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The 10 Most Painful and Pleasant Statistical Realities in Bequest Fundraising



Date: May 26, 2020

Time: 1:00 – 2:30 Eastern

Presenter: Russell James
Professor
Texas Tech University



New results from 100 years of national data

The top ten most painful and
pleasant statistical realities in
bequest fundraising

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“Painful” or “Pleasant” depends on your perspective

- It is “bad” because it isn’t the way you wish it was.
- It is “good” because if you accept reality and manage accordingly, it is a great opportunity to bring in big dollars.



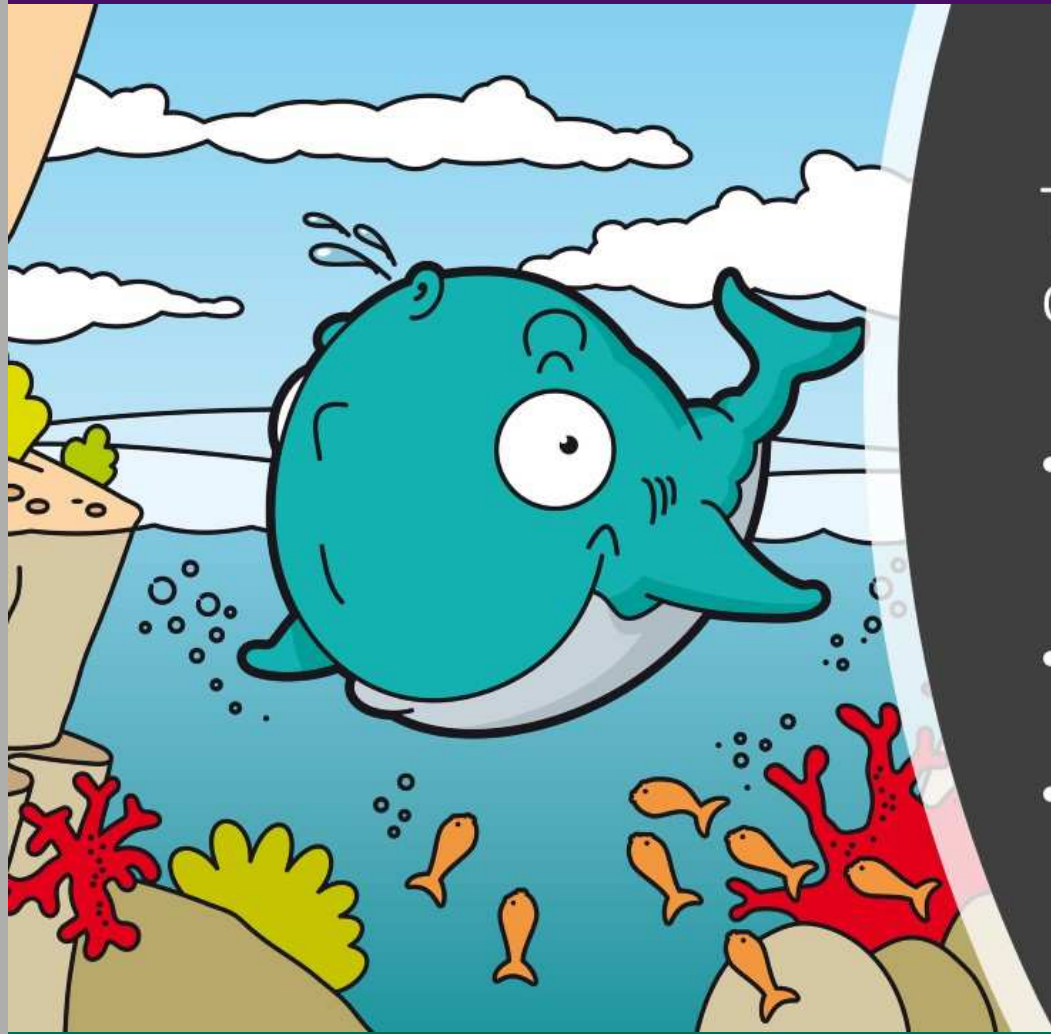
The role of the tenured research professor

- Tell you stuff that you don't want to hear (but really should know)
- Prepare to be offended...





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



Typical bequest donors are irrelevant

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



Typical bequest donors are 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 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 irrelevant

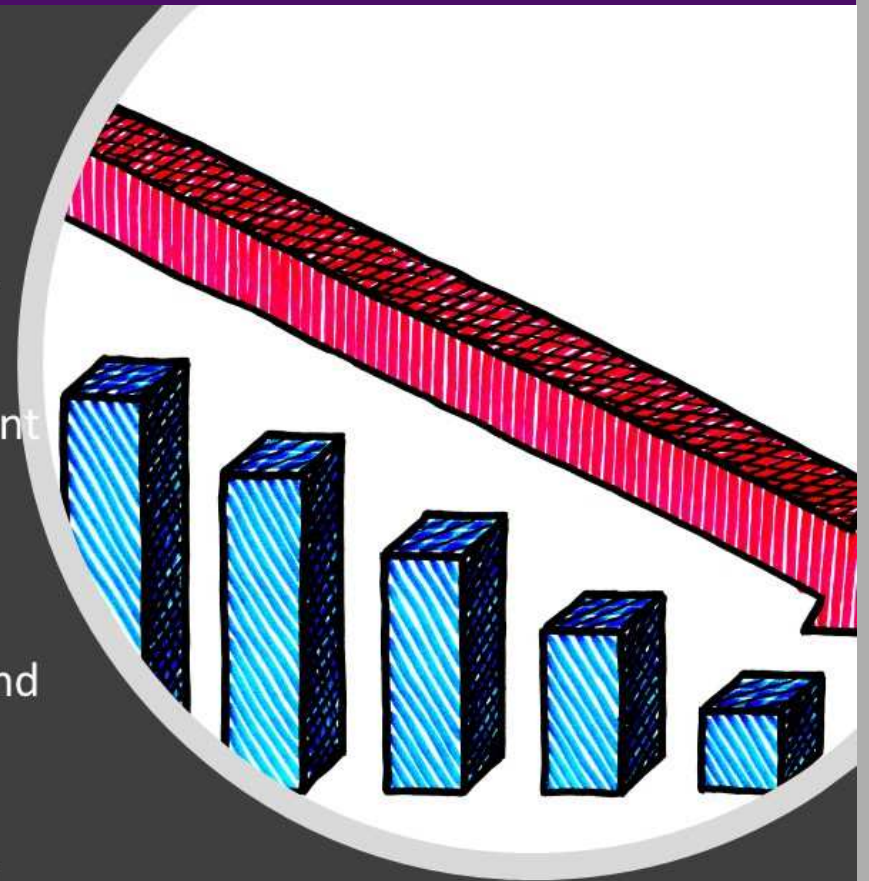


Among both 2001 and 2014 decedents filing tax returns, those who left at least 90% of their wealth to charity gave more than 55% of total charitable bequest dollars, even though they constituted only about 10% of all donors.



Typical behavior is becoming even less important

- From 1982 to 2014 decedents with wealth over \$10 million (in 2014 inflation-adjusted dollars) had 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.
- 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.
- A smaller share of decedents are transferring a similar overall share of total wealth to charity.





2. It's about the
wealthy



It's about the wealthy



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.



It's about the wealthy

The gross estate category of more than \$50 million was first reported separately for returns filed in 2013. In every year from 2013–2017, charitable decedents from this category, about 186 decedents annually, gave the majority of all charitable dollars reported on estate tax returns.



It's ALWAYS BEEN about the wealthy

- 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. (Religious giving propensity increases, but the gifts stay small.)

As wealth and gift sizes increase further, public charities gradually lose their bequest gifts to private foundations.





Wealthy people are more generous with bequests

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.



Wealthy people are more generous with bequests

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 bequest giving than current giving

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.



Wealthy people are more generous with bequest giving than current giving

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



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%.



It's INCREASINGLY about the old

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.





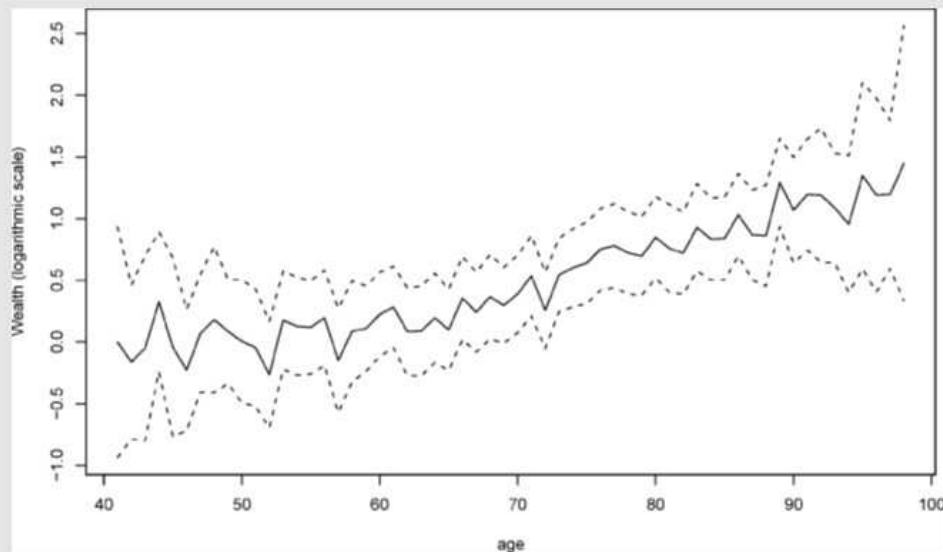
It's about the old

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%.





It's about the old



Wojciech Kopczuk, *Bequest and Tax Planning: Evidence from Estate Tax Returns*, 122 THE Q.J. ECON. 1801 (2007)

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



Charitable plans change with age

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.





Charitable plans change with age

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.



Charitable plans change with age

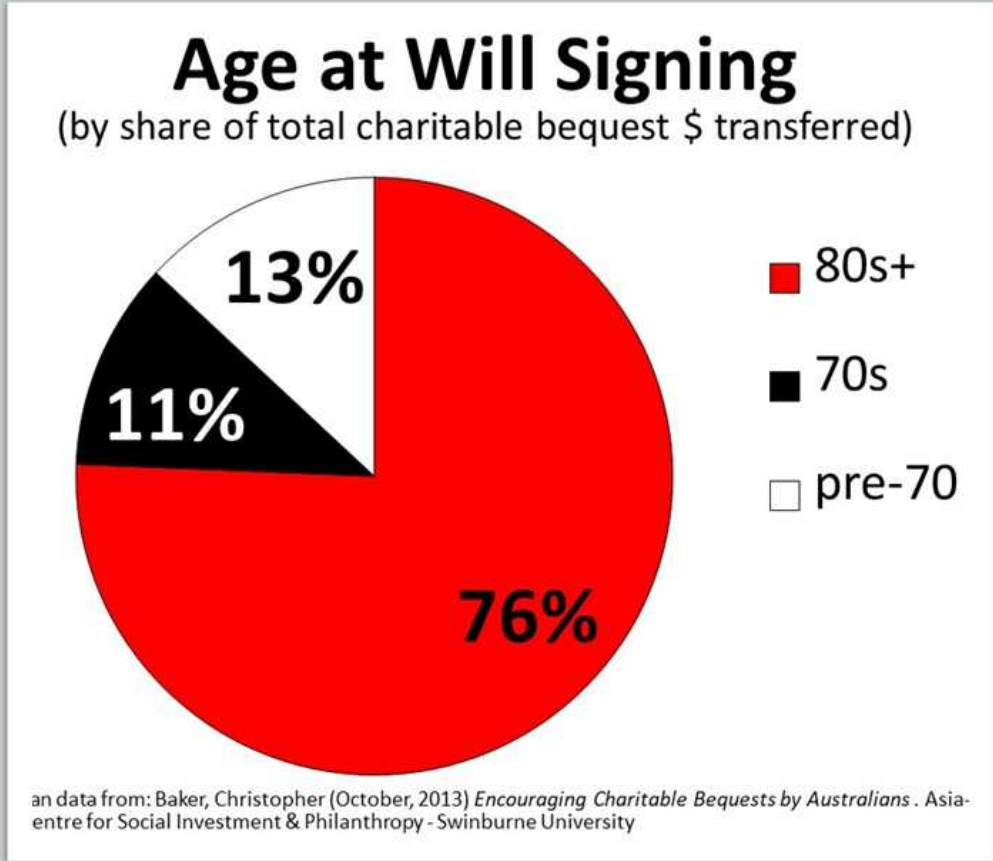
For tax returns filed from 1916–1945, in the age categories under 60, 60s, 70s, and 80 and above, the share of decedents leaving gifts to charity was 9.8%, 15.0%, 19.8%, and 24.2%, respectively.





It's about decisions made near the end of life

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





It's about decisions made
near the end of life

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



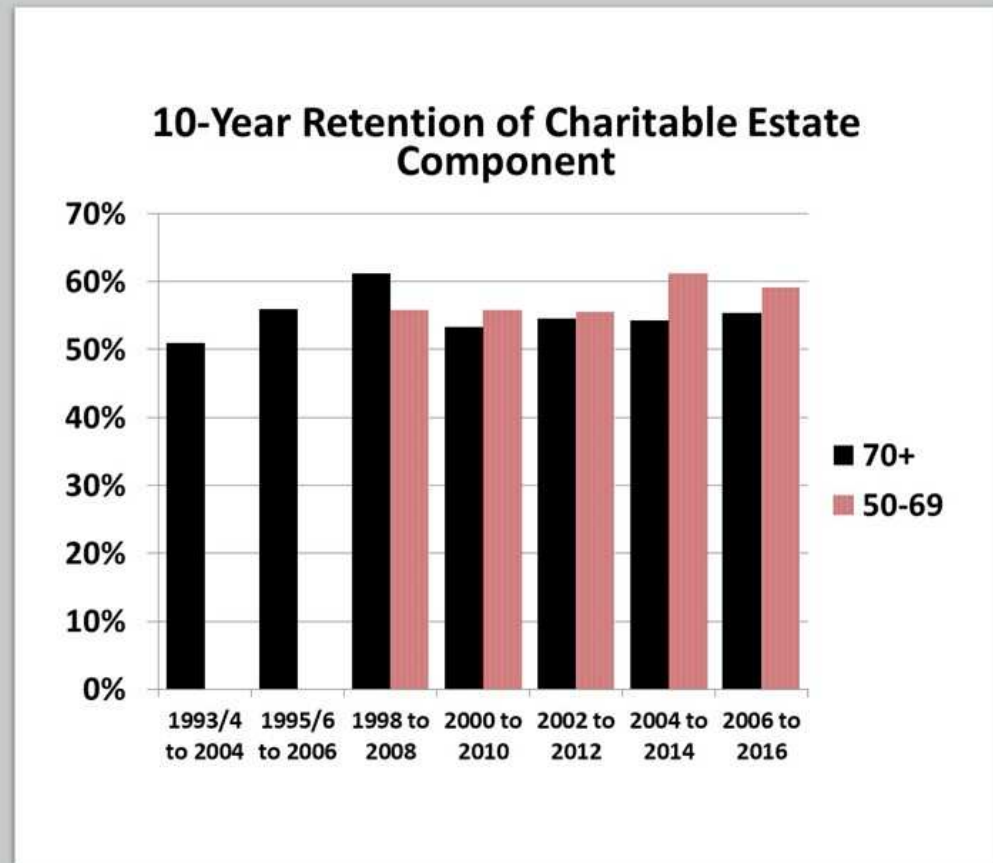
It's about decisions made
near the end of life

Similarly, in 2012, data from 12,238 decedents in the U.S. Health and Retirement study, 40% of decedents 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.



It's about decisions made near the end of life

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





It's about decisions made near the end of life



- 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 5.6 years for charitable wills.
- In this national sample, over a quarter of charitable wills were signed within 1 year of death, and most were signed within four years of death.



Years prior to death

	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18
Charitable Bequest Decedents									
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
Non-Charitable Bequest Decedents									
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



It's about the childless

In 2016, among living adults age 55+ 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).



6. You have
competition



You have competition



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





You have competition

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



You have competition among the wealthy and generous

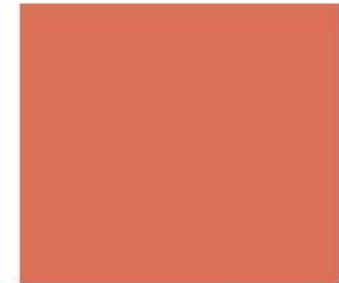
Among charitable estate tax returns filed in 2003, the smallest estates (less than \$1 million) averaged 2.5 organizations while the largest (more than \$20 million) averaged 4.5 organizations.

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.



You have competition among the oldest

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.





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



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.



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

78%

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



Reverse engineering major bequest gifts



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.



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



The will is dying

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.



Trusts are growing



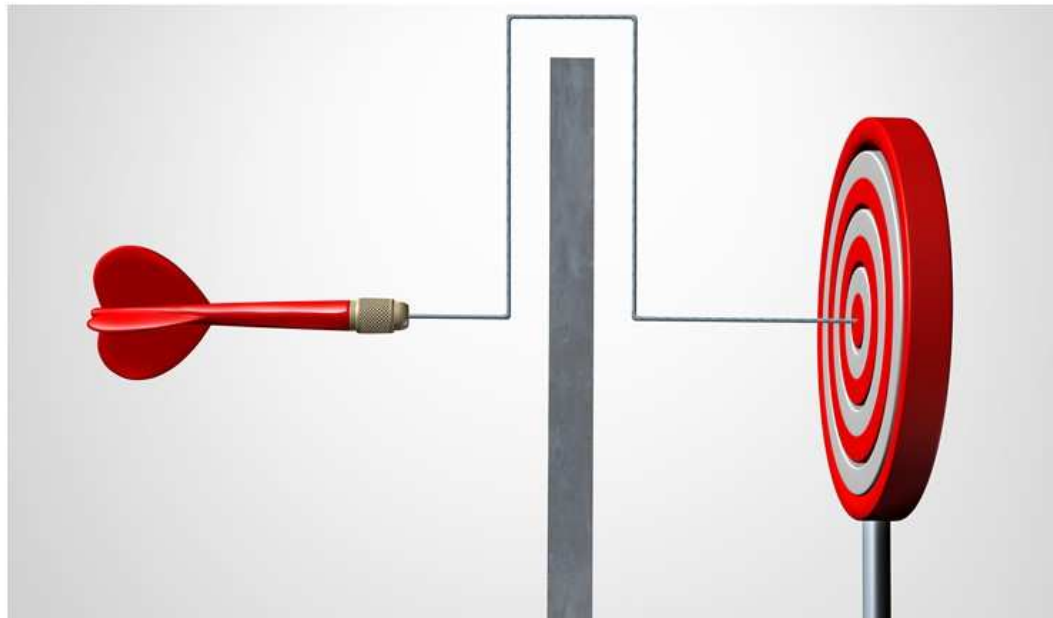
For these same years the share who reported having a funded trust was 7.8%, 9.3%, 9.3%, 10.7%, 10.9%, 10.9%, 10.9%, 11.0%, 11.2%, and 11.8%, respectively.



Wills are typically useless

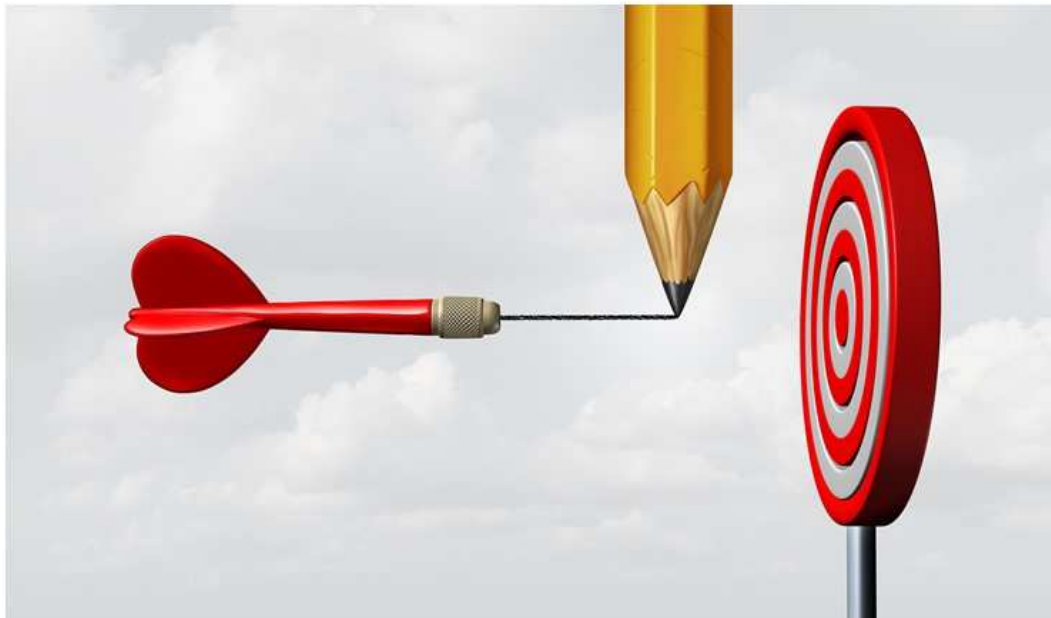


Among 6,833 fully distributed estates where the decedent reported having a signed and witnessed will document in their most recent survey prior to death, a will document was actually probated in only 38% of those cases.



Wills are typically useless

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.



Trusts are effective

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.



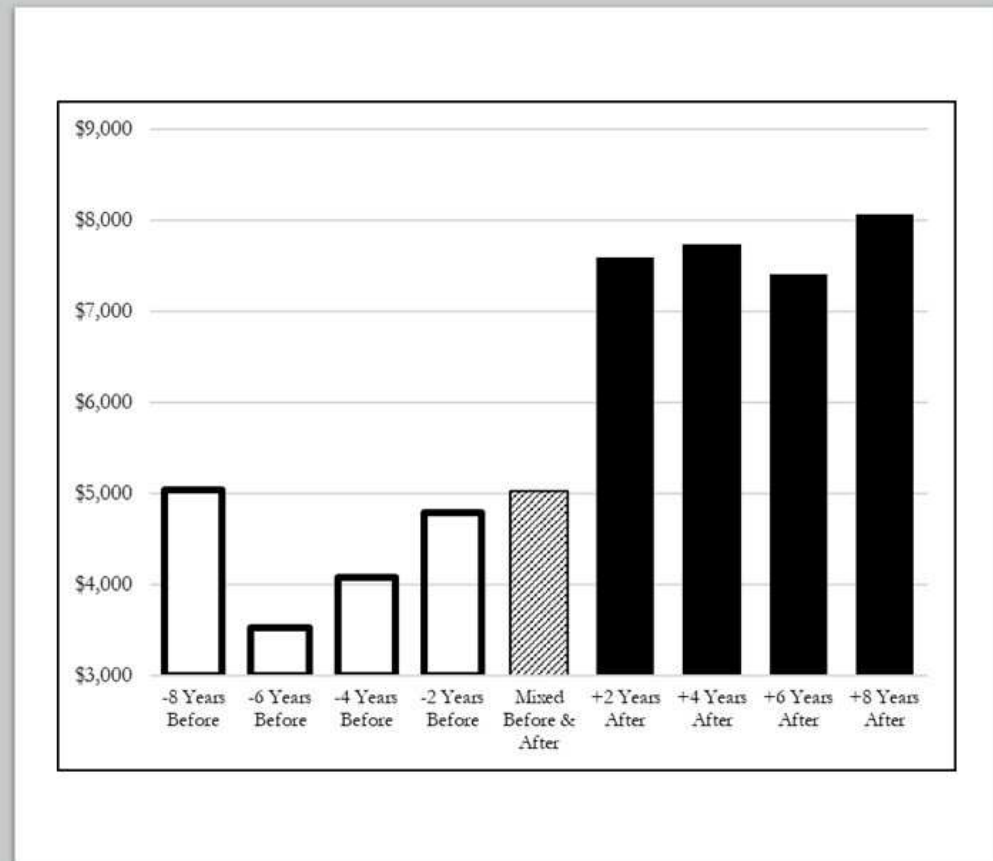
9. Current giving
increases after
planning



Current giving increases after planning

Among those age 55+ who added charity to their estate plan, their annual charitable giving (in inflation-adjusted dollars)

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).





Current giving increases
after planning

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

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



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



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.”



Everything I've told you makes your life harder

- It's about working with the oldest, wealthiest, and childless.
- The will document is dying and probably useless
- Big gifts mean delivering value to donors, not just accepting unrestricted gifts
- You have competition
- Counting typical bequest donors is largely irrelevant





Questions?





Still Have a Question?

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or Connect with me on LinkedIn