

## The growth of charitable estate planning among Americans nearing retirement

Russell N. James, III,<sup>a,\*</sup> Mitzi K. Lauderdale,<sup>b</sup> Cliff A. Robb<sup>c</sup>

<sup>a</sup>University of Georgia, Athens, GA 30602, USA

<sup>b</sup>Texas Tech University, Lubbock, TX 79409, USA

<sup>c</sup>University of Alabama, Tuscaloosa, AL 35487, USA

---

### Abstract

A trend analysis of 41,965 Americans aged 55 to 64 reveals that charitable estate planning within this age group steadily increased from 1996 to 2006 (both absolutely and as a share of planned estates). Descriptive statistics and probit analyses suggest that this increase was driven in large part by higher levels of education and childlessness and by an increasing propensity for those without children to make charitable estate plans. As future cohorts of Americans nearing retirement age are projected to have even higher levels of education and childlessness, the trend of increased charitable estate planning is likely to continue for some time. © 2009 Academy of Financial Services. All rights reserved.

*JEL classification:* D14; J11

*Keywords:* Estate planning; Charitable giving; Planned giving

---

### 1. Introduction

Planned giving, including charitable estate planning, is a significant and growing professional field as well as an important area of practice for the general financial planning community. Clients nearing retirement age often have interest in both retirement planning and estate planning. This paper examines trends in charitable estate planning among those nearing retirement during the period of 1996 to 2006. It is unique in presenting results from

---

\* Corresponding author. Tel.: +1-706-542-4951; fax: +1-706-583-0313.

*E-mail address:* rjames@uga.edu (R. James)

the plans of living respondents (rather than postmortem records) using a large, nationally representative dataset.

## 2. Literature review

The field of charitable estate planning, commonly referred to as planned giving, is a substantial and growing sector within financial planning. For example, the National Committee on Planned Giving (2008), a professional association of planned giving professionals, recently reported a membership of approximately 10,000. Even those planners who do not focus exclusively on charitable estate planning can expect to regularly encounter charitably inclined clients with estate planning needs.

Some clients may naturally request charitable estate planning, whereas others may be exposed to advanced planned giving options through the development offices of charities they support. Brill and Winer (2007) suggest, “the growing sophistication of the non-profit community poses a challenge to the financial and legal advisor, particularly those advisors whose clients represent the top two tiers of wealth” (p. 41). Although complex estate planning approaches are nothing new (Bost and Cherin, 2000), the advocacy of development officers may spur client interest in complex planned giving approaches. As evidence of this sophistication in planned giving, Prestopino’s (1993) survey of 124 estate planning attorneys in 33 states reported that 61% had clients using charitable split interest gifts including charitable remainder annuity trusts, pooled income funds, charitable remainder unitrusts, and charitable lead trusts.

Financial planners can reasonably anticipate continued and growing efforts by non-profit organizations to promote planned giving. Charitable estate gifts already constitute a substantial share of total charitable giving, producing an estimated \$23.65 billion in gifts in 2007 (Giving USA Foundation, 2008). In addition, the aging of the donor population motivates further planned giving marketing in an effort to gain a share of the growing intergenerational transfers (James, forthcoming; Radcliff, 2002).

However, even though total estate transfers should naturally increase as the result of the graying of America, little is known about the possibility of generational differences in charitable estate planning practices. Wilhelm, Rooney, and Tempel (2008) found significant differences in *inter vivos* charitable giving practices across generations. After controlling for wealth and income, the baby boom cohort gave at a significantly lower rate during middle age than the prewar cohort did. Such results could lead to an expectation that charitable estate transfers may not expand as rapidly as overall estate transfers could. However, attempting to extrapolate current charitable giving behavior to estate charitable giving behavior may prove unreliable.

Such extrapolations are tempting, in that much more research has been conducted on the practice of *inter vivos* charitable giving than on estate charitable giving. Age, education level, ethnicity, volunteerism, income, religion, and wealth have all been found to be significantly associated with current charitable giving (Bekkers and Wiepking, 2007; Gittell and Tibaldi, 2006; James and Sharpe, 2007; Steinberg and Wilhelm, 2003a, 2003b; Wu, 2004).

In contrast with findings on current charitable giving, Barthold and Plotnick (1984) did not

find that age influenced charitable bequests. Most charitable estate planning research has focused on the effect of estate and gift taxes. Given that the relative costs of charitable estate gifts are lower when estate taxes to non-charitable beneficiaries are higher, it is not surprising that most research has shown a positive association between estate taxes and charitable estate giving (Bakija and Gale, 2003; Boskin, 1976; Clotfelter, 1985; Joulfaian, 1991, 2000; Kopczuk and Slemrod, 2003). However, when Joulfaian (2005) analyzed longitudinal data over two tax regimes he found that estate tax changes had little effect on bequests. Furthermore, increasing estate taxes have also been shown to increase *inter vivos* charitable giving (Auten and Joulfaian, 1996; Greene and McClelland, 2001).

The significant relationships between current charitable giving and both age (Bekkers and Wiepking, 2007) and cohort membership (Steinberg and Wilhelm, 2003; Wilhelm, Brown, Rooney, and Steinberg, in press; Wilhelm, Rooney, and Tempel, 2008) point to the importance of separating out these two factors whenever possible. Further, cohort effects may be particularly salient for charitable estate planning in view of the substantial increase in older, childless individuals (DeOllos and Kapinus, 2002). Although childlessness does not guarantee participation in charitable estate planning (Whitaker, 2007), it may influence the decision to leave money to a charitable organization. This would correspond with the substitutionary effect found by Auten and Joulfaian (1996) where parents were more likely to make current charitable gifts as children's incomes rose. Further, childlessness is associated with higher levels of education and income (DeOllos and Kapinus, 2002), which could indirectly influence the decision to engage in charitable estate planning.

As compared with current charitable giving, the analysis of charitable estate planning presents an additional complication in that estate planning itself is a prerequisite to charitable estate planning. Not only must a potential donor be charitably inclined, but he or she must also be inclined to complete an estate plan. Thus, some factors may be associated with charitable estate planning primarily because of their association with the act of completing an estate plan. This is particularly significant when considering age and cohort effects as age has been consistently associated with the existence of will documents (Edwards, 1991; Lee, 2000; Rossi and Rossi, 1990; Schwartz, 1993; Simon, Fellows, and Rau, 1982). Other factors found to be triggers of estate planning include cancer diagnosis, becoming a widow, retiring, and having a positive change in assets (Palmer, Bhargava, and Hong, 2006).

### 3. Model

Although economists have offered a variety of models related to charitable giving, such models may not be directly applicable to the context of testamentary charitable giving, as these transfers take place only after the death of the donor. Assuming that charitable institutions do not typically exchange significant lifetime benefits for revocable testamentary commitments, it seems appropriate to consider a model where the donor truly cares about the well being of the potential recipients. In other words, an interdependent utility function may motivate the testamentary donor.

In such a circumstance, the intent of making an estate plan will be a function of the testator's utility interdependence, estate size, expected time until death, and alternative

beneficiaries. Written as an equation, the current utility to person  $i$  of an anticipated testamentary distribution to  $J$  others is

$$U_i = \sum_{t=0}^{\infty} \sum_{j=1}^{j=J} m_t \delta^t e_j(w_t s_j, y_{ij}) \quad (1)$$

where  $m_t$  is the likelihood of dying during time period  $t$ , with  $\sum_{t=0}^{\infty} m_t = 1$ ;  $\delta^t$  is a time discount factor where  $\delta < 1$ ,  $j$  represents individuals other than  $i$ ,  $e_j$  represents the utility function (empathy) resulting from the anticipated postmortem increased utility of person  $j$ ,  $w_t s_j$  indicates the size of the estate transfer to person  $j$ , as a function of anticipated wealth ( $w_t$ ) and distribution share ( $s_j$ ), and  $y_{ij}$  indicates the income level of person  $j$  at time  $t$  before any bequest. Such an approach is similar to that presented by Joulfaian (2005) who separately delineated three categories of recipients, surviving spouse, beneficiaries (children, extended relatives, or friends), and charitable organizations.

Utility maximization implies the equality of marginal utility generated by anticipated transfers to each recipient  $j$  receiving a positive share of the estate. Where this is not the case, a revised estate plan would generate higher utility. Differences in expected mortality, empathy, time discounting, wealth, or potential recipients would alter the utility of a potential estate distribution. Because wealth in this calculation reflects the wealth anticipated at death, differences in permanent income expectations are particularly important. In other words, differences in projected wealth could be affected both by current wealth and by projected earning capacity. For example, someone with a higher education, and thus expectations of higher permanent income, would be more likely to project greater wealth at time of death. According to this model, differences in charitable estate planning (modeling such transfers as a transfer to the charity's beneficiaries) might be caused by differences in charitable empathy, projected wealth (permanent income and current wealth), mortality, or the presence of competing beneficiaries, such as children or grandchildren.

#### 4. Data

Data for the following analyses come from the 1996 to 2006 Health and Retirement Study (HRS). The HRS is a nationally representative, longitudinal survey of Americans over the age of 50 conducted every two years. Surveys in the HRS are conducted largely by in-person interviews, but with some returning panel members being interviewed by phone. In 1996, the HRS focused only on respondents born between 1931 and 1941 (i.e., respondents who would have been 55 to 65 years of age). Beginning in 1998, the HRS expanded to include cohorts representing the entire U.S. population over the age of 50. New cohorts of respondents age 50–56 have been added every six years to maintain the representativeness of the over 50 population. (In the two interim waves between new cohorts, the HRS represents the over 52 and over 54 population.) This age distribution permits the following analysis of trends among those age 55 to 64 in the 1996, 1998, 2000, 2002, 2004, and 2006 survey years.

#### 4.1. *Sample selection*

All respondents age 55 to 64 in the particular survey year(s) under examination were included in the analysis. By exclusively examining those respondents in the 55 to 64 age category at each survey wave, this analysis includes a somewhat different set of respondents at each wave. For example, those respondents age 63 or 64 in the previous survey wave would be excluded in the following wave as they would then be age 65 or 66, and thus not in the target age range of 55 to 64. Similarly, a new group of respondents too young to be included in the previous wave would reach the age of 55 or 56 by the following wave and thus would be included. Thus, each wave will have some overlap of respondents from other waves. However, there is no overlap of respondents age 55 to 64 in both the 1996 wave and the 2006 wave.

Although the dataset as a whole is longitudinal, it is here analyzed in roughly the same way that one might examine a nationally representative, repeated cross-sectional survey. Nationally representative panel surveys can be used to estimate the national prevalence of any particular condition, provided that there are no special biasing effects resulting from the questions being asked on multiple occasions and that weighting is changed in each survey year to reflect the effects of sample attrition (Wilson and Howell, 2005). Such use of the HRS to estimate changes in the national prevalence of an outcome over time is common in other applications (Johnson, 2004; Langa et al., 2008).

#### 4.2. *Variable description*

The outcome variable in all analyses was simply the presence or absence of a charitable estate plan. This variable reflected the respondents answer to the question, “Have you made provisions for any charities in your will or trust?” This question was asked of all respondents who indicated the existence of any estate planning documents.

The presence of a will was determined by the respondent’s answer to the question “Do you currently have a will that is written and witnessed?” The presence of a funded trust was determined by the respondent’s answer to the question “Have you put any of your assets into a trust?”

Racial and ethnic designations were separated into the four categories of non-Hispanic White, non-Hispanic Black, Hispanic, and other. Hispanic status indicates a positive answer to the question, “Do you consider yourself Hispanic or Latino?” Those not indicating Hispanic status were identified based upon the response to the question, “What race do you consider yourself to be: White, Black or African American, American Indian, Alaska Native, Asian, Native Hawaiian, Pacific Islander, or something else?”

Age was calculated as the age, in years, of the respondent on January 1 of the year of the survey wave. This definition of age allows for the 1996 and 2006 samples to be mutually exclusive, regardless of changes in the month of survey administration. The married variable was one for respondents who reported being married or “living with a partner as if married” and zero for all other respondents. Tenure status was identified as owning a home, renting a home, or neither owning nor renting (typically occurring when living with other family members).

The income variable refers to the total of respondent and spouse income for the previous calendar year. This includes all forms of reported and imputed income such as earnings, pensions and annuities, SSI and Social Security Disability, Social Security retirement, unemployment and workers compensation, other government transfers, and household capital income. The assets variable refers to the net value of total reported and imputed wealth held by either the respondent or the respondent's spouse and is the sum of all assets less the sum of all debts. Imputations for both income and wealth are those issued by RAND (RAND, 2007). All dollar figures are converted to 2006 inflation-adjusted dollars. To ease coefficient readability, dollar figures are divided by 10,000 for the regression analyses (e.g., 17,400 would become 1.74).

#### *4.3. Weighting and complex survey design*

Each wave of the HRS is used to project to the national population of respondents age 55 to 64 in that year. The HRS provides weights designed to project results to the U.S. population over age 50. The use of weights for estimating national means are particularly important in the HRS as some groups, such as African Americans, Hispanics, and Floridians, have been intentionally oversampled. In addition, such weighting is also important as some subgroups exhibit differential non-response rates. Adjusting for such differences is necessary to accurately project to a national population. Because the HRS weights are designed to project to a national non-institutionalized population over age 50, individuals residing in nursing homes are given zero weights. All means reported in the following analyses were weighted using the HRS-provided core sample weights.

In addition to the intentional oversampling of certain groups, the HRS also employed a complex sample selection process (Institute for Social Research, 2007). As is true with most national surveys, the sample was not selected as a pure random draw. The confidence intervals and estimates of the standard errors of the means reported in Table 1 incorporate this complex sample selection process. Failure to take into account the complex sample selection process can result in inaccurate variance estimates (Wolter, 2003).

## **5. Analysis and results**

### *5.1. Descriptive statistics*

Fig. 1 represents the estimated proportion of the U.S. population aged 55 to 64 with a charitable estate plan in 1996, 1998, 2000, 2002, 2004, and 2006. The figure reflects a rather steady increase in self-reported charitable estate planning from 3.8% to over 5.4% of the population aged 55 to 64.

Table 1 presents descriptive statistics for 1996 and 2006 estimating means weighted to project to the relevant national population. For continuous variables, the standard deviations of the original sample responses are reported in parentheses. Also for these variables, the standard error of the estimated sample means, taking into account both weighting and the

Table 1 Weighted descriptive statistics of adults aged 55–64 from the 1996 and 2006 Health and Retirement Study

Variables	1996	2006	%Δ
Charitable estate plan	3.86% [0.23%]*	5.46% [0.42%]	41.48%
Will or trust executed	51.1% [1.19%]*	43.3% [1.11%]	–15.26%
Funded trust	4.45% [0.43%]*	6.35% [0.53%]	42.71%
Married	75.37% [0.64%]	74.38% [0.80%]	–1.31%
Male	47.64% [0.43%]	48.10% [0.58%]	0.97%
Age	59.26 [3.42]	59.17 [5.31]	–0.15%
<High school	24.09% [1.06%]*	14.47% [0.89%]	–39.95%
High school graduate	36.35% [0.74%]*	30.41% [0.93%]	–16.34%
Some college	19.59% [0.63%]*	25.00% [0.88%]	27.64%
College graduate	8.83% [0.45%]*	13.71% [0.70%]	55.26%
Graduate education	10.92% [0.68%]*	15.72% [0.83%]	43.90%
Hispanic	6.85% [0.95%]*	8.43% [1.11%]	22.97%
White non-Hispanic	81.09% [1.14%]*	78.35% [1.33%]	–3.37%
Black non-Hispanic	9.78% [0.55%]	10.34% [0.70%]	5.75%
Homeowner	73.39% [0.94%]	75.20% [1.06%]	2.47%
Renter	13.78% [0.63%]*	11.84% [0.63%]	–14.07%
Household assets (2006 dollars)	\$380,685 [\$16,172]*	\$670,233 [\$68,164]	73.26%
Household income (2006 dollars)	\$ 78,098 [\$2,412]*	\$101,921 [\$12,922]	30.50%
Charitable giving >\$650 (2006 dollars)	33.86% [1.03%]*	36.38% [1.12%]	7.45%
Volunteer	32.81% [0.98%]*	36.99% [0.86%]	12.73%
Number of children	3.29 [0.03]*	2.81 [0.03]	–14.47%
Number of grandchildren	4.40 [0.10]*	3.70 [0.08]	–16.07%
No children	6.90% [0.33%]*	8.39% [0.47%]	21.62%
No grandchildren	21.78% [0.81%]*	29.8% [0.88%]	36.86%
Number of Strata	52	56	
Number of Clusters	104	112	
Number of Observations	7770	4762	

Weights are applied to project to the U.S. population. The survey's complex sample design is incorporated in estimates of the standard error of the mean and statistical significance of the differences in means. Estimated standard error of the mean reported in brackets.

\*Difference is statistically significant at  $p < .05$ .

survey's complex sample design, are reported in brackets. Table 1 indicates where differences between the 1996 and 2006 means were statistically significant at the  $p < .05$  level.

Table 1 reflects the increase in charitable estate planning shown in Fig. 1. Although the prevalence of charitable estate planning increased, this was not the result of a general increase in the propensity to engage in estate planning. A smaller proportion of near-retirement age individuals in 2006 reported having a will or trust than in 1996. Against this general trend, however, the funding of *inter vivos* trusts increased significantly. (In general, an *inter vivos* trust, a.k.a. living trust, can avoid probate expenses if the trust is funded before death.)

Although the gender and marital composition of the near-retirement age group did not change significantly, several other areas did show substantial changes. Education was higher in 2006 than in 1996 across all measurements. Non-Hispanic Whites decreased slightly as a share of the overall population. Renting became less common. (Note that renters and homeowners do not sum to 100% as many respondents were living with family members or

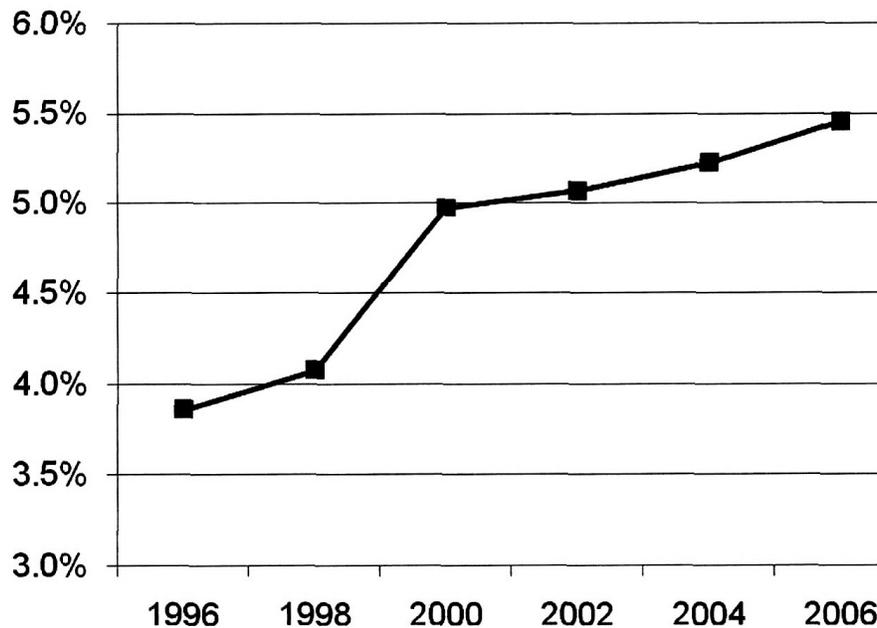


Fig. 1. Self-reported charitable estate planning among adults aged 55–64 (1996–2006 Health and Retirement Study, weighted means).

in other non-rental, non-owning living arrangements.) In constant dollar terms, the overall average of both household assets and income increased during this 10-year period. (All dollar figures reported in the table and used in later analyses were adjusted for inflation using the Consumer Price Index annual rate. All dollars were converted to constant 2006 dollars.)

Creating a comparative measurement for charitable giving was somewhat difficult in that both the 1996 and 2006 surveys asked about giving only when the respondent indicated that he/she or his/her spouse or partner had donated “money, property, or possessions totaling \$500 or more to religious or other charitable organizations” in the previous 12 months. Because of the effects of inflation over time, simply reporting the share of those giving over \$500 in 1996 and 2006 would create a bias (\$500 in 1996 represents more real gifting than \$500 in 2006). To correct for this, a cutoff point of \$650 in 2006 constant dollars was used. This dollar amount was above the \$500 level in both surveys. As such, in both years a respondent would not only have to indicate that they had given more than \$500 in the previous year, but would also have had to report the exact amount (or range) of giving to be listed in the over \$650 category.

Even with this adjustment, a change in survey methodology between 1996 and 2006 may have introduced an upwards bias in this number. In the 1996 survey, respondents who indicated that they had given more than \$500 in the previous year were asked to provide a specific dollar amount for their gifting. In the 2006 survey, respondents could provide either a specific dollar amount or a dollar range. The midpoint of the range was used as the reported gifting amount for Table 1. However, allowing the use of a range may have increased the number of respondents providing sufficient information to estimate a dollar amount, thus artificially increasing the 2006 reported charitable giving as compared with the 1996 reported charitable giving. Thus, the charitable giving comparison should be read with caution.

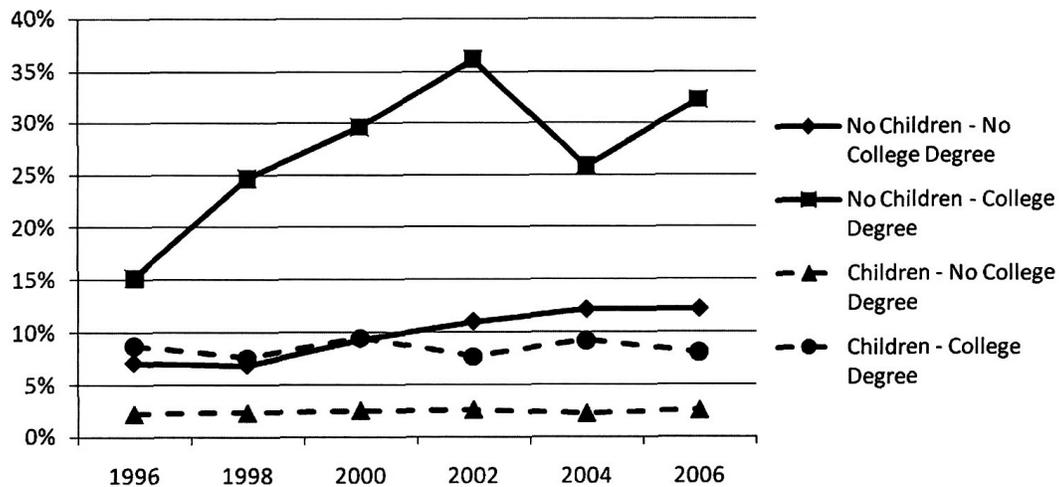


Fig. 2. Charitable estate planning, education and childlessness among adults aged 55–64 (1996–2006 Health and Retirement Study, weighted means).

Volunteer status reflects the response to the question, “Have you spent any time in the past 12 months doing volunteer work for religious, educational, health-related or other charitable organizations?” This was not subject to the same methodological variation as the charitable giving reports and it does reflect an increase in self-reported volunteering. Thus, it is possible that the increase in charitable estate planning occurred in part because of increased empathy for charitable recipients.

The final major trend shown by Table 1 was a dramatic decrease in fertility. The average number of children and grandchildren decreased. This decrease was not just the result of respondents having fewer large families, but was also accompanied by a large increase in the number of respondents having no children. As suggested by the previous model, this increase in childlessness would be expected to have a significant impact on charitable estate planning as it avoids the presence of a competing beneficiary.

The economic model presented above suggests that the probability of a charity being named as an intended estate beneficiary would increase with permanent income and the absence of naturally competing beneficiaries. Fig. 2 reflects this reality. Overall, those with at least a college degree are more likely to have a charitable estate plan than those with less education. This was true for both those with children and those without. In addition, within these educational categories, those without children were more likely to have a charitable estate component than those with children. Thus, when Table 1 reports substantially more individuals in the childless and college-educated categories in 2006 than in 1996, this also indicates the presence of more individuals in the categories that are more likely to make charitable estate gifts.

However, Fig. 2 not only reflects a static reality of the difference between these categories, but also reflects a shift over time. The propensity of childless individuals without a college degree to have a charitable estate plan rose from 7.1% to 12.2%. Similarly, the share of college-educated childless individuals with a charitable estate plan grew from 15.2% to 32.2%. This contrasts with college-educated individuals with children where charitable estate planning dropped slightly from 8.7% to 8.1%. Little change was seen among those with

children and no college degree with less than 0.4% variation occurring between the highest and lowest years. Thus, the increase in charitable estate planning is being driven not only by a demographic shift into categories with a high propensity to make charitable estate plans, but also by a notable increase in the proportion of childless individuals making charitable estate plans.

## 5.2. Probit analysis

To provide a more in depth evaluation of the impact of these factors on changes in charitable estate planning over time, Tables 2 and 3 present results from several probit analyses. The underlying mechanics of a probit model employ a latent continuous variable that, when positive, results in an outcome of 1 and, when negative, results in an outcome of 0. If the relationship between this underlying variable and the independent variables has an error term with a standard normal distribution, then the probability that a charitable estate plan will be present can be represented by projecting the independent variables and coefficients onto a cumulative distribution function of the standard normal distribution (Griffiths, Hill, and Judge, 1993).

Table 2 presents analyses including observations from all survey years, and Table 3 presents analyses including only observations from 1996 and 2006. The results using 1996 and 2006 observations serve two purposes. First, these compare directly with the descriptive results in Table 1. Second, by using only 1996 and 2006 survey data, these results exclude the use of more than one observation from the same individual. Those individuals age 55 to 64 in 1996 would no longer be in the 55 to 64 age group in 2006. (Variation in interview dates does not create overlap, as segregation is based upon age as of January 1 for the year of survey wave.) In this way, any potential biasing effects resulting from including multiple observations of the same person at different times are excluded from the simple 1996 and 2006 analysis. The results using survey data from all years provides more data and more observations, but also includes observations from the same individuals at different points in time (e.g., a person age 60 in the 1996 interview wave, could be included in the 1998 waves and 2000 waves, but would be too old for inclusion in subsequent waves).

The first column of results in Table 2 shows a statistically significant positive linear time trend of increasing charitable estate planning among this age group from 1996 through 2006. This simply confirms the overall trend presented visually in Fig. 1. In the second analysis, we introduce two additional variables. The “any children” variable is a binary variable equal to one if the individual has any children and zero if he or she does not. The “years of education” variable reflects the number of years of education completed by the respondents (e.g., 12 = high school graduate). By controlling for changes in childlessness and education, the linear time trend becomes statistically insignificant. This suggests that the overall trend of increased charitable estate planning may have been driven, in large part, by changes in childlessness and education. As predicted by the model, an increase in education did increase the propensity for charitable estate planning. In addition, the presence of children, a natural competing beneficiary, had a significant negative effect on the likelihood charitable estate planning.

The final columns report results from a probit analysis including a more extensive set of

Table 2 Probit analyses of trends in charitable estate planning among adults age 55–64 in the 1996–2006 Health and Retirement Study reporting coefficient [*p*-value]

Variable	Outcome = presence (1) or absence (0) of a charitable estate plan	
	Using all years 1996–2006	
Year	0.0152 [ $<.0001$ ]	0.0039 [0.2739] -0.6403 [ $<.0001$ ] 0.1404 [ $<.0001$ ]
Any children		0.0020 [0.5947] -0.6430 [ $<.0001$ ]
Years of education		-0.1349 [ $<.0001$ ] 0.6755 [ $<.0001$ ]
Any grandchildren		0.3537 [ $<.0001$ ] 0.2083 [ $<.0001$ ]
Graduate education		-0.2755 [ $<.0001$ ] 0.0001 [0.6915]
College graduate		0.0003 [ $<.0001$ ] 0.2095 [ $<.0001$ ]
Some college		0.3052 [0.0013] -0.0191 [0.8548]
<High school		-0.1554 [0.1927] -0.0912 [0.0005]
Income (\$100,000 units in 2006 dollars)		0.2341 [ $<.0001$ ] -5.8113 [0.4394]
Assets (\$100,000 units in 2006 dollars)		-10.9271 [0.1292] 37,651
Homeowner		36,575
White (non-Hispanic)		
Black (non-Hispanic)		
Hispanic		
Male		
Married		
Intercept		
<i>n</i>		36,575

Outcome variable is 1 if respondent reported the presence of a charitable estate plan, and is otherwise 0. Data from 1996, 1998, 2000, 2002, 2004, and 2006 Health and Retirement Study. Table reports coefficients with *p*-values in brackets.

Table 3 Probit analyses of trends in charitable estate planning among adults age 55–64 in the 1996 and 2006 Health and Retirement Study reporting coefficient [*p*-value]

Variable	Outcome = presence (1) or absence (0) of a charitable estate plan	
	Years 1996 and 2006 only	Years 1996 and 2006 only
Year	0.0156 [0.0001]	0.0052 [0.2352]
Any children		-0.607 [ $<.0001$ ]
Years of education		0.1342 [ $<.0001$ ]
Any grandchildren		-0.2145 [ $<.0001$ ]
Graduate education		0.6922 [ $<.0001$ ]
College graduate		0.3155 [ $<.0001$ ]
Some college		0.2532 [ $<.0001$ ]
<High school		-0.1943 [0.0236]
Income (\$100,000 units in 2006 dollars)		-0.0003 [0.4438]
Assets (\$100,000 units in 2006 dollars)		0.0003 [ $<.0001$ ]
Homeowner		0.2197 [0.0004]
White (non-Hispanic)		0.4289 [0.0121]
Black (non-Hispanic)		0.082 [0.6613]
Hispanic		-0.077 [0.7165]
Male		-0.1056 [0.0202]
Married		0.2294 [0.0002]
Intercept	-33.034 [ $<.0001$ ]	-13.355 [0.1249]
<i>n</i>	12,532	12,463
		12,387
		12,387
		0.0037 [0.4104]
		-0.5941 [ $<.0001$ ]
		-0.2134 [ $<.0001$ ]
		0.6925 [ $<.0001$ ]
		0.3155 [ $<.0001$ ]
		0.2528 [ $<.0001$ ]
		-0.1943 [0.0235]
		0.0003 [ $<.0001$ ]
		0.2191 [0.0004]
		0.4369 [0.0107]
		0.0893 [0.6337]
		-0.0697 [0.7427]
		-0.1067 [0.0189]
		0.2292 [0.0002]
		-9.4018 [0.2983]

Outcome variable is 1 if respondent reported the presence of a charitable estate plan, and is otherwise 0. Data from 1996 and 2006 Health and Retirement Study. Table reports coefficients with *p*-values in brackets.

control variables. Again, the time trend remains insignificant. The presence of grandchildren, another competing beneficiary, also reduces the likelihood of charitable estate planning. This final analysis also breaks education levels into several groups to identify any possible gaps in the positive linear trend seen in the association with total years of education. The trend, however, is consistent. Each higher level of education—less than high school diploma, high school diploma (reference category), some college, college graduate, and graduate education—is associated with increasing propensity for charitable estate planning. As expected, greater assets are associated with a greater propensity to have a charitable estate plan. Household income was not statistically significant, however, other analysis shows that this was driven by the strong multicollinearity between income and other independent variables such as education and assets. The last column further explores this relationship by presenting a model excluding household income. Table 3 demonstrates that the results are similar when all overlapping observations are excluded from the analysis by limiting the comparison years to 1996 and 2006 only.

## 6. Discussion

The model presented suggests that the propensity to make charitable estate gifts should be affected by differences in charitable empathy, projected wealth at death, and the presence of competing beneficiaries. Under such a model, a trend of increasing education and childlessness should tend to both increase projected wealth and decrease the most common non-charitable intergenerational beneficiaries, thus increasing the likelihood of charitable estate planning. (Education and childlessness, of course, can be inter-related as the decision to pursue advanced education may involve an intentional delay in childbearing and the presence of young children may serve as a barrier to pursuing advanced education.) The results presented are consistent with this projected relationship. Fig. 2 and Table 2 show these factors to be significantly associated with charitable estate planning, even after controlling for other characteristics.

As reflected by Fig. 1, financial planners have likely been experiencing increased interest in charitable estate planning among clients nearing retirement. To the extent that upcoming groups nearing retirement age have even greater levels of education and childlessness, one can naturally expect these trends to continue. Current demographic evidence strongly suggests this will be the case.

Childlessness among women who will be entering the 55 to 64 age group over the next decade will be substantially higher than those in the 55 to 64 age group during 2006 (the year of the latest HRS survey). For example, women in the 56 to 61 age group during 2006 reported a childlessness rate of 16.0% in 1990 when they were aged 40 to 44 (Dye, 2005). In comparison, women in the 40 to 44 age range in 2004 (i.e., those who will begin entering the 55–64 near retirement age group in 2015) reported a childlessness rate of 19.3% (Dye, 2005).

Similarly, comparing cohorts at the same ages, a college education is much more common among the upcoming cohorts of individuals nearing retirement age than among the current 55 to 64 group (Stoops, 2004). In 1996, less than 27% of those in the 35 to 54 age group had

at least a bachelor's degree. By 2007, over 31% of those in the 35 to 54 age group had at least a bachelor's degree (Current Population Survey, 2007). Thus, one can expect the upcoming cohorts of individuals nearing retirement to be more educated than individuals currently in the 55 to 64 age group.

Both recent evidence and upcoming demographic trends suggest that financial planners working with those nearing retirement would be well served to develop an understanding of planned giving and charitable estate planning. More and more of these clients will be interested in charitable estate planning. For financial planners who do not raise the issue of charitable estate planning with every client, the associations of certain characteristics with charitable estate planning shown in Fig. 2 and Table 2 may identify those who are most likely to be interested. For example, the 2006 HRS projects that nearly a third of college-educated, childless individuals nearing retirement have a charitable estate plan. Financial planners who completely ignore such tendencies for charitable estate planning are more likely to be out of alignment with their clients' goals and wishes. Further, such desires provide many opportunities for advanced planned giving techniques that can allow such clients to receive current benefits for their future intentions (typically in exchange for making such intentions irrevocable). As the tendency for charitable estate planning grows, the financial planner without a basic understanding of these, sometimes complex, planned giving options may leave greater and greater numbers of clients underserved.

## References

- Auten, G., & Joulfaian, D (1996). Charitable contributions and intergenerational transfers. *Journal of Public Economics*, 59, 55–68.
- Bakija, J. M., & Gale, W. G. (2003). *Effects of Estate Tax Reform on Charitable Giving*. *Tax Policy Issues and Options*, 6. Washington, DC: The Urban Institute.
- Barthold, T., & Plotnick, R (1984). Estate taxation and other determinants of charitable bequests. *National Tax Journal*, 37, 225–237.
- Bekkers, R., & Wiepking, P. (2007). *Philanthropy: A Literature Review* (available at <http://www.philanthropy.iupui.edu/Education/philanthropy.pdf>).
- Boskin, M. (1976). Estate taxation and charitable bequests. *Journal of Public Economics*, 5, 27–56.
- Brill, B., & Winer, S. (2007). Living and leaving a legacy: Due diligence and ROI. *Journal of Practical Estate Planning*, 9, 41–47.
- Bost, J. C., & Cherin, T. (2000). Liquidating a remainder interest: Simplifying personal finance. *Financial Services Review*, 9, 183–195.
- Clotfelter, C. T. (1985). *Federal Tax Policy and Charitable Giving*. Chicago: The University of Chicago Press.
- Current Population Survey. (2007). *Table A-1. Years of School Completed by People 25 Years and Over, By Age and Sex: Selected Years 1940 to 2007*. Washington, DC: U. S. Census Bureau (available at <http://www.census.gov/population/www/socdemo/educ-attn.html>).
- DeOllos, I. Y., & Dapinus, C. A. (2002). Aging childless individuals and couples: Suggestions for new directions in research. *Sociological Inquiry*, 72, 72–80.
- Dye, J. L. (2005). Fertility of American women: June 2004 (document P20-555). *Current Population Reports*. Washington, DC: U. S. Census Bureau.
- Edwards, K. P. (1991). Planning for family asset transfers. *Financial Counseling and Planning*, 2, 55–78.
- Gittell, R., & Tebaldi, E. (2006). Charitable giving: Factors influencing giving in U. S. states. *Nonprofit and Voluntary Sector Quarterly*, 35, 721–736.
- Giving USA Foundation. (2008). *Giving USA 2007*. Indianapolis, IN.

- Greene, P., & McClelland, R. (2001). *The Effects of Federal Estate Tax Policy on Charitable Contributions* (Technical Paper Series 2001–2). Washington, DC: Congressional Budget Office.
- Griffiths, W. E., Hill, R. C., & Judge, G. G. (1993). *Learning and practicing econometrics*. Hoboken, NJ: John Wiley & Sons.
- Institute for Social Research. (2007). *Health and Retirement Study 2006 Exit Early, Version 1.0: Data Description and Usage*. Ann Arbor: University of Michigan (available at <http://ssl.isr.umich.edu/hrs/filedownload.php?d=599>).
- James, R. N., III. (2009). The myth of the charitable estate windfall. *The American Review of Public Administration*, 39, 661–674.
- James, R. N., III, & Sharpe, D. L. (2007). The nature and causes of the U-shaped charitable giving profile. *Nonprofit and Voluntary Sector Quarterly*, 36, 218–238.
- Johnson, R. W. (July, 2004) Trends in job demands among older workers, 1992–2002. *Monthly Labor Review*, 48–57.
- Joulfaian, D. (1991). Charitable bequests and estate taxes. *National Tax Journal*, 44, 169–180.
- Joulfaian, D. (2000). *Estate Taxes and Charitable Bequests by the Wealthy*. NBER Working Paper No. 7663. Washington, DC: National Bureau of Economic Research.
- Joulfaian, D. (2005). *Estate Taxes and Charitable Bequests: Evidence from Two Tax Regimes* (Office of Tax Analysis Paper 92). Washington, DC: US Department of the Treasury.
- Kopczuk, W., & Slemrod, J. (2003). Tax impacts on wealth accumulation and transfers of the rich. In A. H. Munnell & A. Sundén (Eds.), *Death and Dollars: The Role of Gifts and Bequests in America* (pp. 213–249). Washington, DC: Brookings Institute Press.
- Langa, K. M., Larson, E. B., Karlawish, J. H., Cutler, D. M., Kabeto, M. U., Kim, S. Y. & Rosena, A. B. (2008). Trends in the prevalence and mortality of cognitive impairment in the United States: Is there evidence of a compression of cognitive morbidity? *Alzheimer's & Dementia*, 4, 134–144.
- Lee, J. (2000). *Planned Bequests: Decision to Have a Will and Distributive Preferences Among the Very Old*. Doctoral dissertation, Purdue University, 2000. Dissertations Abstracts International (UMI No. 3018236).
- National Committee on Planned Giving. (2008). *The Journal of Gift Planning: 2008 Rate Sheet* (available at [http://www.ncpg.org/education\\_training/Journal%20Advertising%20Docs.pdf](http://www.ncpg.org/education_training/Journal%20Advertising%20Docs.pdf)).
- Palmer, L., Bhargava, V., & Hong, G. S (2006). Will adoption and life events among older adults. *Financial Services Review*, 15, 281–295.
- Prestopino, C. J. (1993). What strategies are experienced estate planners recommending? Evidence from survey data. *Financial Services Review*, 2, 111–130.
- Radcliff, R. (2002). Where now for legacy fundraising? In C. Walker & C. Pharoah (Eds.), *A Lot of Give* (pp. 60–64). London: Hodder & Stoughton.
- RAND. (2007). *RAND HRS 2006 Income and Wealth Imputations*. Santa Monica, CA: RAND Center for the Study of Aging.
- Rossi, A. S., & Rossi, P. H. (1990). *Of Human Bonding: Parent-Child Relations Across the Life Course*. New York: Aldine de Gruyter.
- Schwartz, T. P. (1993). Testamentary behavior: Issues and evidence about individuality, altruism and social influences. *The Sociological Quarterly*, 34, 337–355.
- Simon, R. J. Fellows, M. L., & Rau, W. (1982). Public opinion about property distribution and death. *Marriage and Family Review*, 5, 25–38.
- Steinberg, R., & Wilhelm, M. (2003a). Tracking giving across generations. *New Directions for Philanthropic Fundraising*, 42, 71–82.
- Steinberg, R., & Wilhelm, M. (2003b). *Patterns of Giving in COPPS 2001*. Association for Research on Nonprofit Organizations and Voluntary Action Annual Conference, Denver, Colorado.
- Stoops, N. (2004). Educational attainment in the United States: 2003 (document P20-550). *Current Population Reports*. Washington, DC: U. S. Census Bureau.
- Whitaker, T. (2007). Creating Virtual families? The bequeathing practices of childless single and widowed testator in 1951 and 2000 in Ireland. *Journal of Family History*, 32, 133–148.

- Wilhelm, M., Brown, E., Rooney, P., & Steinberg, R. (in press). The intergenerational transmission of generosity. *The Journal of Public Economics*, 92, 2146–2156.
- Wilhelm, M., Rooney, P., & Tempel, E (2008). Changes in religious giving reflect changes in involvement: Age and cohort effects in religious giving, secular giving, and attendance. *Journal for the Scientific Study of Religion*, 46, 217–232.
- Wilson, S. E., & Howell, B. L. (2005). Do panel surveys make people sick? US arthritis trends in the Health and Retirement Study. *Social Science & Medicine*, 60, 2623–2627.
- Wolter, K. M. (2003). *Introduction to Variance Estimation*. New York: Springer.
- Wu, S.-Y. (2004). Tax effects on charitable giving in the presence of uncertainty. *Public Finance Review*, 32, 459–482.