

Wills That Won't:

A 30-year national study of charitable planning additions, deletions, and ultimate estate transfers



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1

It's kind of a **BIG DEAL**



Why this data is so important

2

The diagram is set against a black background. At the top, two white-bordered boxes are shown. The left box is titled 'Small one-time snapshots in life' and contains a photograph of a woman in a blue denim shirt taking a selfie. The right box is titled 'Post-mortem for largest estates' and contains a photograph of a grey gravestone. In the center, the text 'Old data' is written in white. Below this, a film strip graphic curves across the frame. The text 'This data' is centered above the film strip. The film strip contains several frames: a young woman, a woman with red hair, a woman with glasses, a woman with white hair, and an elderly woman. To the right of the film strip, there are small icons of a brown suitcase and a grey gravestone. Below the film strip, the text 'The entire "lifetime" movie' is written in large red font, with '(tracking same people from mid-life to post-mortem)' in smaller black font underneath.

Small one-time snapshots in life

Post-mortem for largest estates

Old data

This data

The entire "lifetime" movie
(tracking same people from mid-life to post-mortem)

3

The entire "lifetime" movie

- Matches sequence of lifetime responses with post-mortem distributions for over 15,000 decedents
- Identifies timing of plan changes
- Large, federally-funded, longitudinal, in-person, well-compensated, nationally representative, study on health and retirement issues

The film strip graphic is identical to the one in slide 3, showing a sequence of images from a young woman to an elderly woman, with icons of a suitcase and a gravestone.

4

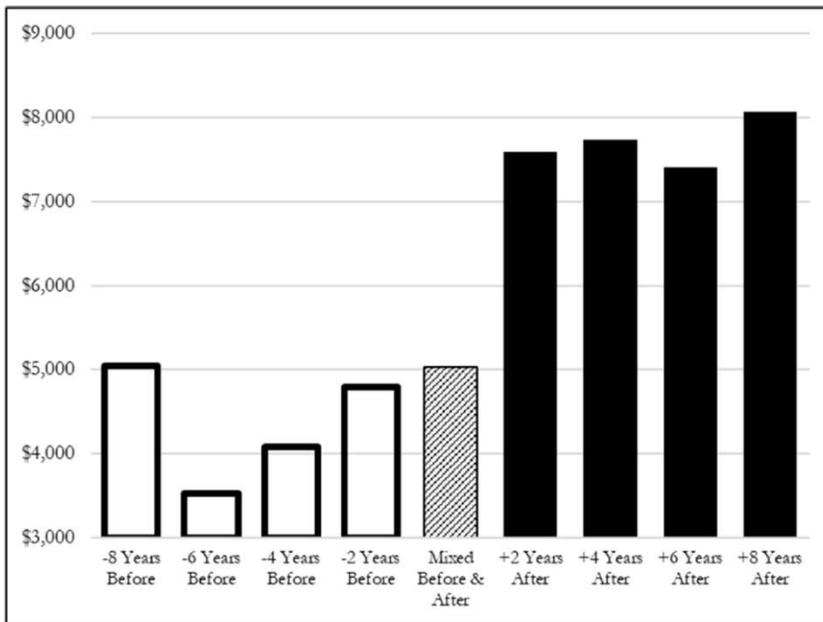
Does charitable bequest planning cannibalize current giving?



“I don’t give now, because I have a planned charitable bequest”

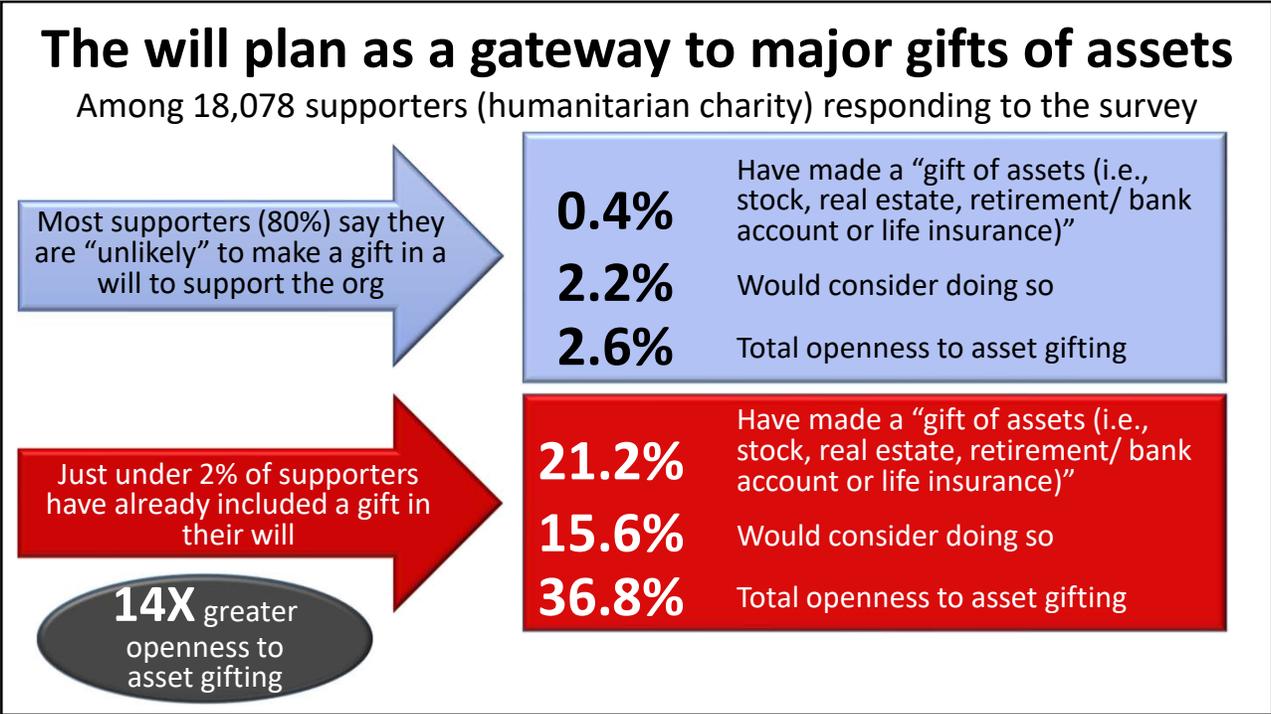
5

Figure 1. Average Annual Charitable Donations Before and After Adding Charity to an Estate Plan



James III, R. N. (2020). The Emerging Potential of Longitudinal Empirical Research in Estate Planning: Examples from Charitable Bequests. *UC Davis Law Review*, 53, 2397-2431.

6



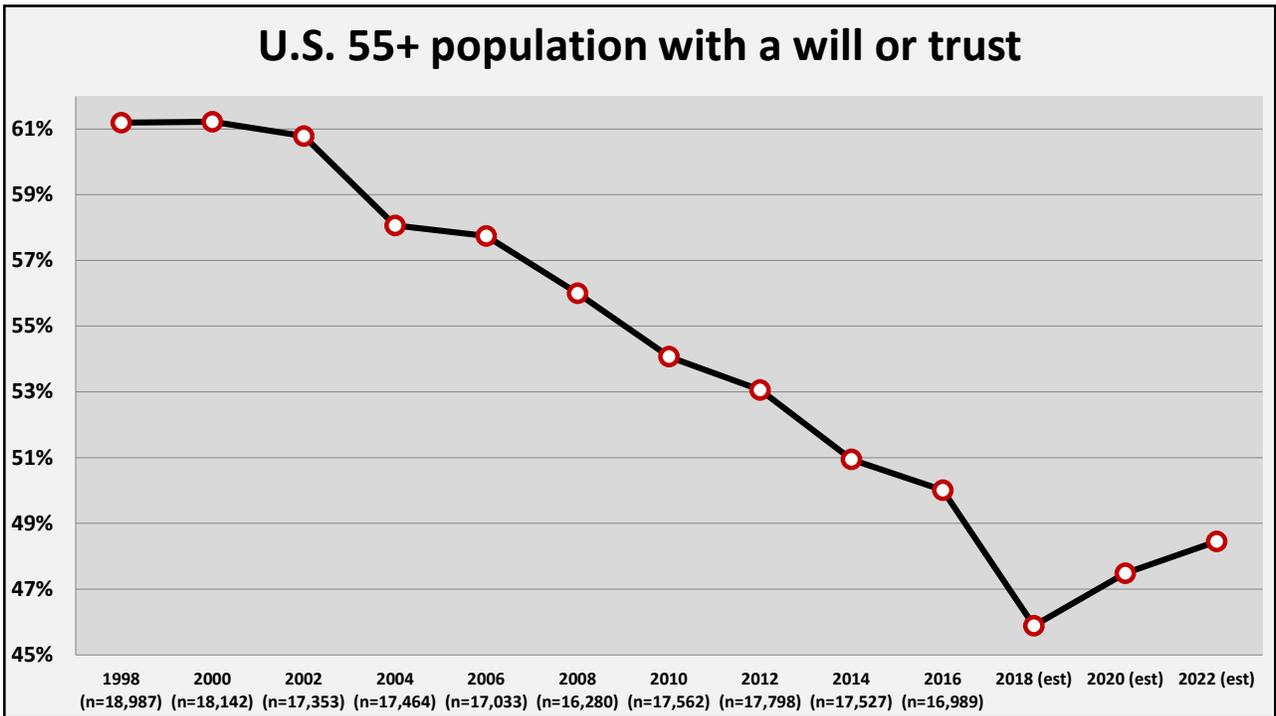
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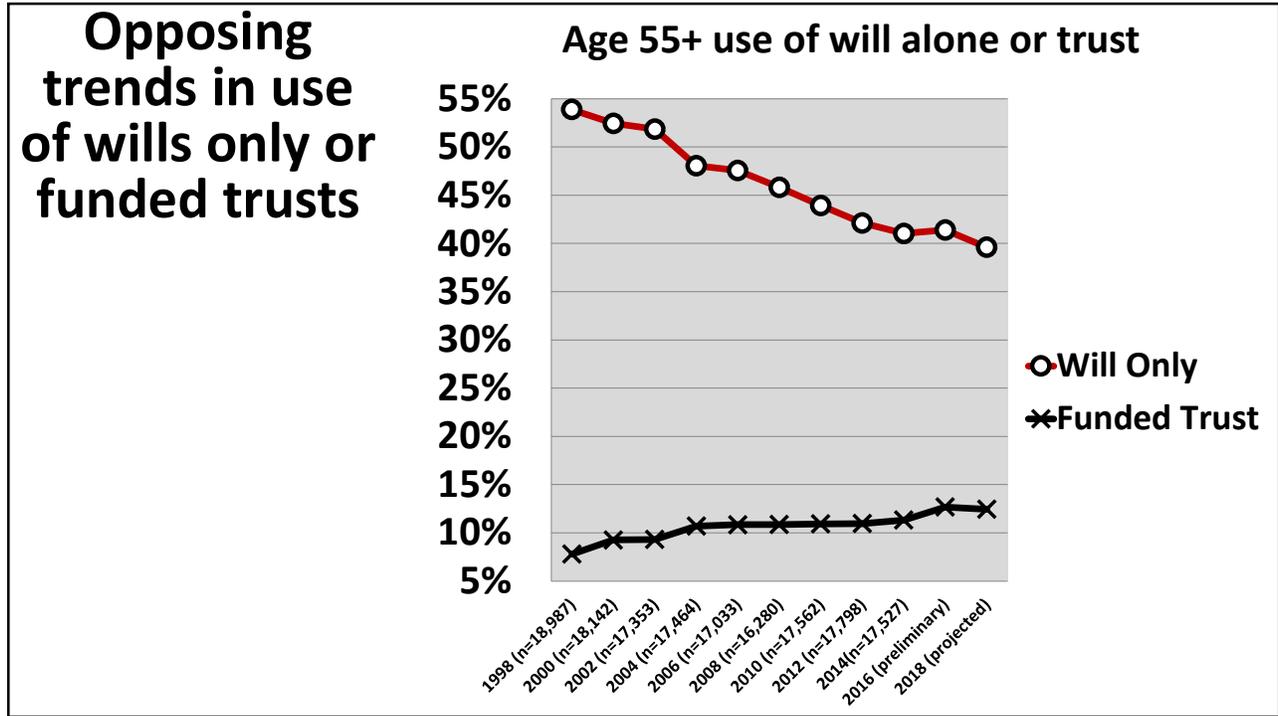
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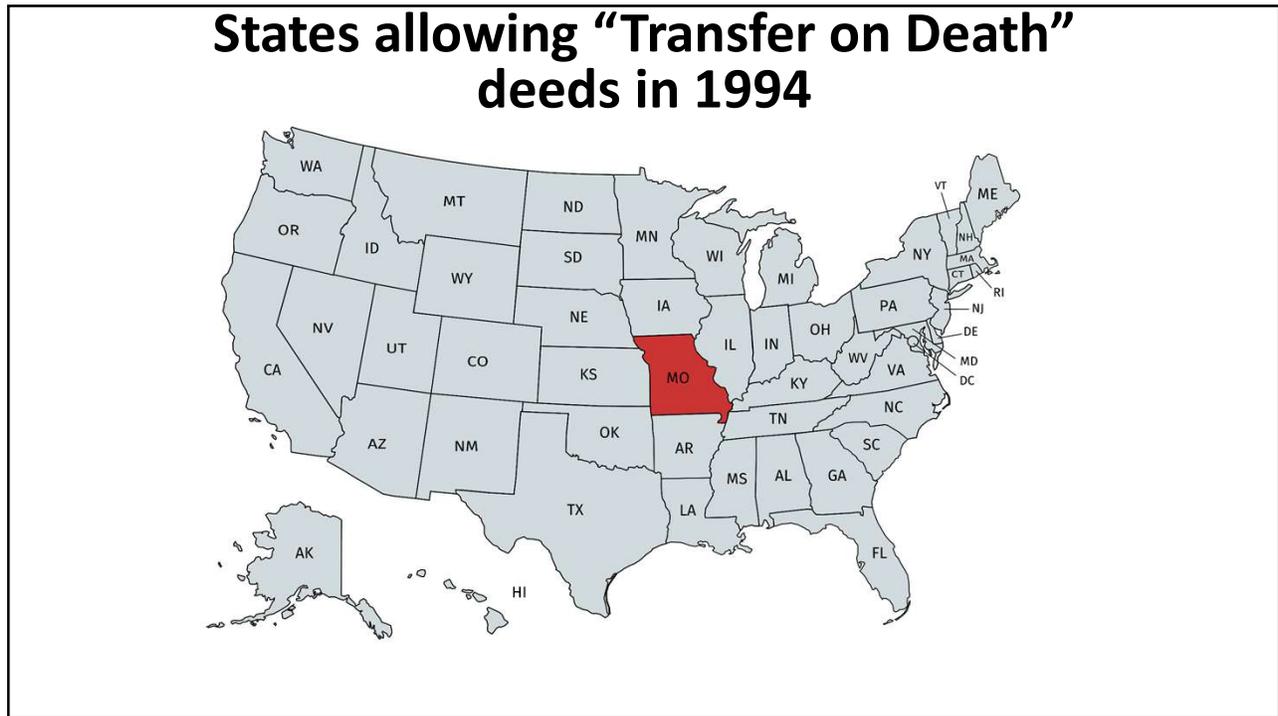
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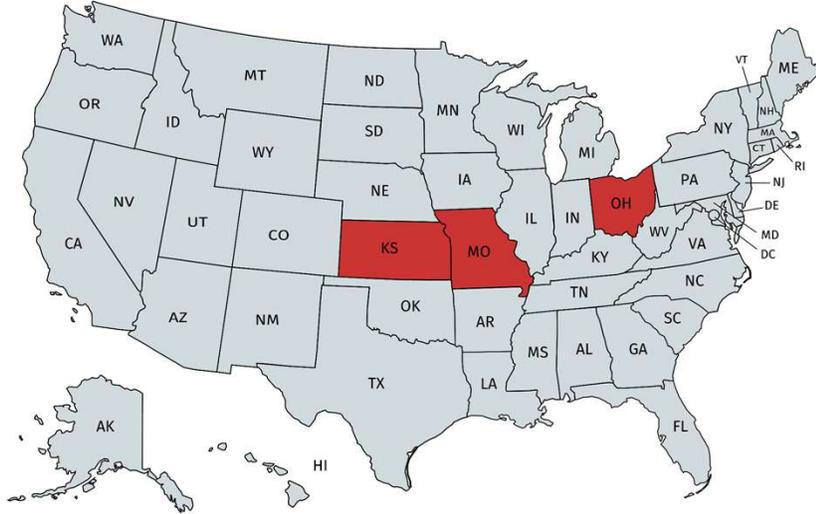


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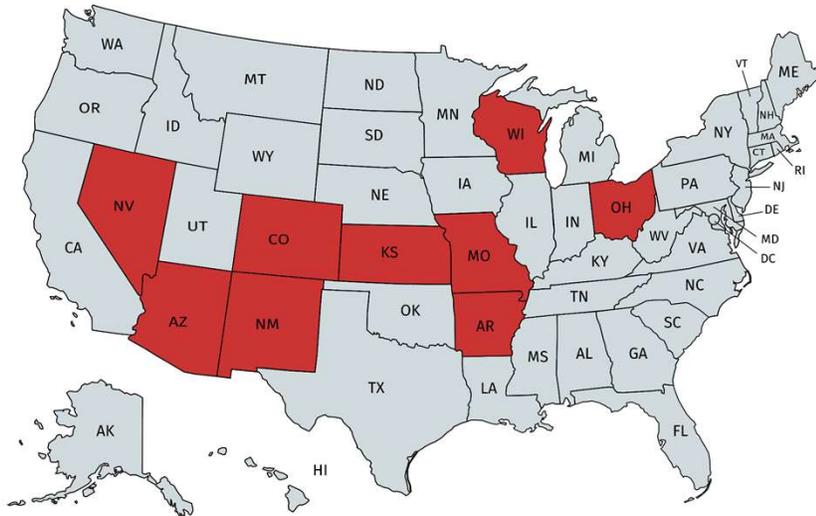
12

States allowing "Transfer on Death" deeds in 2000



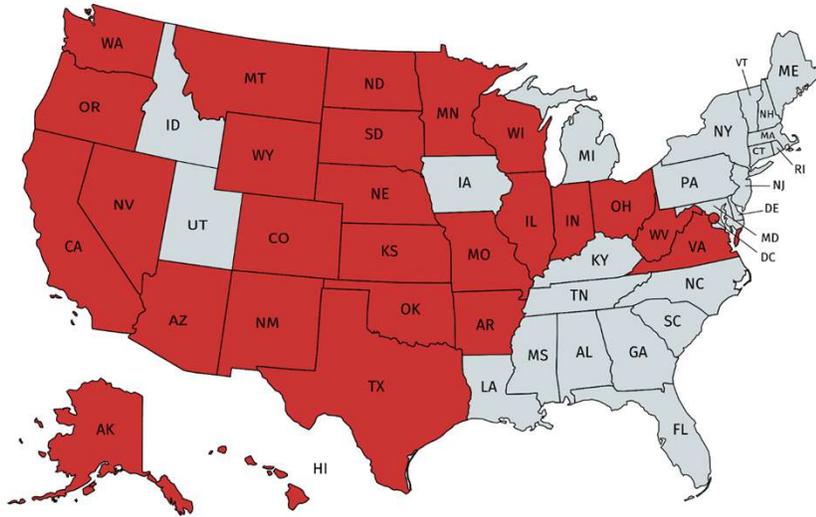
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States allowing "Transfer on Death" deeds in 2005



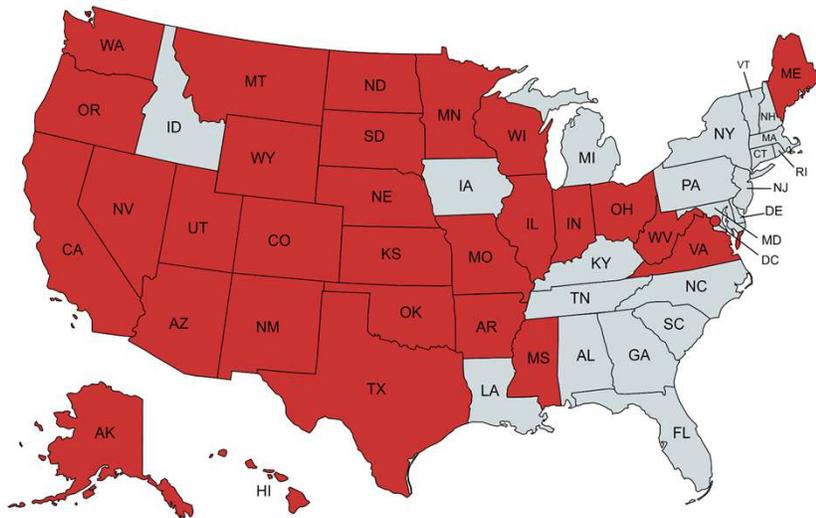
14

States allowing "Transfer on Death" deeds in 2017

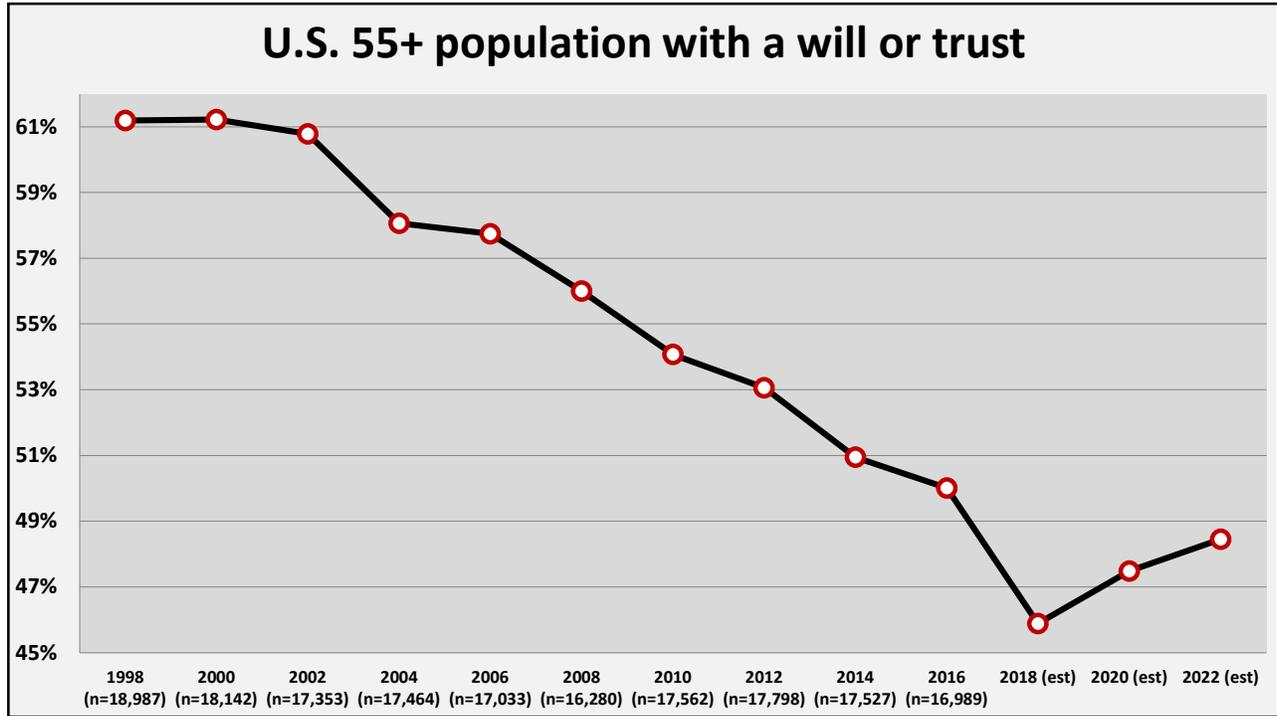


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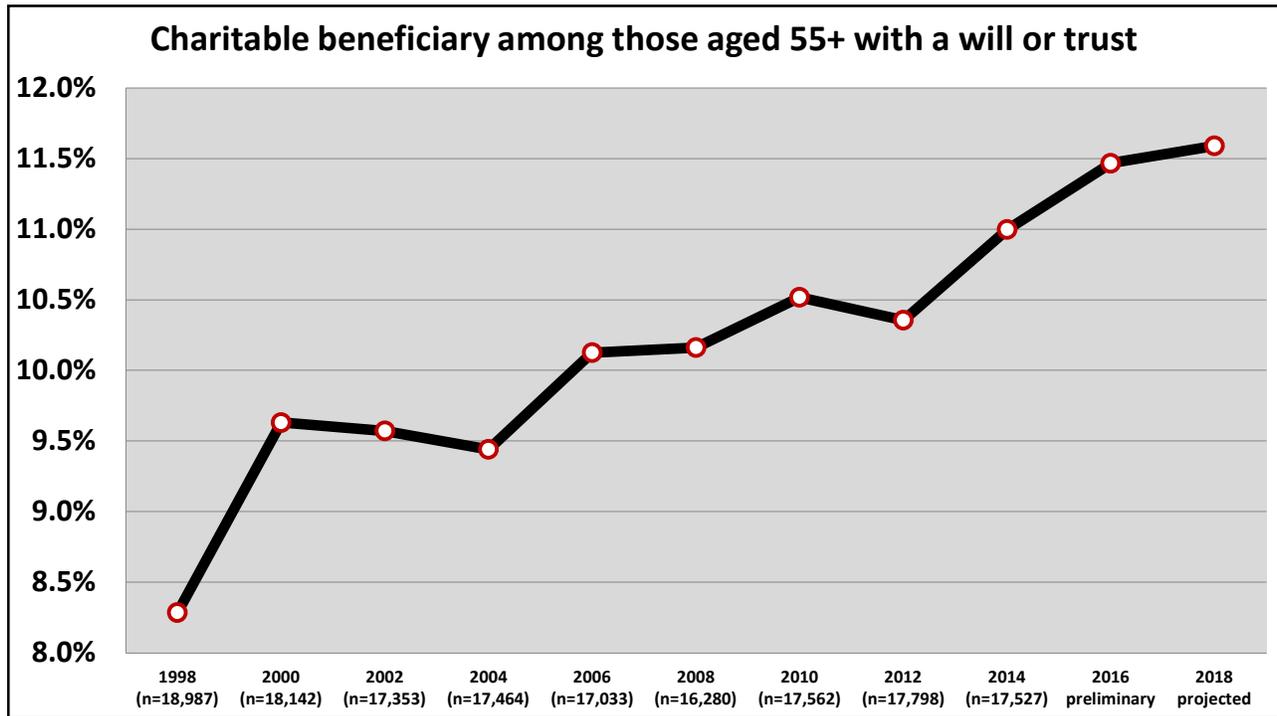
States allowing "Transfer on Death" deeds today



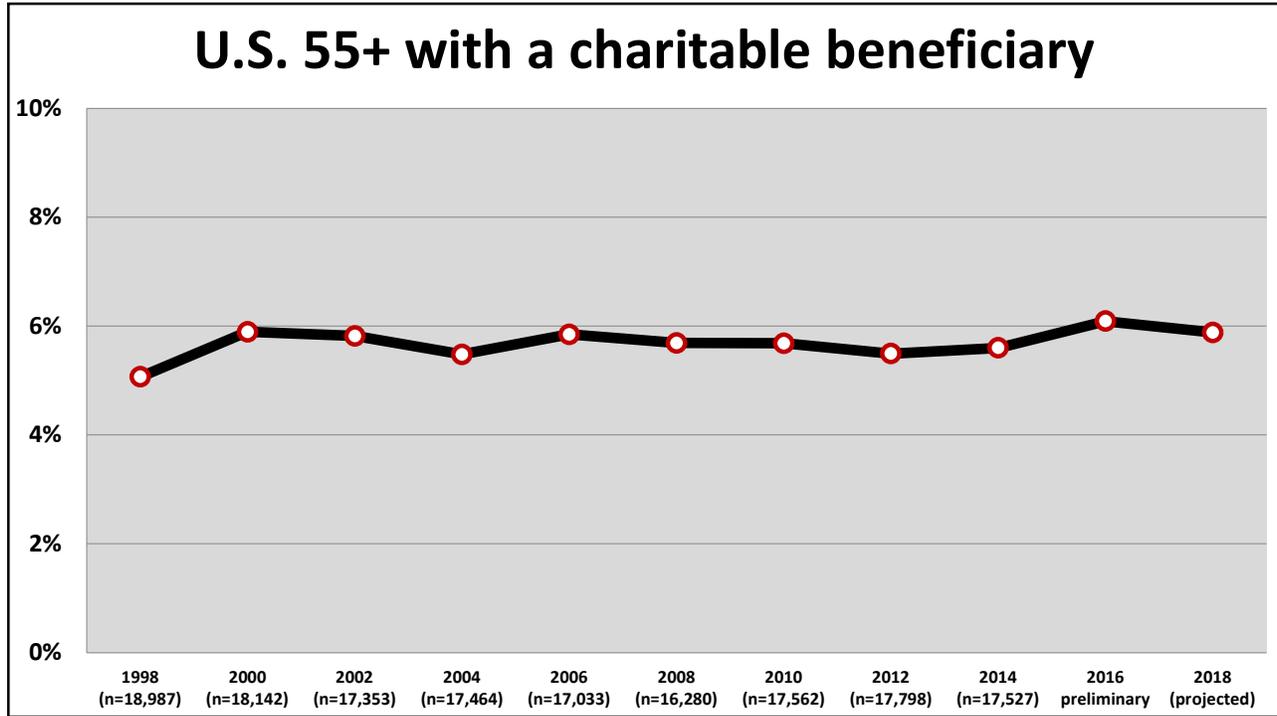
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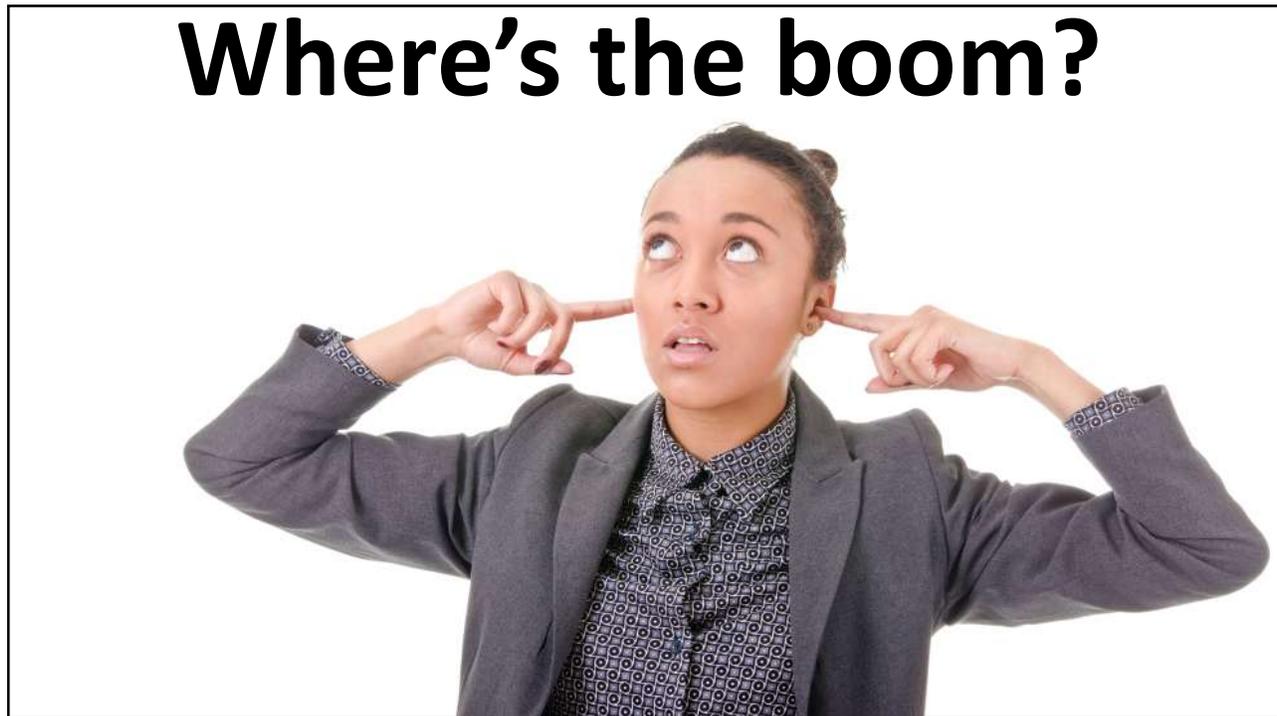
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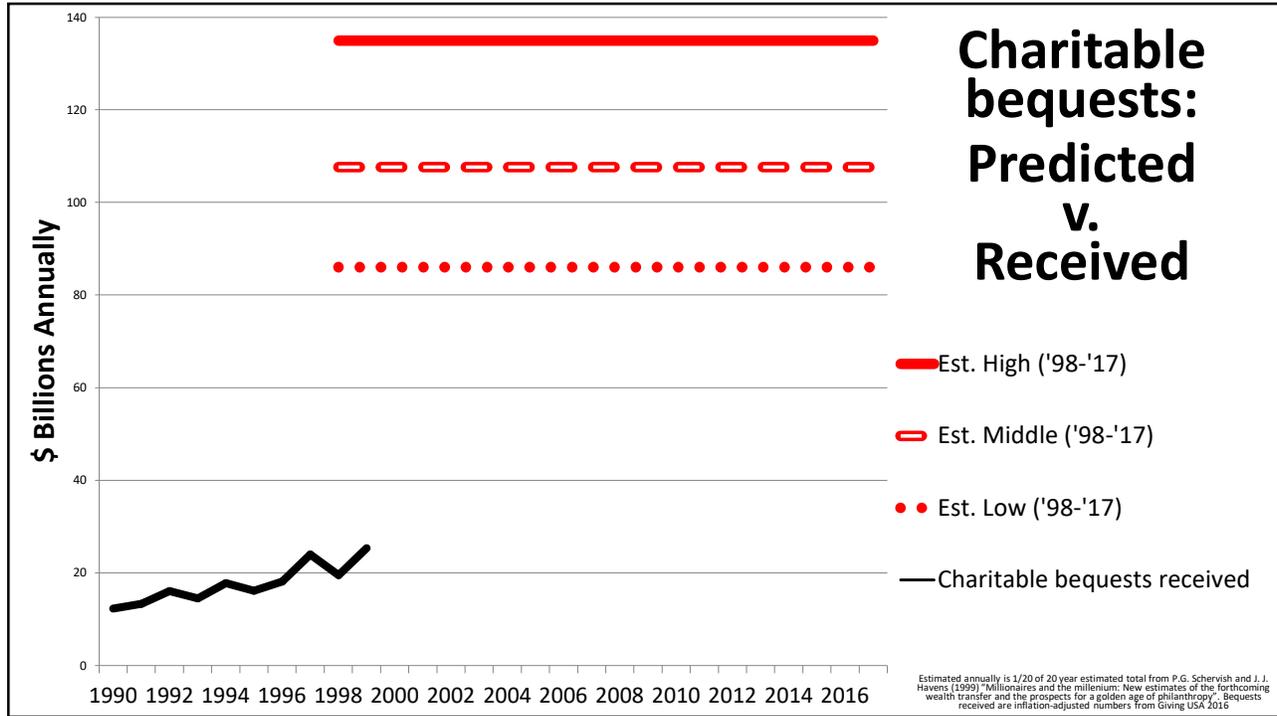
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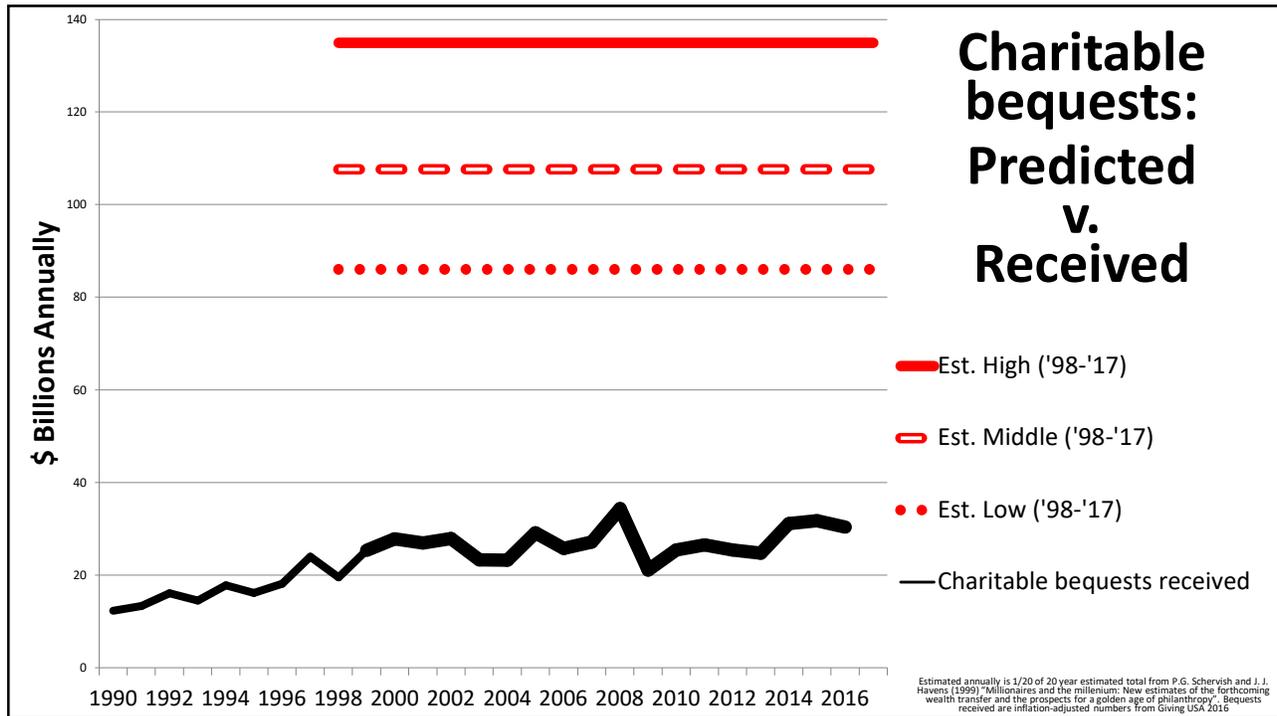
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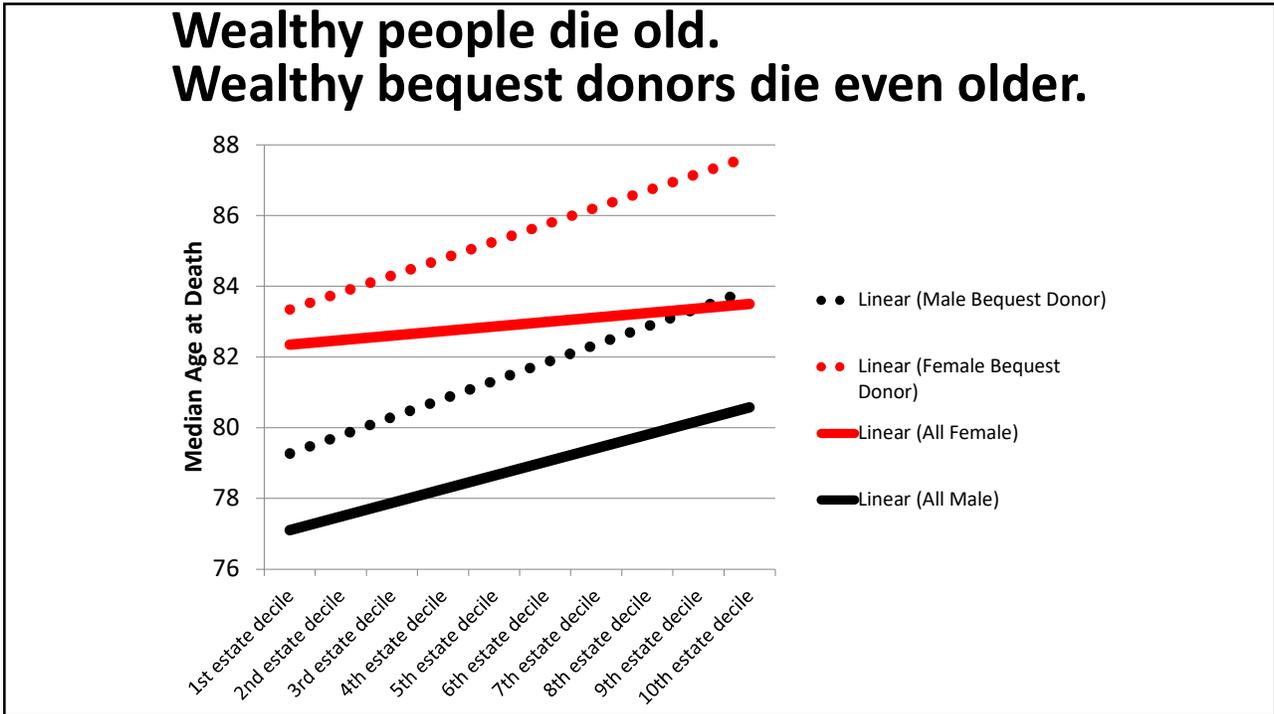
22

Charitable bequests 2000-2018 were flat but now are finally rising...

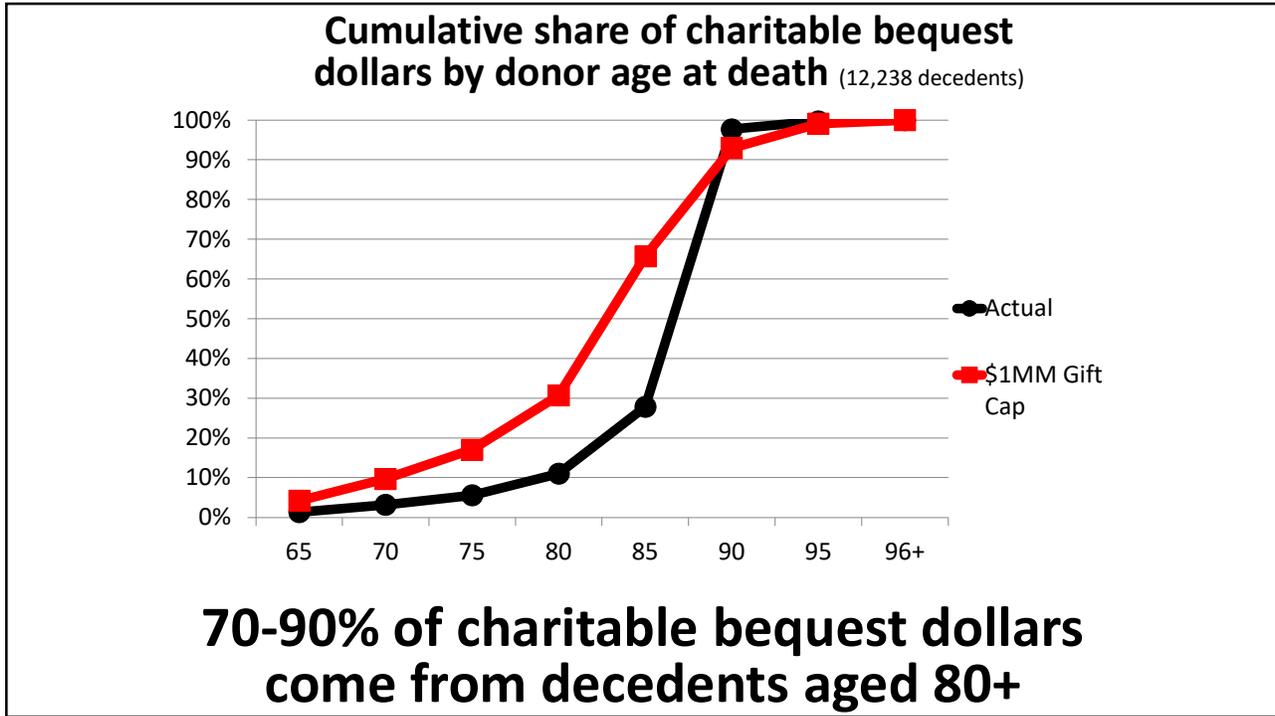
What's going on?



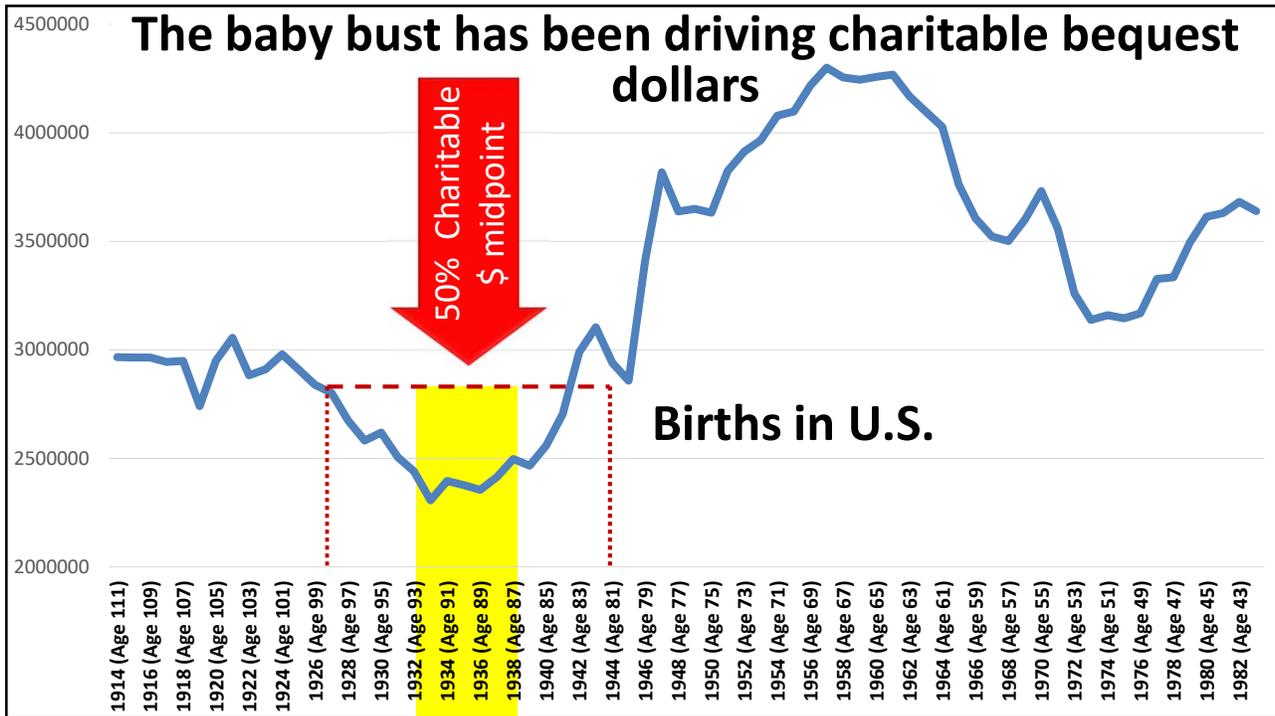
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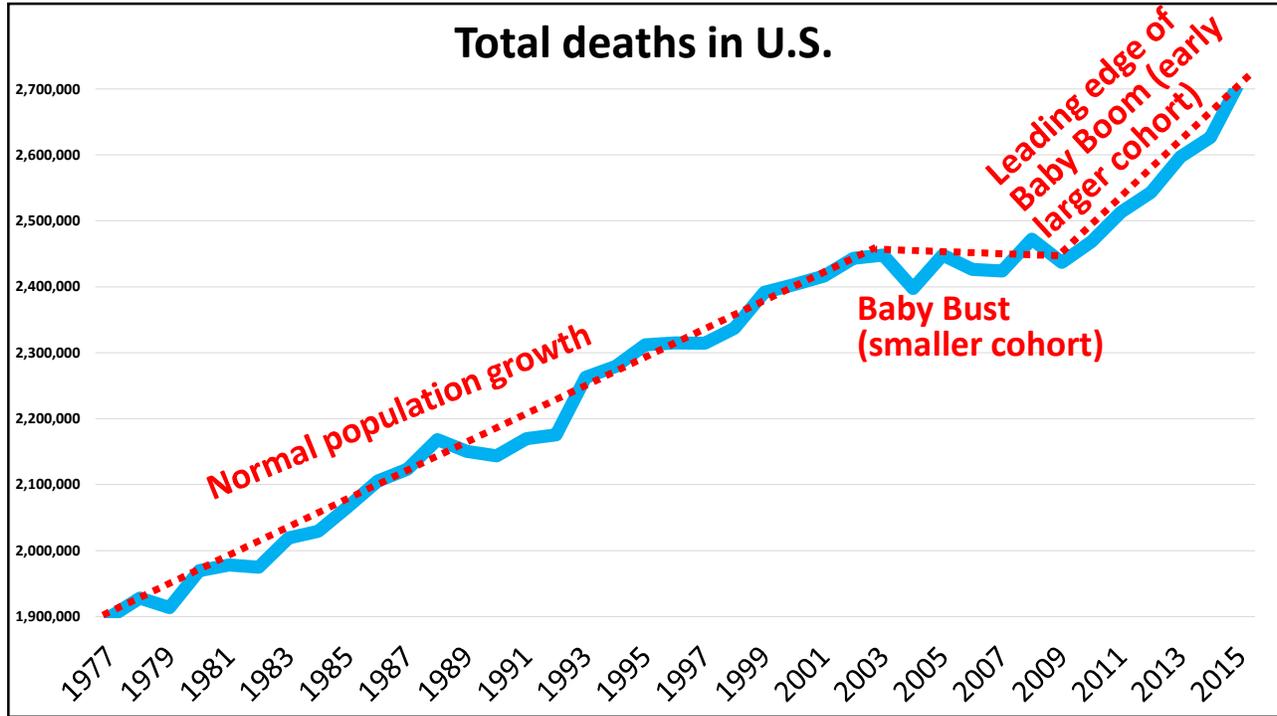
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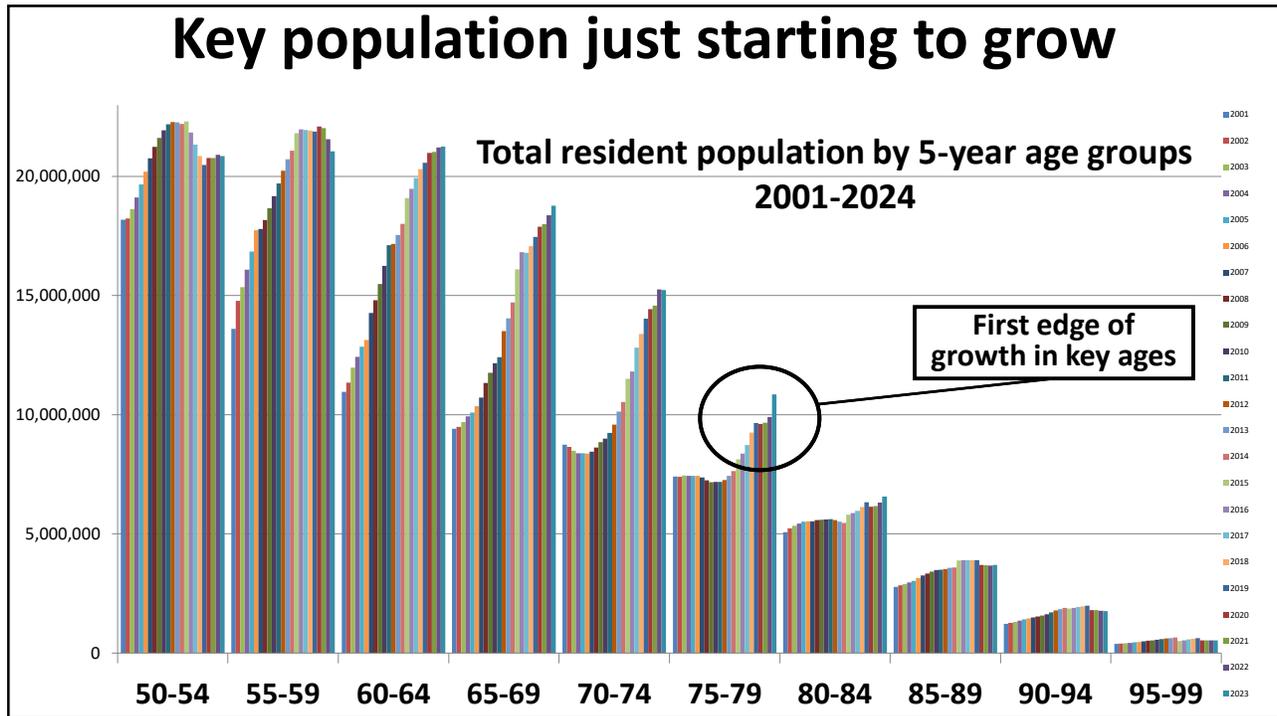
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Coming demographic wave will impact CRT creation first, then CGA creation, then bequests realization



<p>CRT Creation Peak Age: 70-74</p>	<p>CGA Creation Peak Age: 75-79</p>	<p>Realized Bequest Peak Age: 88-90</p>
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Franey, J. W. & James, R. N., III (2013) Trending Forward: Emerging Demographics Driving Planned Giving. National Conference on Philanthropic Planning, Minneapolis, MN, October 15-17, 2013

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CRT deductions are dramatically overestimated

Deduction is based on receiving payments for a population average life expectancy, but...

1. Sick people don't buy annuities
2. Wealthy people live longer
3. People with charitable estate plans live longer than others of their same wealth



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A CRT increases Investment Assets

- ↑ No upfront capital gains tax at sale
- ↑ Tax deferred growth (only distributions taxed)
- ↑ Immediate tax deduction
- ↑ Post-mortem management with DAF/PF beneficiary



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If we use annuity purchaser life expectancy, will a maximum payout CRUT (with appreciated assets) give more after-tax dollars to clients & heirs than a direct investment with no charitable gift?

**The Tax
Benefit
\$**

**The
Charitable
Gift \$**



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Direct Investment v. Max-Payout CRUT

Monte Carlo Simulation of 3,000,000 retirement lifetimes

- **Age 60 male & 55 female**
- **Vary life span** (2012 IAM Table)
- **Vary returns** (historic large cap std. dev.)
- **Annual consumption 2.8% of initial investment then inflation adjusted**
- **20% basis asset**



Yeoman, John C. (2014). The economics of using a charitable remainder trust to fund a retirement portfolio. *The Journal of Wealth Management*, 40-50.

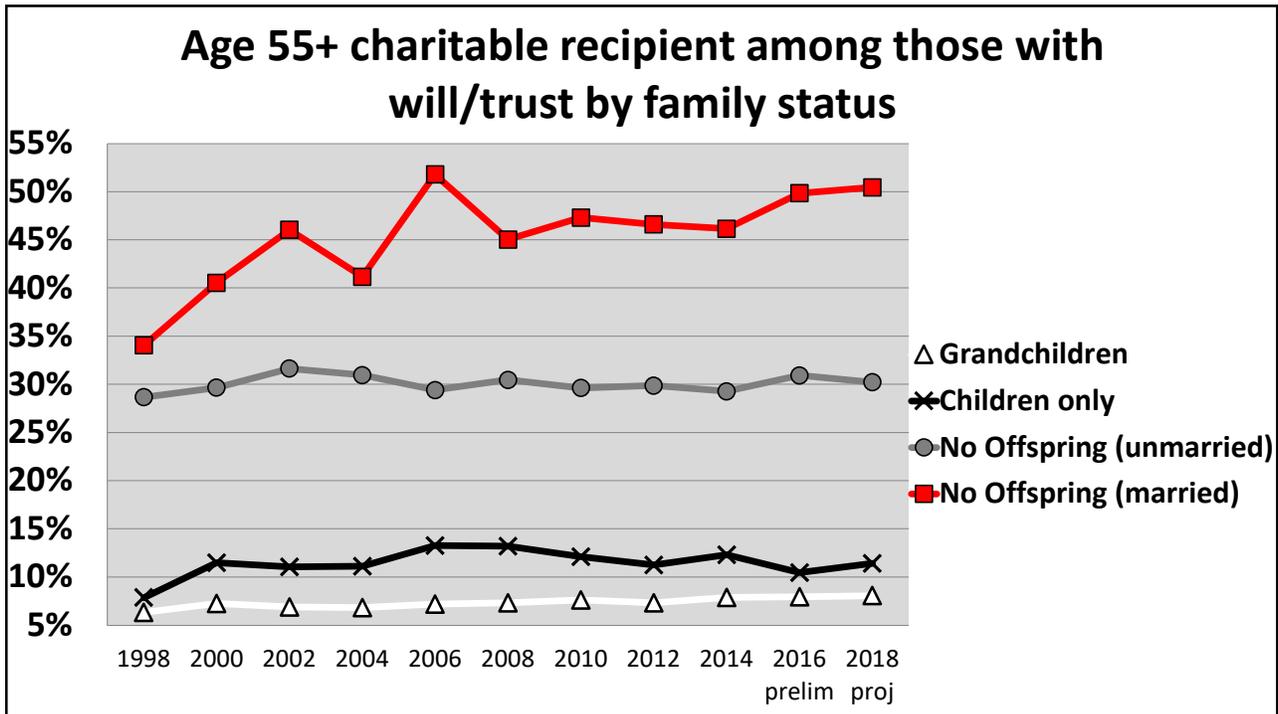
33

Direct Investment (No Charitable Gift)	Max Payout CRUT
(run out of money) Failure 9.9%	(any payment below projected consumption) Failure 7.9%
(Average PV of initial \$) Consumed 52.88%	(Average PV of initial \$) Consumed 53.10%
(Average PV of initial \$) for Heirs 47.12%	(Average PV of initial \$) for Heirs 61.48%

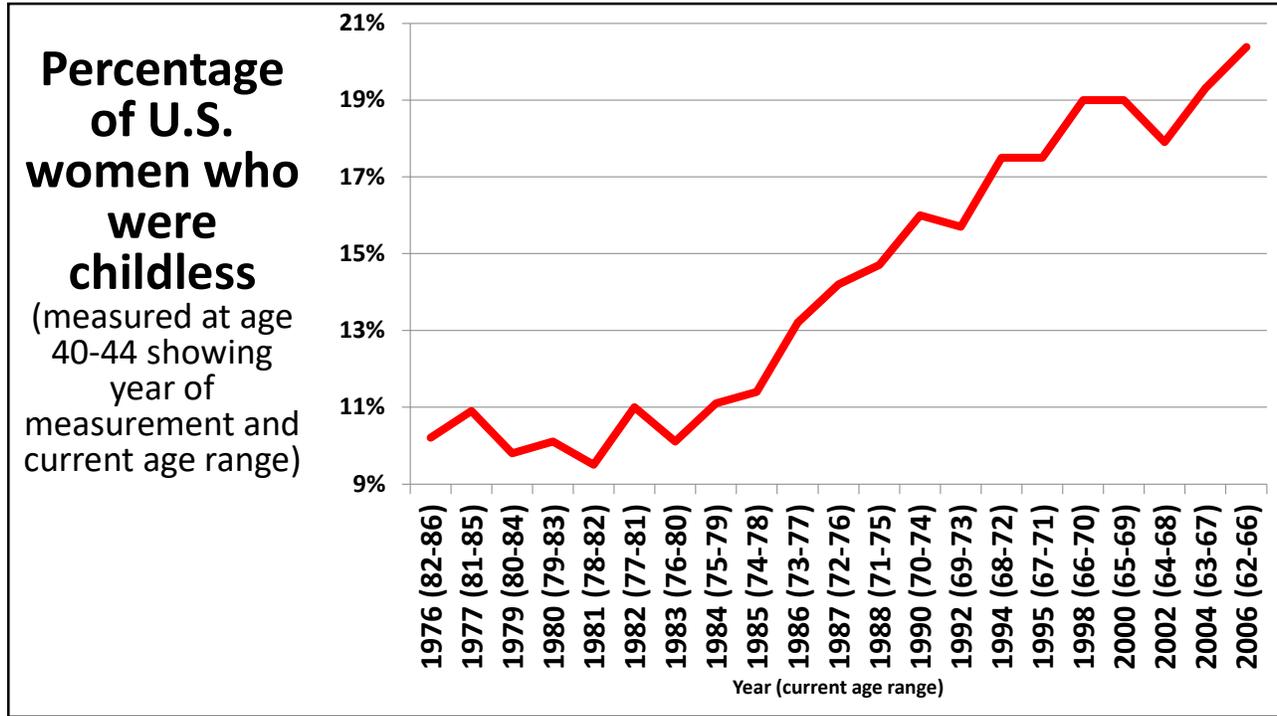
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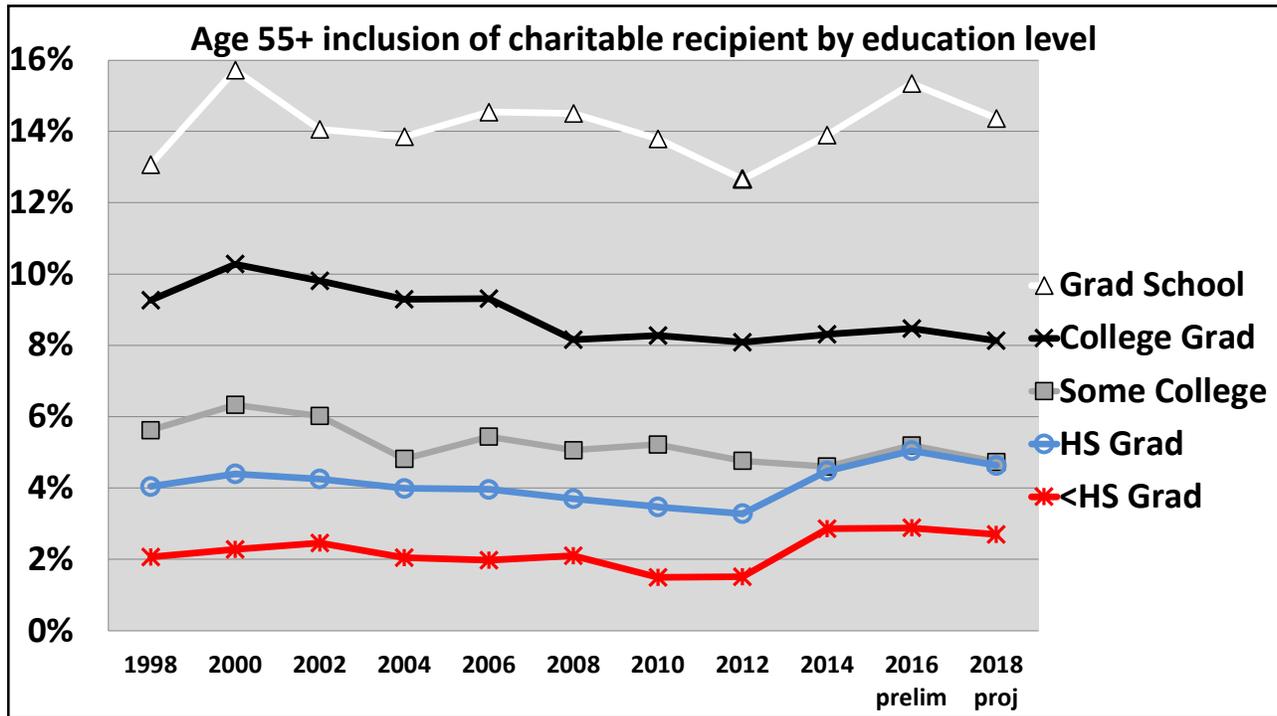
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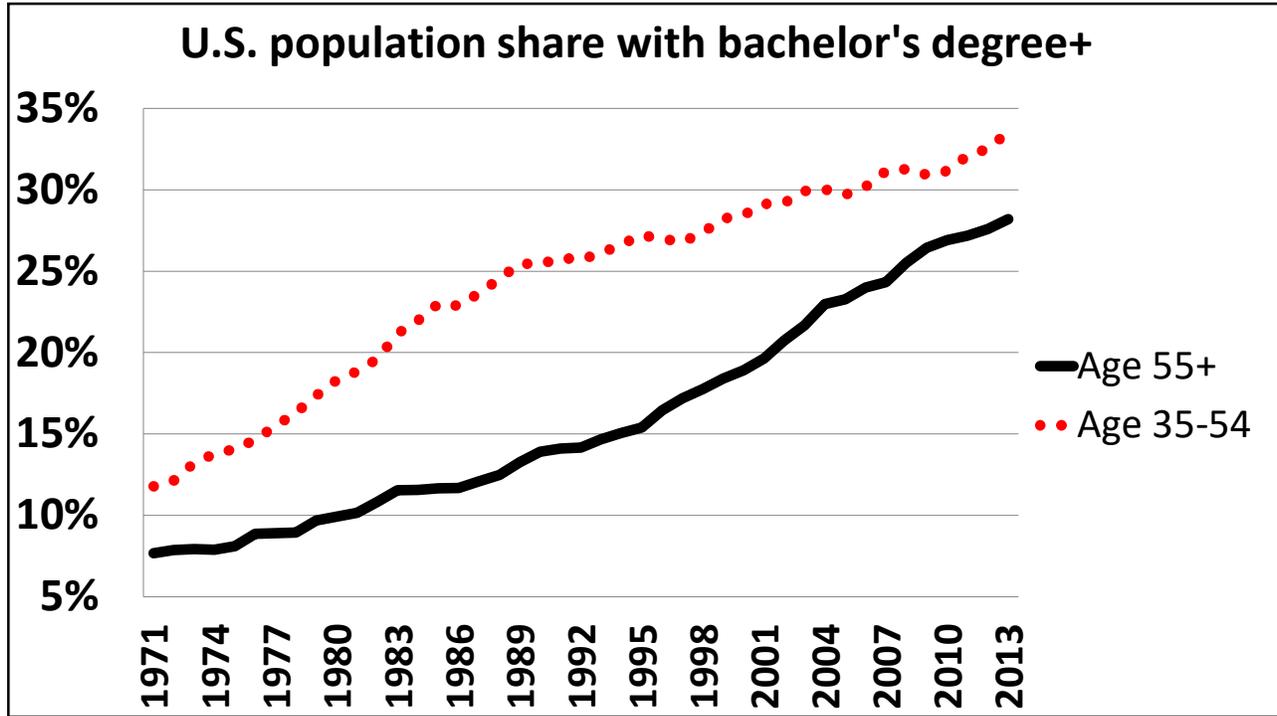
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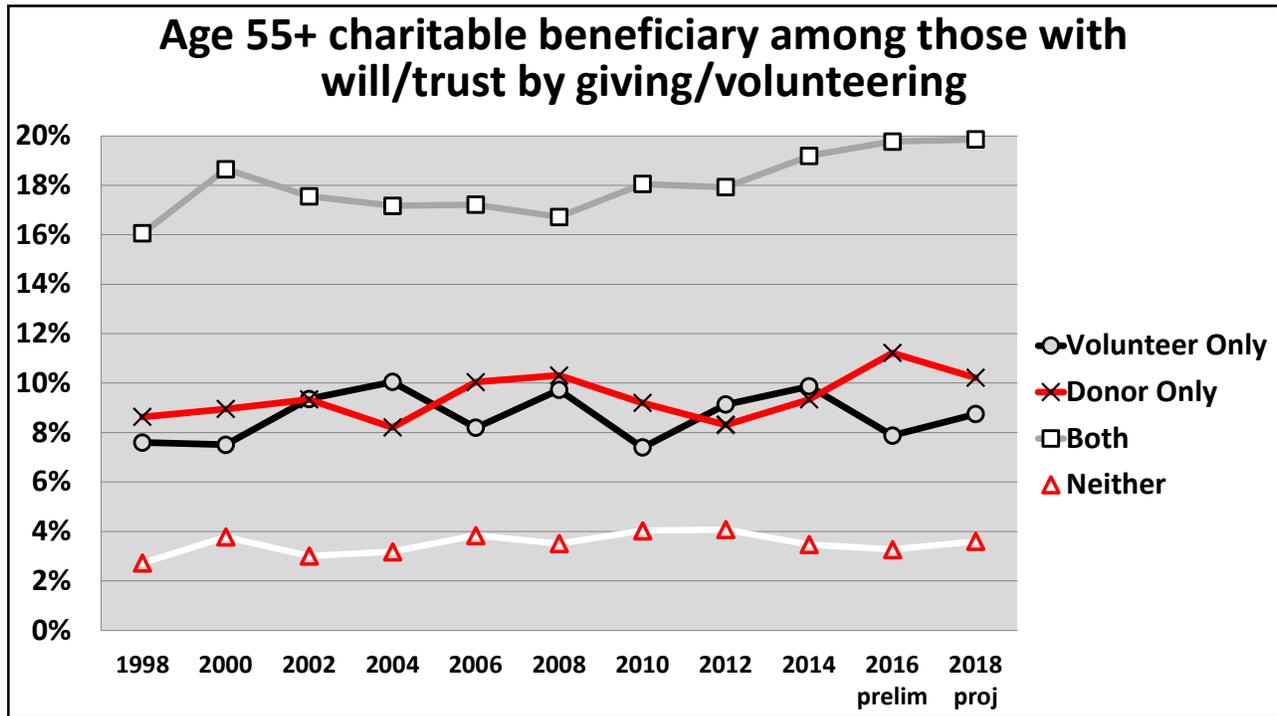
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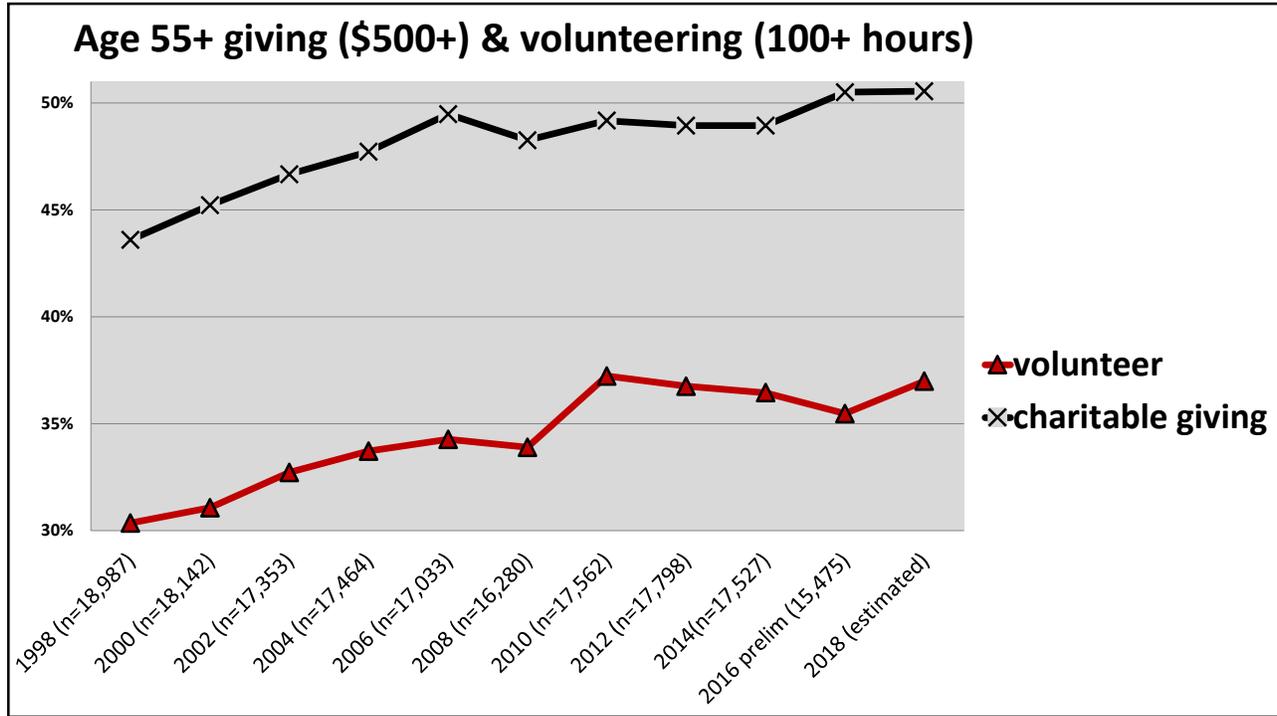
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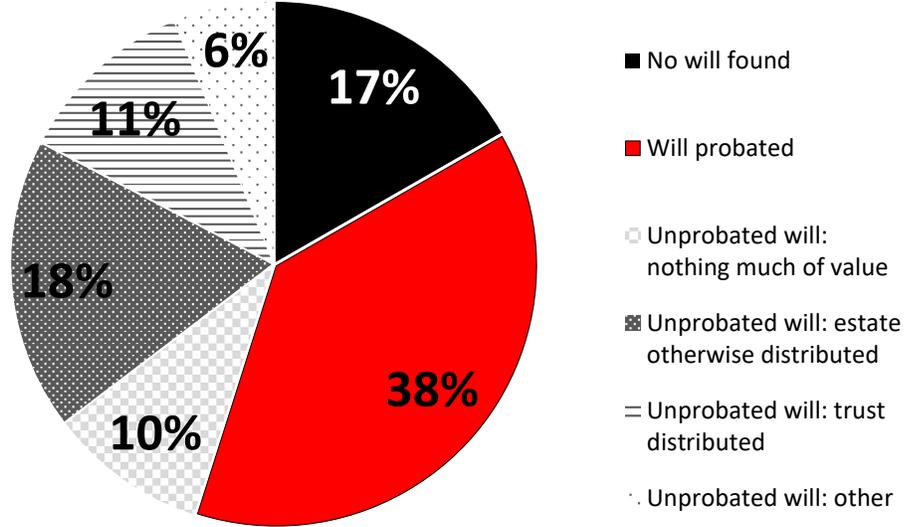
Wills that won't

What ultimately happened to those written and witnessed will documents reported during life?

42

Reported wills are often unused

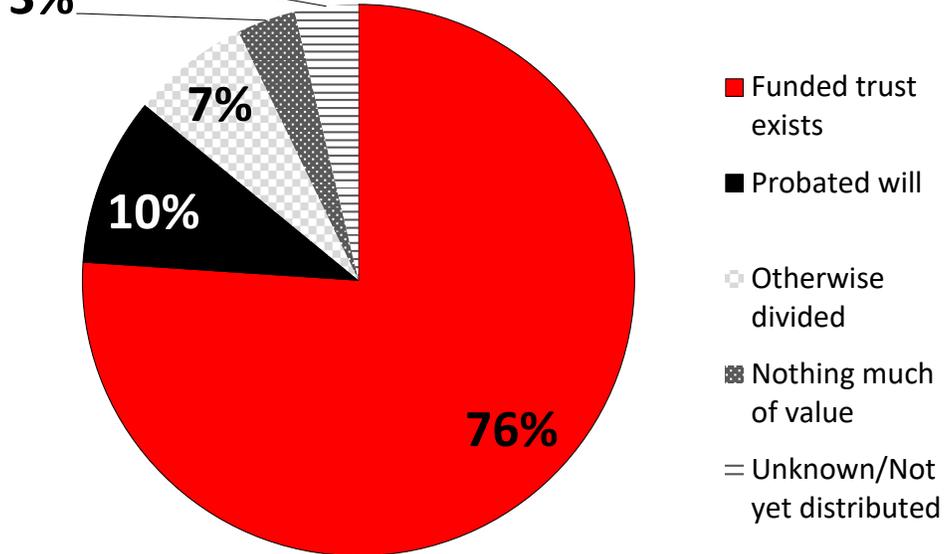
Distributed estates where decedent reported having a signed and witnessed will (n=7,150)



43

Funded trusts more likely to work

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



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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...”



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Reaching the right people



at the
right time

46



47



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49



50

Best 1 to 10-Item Models

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

Other items valuable (p<.01) in larger models: Education level and Age at death

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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.

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Best 1 to 10-Item Models										
Items	1	2	3	4	5	6	7	8	9	10
base rate	1,499	703	-242	-199	-826	-561	-836	-636	-567	346
Average \$k giving	1,415	1,344	1,340	1,024	1,004	1,078	1,056	1,044	1,244	1,250
Last reported wealth \$k		4	4	3	3	5	4	4	4	5
No offspring exists			9,774	9,722	9,815	9,807	9,917	9,868	9,844	9,325
\$k of giving in last report				336	341	317	301	293	286	286
% years reporting funded trust					9,960	11,125	10,049	10,014	10,096	10,195
Highest reported wealth \$k						-2	-4	-5	-5	-5
Average reported wealth \$k							7	10	10	10
Lowest reported wealth \$k								-13	-13	-12
Highest \$k year of giving									-113	-114
Married										-2,409
Other items valuable (p<.01) in larger models: Education level and Any Gift at Last Report										

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Reaching the
right people



at the right
time

55

When do plans change?



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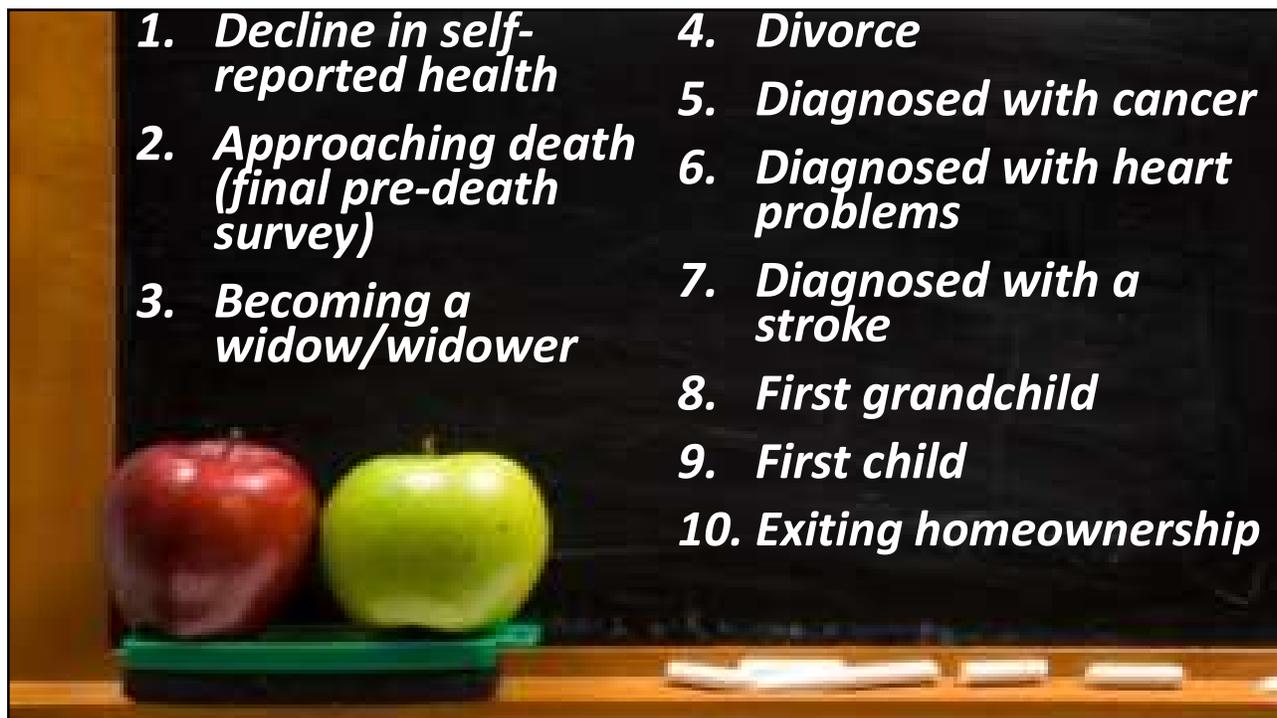
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60

Plans destabilize when



1. Death feels near

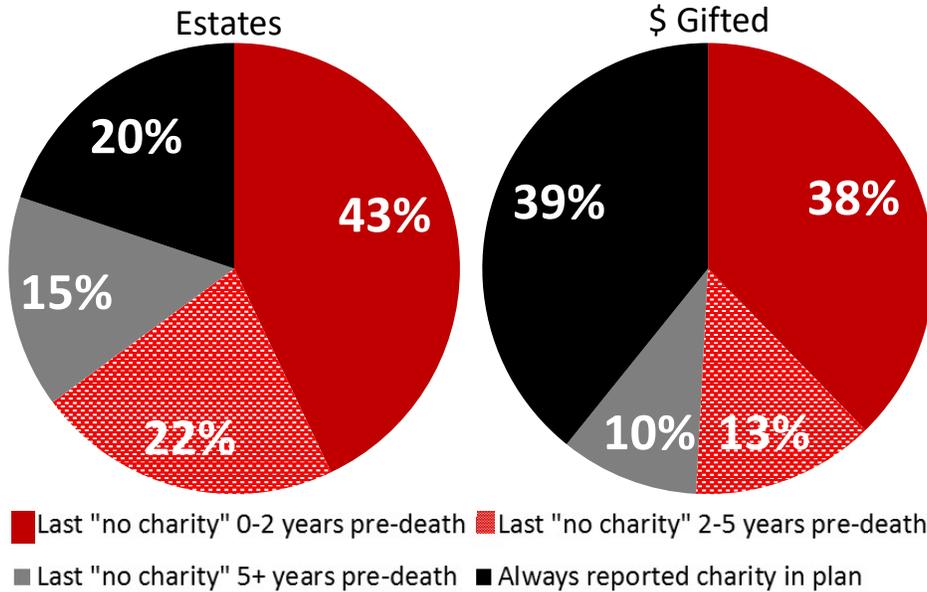
- *Final pre-death survey*
- *Decline in self-reported health*
- *Diagnosis with cancer*
- *Diagnosis with heart disease*
- *Diagnosis with stroke*
- *Becoming a widow or widower*

2. Family structure changes

- *Divorce*
- *First child*
- *First grandchild*
- *Becoming a widow or widower*

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Most realized charitable plans (in red) added within 5 years of death



62

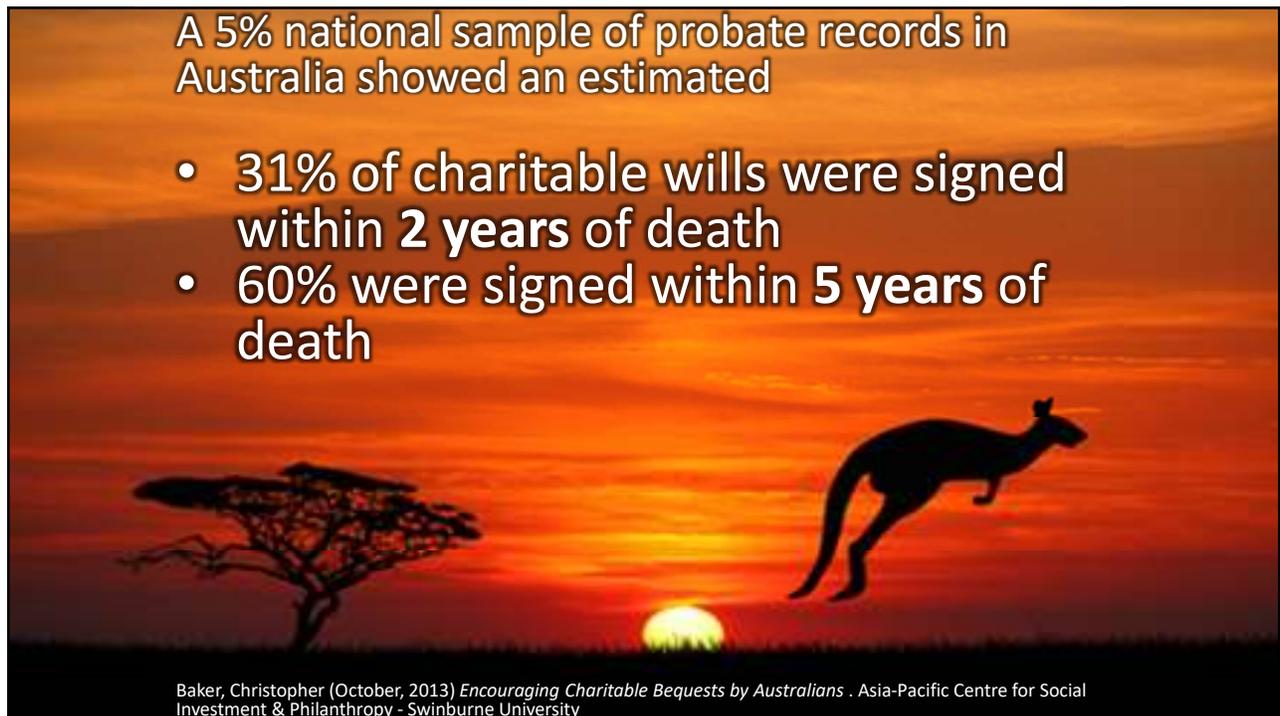
Although most charitable plans were added within 5 years of death, **ONE** longer-term plan was worth **THREE** first made in the last two years.



63

A 5% national sample of 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



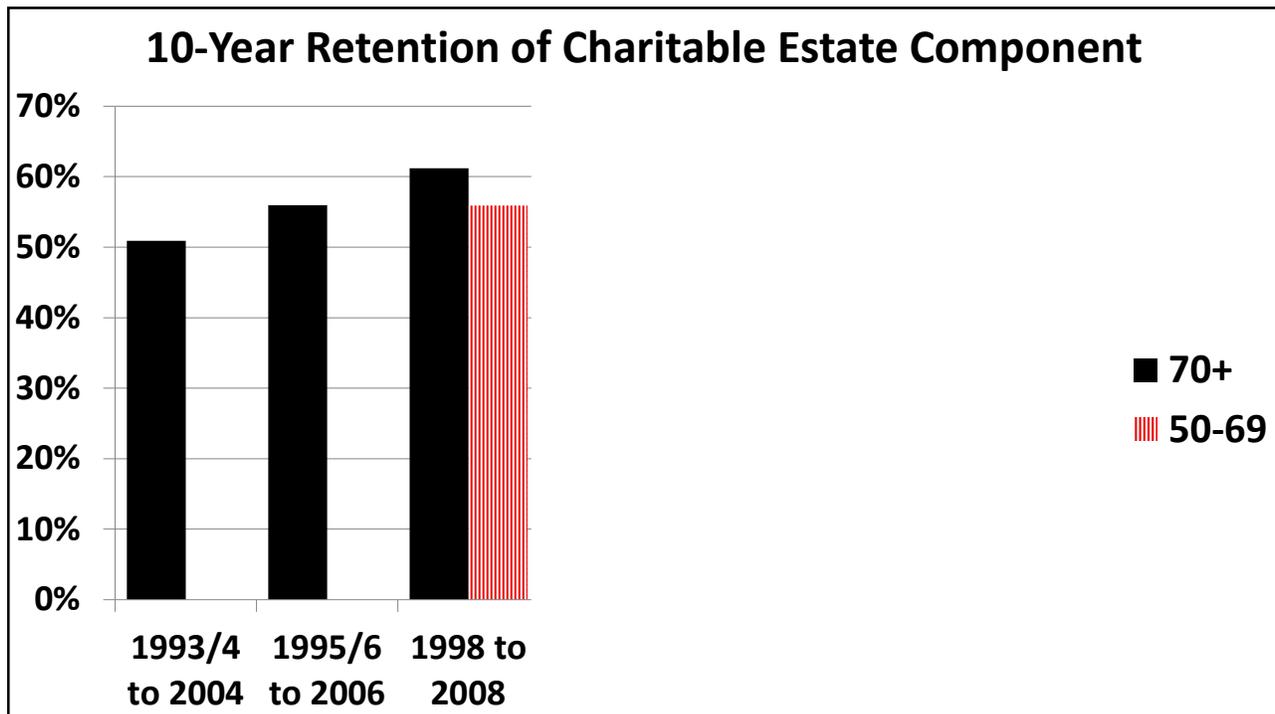
Baker, Christopher (October, 2013) *Encouraging Charitable Bequests by Australians* . Asia-Pacific Centre for Social Investment & Philanthropy - Swinburne University

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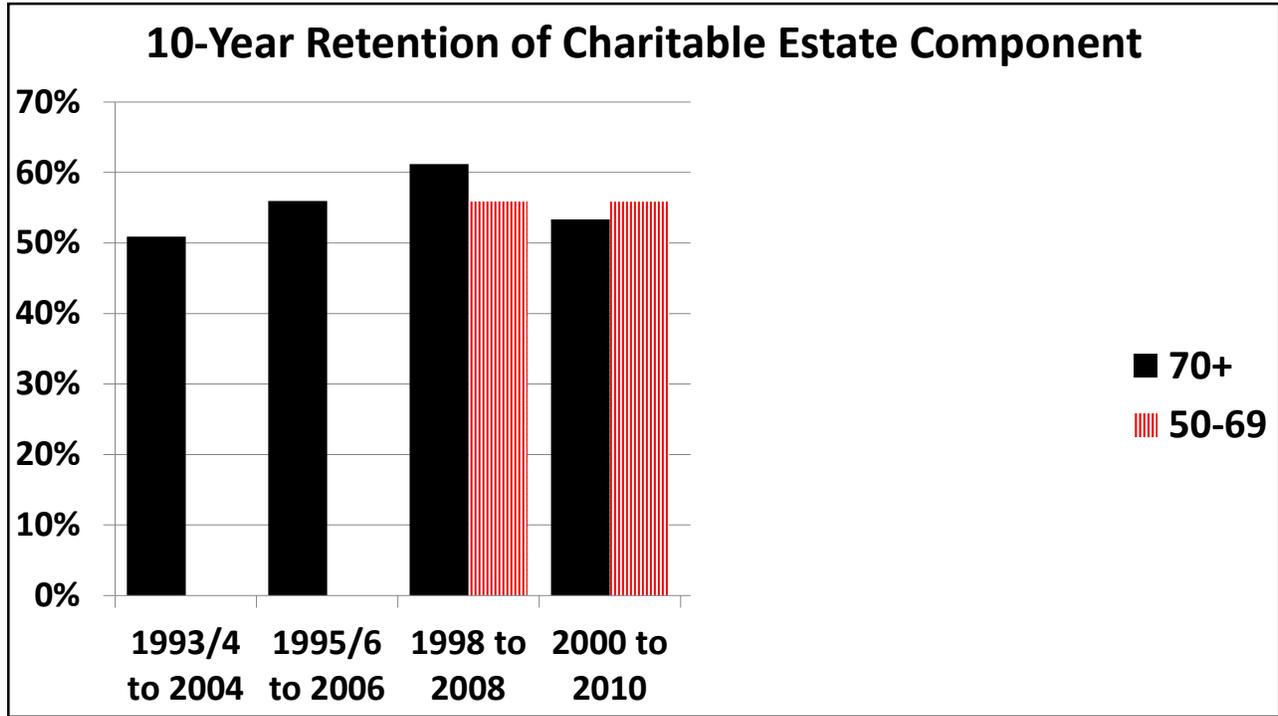
Plans destabilize as death approaches



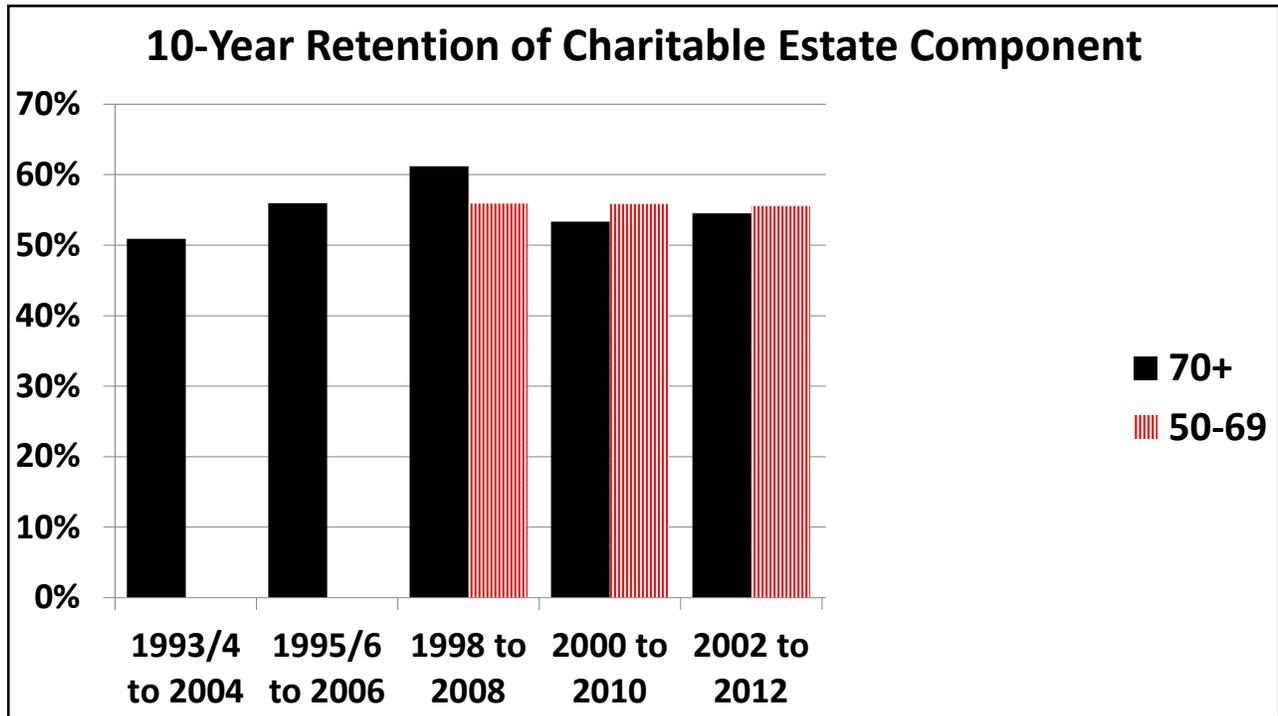
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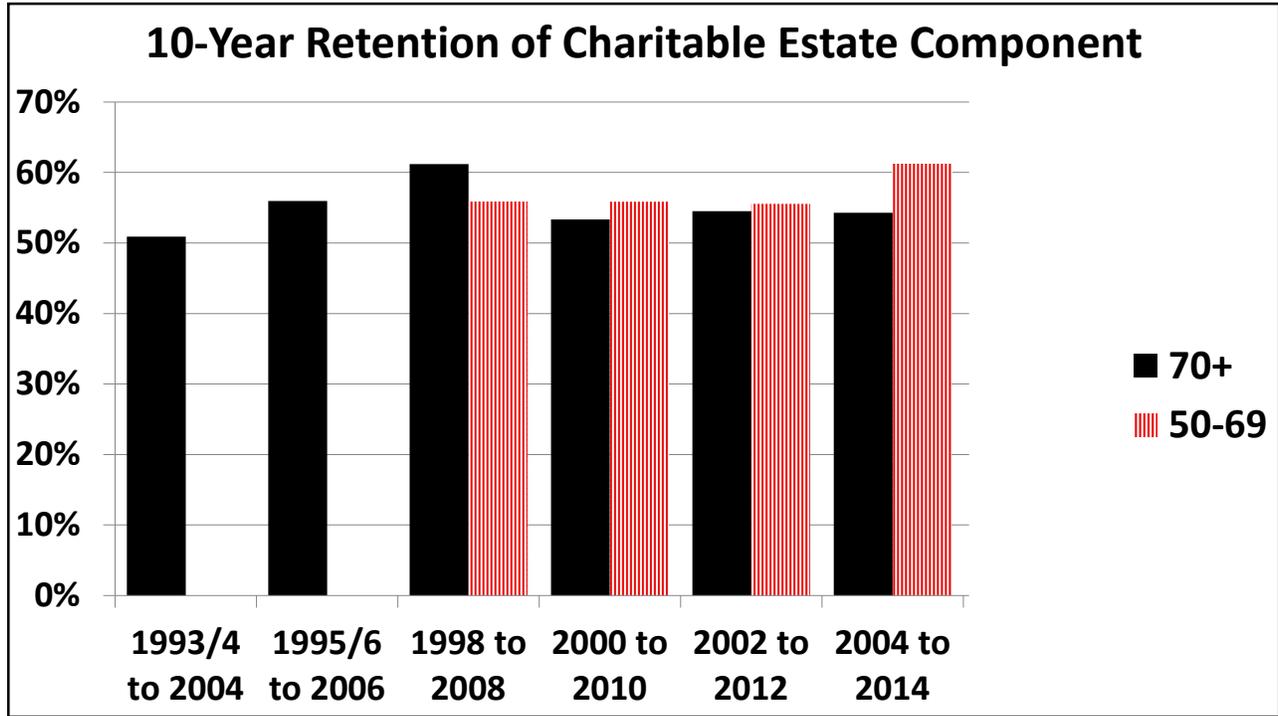
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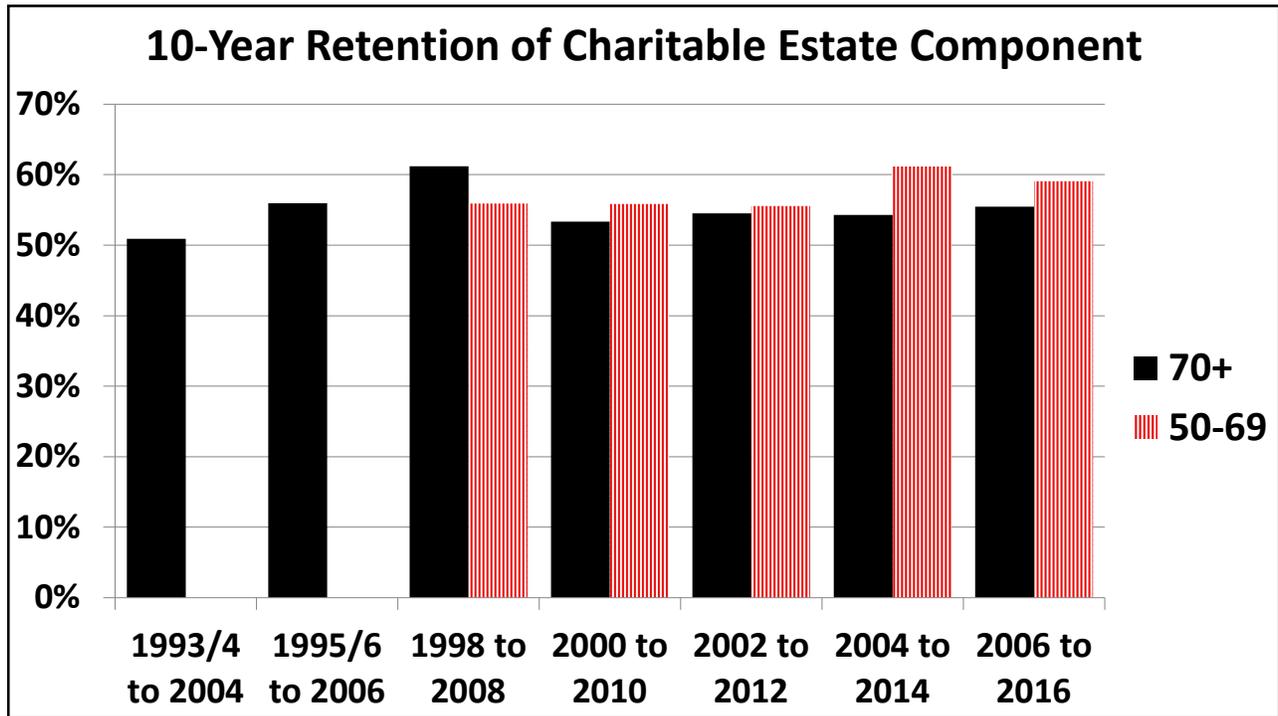
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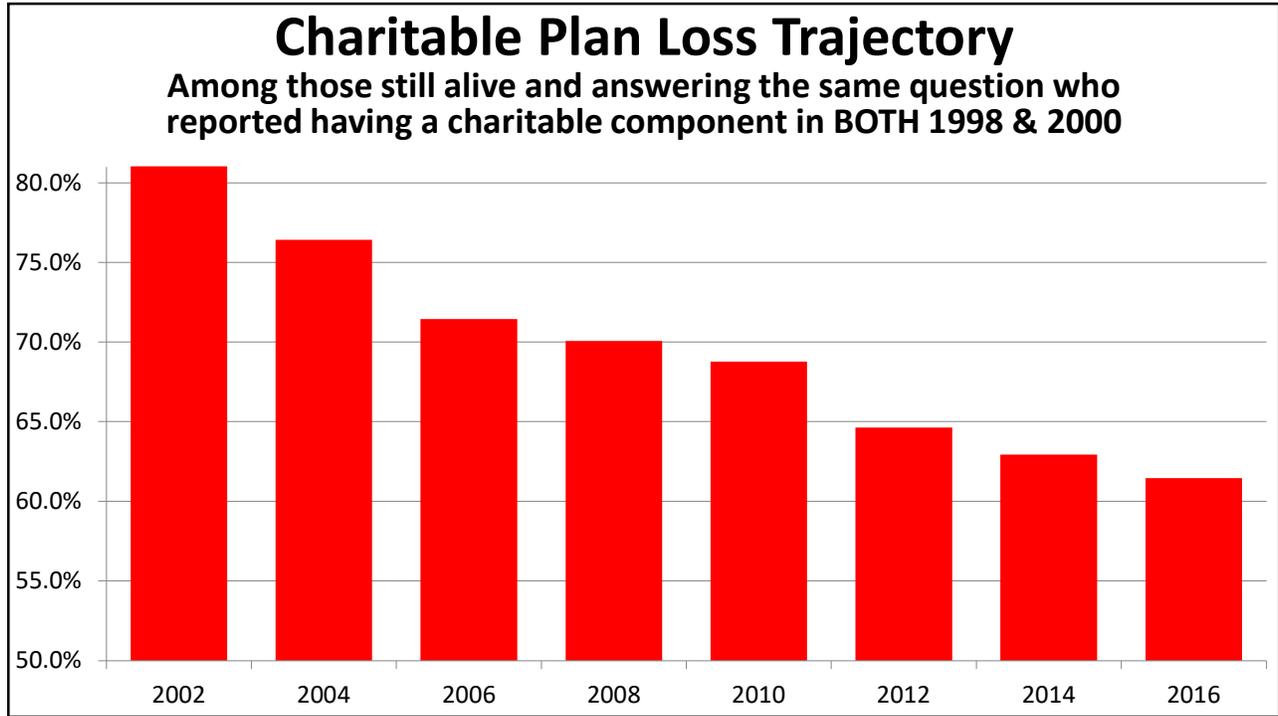
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Plans destabilize as death nears



73

Fiction

The NCPG (2000) study showed that 90% of planned bequest donors don't change their plans

Fact

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



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?"

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Practice suggestions

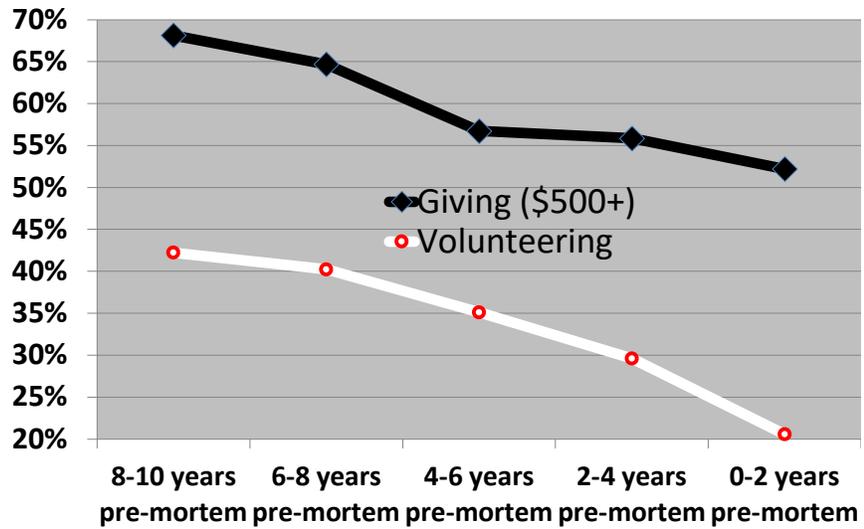
What now?



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Many charities go silent at the most important point of decision.

Lifetime Giving and Volunteering by Estate Donors



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**“Count it and forget it”
doesn’t work!**



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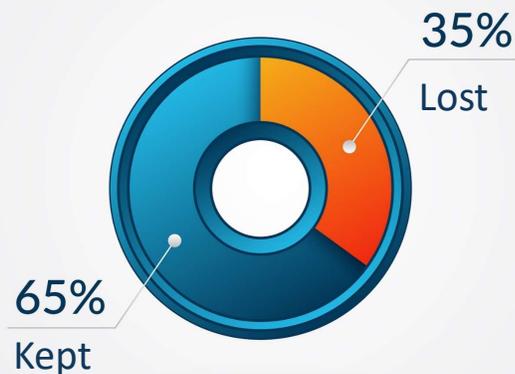
Another study

Ten large Australian charities provided data from those dying in 2014-2017

Among 700 known decedents who had confirmed the presence of a planned bequest gift to the charity during life, 65% generated an estate gift at death

Because all estate gifts are known but not all deaths are known, these retention rates are estimated

maximums

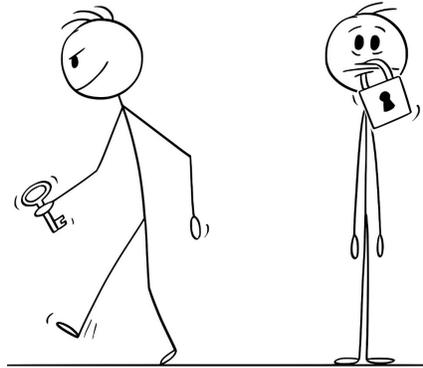


Wishart, R., & James III, R. N. (2021). The final outcome of charitable bequest gift intentions: Findings and implications for legacy fundraising. Journal of Philanthropy and Marketing, 26(4), e1703.

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Don't go "radio silent"

- The average loss rate was 24% when the charity had at least one communication with the decedent within two years of death, and 48% otherwise
- This gap is likely much larger, because deaths among those with no communications who generate no gifts are less likely to be known by the charity



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A bequest commitment is the beginning, not the end

Higher value in converting to irrevocable commitments: gift annuities, charitable remainder trusts, remainder interests in homes and farms.



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Charitable plans signed earlier
DO
produce larger gifts,
IF
they stay in (or they return later)

81



Don't ignore your ***oldest*** supporters

82

Half of all charitable bequest dollars came from decedents this age and older...



U.S. study:
Age 88

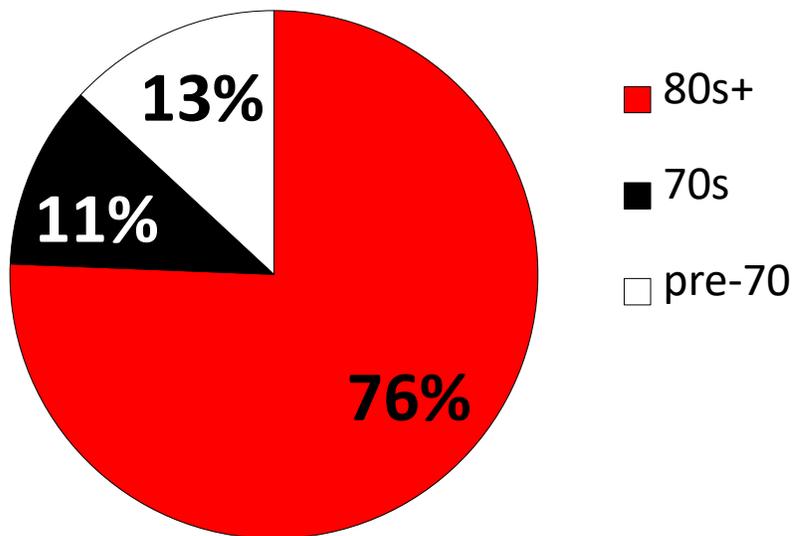
Australian study (5% sample of national probate files):
Age 90

Remember that most realized charitable bequests are added within 5 years of death

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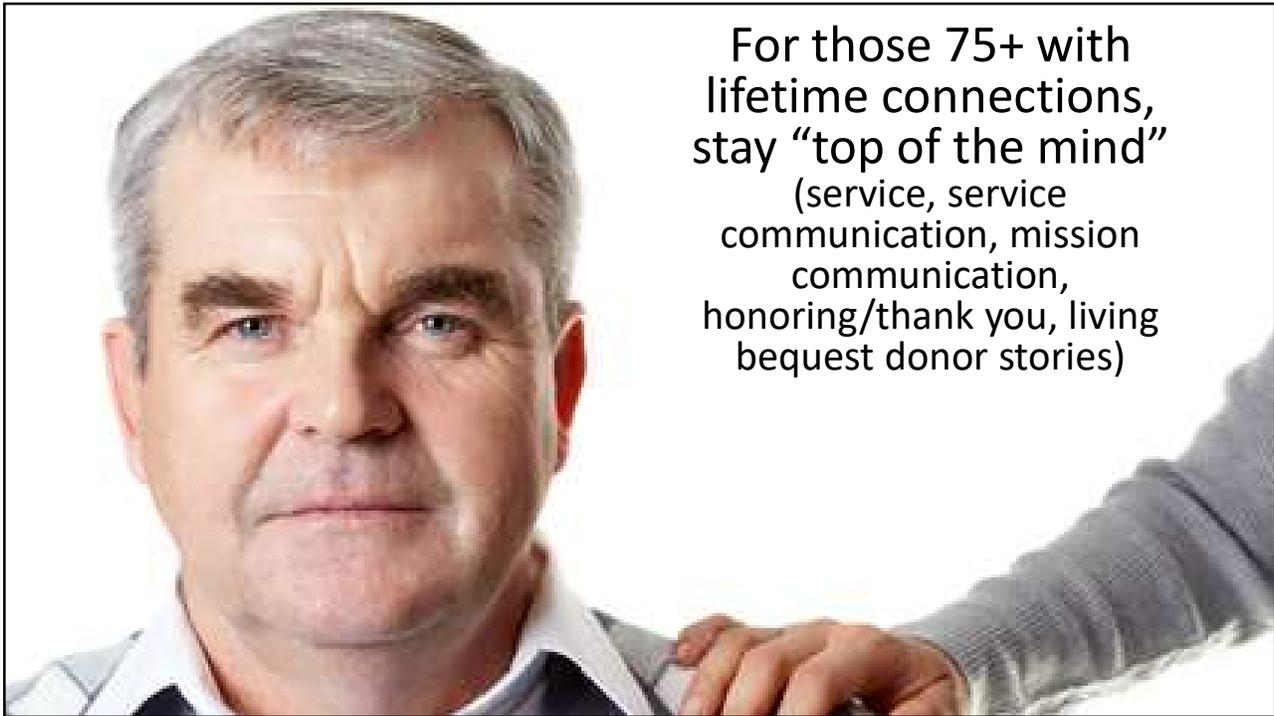
Age at Will Signing

(by share of total charitable bequest \$ transferred)

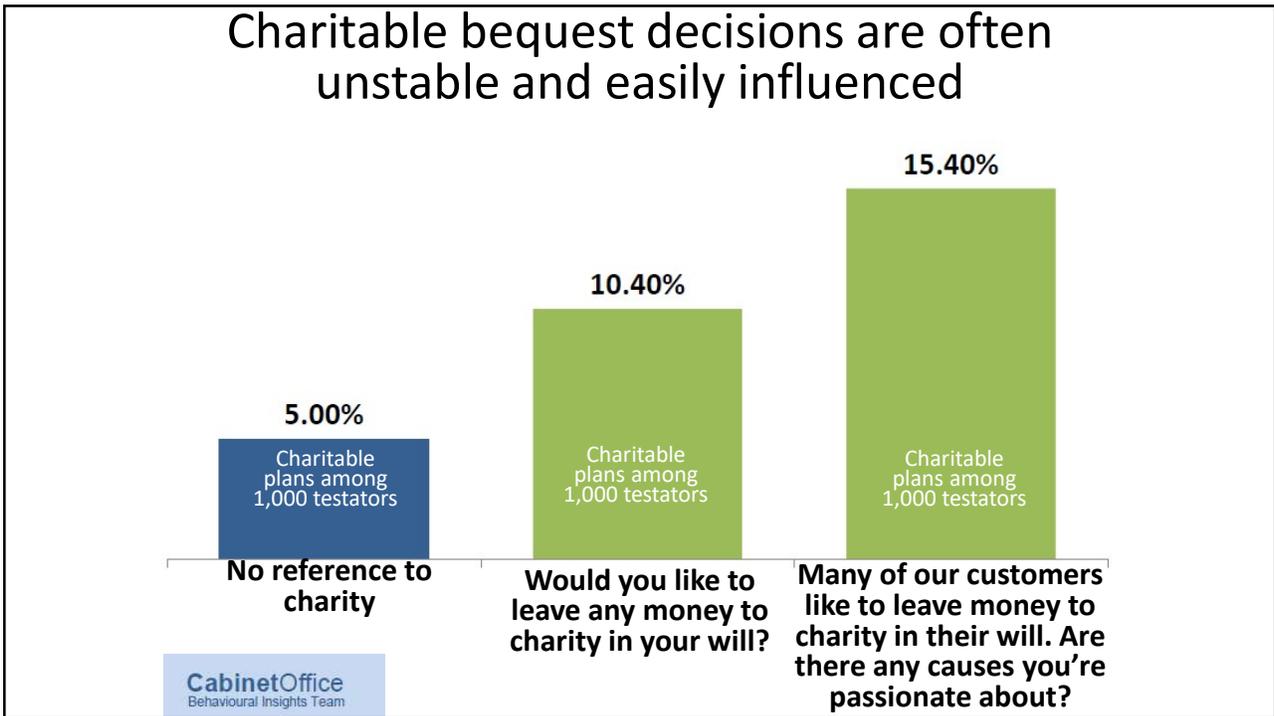


Australian data from: Baker, Christopher (October, 2013) *Encouraging Charitable Bequests by Australians* . Asia-Pacific Centre for Social Investment & Philanthropy - Swinburne University

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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!

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<p>Where's the boom?</p>  <p>A boom is finally starting now</p>	<p>Wills that won't</p>  <p>But, trusts do</p>
<p>Who are these people?</p>  <p>Wealthy, consistent donors with a trust (especially childless and unmarried)</p>	<p>When do plans change?</p>  <p>Approaching mortality & family changes</p>

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My favorite student evaluation from a personal finance class...

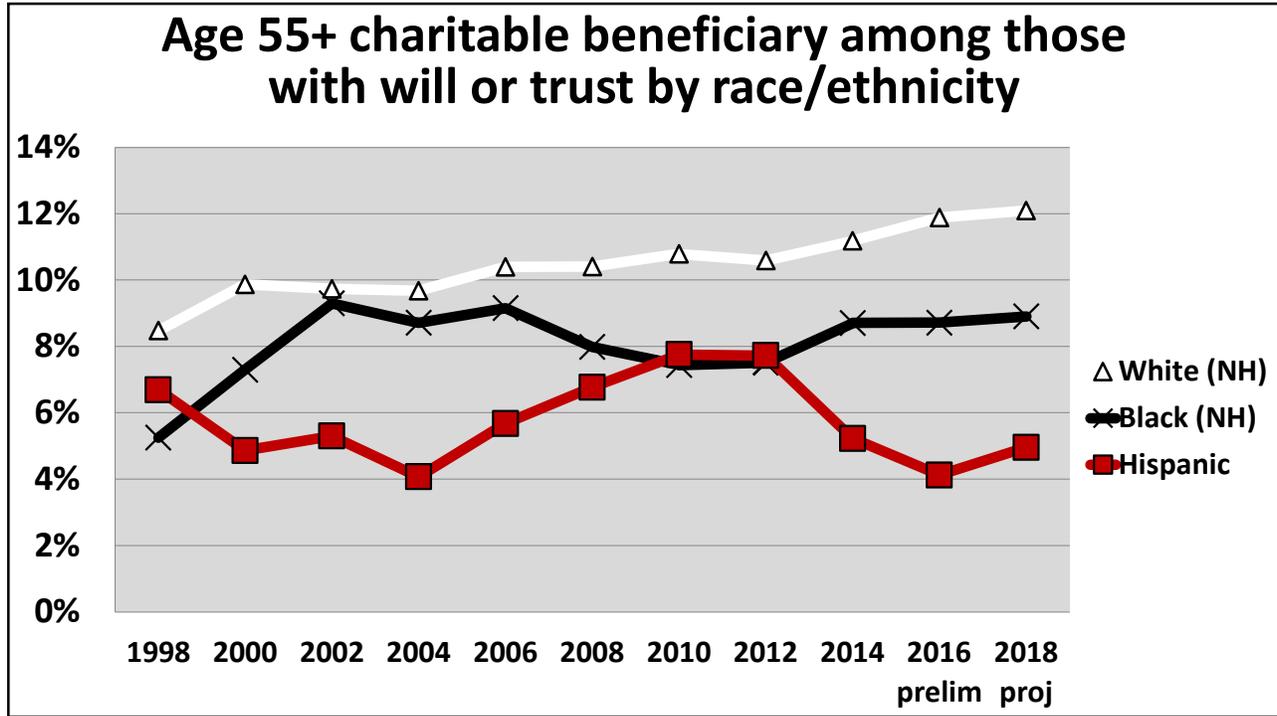
This class sucked. It was all about reality. I didn't want to know this stuff.

89

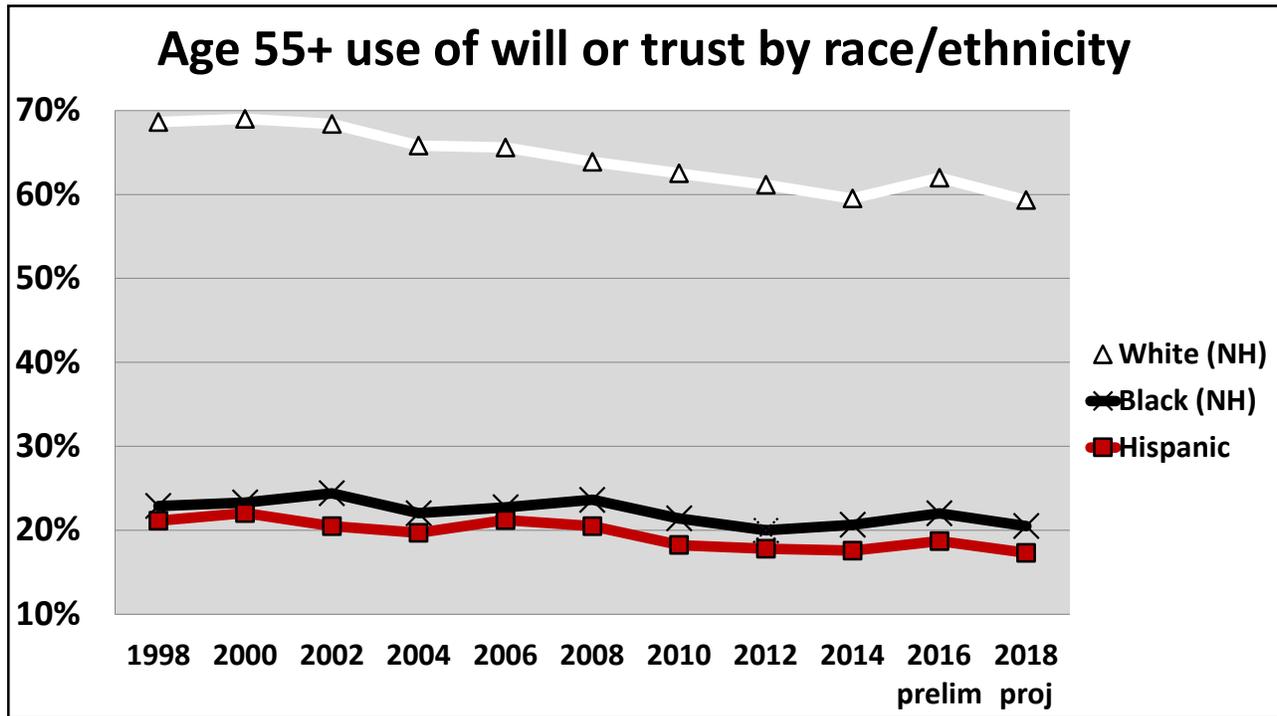
Race and ethnicity in charitable planning



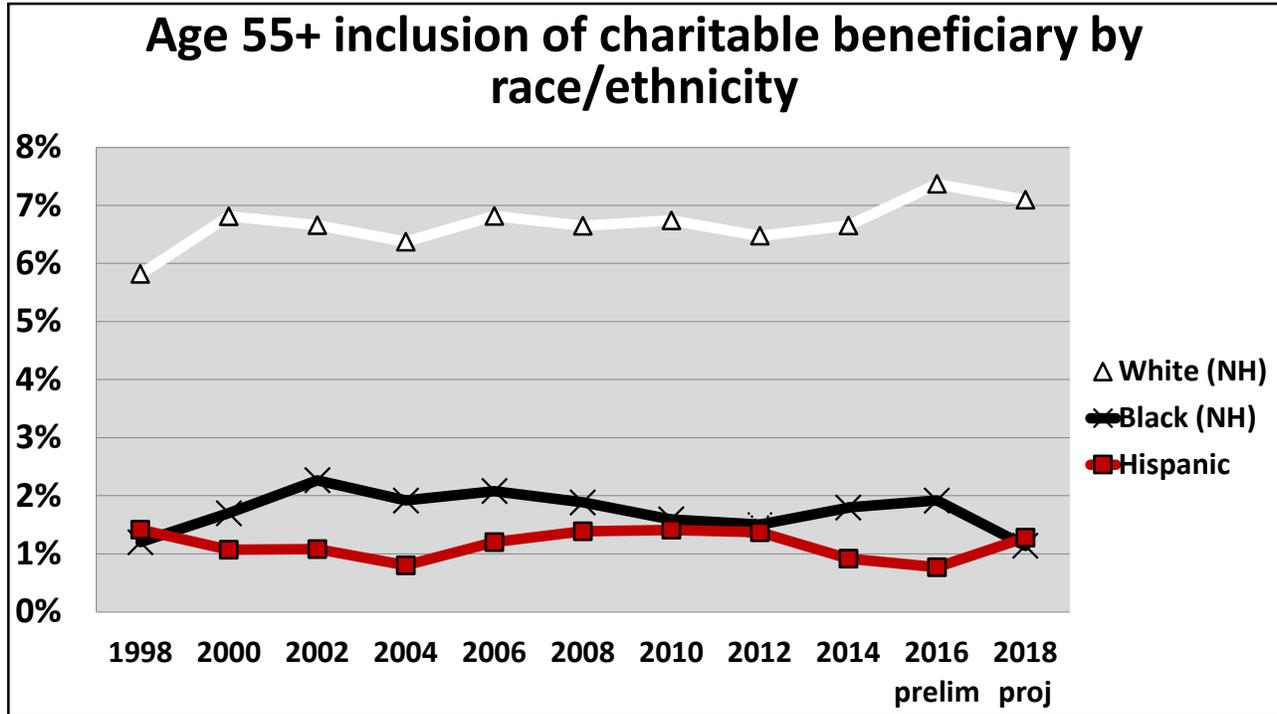
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Interest is higher among minorities



Leaving an estate or inheritance to a church, synagogue, mosque or religious organization is...

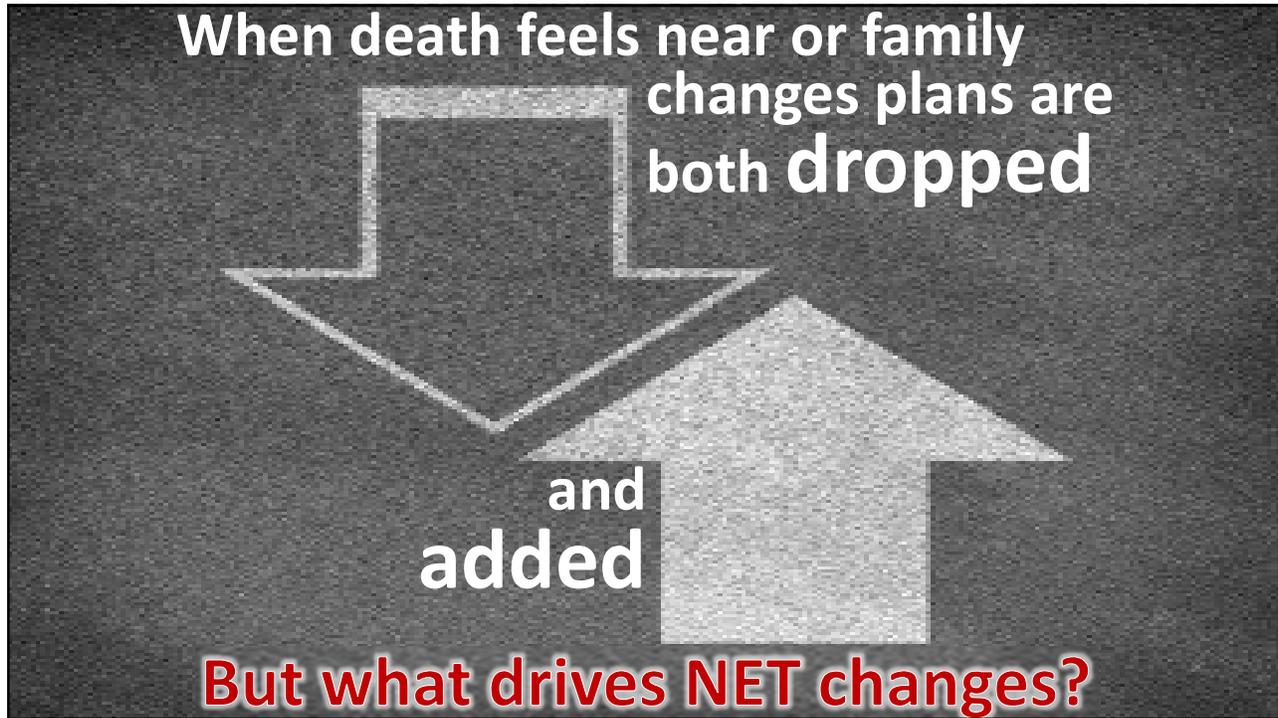
	Very important
White (Non-Hispanic)	14.4%
Black (Non-Hispanic)	38.7%
Hispanic	28.7%
Other	23.9%

Leaving an estate or inheritance to charity is...

	Very important
White (Non-Hispanic)	17.0%
Black (Non-Hispanic)	36.3%
Hispanic	25.5%
Other	25.9%

Lehman, J. & James, R. N., III (2018). The charitable bequest gap among African-Americans: Exploring charitable, religious, and family estate planning attitudes. *Journal of Personal Finance*. 17(1), 43-56.

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95

Combined effect (adding less dropping) of lifetime changes on the presence of a charitable plan

rank	Δ factor	Δ in conditional probability
1	Start (-stop) giving	+7.98%
2	Start (-stop) volunteering	+5.85%
3	+ assets by 10k	+0.01%
4	+ annual volunteering hours by 100	+0.91%
5	Being diagnosed with cancer	+7.28%
6	\$1k change in giving to charity	+0.10%
7	Becoming a widow/widower	+5.72%
8	The last survey before death	+5.28%

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Wills That Won't:

A 30 year national study of charitable planning additions, deletions, and ultimate estate transfers

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