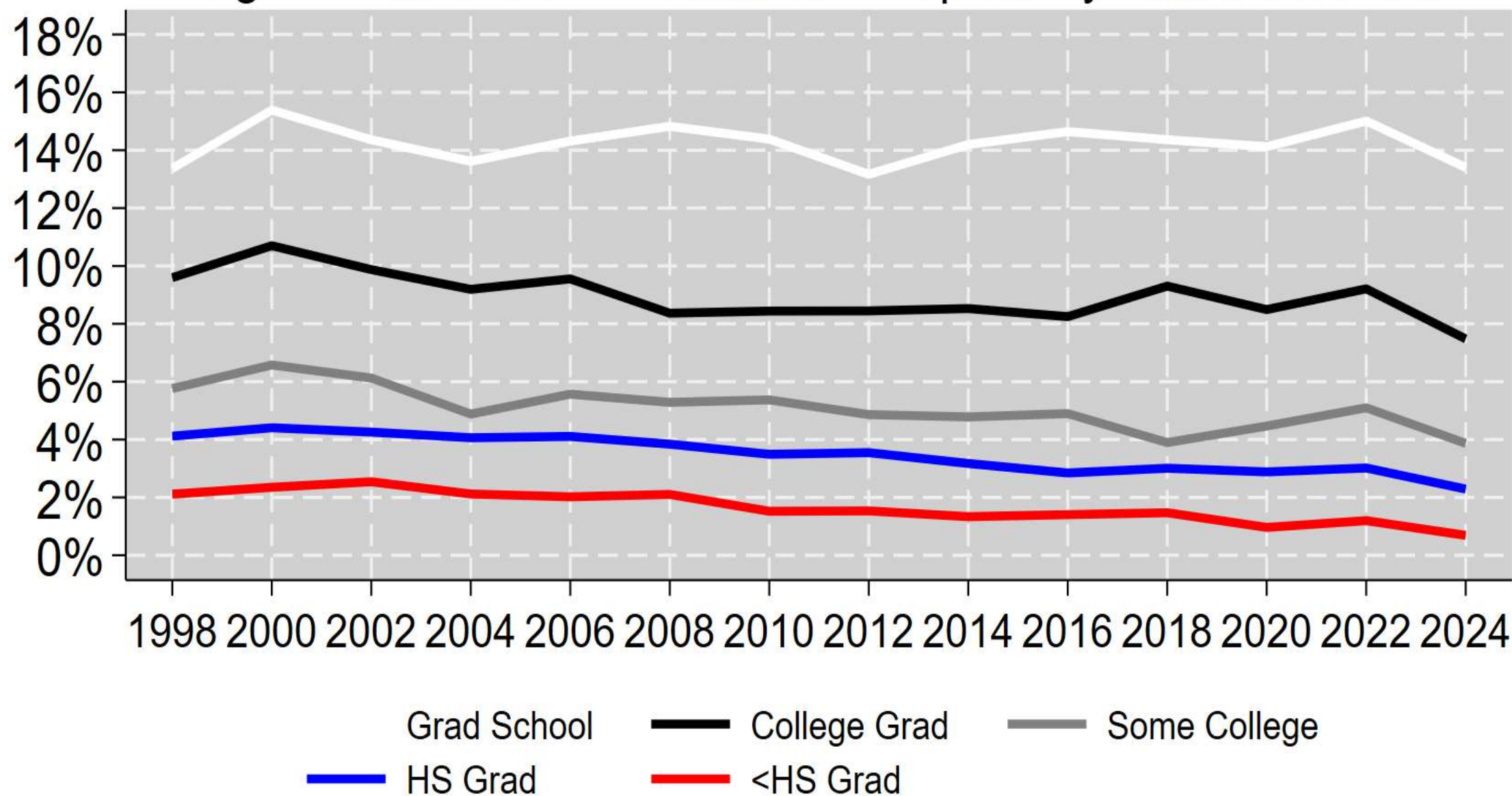
2024 is unweighted pending release of a 2024 HRS Tracker respondent weight.

**Percentage
of U.S.
women who
were
childless**
(measured at age
40-44 showing
year of
measurement and
current age range)

Percent Childless Women at Age 40-44 in U.S.

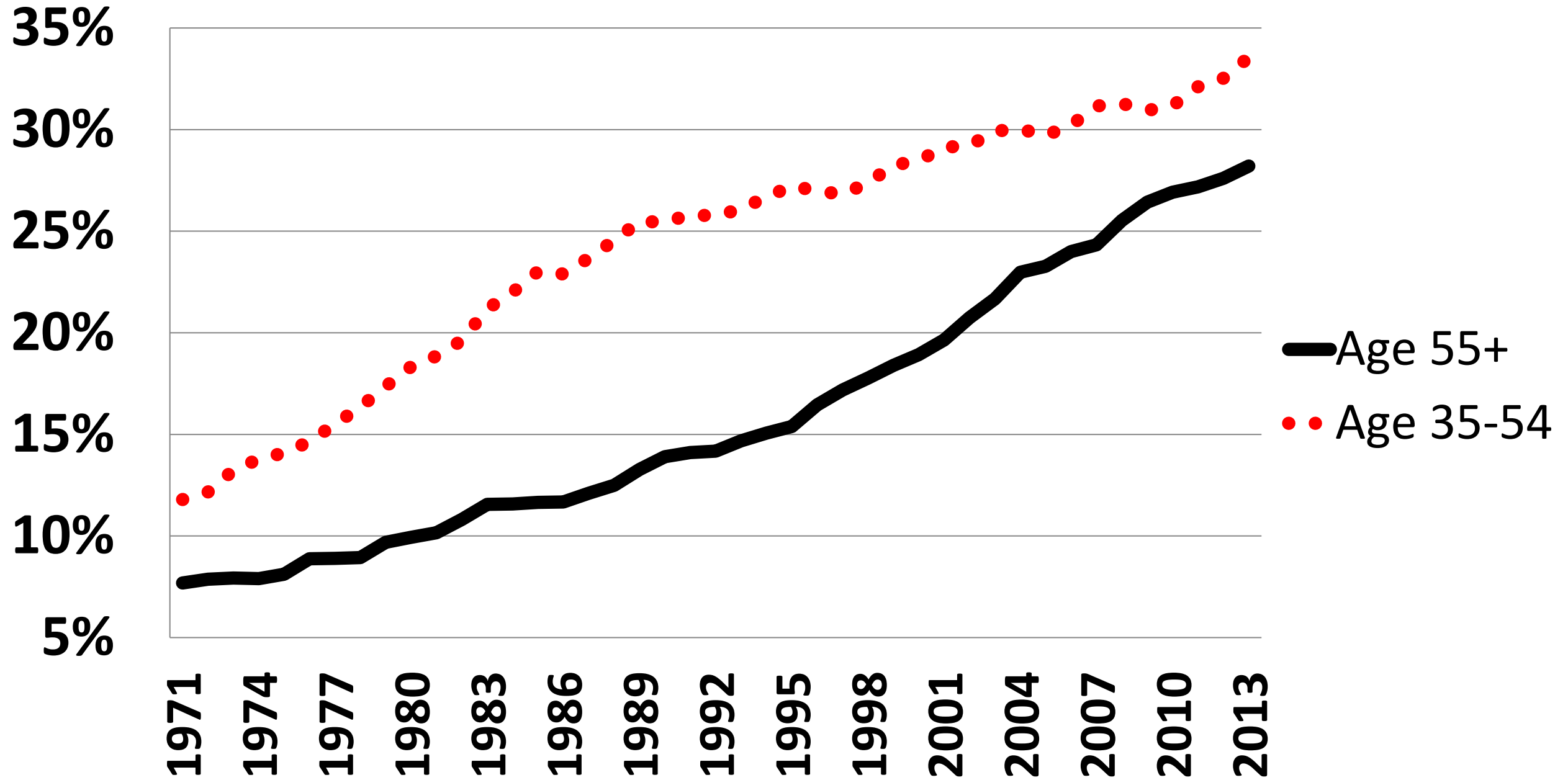


Age 55+ inclusion of charitable recipient by education level



2024 is provisional and unweighted pending release of a 2024 HRS Tracker respondent weight.

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





Myth #6

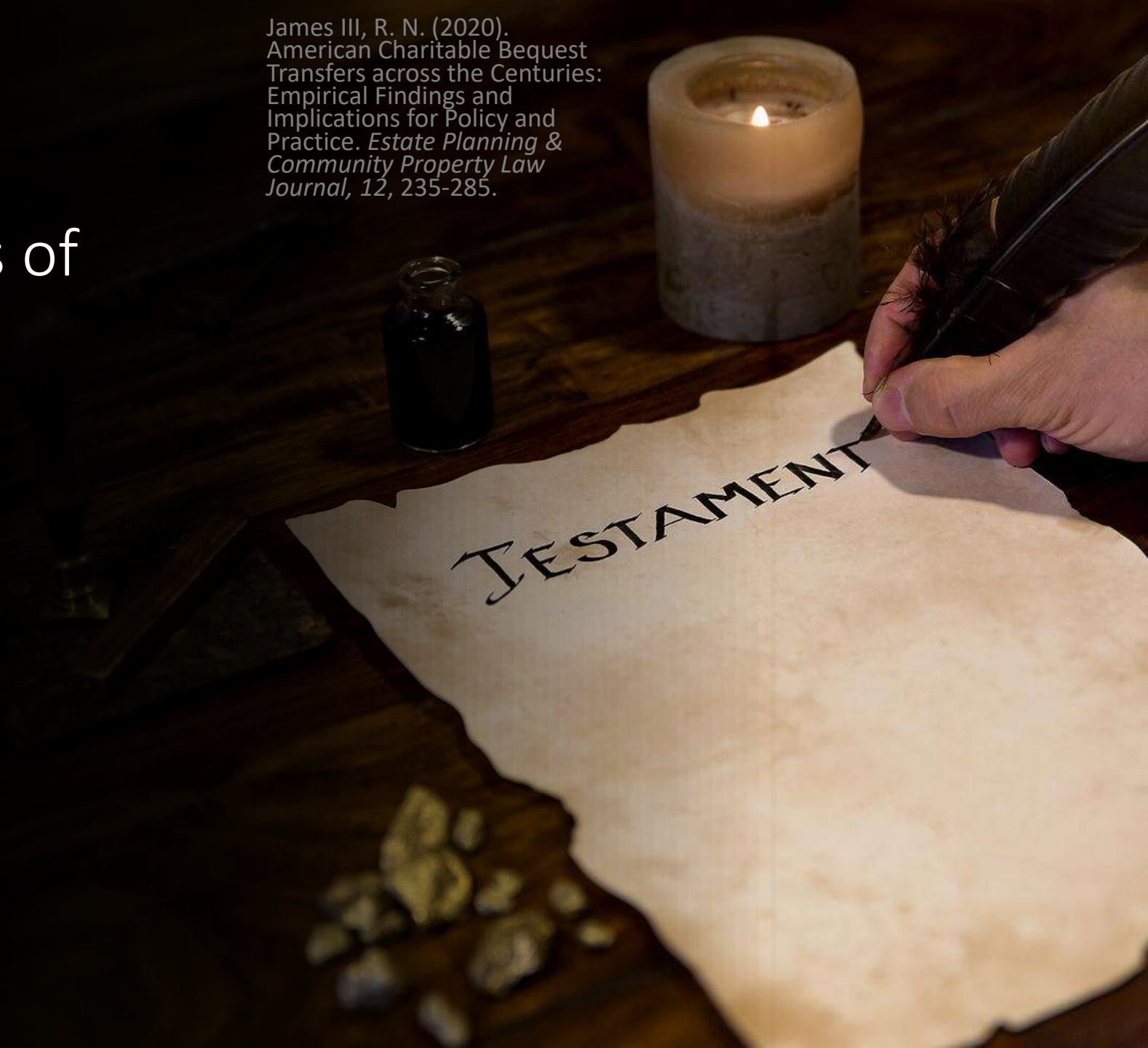
The charitable dollars will be unrestricted gifts to your favorite charities.

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

Where charitable estate
dollars ACTUALLY went

78%

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

What motivates massive estate gifts?

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

Even large gifts going to public charities offer similar features (endowments, scholarships, professorships, etc.)



Private family foundations in the U.S.

Net assets of

- American Red Cross **4.1 Billion**
- American Cancer Society **1.3 Billion.**
- Private Foundations **1,326 Billion**

A more recent trend is bespoke DAF agreements for UHNW clients mirroring the complexity of a PF. DAFs grew from **12 Billion** in 2000 to **314 Billion** in 2025.



Death reminders make people hungry for permanence!

A poverty relief charity was described as an organization that focused on either ...		Normal Average Gift	Death Reminded Average Gift
“meeting the immediate needs of people” or			
“creating lasting improvements that would benefit people in the future”			
		\$257.77	\$80.97
		\$100.00	\$235.71

*participants giving share of potential \$1,000 award
K. A., Tost, L. P., Hernandez, M., & Larrick, R. P. (2012). *It's Only a Matter of Time Death, Legacies, and Intergenerational Decisions. Psychological Science, 23(7), 704-709.*

An experiment to encourage a second memorial donation



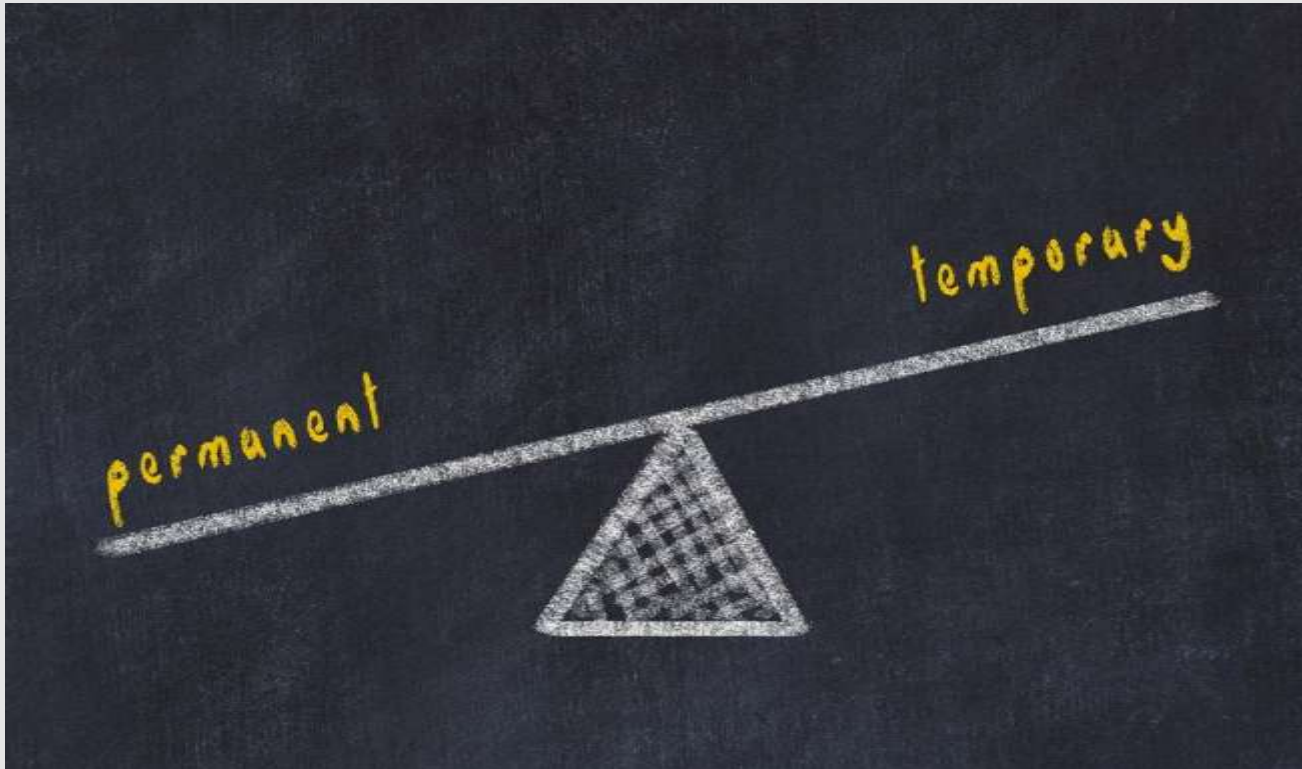
Adding a **permanence goal** increased intended giving amount by **150%**

Adding a **recognition goal** increased intended giving \$ by **50%**

“unless total gifts exceed \$10,000 at which point this fund will become a perpetual scholarship fund”

“If total gifts exceed \$10,000 this will be recognized in the annual report as one of our highest level “gold circle” memorial tributes.”

Permanence research: Death reminders make people hungry for permanence!

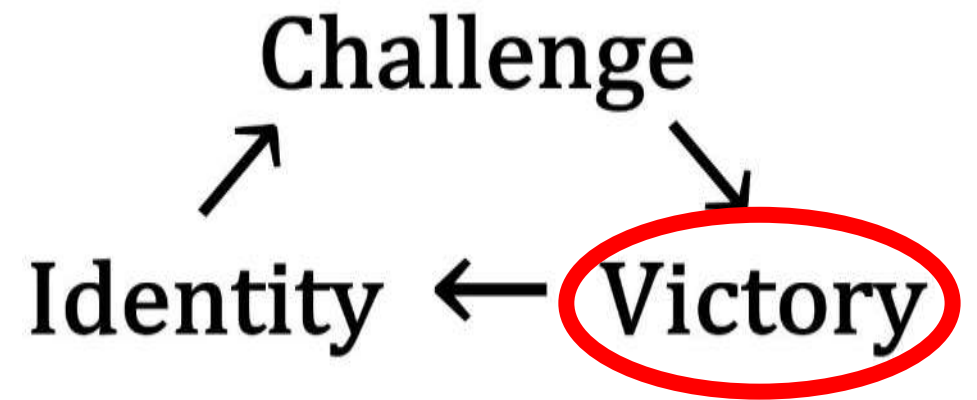


Those with a preference were 3X more likely to want a permanent fund for bequest gifts than for current gifts

Permanence attracts big gifts!

In research it's called “symbolic immortality.” The donor's identity – their people, values, or story – lives on after death.

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





If your organization is
newer, consider marketing
permanent funds
managed by a community
foundation to borrow
feelings of strength and
stability

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 making a specific impact (e.g., endowing something)





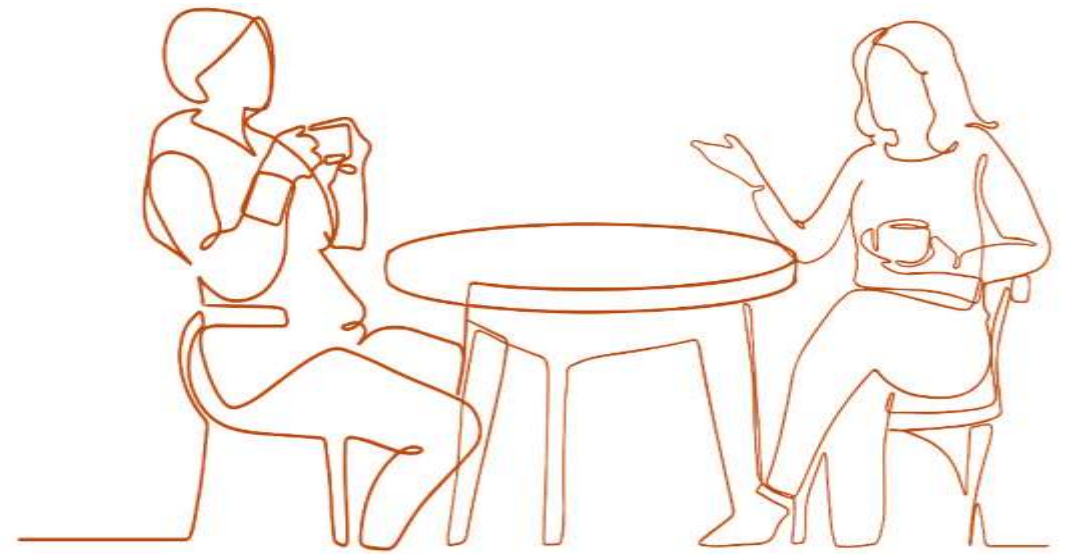
“Have you ever thought about how you would like your gift to be used?”

[Identity] “I was working with another donor - you remind me of her - you both have a real heart for this cause.”

[Victory] “She decided to create a permanent endowment for a scholarship / professorship / our ___ operations. It will *[describe impact]*.”

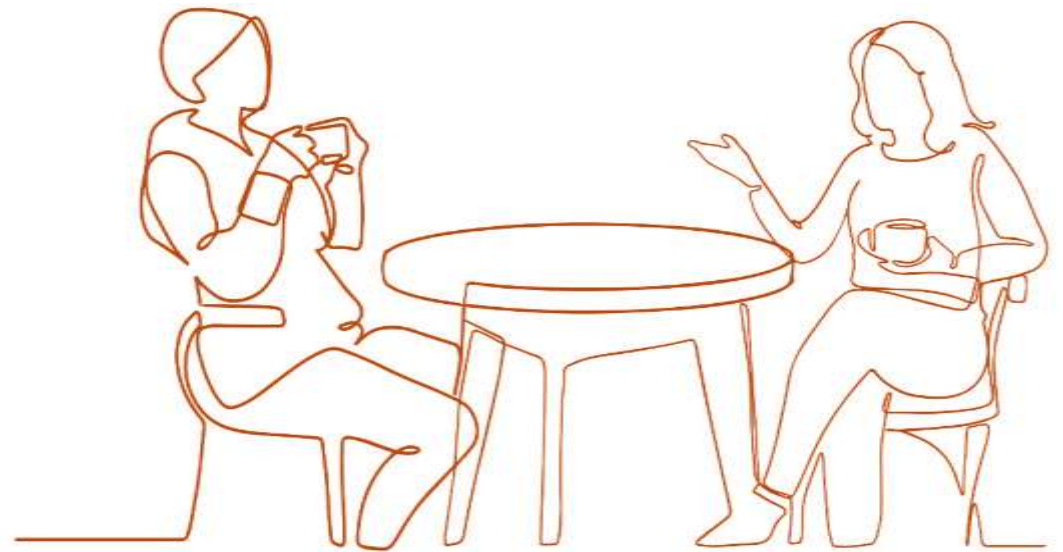
[Challenge] “This will come from a \$___ gift in her will. Would that type of gift appeal to you?”

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?

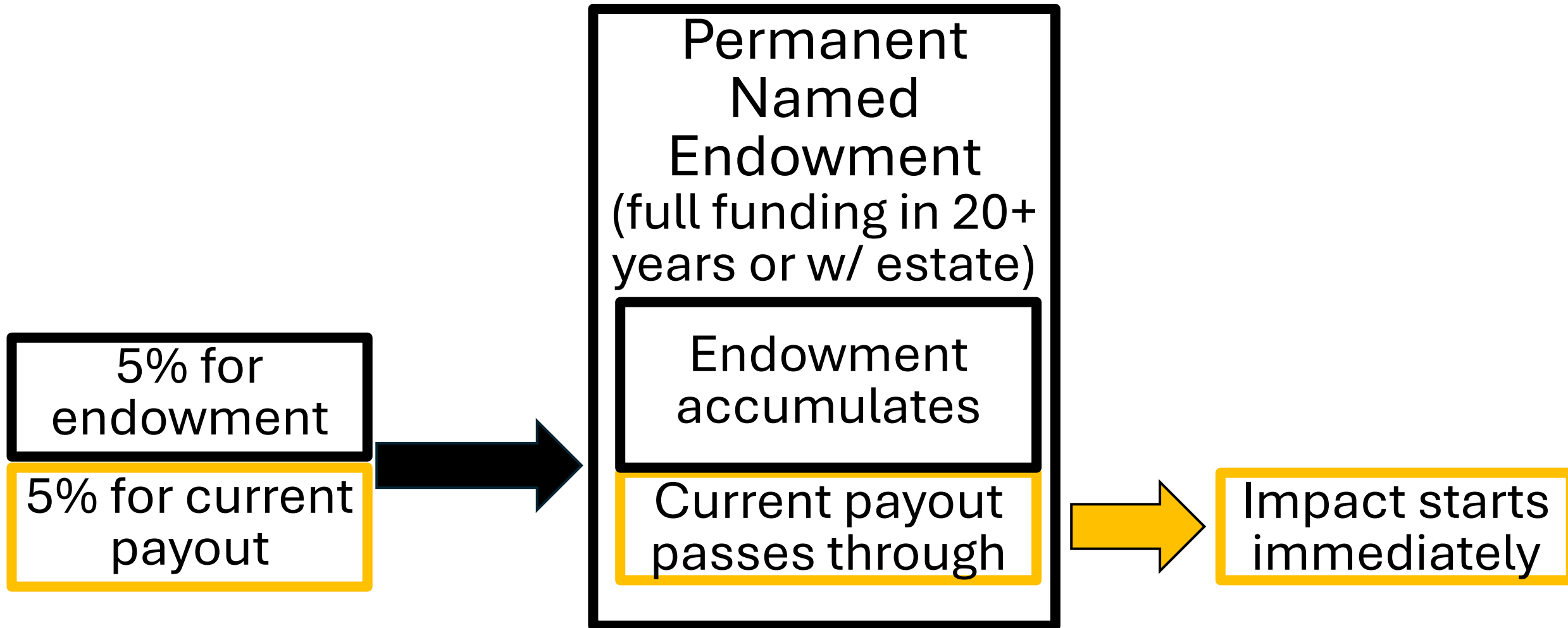


“I understand. It’s a common circumstance. Many people in your situation have decided to start their permanent fund right away using our 5 & 5 plan [or “virtual endowment”].

Your permanent fund will pay out 5% per year. If you commit to annual gifts of that 5% payout plus 5% to fund the endowment over time, 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

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

- **This increases gift retention.**

It gives a reason for a larger gift.

- **This increase gift size.**

It leads to starting it today with 5&5 or “virtual endowment” funding.

- **This makes the gift right now.**



Myth #7

Relax! If your nonprofit doesn't get in the plan, it's fine.

The heirs will be charitable.

They don't give much to charity

- **6X more giving** from \$1,000 of non-inherited wealth than inherited wealth

“the average person would give \$4.56 to charity each year for every \$1,000 in non-inherited wealth, but only \$0.76 out of inherited wealthiness.”

Avery (1994) Avery, Robert. 1994. The Pending Intergenerational Transfer. *Philanthropy*, VIII#1, a publication of The Philanthropic Roundtable. p. 5, 28-29.

- Another study: **4.5 to 13X greater giving** for non-inherited wealth

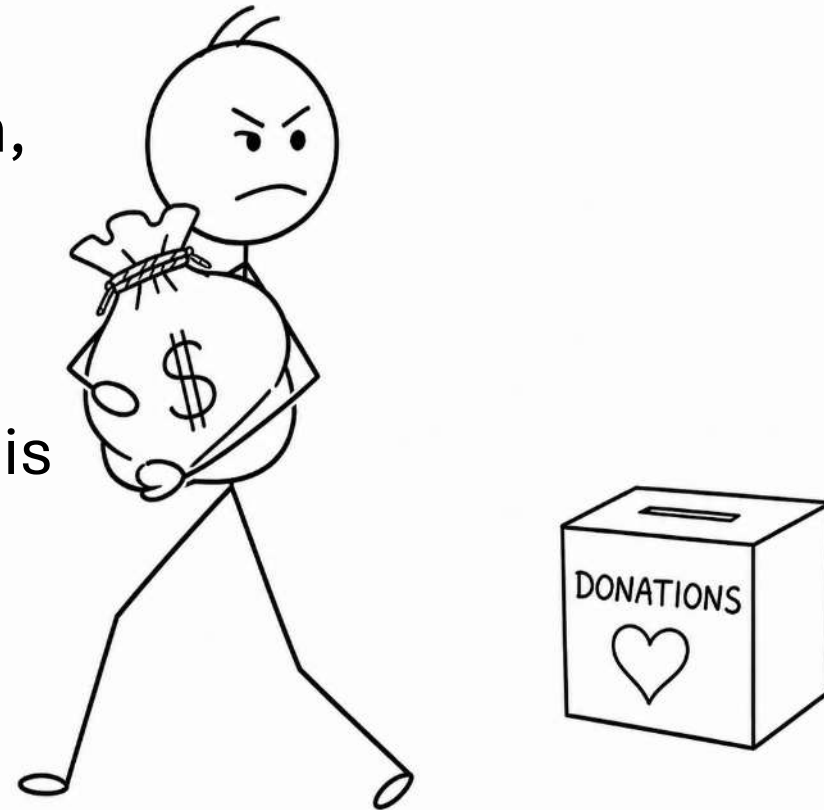
“[Charitable] elasticity from non-inherited wealth is 4.5 to 13.3 times the elasticity from inherited wealth across giving categories.”

Steinberg, R., Wilhelm, M., Rooney, P., & Brown, E. (2002, December 30). *Inheritance and charitable donations* [Unpublished preliminary working paper]. Indiana University. <https://creativescience.co/wp-content/uploads/2018/08/Inheritance-and-Charitable-Donations.pdf>

- Maybe even **50X?**

A 2024 study estimates only $\approx$ \$0.05 to charity for each \$1,000 of inherited wealth.

Andersen, S., Chebotarev, D., Filali-Adib, F. Z., & Meisner Nielsen, K. (2024). Rich and responsible: Is ESG a luxury good? (Danmarks Nationalbank Working Paper No. 202). Danmarks Nationalbank. <https://www.nationalbanken.dk/media/bsabg4ec/rich-and-responsible-is-esg-a-luxury-good.pdf> [“An additional kr. 1 million in inheritance increases the average charitable donation by kr. 54... These estimates correspond to elasticities of 5.6% to 8%, which are below 29%, the elasticity of donations to transitory income shocks obtained by Auten, Sieg, and Clotfelter (2002)”]



And
definitely
not to
religious
charity



“Those receiving an inheritance increased their total giving by about \$200, but the effect on religious giving is smaller and statistically indistinguishable from zero.”

Similar differences in ultrawealthy philanthropy

Self-made billionaires are **three to four times** as likely as billionaire heirs to rank among the year's top 50 donors.

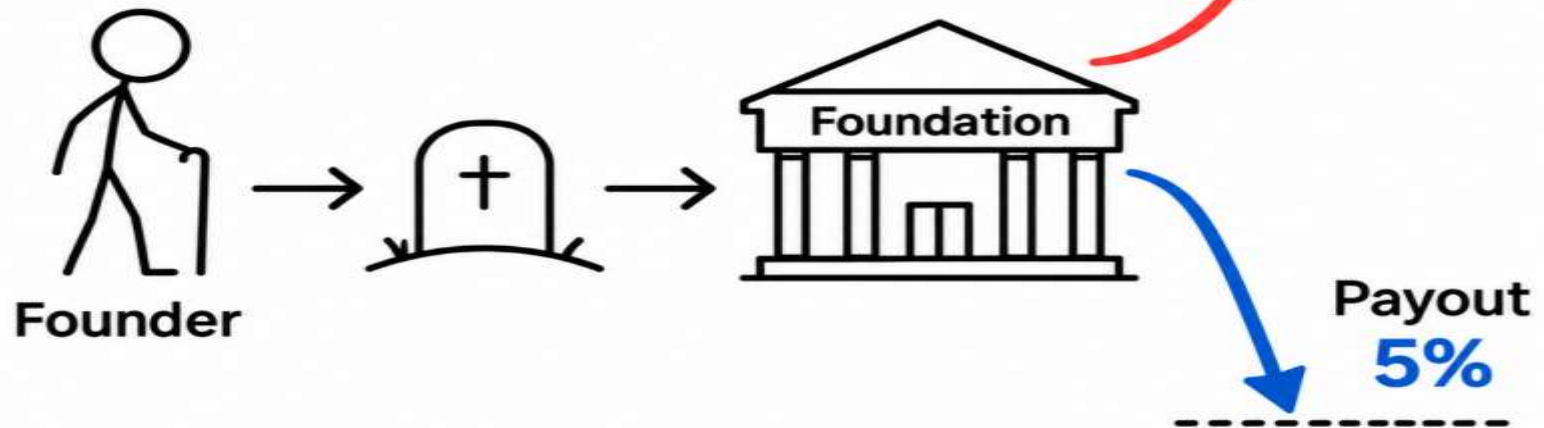
Coupe, T., & Monteiro, C. (2016). The charity of the extremely wealthy. *Economic Inquiry*, 54(2), 751–761.
<https://doi.org/10.1111/ecin.12311>

The share of Forbes 400 to sign the Gates-Buffet charitable giving pledge was **20.6%** for those from self-made wealth and **4.9%** for those from inherited wealth (i.e., **5X** greater likelihood).

Hickman, K., Shrader, M., Xu, D., & Lawson, D. (2015). The Forbes 400 and the Gates-Buffett Giving Pledge. *ACRN Journal of Finance and Risk Perspectives*, 4(1), 82–101. (Both of these differences remained after controlling for wealth, age, gender, etc.)



What happens to private foundations when the founding donor dies?

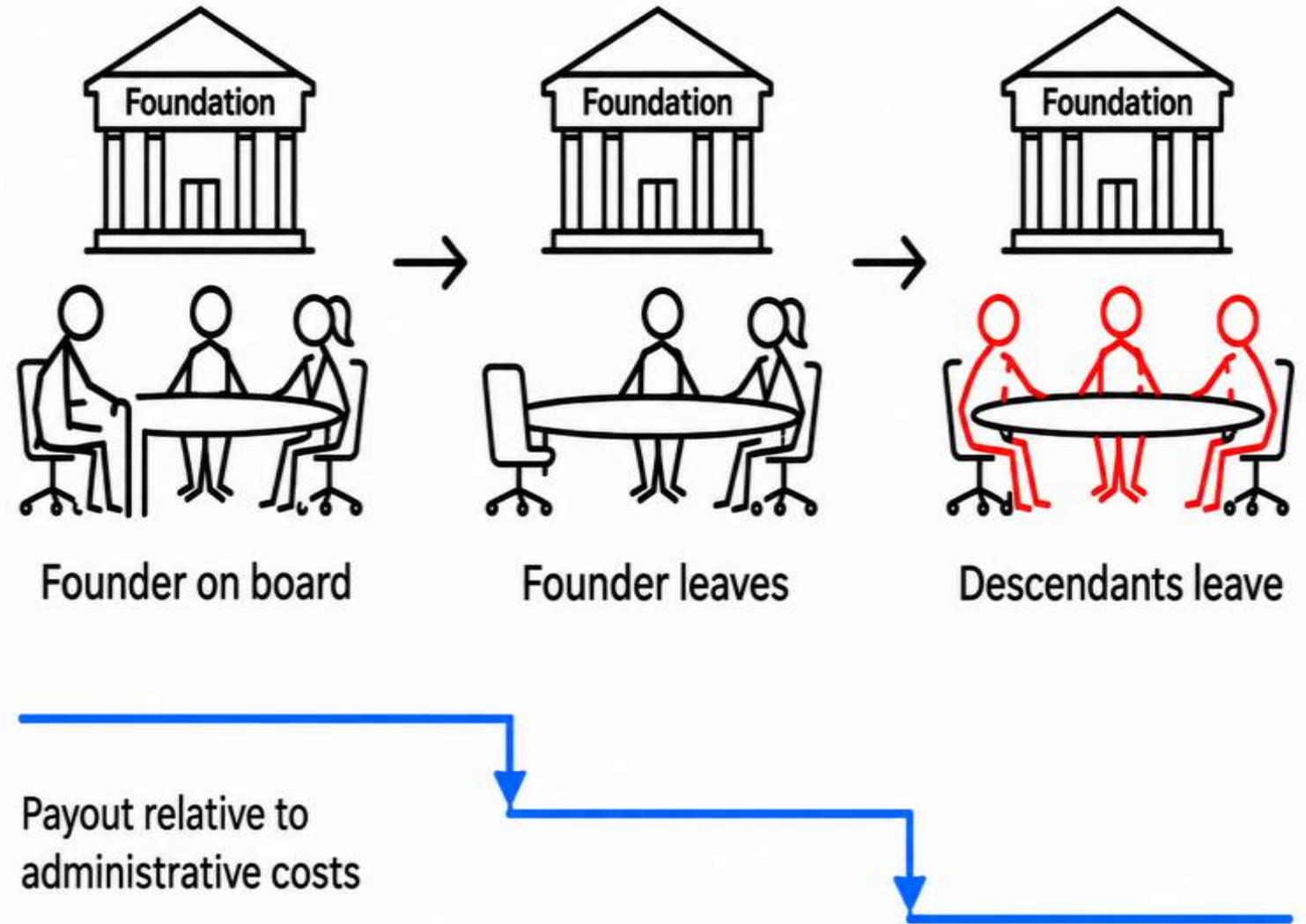


Study using 25 years of IRS 990-PF data (1.3 million returns)

- “A firm's overhead, or the ratio of administrative expenses to grants made, jumps by about 12% as soon as the organization's last living donor dies.”
- “payout rates drop in the first couple of years after the last living donor passes, then fall quickly to the 5% minimum for the remaining observable years of the foundation”

The same thing happens in the 200 largest foundations

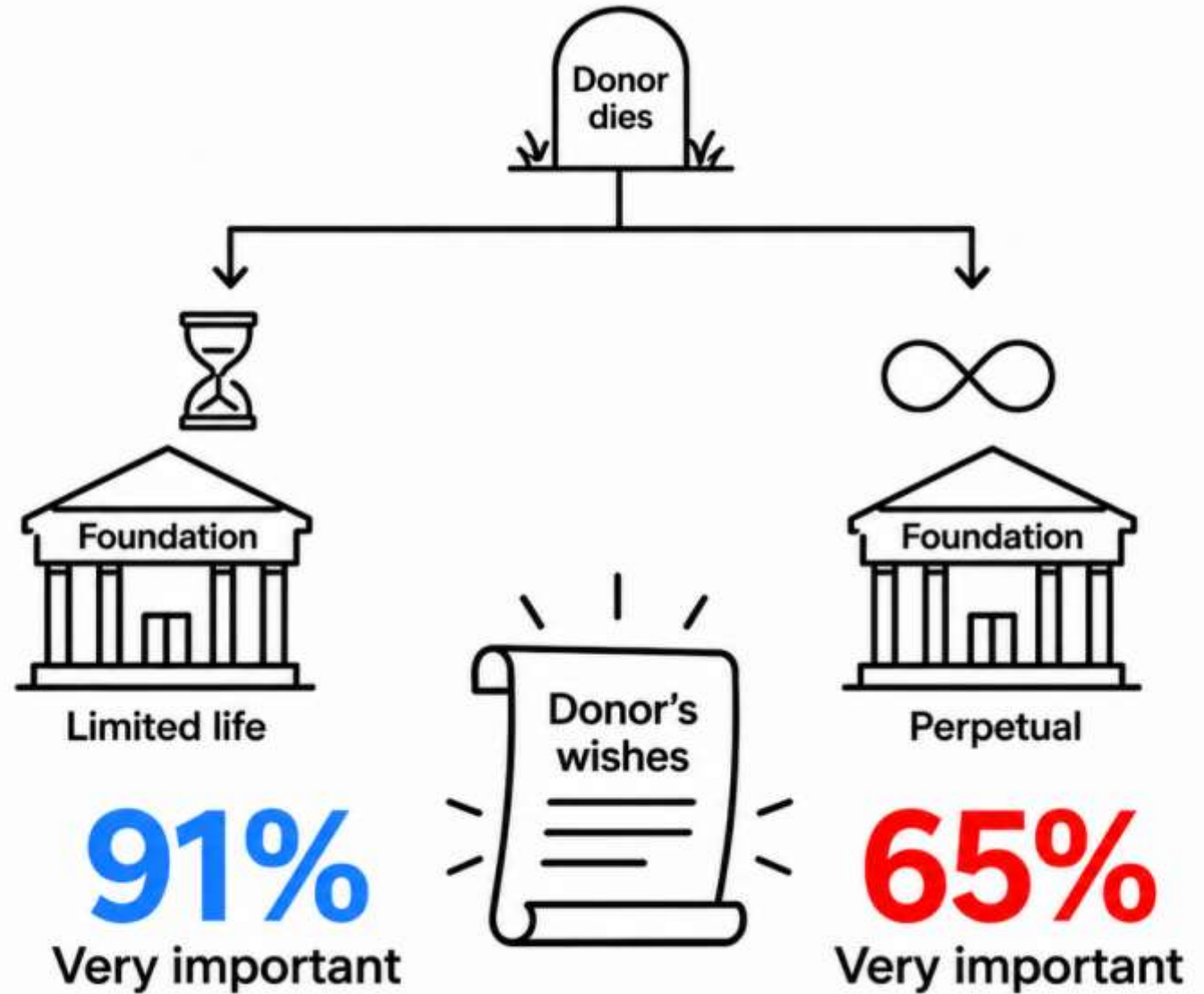
Total payout relative to administrative costs falls when the founder leaves the board, then falls even further when the first-generation descendants leave the board.



Brian P. McAllister & Arthur C. Allen, *The Role of Founder and Other Family Participation on U.S. Private Foundation Efficiency*, *Financial Accountability & Management* 33(1): 48–76 (2017).

Once the donor dies, original intent fades in permanent foundations

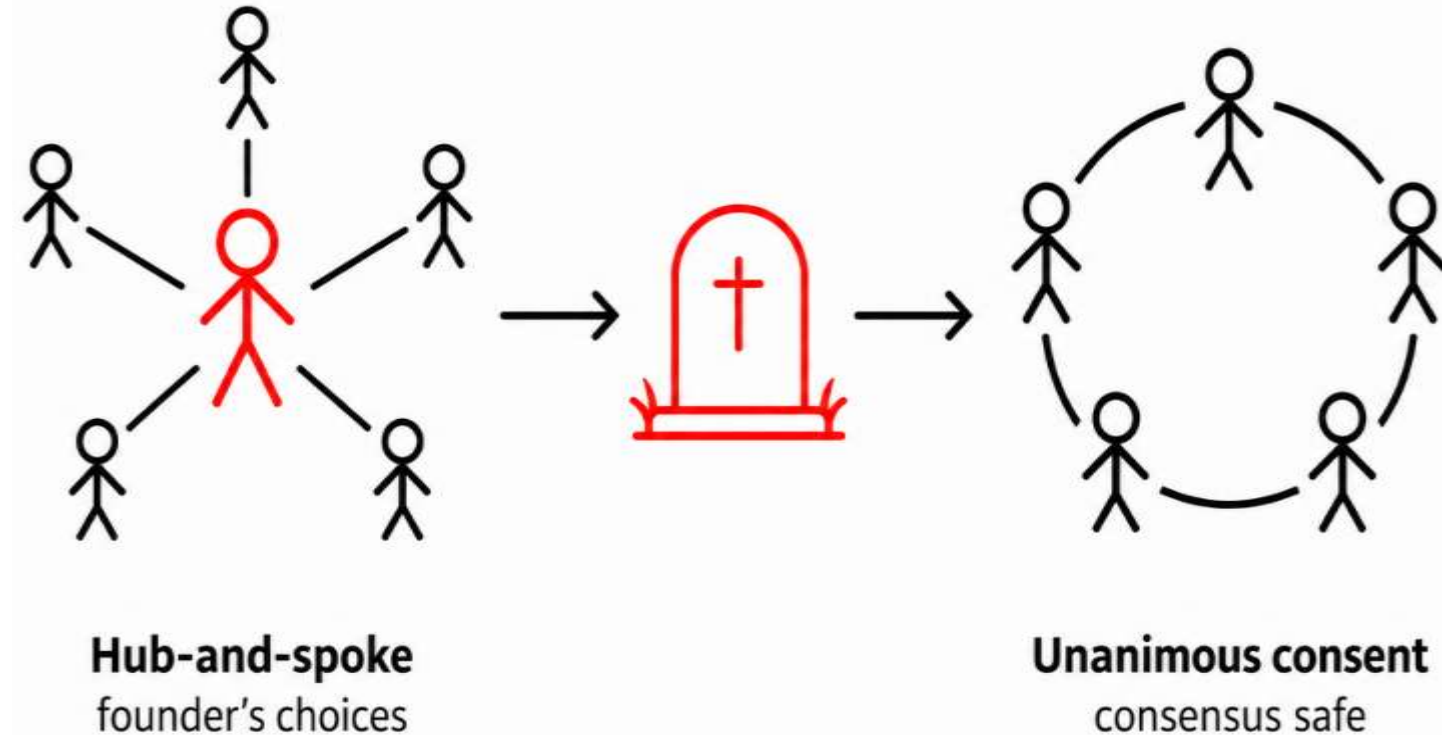
“Among ... foundations whose donors are deceased, a far higher percent of limited life foundations (91 percent) than perpetual ones (65 percent) say that adherence to the founding donor’s wishes is very important.”



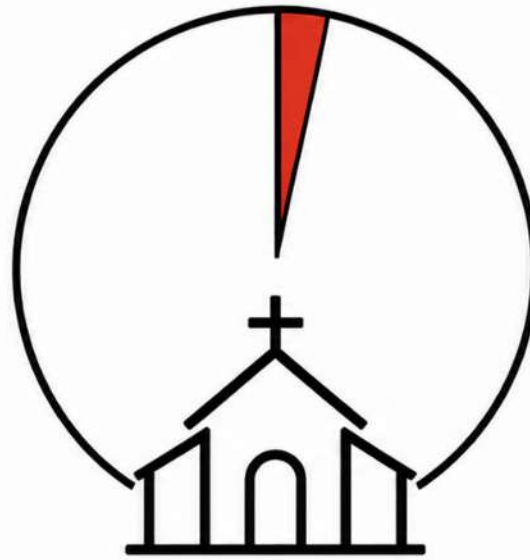
Karlinsky, S. (2007). *Limited life foundations: Motivations, experiences, and strategies*. National Center for Family Philanthropy.
<https://www.ncfp.org/download/limited-life-foundations-urban-institute-2009-0>

In private foundations,
decision-making
processes change at the
founder's death

- During life, grant decisions are largely founder-controlled (“hub and spoke”)
- After death, grant decisions shift to “unanimous consent” (more conventional, risk averse, vanilla, consensus safe)

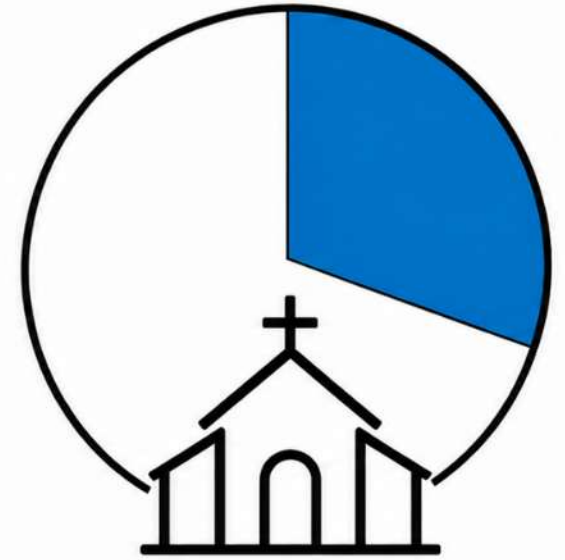


Privation
foundations
rarely
support
religion-
related
organizations



2-4%

Share of private foundation grants
to religion-related organizations



28-29%

Share of all charitable giving
to religion-related organizations

Less likely to be “unanimous consent” beneficiaries

- Foundation Source’s private-foundation grantmaking reports from 2019 to 2022 showed 2-4% for religion-related organizations.
- For these same years, Giving USA showed 28%-29% of total giving going to religion-related organizations (or about 10X greater than private foundation).

Foundation Source.
(2023). *2023 report on
private philanthropy:
Giving and investment
trends within private
foundations.*



Myth #8

The key to nonprofit estate dollars is getting more legacy society members.

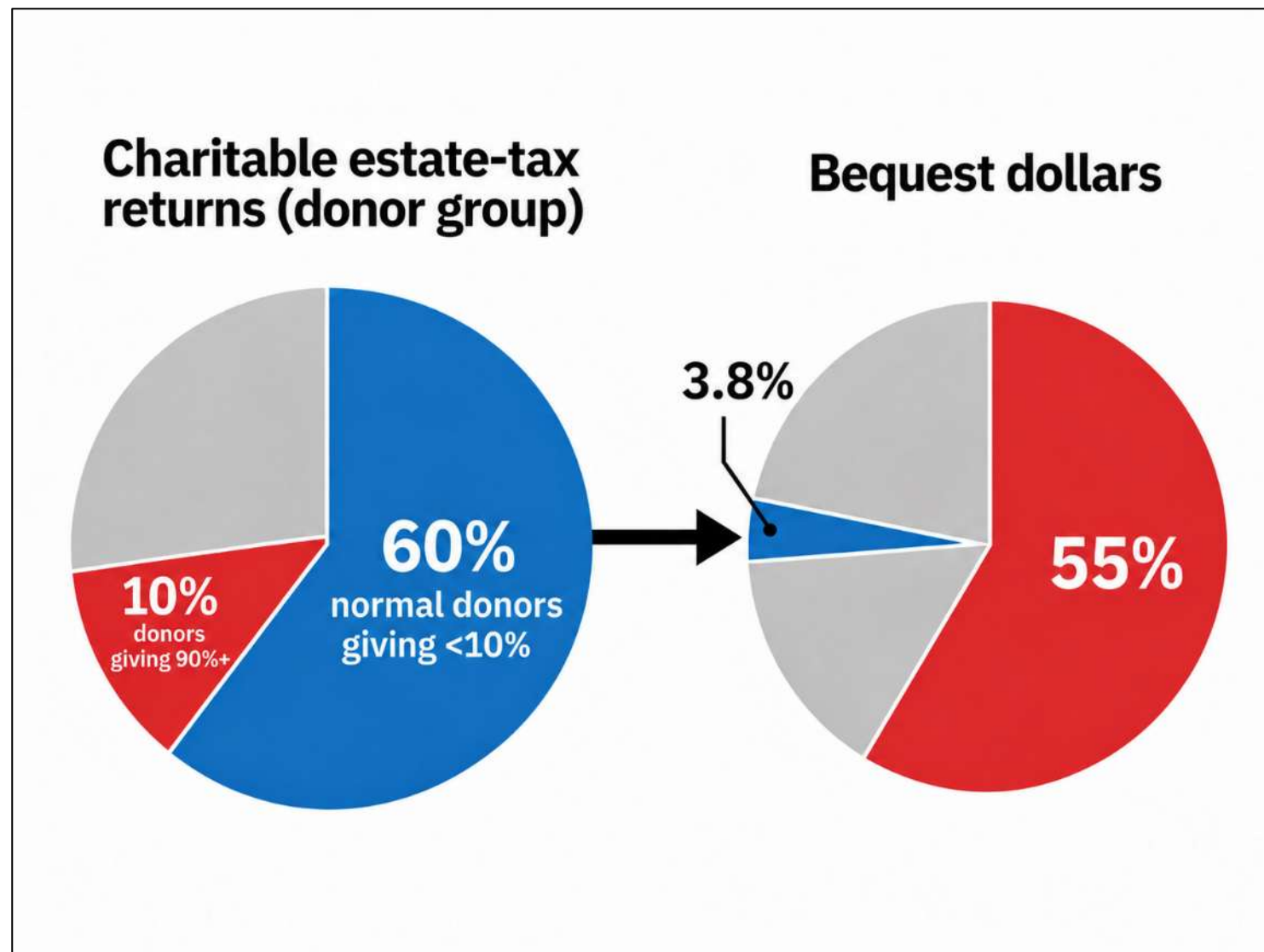
The money in estate gifts doesn't come from a lot of gifts. It comes from just a few.

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



Most estate dollars come from extreme donors

- Over 60% of charitable estate-tax filers left less than 10% to charity, accounting for only 3.8% of bequest dollars.
- About 10% left 90% or more of their wealth to charity, accounting for over 55% of bequest dollars.





Welcome to the
weird world of
“Extremistan”

- There are no normal distributions here; only the outliers matter and typical bequest donors are financially irrelevant
- Stop counting every legacy donor as “1”

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



In experiments,
allowing gift restrictions
makes gifts larger

Adding instructions makes the gift
more compelling for the donor



Study of the largest gifts to every size college/university

- “Only 14% of the gifts included unrestricted current use funding.”
- “More than 70% of gifts conferred naming rights on the donor.”
- Two-thirds of these gifts funded endowments.



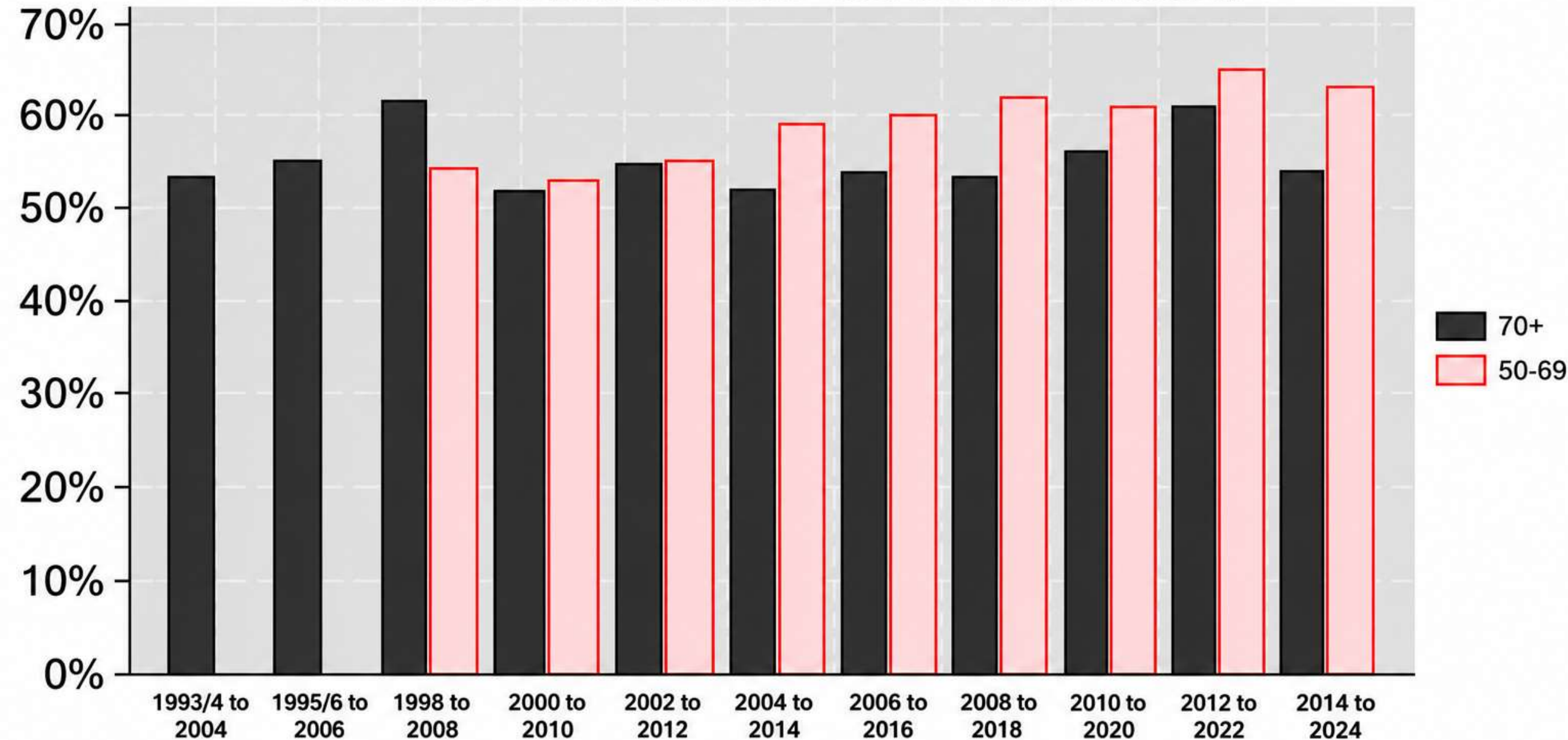
Myth #9

Relax! Your nonprofit doesn't need to
focus on old people.

Once you're in the plan, you stay in!

10-Year Retention of Charitable Estate Component

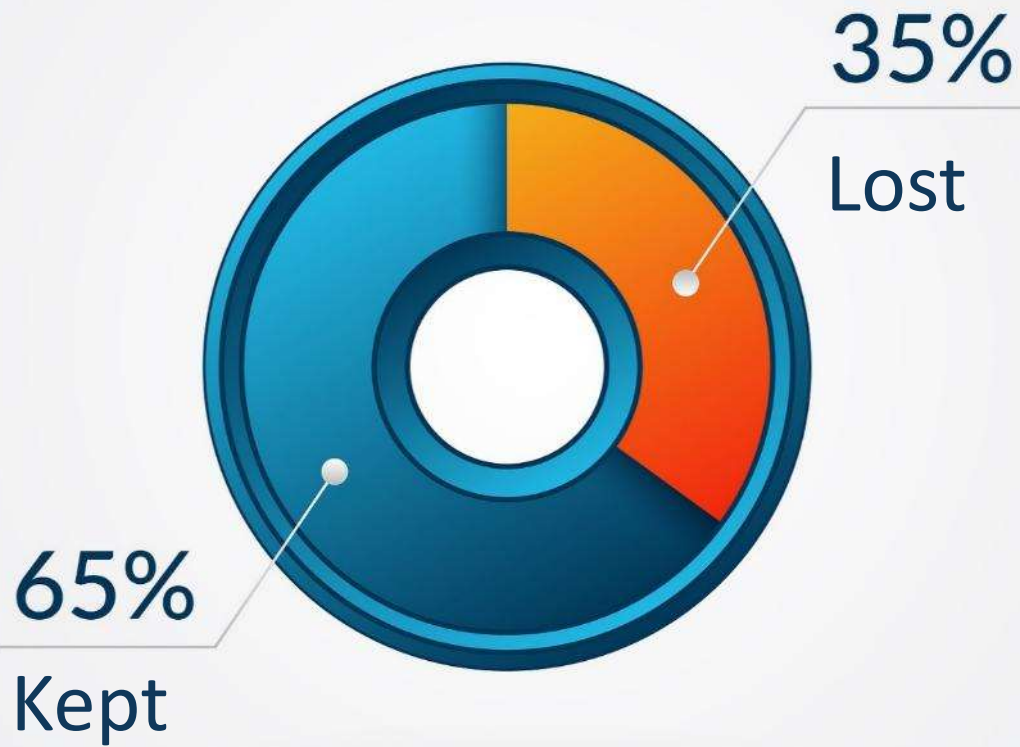
Baseline charitable reporters; denominator = those asked will/trust at follow-up



Legacy societies study

Using data from 10 of the largest Australian charities across 4 years:

- Among 700 known decedents who had confirmed the presence of a planned bequest gift to the charity during life, only 65% generated an estate gift at death
- Unknown deaths make the true rate even smaller



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.

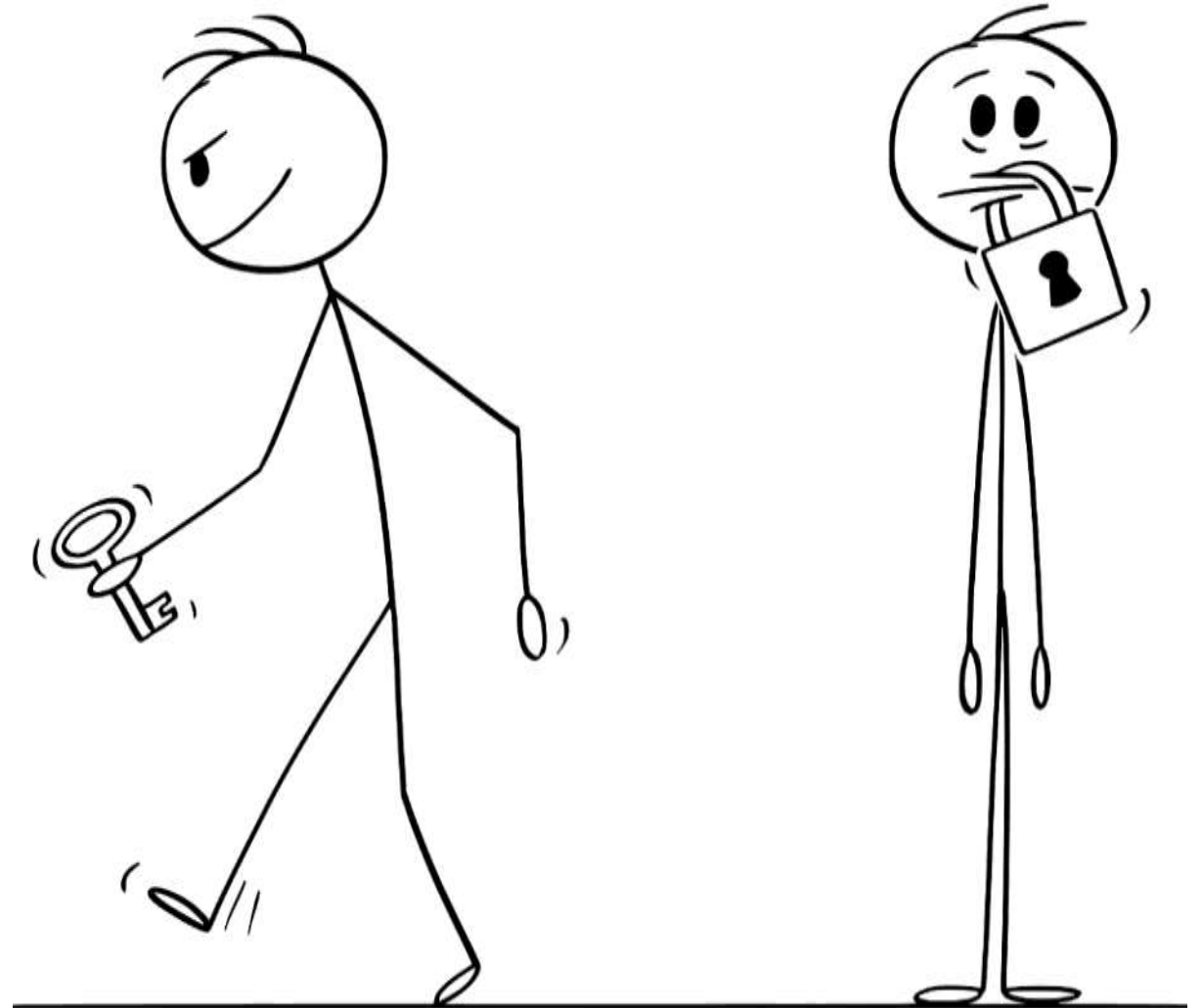


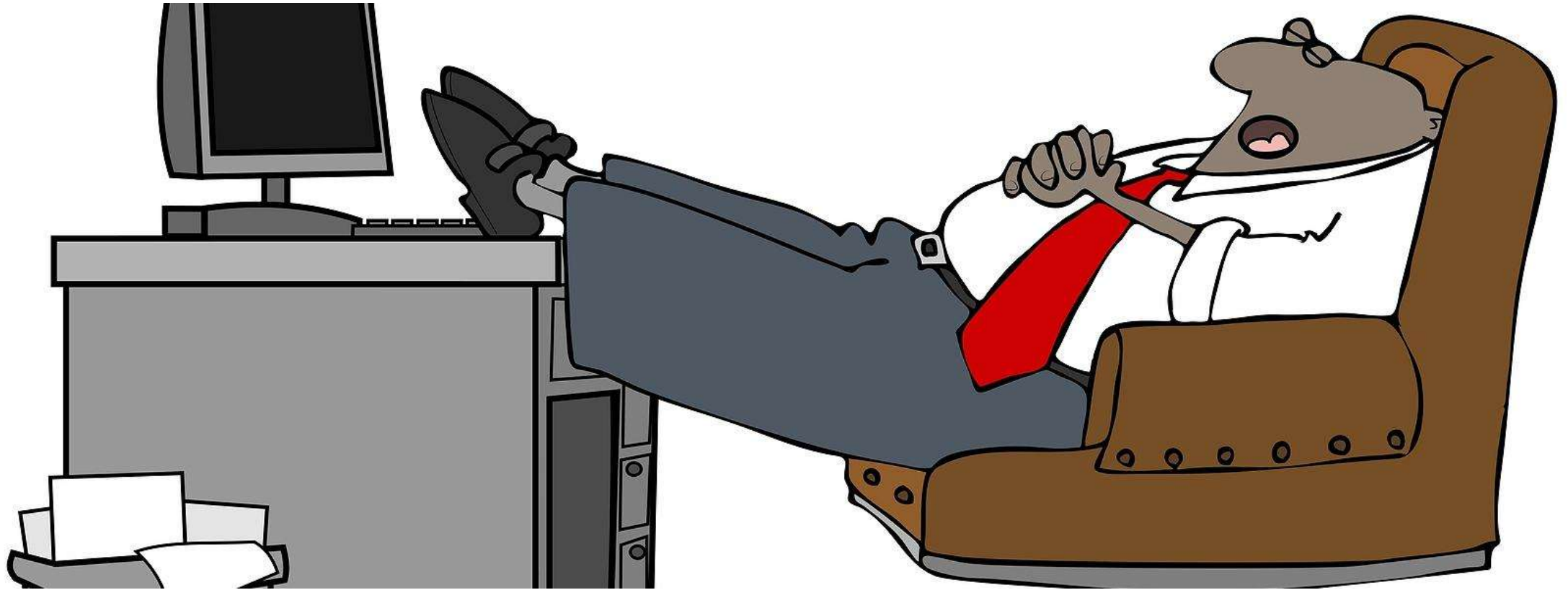
Some organizations did dramatically better than others

- 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



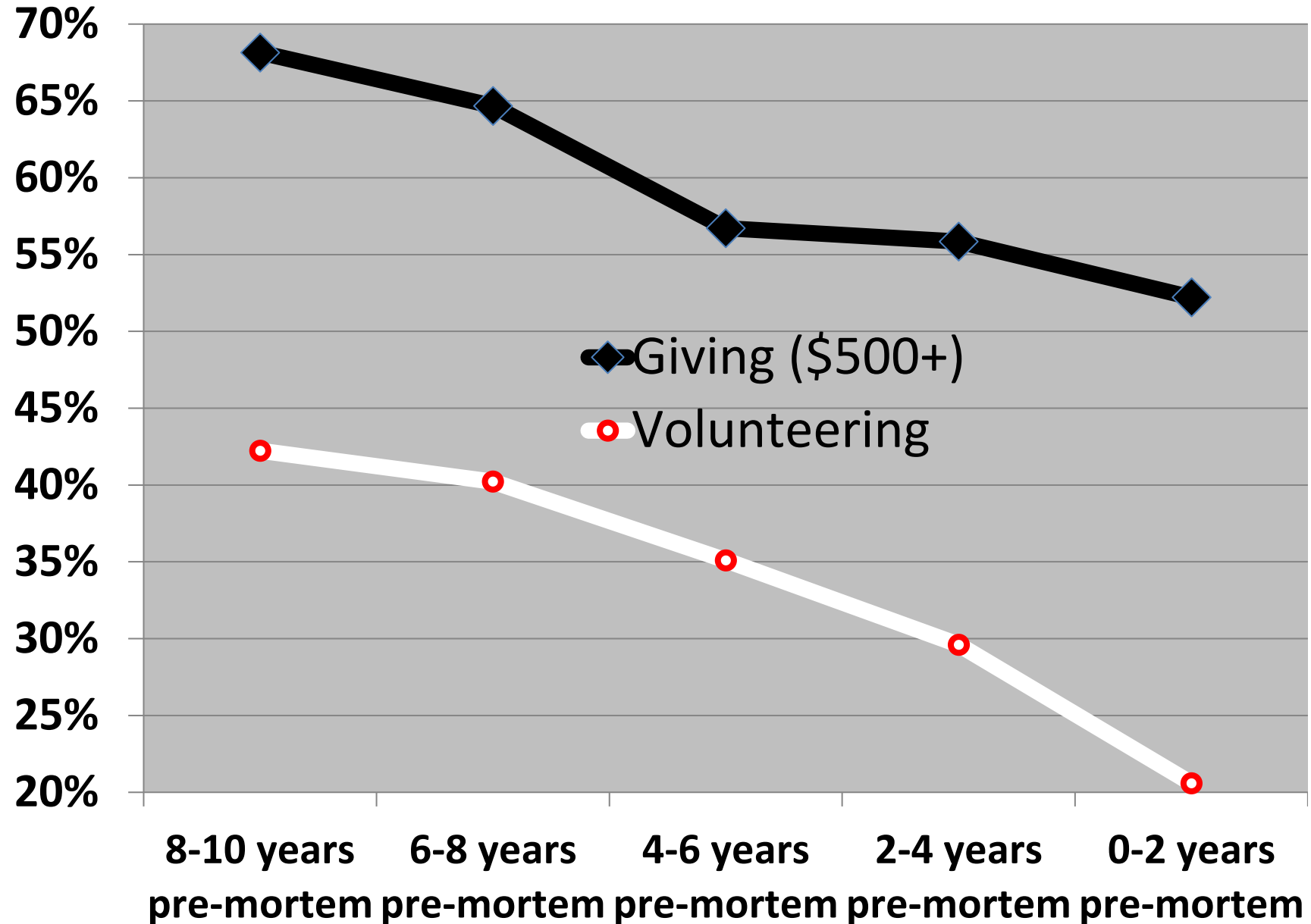


Legacy societies
don't work unless
you do

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

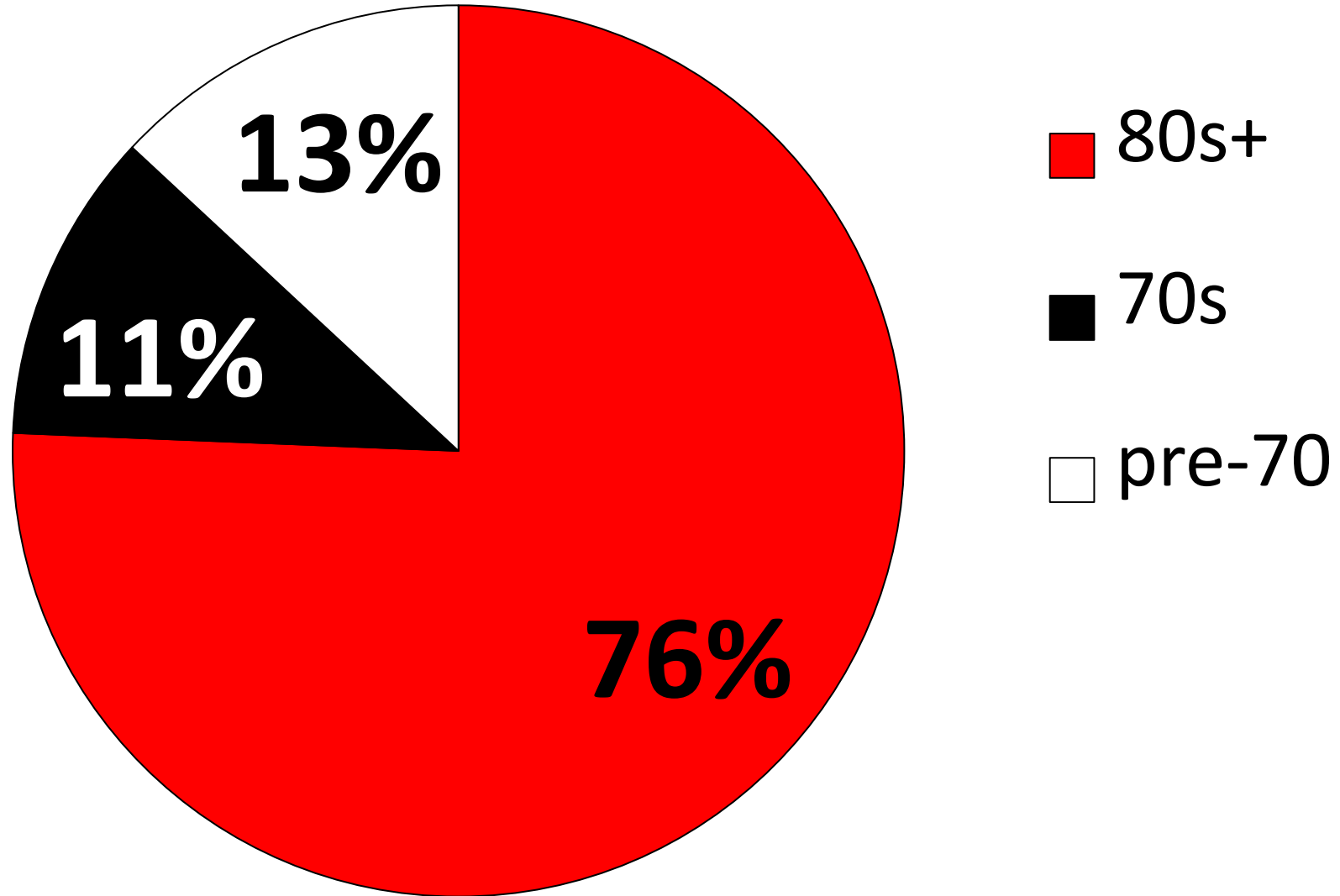
Many charities go silent at the most important point of decision.

Lifetime Giving and Volunteering by Charitable Estate Decedents

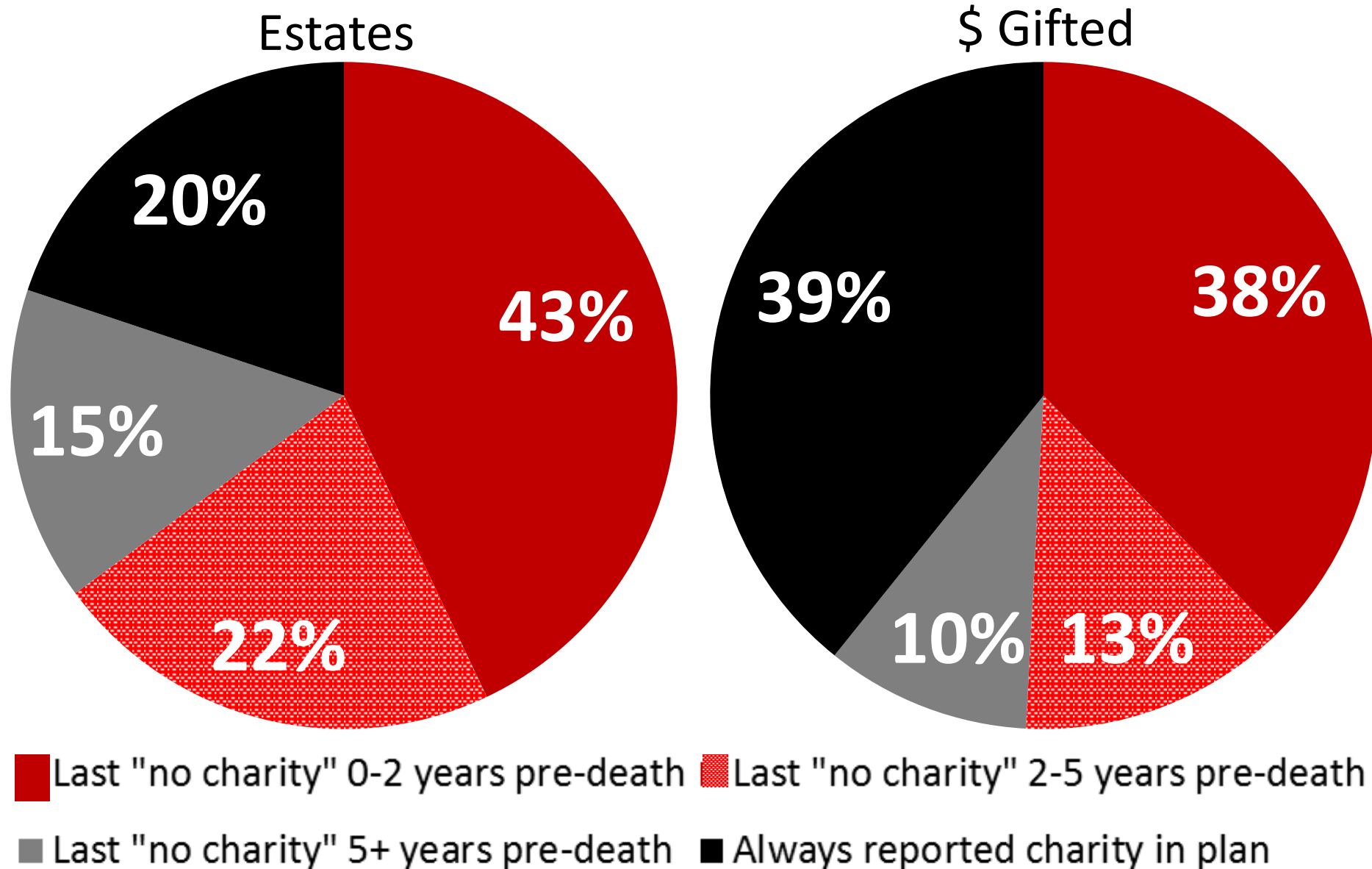


Age at Will Signing

(by share of total charitable bequest \$ transferred)



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



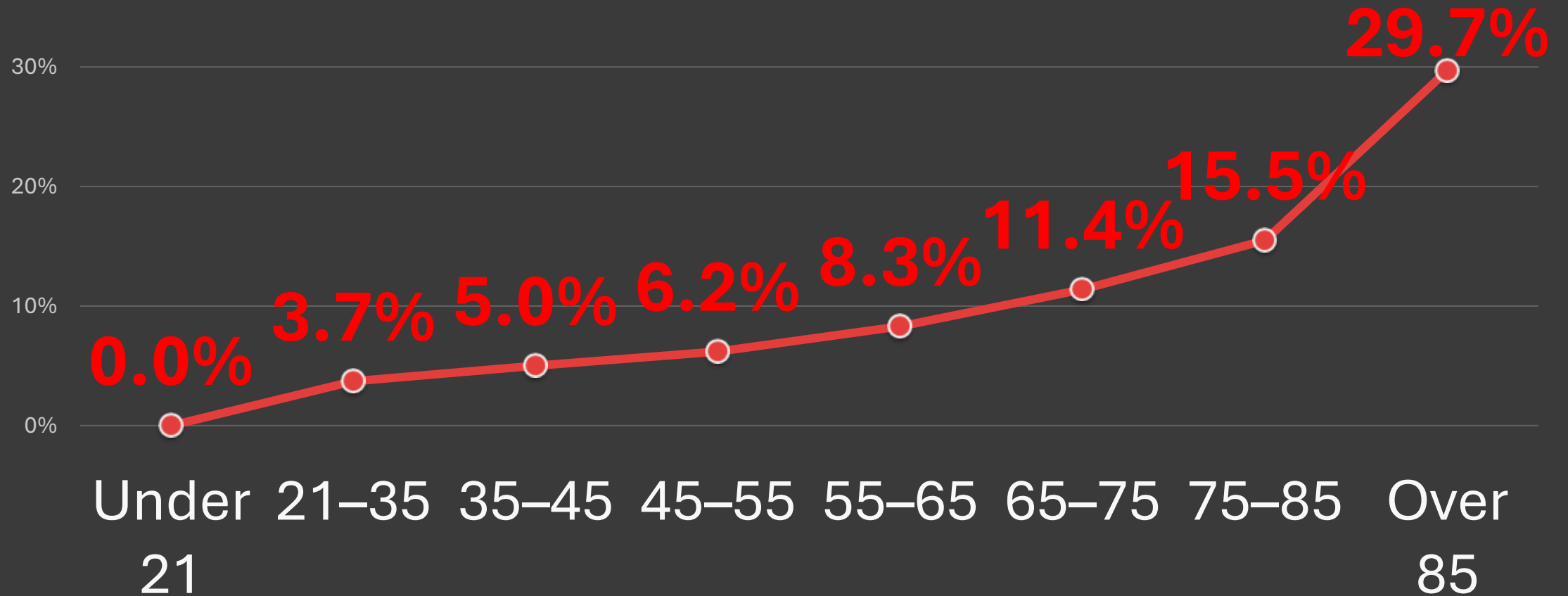
A 5% national sample of probate records in Australia showed an estimated

- 31% of charitable wills were signed within **2 years** of death
- 60% were signed within **5 years** of death
- Non-charitable wills were typically twice as old



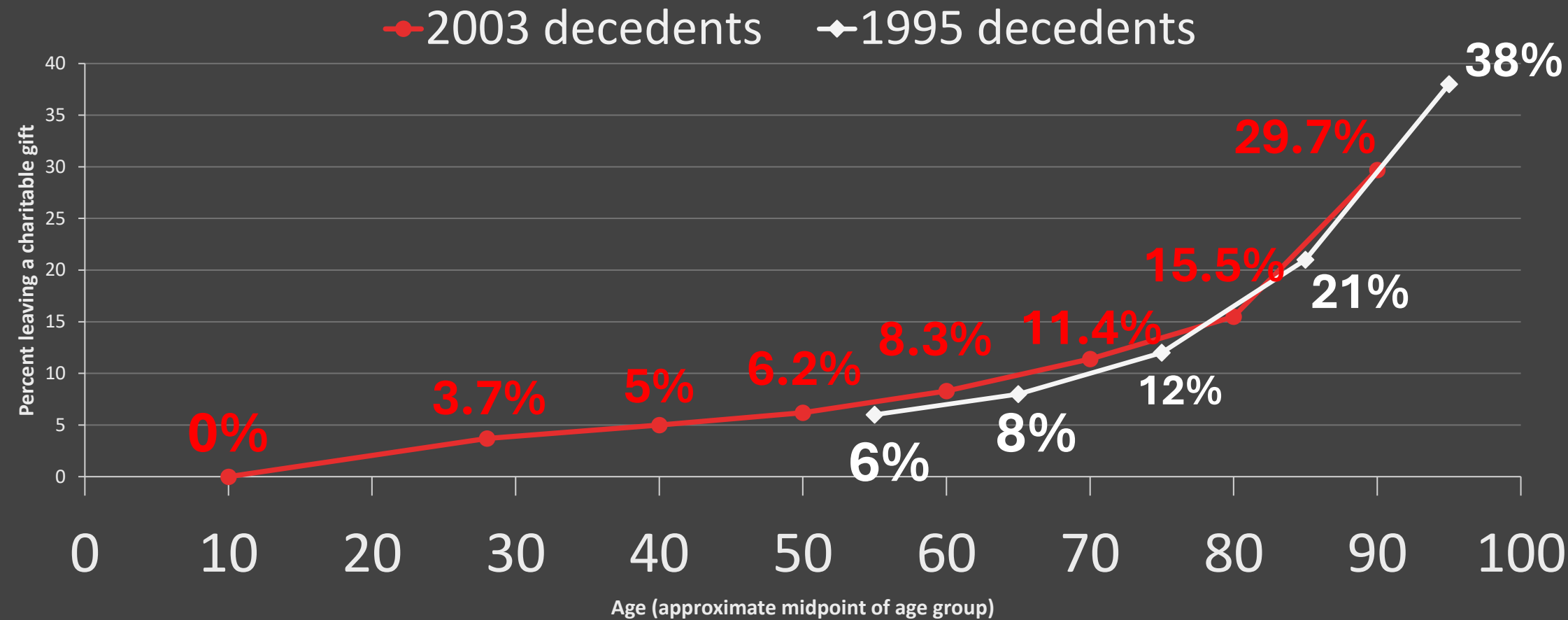
Charitable plans change with age

Share leaving a charitable gift • 2003 estate tax returns



Charitable plans change with age

Share of decedents leaving any gift to charity (%)

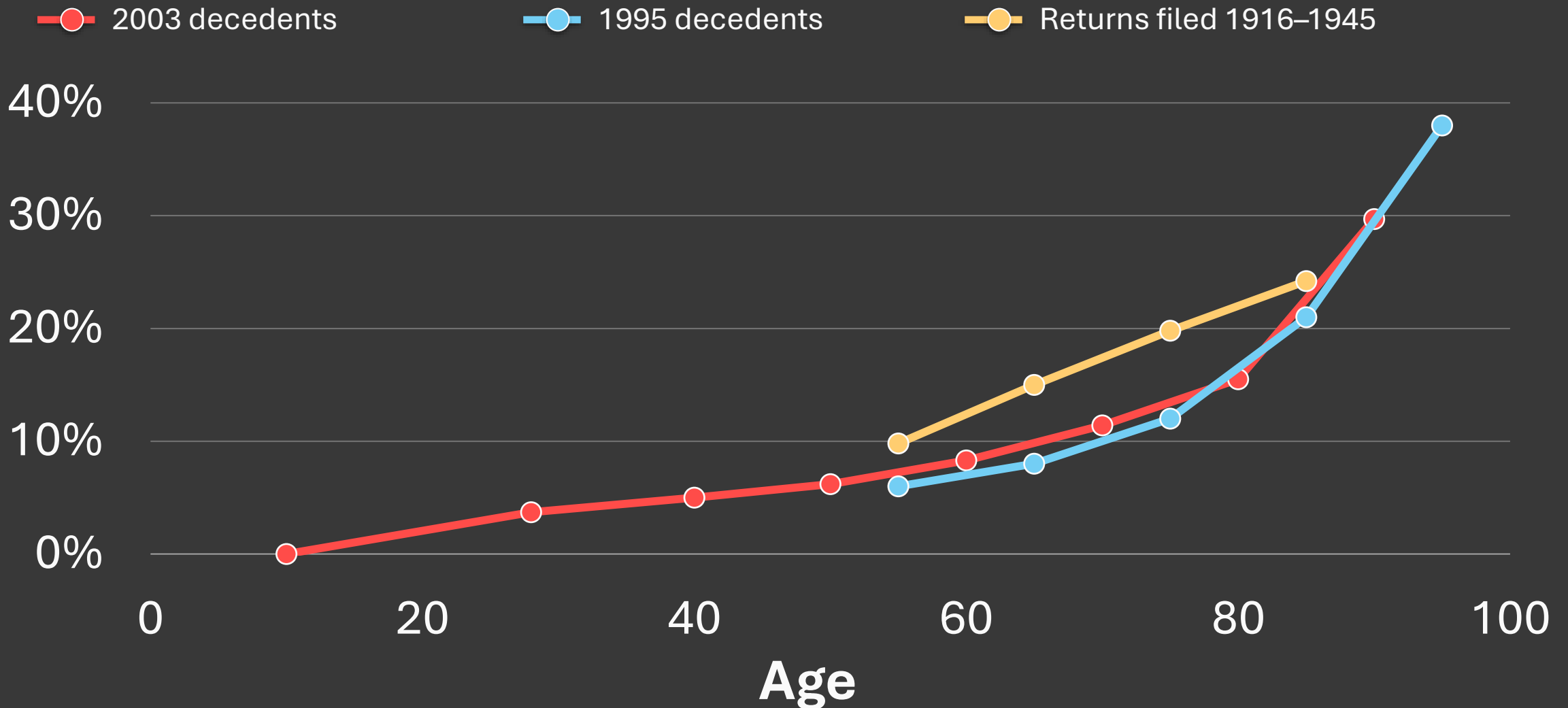


2003 age groups: <21, 21–35, 35–45, 45–55, 55–65, 65–75, 75–85, 85+ | 1995 age groups: 50s, 60s, 70s, 80s, 90+

Note: The two series use different reported age bins, so the lines are plotted on a common age axis using approximate midpoints.

Charitable plans change with age

Share of decedents leaving any gift to charity



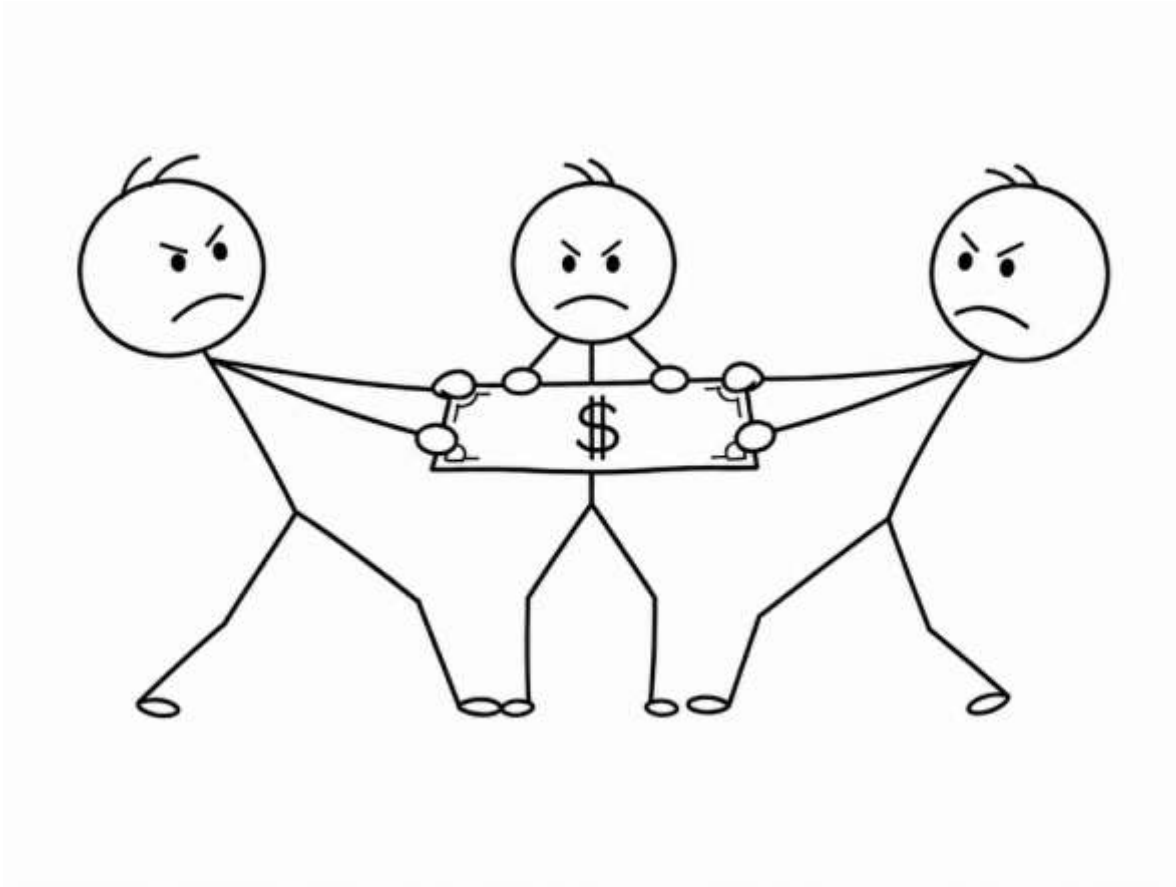
Age bins differ across series. “Under 60” (1916–1945) is displayed at age 55; the open-ended 80+, 85+, and 90+ bins at ages 85, 90, and 95.

Lines compare the reported age groups; chart positions for open-ended and broad groups are illustrative, not calculated age midpoints.



Myth #10

Relax! Your nonprofit doesn't need to be proactive in probate.



Reality check

- Your donors love you.
- Your donors' heirs don't. You want to take "their" money!

Probate experience: Repeated cases of reducing or eliminating charitable transfers

Excessive admin fees, delay
to increase fees, self-
dealing, gifts lost due to
charity failing to appear,
cashing out savings bonds
instead of transferring in
kind to the charity, paying
estate taxes from the
charity's share when not
allowed



Abuse stories are everywhere

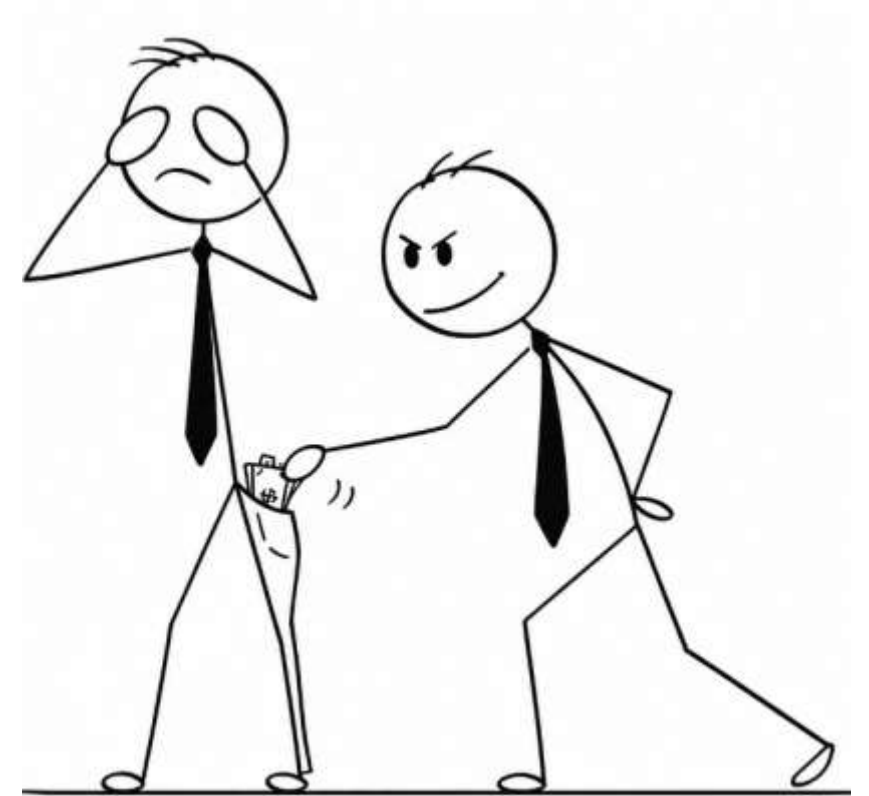
“after reviewing the attorney’s billing invoices saw he had charged his hourly rate of \$450 for mowing the decedent’s lawn multiple times. In another case, an executor who was also the decedent’s caretaker filed a claim for \$2 million against the estate to compensate her for the time she spent caring for her grandmother in her final year of life.”

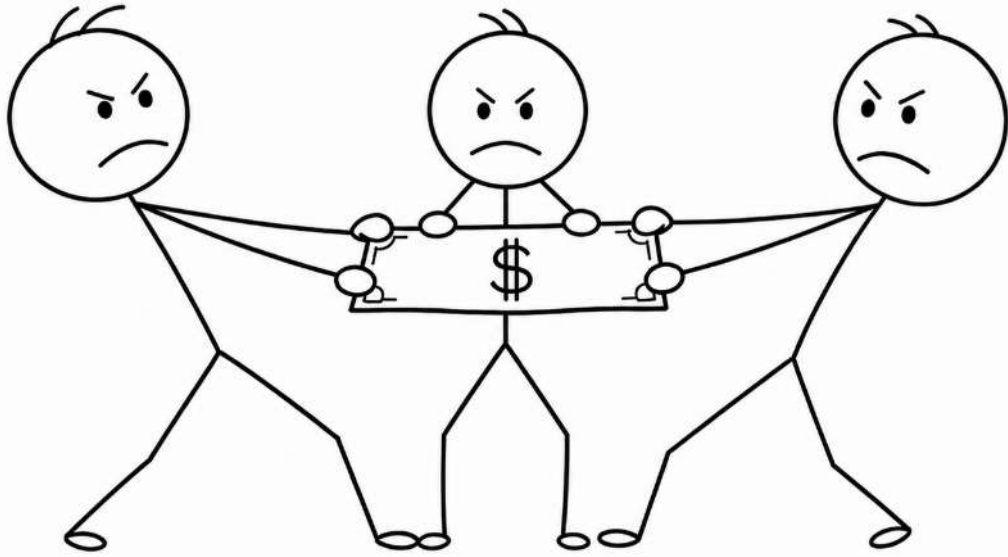
-Scott Kilpatrick
Chisholm Chisholm & Kilpatrick LTD



You've got to be involved

- Silence can cost the charity the inheritance.
- California now allows a settlement to bind a charity that skips mediation.
 - Even without its signature.
 - Even if the agreement cuts the charity out completely.





This is an adversarial proceeding

What do we call it when family members go to court to fight over money?

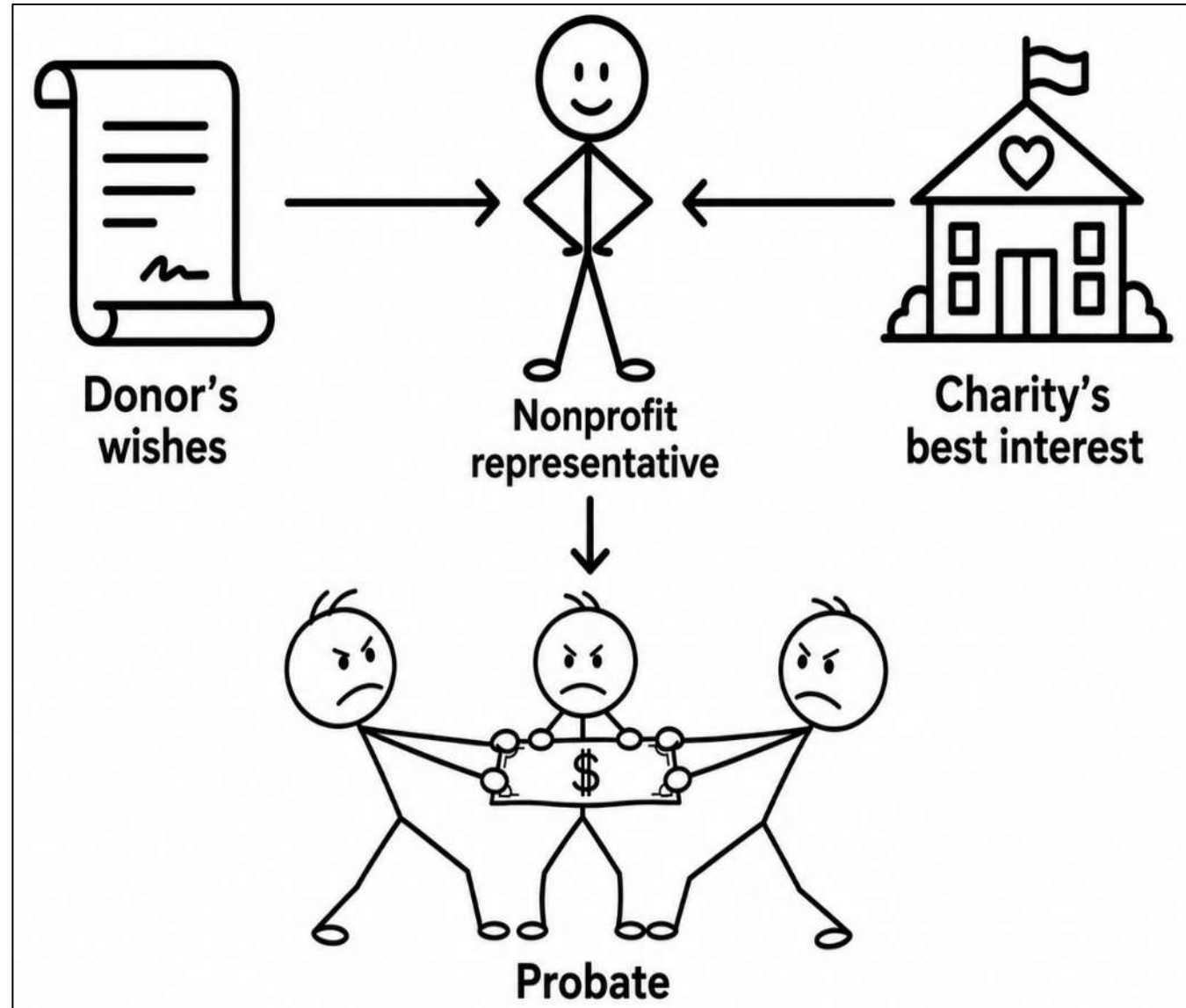
- Divorce or Probate. Both can be equally contentious!

Get it out of the development office.

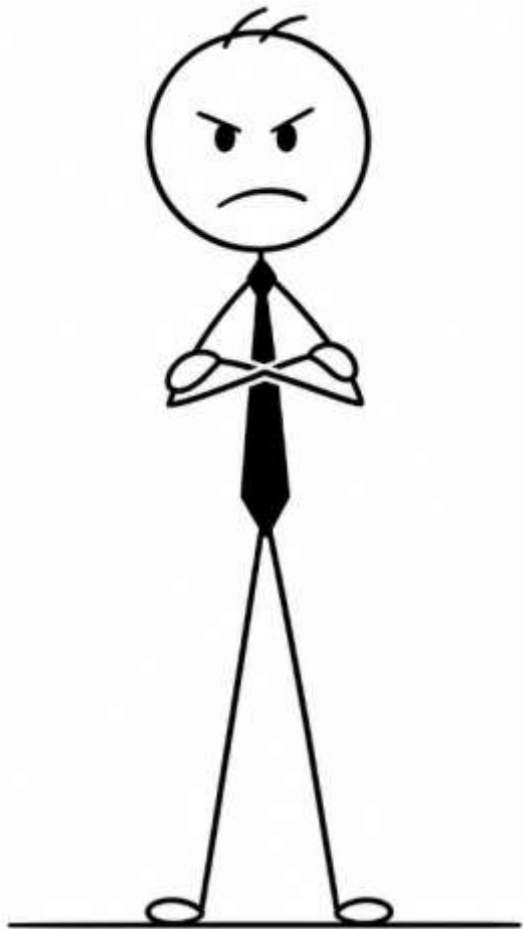
- Fundraisers are nice people who try to make others happy.
- Put it with general counsel, business office, collections, etc.

The nonprofit's role

- Don't shy away from probate, family conflict, death, and money disputes.
- Represent the decedent's philanthropic intent! Take that responsibility seriously.
- Fulfill your fiduciary duty! Act in the nonprofit's best interests.



Top 10 Inheritance Myths



1. Woohoo! It's a \$124 Zillion-Bajillion Great Wealth Transfer.
2. Get ready millennials! It will create young wealth holders.
3. This will be “generational” wealth! Inherited money lasts a long time.
4. It's all about will power! Will documents control these transfers.
5. Woohoo! It's an \$18 Zillion-Bajillion CHARITABLE Transfer.
6. The charitable dollars will be unrestricted gifts to your favorite charities.
7. If your nonprofit doesn't get in the plan, it's fine. The heirs will be charitable.
8. There is strength in volume! The key to nonprofit estate dollars is getting more legacy society members.
9. Your nonprofit doesn't need to focus on old people. Once you're in the plan, you stay in!
10. Your nonprofit doesn't need to be proactive in probate.

Top 10 Inheritance Myths

What Really Happens

For free links to my slides, books, videos, research, etc. please connect
with me on LinkedIn and visit

EncourageGenerosity.com

