



Communicating Effectively About Planned Gifts: What 5,000+ Test Subjects Tell Us



Date: August 28, 2014

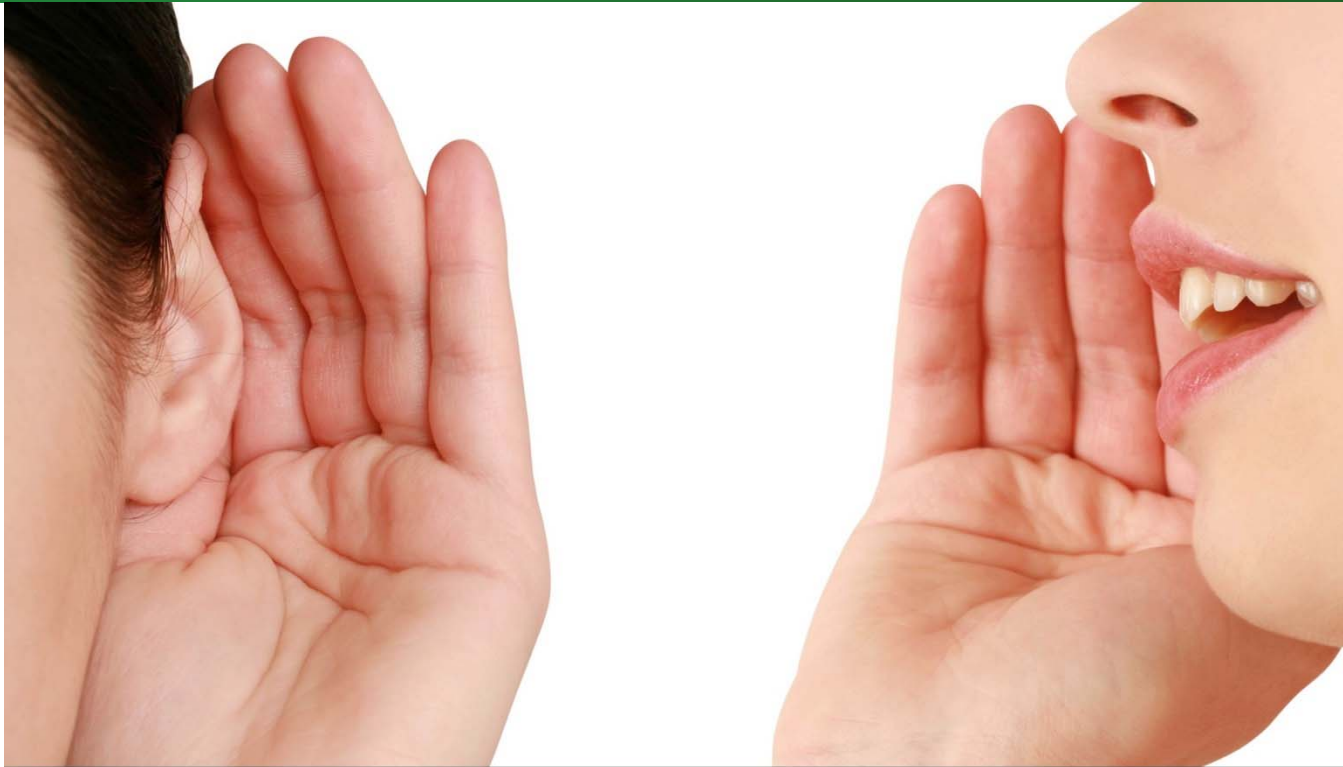
Time: 1:00 – 2:30 Eastern Time

Presenter: Russell James, J.D., Ph.D., CFP®
Professor

Dept. of Personal Financial Planning
Texas Tech University



Communicating Effectively About Planned Gifts



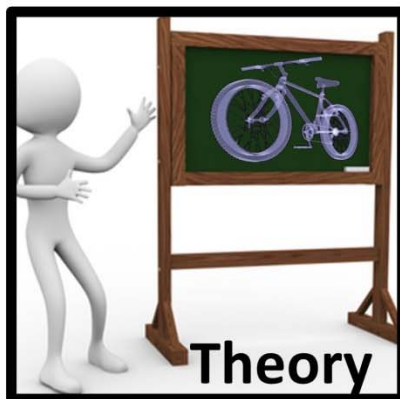
**Communicating effectively about planned gifts:
What 5,000+ test subjects tell us**



Results

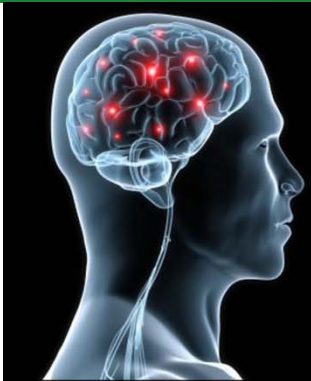
Results from **9 survey groups** including
5,244 total participants collected
during **2014** with one goal:

To uncovering the messages and phrases
that **work** to encourage planned giving



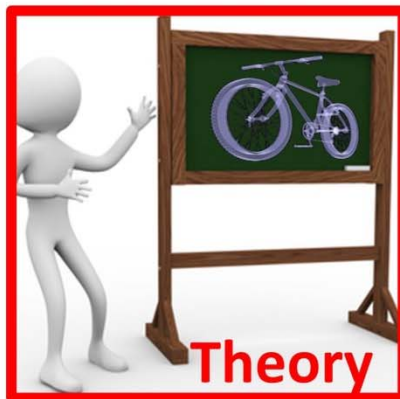


Philanthropy as Synthetic Family



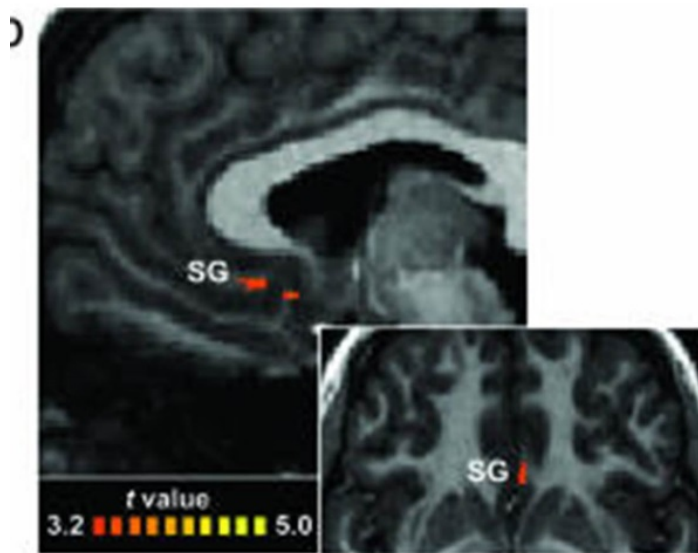
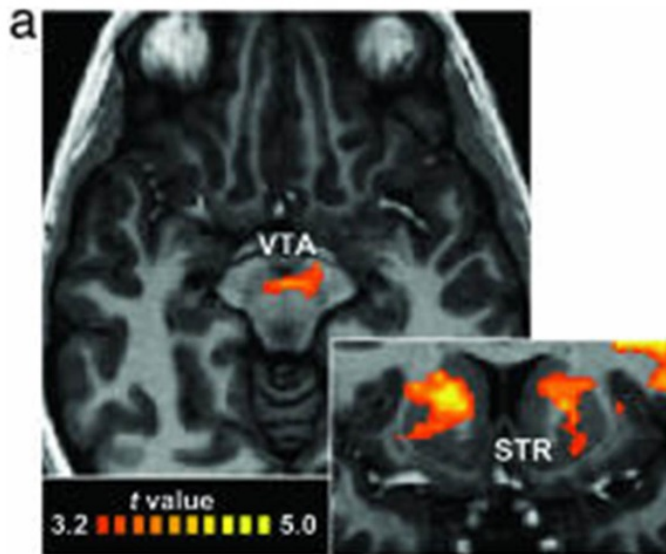
Philanthropy as synthetic family

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding



Philanthropy uses family bonding mechanisms

- Charitable giving is rewarding (like receiving money)
- But uniquely involves **oxytocin-rich** social attachment brain regions (used in maternal and romantic love)



“donating to societal causes recruited two types of reward systems: the VTA–striatum mesolimbic network, which also was involved in pure monetary rewards, and the subgenual area, which was specific for donations and plays key roles in social attachment and affiliative reward mechanisms in humans and other animals.” *Moll, et al (2006) PNAS 103(42), p. 156234.*



Philanthropy Uses Family Bonding Mechanisms



Increasing neuropeptide **“oxytocin”** – a family bonding hormone – increases giving

Zak, P. J., Stanton, A. A., & Ahmadi, S. (2007). Oxytocin increases generosity in humans. *PLoS ONE*, 11, e1128



Philanthropy Uses Family Bonding Mechanisms

**Human touch,
when followed by
a small gift,
elevated oxytocin
levels AND
subsequent
charitable giving**



Morhenn, V. B., Park, J. W., Piper, E., Zak, P. J. (2008). Monetary sacrifice among strangers is mediated by endogenous oxytocin release after physical contact. *Evolution and Human Behavior*, 29, 375-383.



Charitable Estate Giving as “Synthetic Family”

The strongest predictor of charitable bequest planning is childlessness



James, R. N., III. (2009). Health, wealth, and charitable estate planning: A longitudinal examination of testamentary charitable giving plans. *Nonprofit and Voluntary Sector Quarterly*, 38(6), 1026-1043.



Philanthropy is a “Social Act”

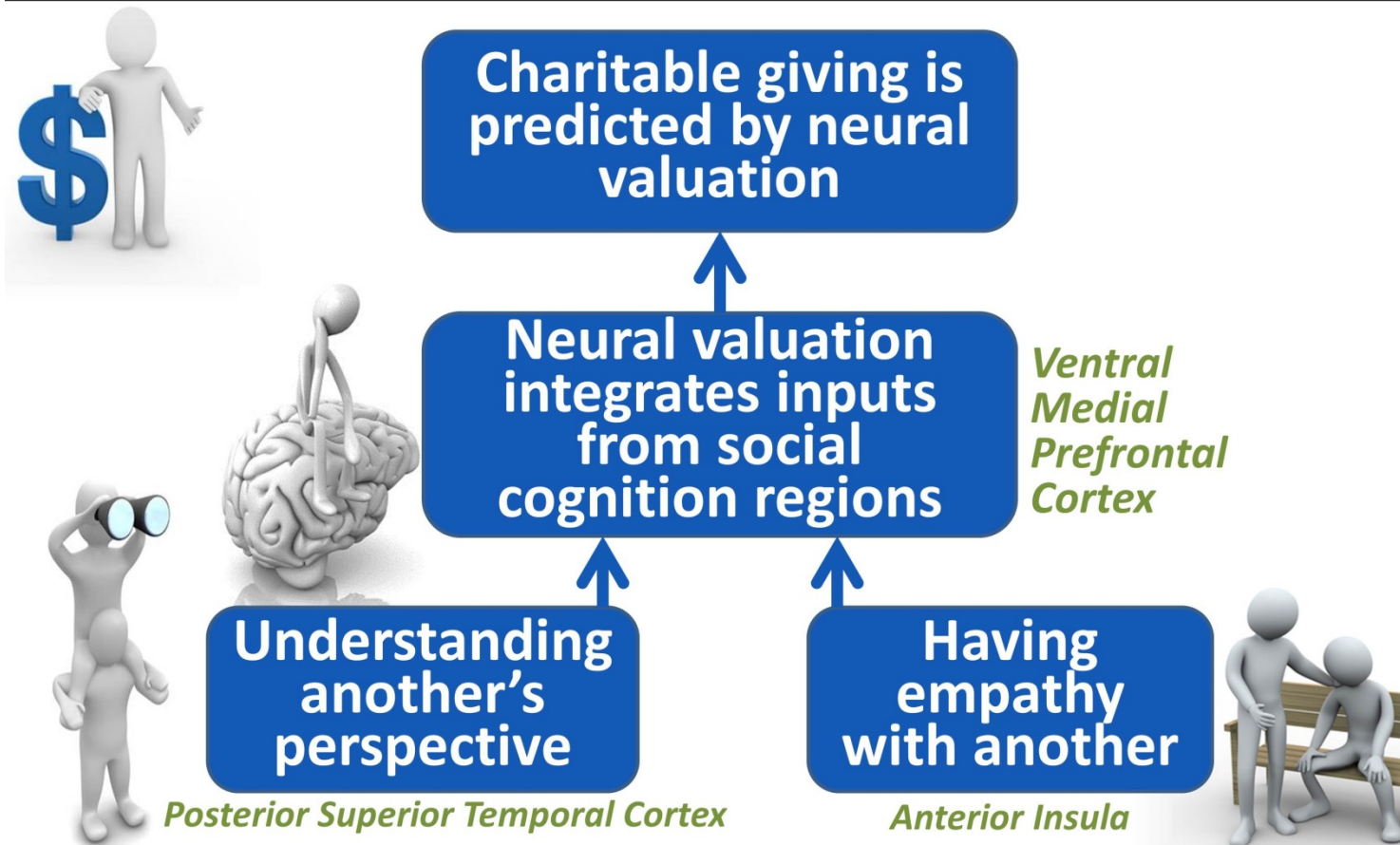


Charitable giving generated greater activation in brain reward centers (ventral striatum) when observers were present

Izuma, K., Saito, D. N., & Sadato, N. (2010). Processing of the Incentive for Social Approval in the Ventral Striatum during Charitable Donation. *Journal of Cognitive Neuroscience*, 22 (4), 621-631.



Philanthropy is a “Social Act”



Hare, T.A., Camerer, C. F., Knopfle, D. T., O'Doherty, J.P., and Rangel, A. (2010) Value Computations in Ventral Medial Prefrontal Cortex during Charitable Decision Making Incorporate Input from Regions Involved in Social Cognition, *The Journal of Neuroscience*, 30(2), 583–590.

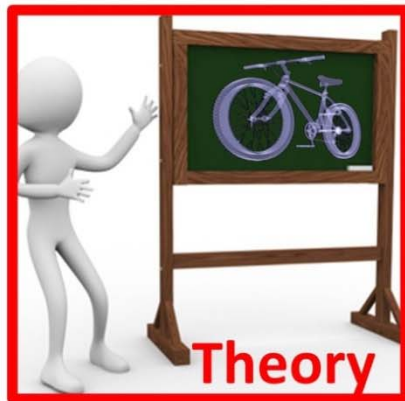


Philanthropy as Synthetic Family



Philanthropy as synthetic family

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding

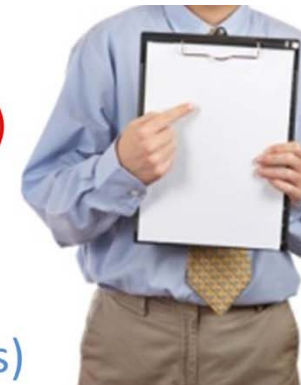




Family Words Outperform Formal Words

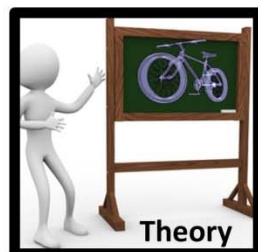


Family words
(simple language and life stories)
outperform
formal words



(technical, contract, market terms)

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding





Family Words Outperform Formal Words



**Social
Realm
(identity)**

I help people
because of who I
am

**Social/
family norms
encourage giving**



**Market
Realm
(exchange)**

I engage in
transactions by
formal contract

**Market/
contract
norms do not**



Family Words Outperform Formal Words



**Social Realm
(identity)**
I help people
because of who I
am

**Use
family
language**

Stories
and
simple
words

**Avoid
market
language**

Formal,
legal, or
contract
terms



**Market Realm
(exchange)**
I engage in
transactions by
formal contract

**Would you say it in a normal
conversation with your grandmother?**



Describing a CRT



Make a gift

where you get an immediate tax deduction, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.

Make a transfer of assets

where you get an immediate tax deduction, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.

Different groups rate their interest after receiving different descriptions

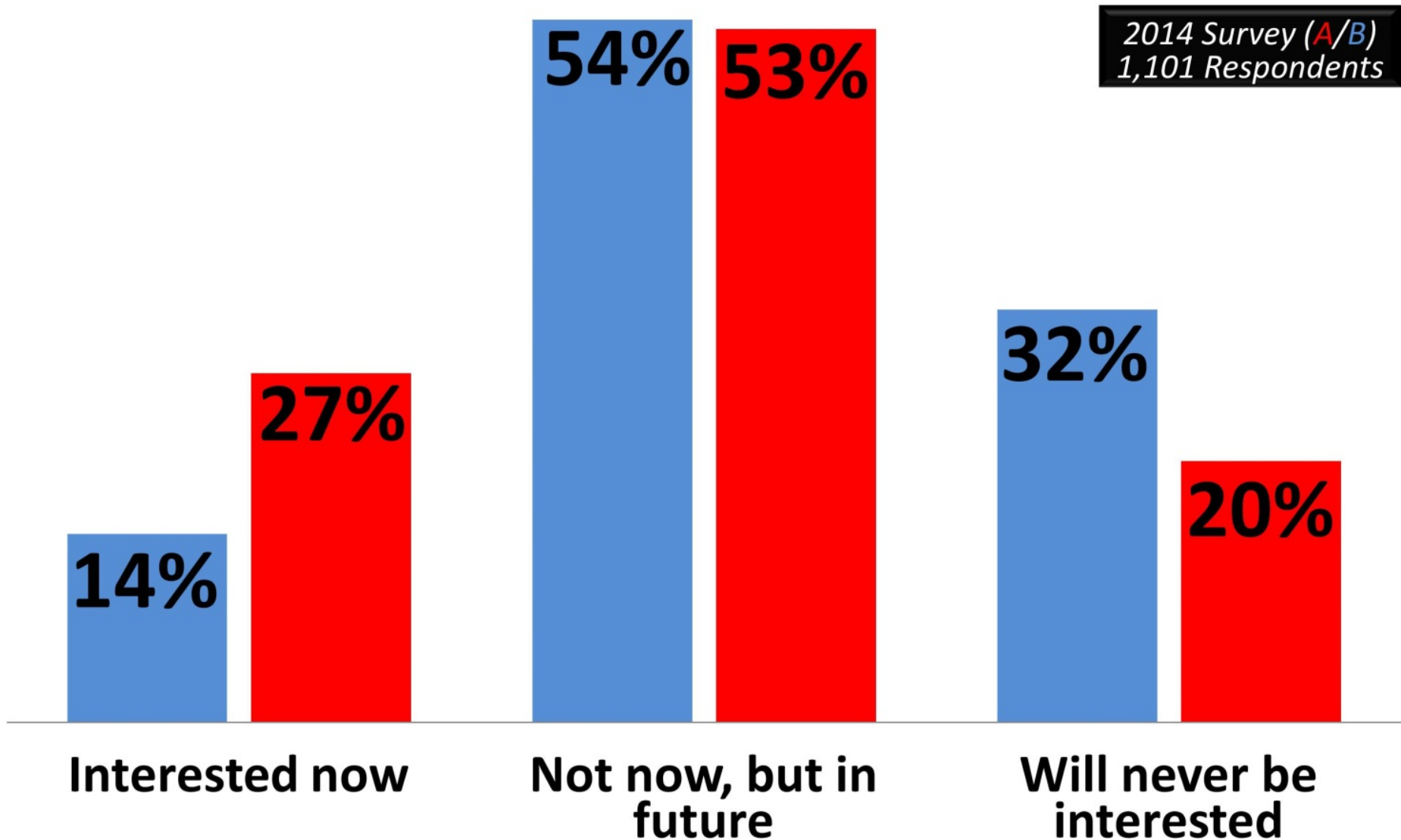
Does it make much difference?

■ **Make a transfer of assets**

where you get an immediate tax deduction, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.

■ **Make a gift**

where you get an immediate tax deduction, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.





Describing a CGA



Make a gift

and in exchange receive a guaranteed lifetime income from the charity.

Enter into a contract with a charity where you transfer your cash or property

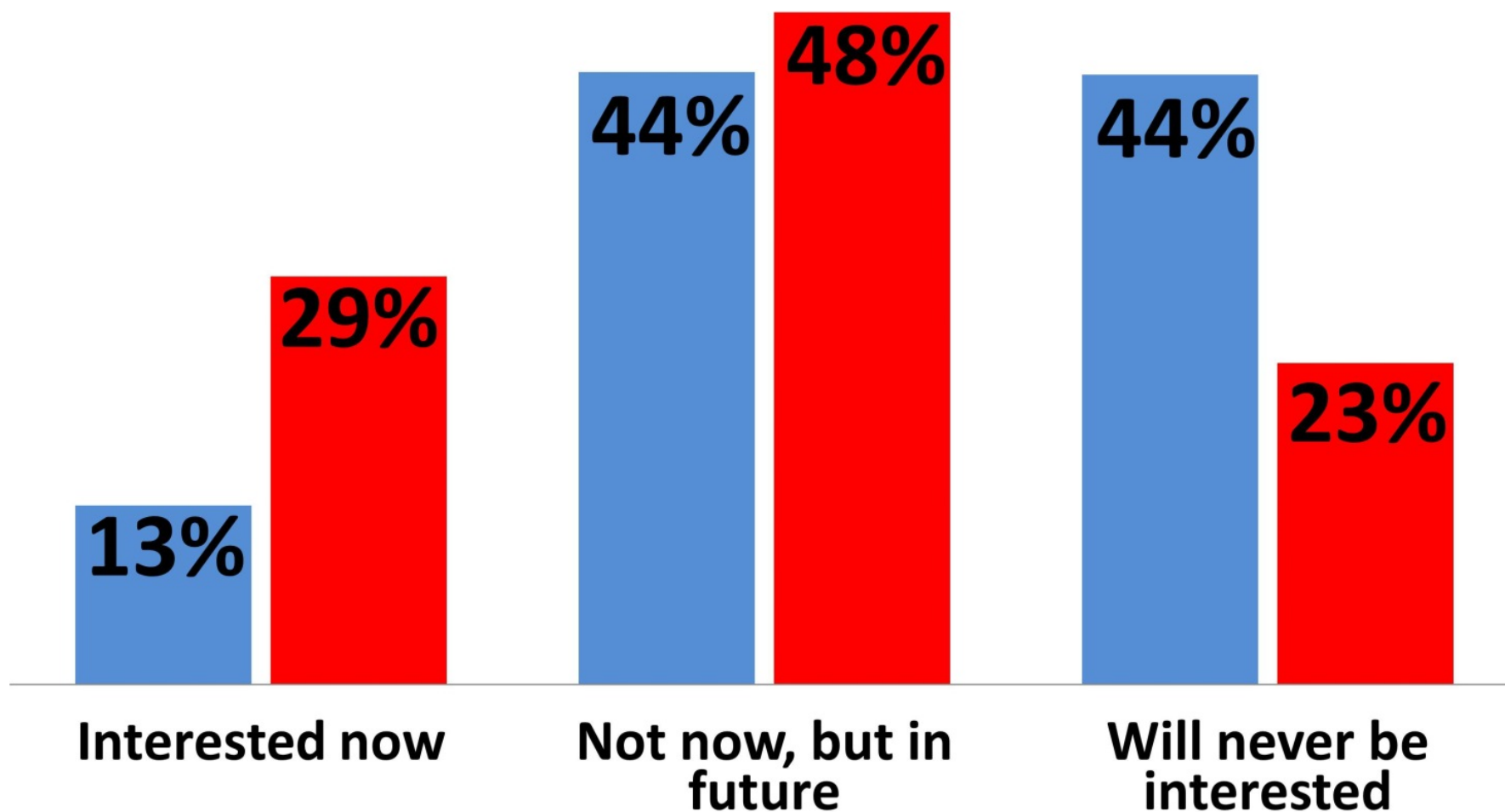
and in exchange receive a guaranteed lifetime income from the charity.

Does it make much difference?

■ **Contract** Enter into a contract with a charity where you transfer your cash or property and in exchange receive a guaranteed lifetime income from the charity

■ **Gift** Make a gift and in exchange receive a guaranteed lifetime income from the charity

2014 Survey (A/B)
1,101 Respondents





Formal Terms Lower Charitable Interest

2014 Survey, 1,417 Respondents, Group F/G

**Interested
Now**

36%

Get an immediate tax deduction and still receive income from your investments for the rest of your life by making a gift where you control the investment of the assets, but anything left over goes to charity at your death.

22%

Get an immediate tax deduction and still receive income from your investments for the rest of your life by making a gift

**using a “Charitable
Remainder Trust”**

where you control the investment of the assets, but anything left over goes to charity at your death.

**Will Never
Be
Interested**

14%

23%



Formal Terms Lower Charitable Interest

2014 Survey, 1,418 Respondents, Group F/G

**Interested
Now**

50%

Receive a tax deduction and
make a gift that pays you
income for life

23%

Receive a tax deduction and
make a gift that pays you
income for life
**called a “Charitable
Gift Annuity”**

**Will Never
Be
Interested**

8%

19%



Formal Terms Lower Charitable Interest

2014 Survey, 1,422 Respondents, Group F/G

**Interested
Now**

26%

Immediately receive a tax deduction for 70% of the value of a house or land by making a charitable gift of the property, but keeping the right to use it for the rest of your life.

**Will Never
Be
Interested**

23%

15%

Immediately receive a tax deduction for 70% of the value of a house or land by making a charitable gift of the property, **using a “Remainder Interest Deed”** but keeping the right to use it for the rest of your life.

30%



Formal Terms Lower Charitable Interest

2014 Survey, 1,246 Respondents, Groups D/E

Interested
Now

23%

Make a gift to charity in
my will

Will Never
Be
Interested

12%

12% Make a **bequest** gift
to charity

14%



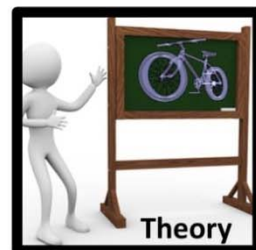
Use Family Words Not Formal Words



**Use
family words**
(simple language and life stories)
not formal words
(technical, contract, market terms)



Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding

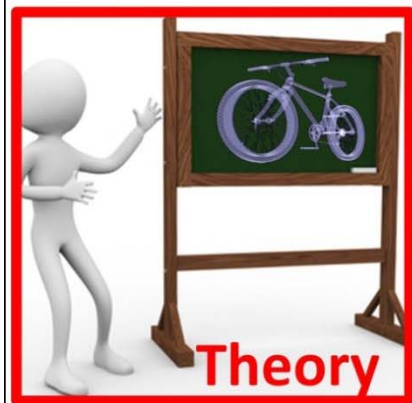




Social Examples Influence Charitable Estate Decisions



Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding

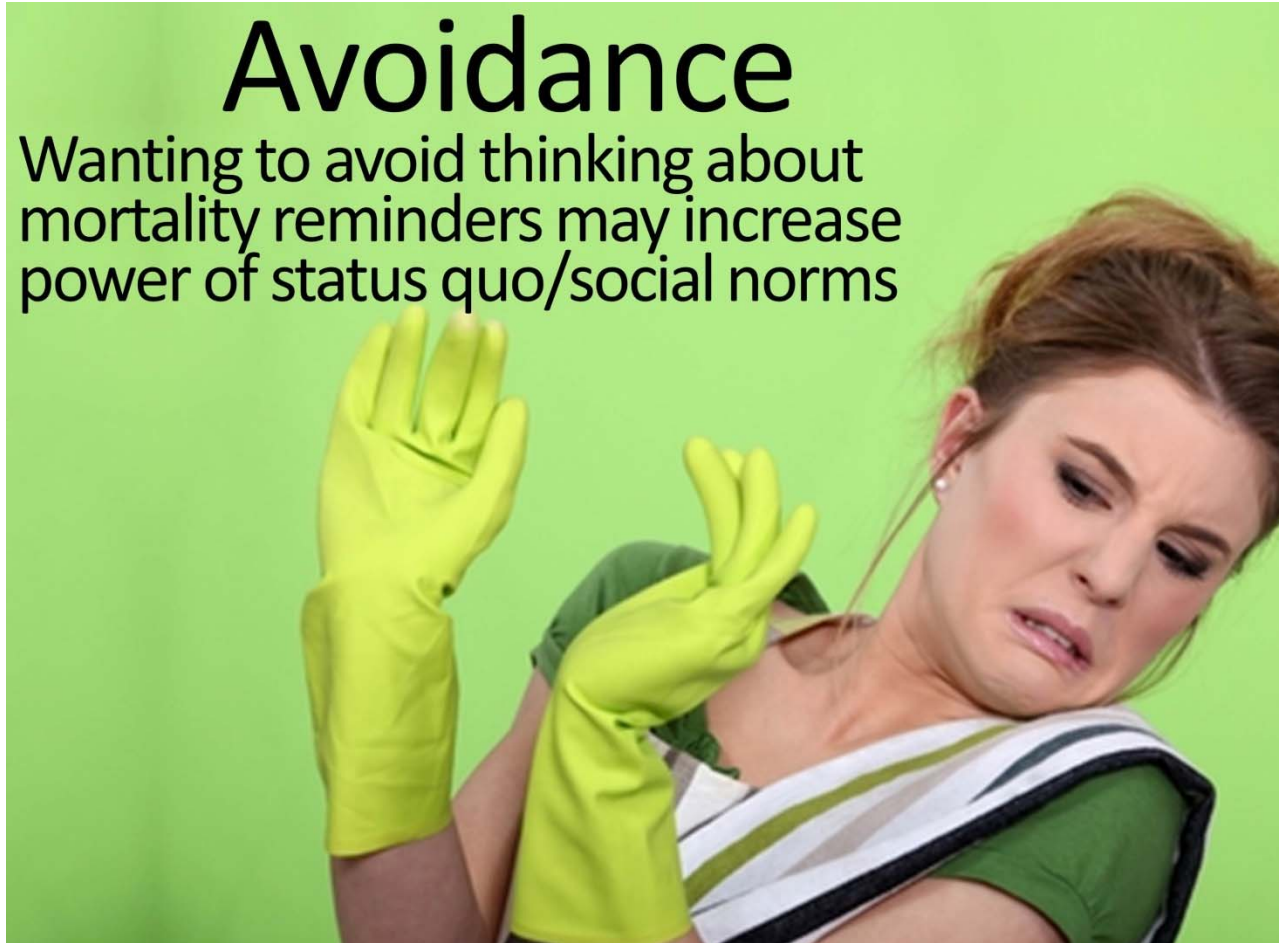


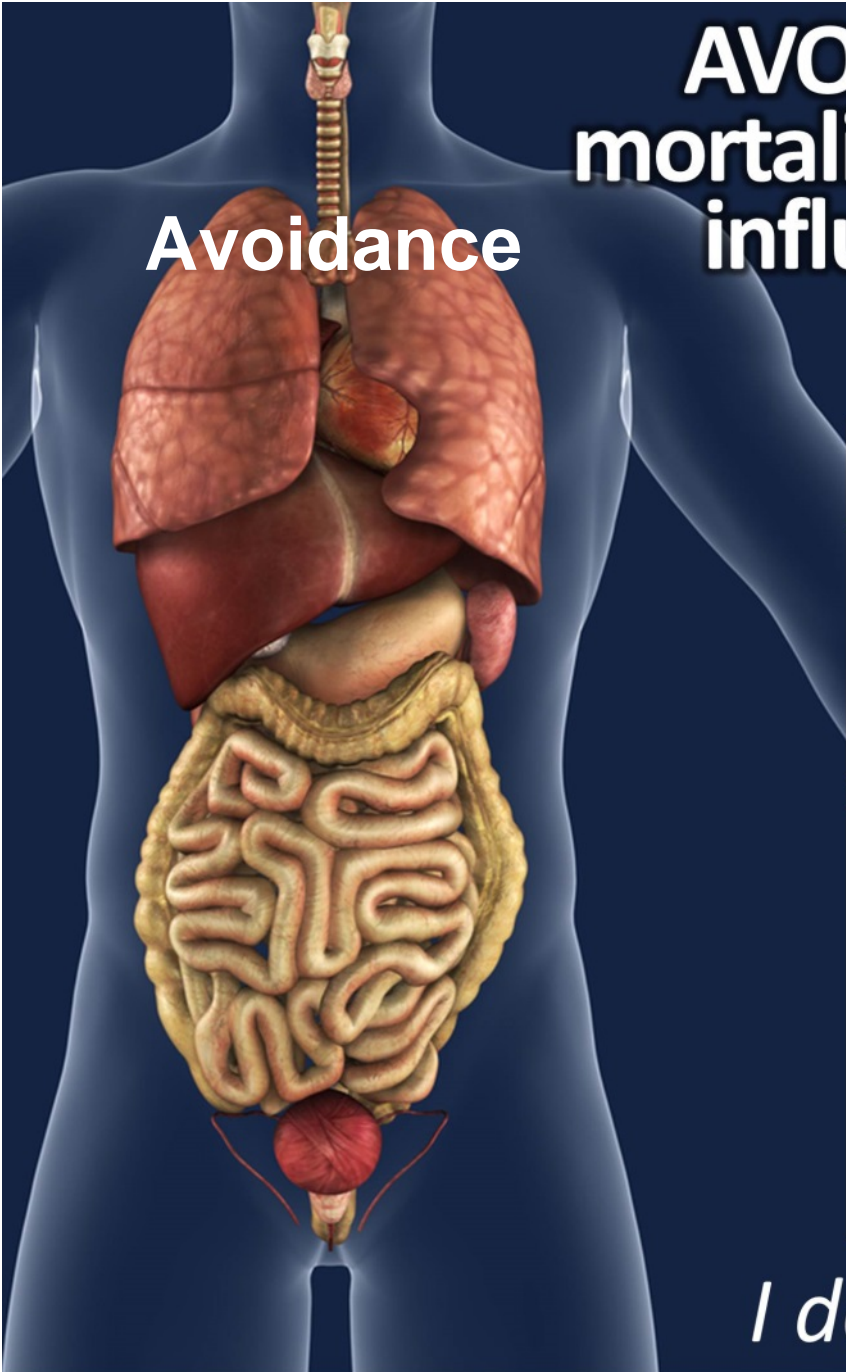


Avoidance

Avoidance

Wanting to avoid thinking about mortality reminders may increase power of status quo/social norms



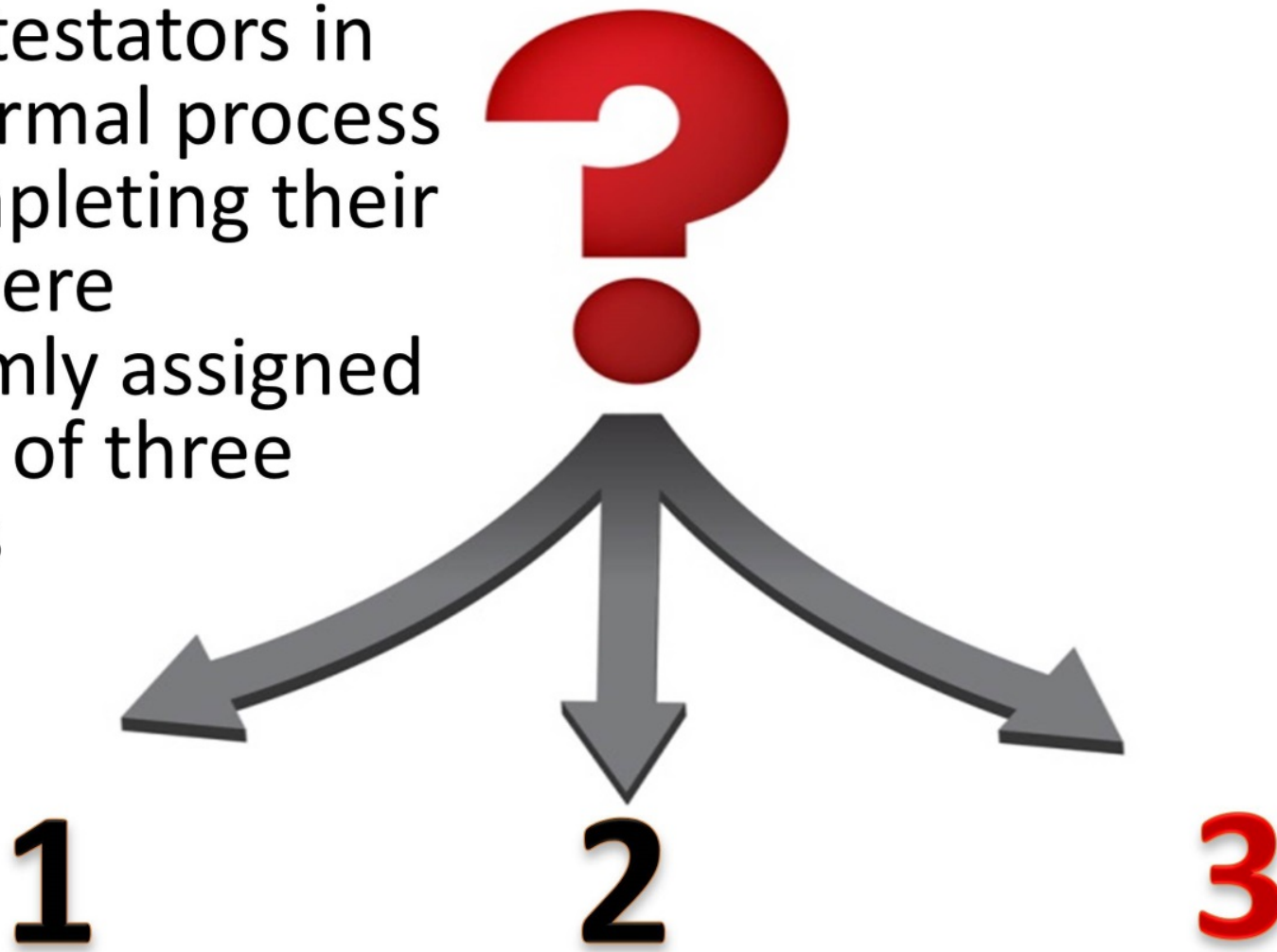


AVOIDANCE of contemplating mortality reminders may explain influence of status quo/social norms in organ donation

	Nation	Consent to Donation
"Opt In" Consent	Denmark	4.25%
	Germany	12.00%
	UK	17.17%
	Netherlands	27.50%
"Opt Out" Consent	Sweden	85.90%
	Belgium	98.00%
	Poland	99.50%
	Portugal	99.64%
	France	99.91%
	Hungary	99.97%
	Austria	99.98%

I don't want to think about it

3,000 testators in the normal process of completing their wills were randomly assigned to one of three groups



No reference to charity

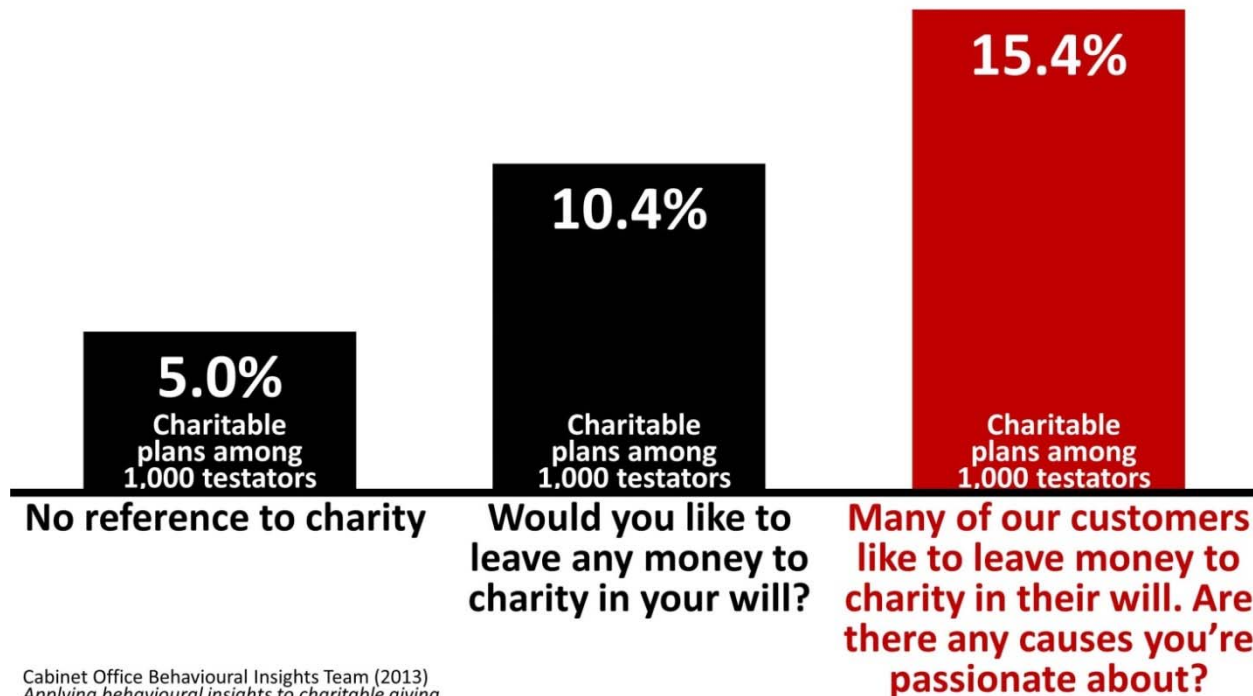
Would you like to leave any money to charity in your will?

Many of our customers like to leave money to charity in their will. Are there any causes you're passionate about?



Charitable Bequests are Influenced by a Simple Social Example

Charitable bequests are influenced by a simple social example



Cabinet Office Behavioural Insights Team (2013)
Applying behavioural insights to charitable giving



The Social Example Also Increased the Average Amount of Bequest Gifts

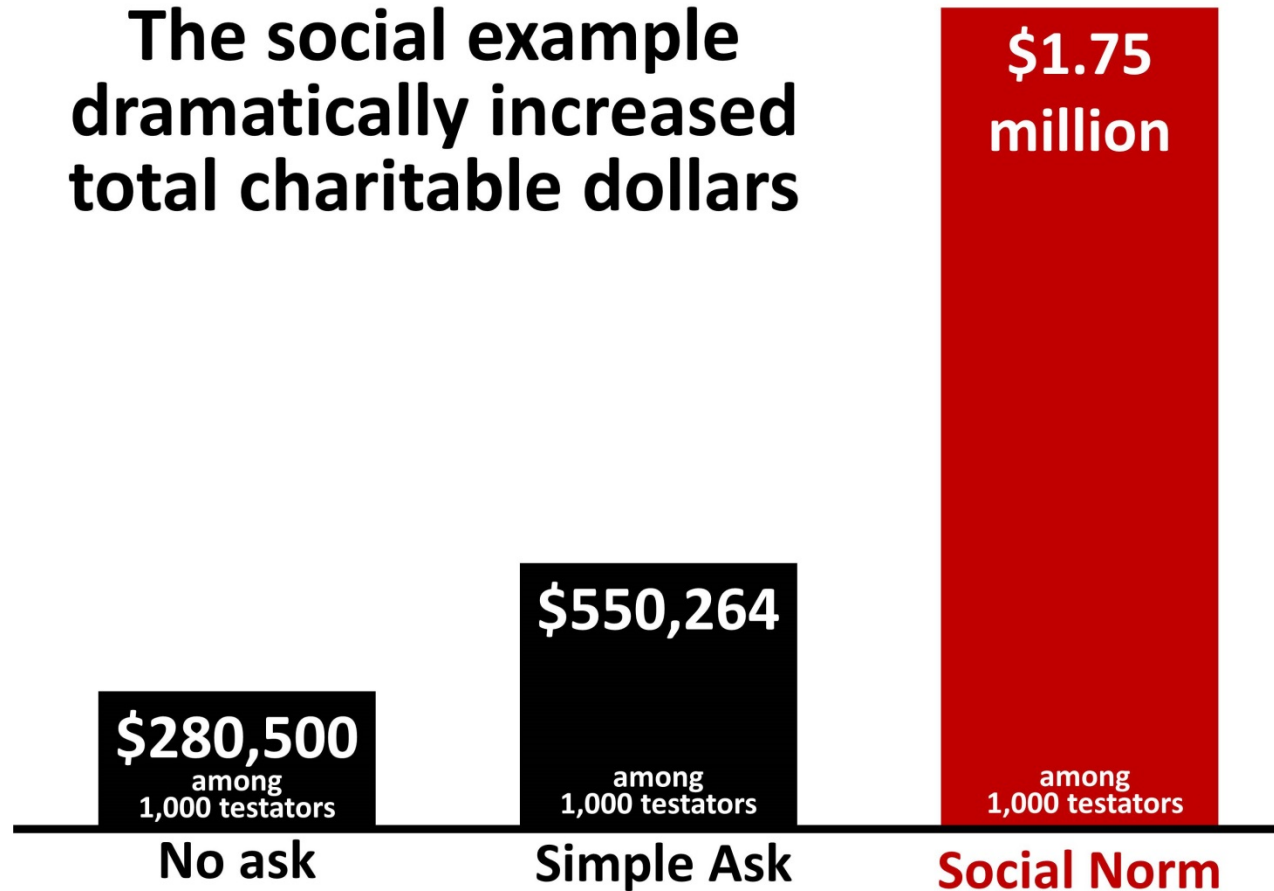
The social example also increased the average amount of bequest gifts





The Social Example Dramatically Increased Total Charitable Dollars

The social example dramatically increased total charitable dollars





The Social Norm Increased Charitable Bequest Intentions

2014 Survey, 1,866 Respondents, Groups D/E/LateG+H

**Interested
Now**

**Will Never
Be
Interested**

30%

Many people like to leave a gift to charity in their will. Are there any causes you would support in this way?

9%

23%

Make a gift to charity in my will

12%

12%

Make a **bequest** gift to charity

14%

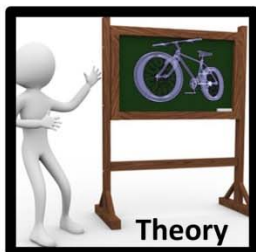


Summary



- Ask about family/friend connections
- Share the option of honoring a family member by making a tribute gift to charity in the will
- Tell stories of those whose plans include tribute gifts

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding





Social Desirability Bias



Social Desirability Bias



People are unlikely to report giving as motivated by personal benefits like tax deductions

The motivational effects of tax benefits are clear when measured *directly*

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding



Mentioning Tax Deductions Increases Charitable Interest

2014 Survey, 1,904 Respondents, Groups D/E/F

Interested
Now
50%

Receive a tax deduction and make a gift that pays you income for life.

Will Never
Be
Interested
8%

33%

Make a gift that pays you income for life **and receive a tax deduction.**

14%

31%

Make a gift that pays you income for life.

20%



Mentioning Tax Deductions Increases Charitable Interest

2014 Survey, 1,826 Respondents, Groups F/B/D

**Interested
Now**
26%

Immediately receive a tax deduction for 70% of the value of a house or land by making a charitable gift of the property, but keeping the RIGHT TO USE it for the rest of your life.

**Will Never
Be
Interested**
23%

12% Make a charitable gift of either a house or land, but keep the RIGHT TO USE for the rest of your life **and immediately receive a tax deduction for 70% of the value of the property.** **33%**

11% Make a charitable gift of either a house or land, but keep the RIGHT TO USE it for the rest of your life. **42%**



Mentioning Tax Deductions Increases Charitable Interest

2014 Survey, 1,782 Respondents, Groups E/A/C

**Interested
Now**
28%

Get an immediate tax deduction by making a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.

**Will Never
Be
Interested**
17%

27%

Make a gift where you **get an immediate tax deduction**, still control the investment of the assets and receive income from the investments for the rest of your life with anything left over going to charity at your death.

20%

21%

Make a gift where you still control the investment of the assets, and receive income from the investments for the rest of your life with anything left over going to charity at your death.

25%



Social Desirability Bias



Social Desirability Bias

It is good to note benefits, but don't identify personal benefits as the motivation

Philanthropy is a **SOCIAL** act using the mechanisms of **FAMILY** bonding

People join the legacy society so that everyone will know how philanthropic they are.

People who join the legacy society make a "second gift" because their example can influence others to make the same commitment.



Age and Gender Differences



Age and gender differences

A larger share of older adults are decidedly resistant to bequest giving and planned giving

Difference in older (50+) v. all respondents

Questions	I Will Never Be Interested	Definitely Interested Now
All gift of cash	+0.1%	+2.4%
All bequest gift	+8.5%	+0.6%
All tribute bequest	+10.1%	-0.2%
All TOD	+13.2%	-0.2%
All donor advised fund	+13.9%	-0.2%
All gift of stocks/bonds	+14.3%	+0.0%
All retained life estate	+15.9%	-0.9%
All CGA	+16.8%	-2.3%
All CRT	+25.2%	-1.9%



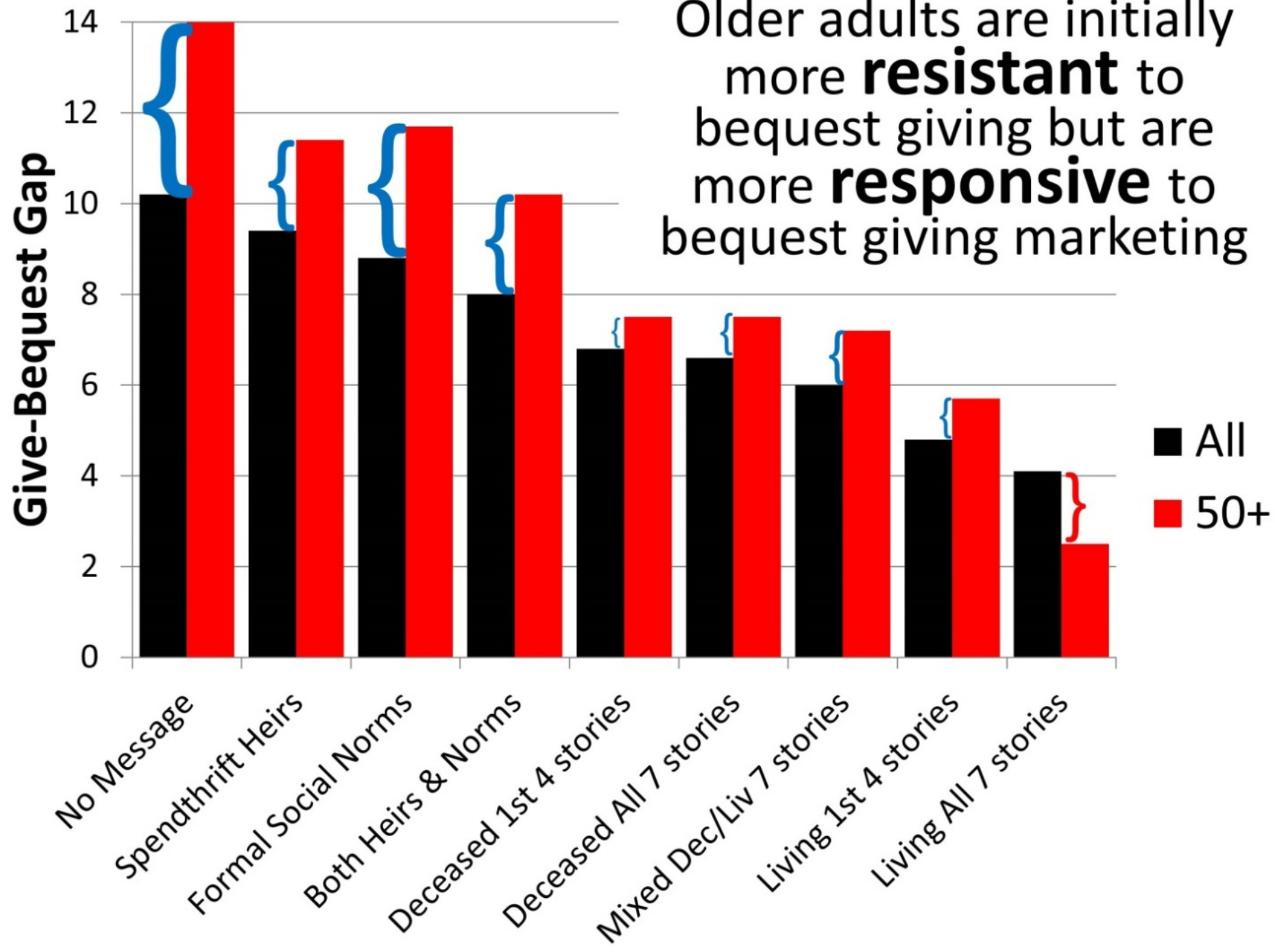


Older Adults

Older adults are initially more **resistant** to bequest giving but more **responsive** to bequest marketing



Older adults are initially more **resistant** to bequest giving but are more **responsive** to bequest giving marketing





Older Adults

Older adults initially more resistant to tribute bequest concept but more responsive to tribute bequest reminder

Will Never Be Interested	
All	50+
All bequest gift	15.9% 24.4%
All tribute bequest	20.3% 30.4%

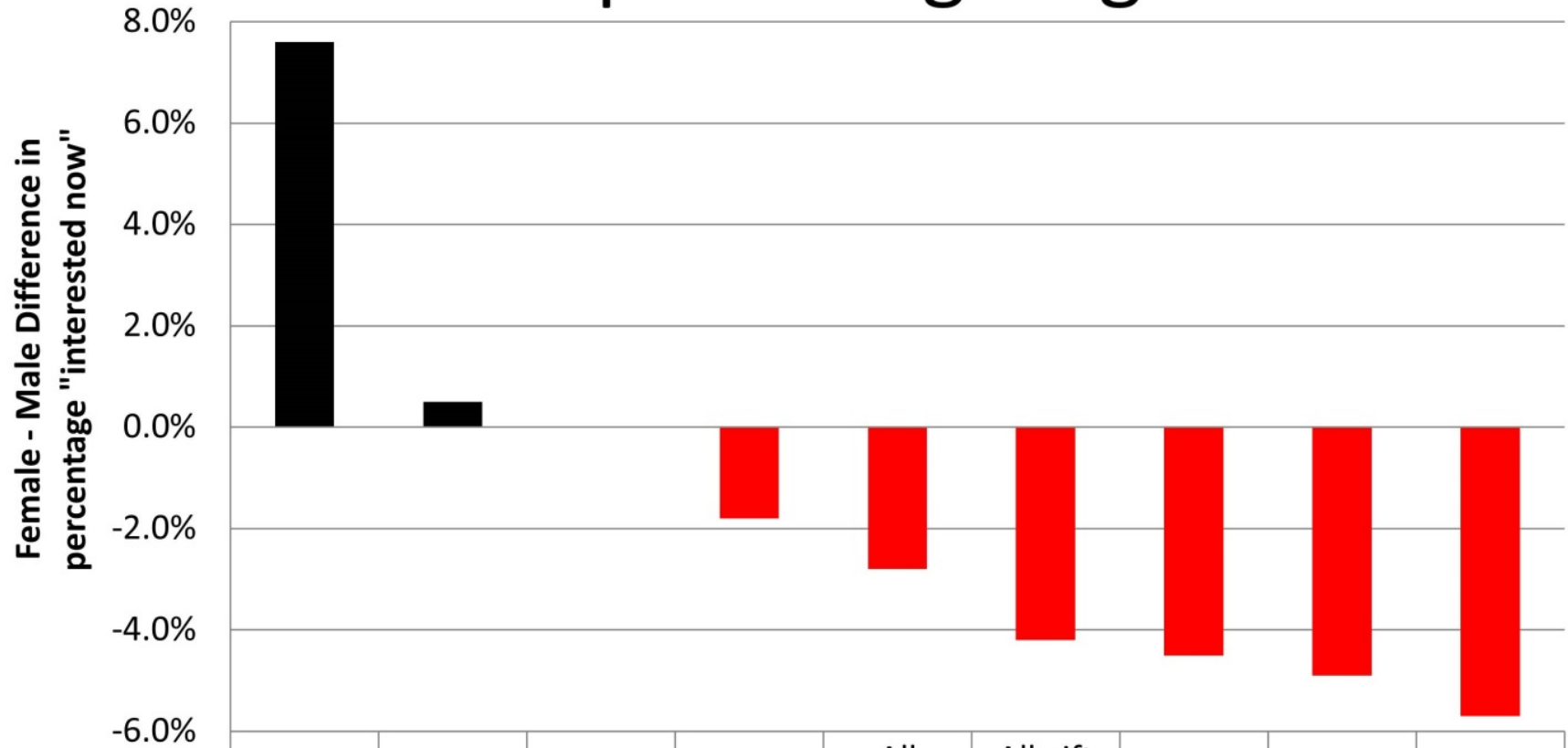
Average share with family/friend connections to each cause

	Total	Age 50+
Memorial reminder	22.1%	27.1%
Living reminder	34.2%	36.1%

Change in charitable bequest intention for those with family/friend connection

	Total	Age 50+
Memorial reminder	+13.97	+13.96
Living reminder	+9.22	+9.33

Women have relatively higher interest in cash gifts, equal for bequest gifts, lower for other planned giving



	All gift of cash	All bequest gift	All tribute bequest	All TOD	All donor advised fund	All gift of stocks/bonds	All life estate	All CGA	All CRT
■ Female v Male	7.6%	0.5%	0.0%	-1.8%	-2.8%	-4.2%	-4.5%	-4.9%	-5.7%



Other Phrases?

**What about
other estate
giving
phrases?**

**“leave a legacy”
or “continue my
support”?**





“Leave a Legacy” Not Helpful

2014 Survey, 1,072 Respondents, Group *G-early/C*

**Interested
Now**

22%

Leave a legacy gift to
charity in my last will &
testament

**Will Never
Be
Interested**

14%

26%

Make a gift to charity in
my last will & testament

12%



“Continue My Support” Had Mixed Results

2014 Survey, 2,223 Respondents, Group H-early/C (unspecified), G/H (specific dollar or percentage),

Continue my support of my favorite charities through a gift in my last will & testament

v.

Make a gift to charity in my last will & testament

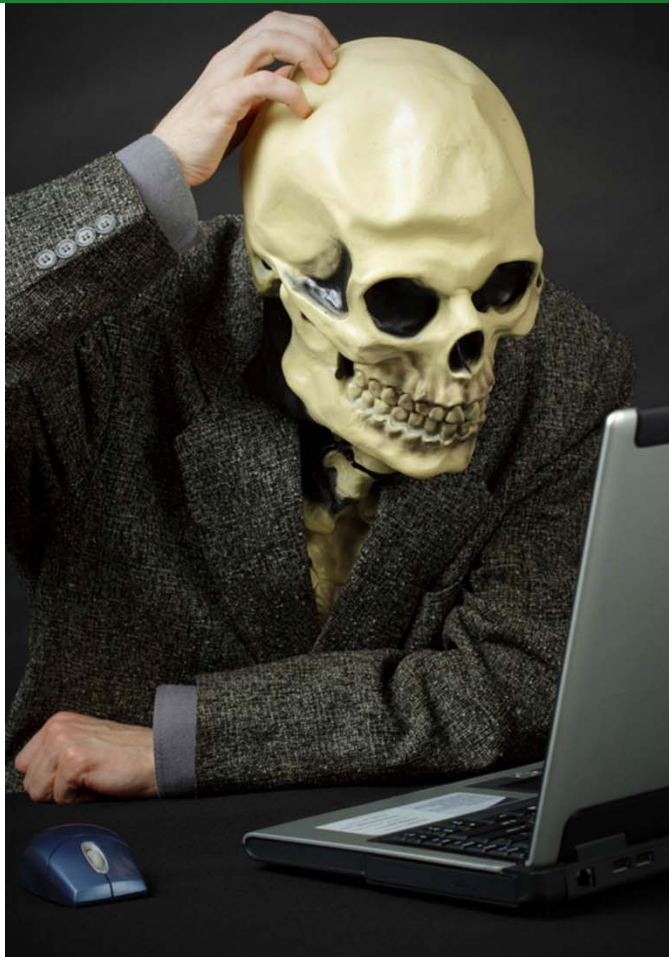
Slight **decrease** for unspecified bequest.

Slight **increase** for specific dollar bequest.

Slight **increase** for percentage of estate bequest.



Death Words



Should we
avoid using
“death”
words?



Avoiding “Death Words” Has Little Effect

2014 Survey, 1,317 Respondents,
Group E/F

Interested
Now

23%

Make a gift to charity in my
**last will & testament
that will take effect at
my death**

23%

Make a gift to charity in my
will

Will Never
Be
Interested

14%

12%



Avoiding “Death Words” Has Little Effect

2014 Survey, 1,218 Respondents,
Group B/E

**Interested
Now**

12%

Make a charitable gift of either a house or land, but keep the right to use it **for the rest of your life** and immediately receive a tax deduction for 70% of the value of the property.

15%

Make a charitable gift of either a house or land, but keep the right to use it **until you die** and immediately receive a tax deduction for 70% of the value of the property.

**Will Never
Be
Interested**

33%

32%



Transfer-On-Death

Any special phrasing for bank account or retirement account transfer-on-death beneficiary designations?





Slight Improvement With a Percentage Option

2014 Survey, 2,214 Respondents, Groups G/H/D

**Interested
Now**

14.4%

Make a gift by naming a charity as a transfer-on-death beneficiary **for some percentage** of a bank account or retirement account.

14.0%

Make a gift by naming a charity as a transfer-on-death beneficiary **for 10%** of a bank account or retirement account.

11.6%

Make a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.

**Will Never
Be
Interested**

24.1%

29.0%

25.6%



“Make a Gift” or “Leave a Gift:” No Difference

2014 Survey, 1,246 Respondents, Groups D/E

**Interested
Now**

12%

Make a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.

**Will Never
Be
Interested**

26%

12%

Leave a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.

26%



Don't Use "Bequest"

2014 Survey, 1,203 Respondents, Groups D/C

Interested
Now

12%

Make a gift by naming a charity as a **transfer-on-death beneficiary** on a bank account or retirement account.

Will Never
Be
Interested

26%

9%

Make a **bequest** gift by naming a charity as a **beneficiary** on a bank account or retirement account.

31%



Which Bequest?

Are people more responsive to leaving a percentage of the estate, a specific dollar amount, or unspecified?





Unspecified > Dollar Amount > Percentage Gift

2014 Survey, Groups C(606)/H(855)/H(855)

**Interested
Now**

26%

Make a gift to charity in my last will & testament.

**Will Never
Be
Interested**

12%

21%

Make a gift to charity **of a specific dollar amount** in my last will & testament.

14%

15%

Make a gift to charity **of a percentage of my estate** in my last will & testament.

28%



Simple Language and Starting with Honor

2014 Survey, 1,961 Respondents, Groups B/A/H

**Interested
Now**

23%

Honor a friend or family member by making a memorial gift to charity in my last will & testament

16%

Make a **bequest** gift to charity in my last will & testament in honor of a friend or family member **who appreciated** the charity's work

13%

Make a **bequest** gift to charity in my last will & testament in honor of a friend or family member who **was passionate about** the charity's work

**Will Never
Be
Interested**

17%

21%

21%




Simple Reminder

Sample courtesy of Phyllis Freedman, President of *SmartGiving* and “The Planned Giving Blogger”

I have included NIF in my will or trust, as a beneficiary of a retirement account or other planned gift.

My gift is in honor of memory of:

Relationship: _____

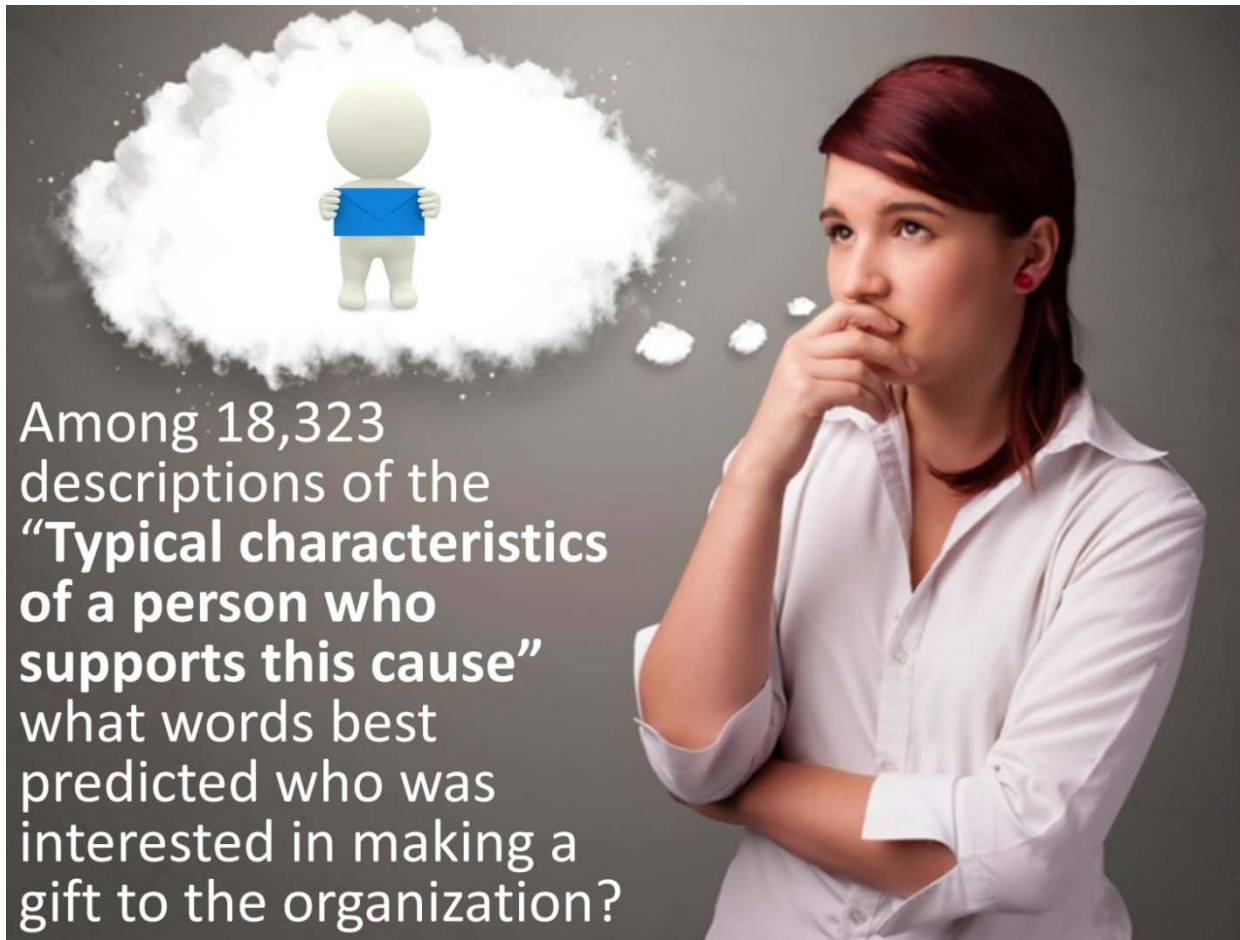


Among those initially asked the best phrased charitable bequest question, ***even without any reminders as in the previous study***, 22% increased their intention even more when given the option to “Honor a friend or family member by making a memorial gift to charity in my last will & testament”





A Final Example of Social/Emotional Language V. Market/Financial Language



Among 18,323 descriptions of the **“Typical characteristics of a person who supports this cause”** what words best predicted who was interested in making a gift to the organization?

Emotional language when describing “Typical characteristics of a person who supports this cause” reflects interest in current giving

Best 20-word statistical model to predict interest in current giving

(Maximum R2 model with all words appearing 100+ times except those describing the cause, appearing in the question, or not independently meaningful, from 18,323 separate descriptions for various charitable causes)

Positive word	Avg. Diff.	Negative word	Avg. Diff.
pain	+12.9	liberal	-11.8
myself	+ 9.7	funds	-7.8
survivor	+ 9.2	fund	-6.7
heart	+ 8.9	benefited	-6.2
willing	+ 7.1	money	-5.4
our	+ 5.6		
caring	+ 6.3		
should	+ 4.6		
cure	+ 4.9		
lost	+ 5.2		
kind	+ 5.6		
life	+ 4.2		
love	+ 3.3		
friend	+ 2.2		
help	+ 2.5		



Ideas



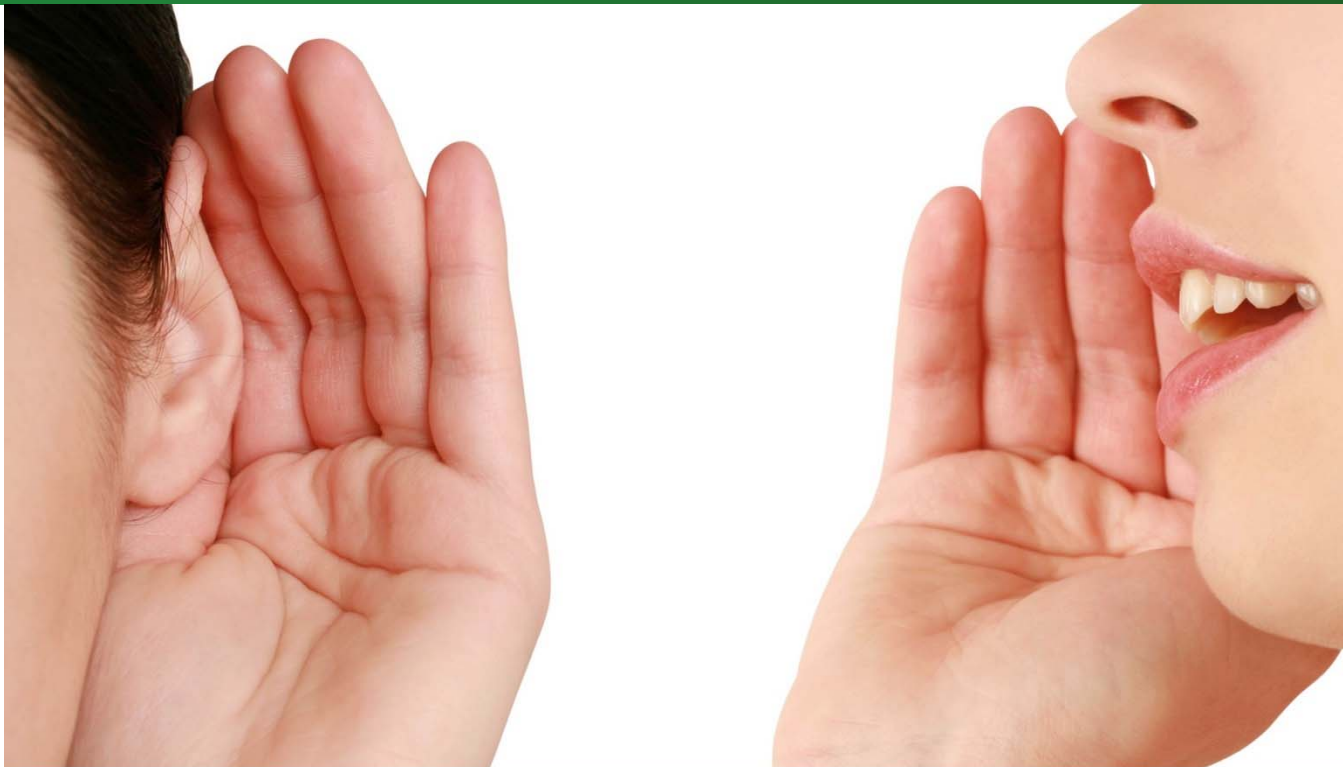
- Use family words (stories and simple words) not formal words
- Use social examples/norms
- Tell life stories of planned bequest donors
- Talk about benefits – in the right way
- Ask about family/friend connections to the cause and give the option of a tribute gift in the will
- Tell life stories of donors whose plans include tribute gifts
- Keep communicating to older donors



**Philanthropy
as synthetic
family: a
SOCIAL act
using the
mechanisms
of FAMILY
bonding**



Conclusion



**Communicating effectively about planned gifts:
What 5,000+ test subjects tell us**



Questions and Answers





Still Have a Question?

Contact: Prof. Russell James

E-mail: russell.james@ttu.edu