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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



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Communicating Effectively About Planned Gifts



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


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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



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Philanthropy as Synthetic Family

Philanthropy as synthetic family

Philanthropy is a **SO**CIAL act using the mechanisms of **FAMILY** bonding

Theory Results Action

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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.

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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*, 2, 41224.

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Philanthropy Uses Family Bonding Mechanisms

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




Muchlins, V. B., Park, J. W., Pined, E., Zick, P. J. (2009). Monetary charity giving strategies are mediated by vasopressin, oxytocin, and physical contact. *Evolution and Human Behavior*, 30, 276-281.

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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.

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Philanthropy is a “Social Act”

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



Thoma, S., Smith, D. W., & Sadoski, M. (2010). Processing of the Incentive for Social Approval in the Ventral Striatum during Charitable Donation. *Journal of Cognitive Neuroscience*, 22, 611-621.

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Philanthropy is a "Social Act"

Charitable giving is predicted by neural valuation

Neural valuation integrates inputs from social cognition regions

Understanding another's perspective
Posterior Superior Temporal Cortex

Having empathy with another
Anterior Insula

Ventral Medial Prefrontal Cortex

Wernke, T.A., Cameron, C. J., Knapp, D. L., O'Donoghue, J.P., and Rangel, A. (2013) Value Computations in Ventral Medial Prefrontal Cortex during Charitable Decision Making Incorporate Input from Regions Involved in Social Cognition. The Journal of Neuroscience, 33(2), 588-595.

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Family Words Outperform Formal Words

Family words (simple language and life stories) outperform formal words (technical, contract, market terms)

Philanthropy is a **SO**CIAL act using the mechanisms of **FAM**ILY bonding

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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**

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Family Words Outperform Formal Words



Use family language
Stories and simple words

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



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?

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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?



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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?

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Formal Terms Lower Charitable Interest

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

<p>Interested Now</p> <p>36%</p> <p>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.</p>	<p>Will Never Be Interested</p> <p>14%</p>
<p>22%</p> <p>Get an immediate tax deduction and still receive income from your investments for the rest of your life by making a gift</p> <p>using a "Charitable Remainder Trust"</p> <p>where you control the investment of the assets, but anything left over goes to charity at your death.</p>	<p>23%</p>

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Formal Terms Lower Charitable Interest

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

<p>Interested Now</p> <p>50%</p> <p>Receive a tax deduction and make a gift that pays you income for life</p>	<p>Will Never Be Interested</p> <p>8%</p>
<p>23%</p> <p>Receive a tax deduction and make a gift that pays you income for life</p> <p>called a "Charitable Gift Annuity"</p>	<p>19%</p>

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Formal Terms Lower Charitable Interest

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

<p>Interested Now</p> <p>26%</p> <p>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.</p>	<p>Will Never Be Interested</p> <p>23%</p>
<p>15%</p> <p>Immediately receive a tax deduction for 70% of the value of a house or land by making a charitable gift of the property,</p> <p>using a "Remainder Interest Deed"</p> <p>but keeping the right to use it for the rest of your life.</p>	<p>30%</p>

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Formal Terms Lower Charitable Interest



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

Interested Now		Will Never Be Interested
23%	Make a gift to charity in my will	12%
12%	Make a bequest gift to charity	14%

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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


Theory



Results


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Social Examples Influence Charitable Estate Decisions




SOCIAL examples influence charitable estate decisions

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


Theory


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Avoidance

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

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Avoidance

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

Johnson, E. J., & Goldstein, D. (2003). Do Defaults Save Lives? Science, 302, 1338-1339

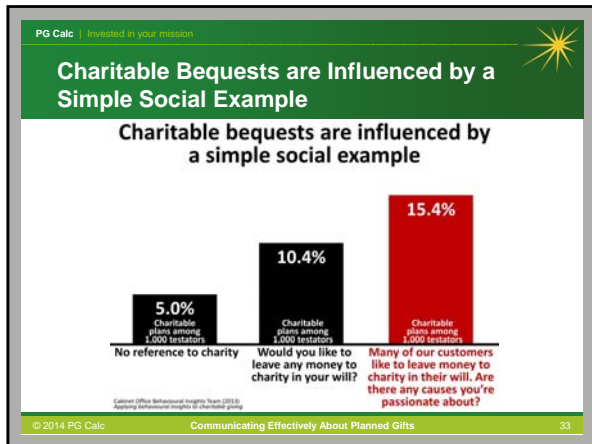
3,000 testators in the normal process of completing their wills were randomly assigned to one of three groups

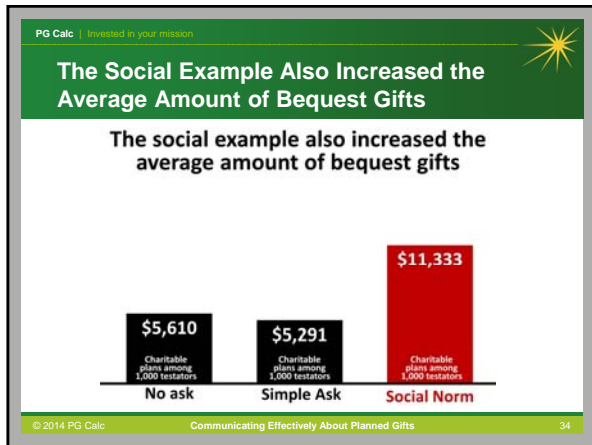
1 No reference to charity

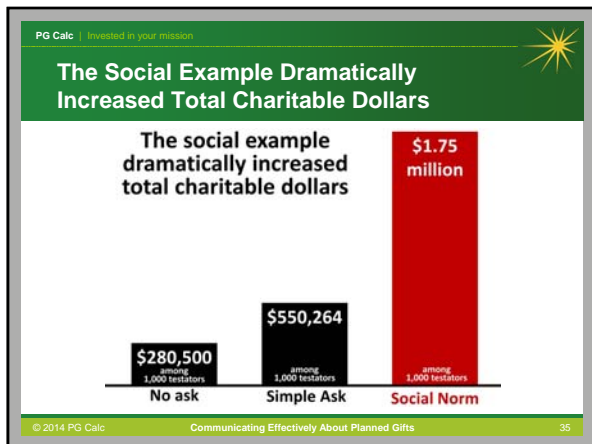
2 Would you like to leave any money to charity in your will?

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

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







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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%


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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



Theory



Results




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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

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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%

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Mentioning Tax Deductions Increases Charitable Interest

2014 Survey, 1,826 Respondents, Groups I/II/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%

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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%

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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.

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Age and Gender Differences



Age and gender differences

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



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%

Difference in older (50+) v. all respondents

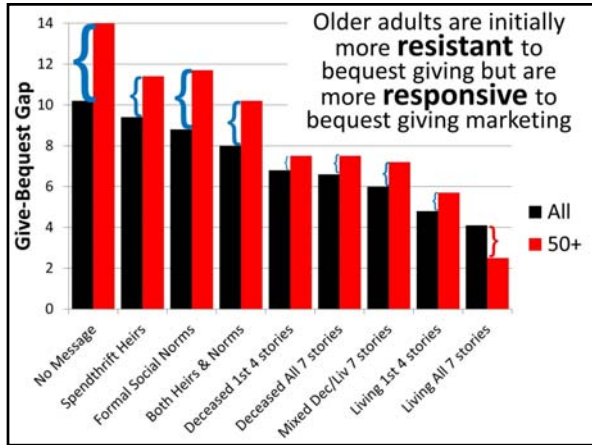
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Older Adults

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

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Older Adults

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

Category	All	50+
Will Never Be Interested		
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

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“Leave a Legacy” Not Helpful

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

Interested Now		Will Never Be Interested
22%	Leave a legacy gift to charity in my last will & testament	14%
26%	Make a gift to charity in my last will & testament	12%

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“Continue My Support” Had Mixed Results


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

<p>Continue my support of my favorite charities through a gift in my last will & testament</p> <p>v.</p> <p>Make a gift to charity in my last will & testament</p>	<p>Slight decrease for unspecified bequest.</p> <p>Slight increase for specific dollar bequest.</p> <p>Slight increase for percentage of estate bequest.</p>
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Death Words



Should we avoid using “death” words?

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Avoiding "Death Words" Has Little Effect

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

Interested Now		Will Never Be Interested
23%	Make a gift to charity in my last will & testament that will take effect at my death	14%
23%	Make a gift to charity in my will	12%

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Avoiding "Death Words" Has Little Effect

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


Interested Now		Will Never Be Interested
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.	33%
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.	32%

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Transfer-On-Death

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



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Slight Improvement With a Percentage Option

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

<p>Interested Now</p> <p>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.</p> <p>14.0% Make a gift by naming a charity as a transfer-on-death beneficiary for 10% of a bank account or retirement account.</p> <p>11.6% Make a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.</p>	<p>Will Never Be Interested</p> <p>24.1%</p> <p>29.0%</p> <p>25.6%</p>
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"Make a Gift" or "Leave a Gift:" No Difference

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

<p>Interested Now</p> <p>12% Make a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.</p> <p>12% Leave a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.</p>	<p>Will Never Be Interested</p> <p>26%</p> <p>26%</p>
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Don't Use "Bequest"

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


<p>Interested Now</p> <p>12% Make a gift by naming a charity as a transfer-on-death beneficiary on a bank account or retirement account.</p> <p>9% Make a bequest gift by naming a charity as a beneficiary on a bank account or retirement account.</p>	<p>Will Never Be Interested</p> <p>26%</p> <p>31%</p>
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Which Bequest?

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



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Unspecified > Dollar Amount > Percentage Gift

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

Interested Now		Will Never Be Interested
26%	Make a gift to charity in my last will & testament.	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%

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Simple Language and Starting with Honor

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

Interested Now		Will Never Be Interested
23%	Honor a friend or family member by making a memorial gift to charity in my last will & testament	17%
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	21%
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	21%


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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"



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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?

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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		

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Ideas

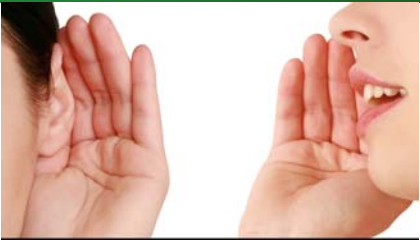
- Use family words (stories and simple words) not formal words
- Use social examples/norms
- Tell life stories of planned bequest donors
- Talk about benefits – in the right way
- Ask about family/friend connections to the cause and give the option of a tribute gift in the will
- Tell life stories of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

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

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Conclusion



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Questions and Answers



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Still Have a Question?

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