Wills that Won’t
The demographics of charitable estate planning

Russell James
Professor
Texas Tech University
It’s kind of a BIG DEAL
Why this new data is so important
The entire “lifetime” movie
(tracking same people from mid-life to post-mortem)
The entire “lifetime” movie

- Matches sequence of lifetime responses with post-mortem distributions for over 10,000 decedents
- Identifies timing of plan changes
- Large, federally-funded, longitudinal, in-person, well-compensated, nationally representative, study on health and retirement issues
Does charitable bequest planning cannibalize current giving?

“I don’t give now, because I have a planned charitable bequest”
Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study

Annual Charitable Giving in Constant (Inflation Adjusted) 2012 Dollars

-8 years Before
-6 years Before
-4 years Before
-2 years Before
Mixed
+2 years After
+4 years After
+6 years After
+8 years After
Giving Before and After Adding Charitable Beneficiary to Estate Plan

9,439 observations from a nationally representative longitudinal study

- **Before -8 years**
  - $3,000
- **Before -6 years**
  - $4,000
- **Before -4 years**
  - $5,000
- **Before -2 years**
  - $6,000
- **Mixed**
  - $7,000
- **After +2 years**
  - $7,381 annual giving post-plan
- **After +4 years**
  - $7,381 average annual giving post-plan
- **After +6 years**
- **After +8 years**

**+$3,171 average annual giving increase**

**+$4,210 average annual giving pre-plan**
Warning!

Some results might not be pretty
U.S. 55+ population with a will or trust
States allowing “Transfer on Death” deeds in 1995
States allowing “Transfer on Death” deeds in 2000
States allowing “Transfer on Death” deeds in 2005

[Map showing states in red indicating those allowing “Transfer on Death” deeds in 2005]
States allowing “Transfer on Death” deeds fall 2014
Age 55+ use of will alone or trust

- **Will Only**
- **Funded Trust**

1998 (n=18,987)
- 55%
1999 (n=18,142)
- 50%
2002 (n=17,353)
- 45%
2004 (n=17,464)
- 40%
2006 (n=17,033)
- 35%
2008 (n=16,280)
- 30%
2010 (n=17,562)
- 25%
2012 (n=17,798)
- 20%
2014 (projected)
- 15%
Charitable beneficiary among those aged 55+ with a will or trust

- 1998: 8.0% (n=18,987)
- 2000: 8.5% (n=18,142)
- 2002: 9.0% (n=17,353)
- 2004: 9.5% (n=17,464)
- 2006: 10.0% (n=17,033)
- 2008: 10.5% (n=16,280)
- 2010: 11.0% (n=17,562)
- 2012: 10.5% (n=17,798) (projected)
- 2014: 11.0% (projected)
U.S. 55+ with a charitable beneficiary

- 1998: 6% (n=18,987)
- 2000: 6% (n=18,142)
- 2002: 5% (n=17,353)
- 2004: 6% (n=17,464)
- 2006: 5.5% (n=17,033)
- 2008: 5.5% (n=16,280)
- 2010: 5.5% (n=17,562)
- 2012: 5.5% (n=17,798) (projected)
- 2014: 5.5%
Where’s the boom?
Charitable bequests: Predicted V. 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 2014.
Charitable bequests:
Predicted v. Received

$ Billions Annually

- 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 millennium: 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 2014.
Charitable bequests since 2000 have trended flat...

What’s going on?
Wealthy people die old. Wealthy bequest donors die even older.
70-90% of charitable bequest dollars come from decedents aged 80+
The “baby bust” is driving demographics

Births

2000000
2500000
3000000
3500000
4000000
4500000

1914 (Age 100)
1917 (Age 97)
1920 (Age 94)
1923 (Age 91)
1926 (Age 88)
1929 (Age 85)
1932 (Age 82)
1935 (Age 79)
1938 (Age 76)
1941 (Age 73)
1944 (Age 70)
1947 (Age 67)
1950 (Age 64)
1953 (Age 61)
1956 (Age 58)
1959 (Age 55)
1962 (Age 52)
1965 (Age 49)
1968 (Age 46)
1971 (Age 43)
1974 (Age 40)
1977 (Age 37)
1980 (Age 34)
1983 (Age 31)

The "baby bust" refers to a significant decrease in birth rates, which is driving changes in demographics. This period is marked by a notable drop in the number of births, influencing population trends and age distributions.
Total deaths in the United States
Total resident population by 5-year age groups

Key population not growing, YET
Coming demographic wave will impact 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: 88

The future is bright...
Age 55+ charitable recipient among those with will/trust by family status
Percent Childless Women at Age 40-44 in U.S.
Age 55+ inclusion of charitable recipient by education

- Grad School
- College Grad
- Some College
- HS Grad
- <HS Grad
Age 55+ charitable beneficiary among those with will/trust by giving/volunteering
Age 55+ giving ($500+) & volunteering (100+ hours)
What ultimately happened to those written and witnessed will documents reported during life?
Reported wills are often unused

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

- 38% Will probated
- 17% Unprobated will: nothing much of value
- 18% Unprobated will: estate otherwise distributed
- 11% Unprobated will: trust distributed
- 10% Unprobated will: other
- 6% No will found
Funded trusts more likely to work

- 76% Funded trust exists
- 10% Probated will
- 7% Otherwise divided
- 3% Nothing much of value
- 4% Unknown/Not yet distributed

Distributed estates where decedent reported having a funded trust (n=1,102)
Documents

• The will is only a back-up document
• Ask about titling and beneficiary designations (especially qualified plans!)
• Most wills are never used – let me explain why
• Encourage trust planning
• Consider alternate will language “a dollar amount equal to ___ percent of my adjusted federal gross estate...”
Reaching the right people at the right time
Who are these people?
Predicting who ACTUALLY leaves a charitable estate gift AT DEATH
Lifetime predictors of a post-mortem bequest gift
1. % years giving
2. No offspring
3. Highest giving
4. % years reporting funded trust
5. Female
6. Last reported wealth
7. Not married
8. Last reported giving
9. Growing wealth
10. % years volunteering
## Best 1 to 10-Item Models

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base rate</strong></td>
<td>2.36%</td>
<td>1.47%</td>
<td>1.49%</td>
<td>1.11%</td>
<td>-2.73%</td>
<td>-4.70%</td>
<td>-3.20%</td>
<td>-3.12%</td>
<td>-2.89%</td>
<td>-3.03%</td>
</tr>
<tr>
<td><strong>% years giving</strong></td>
<td>8.69%</td>
<td>8.85%</td>
<td>8.66%</td>
<td>6.40%</td>
<td>6.73%</td>
<td>5.96%</td>
<td>6.22%</td>
<td>6.16%</td>
<td>6.29%</td>
<td>5.68%</td>
</tr>
<tr>
<td><strong>No offspring</strong></td>
<td>8.66%</td>
<td>8.55%</td>
<td>8.60%</td>
<td>8.36%</td>
<td>9.56%</td>
<td>8.05%</td>
<td>8.00%</td>
<td>7.92%</td>
<td>7.95%</td>
<td></td>
</tr>
<tr>
<td><strong>Highest giving $k</strong></td>
<td>0.12%</td>
<td>0.11%</td>
<td>0.11%</td>
<td>0.11%</td>
<td>0.11%</td>
<td>0.11%</td>
<td>0.07%</td>
<td>0.07%</td>
<td>0.07%</td>
<td></td>
</tr>
<tr>
<td><strong>% years reporting trust</strong></td>
<td>10.19%</td>
<td>10.24%</td>
<td>8.43%</td>
<td>9.45%</td>
<td>9.36%</td>
<td>9.39%</td>
<td>9.46%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Female</strong></td>
<td>2.45%</td>
<td>2.65%</td>
<td>2.00%</td>
<td>1.96%</td>
<td>1.90%</td>
<td>1.91%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Last wealth (doubles)</strong></td>
<td>0.07%</td>
<td>0.08%</td>
<td>0.08%</td>
<td>0.06%</td>
<td>0.06%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Married</strong></td>
<td>-2.18%</td>
<td>-2.23%</td>
<td>-2.30%</td>
<td>-2.26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Last giving $k</strong></td>
<td>0.10%</td>
<td>0.10%</td>
<td>0.10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wealth trend</strong></td>
<td></td>
<td></td>
<td></td>
<td>1.76%</td>
<td>1.83%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% years volunteering</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other items valuable (p<.01) in larger models: Education level and Age at death
Predicting the actual dollars of charitable estate gifts at death

Note: Dollar-based analyses are always dominated by a few major donors, so the results may be less reliable than the “yes” v. “no” question.
1. Avg. annual giving
2. Ending wealth
3. No offspring
4. Last reported giving
5. % years with funded trust
6. (-) Highest ever reported wealth
7. Avg. wealth over time
8. (-) Lowest ever reported wealth
9. (-) Highest $ given in one year
10. Unmarried
## Best 1 to 10-Item Models

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>base rate</td>
<td>1,499</td>
<td>703</td>
<td>-242</td>
<td>-199</td>
<td>-826</td>
<td>-561</td>
<td>-836</td>
<td>-636</td>
<td>-567</td>
<td>346</td>
</tr>
<tr>
<td>Average $k giving</td>
<td>1,415</td>
<td>1,344</td>
<td>1,340</td>
<td>1,024</td>
<td>1,004</td>
<td>1,078</td>
<td>1,056</td>
<td>1,044</td>
<td>1,244</td>
<td>1,250</td>
</tr>
<tr>
<td>Last reported wealth $k</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>No offspring exists</td>
<td>9,774</td>
<td>9,722</td>
<td>9,815</td>
<td>9,807</td>
<td>9,917</td>
<td>9,868</td>
<td>9,844</td>
<td>9,325</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$k of giving in last report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% years reporting funded trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highest reported wealth $k</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average reported wealth $k</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest reported wealth $k</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highest $k year of giving</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-2,409</td>
</tr>
</tbody>
</table>

Other items valuable (p<.01) in larger models: Education level and Any Gift at Last Report
Reaching the right people at the right time
When do plans change?
Factors predicting when charitable plans are added
1. Approaching death (final pre-death survey)
2. Becoming a widow/widower
3. Diagnosed with cancer
4. Decline in self-reported health
5. Divorce
6. Diagnosed with heart problems
7. Diagnosed with a stroke
8. First grandchild
9. Increasing assets
10. Increasing charitable giving
Plans destabilize when

1. Death feels near
   - Final pre-death survey
   - Decline in self-reported health
   - Diagnosis with cancer
   - Diagnosis with heart disease
   - Diagnosis with stroke
   - Becoming a widow or widower

2. Family structure changes
   - Divorce
   - First child
   - First grandchild
   - Becoming a widow or widower
Factors predicting when charitable plans are DROPPED
1. Decline in self-reported health
2. Approaching death (final pre-death survey)
3. Becoming a widow/widower
4. Divorce
5. Diagnosed with cancer
6. Diagnosed with heart problems
7. Diagnosed with a stroke
8. First grandchild
9. First child
10. Exiting homeownership
Plans destabilize when

1. Death feels near
   - Final pre-death survey
   - Decline in self-reported health
   - Diagnosis with cancer
   - Diagnosis with heart disease
   - Diagnosis with stroke
   - Becoming a widow or widower

2. Family structure changes
   - Divorce
   - First child
   - First grandchild
   - Becoming a widow or widower
Most realized charitable plans (in red) added within 5 years of death

- Estates:
  - Last "no charity" 0-2 years pre-death: 20%
  - Last "no charity" 2-5 years pre-death: 43%
  - Last "no charity" 5+ years pre-death: 15%
  - Always reported charity in plan: 22%

- $ Gifted:
  - Last "no charity" 0-2 years pre-death: 39%
  - Last "no charity" 2-5 years pre-death: 38%
  - Last "no charity" 5+ years pre-death: 10%
  - Always reported charity in plan: 13%
Although most charitable plans were added within 5 years of death, **ONE** longer-term plan was worth **FOUR** first made in the last two years.
A 5% national sample of 2012 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

Plans destabilize as death approaches

- Lifetime reports made as death approaches
- Post-mortem transfers v. lifetime reports
- Timing of the last changes made to the final will
Most still report charitable plans 10 years later

10-Year Retention of Charitable Estate Component

- **Year Retention of Charitable Estate Component**
  - Age 70+
  - Age 50-69

<table>
<thead>
<tr>
<th>Period</th>
<th>Age 70+</th>
<th>Age 50-69</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993/4 to 2004</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1995/6 to 2006</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>1998 to 2008</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>2000 to 2010</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>2002 to 2012</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>
Charitable Plan Loss Trajectory
Among those still alive and answering the question who reported having a charitable component in BOTH 1998 & 2000
So where does “Once in, Always in” come from?
Plans destabilize as death nears

We can see this only in a Lifetime survey, not in a One Time survey.
The NCPG (2000) study showed that 90% of planned bequest donors don't change their plans.

Among those (avg. age of 58) WITH a charitable plan, 10% chose “Amount Decreased” when asked about their overall plan, “Has the amount of the charitable bequest ever increased or decreased?”

It showed that IF charity stayed in, plan changes decreased total charitable amount 10% of the time.
Practice suggestions

What now?
Many charities go silent at the most important point of decision.
“Count it and forget it” doesn’t work!
A bequest commitment is the beginning, not the end

Higher value in converting to irrevocable commitments: gift annuities, charitable remainder trusts, remainder interests is homes and farms.
Charitable plans signed earlier **DO** produce larger gifts, **IF** they stay in (or they return later)
Don’t ignore your oldest supporters
Half of all charitable bequest dollars came from decedents this age and older...

**Age 85**

New Australian study (5% sample of national probate files 2010):
**Age 90**

Remember that most realized charitable bequests are added within 5 years of death.
Age at Will Signing
(by share of total charitable bequest $ transferred)

- 80s+: 76%
- 70s: 13%
- pre-70: 11%

Age when charitable decedents added final charities by $ transferred

This does not count more recent wills where charity was not added.

Date of charity addition is known for only 59% of charity dollars transferred. Others had charity plan when first entering the survey (median entry age 77).

U.S. Data: 12,238 decedents from 1992-2012 Health & Retirement Study, displaying $19,298,578 in known ($13,668,695 unknown) post-mortem charitable transfers when capped at $1MM per transfer maximum.
For those 75+ with lifetime connections, stay “top of the mind”
(service, service communication, mission communication, honoring/thank you, living bequest donor stories)
Many of our customers like to leave money to charity in their will. Are there any causes you’re passionate about?

Charitable bequest decisions are often unstable and easily influenced.

- No reference to charity: 5.00%
- Would you like to leave any money to charity in your will?: 10.40%
- Many of our customers like to leave money to charity in their will. Are there any causes you’re passionate about?: 15.40%

(Cabinet Office Behavioural Insights Team)
The score doesn’t count until the clock runs out

- Plans change every time a donor opens a new account with a TOD/POD or changes a joint account owner
- Plans become unstable as death approaches
- Stay connected! Stay communicating!
Where’s the boom?

A realistic boom is starting soon (5 years)

Who are these people?

Wealthy, consistent donors with a trust (especially childless and unmarried)

Wills that won’t

But, trusts do

Approaching mortality & family changes

When do plans change?
My favorite student evaluation from a personal finance class...

This class sucked. It was all about reality. I didn’t want to know this stuff.
Wills That Won't

www.EncourageGenerosity.com/ACBD.pdf

Russell James
Professor
Texas Tech University
Drilling down...
When death feels near or family changes plans are both dropped and added.

But what drives NET changes?
## Combined effect (adding less dropping) of lifetime changes on the presence of a charitable plan

<table>
<thead>
<tr>
<th>rank</th>
<th>Δ factor</th>
<th>Δ in conditional probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Start (-stop) giving</td>
<td>+7.98%</td>
</tr>
<tr>
<td>2</td>
<td>Start (-stop) volunteering</td>
<td>+5.85%</td>
</tr>
<tr>
<td>3</td>
<td>+ assets by 10k</td>
<td>+0.01%</td>
</tr>
<tr>
<td>4</td>
<td>+ annual volunteering hours by 100</td>
<td>+0.91%</td>
</tr>
<tr>
<td>5</td>
<td>Being diagnosed with cancer</td>
<td>+7.28%</td>
</tr>
<tr>
<td>6</td>
<td>$1k change in giving to charity</td>
<td>+0.10%</td>
</tr>
<tr>
<td>7</td>
<td>Becoming a widow/widower</td>
<td>+5.72%</td>
</tr>
<tr>
<td>8</td>
<td>The last survey before death</td>
<td>+5.28%</td>
</tr>
</tbody>
</table>
Race and ethnicity in charitable planning
Age 55+ charitable beneficiary among those with will or trust by race/ethnicity

- White (NH)
- Black (NH)
- Hispanic
Age 55+ use of will or trust by race/ethnicity

- White (NH)
- Black (NH)
- Hispanic

Age 55+ inclusion of charitable beneficiary by race/ethnicity

- White (NH)
- Black (NH)
- Hispanic
Trends in use of funded trusts
Age 55+ use of funded trust by wealth

- Top 20%
- 60%-80%
- 40%-60%
- 20%-40%
- Bottom 20%
Age 55+ use of funded trust by household type

- Married Households
- Single Female HH
- Single Male HH
Age 55+ use of funded trust by race/ethnicity

- White (NH)
- Black (NH)
- Hispanic
Additional trends
Charitable beneficiary among those with a will or trust by age

- 55-64
- 65-74
- 75+

Year:
- 1993
- 1995/6
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014 (p)
Age 55+ with a will or trust by age

- 1995/6
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014 (p)

- 55-64
- 65-74
- 75+

Age groups: 55-64, 65-74, 75+
Age 55+ use of will alone by age

- 55-64
- 65-74
- 75+

Age 55+ use of funded trust by age
Age 55+ use of will alone by household type

- Married Households
- Single Female HH
- Single Male HH
Age 55+ use of will or trust by household type
Age 55+ use of will or trust by family status

- Grandchildren
- Children only
- No Offspring (unmarried)
- No Offspring (married)
Age 55+ use of will or trust by giving and volunteering

- Volunteer Only
- Donor Only
- Both
- Neither
Age 55+ charitable beneficiary by household type

Married Households
- Single Female HH
- Single Male HH

Graph showing the percentage of age 55+ charitable beneficiaries by household type from 1998 to 2014.
Age 55+ charitable beneficiary among those with will/trust by education level

- Grad School
- College Grad
- Some College
- HS Grad
- <HS Grad
Age 55+ charitable beneficiary by wealth

- Top 20%
- 60%-80%
- 40%-60%
- 20%-40%
- Bottom 20%