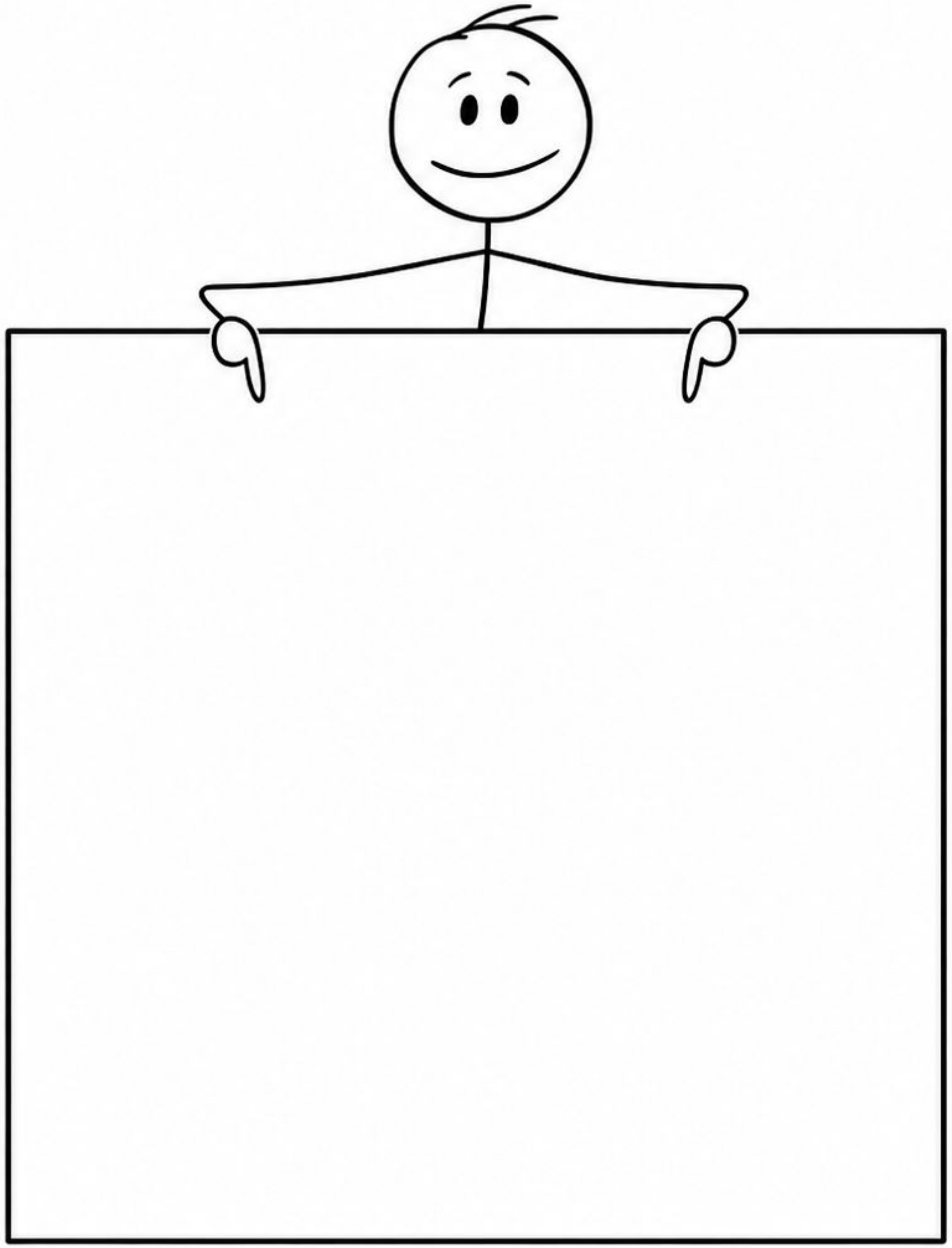
Professor Russell James
Texas Tech University

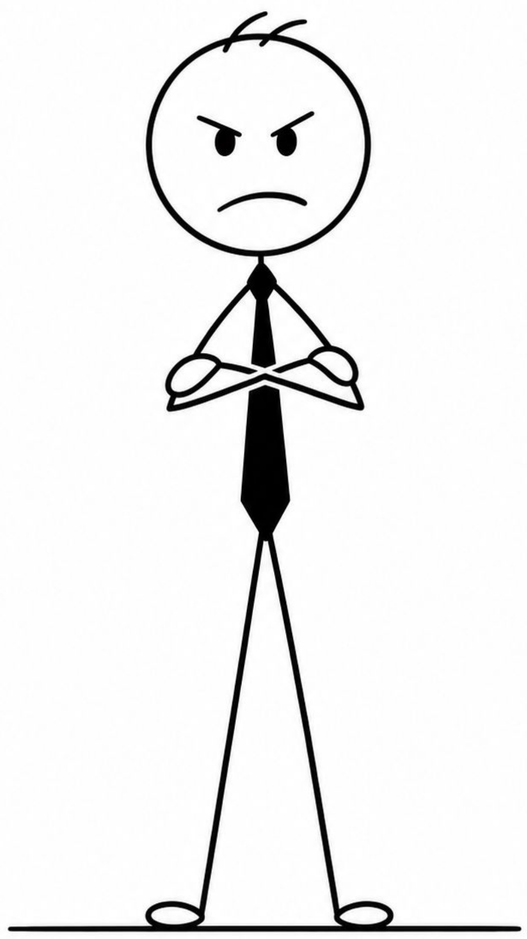
Top 10 Inheritance Myths

What Really Happens to Heirs, Wealth, and Giving in the "Great Wealth Transfer"



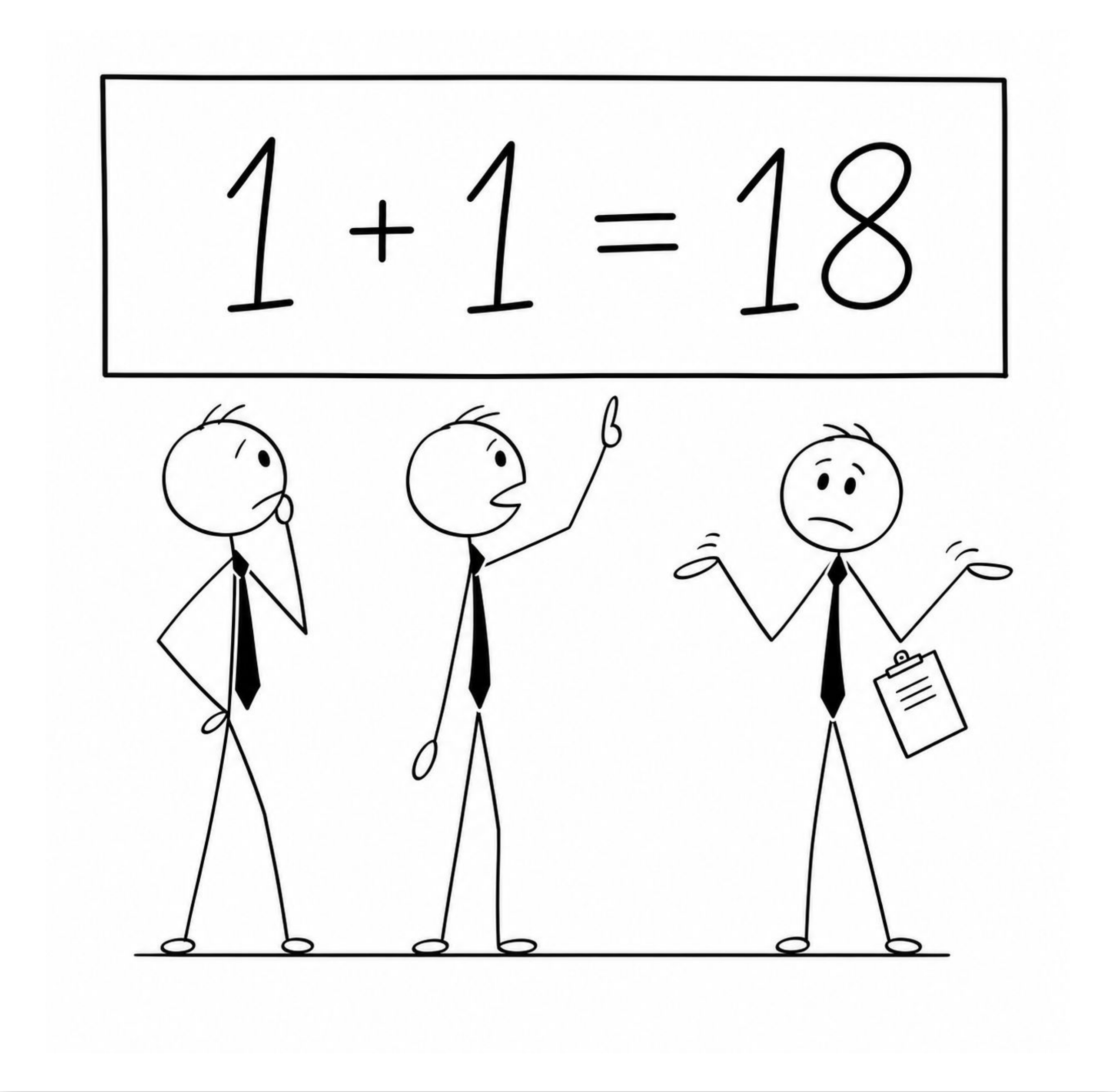

NSFW!

Top 10 Inheritance Myths



2. Get ready millennials! It will create young wealth holders.
3. This will be “generational” wealth! Inherited money lasts a long time.
4. It’s all about will power! Will documents control these transfers.
5. Woohoo! It’s an $18 Zillion-Bajillion CHARITABLE Transfer.
6. The charitable dollars will be unrestricted gifts to your favorite charities.
7. If your nonprofit doesn’t get in the plan, it’s fine. The heirs will be charitable.
8. There is strength in volume! The key to nonprofit estate dollars is getting more legacy society members.
9. Your nonprofit doesn’t need to focus on old people. Once you’re in the plan, you stay in!

Myth #1
Woohoo! It’s a $124 Zillion-Bajillion Great Wealth Transfer

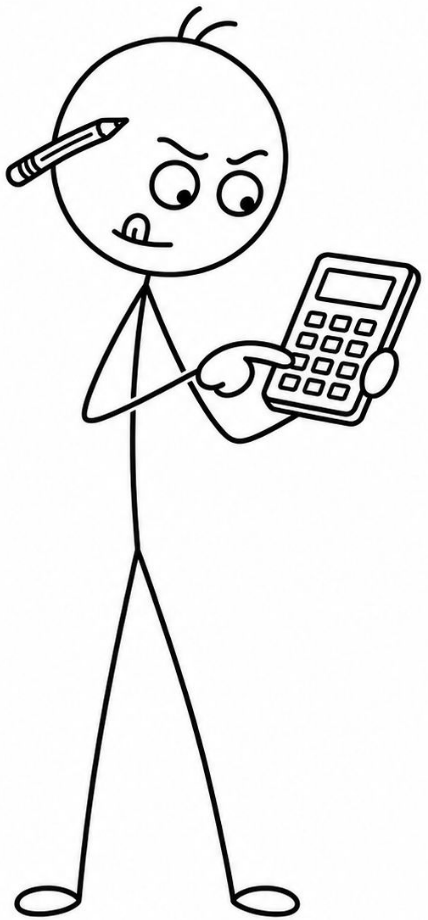


The most quoted numbers are silly

But the biggest numbers still get repeated the most

Data on Actual Estate transfers

- For estates filing tax returns the average total transfers were **$270 billion** per year for filing years 2021, 2022, and 2023
- But smaller estates don't file tax returns. Comprehensive estimate using data from the Federal Reserve Board's Survey of Consumer Finances is **$600 billion** in 2021.
- This is what has actually happened.

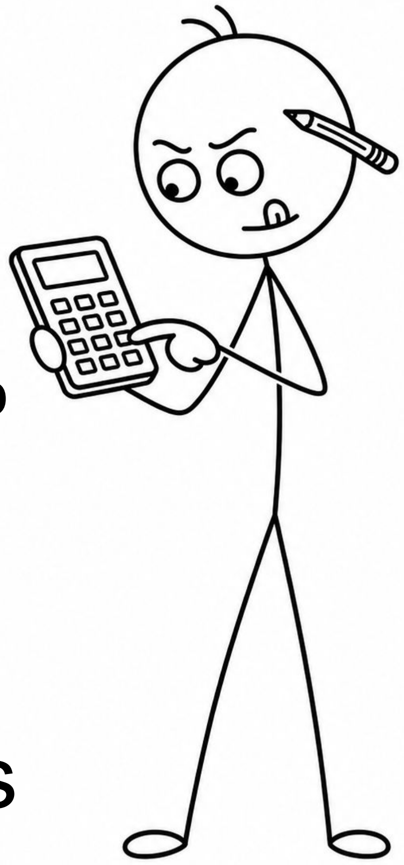


Gale, W. G., Hall, O., & Sabelhaus, J. (2024). Taxing the Great Wealth Transfer: Revenue and

Census projected deaths in the U.S.

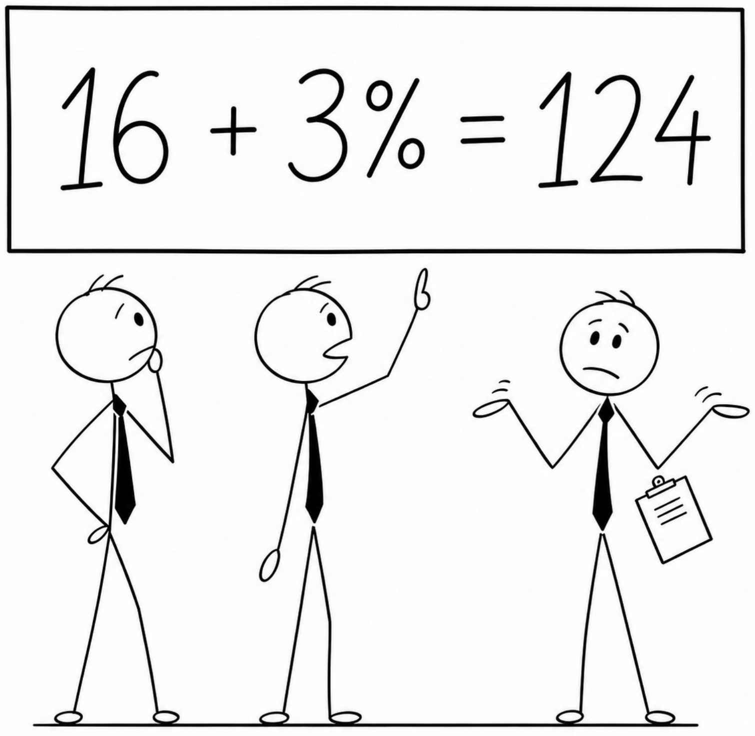
Due to population growth, Census estimates total deaths in the U.S. will be increasing over the next few decades.

- At the end of 10 years (2023 – 2033) it will be 18% higher.
- At the end of 20, (2023-2043) it will be 34% higher.
- It peaks at about 30 years (2023-2052) at 39% higher, then begins to decline



The $600 billion actual transfers in 2021 was at pandemic era death levels, which shouldn’t be reached again until 2032!

The most quoted estimate: $124 Trillion



- If we start with the actual full bequest baseline of **$600 Billion** in 2021 and adjust for differences in projected deaths over 25 years (2024-2045) we get a 25-year total of **$16 Trillion** in real dollars
- If we add in 2% inflation, we get $22 Trillion in nominal (not real) dollars
- If we add in 1% economy growth, we get $26 Trillion.
- So how do we get to the most quoted **5X** larger $124 trillion "estimate"? The number is from a "proprietary research process" (i.e., it's a super-duper secret, so don't

Yes, the trend is up.
But it’s not crazy.

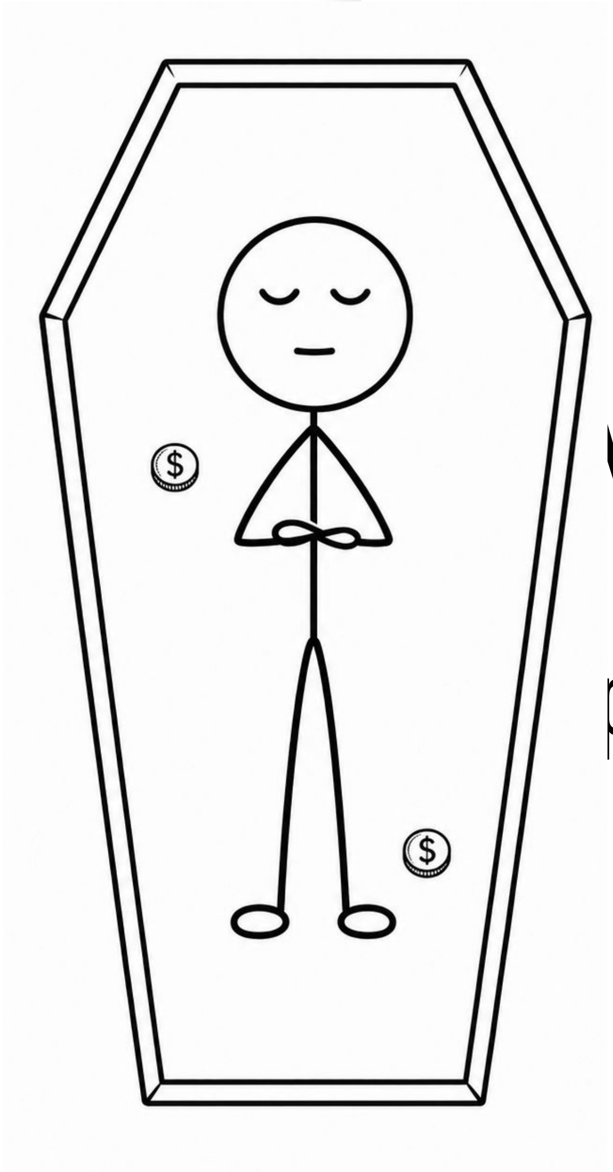
The most quoted figure from a super-secret estimation process appears to be 5X too large.

And nobody cares. (What’s an order of magnitude error between friends, right?)

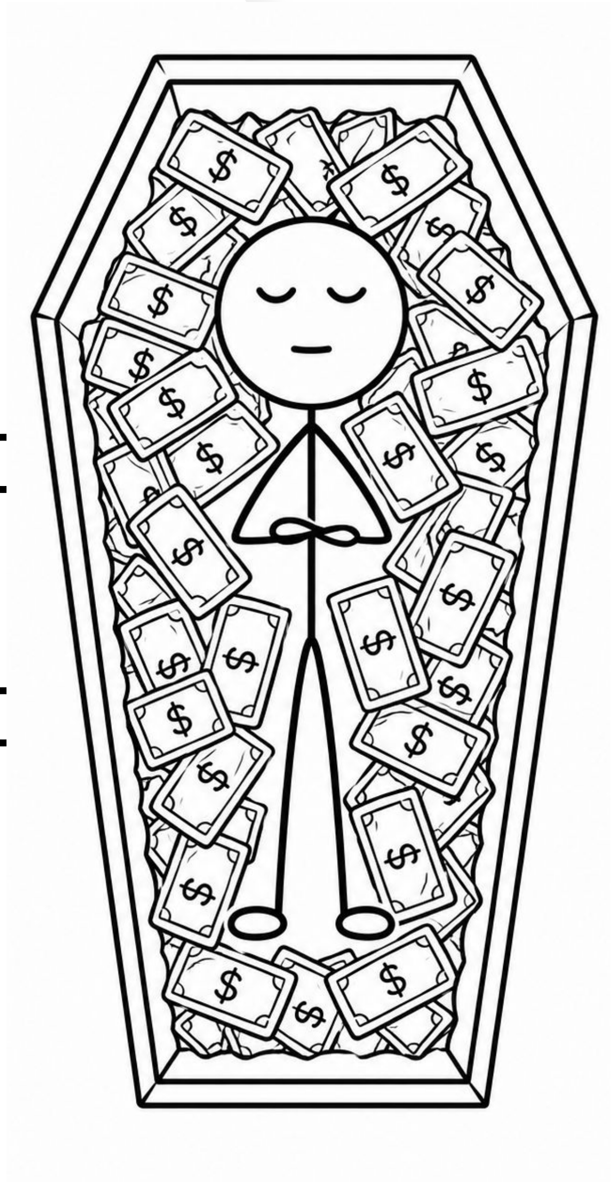
The point is, it’s going to be going up. And that point is definitely true. By 2032 we will have reached 2021 total death numbers, and we will see continued growth until 2052.

Myth #2
Get ready millennials!
It will create young new wealth holders

Wealth doesn't transfer when people die; it transfers when people with wealth die.



Wealth doesn't transfer to the next generation until people with wealth and no surviving spouse die.

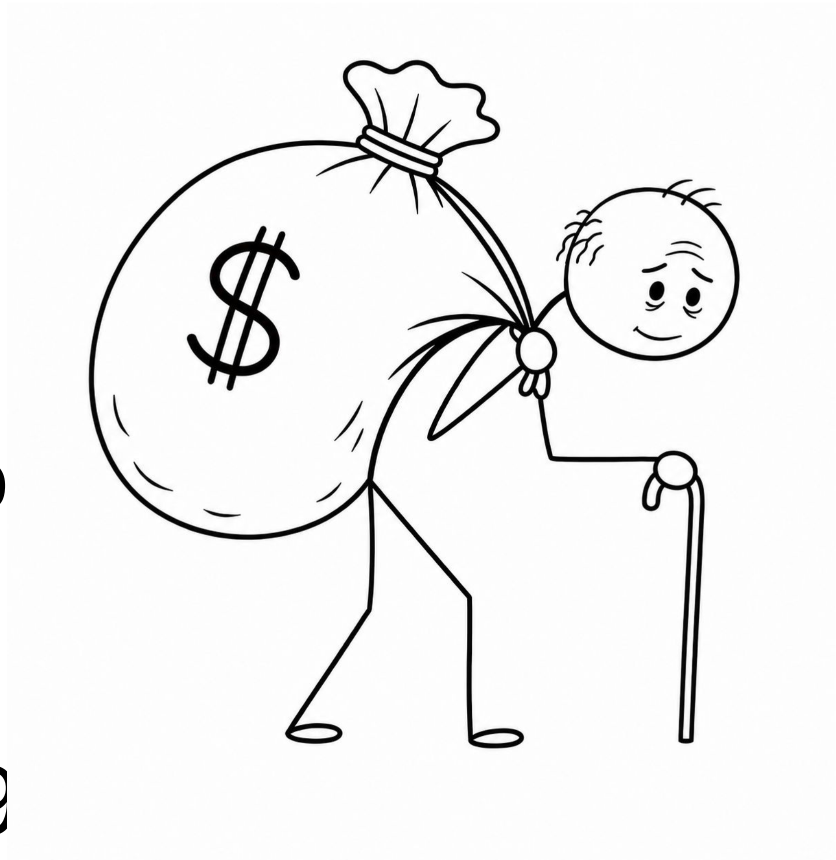


Wealthy people live longer than others

+14 year (life expectancy men)

+10 year (life expectancy women)

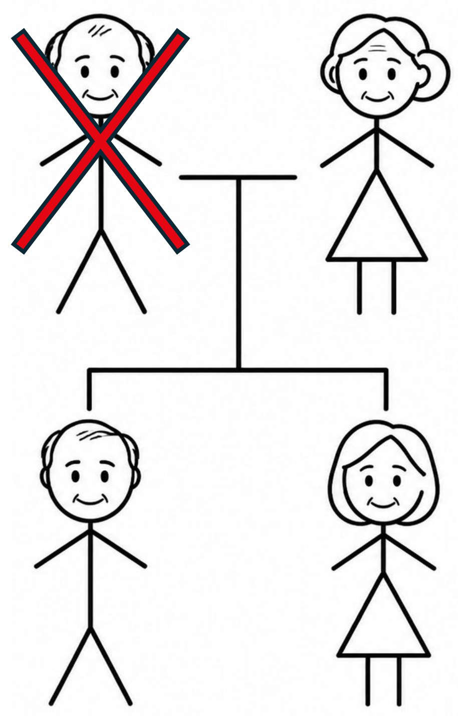
"Men at the age of 40 in the bottom 1 percent of the income distribution had a life expectancy o almost 73 years, women 79 years. Men in the top 1 percent of the income distribution had a life expectancy of 87 years, women 89 years."



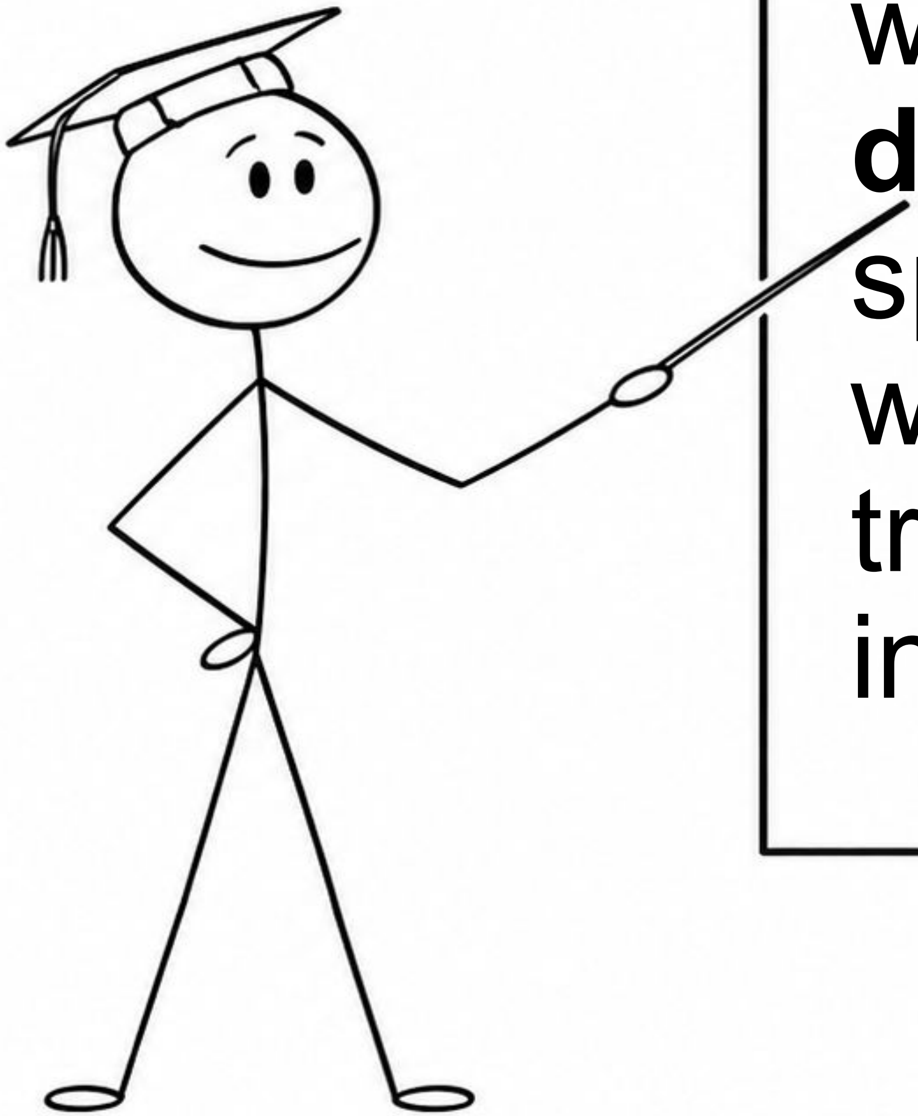
https://www.ama-assn.org/public-health/health-equity/growing-health-disparity-life-expectancy-richest-poorest-americans

Transfers to the next generation tend to happen only at the death of the surviving spouse

- This further delays the transfer to the next generation
- The generational transfer occurs at the death of the surviving spouse (widow/widower)
- Wealth holders live longer + Generational transfer doesn't happen until the last to die of both spouses

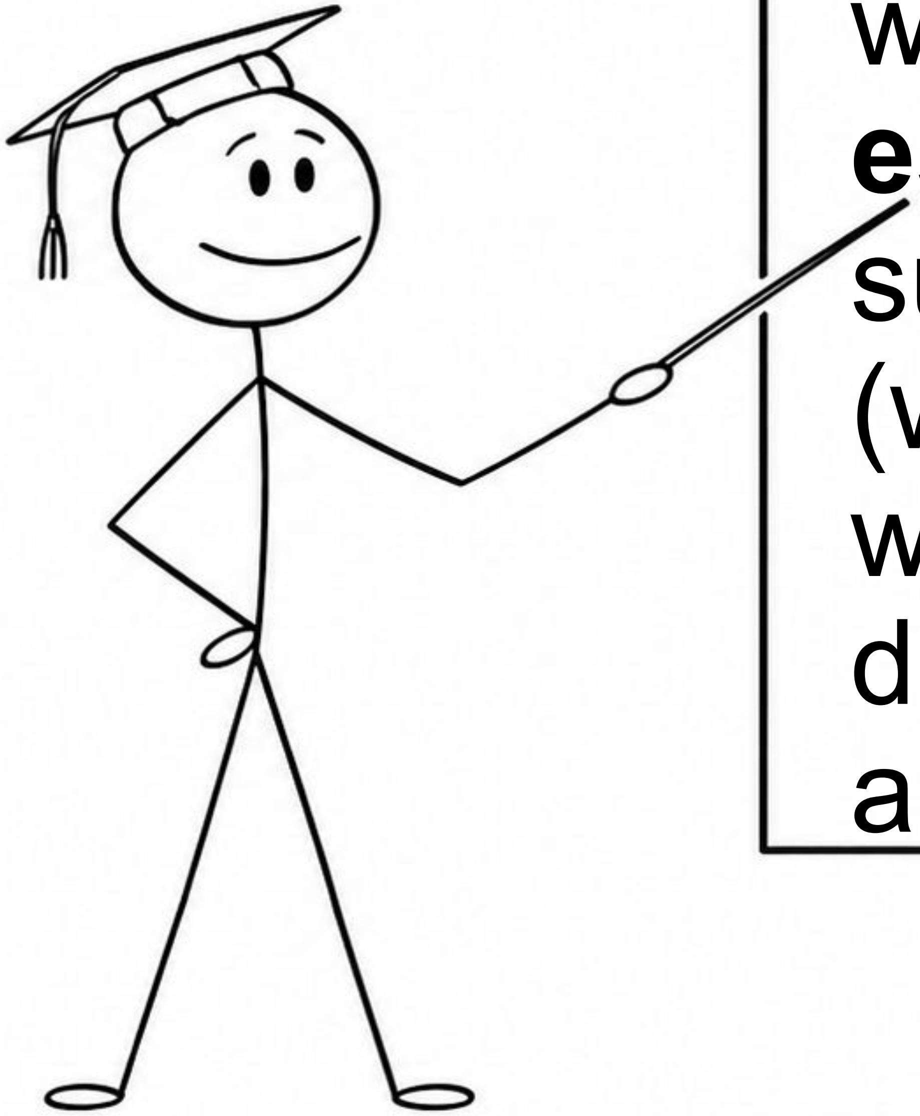


Quiz Question!



According to IRS data, what share of **total estate dollars** from surviving spouses (widows and widowers) were transferred by decedents in their 90s and 100s?

From most recent available year (2019). Source: IRS Statistics of Income tax stats - Estate tax year of death tables https://www.irs.gov/statistics/soi-tax-stats-estate-tax-year-of-death-tables
In 2013 with the 5.25MM exemption it was 56%. With increasing longevity this number would naturally grow.



According to IRS data, what share of **total estate dollars** from surviving spouses (widows and widowers) were transferred by decedents in their 90s and 100s?

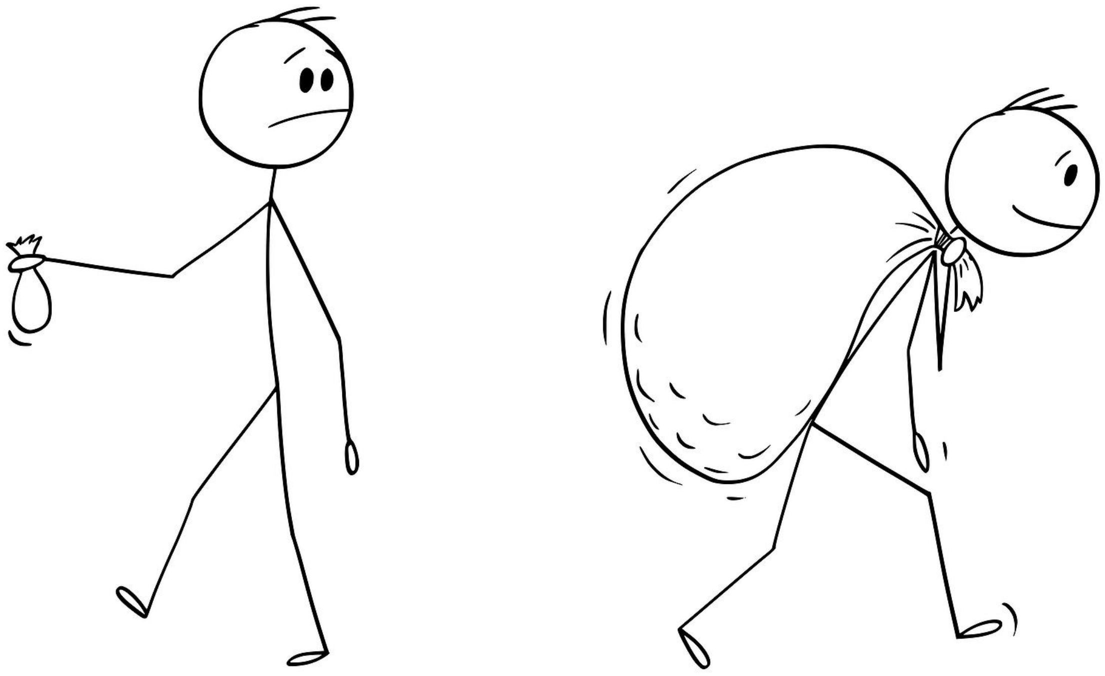
61%

When does the probability of receiving an inheritance of any size peak?

- Federal reserve numbers show that the probability of receiving any inheritance of any size peaks at a young age: 60 years of age.

https://www.federalreserve.gov/econres/notes/feds-notes/how-does-intergenerational-wealth-transmission-affect-wealth-concentration-20180601.html

- But the larger the estate, the longer the decedent lives. So, the big dollars actually transfer later.



If you aren't already wealthy, don't hold your breath

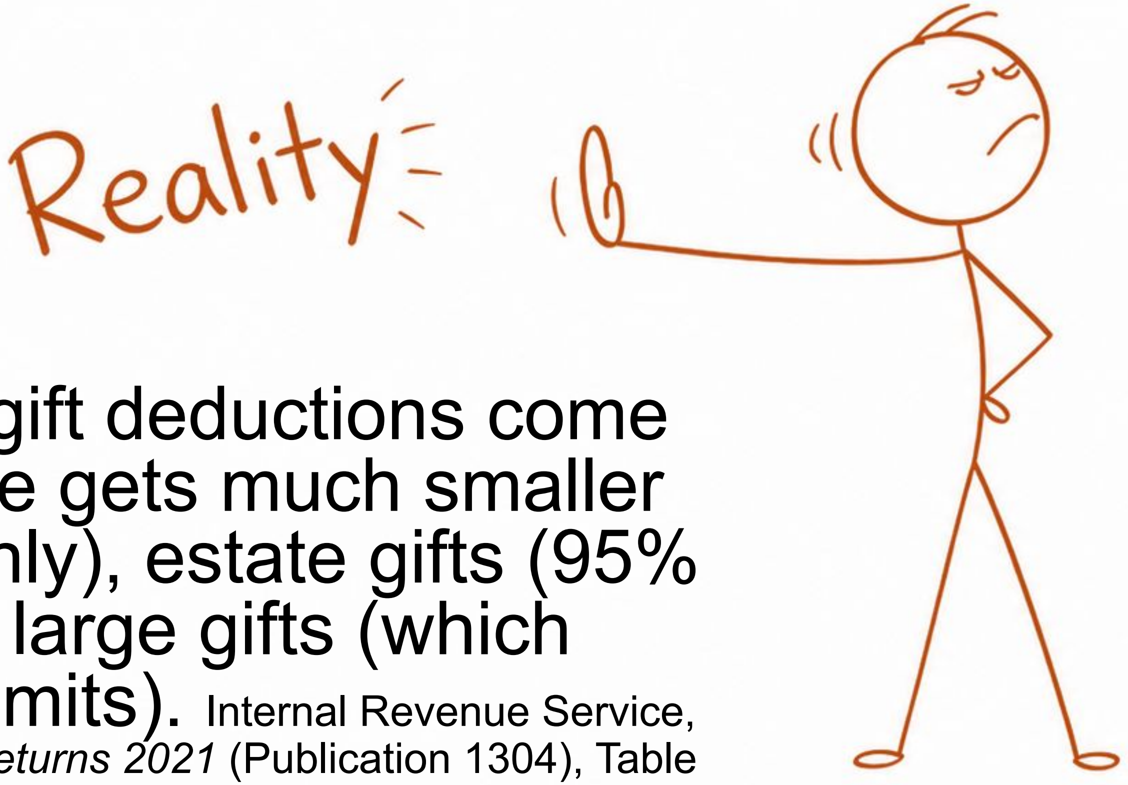
- Only 8% of inherited dollars go to those who were in the bottom half of wealthholders
- Most (56%) goes to those already in the top 10% of wealth

https://www.federalreserve.gov/econres/notes/feds-notes/how-does-intergenerational-wealth-transmission-affect-wealth-concentration-20180601.html

Sadly, you won't get clicks with the real story, but these work better!

- **Yahoo Finance** (December 13, 2024), "How Millennials Could Get Rich During the Great Wealth Transfer".
- **Forbes** (Mar. 1, 2024): "Great Wealth Transfer: How The $90 Trillion Windfall For Millennials Could Change The Job Market And Economy."
- **Bankrate** (June 25, 2025), "An $84 trillion wealth shift is underway, and

~~But I want to work with younger donors!~~

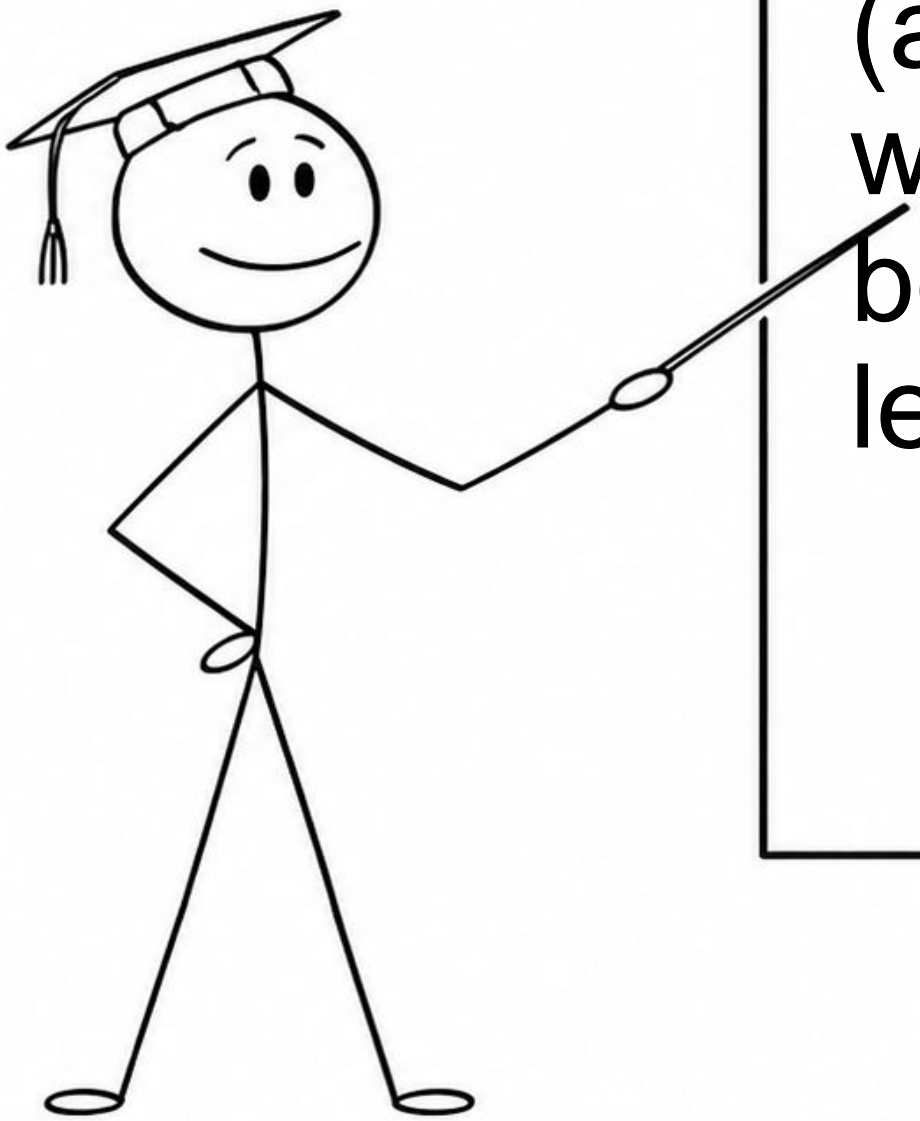


- Less than 1/3 of current charitable gift deductions come from those under age 55. This share gets much smaller when adding QCD gifts (age 70+ only), estate gifts (95% of dollars from decedents 65+) and large gifts (which usually exceed reportable income limits). Internal Revenue Service, Statistics of Income Division. (2024). *Individual Income Tax Returns 2021* (Publication 1304), Table 2.6, p. 206.
- Among those making principal gifts to colleges and universities, "61% of the [principal gift] donors were aged 72 or older, and 36% were 53 to 71 years of age." (CASE) Giacomini, C., Trumble, D., Koranteng, A., & King, J. (2022). *CASE study of principal gifts to U.S. colleges & universities*. Council for Advancement and Support of Education
- Among donors giving $50MM+ in 2024, average donor age was 74. (Philanthropy 50). Beasley, S., & Stiffman, E. (2025, March 4). *Meet the mega-donors of the future*. The Chronicle of Philanthropy. The article reports an average age of 73.5 and a $50 million minimum for the 2024 Philanthropy 50.

Myth #3

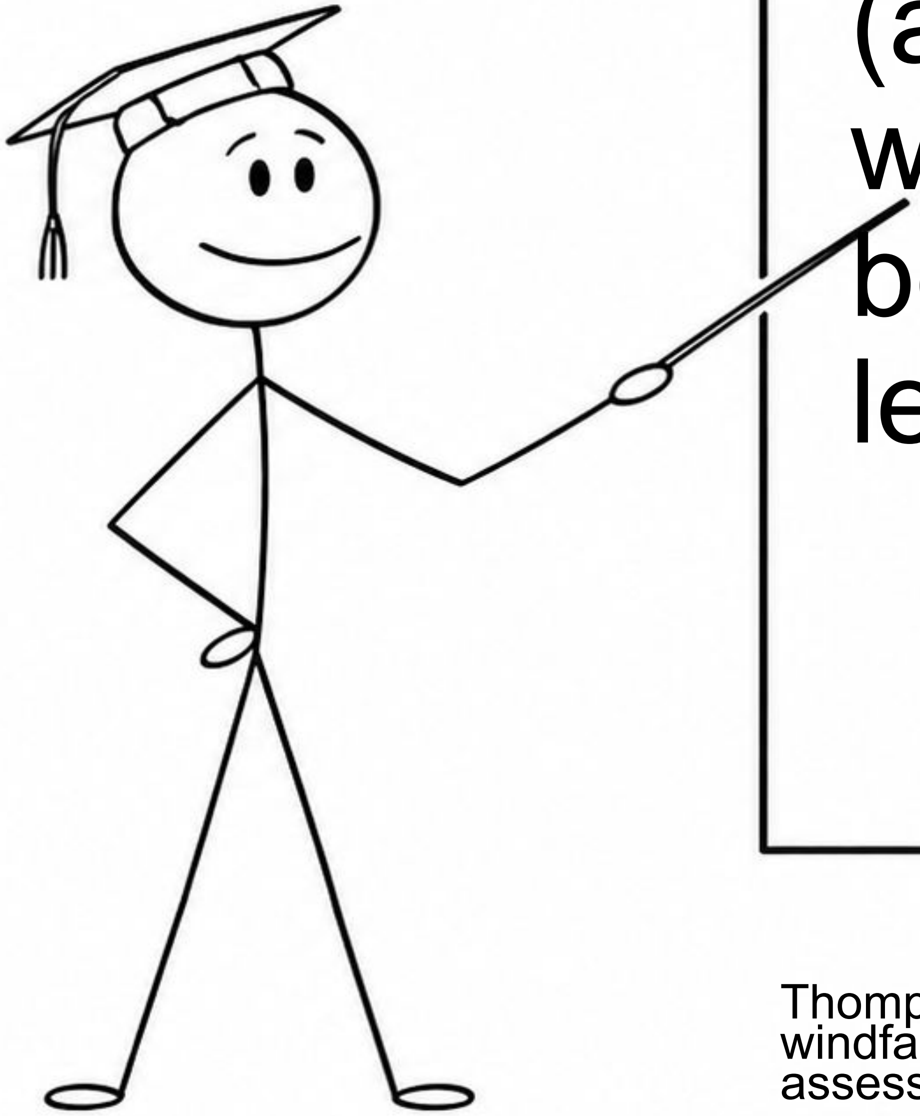
This will be "generational" wealth because inherited money lasts a long time.

Quiz Question #2!



What percentage of heirs (age 50+) had their net worth fall back to (or below) its pre-inheritance level within 12 months?

Quiz Question #2!



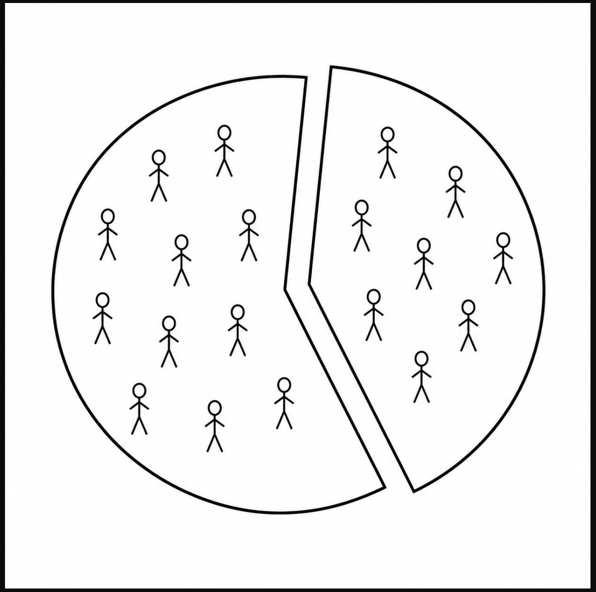
What percentage of heirs (age 50+) had their net worth fall back to (or below) its pre-inheritance level within 12 months?

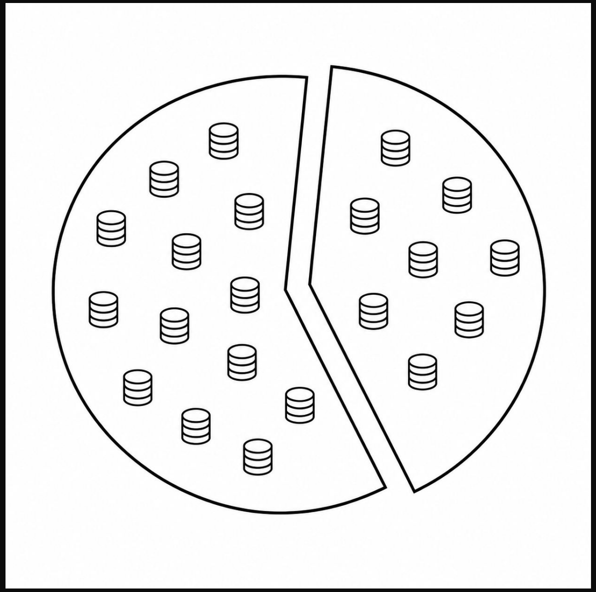
42%

Thompson, C., & James III, R. (2026). Dissipation of inheritance windfalls and the case for time-phased transfers: An empirical assessment from HRS data. *Financial Services Review, 34*(1), 24-42.

Share of heirs vs share of total dollars

- That's the share of inheritances that immediately disappear.
- What about the share of total dollars? (Note: Total dollars will be dominated by the larger inheritances.)
- Typical heir vs typical dollar





39-45% of total inherited dollars disappear immediately

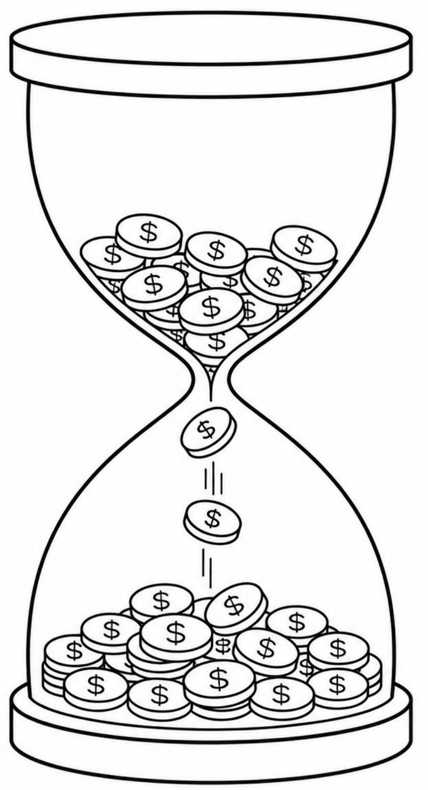
[20-50] Zagorsky, J. L. (2013). Do people save or spend their inheritances? Understanding what happens to inherited wealth. *Journal of Family and Economic Issues, 34*(1), 64-76; [50+]Thompson, C., & James III, R. (2026). Dissipation of inheritance windfalls and the case for time-phased transfers: An empirical assessment from HRS data. *Financial Services Review, 34*(1), 24-42

- A national study of heirs age 50+ found that about 12 months later, 39 cents from each dollar had disappeared.
- A national study of heirs in their 20s, 30s, and 40s, found that about 12 months later, 45 cents from each dollar had disappeared.
- Note this is the share of total **dollars**, so larger estates tend to dominate these numbers

What about “BIG” inheritances? Dissipation takes a bit longer

For inheritances at least **5X** heirs’ annual income:

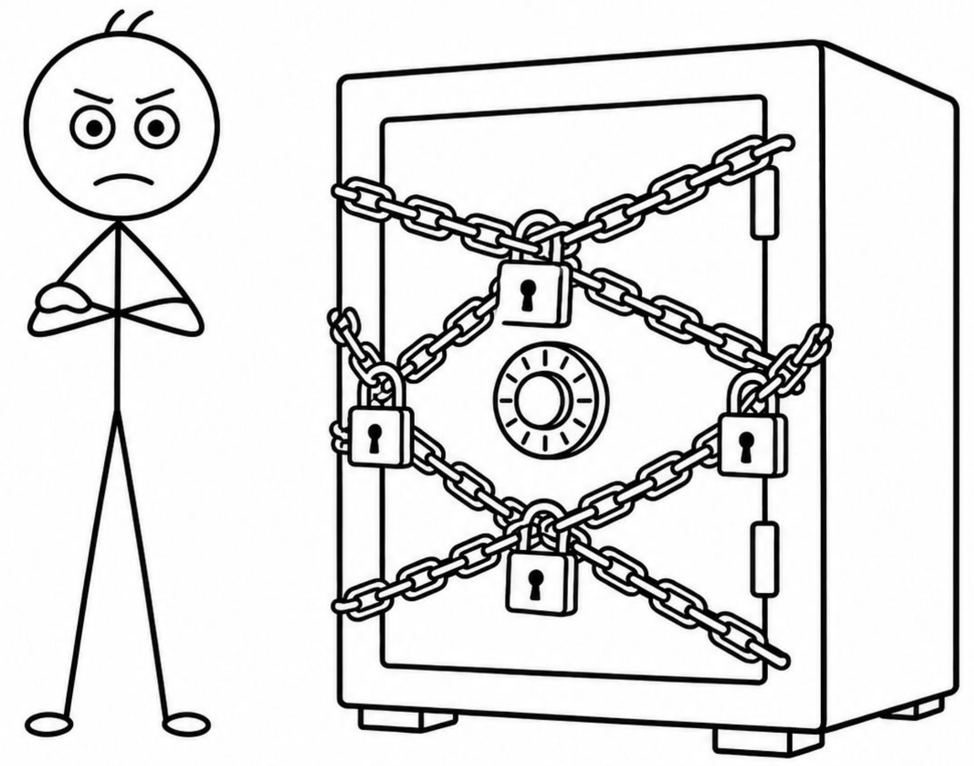
- “Heirs deplete most of the initial burst of wealth obtained through inheritance within six years of parental death and continue a **gradual convergence toward the path established before parental death**”



Druedahl, J., & Martinello, A. (2022). Long-run saving dynamics: Evidence from unexpected inheritances. *Review of Economics and Statistics*, *104*(5), 1079-1095. [Appendix G: “the convergence patterns are the same”]

But a small segment never touch the principal: "That's not my money, that's family money"

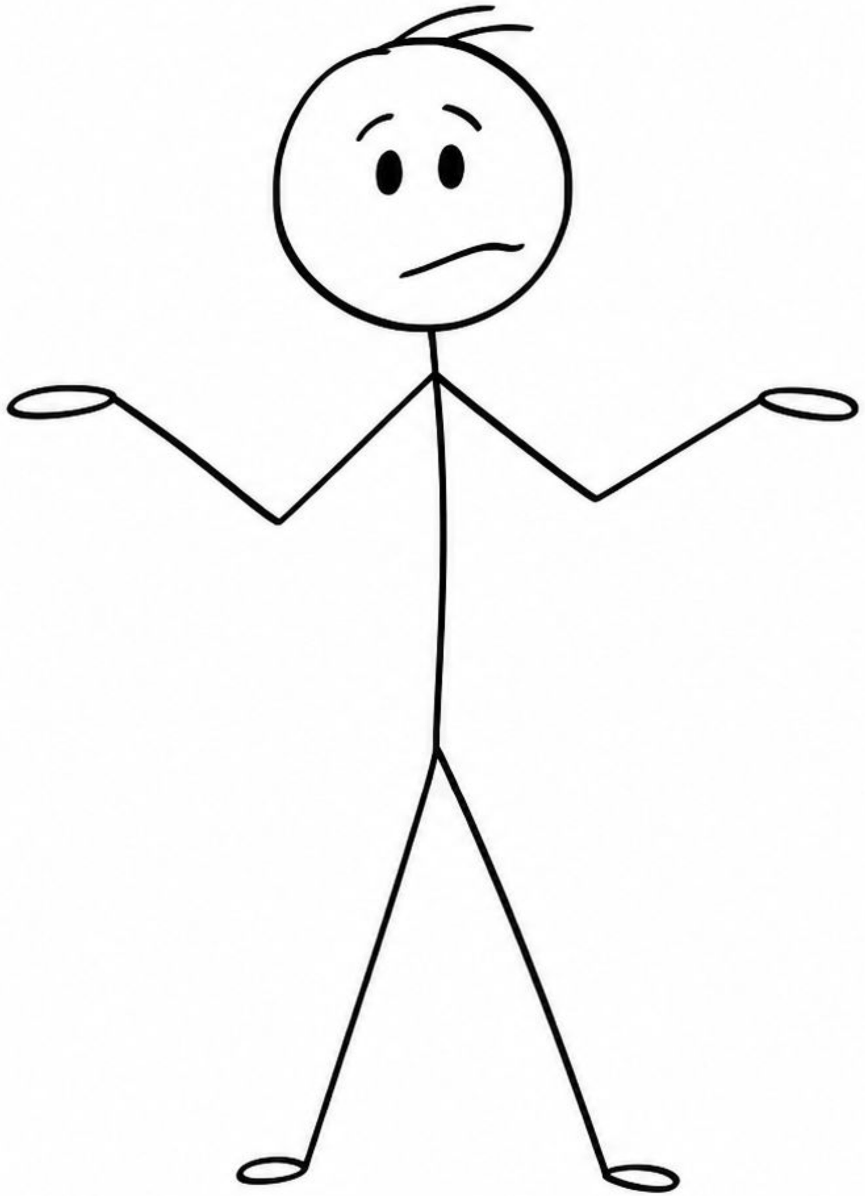
"By year 7, the distribution of wealth looks similar to the distribution of wealth of their peers who did not receive any inheritances, everywhere except at the very top [*top 2%*] where we see persistent effects."



Nekoei, A., & Seim, D. (2023). How do inheritances shape wealth inequality? Theory and evidence from Sweden. *The Review of Economic Studies*, *90*(1), 463-498.

What does it get spent on?

How can you spend it all in a way that does not lead to increased lower net worth?



Cars

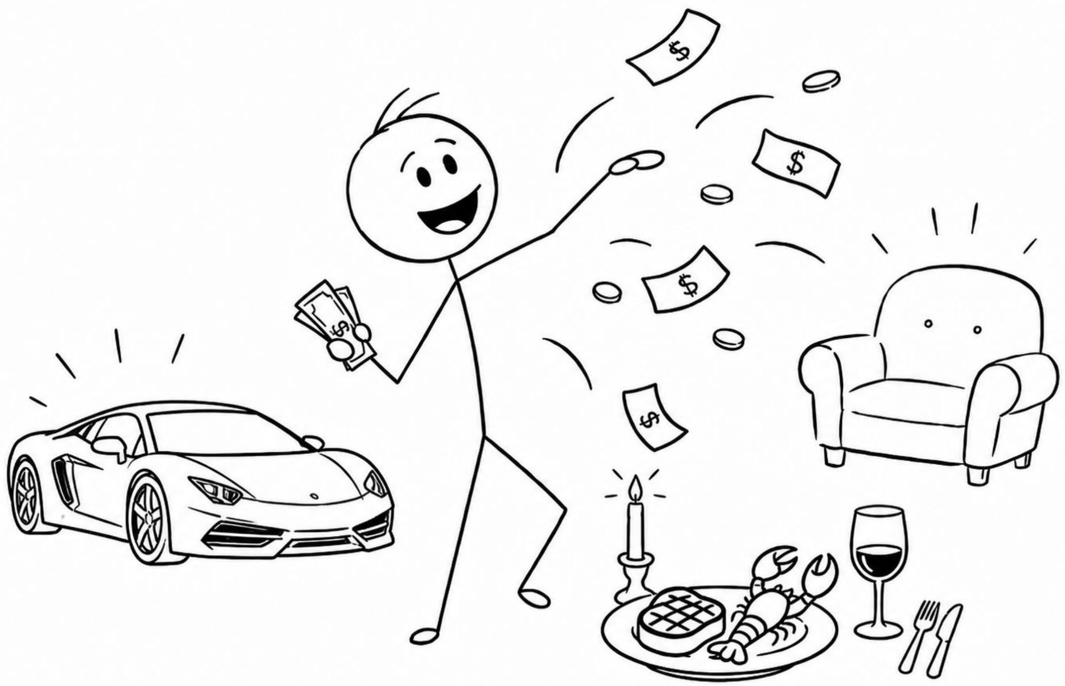
Spending on automobiles spikes during the first two years after death.

Nekoei, A., & Seim, D. (2023). How do inheritances shape wealth inequality? Theory and evidence from Sweden. *The Review of Economic Studies*, *90*(1), 463-498.

Other studies find that cars, eating out, household decorations & furnishings spending go up

A 2025 national study found that receiving an inheritance was associated with an immediate increase, averaging about 27%, in spending on big-ticket goods such as cars and household furnishings.

Also, there was an immediate increase in spending on food outside the home (but not food at home).



Belloc, I., Molina, J. A., & Velilla, J. (2025). Consumption responses to inheritances: The role of durable goods. *Journal of Macroeconomics*, *83*, 103661; “The results reveal a positive effect of inheritances on household consumption of durable goods. Such an effect occurs immediately after receiving the inheritance and its average magnitude is about 27 %.” Durable goods is “the sum of car repair or maintenance expenses, other car payments, outlays on vehicles, vehicle lease payments, downpayments on vehicles, vehicle loan payments, household furnishings and household repair”; Belloc, I., Molina, J. A., & Velilla, J. (2023). *Household Wealth and Body Mass Index: Towards a Healthy Ageing?* (No. 1354). GLO Discussion Paper.

They quit their jobs

- Labor income drops significantly.

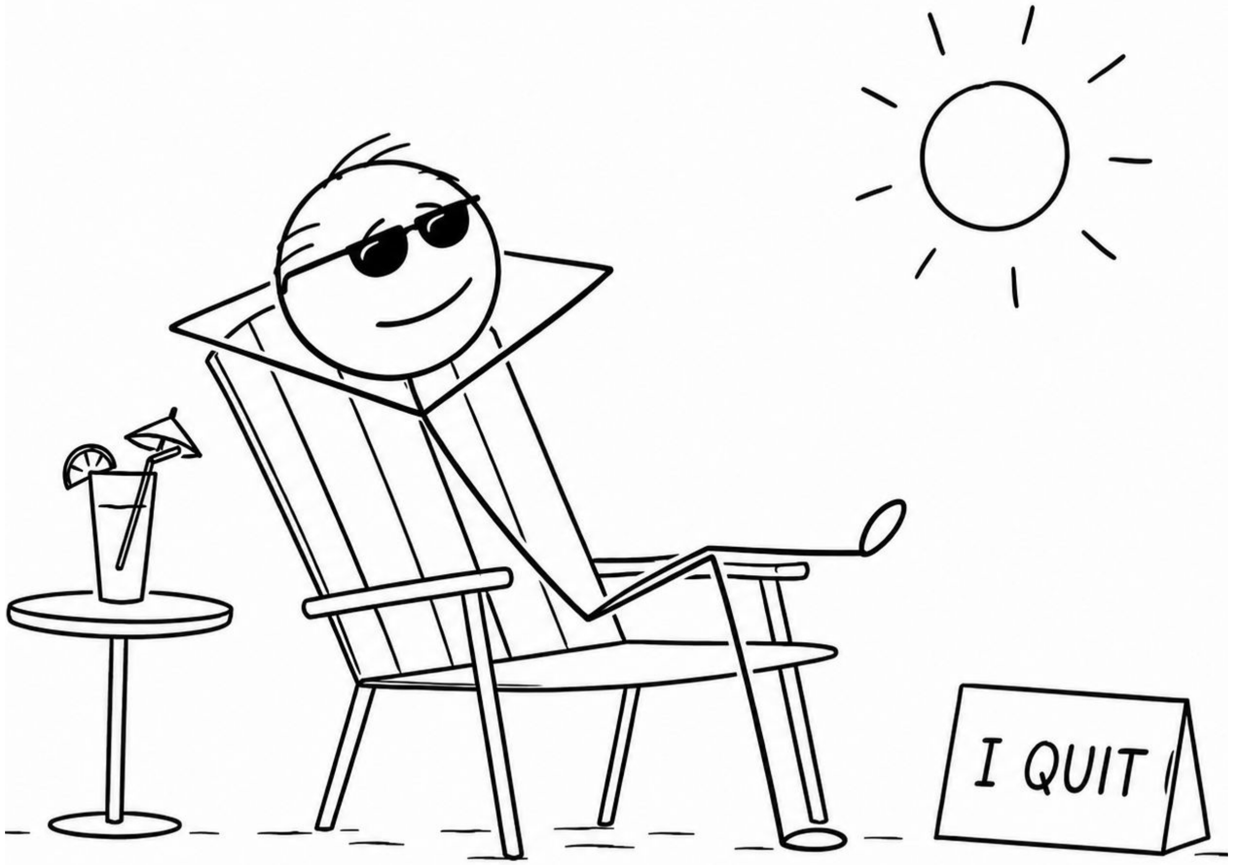
Nekoei, A., & Seim, D. (2023). How do inheritances shape wealth inequality? Theory and evidence from Sweden. *The Review of Economic Studies*, *90*(1), 463-498. (Note that the labor income recovers after 7 years, i.e., after the inheritance is gone.)

- They switch status to retired or "self-employed."

Holtz-Eakin, D., Joulfaian, D., & Rosen, H. S. (1993). The Carnegie conjecture: Some empirical evidence. The Quarterly Journal of Economics, 108(2), 413-435.; Retirement effects. Brown, J. R., Coile, C. C., & Weisbenner, S. J. (2010). The effect of inheritance receipt on retirement. *The Review of Economics and Statistics*, *92*(2), 425-434.; Self-employment effects. Blanchflower, D. G., & Oswald, A. J. (1998). *What Makes an Entrepreneur? Journal of Labor Economics, 16*(1), 26–60.; Among women. Belloc, I., Molina, J. A., & Velilla, J. (2025). Unexpected inheritances and household labor supply: Does the identity of the recipient matter?. Review of Income and Wealth, 71(1), e12723.

- This behavior mirrors that of lottery winners

Cesarini, D., Lindqvist, E., Notowidigdo, M. J., & Östling, R. (2017). The effect of wealth on individual and household labor supply: evidence from Swedish lotteries. *American Economic Review*, *107*(12), 3917-3946.



Heirs don’t just spend it after it arrives.
They spend it before it arrives!

- “The positive effect on consumption of an anticipated bequest is about half as large as the effect of an inheritance in hand.”

Steinberg, R., Zhang, Y., Brown, E., & Rooney, P. (2010). Earned, owned, or transferred: are donations sensitive to the composition of income and wealth?

- Expecting a large inheritance is negatively related to savings.

Basiglio, S., Rossi, M. C., & Van Soest, A. (2023). Subjective inheritance expectations and economic outcomes. *Review of Income and Wealth*, *69*(4), 1088-1113.

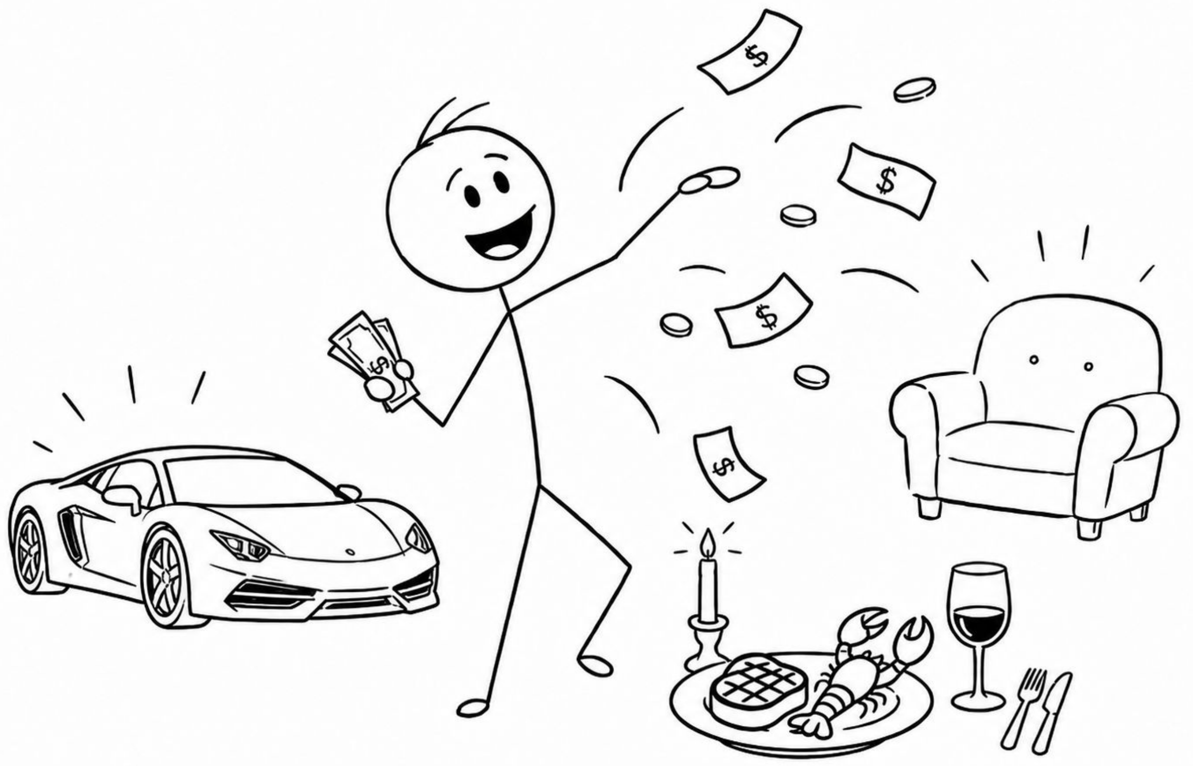
They may have already borrowed and spent it (unless their credit is already maxed out)

- Malo & Sciulli (2023) found that households expecting a wealth transfer in the future consume as if they were in a higher wealth decile.
- However, “liquidity constrained” households don’t because they don’t have access to borrowing

Malo, M. Á., & Sciulli, D. (2023). Expected wealth transfers and consumption across the wealth distribution in Europe. *Economic Modelling*, *126*, 106416.

Client reality

If you don’t put instructions with your money, it will likely be used in a way that contradicts your values.



Client reality

If you don't put instructions with your money, it will likely be used in a way that contradicts your values.

Why don't clients (or often advisors) understand this reality?

- **Because during planning, it's just money.**
- **As a received inheritance, it's DEATH MONEY.**

Hundreds of experimental studies find that mortality reminders lead to

1. Avoidance
2. Pursuit of permanence or "symbolic immortality"

Hundreds of experimental studies find that mortality reminders lead to

1. Avoidance

Here, have some "mom death" money! It's money from your mom's death!

Hey, you still have $50,000 in your "mom death account." What do you want to do with it?

Hundreds of experimental studies find that mortality reminders lead to

1. Avoidance

The worst possible time to leave money to heirs is in one lump sum at death.

Spreading it out over time is better.

Not just for spendthrift heirs who are "bad with money." It's a different psychological challenge

Practice point

Ask a simple question:

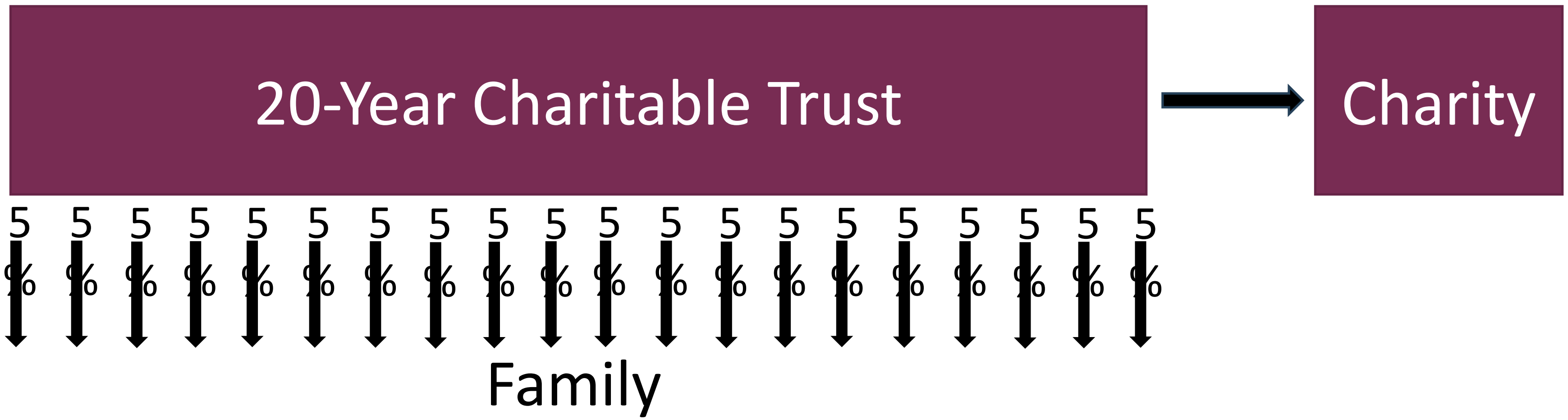
- How much would you like transferred in one lump sum at death?
- How much spread out over time?

Define inheritance goals in terms of ongoing impact rather than just defaulting to a lump sum transfer (e.g., income, spendthrift protection, wage matching payments, specific expenditures, etc.)

Income-based charitable planning: “I feel obligated to give it all to family”

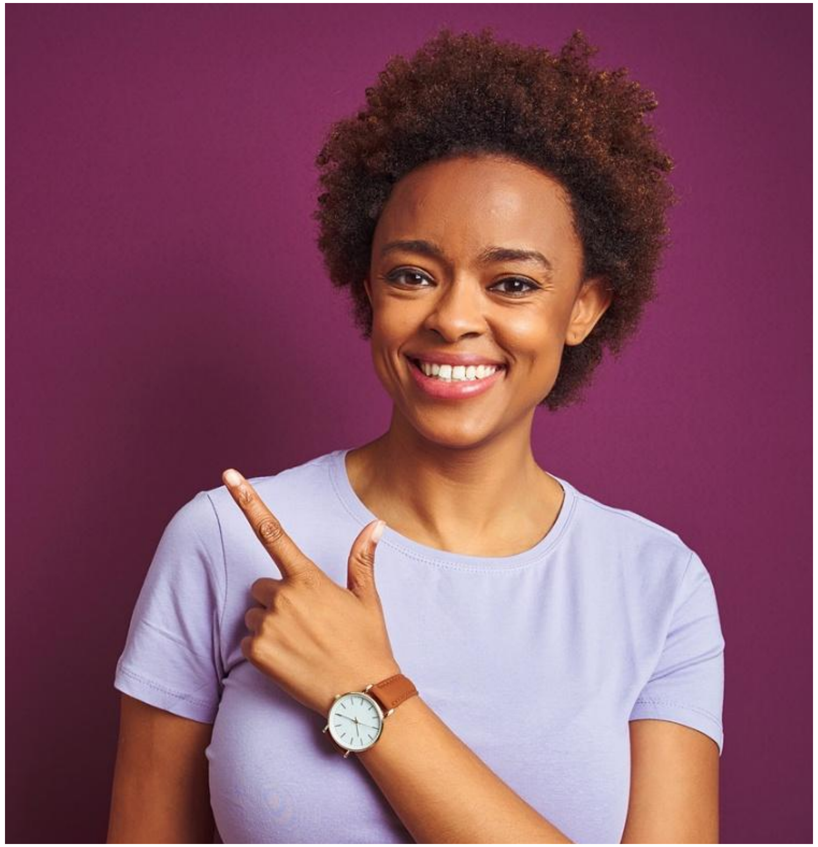
I understand that feeling. I work with others who have felt the same way. Some of them have found that they can transfer 100% to the family but still leave a charitable legacy. Would you be interested in hearing more about that?

“100% + charity”

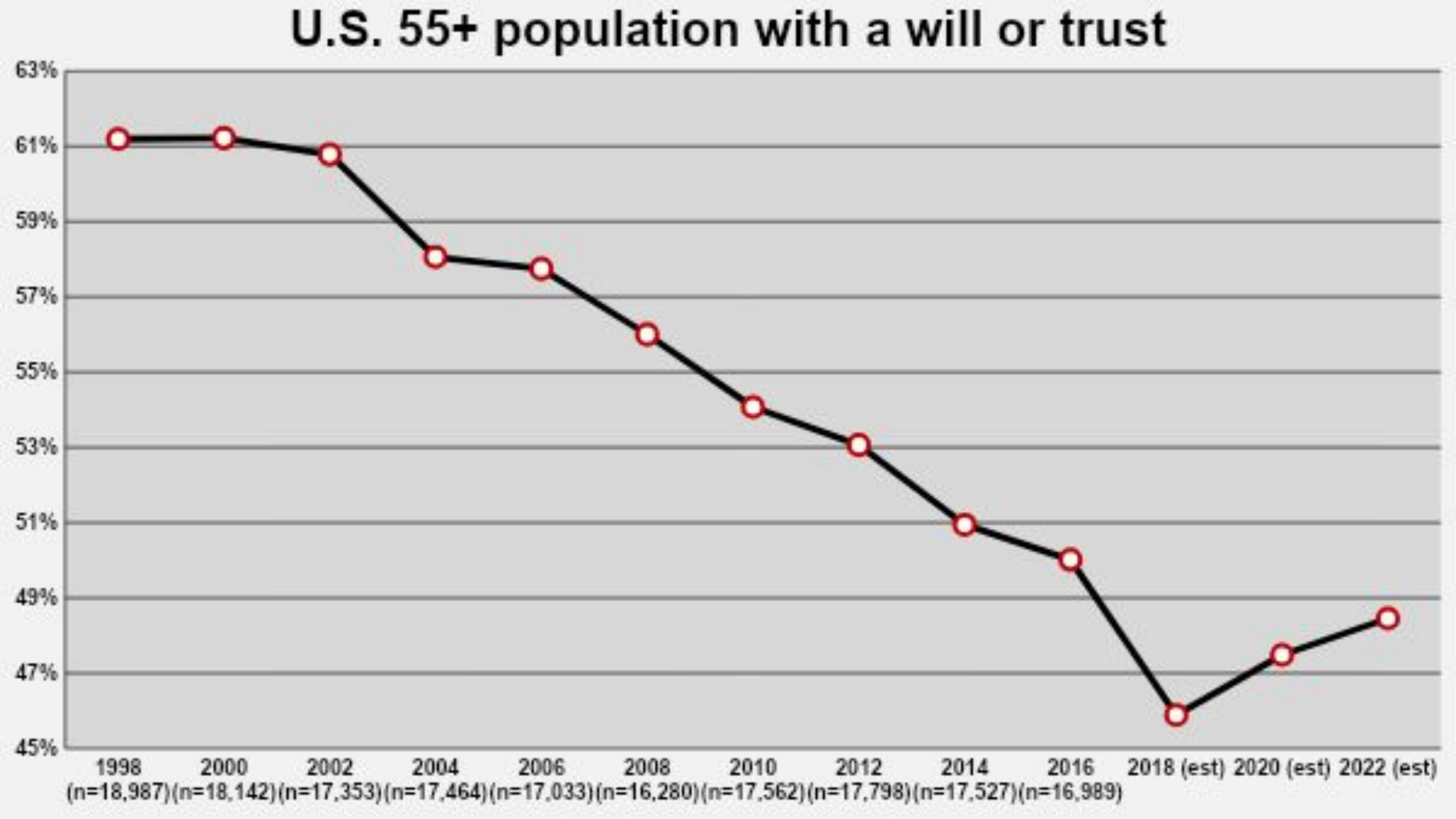


The estate goes to your charitable trust. It pays family 5% per year for 20 years. That totals to 100% but it’s spread out over time instead of one lump sum at death. Any remaining principal then goes to charity. It can be a tax-smart way to provide for family while still supporting the causes you care about.

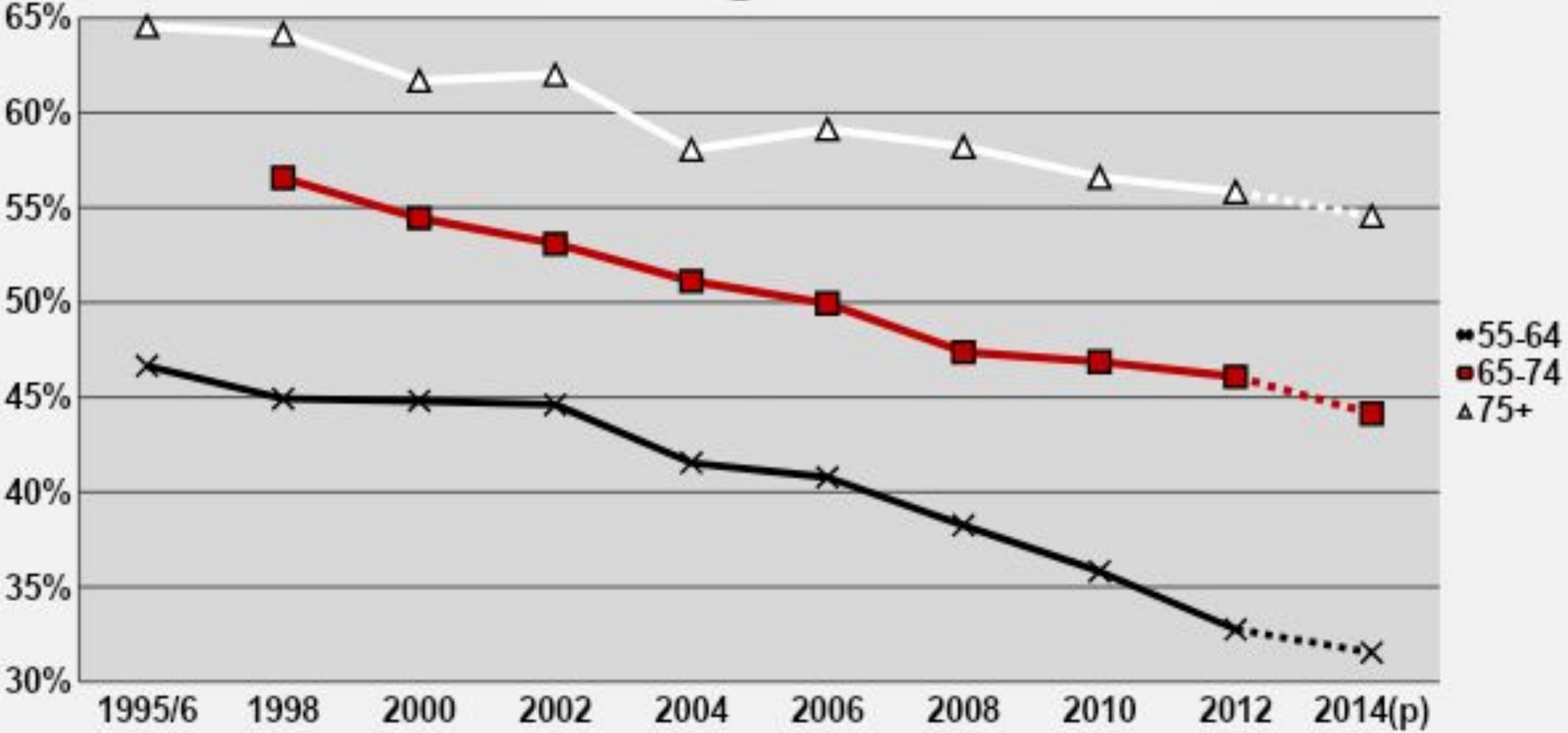
I would be happy to work with our experts and bring you a few options to consider. Would you be open to that?

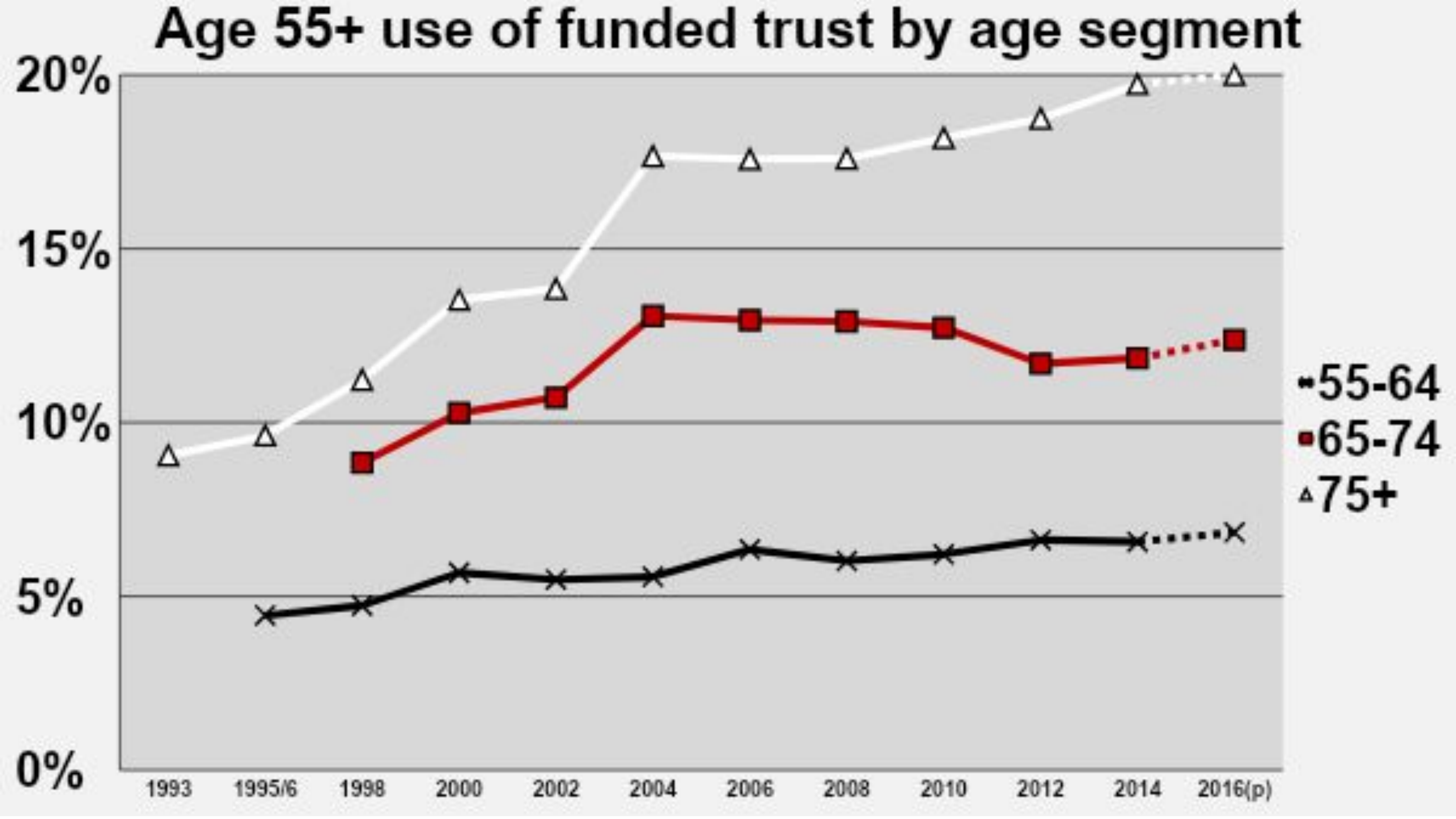


Myth #4
It's all about will power! Will documents control the transfers

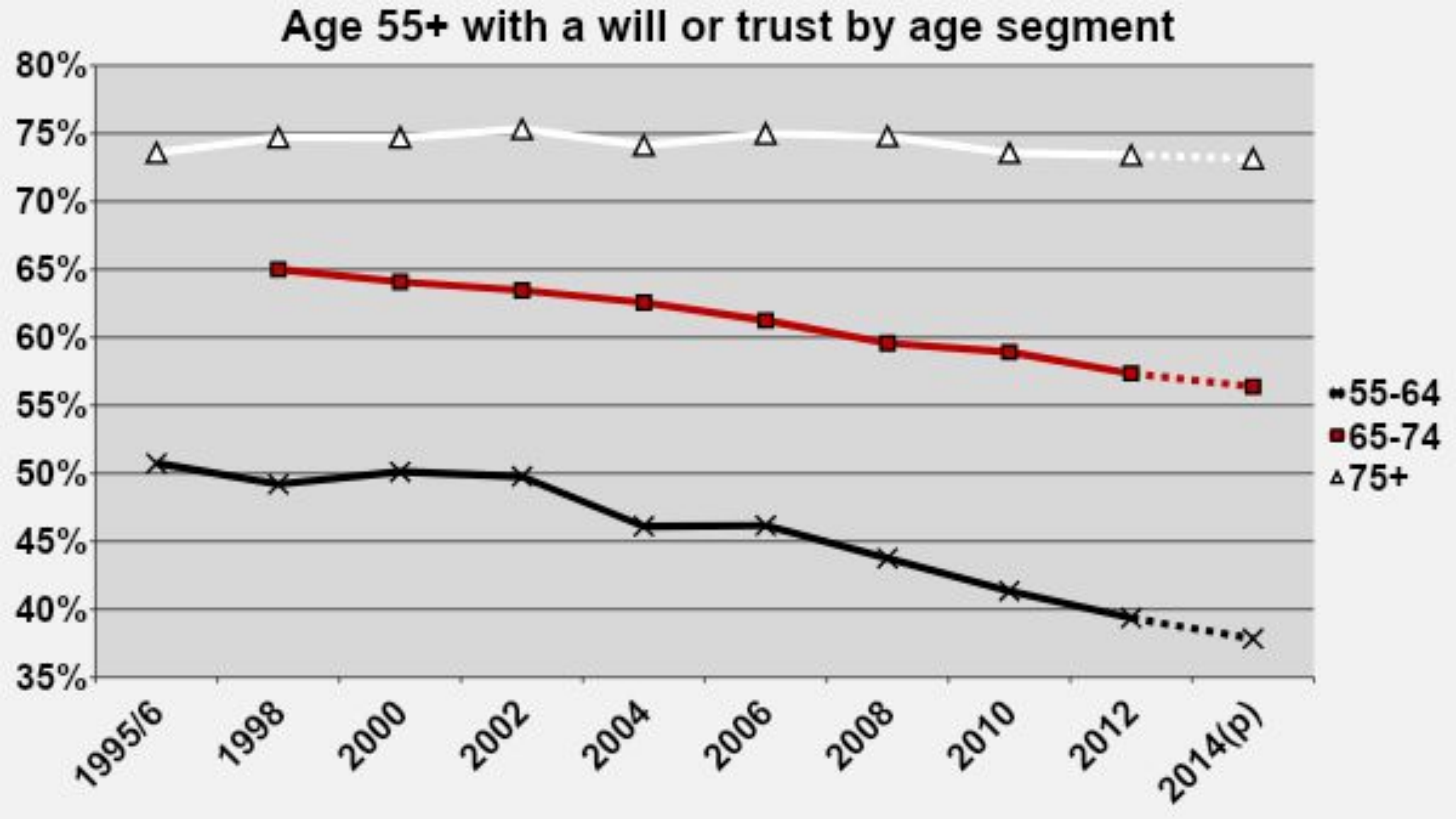

U.S. 55+ population with a will or trust
63%
61%
59%
57%
55%
53%
51%
49%
47%
45%
1998 (n=18,987)
2000 (n=18,142)
2002 (n=17,353)
2004 (n=17,464)
2006 (n=17,033)
2008 (n=16,280)
2010 (n=17,562)
2012 (n=17,798)
2014 (n=17,527)
2016 (n=16,989)
2018 (est)
2020 (est)
2022 (est)

Age 55+ use of will alone by age segment



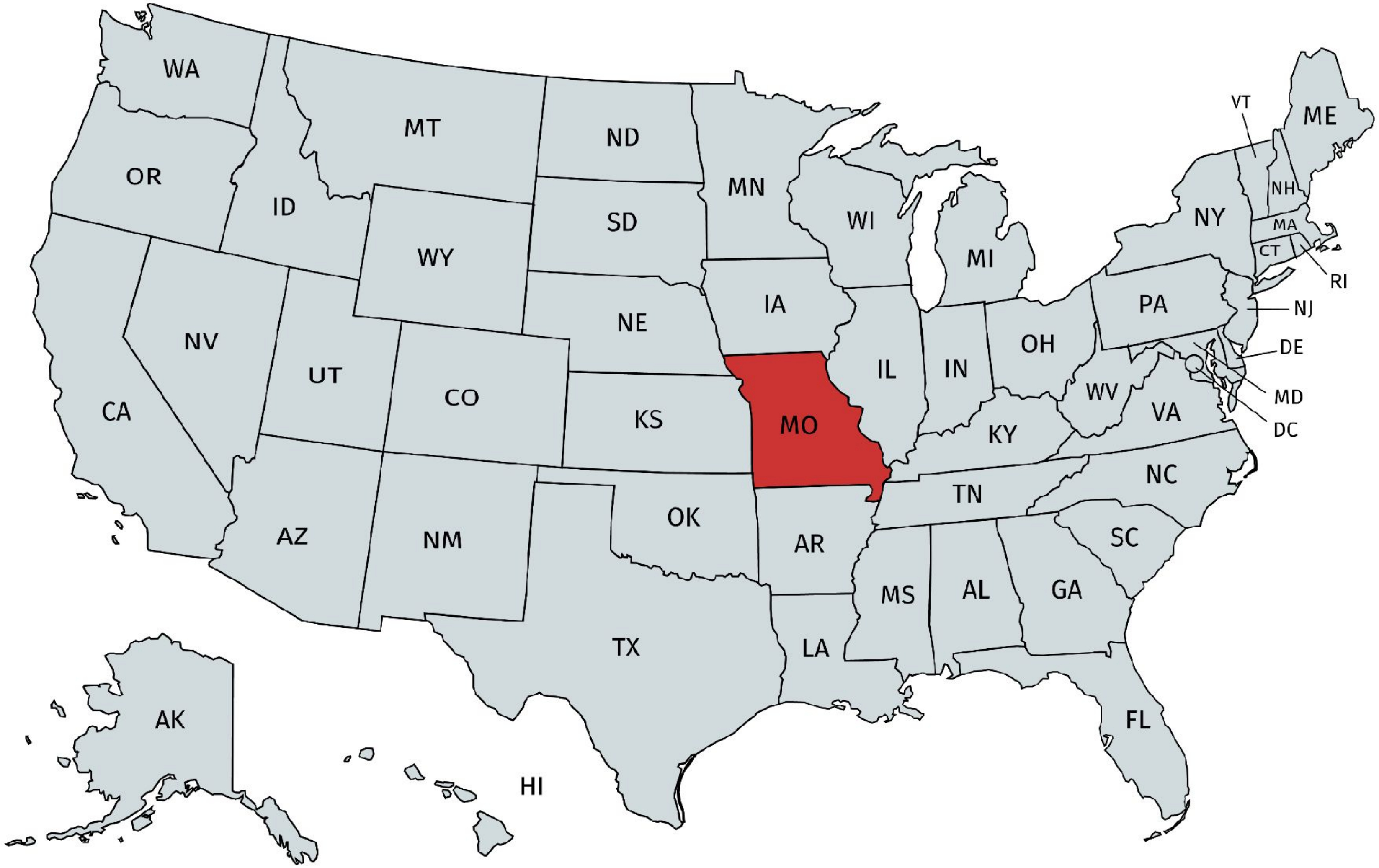


Age 55+ use of funded trust by age segment
20%
15%
10%
5%
0%
1993
1995/6
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016(p)
55-64
65-74
75+

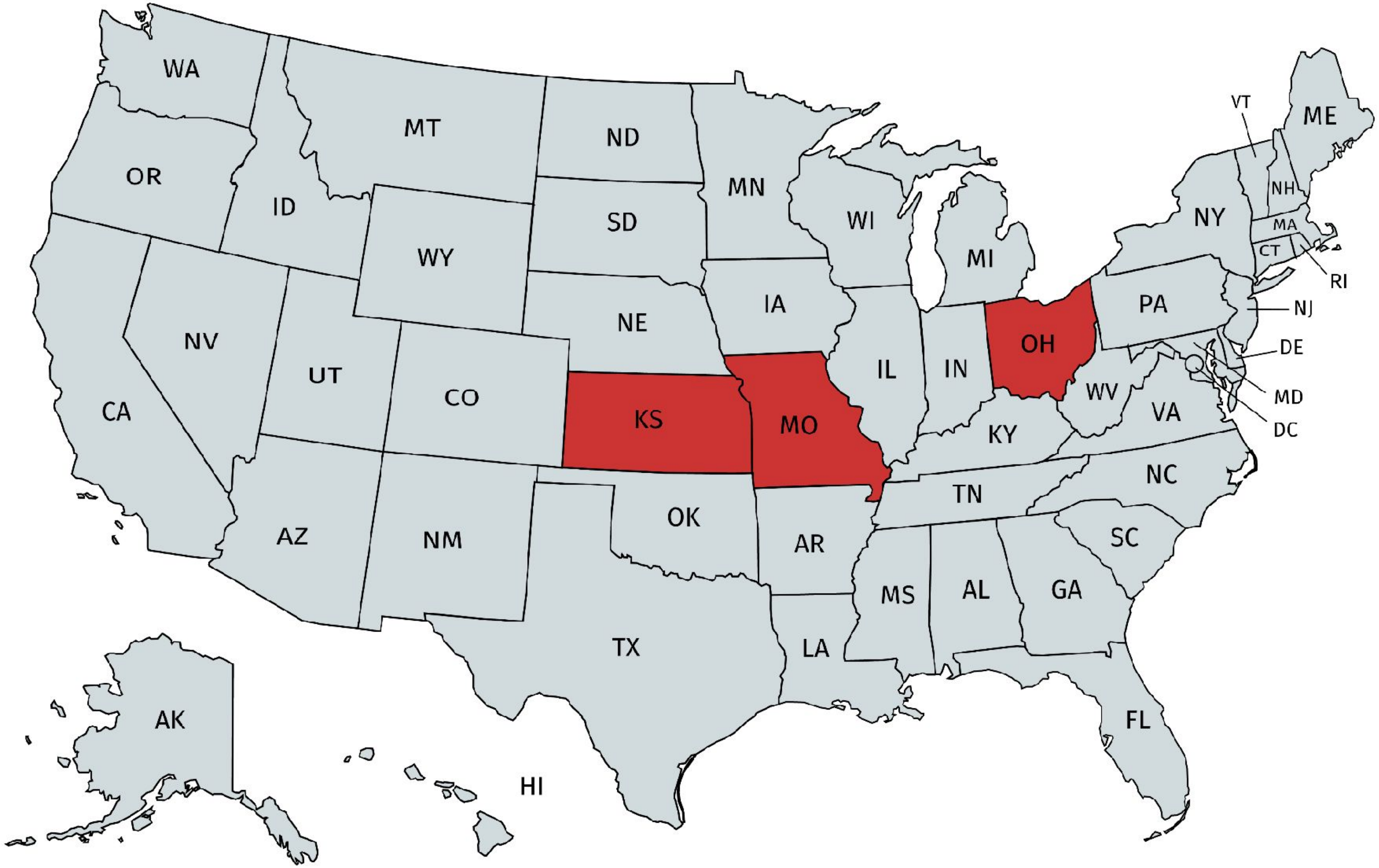


Age 55+ with a will or trust by age segment
80%
75%
70%
65%
60%
55%
50%
45%
40%
35%
1995/6
1998
2000
2002
2004
2006
2008
2010
2012
2014(p)
55-64
65-74
75+

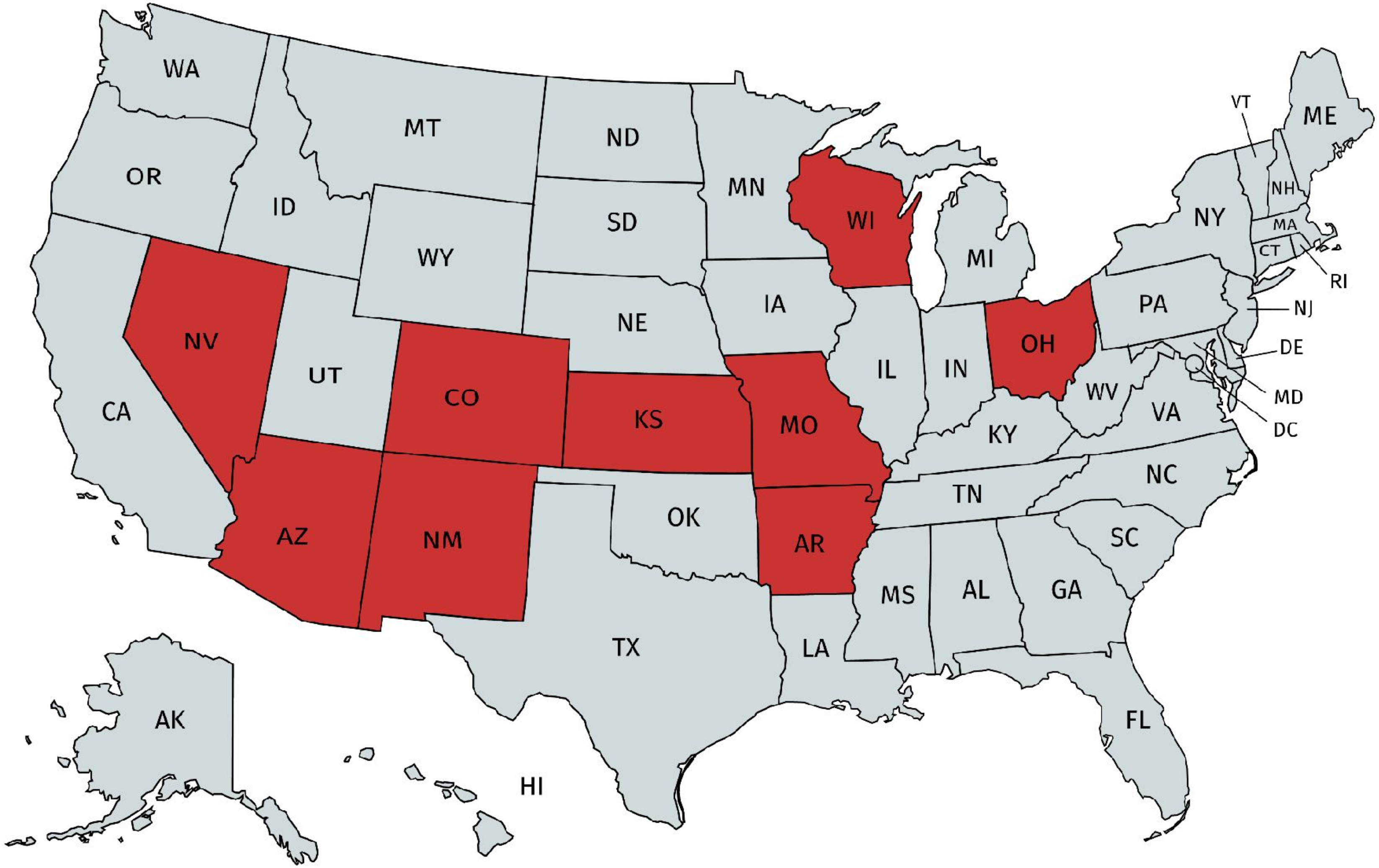
States allowing "Transfer on Death" deeds in 1994



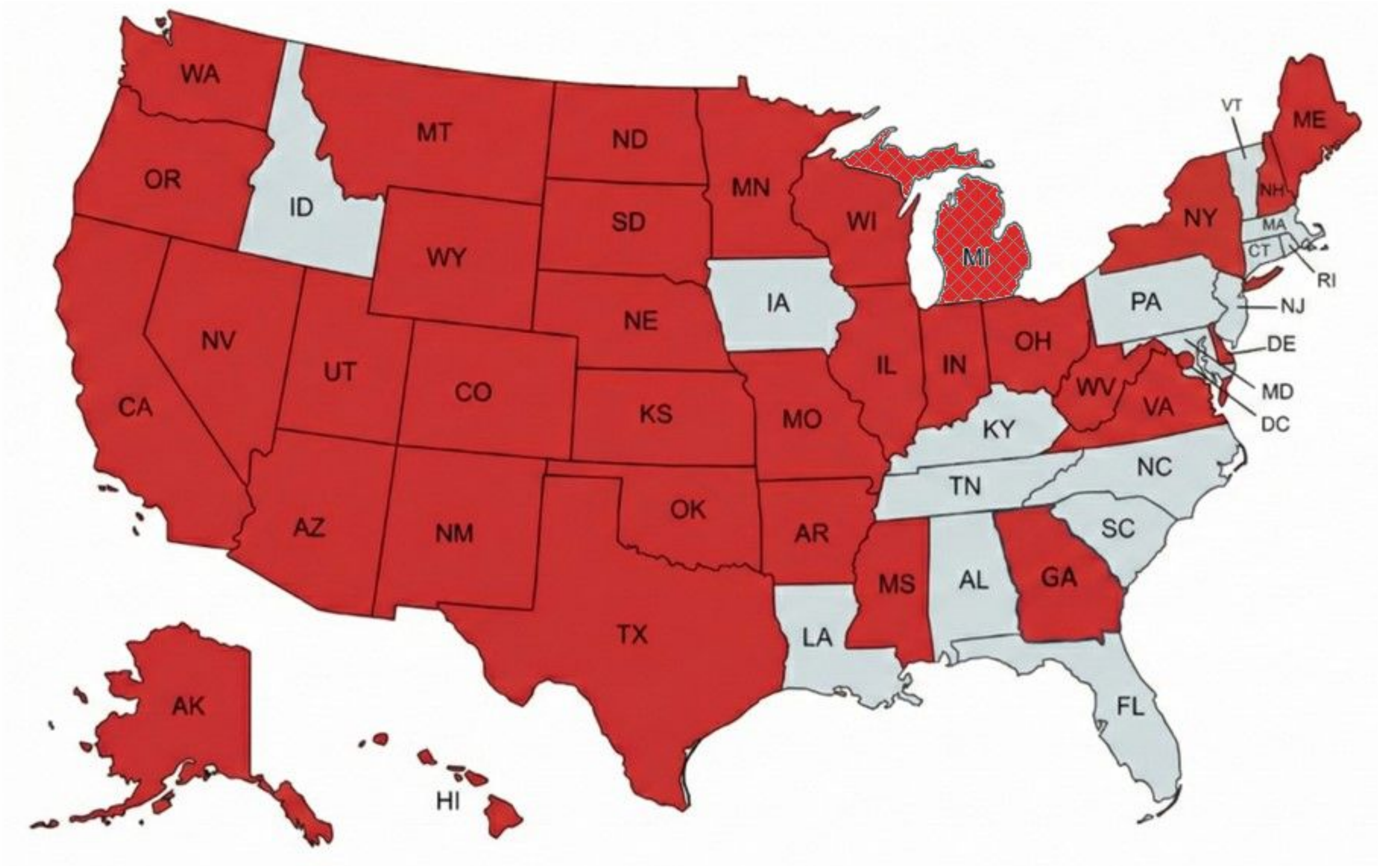
States allowing “Transfer on Death” deeds in 2000



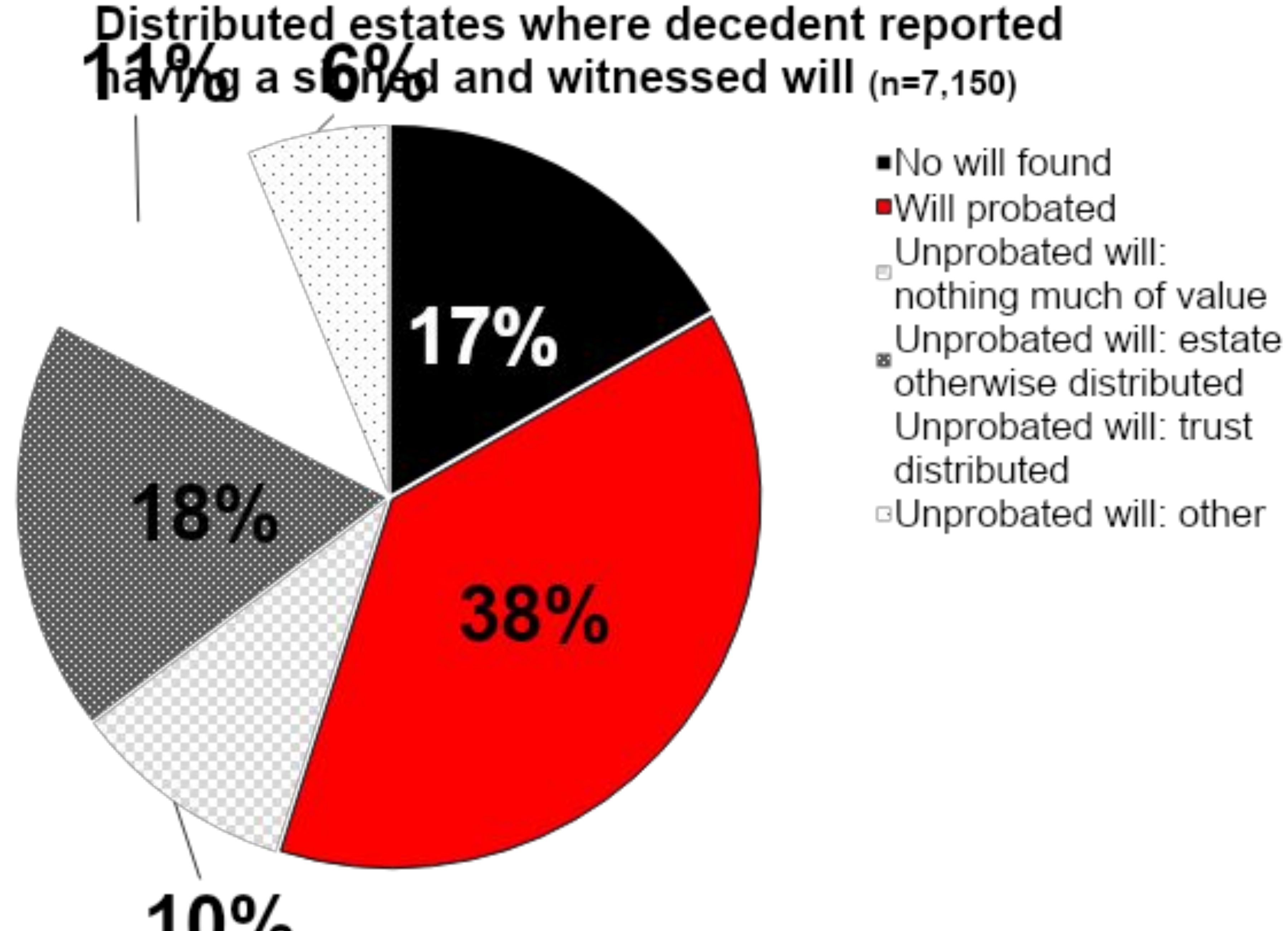
States allowing "Transfer on Death" deeds in 2005



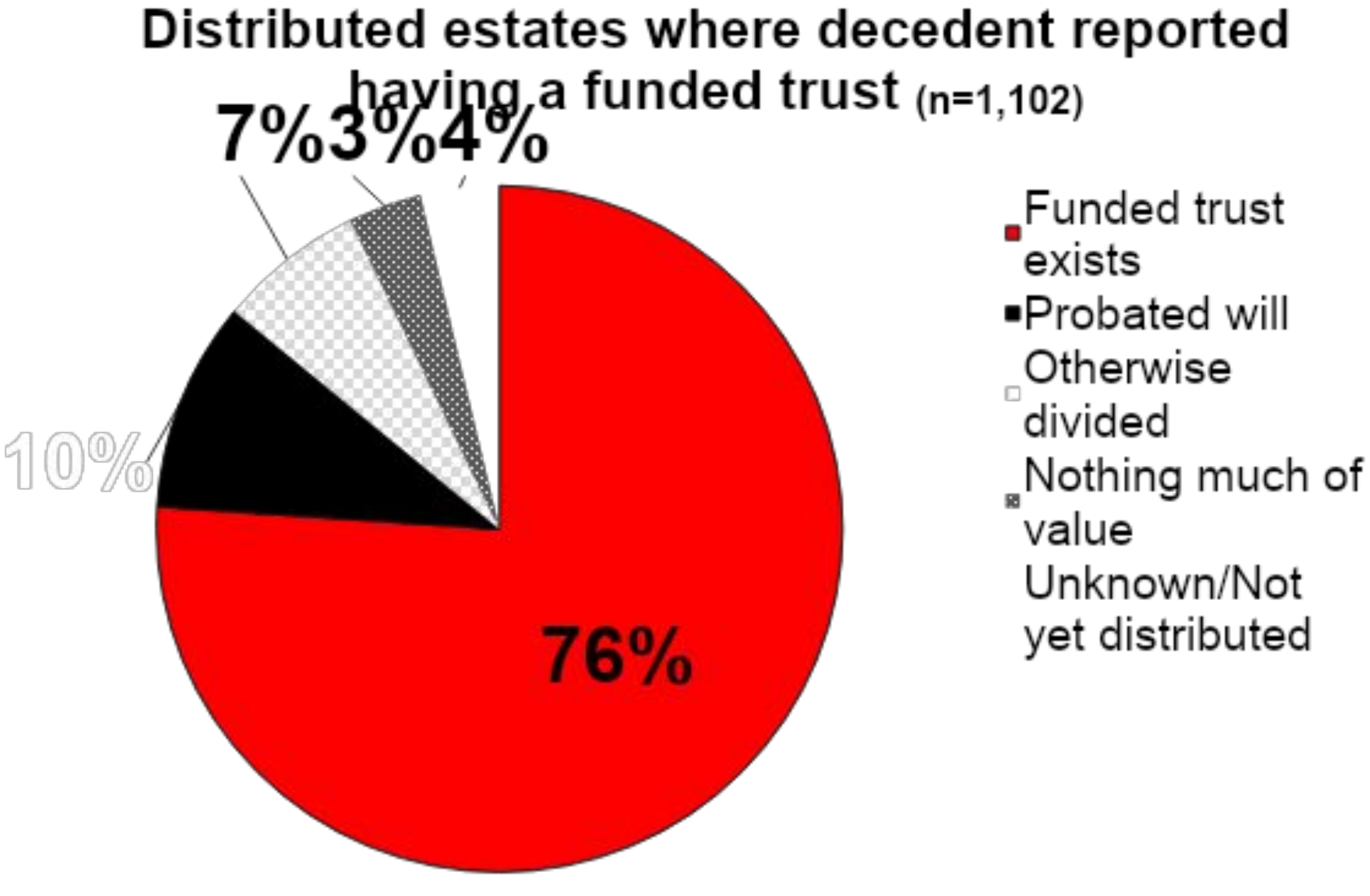
States allowing "Transfer on Death" deeds today



Reported wills are often unused



Funded trusts more likely to work



Q: Is it actually the trust or is it the kind of people who have trusts?

A: It's the trust.

Table 3. Likelihood of Planned Charitable Estate Gift Fulfillment (Health and Retirement Study 1995-2006)

Predicting who actually transferred money to charity among those who reported having a charitable will/trust component in their final pre-death survey

Intercept	0.3532 (0.0328)**	0.3609 (0.0686)**	-0.1882 (0.2913)
I.V. Trust (Funded)	0.2093 (0.0633)**	0.1825 (0.0656)**	0.1461 (0.0629)*
Wealth (100k)		0.0038 (0.0023)	0.0037 (0.0022) †
Self-reported health		-0.0091 (0.0249)	-0.0174 (0.0241)
Income (100k)			0.0435 (0.0198)*
Married			-0.1632 (0.0644)*
Children and grandchildren			-0.1172 (0.0600) †
Children only			-0.2012 (0.1027) †
White			0.0429 (0.168)
Black			-0.1111 (0.2113)
Age			0.0084 (0.0029)**
Male			-0.0405 (0.0599)

Linear probability model, 298 observations

James, R. N., III. (2009). Wills, trusts, and charitable estate planning: A panel study of document effectiveness. ***Journal of Financial Counseling & Planning***, 20(1), 3-14.

Second driver of decline in documentation: The rise of blended families

- Married with children age 50+ likelihood of having **no documents** (no will/trust).
  - Nuclear = 35%; Blended (stepchildren) = 56%
- Pew reports that the share of children living with two married parents in their first marriage fell from 73% in 1960 to 61% in 1980 to 46% in 2014
- This planning gap remains statistically significant when comparing those of similar wealth and demographics.

For nonprofits encouraging charitable estate gifts consider TOD/POD

- Titling controls the actual assets regardless of will provisions.
- IRA/401k money should be the first dollars that go to charity. (Family pays income taxes on these.)
- Single account designation avoids the need to plan the entire estate, possibly side-stepping the blended family conflict

“I’ve got all my planning done. I don’t want to open that back up again.”

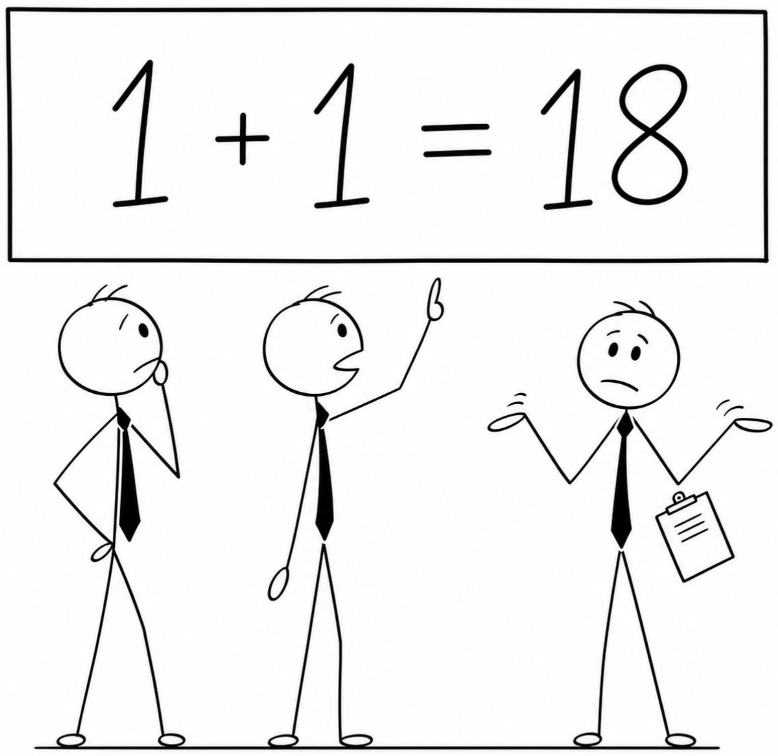
I understand that feeling. I work with others who have felt the same way. They’ve found that the smartest gift actually takes less than 10 minutes.

If any IRA or 401K money goes to family, they have to pay income taxes on that. But anything that goes to our nonprofit avoids those taxes. You can add us as a beneficiary online in just a few minutes. It’s actually the smartest way to make an estate gift because of the tax savings.

Myth #5
Woohoo! It's a $18 Zillion-Bajillion Transfer TO CHARITIES

If the overall estimate wasn't extreme enough for you, let's look at the charitable transfer estimate

- Actual: Giving USA reports charitable bequests of $42.7 billion in 2023 and $45.8 billion in 2024.
- Most popular estimate (same "proprietary" method source) is for $18 trillion to charity 2024-2048.
- This would require $720 billion per year on average for 25 years. (Except we've already gotten the first year at $45.8 billion, so now we need to average $748 billion.)
- So, that's an average annual estimate 16X greater than actual. (Not that we will REACH 16X, but that we will AVERAGE 16X across every year).

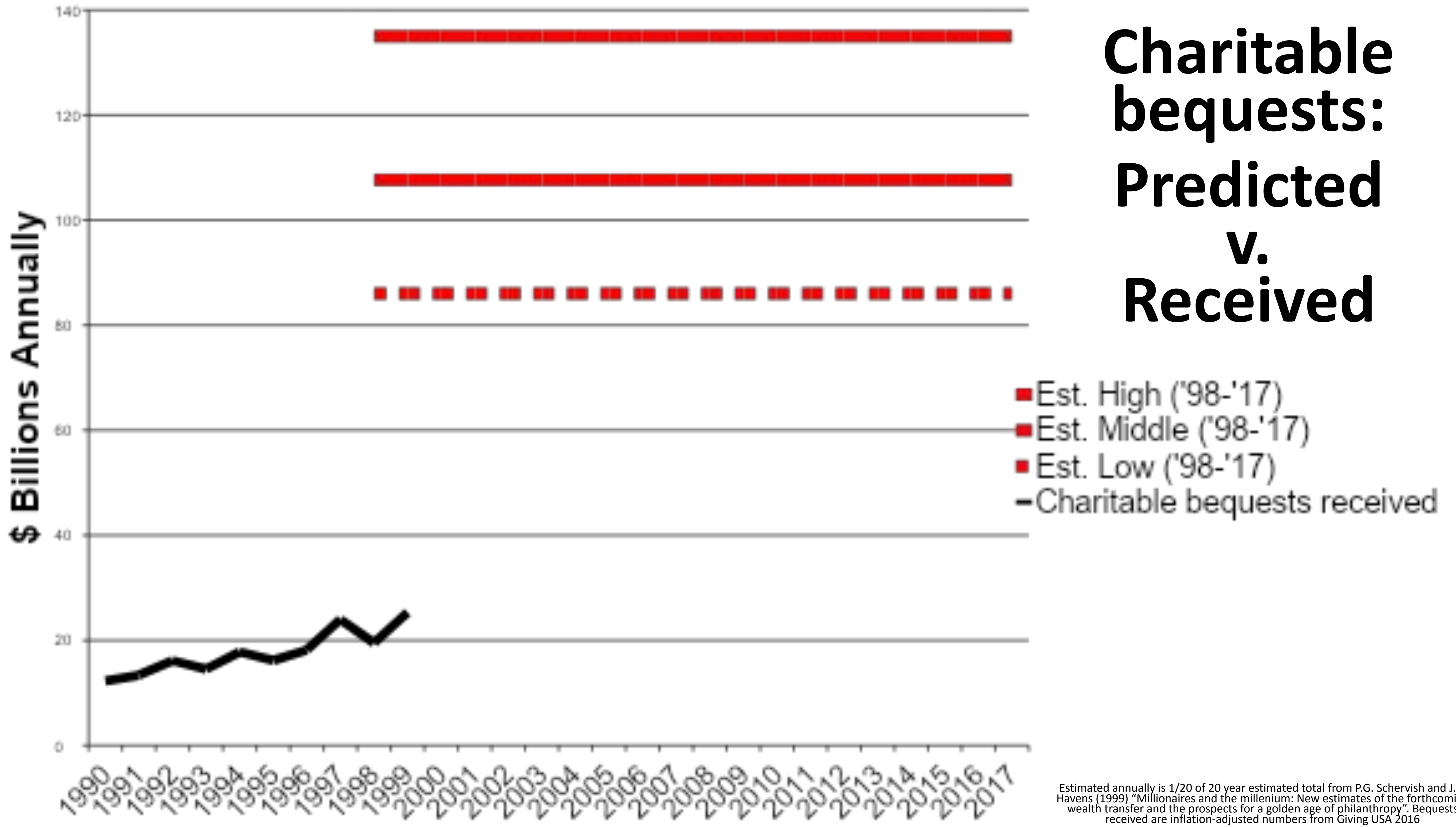


The future of charitable bequest is bright!

But it’s not stupid.

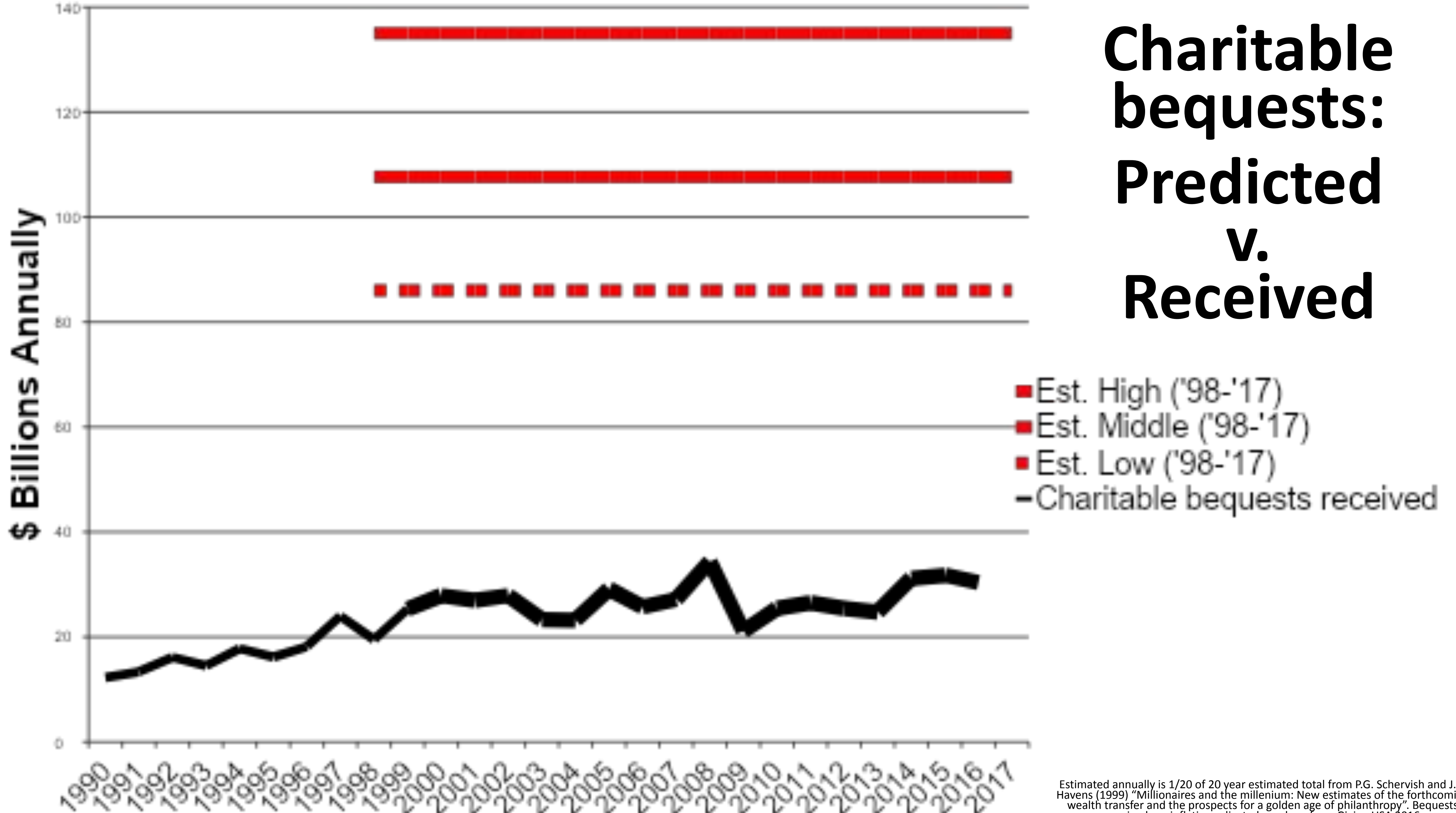
What happened in the last predicted boom?

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 2016

Charitable bequests: Predicted v. Received

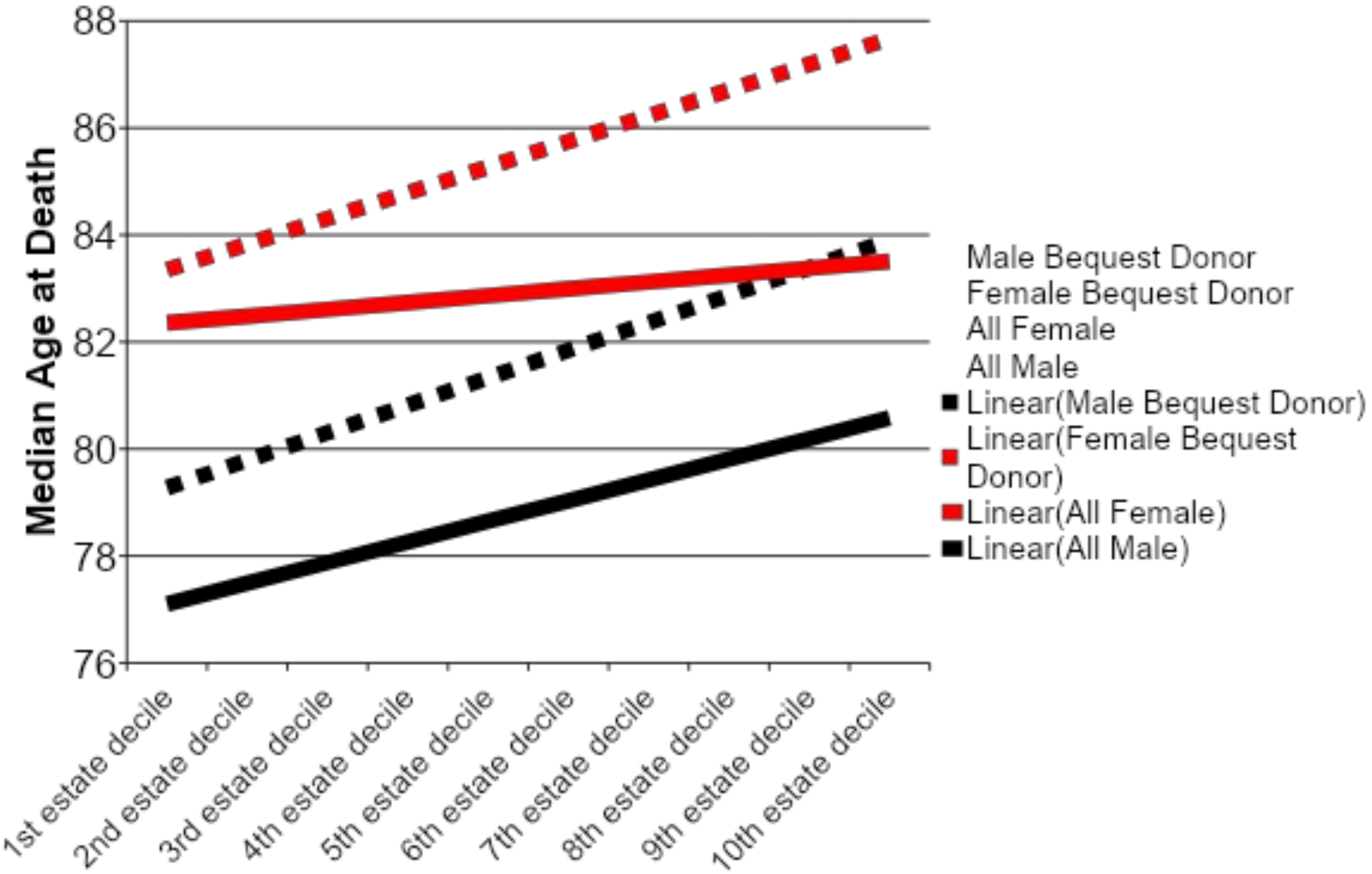


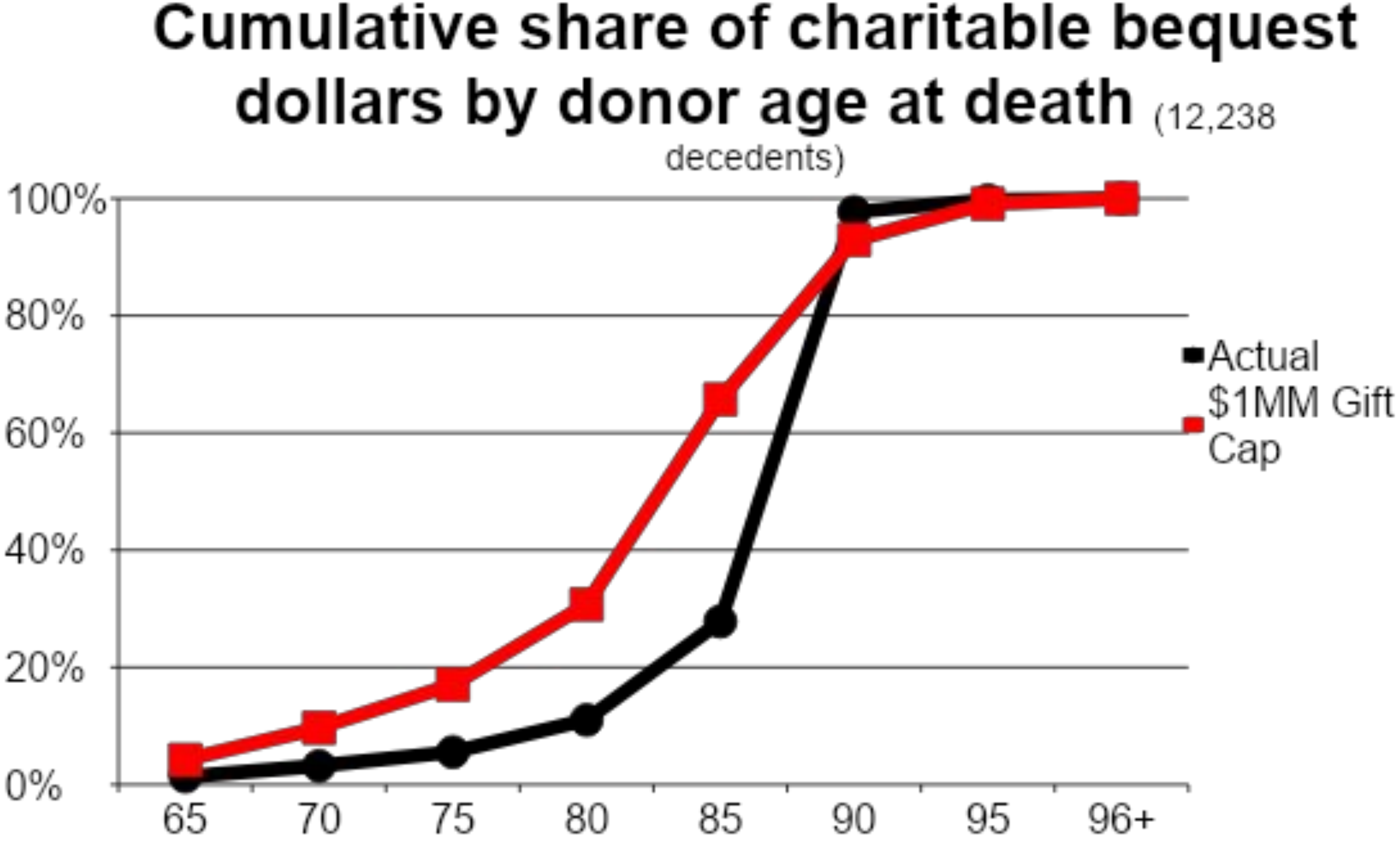
Estimated annually is 1/20 of 20 year estimated total from P.G. Schervish and J. J. Havens (1999) "Millionaires and the millenium: New estimates of the forthcoming wealth transfer and the prospects for a golden age of philanthropy". Bequests received are inflation-adjusted numbers from Giving USA 2016

Charitable bequests 2000-2018 were flat but now are definitely rising…

What happened?

Wealthy people die old.
Wealthy bequest donors die even older.





70-90% of charitable bequest dollars come from decedents aged 80+

Charitable dollars come from the oldest decedents

- For estates $1MM+, the share of total charitable bequest dollars coming from decedents age 85+ was 55%
- Decedents age 65 and younger contributed 4% of total charitable bequest dollars.
- Current figures would be more extreme.

Treasury Dept. study with $1MM estate tax exemption in 2003. https://home.treasury.gov/system/files/131/WP-95.pdf

In studies including estate of all sizes, half of all charitable bequest dollars came from decedents this age and older…

Earlier U.S. study:

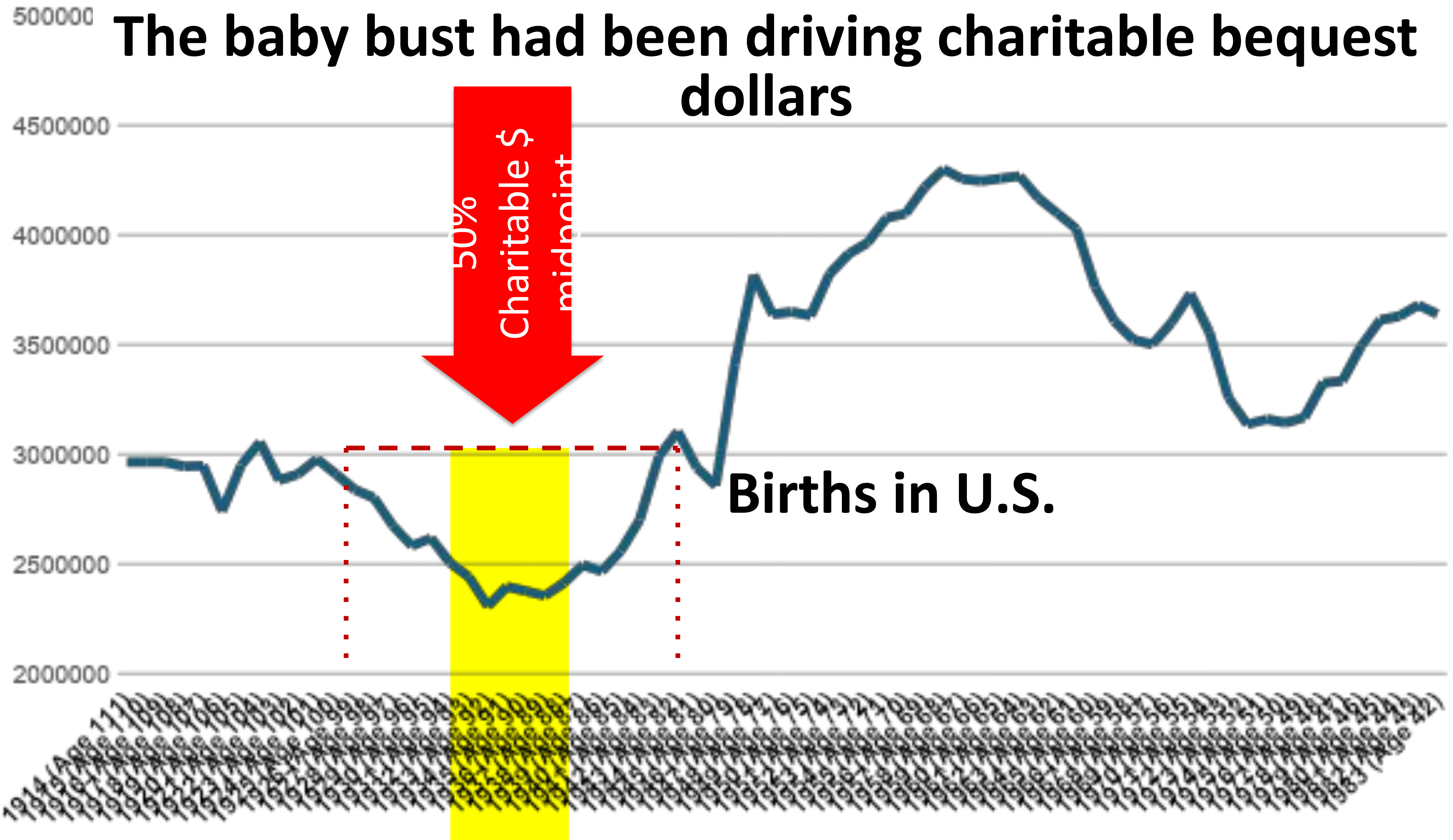
Age 88

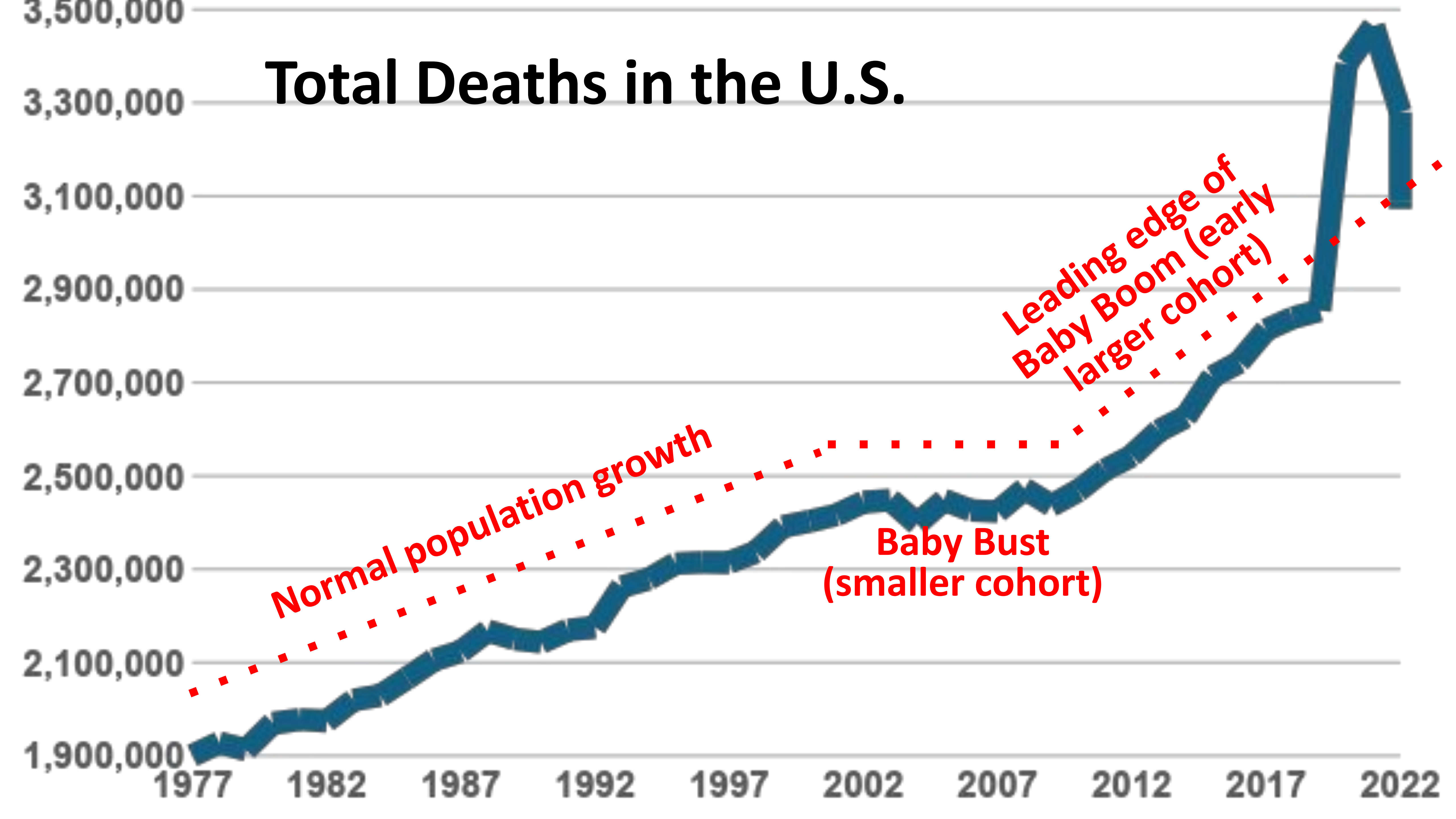
Australian study (5% sample of national probate files):

Age 90

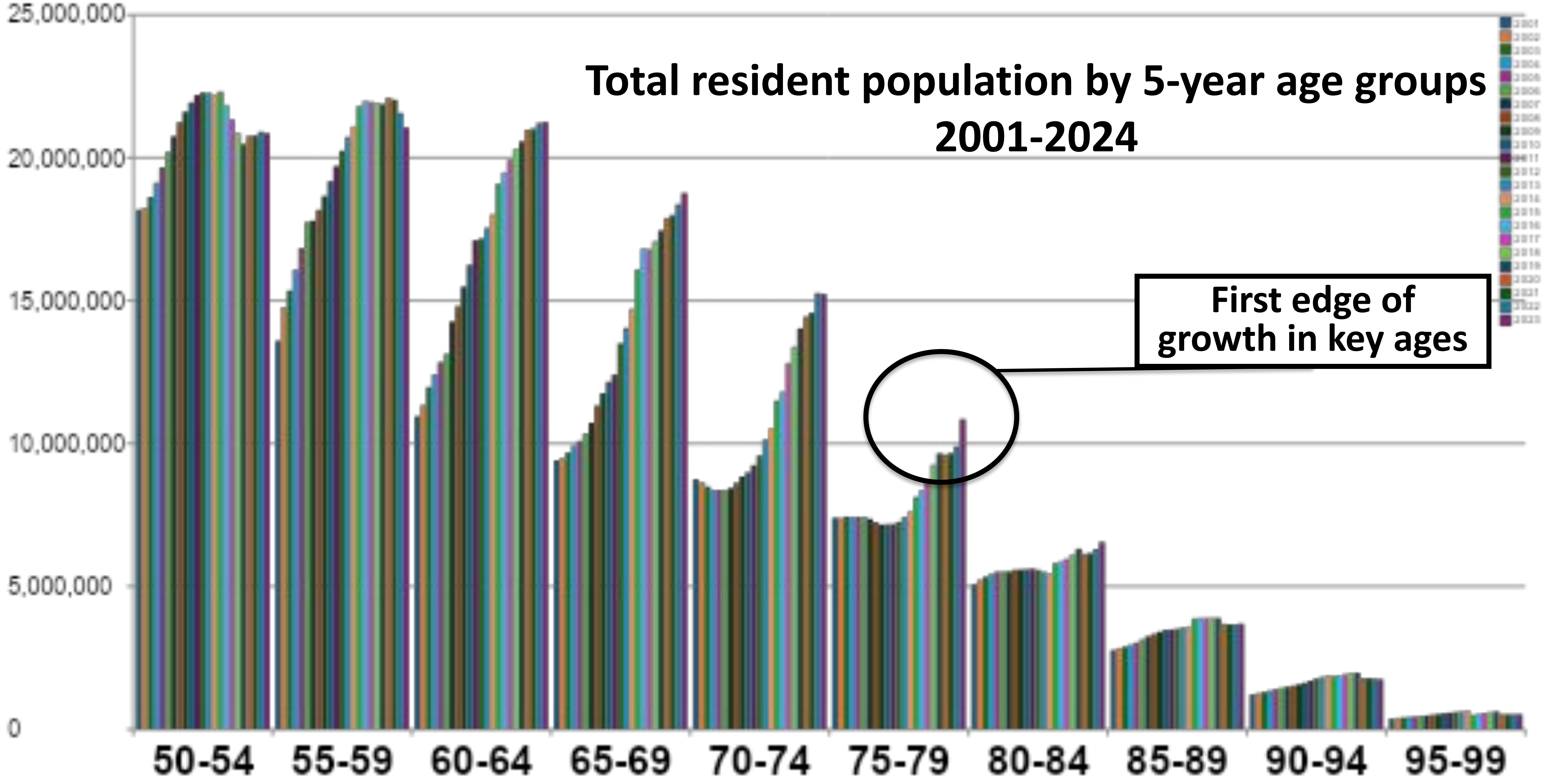
Remember that most realized charitable bequests are added within 5 years of death

The baby bust had been driving charitable bequest dollars




Total Deaths in the U.S.
3,500,000
3,300,000
3,100,000
2,900,000
2,700,000
2,500,000
2,300,000
2,100,000
1,900,000
1977
1982
1987
1992
1997
2002
2007
2012
2017
2022
Normal population growth
Baby Bust
(smaller cohort)
Leading edge of
Baby Boom (early
larger cohort)

Key population just starting to grow



The demographic wave impacts CRT creation first, then CGA creation, then bequests realization

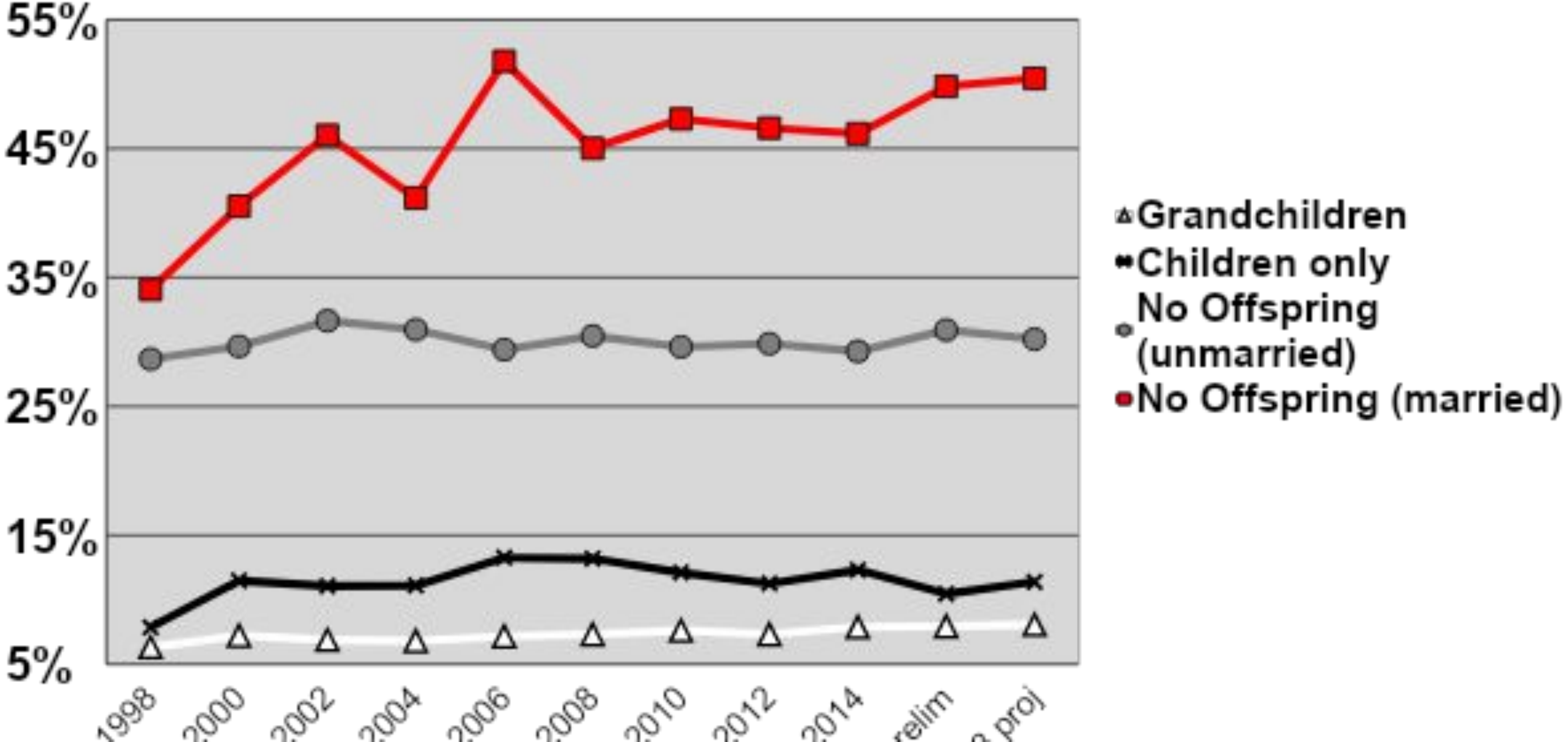
CRT Creation Peak Age: **70-74**

CGA Creation Peak Age: **75-79**

Realized Bequest Peak Age**: 88-90**

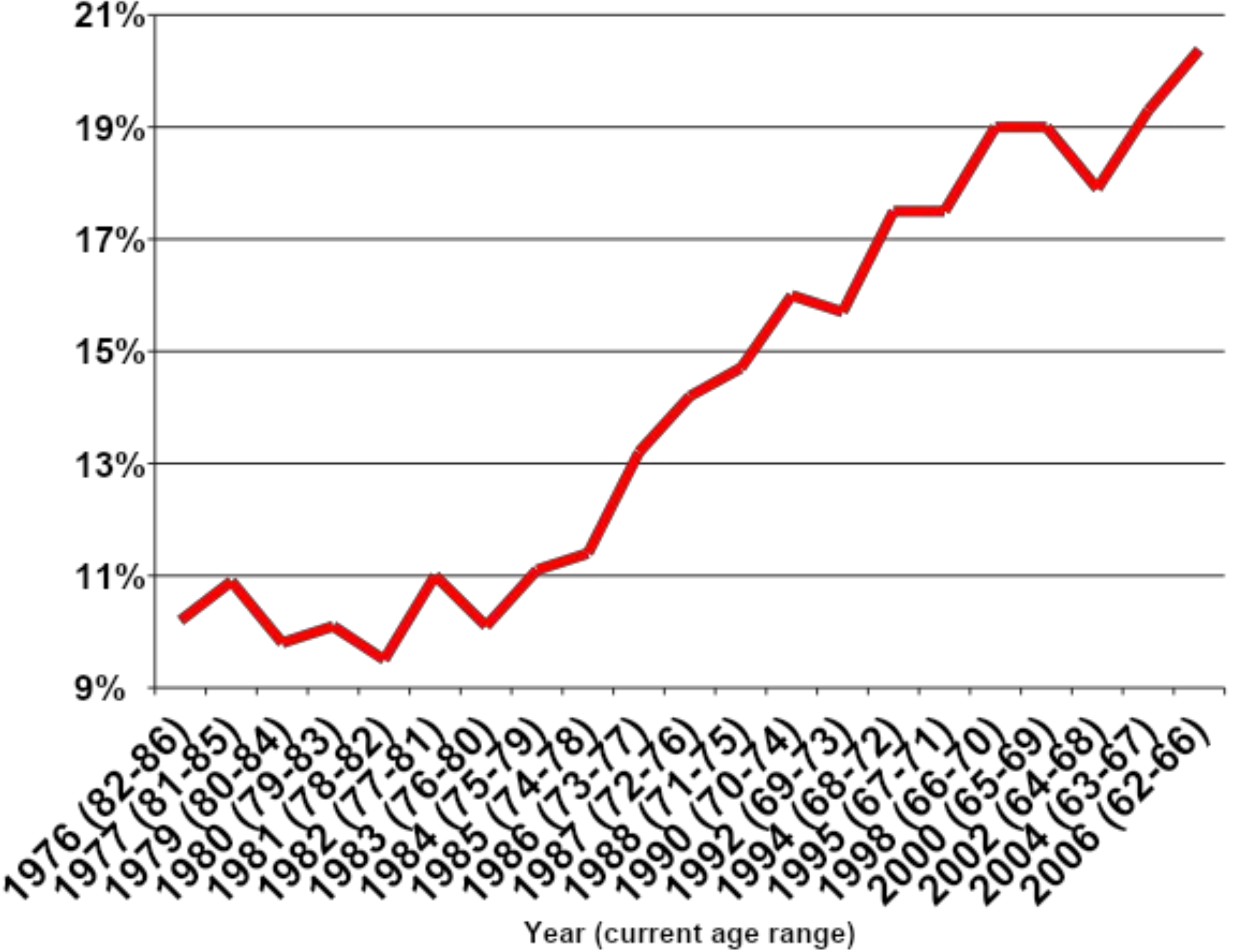
Franey, J. W. & James, R. N., III (2013) Trending Forward: Emerging Demographics Driving Planned Giving. National Conference on Philanthropic Planning, Minneapolis, MN, October 15-17, 2013

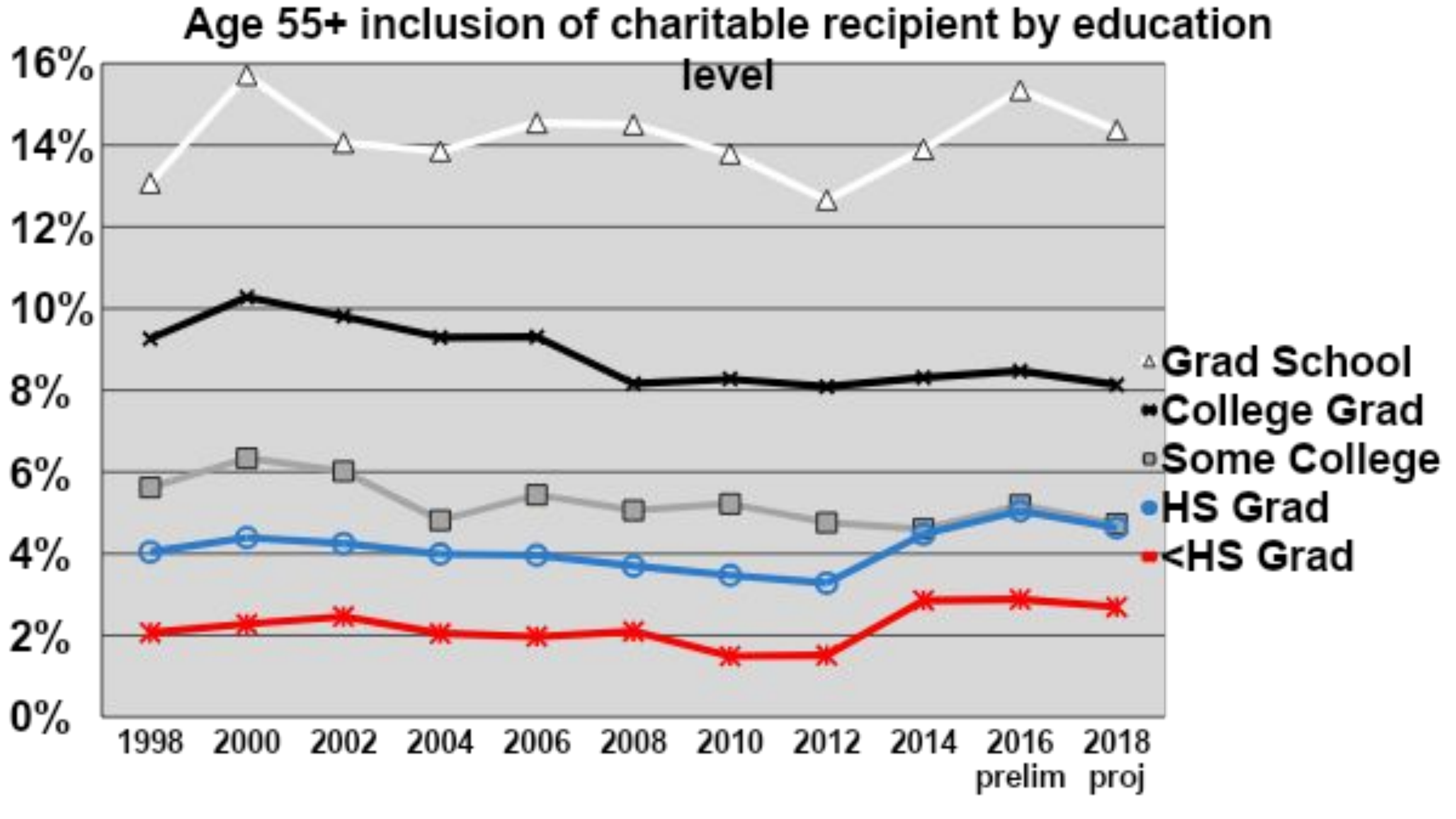
Age 55+ charitable recipient among those with will/trust by family status



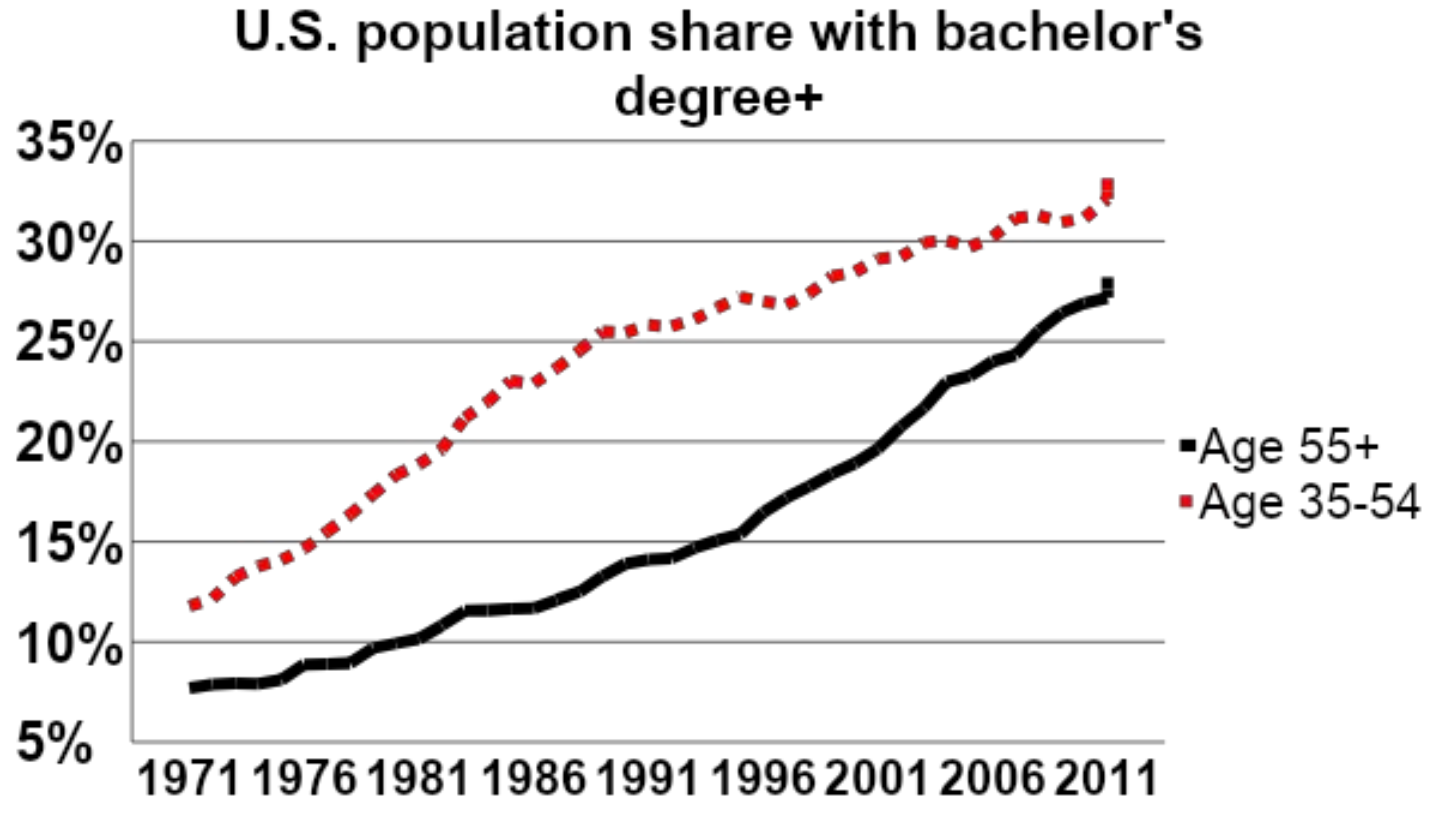
Percentage of U.S. women who were childless

(measured at age 40-44 showing year of measurement and current age range)





Age 55+ inclusion of charitable recipient by education level
16%
14%
12%
10%
8%
6%
4%
2%
0%
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016 prelim
2018 proj
Grad School
College Grad
Some College
HS Grad
<HS Grad



U.S. population share with bachelor's degree+
35%
30%
25%
20%
15%
10%
5%
1971
1976
1981
1986
1991
1996
2001
2006
2011
Age 55+
Age 35-54

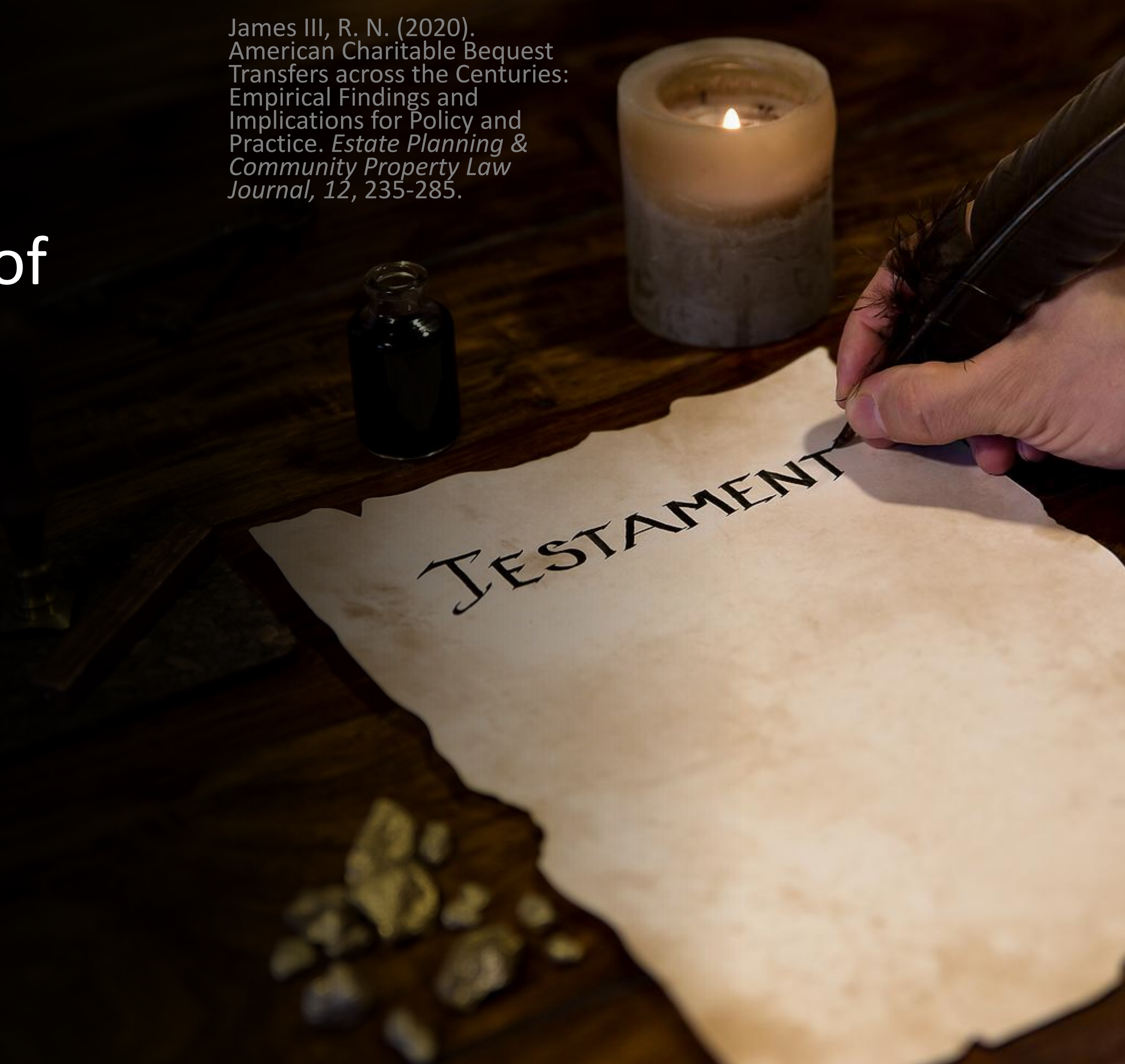
Myth #6
The charitable dollars will be unrestricted gifts to your favorite charities.

James III, R. N. (2020). American Charitable Bequest Transfers across the Centuries: Empirical Findings and Implications for Policy and Practice. *Estate Planning & Community Property Law Journal, 12*, 235-285.

Large estate gifts HAVE ALWAYS come with lots of instructions

In two studies of wills from the 1800s, charitable bequests were restricted in

- 14% of small cash gifts
- 58% of real estate or large cash gifts
- 70% of gifts of a share of the entire estate



Include instructions reflecting the donor's identity

- The most extreme version of gift instructions: Foundations, funds, and trusts.
- Pages of detailed instructions controlling the gift for decades or even generations

Where charitable estate dollars ACTUALLY went

Among decedents with estates over $5 million, the share of charitable dollars going to private foundations was 70% in 2004 and 78% in 2007

Private family foundations in the U.S.

Net assets of

- American Red Cross 4.1 billion
- American Cancer Society 1.3 billion.
- Private Foundations 1,326 Billion in assets

Note that a more recent trend is bespoke detailed DAF agreements for UHNW clients mirroring the complexity of a PF. DAFs grew from 12 Billion in 2000 to 314 Billion in 2025.

2022 IRS SOI https://www.irs.gov/statistics/soi-tax-stats-domestic-private-foundation-and-charitable-trust-statistics); IRS Form 990 for ACS, ARC; Annual DAF Report 2025 https://doi.org/10.4087/XUGU3656 Gravelle, J. G. (2005, April 5). U.S. Senate Committee on Finance.

What motivates massive estate gifts?

It’s the features of the private family foundation.

- Lives forever
- Named for the donor or donor’s fami
- Controlled by the donor and the donor’s appointees
- Used only for the specific purposes designated by the donor

Even large gifts going to public charities offer similar features (endowments, scholarships, professorships, etc.)

Death reminders make people hungry for permanence!

A poverty relief charity was described as an organization that focused on either …		Normal Average Gift 	Death Reminded Average Gift 
"meeting the immediate needs of people" or		**$257.77**	**$80.97**
"creating lasting improvements that would benefit people in the future"		**$100.00**	**$235.71**

*participants giving share of potential $1,000 award

K. A., Tost, L. P., Hernandez, M., & Larrick, R. P. (2012). It's Only a Matter of Time Death, Legacies, and Intergenerational Decisions. Psychological Science, 23(7), 704-709.)

An experiment to encourage a second memorial donation

Adding a **permanence goal** increased intended giving amount by **150%**

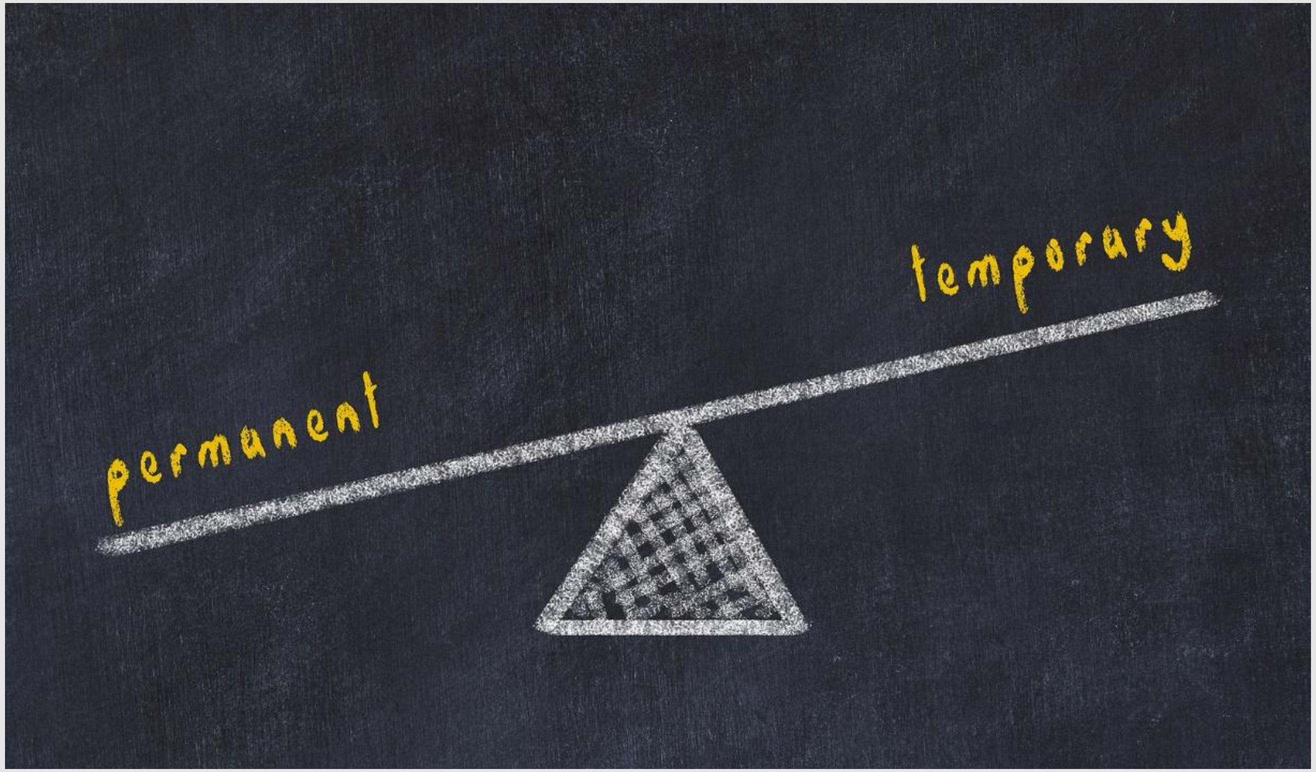
“unless total gifts exceed $10,000 at which point this fund will become a perpetual scholarship fund”

Adding a **recognition goal** increased intended giving $ by **50%**

“If total gifts exceed $10,000 this will be recognized in the annual report as one of our highest level “gold circle”

See Table 3, Column 4 of James, R. N. III. (2019) Encouraging repeated memorial donations to a scholarship fund: An experimental test of permanence goals and anniversary acknowledgements. *Philanthropy & Education*

Permanence research: Death reminders make people hungry for permanence!



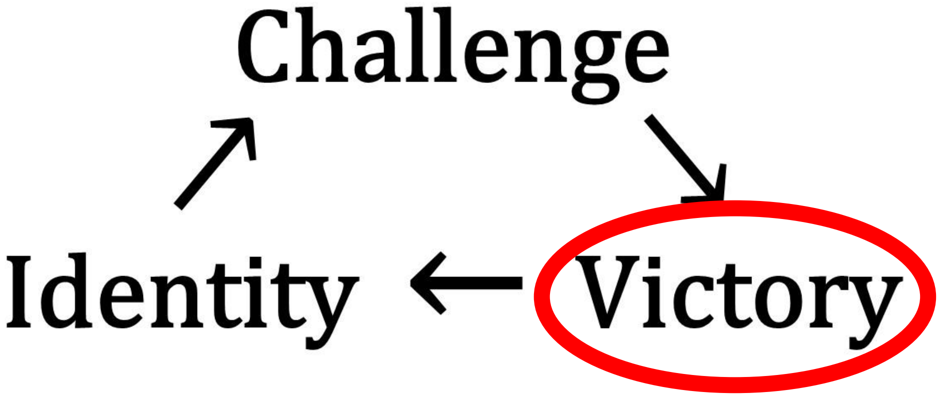
Those with a preference were 3X more likely to want a permanent fund for bequest gifts than for current gifts

So how can charities respond to this reality of donor decision-making for large transfers?

Permanence and estate gifts

The ultimate "victory" in legacy giving is symbolic immortality. The donor's identity – their people, values, or story – lives on after death.

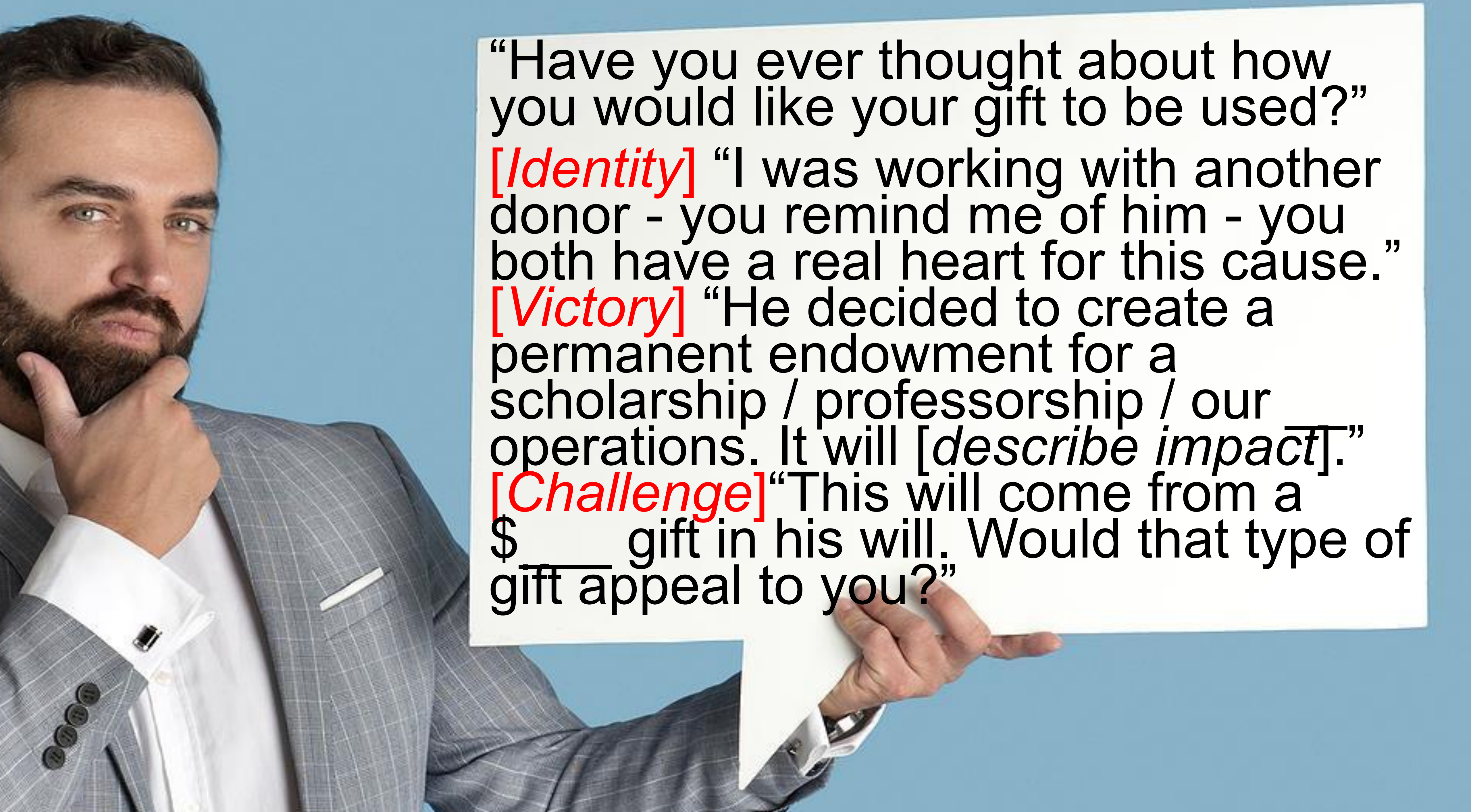
- Permanence language
- Permanence structure: scholarship, lectureship, professorship, endowment funding a favorite part of



If your organization is newer, consider marketing permanent funds managed by a community foundation to borrow feelings of strength and stability

The magic follow-up question for escalating estate gifts

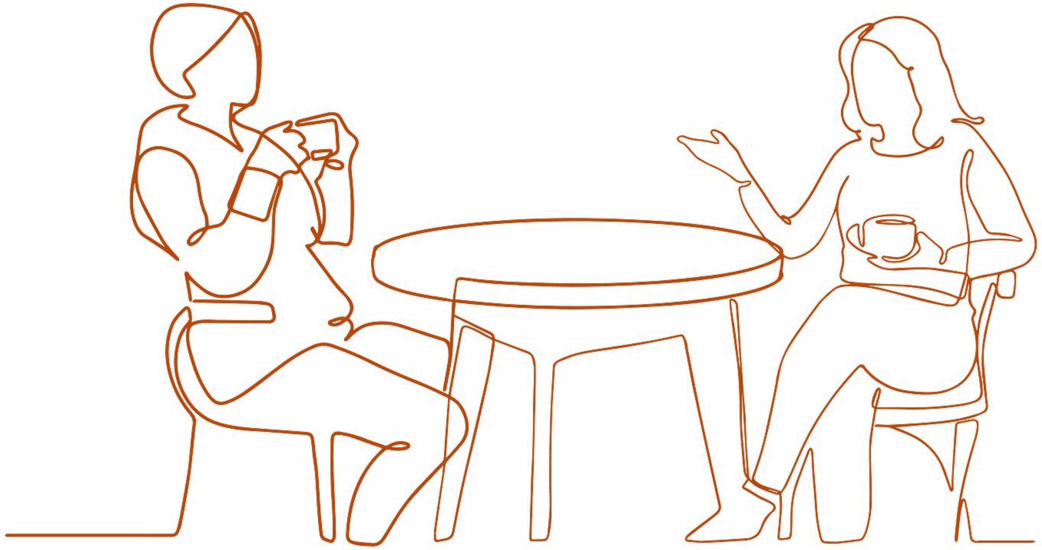
- “Have you ever thought about how you would like your gift to be used?”
- Share stories about planned gifts from another donor of a specific size making a specific impact (e.g., endowing something)


"Have you ever thought about how you would like your gift to be used?"
[*Identity*] "I was working with another donor - you remind me of him - you both have a real heart for this cause."
[*Victory*] "He decided to create a permanent endowment for a scholarship / professorship / our ___ operations. It will [*describe impact*]."
[*Challenge*]"This will come from a $___ gift in his will. Would that type of gift appeal to you?"

Large estate gifts provide permanence and visualizable impact

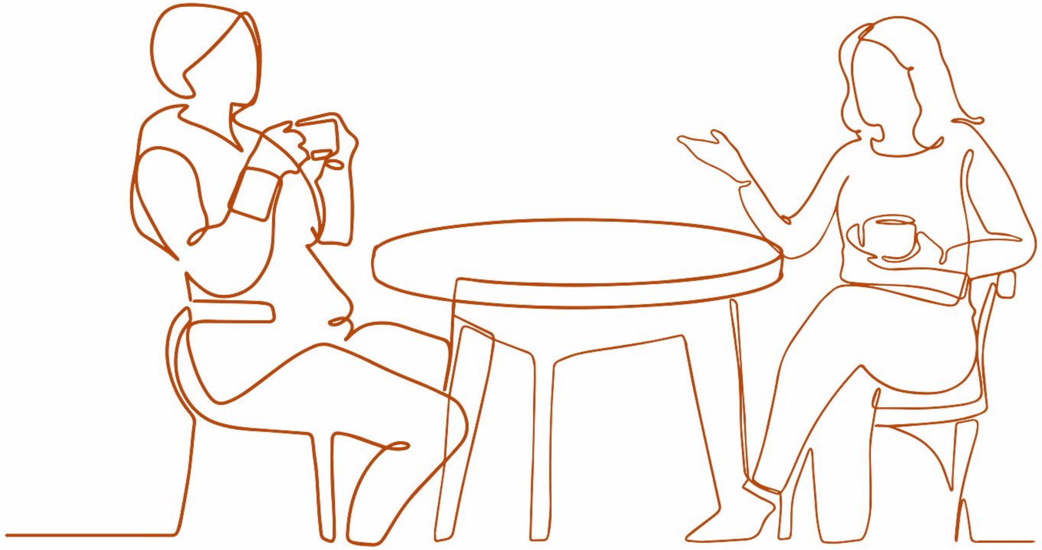
- Making the gift more attractive and enjoyable in these ways also leads to higher gift retention.
- Moving towards endowment with visualizable impact then allows for the next step to start funding while

Conversations



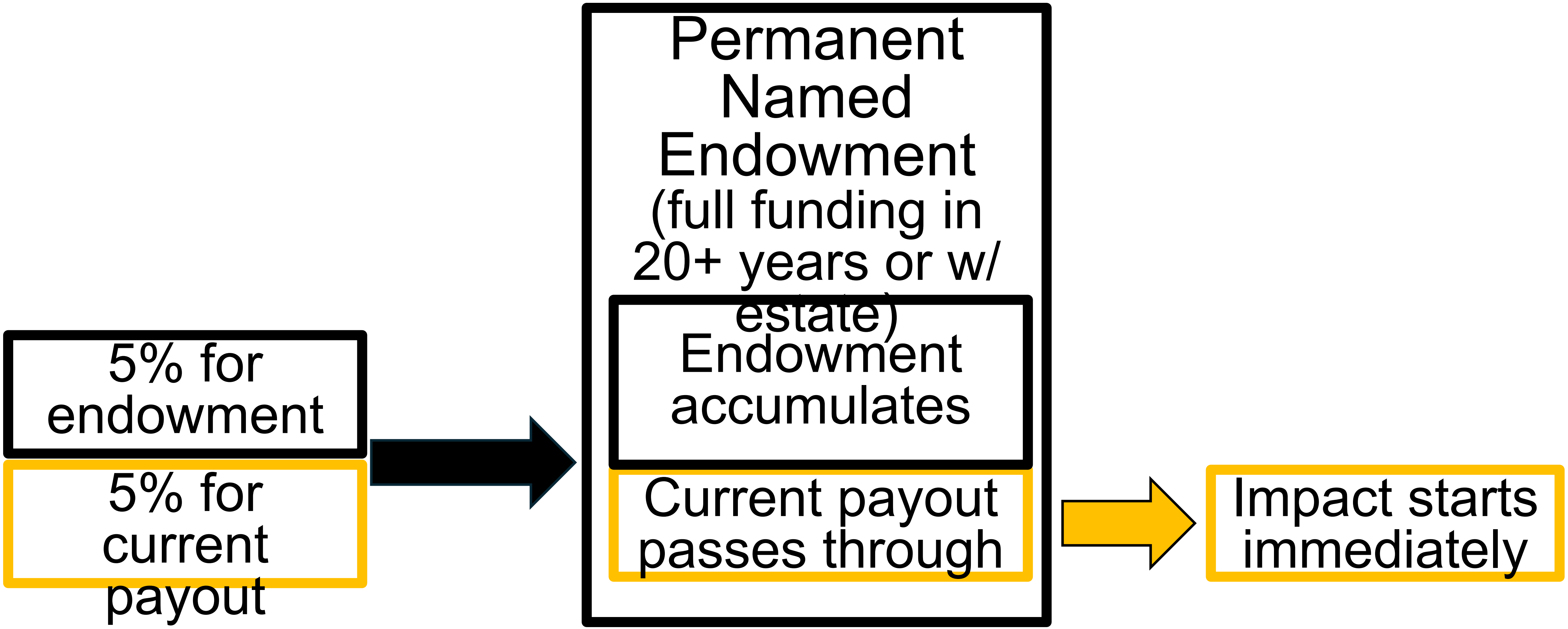
- "Thank you so much for including us in your plans. To treat us like a family member – that means so much!"
- "It's great to think about the impact your permanent endowed *[cause area/scholarship/professorship]* will make over so many years!"
- "Would you ever consider starting that now so you could see the impact personally?"

Too much for an immediate gift?



"I understand. It's a common circumstance. Many people in your situation have decided to start their permanent fund right away using our 5 & 5 plan [or "virtual endowment"]. Your permanent fund will pay out 5% per year. If you commit to make annual gifts of that 5% payout plus 5% to fund the endowment, you could start your permanent fund immediately. Because it's backed up by your estate plan, your named fund will be permanent no matter what, but this way you can see the impact right away. Is that something you might consider?"

“Virtual” or “5&5” Endowment



The virtuous cycle

Making it a permanent endowment gift with specific, visualizable impact makes it attractive.

- **This increases gift retention.**

It gives a reason for a larger gift.

- **This increase gift size.**

It leads to starting it today with 5&5 or “virtual endowment” funding.

- **This makes the gift right now.**

Myth #7

Relax: If your nonprofit doesn't get in the plan, it's fine. The heirs will be charitable.

They don't give much to charity

- "the average person would give $4.56 to charity each year for every $1,000 in non-inherited wealth, but only $0.76 out of inherited wealthiness."

Avery (1994) Avery, Robert. 1994. The Pending Intergenerational Transfer. Philanthropy, VIII#1, a publication of The Philanthropic Roundtable. p. 5, 28-29.

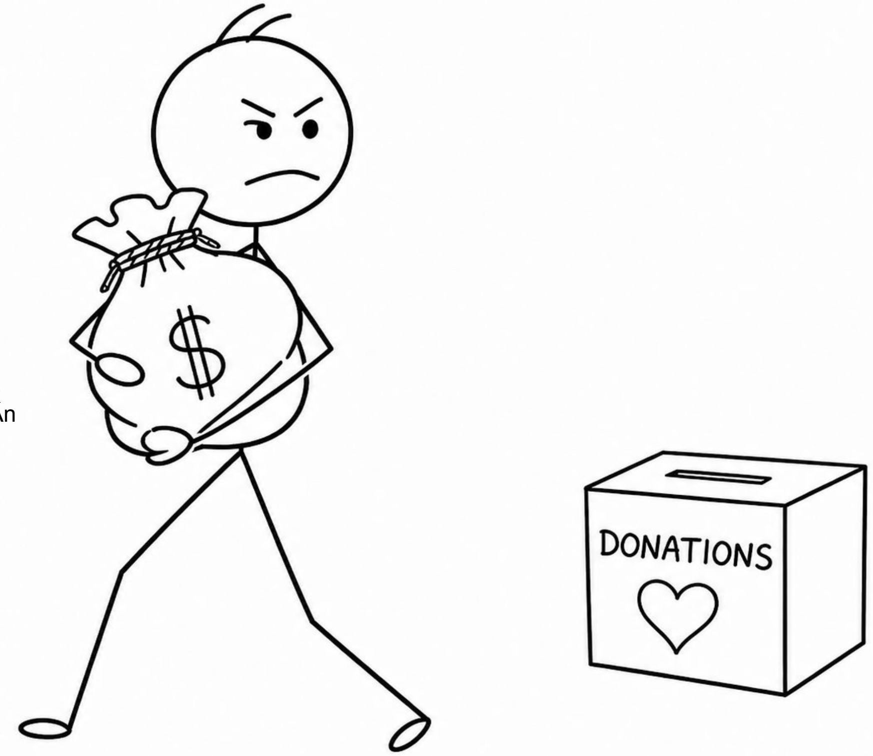
- A 2024 study estimates only ≈ $0.05 to charity for each $1,000 of inherited wealth.

Andersen, S., Chebotarev, D., Filali-Adib, F. Z., & Meisner Nielsen, K. (2024). Rich and responsible: Is ESG a luxury good? (Danmarks Nationalbank Working Paper No. 202). Danmarks Nationalbank. https://www.nationalbanken.dk/media/bsabg4ec/rich-and-responsible-is-esg-a-luxury-good.pdf ["An additional kr. 1 million in inheritance increases the average charitable donation by kr. 54… These estimates correspond to elasticities of 5.6% to 8%, which are below 29%, the elasticity of donations to transitory income shocks obtained by Auten, Sieg, and Clotfelter (2002)"]

Charitable elasticity: The increase/decrease of charitable giving in response to an increase/decrease in wealth.

- "[Charitable] elasticity from non-inherited wealth is 4.5 to 13.3 times the elasticity from inherited wealth across giving categories."

Steinberg, R., Wilhelm, M., Rooney, P., & Brown, E. (2002, December 30). *Inheritance and charitable donations* [Unpublished preliminary working paper]. Indiana University. https://creativescience.co/wp-content/uploads/2018/08/Inheritance-and-Charitable-Donations.pdf



And definitely not to religious charity

"Those receiving an inheritance increased their total giving by about $200, but the effect on religious giving is smaller and statistically indistinguishable from zero."

Steinberg, R., Zhang, Y., Brown, E., & Rooney, P. (2010). Earned, owned, or transferred: are donations sensitive to the composition of income and wealth? https://mpra.ub.uni-muenchen.de/30082/1/MPRA_paper_30082.pdf

Similar behavior in the ultrawealthy

Self-made billionaires are **three to four times** more likely to enter the Philanthropy Top 50 of the largest gifts in any year as compared with heirs.

Coupe, T., & Monteiro, C. (2016). The charity of the extremely wealthy. *Economic Inquiry, 54*(2), 751–761. https://doi.org/10.1111/ecin.12311

The share of Forbes 400 to sign the Gates-Buffet charitable giving pledge was **20.6%** for those from self-made wealth and **4.9%** for those from inherited wealth. Hickman, K., Shrader, M., Xu, D., & Lawson, D. (2015). The Forbes 400 and the Gates-Buffett Giving Pledge. *ACRN Journal of Finance and Risk Perspectives, 4*(1), 82–101. (Both of these differences remained after controlling for wealth, age, gender, etc.)

What happens to private foundations when the founding donor dies?

Study using 25 years of IRS 990-PF data (1.3 million returns)

- "A firm's overhead, or the ratio of administrative expenses to grants made, jumps by about 12% as soon as the organization's last living donor dies. Payout rates, or the share of assets spent each year, move sharply in the opposite direction, falling about 7% at that time."
- "payout rates drop in the first couple of years after the last living donor passes, then fall quickly to the 5% minimum for the remaining observable years of the foundation"

Brian Galle, *The Quick Spending and the Dead: The Agency Costs of Forever Philanthropy*, 74 Vanderbilt Law Review 757 (2021).

What happens to private foundations when the founding donor dies?

Study of the 200 largest private foundations:

Administrative costs rise when the founder leaves the board.

Total payout relative to administrative costs falls when the founder leaves the board, then falls even further when the first-generation descendants leave the board.

Brian P. McAllister & Arthur C. Allen, *The Role of Founder and Other Family Participation on U.S. Private Foundation Efficiency*, Financial Accountability & Management 33(1): 48–76 (2017).

Once the donor dies, permanent foundations behave differently than limited life ones

"Among limited life and perpetual life foundations whose donors are deceased, a far higher percent of limited life foundations (91 percent) than perpetual ones (65 percent) say that adherence to the founding donor's wishes is very important. These differences endure even with controls for asset size and age. Among foundations whose donors are alive, however, there were no statistically significant differences among limited life and perpetual life foundations"

Karlinsky, S. (2007). *Limited life foundations: Motivations, experiences, and strategies*. National Center for Family Philanthropy. https://www.ncfp.org/download/limited-life-foundations-urban-institute-2009-0

In private foundations, decision-making processes change at the founder's death

- During life, grant decisions are largely founder-controlled ("hub and spoke")
- After death, grant decisions shift to "unanimous consent" (more conventional, risk averse, vanilla, consensus safe)

Privation foundations rarely support religion-related organizations

- Foundation Source's private-foundation grantmaking reports from 2019 to 2022 showed about 2-4% for religion-related organizations.
- For these same years, Giving USA showed 28%-29% of total giving going to religion-related organizations (or about 10X greater than private foundation).
- Note that religion-related organizations are less likely to be "unanimous consent" beneficiaries.

Foundation Source. (2023). *2023 report on private philanthropy: Giving and investment trends within private foundations*.

Myth #8
The key to nonprofit estate dollars is getting more legacy society members

The money in estate gifts doesn't come from a lot of gifts. It comes from just a few.

Would you trade your ten largest estate gifts for all of the others combined? Most would say no.

Typical bequest donors are financially irrelevant

In IRS data when estate-tax exemption was $1MM, about half of charitable decedents transferred less than $100,000 to charity.

These typical charitable decedents transferred only 1.1% of total charitable bequest dollars.

Typical bequest donors are financially irrelevant

(In IRS data with $675,000 exemption) over 60% of charitable estate-tax returns left less than 10% to charities.

These typical charitable decedents transferred only 3.8% of total charitable bequest dollars.

Typical bequest donors are financially irrelevant

In two IRS studies (2001; 2014), decedents who left at least 90% of their wealth to charity gave more than 55% of total charitable bequest dollars, even though they constituted only about 10% of all donors

Welcome to the weird world of "Extremistan"

- There are no normal distributions here
- Only the outliers matter
- Typical bequest donors are financially irrelevant

What do big estate gifts look like?

Big gifts come with instructions!

Large gifts come with lots of instructions

- Instructions make the gift compelling
- They reflect the donor's values, life story, and identity

in experiments, allowing gift restrictions <u>makes gifts larger</u>

Adding instructions makes the gift more compelling for the donor

Helms, S. E., Scott, B. L., & Thornton, J. P. (2012). Choosing to give more: Experimental evidence on restricted gifts and charitable behaviour. *Applied Economics Letters, 19*(8), 745-748

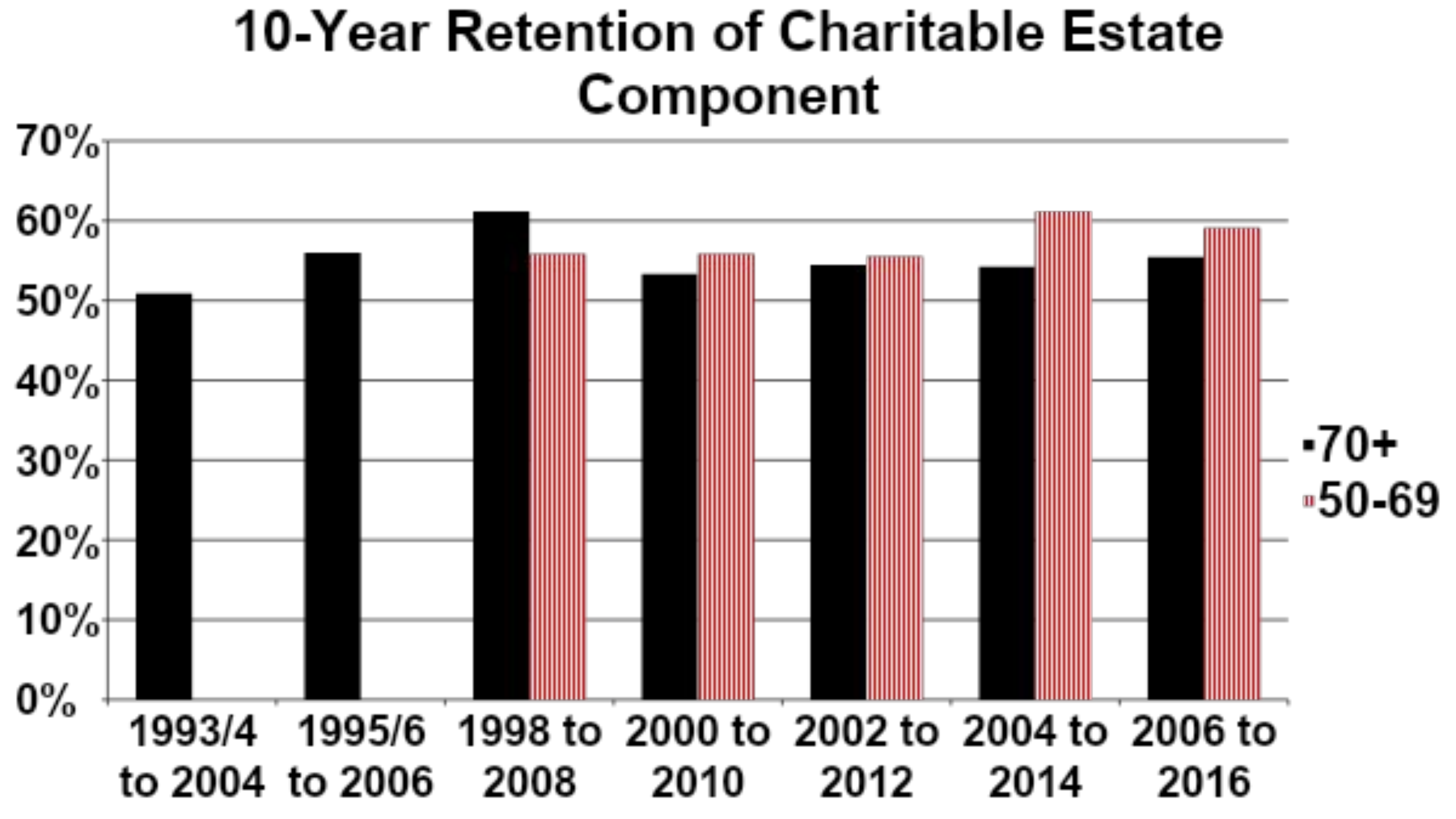
Study of the largest gifts to every size college/university

- "Only 14% of the gifts included unrestricted current use funding."
- "More than 70% of gifts conferred naming rights on the donor… donors see principal or transformational gifts as an exemplary act with the potential to stimulate giving by others."
- Two-thirds of these gifts funded endowments.

Giacomini, C., Trumble, D., Koranteng, A., King, J. (2022). *CASE study of principal gifts to U.S. colleges & universities.* Council for Advancement and Support of Education.

Myth #9

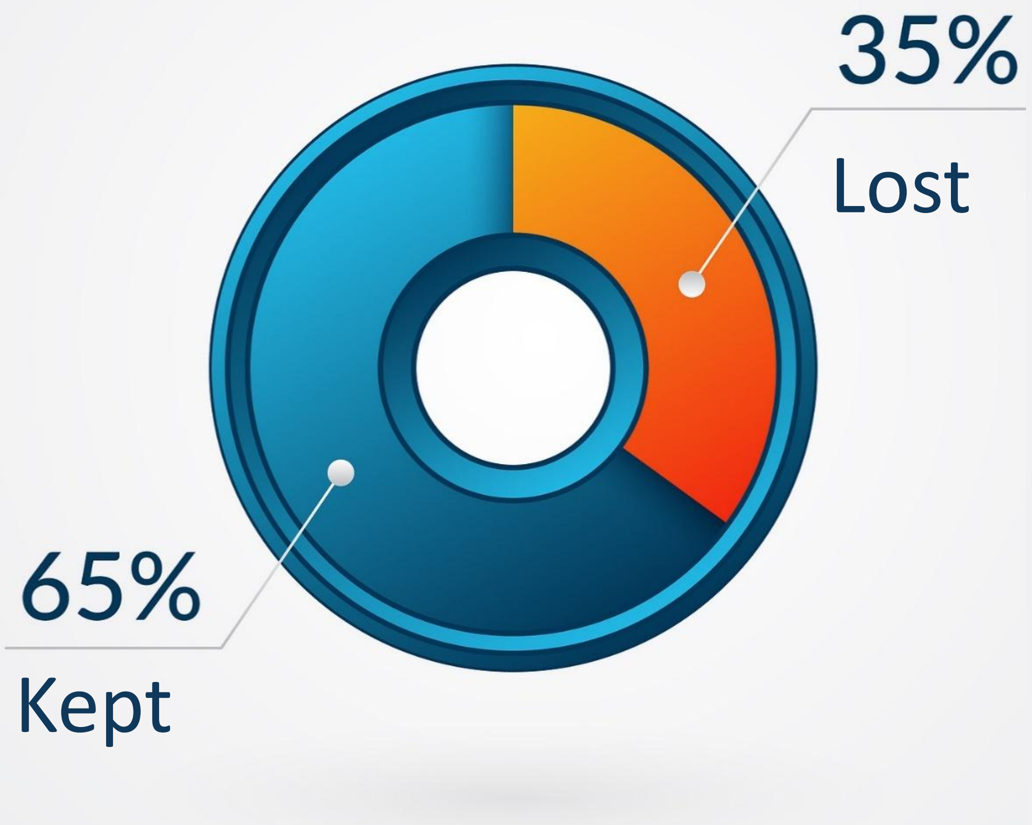
Relax: Your nonprofit doesn’t need to focus on old people. Once you’re in the plan, you stay in!


10-Year Retention of Charitable Estate Component
70%
60%
50%
40%
30%
20%
10%
0%
1993/4 to 2004
1995/6 to 2006
1998 to 2008
2000 to 2010
2002 to 2012
2004 to 2014
2006 to 2016
70+
50-69

Legacy societies study

Using data from 10 of the largest Australian charities across 4 years:

- Among 700 known decedents who had confirmed the presence of a planned bequest gift to the charity during life, only 65% generated an estate gift at death
- Unknown deaths make the true rate even smaller



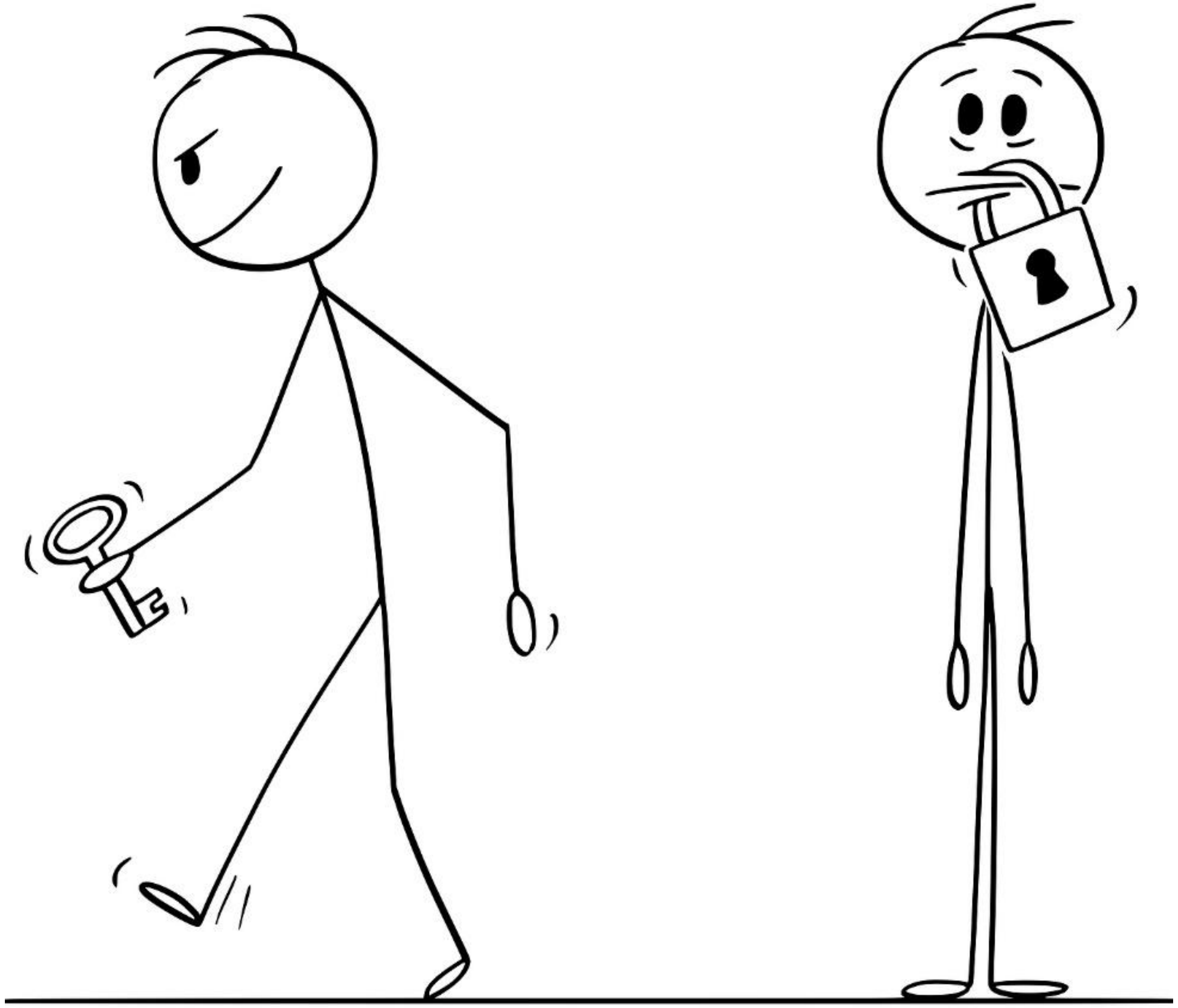
Wishart, R., & James III, R. N. (2021). The final outcome of charitable bequest gift intentions: Findings and implications for legacy fundraising. Journal of Philanthropy and Marketing, 26(4), e1703.

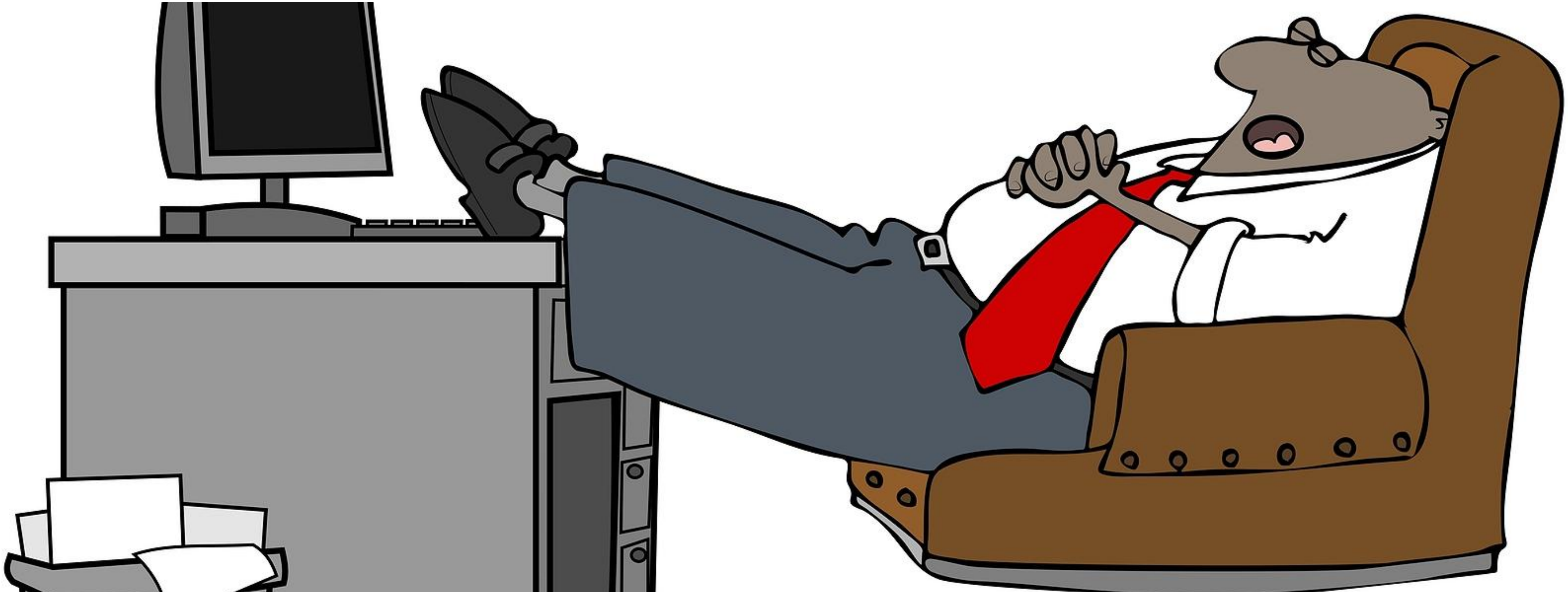
Some organizations did dramatically better than others

- The overall lost gift rate was 35%
- Different organizations’ lost gift rates varied from 17% to 60%

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



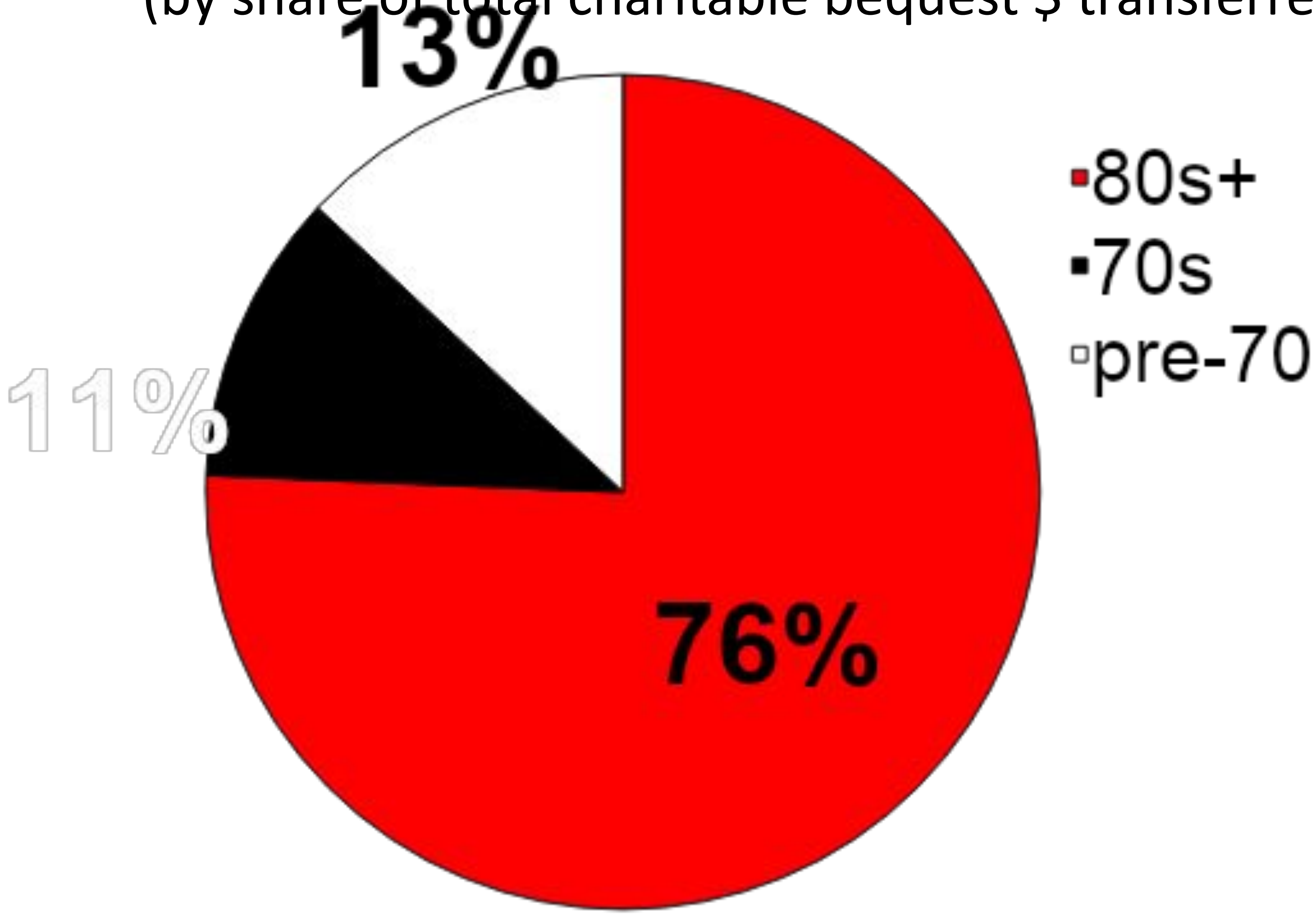


Legacy societies don’t work unless you do

Over 30% of those who had confirmed the presence of a bequest gift to the charity did not receive a single communication of any type from the charity during their final two years of life

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

It’s about decisions made near the end of life

In a national sample of probate records in Australia, the average time between will execution and death was 10 years for non-charitable wills and 5.6 years for charitable wills.

Over a quarter of charitable wills were signed within 1 year of death, and most were signed within four years of death.

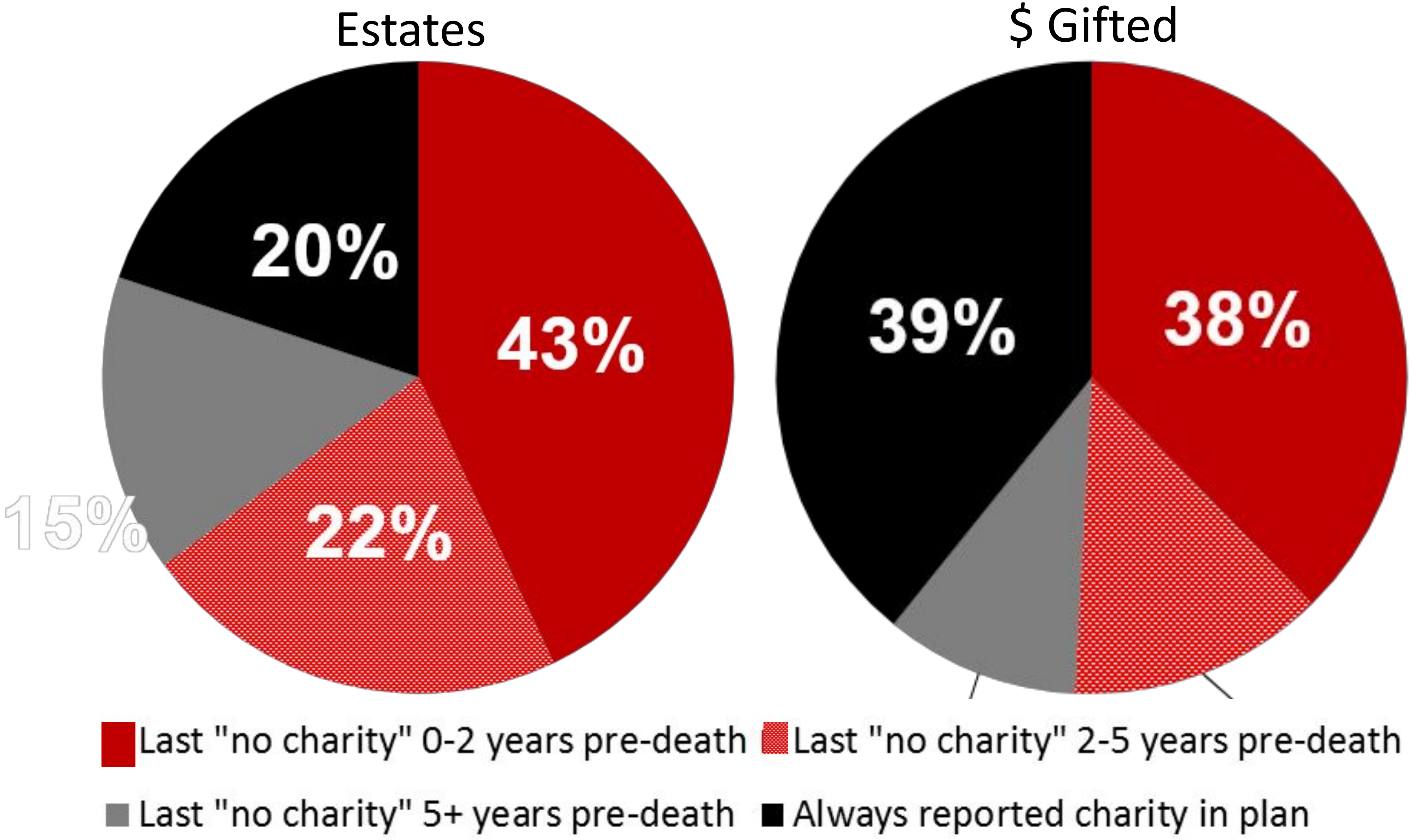
Top 100 UK Fundraising Charities (overall) receiving 40% or more of their total fundraising income from bequests:

Charities receiving the largest share of bequest dollars often represent causes naturally in front of people in their 80s, e.g., pets and age-related healthcare concerns

91%	Battersea Dogs & Cats Home
80%	The Donkey Sanctuary
74%	Arthritis Research Campagin
72%	Erskine (veterans health care)
68%	Royal National Institute for Deaf People
64%	Royal National Lifeboat Institution (coast guard)
64%	Royal Society for Prevention of Cruelty to Animals
62%	Cats Protection
62%	Guide Dogs for the Blind
60%	St. Dunstan's (blind veterans)
59%	Parkinson's Disease Society of the UK
59%	Royal National Institute of Blind People
57%	Blue Cross/Our Dumb Friends League (pets)
50%	PDSA (veterinary charity)
49%	Help the Aged
48%	Barnardo's (UK children's poverty charity)
47%	Multiple Sclerosis Society
44%	Sue Ryder Care (hospice)
44%	The National Trust (historic buildings)
43%	Diabetes UK
43%	Cancer Research UK
42%	The Stroke Association
42%	Motor Neurone Disease Association
42%	Leonard Cheshire Disability (disabled people)
41%	Royal Society for Protection of Birds
41%	Christie Hospital Charitable Fund (cancer)

Pharoah, C. (2011). ***Charity Market Monitor 2010: Tracking the funding of UK Charities***. CaritasData

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



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

Charitable plans change with age

For the age categories under 21, 21 to 35, 35 to 45, 45 to 55, 55 to 65, 65 to 75, 75 to 85, and over 85, the share of decedents leaving any gifts to charity (among estate tax returns filed in 2003) was 0%, 3.7%, 5.0%, 6.2%, 8.3%, 11.4%, 15.5%, and 29.7%, respectively

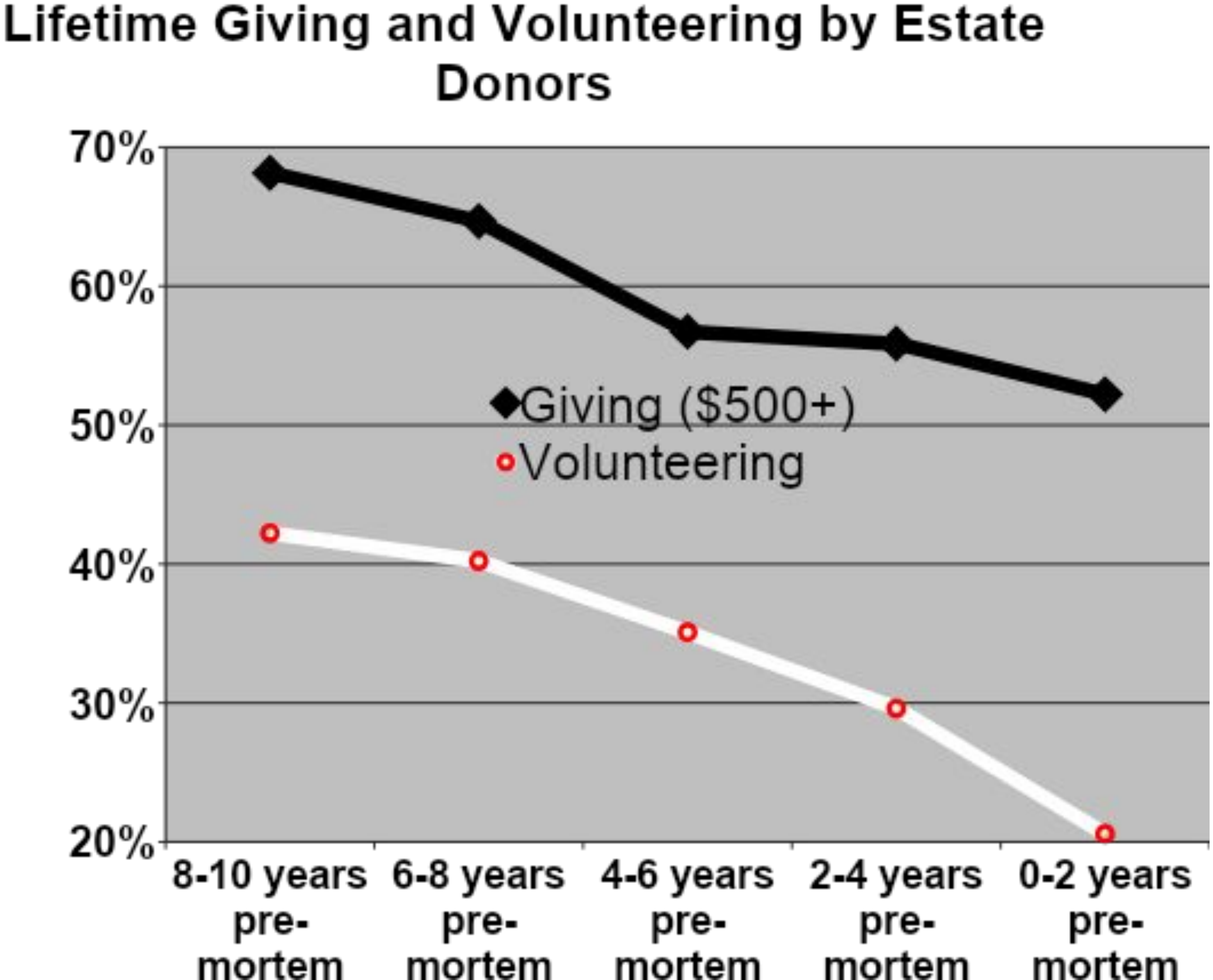
Charitable plans change with age

Similarly, among 1995 decedents in their 50s, 60s, 70s, 80s, and 90+, the share leaving any gift to charity was 6%, 8%, 12%, 21%, and 38%, respectively

Charitable plans have always changed with age

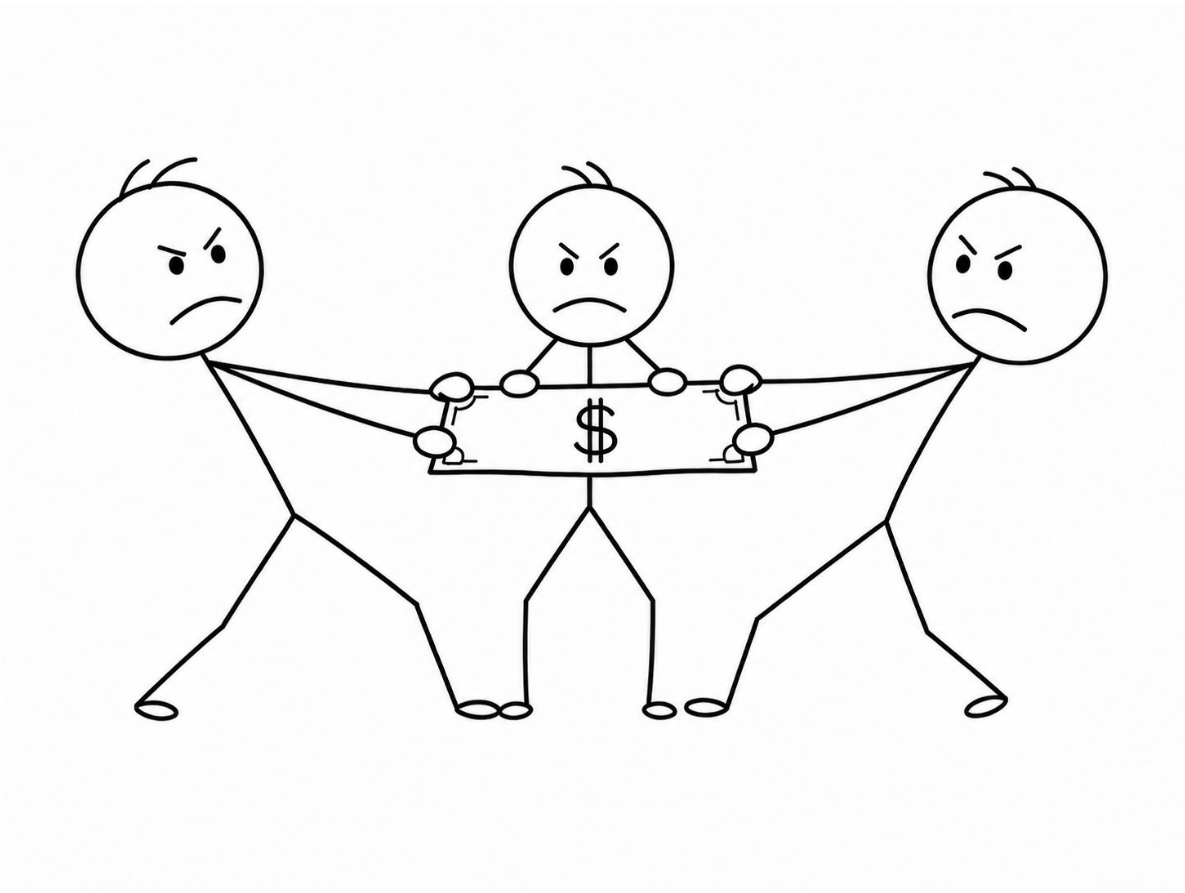
For tax returns filed from 1916–1945, in the age categories under 60, 60s, 70s, and 80 and above, the share of decedents leaving gifts to charity was 9.8%, 15.0%, 19.8%, and 24.2%, respectively

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



	Years prior to death								
	0-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18
<u>Charitable Bequest Decedents</u>									
Donate $1,000+/Year	39.3%	39.7%	43.6%	49.1%	52.7%	53.4%	53.3%	53.9%	56.9%
Volunteer 2+ Hours/Week	10.6%	15.4%	16.1%	21.0%	26.4%	26.1%	26.4%	31.7%	37.0%
20-Word Recall Score	7.26	7.98	8.52	8.85	9.05	9.71	10.17	10.61	10.49
<u>Non-Charitable Bequest Decedents</u>									
Donate $1,000+/Year	16.5%	19.1%	20.5%	22.5%	23.4%	24.8%	25.2%	27.0%	27.8%
Volunteer 2+ Hours/Week	5.0%	7.0%	9.3%	10.5%	12.7%	13.4%	14.3%	15.5%	15.9%
20-Word Recall Score	7.13	7.38	7.84	8.25	8.71	9.02	9.40	9.68	10.04

Myth #10
Relax: Your nonprofit doesn’t need to be proactive in probate.



Reality check

- Your donors love you.
- Your donors' heirs don't. You want to take "their" money!

Probate experience shows repeated cases of reducing (or eliminating) charitable transfers

- Excessive administrative fees to executors, self-dealing, excessive delay to increase fees, gifts loss due to charity failing to appear at proceedings
- Ignorant administration, e.g., cashing out savings bonds instead of transferring them in kind to the charity, paying estate taxes from the charity's share when not allowed

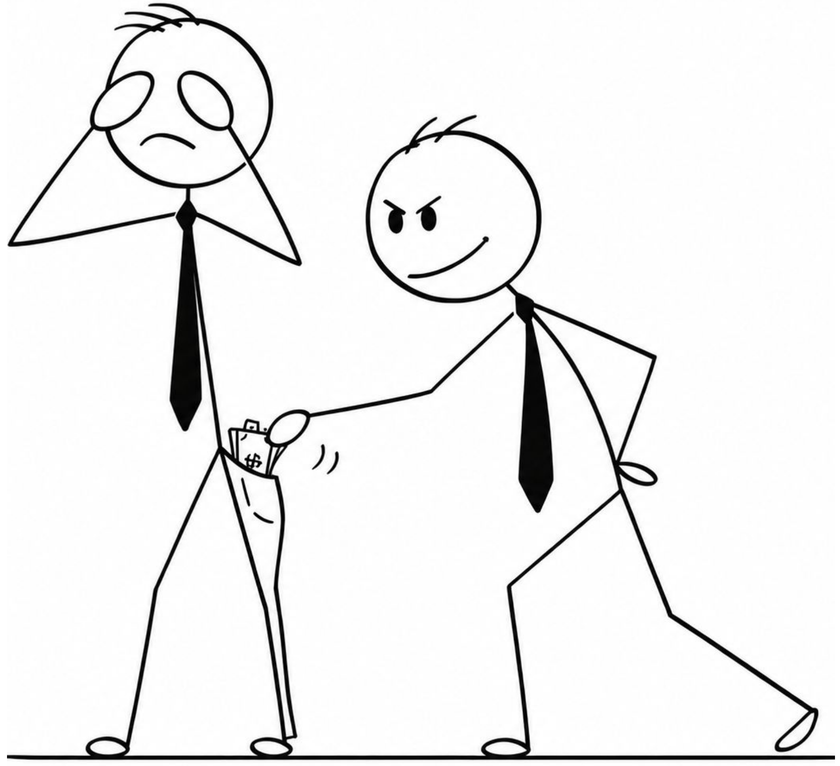
Abuse stories are everywhere

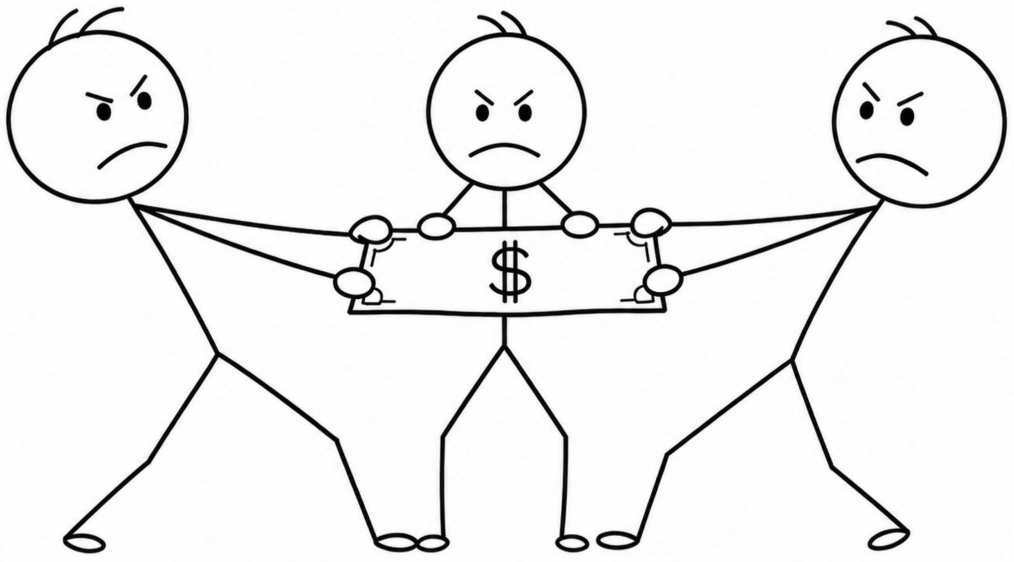
"after reviewing the attorney's billing invoices saw he had charged his hourly rate of $450 for mowing the decedent's lawn multiple times. In another case, an executor who was also the decedent's caretaker filed a claim for $2 million against the estate to compensate her for the time she spent caring for her grandmother in her final year of life."

-Scott Kilpatrick
Chisholm Chisholm & Kilpatrick LTD

You've got to be involved

- Silence can cost the charity the inheritance.
- California now allows a settlement to bind a charity that skips mediation.
  - Even without its signature.
  - Even if the agreement cuts the charity out completely.





This is an adversarial proceeding

What do we call it when family members go to court to fight over money?

- Divorce. Or probate. Both can be equally contentious!

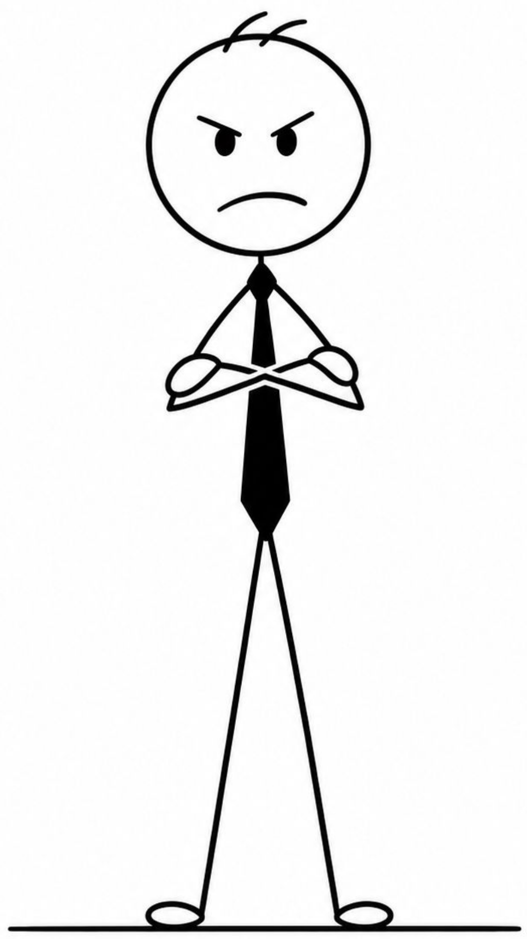
Get it out of the development office.

- Fundraisers are nice people who try to make others happy.
- Put it with general counsel, business office, collections, etc.

The nonprofit′s role

- Some want to avoid death-related topics, family conflict, court proceedings, and fights over money. Overcome this hesitancy!
- You represent the decedent's desire to make a philanthropic impact. Take the responsibility seriously.
- You also have a fiduciary role for the nonprofit's interest. Charity boards and employees must act in the charity's best interests.

Top 10 Inheritance Myths



2. Get ready millennials! It will create young wealth holders.
3. This will be “generational” wealth! Inherited money lasts a long time.
4. It’s all about will power! Will documents control these transfers.
5. Woohoo! It’s an $18 Zillion-Bajillion CHARITABLE Transfer.
6. The charitable dollars will be unrestricted gifts to your favorite charities.
7. If your nonprofit doesn’t get in the plan, it’s fine. The heirs will be charitable.
8. There is strength in volume! The key to nonprofit estate dollars is getting more legacy society members.
9. Your nonprofit doesn’t need to focus on old people. Once you’re in the plan, you stay in!

Professor Russell James
Texas Tech University

Top 10 Inheritance Myths

What Really H