

# **The Timing of Final Charitable Bequest Decisions**

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## **Abstract**

Understanding the timing of final charitable bequest decisions permits nonprofits to co-ordinate their marketing efforts to correspond with donor decision making. Using probate data from Australia and longitudinal survey data from the U.S., this paper seeks to identify the timing of decisions that resulted in realized charitable bequests. We find evidence that charitable transfers result mostly from decisions that occur during the last five years of life and at the oldest ages. Charitable plans made earlier in life are often discarded.

## **Introduction**

Charitable bequest income is a significant source of revenue for many nonprofit organizations. In the U.S., Giving USA (2013) reported over \$23 billion in charitable bequests, which was substantially greater than all corporate donations. One in ten Australian charities described bequest giving as their most important source of funding (Giving Australia 2005).

Identifying the timing of final charitable bequest decisions is potentially valuable to nonprofit organizations seeking to increase charitable bequest income. To the extent that nonprofit organizations have a better understanding of when such decisions are made, they can more effectively concentrate their marketing efforts to correspond with the timing of donors' actual decisions. The effects of communicating at or near the point of decision may be

particularly strong with charitable bequest decisions. For example, one experiment found that slight wording changes during the will-making process doubled or tripled the share of testators including charity in their estate plans (Cabinet Office, 2013). Although previous research has explored the characteristics of planned bequest donors (Wiepking, Madden, & McDonald 2010; Sargeant, Hilton, Wymer 2006; Routley & Sargeant 2014; Sikkel & Schoenmakers 2012) and predictors of charitable plan changes during life (James, 2009) none has focused specifically on the timing of the final charitable bequest decision.

Unlike other charitable gifts, charitable bequests can occur at only one point in time – at the death of the donor. Correspondingly, although a person may sign several wills during his or her life, only one will document – the final one – can actually transfer assets to charity. As such, nonprofit organizations interested in receiving bequest gifts should be particularly (if not exclusively) interested in influencing this final will document. The date of the execution of this final document can reveal the age at signing and, retrospectively, the nearness to the date of death.

However, identifying the timing of the donor's decision to include a charity may not be as simple as locating the signing date of the final will. Although signing a will likely reflects *some* change in the estate plan (unless prompted by the loss of the previous document), it may not reflect any change in the *charitable* component of the plan. For example, a bequest donor may have always had a specific charitable organization named as a recipient, even though the donor may have signed several new wills for administrative purposes, such as a change of residency or selection of a different executor. In this case, the original action to include the charity in the estate plan may have occurred many years prior to signing the final will. The final will might indicate a continuing assent to the original charitable decision (as would the ongoing

decision not to revise the final will), but it may not be the original point of decision to include a charity. Although the original inclusion of the charity in the estate plan could not have occurred after the final will, it may have occurred many years before.

Disputes regarding the timing of these charitable decisions can lead to radically different targeting of nonprofit marketing expenditures. For example, if charitable bequest plans were stable throughout life, it would make sense to target young donors, secure in the knowledge that once a charity was in the estate plan it could expect – eventually – to receive a bequest gift. Some industry reports encourage nonprofit organizations to do exactly this, suggesting that, “The majority of best prospects for planned gifts are age 40 to 54... even younger supporters make strong candidates” (The Stelter Company, 2013) because “Once a nonprofit is included in a will, it is rarely dropped” (The Stelter Company, 2009). Conversely, if charitable bequest decisions made during younger years are not ultimately reflected in the final will, then efforts to target younger supporters may have limited value.

In this paper we review evidence from Australia and the United States related to the timing of the final charitable bequest decision. We find consistent support for the proposition that charitable bequests are dominated by old-age and end-of-life decisions, for example,

1. Over three-fourths of bequest dollars transferred to charity were from wills signed at age 80 or older (Australia).
2. The majority of probated wills with a charitable recipient were signed within five years of death (Australia).
3. The majority of decedents making charitable estate transfers had no charity in their estate plan at some point within five years of death (U.S.).

4. The ten-year retention rate of a charitable estate component is approximately 55% among adults over age 50 (U.S).

### **Australian data and results**

The Australian data comes from a 5% sample of probate files in the six states of Australia and the two mainland territories constituting 3,793 total files (Baker, 2014). The files were from probate records filed in 2012 (or 2010 in Queensland). The dataset included the amount, if any, of a charitable gift. Among these 3,793 total files, 211 estates (5.3%) included a gift to charity. The gifts ranged from one dollar to \$10.2 million with a median gift of \$16,418.50 and a mean gift of \$202,949.20.

The age at death for decedents whose plan included a charitable bequest ranged from 50 to 106, with a median of 86 and a mean of 84. The age at death by which charities would have received 50% of the dollars transferred was 90. Table 1 shows the cumulative share of estates and estate dollars received by different ages of death. Also included is a column where the largest estate gifts are capped at \$1 million (there were seven gifts in excess of \$1 million) to limit the influence of these very large gifts.

Table 2 indicates that the age at the signing of the final charitable will ranged from 38 to 100 with a median of 80 and mean of 78. Over 75% of charitable dollars came from wills signed at age 80 and older. (This number falls to about 60% when limiting the largest gifts.) In contrast, wills signed before age 65 accounted for only about 9% of all charitable dollars transferred. This suggests that influencing wills signed before age 65 is not directly important in generating gifts; however, it might be indirectly important to the extent such wills impact the content of subsequent wills signed later in life.

Corresponding with the relatively older ages at which final charitable wills were signed, Table 3 indicates that these wills also tended to be signed within the last few years of life. During initial coding of the information from the probate records, time before death was recorded as a 0 if death occurred in the same calendar year as the will signing, 1 if will signing occurred in the previous calendar year, and so forth. Thus, the data does not contain the precise time between date of death and date of execution. The majority of charitable estates and the majority of charitable dollars were controlled by wills signed within five calendar years of the date of death. In contrast fewer than 8% of charitable dollars and 7% of charitable estates were controlled by wills signed more than 15 calendar years prior to death. This suggests that influencing wills signed more than 15 calendar years prior to death is not directly important in generating bequest gifts. However, it might be indirectly important to the extent that such wills impact the content of subsequent wills signed closer to death.

The Australian data demonstrates the relative insignificance of final wills signed before age 65 or more than 15 years prior to death in actually transferring dollars to charity. However, an argument remains that influencing these earlier wills might still be indirectly important, at least to the extent that the final wills are reflecting a continuation of charitable decisions made in prior wills. Because probate records contain only the final will, they cannot address this possibility. For this, we turn to longitudinal data from the U.S.

## **U.S. data and results**

Where probate records are kept at the state level in Australia, they are kept at the county level in the U.S., meaning that the records are stored in 3,144 different government offices. This makes the task of taking a national sample of probate records dramatically more difficult in the

U.S. than in Australia. However, the Health and Retirement Study (HRS) in the U.S. – a longitudinal study representative of the national population over age 50 – includes information about the presence of a charitable component in the respondents’ estate plans. (Those who indicated that they have a written or witnessed will or trust are asked, “Have you made provisions for any charities in your will or trust?”) Thus, the timing of adding or dropping a charitable component in the estate plan can be observed. (However, switching from one charity to another is not observable.) Further, after a respondent dies, the HRS interviews heirs or caretakers to identify the recipients of the estate’s assets, including charitable beneficiaries. Between the beginning of the survey in 1992 and 2012, information has been collected on the estates of 12,238 HRS panel members who have died. In 5.4% of these estates, surviving family members or caretakers reported a charitable estate transfer.

Using this data, we return to the question of how long prior to death the charitable component was added to the estate plan. Specifically, we examine the most recent time prior to death that the decedent from a charitable estate personally indicated that he or she did not have a charitable component in his or her estate plan. We exclude responses where the decedent chose not to answer the question, where the decedent didn’t know the answer to the question, or where the answer was given by a proxy respondent (such as a spouse) during the decedent’s life. The time before death is calculated as the difference between the date of death and the date of the survey during which the decedent personally indicated the absence of a charitable component in his or her estate plan. Where the date of the final will document reveals the date on or before which the final charitable decision must have been made, this survey response reveals the date *after* which the final charitable decision must have been made.

Table 4 reports that most (61%) charitable plans and nearly half (48%) of charitable dollars were added within five years of death. This means that within five years of death the decedent personally reported that he or she had no charitable component in his or her current estate plan. In 26% of cases the date of adding the charitable plan is unknown, either because the respondent always reported having a charitable component or because the respondent never answered the charitable estate question. (Because respondents entered the survey at different dates and died at different dates, the duration of positive reports among those who always reported having a charitable component varied from less than a year to more than 16 years prior to death.) This suggests that the five years prior to death are, in fact, a critical decision period for introducing a charitable component into an estate plan. However, it is worth noting that estates where a charitable component was always reported generated a disproportionately large share of the total charitable estate dollars transferred. This supports the argument that getting a charitable component into the estate plan earlier may generate larger gifts.

Table 4 reports the timing of *adding* a charitable estate component among those decedents who actually left a gift to charity at death. As such, it does not report when charitable estate components are *dropped*. To examine the dropping of a charitable estate component, Table 5 reports the (roughly) ten year retention rates of charitable estate components. In other words, among those who initially indicated the presence of a charitable estate component who were still answering the question ten years later, what percentage still reported having a charitable estate component?

The HRS survey is given every two years. Thus every fifth wave represents roughly ten years (although the exact timing of the surveys within the year may vary). Additionally, the age ranges and time periods vary slightly due to the history of the HRS survey. The charitable estate

question was first asked in the predecessor survey, Asset and Health Dynamics among the Oldest Old (AHEAD). The first AHEAD surveys were given to respondents aged 70 and older during 1993 into early 1994. The younger age groups (50-69) were first asked the charitable estate question beginning in 1998.

Table 5 shows the ten-year retention of a charitable estate component at 51% to 61%. The average ten-year retention rate for all ages (50+) and all years among those still answering the charitable estate question was 55.5% (1136 of 2047). This suggests that the statement, “Once a nonprofit is included in a will, it is rarely dropped” is not accurate. Indeed, the rate of dropping an individual charity may be greater than that shown here as Table 3 reports the tendency to remove all charitable components from the estate plan. Even among those plans where some charitable component was retained, an individual charity may have been removed.

## **Conclusion**

Evidence from both Australian probate records and the U.S. longitudinal survey (HRS) converge to suggest that determination of the final charitable estate gift is largely an old age and end-of-life decision. Fundraisers should not expect that charitable components placed into the estate plan during mid-life will necessarily result in bequest dollars eventually flowing through to their charity. The data demonstrates it is difficult to retain charitable provisions in estate plans over time, as retention rates are far lower than many fundraisers and their advisors (The Stelter Company, 2009, 2013) might generally believe. Nevertheless, the retention rates do remain at more than one in every two (55%) across a decade, and those charitable provision which are retained in an estate plan longer-term do tend to deliver larger dollar-value gifts. Our analysis of



the Australian and U.S. data therefore suggests two different but ultimately complementary points of strategic positioning.

Firstly, there may be value to a charity in encouraging their inclusion in an early estate plan. In the U.S. data the 32% of charitable estates where a charitable component was always reported or always reported during the last five years prior to death generated 49% of the charitable dollars transferred. Thus, early inclusion is associated with a larger gift amount. However, early inclusion provides no guarantee because maintaining the charity's placement in the estate plan may not be an easy task. As Table 5 indicates, charitable estate plans are relatively unstable over long periods of time. Thus the key to charity success may not simply be early inclusion, but rather early inclusion only if combined with lifelong stewardship. Lifelong stewardship may be particularly difficult when the legacy fundraising approach is to reward and recognize only newly reported plans, i.e., "count it and forget it." Even in an environment that recognizes the importance of ongoing donor stewardship, maintaining a lifelong relationship can be challenging given the relatively (compared to donor lifetimes) short tenure of most fundraisers and the tendency of organizations to change fundraising approaches over time.

Secondly, many donors make their final decision as to the inclusion of a charitable provision in their estate plan only in their last plan, that which is drawn up close to the end of their life. The evidence suggests that old age and end-of-life donor relationships are key to bequest donation success. Thus, an organization focused on more immediate legacy results may do well to concentrate their efforts in this critical decision-making time. It may be important to maintain relationships during this time of decision-making even with lapsed donors. (Such a focus on old age and end-of-life stewardship also helps to address the final portion of the lifelong stewardship needs of the first strategy.) Nevertheless, the statistical reality of when such

decisions are made, although instructive, does not address the myriad issues of communicating during old age and the ending years of life.

### **Limitations and future research**

These results came from data in Australia and the U.S. There is, of course, no guarantee that the same behavior holds for other jurisdictions. Additionally, bringing together these two sets of information from different countries to answer a common question implies that there is an underlying behavior common to both nations. It may be that more similar data sources from these countries (e.g., probate files from the U.S., or a nationally-representative longitudinal survey in Australia) would yield additional differences.

Further, these results indicate only the “what” of the charitable bequest behavior but not the “why?” Future research may profitably explore the reasons behind such behaviors as dropping or adding charitable components of an estate plan during life, and to what extent these behaviors can be influenced by actions from charities.

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**Table 1****Decedent age at death in Australian charitable final wills**

<b>Age at death</b>	<b>% charitable</b>		
	<b>% charitable dollars</b>	<b>dollars (\$1MM max)</b>	<b>% charitable estates</b>
<40	0.00%	0.00%	0.00%
<50	0.00%	0.00%	0.00%
<55	0.17%	0.29%	1.93%
<60	0.26%	0.43%	3.38%
<65	1.81%	3.01%	3.38%
<70	7.00%	11.68%	8.21%
<75	8.10%	13.51%	13.53%
<80	12.47%	20.81%	19.32%
<85	18.42%	30.74%	33.82%
<90	44.61%	63.38%	62.32%
<95	72.80%	90.80%	81.64%

**Table 2****Decedent age at final will execution in Australian charitable final wills**

<b>Age at will signing</b>	<b>% charitable</b>		
	<b>% charitable dollars</b>	<b>dollars (\$1MM max)</b>	<b>% charitable estates</b>
<40	2.82%	4.70%	1.45%
<50	2.88%	4.81%	2.42%
<55	2.99%	4.99%	3.86%
<60	5.74%	9.58%	8.21%
<65	9.09%	15.16%	13.53%
<70	13.07%	21.47%	18.36%
<75	20.67%	34.14%	33.33%
<80	24.36%	40.29%	46.38%
<85	50.05%	72.38%	66.67%
<90	71.72%	89.00%	88.41%
<95	75.90%	95.99%	98.55%

**Table 3****Calendar years between final will execution and death in Australian charitable final wills**

<b>Calendar years between signing and death</b>	<b>% charitable dollars</b>	<b>% charitable dollars (\$1MM max)</b>	<b>% charitable estates</b>
0	6.60%	11.00%	14.35%
1 to 0	12.69%	20.17%	26.32%
2 to 0	18.02%	28.78%	35.41%
3 to 0	35.28%	38.34%	44.02%
4 to 0	42.64%	47.84%	52.63%
5 to 0	51.86%	56.21%	59.33%
10 to 0	61.09%	71.58%	83.25%
15 to 0	92.51%	87.86%	93.78%
30 to 0	98.63%	97.72%	99.04%

**Table 4****Timing of most recent pre-death report of having no charitable estate component among decedents making charitable estate gifts (U.S.)**

Decedent had no charitable estate component	Charitable estates	Charitable \$ transferred (\$1MM max)
Within 2 years before death	40%	36%
Within 2-5 years before death	21%	12%
Over 5 years before death	14%	12%
Unknown (always reported)	18%	37%
Unknown (never answered)	7%	4%

Notes: n=662 charitable estates out of 12,238 total estates. The total dollars transferred reflects capping the eight estates with gifts in excess of \$1 million at this level. There is a single gift of over \$62 million that would otherwise constitute the majority of the \$102 million in charitable transfers made by all decedents.



**Table 5**

**Retention of charitable estate component among those answering charitable estate question**

**10 years later (U.S.)**

Period	Retention rate (n)	Retention rate (n)
	Initial age 70+	Initial age 50-69
1993/4 to 2004	50.9% (163)	
1995/6 to 2006	56.0% (134)	
1998 to 2008	61.2% (183)	55.9% (401)
2000 to 2010	53.3% (210)	55.8% (394)
2002 to 2012	54.5% (211)	55.6% (351)