

**New Results From 100 Years of National Data:
The Top Ten Most Painful and Pleasant Statistical Realities in Bequest Fundraising**

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National-level data from charitable bequests comes from two major sources, estate tax data and the Health and Retirement Study. The modern federal estate tax began in 1916 and provided tax deductions on charitable gifts left by decedents who died in or after 1918. This estate tax deduction applied retroactively through legislation passed in February of 1919. The Health and Retirement Study (HRS) started in 1992. Thus, with over 100 years of estate tax data and over 25 years of HRS data, we can now answer more questions about this behavior. The following reviews the most important statistical realities for nonprofits interested in raising dollars from bequest gifts.¹

1. Typical bequest donors are irrelevant. Charitable bequest fundraising is ONLY about outliers.

As an example, in 2003, 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.

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.

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 behavior is becoming even less important. A regression analysis of data from decedents dying from 1982 to 2014 with wealth over \$10 million (in 2014 inflation-adjusted dollars) shows a small, non-significant annual increase in the share of wealth being left to charity, but a significant decrease in the propensity to include any charitable gift. For example, the propensity to leave any charitable bequest from these wealthy estates dropped from 41.9% and 44.8% in 1982 and 1983, respectively to 32.6% and 32.7% in 2012 and 2013, respectively. Thus, a smaller share of decedents are transferring a similar overall share of total wealth to charity, suggesting an increased concentration of charitable transfers even among wealthy decedents.

2. It's about the wealthy

¹ For those interested in the original data for the statistics referenced in this summary, these detailed citations for all statistics referenced in this article are found in the forthcoming articles by the author, "The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests" in The UC-Davis Law Review and "American Charitable Bequest Transfers across The Centuries: Empirical Findings and Implications For Policy And Practice" in the Estate Planning and Community Property Law Journal.

In 2017, when only 2,902 estates with charitable transfers filed estate tax returns, these estates still produced the majority (59%) of all bequest dollars transferred to charity in the country. 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. For combined estate tax returns from 1916–1921, the share of total charitable giving coming from net estates of \$8 million or more (and the total number of all such estates) was 30.3% (and 35 estates). In 1922 it was 55.5% (from 16 estates).

Wealthy people give to different places

As estate and gift sizes grow, charitable bequest dollars shift first from religious organizations to other public charities such as education/health organizations. Although wealthier estates are increasingly likely to leave gifts to religious organizations, these gifts remain relatively small. Thus, for religious organizations seeking to increase such gifts, a key goal could be to promote projects that warrant a larger bequest among those donors who already intend to leave a gift. As wealth and gift sizes increase further, public charities gradually lose their bequest gifts to private foundations.

Wealthy people are more charitably generous with bequests (both propensity and share of estates)

The share of estates left to charity decreases as wealth decreases. For example, among tax returns filed in 2013–2017, those with gross estates of \$50 million or more left the following gross estate shares to charity, 19%, 18%, 22%, 16%, and 19%, respectively. For those with gross estates of \$20 to \$50 million, the charitable share was 8%, 10%, 10%, 10%, and 9%, in these years respectively. For those of \$10 million to \$20 million it was 7%, 8%, 7%, 6%, and 7%, respectively. For those of \$5 million to \$10 million it was 5%, 5%, 5%, 4%, and 5%, respectively. And for those under \$5 million it was 2%, 3%, 2%, 3%, and 3%, respectively.

1977 had the lowest inflation-adjusted exemption levels. For the 5,025 returns with gross estates from the exemption level \$60,000 to \$100,000, the share transferred to charity was 1.4%. The share transferred to charity then grew with gross estate size, from 1.8% (estates \$100,000 to \$200,000), to 2.5% (estates \$200,000 to \$300,000), to 2.9% (estates \$300,000 to \$500,000), and to 3.8% (estates \$500,000 to \$1 million) with continued growth at each larger estate size category reported until reaching 48.0% for estates of \$10 million or more.

Wealthy people are more generous with estate giving than current giving. (Wealthy people like to hold wealth.)

Decedents in 2007 with estates under \$2 million, \$2 million to \$5 million, \$5 million to \$10 million, \$10 million to \$50 million, \$50 million to \$100 million, and more than \$100 million, produced estate gifts averaging 3.5 times, 20 times, 25 times, 28 times, 50 times, and 103 times, respectively, their average annual giving in the last five years prior to death. Similarly, in estate tax returns for 1982, estates less than \$1 million, \$1 million to \$10 million, \$10 million to

\$20 million, and more than \$20 million, produced estate gifts averaging about 9 times, 15 times, 26 times, and 38 times, respectively, average annual giving in the year prior to death.

3. It's about the old

Decedents age 75 or older transferred 83% of charitable estate dollars with decedents under age 65 contributing only about 4%. Older decedents are constituting an increasingly large share of all charitable bequest donors, given that among returns filed in 1963, 1970, 1973, 1977, 1983, 1987, 1990, and for 2003 decedents, those aged 75 and older made up 65%, 70%, 72%, 71%, 77%, 81%, 83%, and 83% of all charitable bequest donors, respectively, while those under 65 constituted 13%, 9%, 8%, 10%, 7%, 5%, and 6% of all donors, respectively.

Decedents aged 80 and older contributed 68%, 70%, and 77% of all charitable dollars among decedents in 1986, 1992, and 1995, respectively. Decedents under age 50 contributed only 0.9% and 0.4% of all charitable dollars in 1992 in 1995, respectively. For returns filed in 2003, most charitable dollars (55%) came from decedents over age 85, while those under 65 contributed only 4.3%.

Wealth among those filing estate tax returns increases with every year of age, even up to age 98.

4. It's about decisions made near the end of life

For the age categories under 21, 21 to 35, 35 to 45, 45 to 55, 55 to 65, 65 to 75, 75 to 85, and over 85, the share of decedents leaving any gifts to charity (among estate tax returns filed in 2003) was 0%, 3.7%, 5.0%, 6.2%, 8.3%, 11.4%, 15.5%, and 29.7%, respectively. Similarly, among 1995 decedents in their 50s, 60s, 70s, 80s, and 90 and above, the share leaving any gift to charity was 6%, 8%, 12%, 21%, and 38%, respectively. For tax returns filed from 1916–1945, in the age categories under 60, 60s, 70s, and 80 and above, the share of decedents leaving gifts to charity was 9.8%, 15.0%, 19.8%, and 24.2%, respectively. Note that these reflect changes in charitable plans with changes in age.

Charitable wills tend to be signed closer to death than non-charitable wills, typically within 5 years of death. A national sample of Australian wills found that 76% of charitable bequest dollars were controlled by will documents signed at age 80 or older. Additionally, nationally-representative surveys of the oldest adults found that 61% of charitable decedents indicated having no charitable estate component at some point within the last five years of their lives. Among older living adults, only about 55% of charitable estate components remain in the estate plan for at least ten years.

Additionally, in a national sample of probate records in Australia from 2012, the average time between will execution and death was 10 years for non-charitable wills and 5.63 years for charitable wills. In this national Australian sample, over a quarter of charitable wills were signed within 1 year of death, and most were signed within four years of death. Similarly, in 2012, data from 12,238 decedents in the U.S. Health and Retirement study, 40% of decedents

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whose estates transferred gifts to charity indicated within 2 years of death that they, at that time, had no charitable component in their estate plan.

	Years prior to death								
	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18
<u>Charitable Bequest Decedents</u>									
Donate \$1,000+/Year	39.3%	39.7%	43.6%	49.1%	52.7%	53.4%	53.3%	53.9%	56.9%
Volunteer 2+ Hours/Week	10.6%	15.4%	16.1%	21.0%	26.4%	26.1%	26.4%	31.7%	37.0%
20-Word Recall Score	7.26	7.98	8.52	8.85	9.05	9.71	10.17	10.61	10.49
<u>Non-Charitable Bequest Decedents</u>									
Donate \$1,000+/Year	16.5%	19.1%	20.5%	22.5%	23.4%	24.8%	25.2%	27.0%	27.8%
Volunteer 2+ Hours/Week	5.0%	7.0%	9.3%	10.5%	12.7%	13.4%	14.3%	15.5%	15.9%
20-Word Recall Score	7.13	7.38	7.84	8.25	8.71	9.02	9.40	9.68	10.04

5. It's about the childless

In 2016, among adults age 55 and above childless individuals represented 8.8% of testate individuals and 25.7% of charitable testate individuals. In decedents from the 1995-2006 HRS, only 9.75% (581 of 5,957) were childless, but these childless decedents accounted for 51.86% of all charitable dollars transferred (\$26,057,269 of \$50,244,418).

Childlessness has been a dominant predictor of charitable bequests across 350 years of American probate data, with childless decedents often representing the majority of all charitable decedents. Commenting on the dominance of childlessness and wealth as predictors of charitable bequest giving, one researcher summarized his findings with the sentence, “[S]how me a rich man with no kids, and I’ll show you a philanthropist.”

In the even years from 1998 through 2016, among adults aged fifty-five and over with will or trust documents, the share including charity was 8.3%, 9.6%, 9.6%, 9.4%, 10.1%, 10.2%, 10.5%, 10.4%, 11.0%, and 11.4%, respectively. Rising levels of childlessness and education account for this trend. Future levels of childlessness and education will continue to climb for many years to come in this age group.

6. You have competition

Among charitable decedents in 1998, females, on average, supported 4.0 charitable organizations, while males supported 3.0 organizations. 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. Among these, the smallest estates (less than \$1 million) averaged 2.5 organizations while the largest (more than \$20 million) averaged 4.5 organizations. Those donating less than \$100,000 to charity

(about half of all charitable estates) contributed to an average of 2.2 organizations, while those giving \$100,000 or more averaged 4.8 organizations.

Additionally, the oldest charitable decedents tended to give to more organizations, with those aged under 65, 65 to 75, 75 to 85, and over 85, averaging 2.8, 2.6, 3.6, and 3.8 organizations supported, respectively.

You have competition... It's mostly the private foundation

For returns filed in 1957 and 1959, 43% and 41%, respectively, of charitable bequest dollars by estates of more than \$1 million went to private foundations. For returns filed in 1986, 1987, and 1988, 41%, 41%, and 47%, respectively, of charitable bequest dollars by estates of more than \$5 million, went to private foundations. Among 1995 decedents with estates of more than \$10 million (equivalent to \$1.8 million in 1957), 47% of charitable gifts went to private foundations. For returns filed in 1995, among estates of more than \$20 million, 74% of all charitable gifts went to private foundations. In a sample of decedents from 1996–1998, over 93% of all charitable dollars from estates of more than \$50 million went to private foundations. 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.

7. We can reverse engineer the major bequest gift

The largest bequest gifts are those that give the donors the greatest control and connect most strongly with the donor's identity. In historical research from probate records, the largest bequest gifts also have the most detailed instructions for their usage. Private foundations are typically named after donors and donors' family members and follow their specific rules. They are typically designed to last forever. Moving beyond simple unrestricted giving to focusing on permanent endowments accomplishing specific tasks may be compelling for charitable bequest donors.

8. The will document is dying and probably useless, but beneficiaries and trusts are becoming more important

In the even years from 1998 to 2016, the share of living adults aged fifty-five and over who reported having a will document but did not report having a funded trust was 53.9%, 52.4%, 51.9%, 48.1%, 47.6%, 45.8%, 43.9%, 42.1%, 40.7%, and 39.2%, respectively. For these same years the share who reported having a funded trust was 7.8%, 9.3%, 9.3%, 10.7%, 10.9%, 10.9%, 10.9%, 11.0%, 11.2%, and 11.8%, respectively.

Will documents only rarely control any assets. Among 6,833 fully distributed estates where the decedent reported having a signed and witnessed will document in their most recent survey prior to death, a will document was actually probated in only 38% of those cases. In 45% of these cases where no will was probated, the heirs indicated that the decedent did leave a will document, but that it was not used. This points to the importance of non-probate transfers. Accordingly, the probability of transferring dollars to charity was higher for those using a funded trust rather than a will document. This was true even when comparing those of similar wealth, age, gender, marital status, and offspring.

9. Current giving increases after planning

Among those age 55+ who added charity to their estate plan, their annual charitable giving (in inflation-adjusted dollars) during the surveys given eight, six, four, and two years before the survey in which they reported the estate planning addition averaged \$5,032, \$3,528, \$4,073, and \$4,786, respectively. Their annual charitable giving during the surveys given two, four, six, and eight years after they reported the estate planning addition averaged \$7,594, \$7,738, \$7,405, and \$8,060, respectively. Thus, in these 8,891 “before and after” observations from 1993-2016, inflation-adjusted giving was, on average, about 77% greater after the charitable estate planning component was added than it was before (\$7,699 vs. \$4,355).

Also, the propensity for people to make annual 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. This is particularly powerful because 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.

10. Most people are doing it wrong, so there is great opportunity

Understanding where the dollars actually come from creates opportunity to raise more funds. Understanding that decisions are made at the oldest ages and that dollars come from the wealthy and childless should change where we spend our efforts. Understanding that only outliers matter should encourage concentrating on these individuals, rather than counting every legacy society member as “one.”