

# The Myth of the Coming Charitable Estate Windfall

Russell N. James III  
*University of Georgia*

Media accounts, fund-raising periodicals, and some academic research have pointed to a coming windfall of charitable estate transfers driven by the graying of the population. Nonprofit managers and public agencies working with nonprofits or their beneficiaries may incorporate these expectations into their long-range planning. This article presents the first comparison of estate gifts (for both taxable and nontaxable estates) with the previous annual giving and volunteering of the deceased. An analysis of approximately 6,000 deceased panel members from the 1995–2006 Health and Retirement Study suggests that estate gifts are largely offset by the loss of current giving and volunteering previously provided by the deceased donors. Consequently, nonprofit managers who plan based on anticipated future charitable giving estate windfalls may make erroneous choices.

**Keywords:** *charitable giving; nonprofit management; planned giving; estate planning; fund-raising; philanthropy*

The success and funding of nonprofits have become increasingly critical to government organizations' ability to achieve policy objectives. Public funding is often converted to service delivery through the conduit of nonprofit organizations (Van Slyke, 2003). This "non-profitization" of government functions (Nathan, 1996) requires the existence of healthy, stable nonprofit organizations with diverse revenue streams to undergird long-term development of institutional capacity. In addition, in some cases, moves toward welfare reform and government expenditure reductions have shifted social burdens completely away from government and to the private nonprofit sector (Eisinger, 1999).

For many nonprofits, charitable giving is an essential component of ongoing health and stability (Van Slyke, Ashley, & Johnson, 2007; Van Slyke & Brooks, 2005). In 2007, individuals made more than \$300 billion in charitable contributions (Giving USA Foundation, 2008). Such gifts are important not only for purely private nonprofits but also for many government and publicly funded organizations. For example, public universities, libraries, and museums often rely on private charitable gifts to enhance and expand institutional capacity. Even many local school districts have affiliated private foundations that raise funds to enhance institutional capacity and programs (Zimmer, Krop, Kaganoff, Ross, & Brewer, 2001).

Giving through charitable estate plans constitutes a significant part of overall private giving, generally producing nearly twice as much as all gifts from businesses and corporations (Giving USA Foundation, 2007). Certain nonprofits, such as universities, are particularly likely to receive such estate gifts. Nearly one fourth of all giving from individuals to

universities comes through charitable estate gifts (Council for Aid to Education, 2004). With the graying of the population, estate giving is widely anticipated to increase in the coming years (Radcliff, 2002), along with all forms of intergenerational transfers (Havens & Schervish, 1999, 2003).

The magnitude and parameters of this anticipated increase in charitable estate giving have been the subject of much discussion in academic and professional literature. An accurate understanding of the impact of these gifts can be important to successful administration and long-range planning in nonprofits and nonprofit-affiliated government organizations. Although excitement generated by unrealistic optimism may be initially attractive, a significant misprojection of overall gift income expectations could lead to serious planning errors. These errors, in turn, could ultimately undermine institutional capacity and effectiveness.

One critical component of estate gifts that differentiates them from other forms of giving is that estate gifts are, necessarily, the final gift from the donor. Thus, such gifts not only represent new revenue but may also represent the end of another revenue stream. This special characteristic of estate gifts makes it more difficult to value their overall impact on a nonprofit organization's total gift income. This article advances administrators' abilities to make this kind of judgment by presenting the first comparison of charitable estate gifts (from both taxable and nontaxable estates) with previous annual giving and volunteering provided by the decedent.

## Background

Much has been written in recent years about the ongoing and forthcoming generational wealth transfer and its effect on charitable organizations. Most predictions have focused on describing the dramatic potential increases from charitable estate transfers. Perhaps most widely quoted was a study from Havens and Schervish (1999) of Boston College with a lower-level prediction of \$41 trillion in intergenerational transfers and \$6 trillion in charitable estate giving from 1998 to 2052. This lower-level estimate accompanied a higher-level estimate predicting about \$85 trillion in intergenerational transfers, with about \$25 trillion in charitable estate giving during the 50-year period. The first 20 years, 1998 to 2017, were predicted to generate between \$1.7 trillion and \$2.7 trillion in charitable bequests. Considering that these predictions were made at a time when charitable bequests were generating only about \$13 billion (i.e., \$0.013 trillion) per year, the suggestion that the following 20 years would produce 130 to 200 times that amount was certainly enough to generate attention.

After reviewing these and other optimistic predictions, Smith (2002) suggested that the critical question facing nonprofit managers was, "How will the philanthropic sector prepare—and productively use—its own coming flood of resources?" (p. 12). Frequent references to such optimistic predictions in newspapers (see, e.g., Allen, 1999; Farrell, 2000; Gammage, 2004; Gertzen, 2004; Wilburn, 2006) and the nonprofit academic literature (Drezner, 2005; Lindahl & Conley, 2002; Reis & Clohesy, 2001; Rooney & Tempel, 2001; Routley, Sargeant, & Scaife, 2007; Silvergleid, 2003) suggest that the "coming flood" worldview has become a part of nonprofit, and even popular, culture.

Given such discussions, it is reasonable for nonprofit managers to eagerly anticipate a coming flood of resources and even to make long-range plans based on such predictions.

However, two fundamental issues suggest that such predictions may generate inappropriate expectations and, hence, inappropriate decision making. First, all results experienced since the original prediction suggest that the charitable estimates were grossly inflated. Second, celebrations over the forthcoming charitable estate transfers ignore the downside to such transfers—dead donors.

Original predictions were for \$1.7 to \$2.7 trillion in charitable bequests from 1998 to 2017, creating an overall average of \$85 to \$135 billion per year. Instead, from 1998 to 2006, charitable estate giving has averaged just more than \$19 billion per year. The first 9 years of experience has left charitable bequests 90% to 94% short of the 20-year projected totals. Such results have led some to express significant skepticism regarding the validity of the earlier projections. As one industry expert explained in the *Chronicle of Philanthropy*, “Short of an avian-flu epidemic, or some other major dislocation of the population, I do not know how it could happen” (Hall, 2006, p. 37).

Although charitable estate gifts have failed to approximate early optimistic projections, they have increased modestly over time. Nevertheless, such gifts often come with negative consequences for the recipient nonprofit organization. The receipt of an estate gift corresponds with the cessation of lifetime giving and volunteering by the donor. Although heirs may later choose to make gifts from their inherited wealth, such transfers are likely to go to other nonprofit organizations. Consequently, the nonprofit organization that receives a seeming “windfall” estate gift is also likely to experience a consequent loss in annual gift income. Thus, for the individual nonprofit manager, it is important to compare the estate-giving upside of donor mortality to the annual-giving and volunteering downside.

In addition, such generational transfers may also have a negative effect on future gift income as a whole, and not just for the particular organization preferred by the decedent. Avery and Rendall (1993) found that for every \$1,000 of entrepreneurial wealth, the entrepreneur gives away \$4.56 to charity. In contrast, for every \$1,000 of inherited wealth, the heir gives away only \$0.76. Thus, when a generational transfer moves assets from the entrepreneurial wealth holder to his or her heirs, future gift income to charities may drop substantially. Furthermore, the transfers taking place over the next several years will be shifting assets away from a historically more charitable prewar generation to a significantly less charitable generation, baby boomers (Wilhelm, Rooney, & Tempel, 2007).

To this point, most research on charitable estate giving has focused on estimating the effects of tax policy (Boskin, 1976; Clotfelter, 1985; Joulfaian, 1991, 2000; Kopczuk & Slemrod, 2003). Furthermore, almost all examinations of estate bequests have used only postmortem data, which provide no information about lifetime giving and volunteering. Such data have commonly come from national estate tax records (Joulfaian, 1991, 2000) or probate records from particular cities or regions such as, for example, San Francisco (Brunetti, 2005) or Connecticut (Barthold & Plotnick, 1984). Although revealing important information about estate giving, these postmortem sources do not allow a comparison with giving and volunteering during life. A few surveys have asked living donors about current charitable giving and plans for estate giving (Chang, Okunade, & Kumar, 1999; National Committee on Planned Giving, 2001), but these do not provide information about actual estate transfers. In contrast, Joulfaian (2000) presented an analysis of tax policy impacts using a special set of data connecting income and estate tax records for a group of decedents. However, estate tax returns are generally relevant only for estates large enough to be

taxable (e.g., more than \$2,000,000 in 2008). Thus, analysis with estate tax records provides little information for the vast majority of decedents. Furthermore, income tax records capture neither charitable giving amounting to less than the standard deduction (when combined with other deductions) nor information about volunteering.

To the extent that nonprofit organizations are more effective when planning based on an accurate understanding of future resources, it is important to consider both the benefits and the negatives of donor mortality. Toward this end, the following presents a comparison of lifetime giving and volunteering with bequest giving among a group of deceased panel members from a nationally representative panel survey.

## Method

### Data

Data come from the 1996–2006 Health and Retirement Study (HRS), including one wave (1995) from a predecessor study, Aging and Health Dynamics (AHEAD). The HRS is a national longitudinal survey representing the U.S. population older than 50. The HRS surveys more than 20,000 panel members every 2 years. Every 6 years an additional panel of younger respondents joins the existing panel members to ensure continued representation of the older than 50 population. During life, panel members are interviewed every 2 years. Depending on the year, most interviews have been conducted in person. If preferred by panel members, interviews can be conducted over the phone as well. After death, a final “exit” interview is conducted with the closest surviving relative or caregiver. The exit interview includes questions about the final disposition of the deceased respondent’s assets. In the event that the final disposition of assets has not been made at the time of the exit interview, follow-up contacts are made until the distribution has been made. These follow-up surveys are known as “post-exit” interviews.

### Charitable Giving

The primary intent of this article is to compare levels of charitable giving and volunteering during life with charitable estate gifts made at death. During life, the HRS asked if, in the previous year, the respondent or his or her spouse donated “money, property, or possessions totaling \$500 or more to religious or other charitable organizations” (Institute for Social Research, 2006b, p. 2454). Examples of charitable organizations included “the United Way, the Heart Association, educational institutions, religious organizations or other such groups” (Institute for Social Research, 2006b, p. 2454). If the respondent indicated the presence of such donations, he or she was asked, “About how much money did that amount to?” (Institute for Social Research, 2006b, p. 2454). If given, this reported amount was used as the level of charitable giving. After 2000, respondents who were unable to identify the exact amount of charitable giving were asked a series of follow-up questions, narrowing the estimated range of charitable giving between a high and low dollar estimate. For these respondents, the midpoint of the reported estimate range was used as the level of charitable giving.

Finally, some respondents indicated that they had given more than \$500 to charity but were unable or unwilling to provide a dollar amount or an estimated range. For these respondents, the level of charitable giving was imputed based on household income. This imputation employed coefficients from an ordinary least squares regression with the log of household income as the predictor variable and charitable giving dollars as the outcome variable. The regression included only those respondents in the same survey wave who had also indicated the presence of a charitable gift and had provided details regarding the gift amount. The imputed amount also had a \$500 floor, given that the respondent had indicated charitable giving of \$500 or more. Similarly, after 2000, seven respondents did not give a specific dollar amount for their gifting but indicated that it was above the top gift range provided. For these respondents, the level of charitable giving was imputed based on the log of household income, using only those respondents who had reported an actual gifting amount above the top gift range.

To estimate annual charitable giving, all charitable giving reports prior to the respondent's death were averaged. Depending on the deceased respondent's date of death and year of entry into the panel, he or she may have provided charitable giving information in as many as five survey waves prior to death. If the respondent failed to complete the survey for any particular wave, that wave was not included in the average. All dollar values reported in this article, including charitable giving, were converted to constant 2006 dollars using the annual Consumer Price Index for the year of the interview wave. If the respondent indicated that he or she had not given more than \$500 in the previous year, the respondent was treated as if he or she had given \$0 to charity. It is important to note that the HRS survey question would not have captured those donors making charitable gifts totaling less than \$500 per year. As such, total *inter vivos* charitable giving will tend to be somewhat underestimated in the following analyses. Consequently, the mortality-related loss of annual giving will also be somewhat underestimated.

## Volunteering

Individuals can benefit charitable organizations during life not only by giving money but also by giving labor. Depending on the particular nonprofit organization, volunteer labor can be an important part of an organization's resources. Although the death of a volunteer may generate a charitable estate gift, it also prevents future volunteering. The following analysis attempts to measure the volunteer hours lost to nonprofit organizations resulting from respondent death.

The HRS asked about respondents' volunteering with the question, "Altogether, about how many hours did you spend in the past 12 months doing volunteer work for religious, educational, health-related or other charitable organizations?" (Institute for Social Research, 2006a, p. 499). If a respondent did not give a specific number of hours, he or she was asked a series of questions attempting to identify the range of hours worked. When respondents provided a range of hours, the midpoint of the range was used as the number of volunteer hours worked. If respondents did not provide a specific number of hours but indicated that it was more than the highest range given (200 hours), then they were treated as having the average number of volunteer hours for respondents reporting actual hours above the highest range (200 hours) in that wave. In 2004, the direct question about volunteer

hours was eliminated and replaced with range estimates only. For the 2004 wave, the estimate for those reporting hours greater than the highest range given (200 hours) was the average number of volunteer hours for respondents reporting actually hours above 200 in the previous wave. (This approach was necessary because the 2004 wave did not request specific volunteer hours, only ranges of hours.) *Inter vivos* data for respondents dying prior to the 1998 survey wave came from either the 1995 AHEAD survey or the 1996 HRS survey. The 1995 AHEAD survey did not include a question about volunteer hours. Consequently, those respondents from the AHEAD survey dying between 1995 and 1998 were not included in the analysis of volunteer hours. As with other behavioral self-reports, the reporting of volunteer hours is subject to respondent underreporting (perhaps because of insufficient prompting or recall) and overreporting (possibly from a desire to give socially desirable answers). Steinberg, Rooney, and Chin (2002) found that the use of a single question on volunteering (e.g., that used in the HRS) tended to result in underreported volunteer hours as compared to the use of a longer series of questions on different types of volunteering and different types of recipient organizations.

In addition, end-of-life health complications may have reduced or eliminated volunteering for many individuals. To prevent overestimation of the volunteer hours, the below estimates used the volunteer hours reported in the final interview wave conducted prior to the respondent's death. The final wave of volunteer hours was, on average, about 14% lower than the average number of volunteer hours reported by decedents in all previous waves. Thus, the reported means may underestimate the total number of volunteer hours lost to the nonprofit organization by incorporating the effects of the final illness on volunteering.

## Estate Giving

When an HRS panel member died, interviewers conducted an "exit" survey with the respondent's closest relative or caretaker to ascertain, among other things, the distribution of the respondent's estate. The relative or caretaker is referred to as the proxy respondent. If the estate had not been distributed at the time of the interview, additional "postexit" interviews were attempted in later years until the estate distribution details were known.

Proxy respondents were asked if the decedent had made provisions in either the trust or the will for charities or if any of the decedent's possessions were left to charities. If so, proxy respondents were asked to indicate how much charities received from the estate, either as a dollar amount or as a percentage of the total estate.

If the proxy respondent indicated the presence of a charitable estate gift but did not know the exact size or percentage of the charitable gift, the interviewer asked a series of questions regarding the range of the percentage of the estate that was transferred to charitable organizations. The smallest percentage range available was "less than 10%." If the respondent chose "less than 10%," the percentage of the estate transferred to charitable organizations was calculated as 2.43%. This was the average percentage for charitable estate transfers where the actual amount or percentage was reported and where the reported amount was less than 10% of the estate. (There were 197 such cases in the data set.) For charitable estate giving ranges above 10%, the midpoint of the range given was used as the charitable estate percentage transferred.



If the proxy respondent indicated that a charitable gift was made but would not reveal any information about the size or range of the gift, the gift size was imputed based on the log of the total estate size. This estimate was generated from an ordinary least squares regression using the log of total estate size as the predictor for the size of the estate gift. The regression employed data from all other cases in the sample where the positive estate gift size was revealed. If the estimated gift was larger than the size of the estate remaining after all other disclosed distributions were subtracted, the charitable estimate was reduced to this remaining amount.

Two scenarios required special treatment to estimate the size of the estate gift. In the 2000 wave, nine proxy respondents indicated the presence of a charitable estate gift but revealed neither the gift amount nor the estate size. As such, a gift size could not be imputed from the estate size. For these cases, the charitable gift was imputed by treating total household assets size from the most recent survey wave prior to death as the estate size. This approach would generally create an overestimate of the size of the estate, and thus the size of the charitable estate gift, as many of these assets may have been jointly owned. In addition, for one observation the estate size was readjusted to the most recent total household asset level reported by the decedent when the proxy reported an estate size more than 100 times previously reported wealth and refused to answer questions about other transfers or transfer amounts.

## Weighting and Complex Survey Sample Design Adjustments

The HRS provides weights allowing a projection of the sample to the U.S. population older than age 50. (A new younger cohort is added every 6 years, so that in the two interim waves the sample projects to the older than 52 and older than 54 populations.) The weights are necessary in that some groups, such as African Americans, Hispanics, and Floridians, are intentionally oversampled. Furthermore, some subgroups exhibit differential nonresponse, requiring weighting to accurately project to a national population. All means reported in the following analysis were weighted using the HRS-provided core sample weights.

In addition, the HRS employed a complex sample selection process (Institute for Social Research, 2007). The final sample was based on a multistage area probability sample of households, using the Survey Research Center's National Sample frame. First, the primary stage units (PSUs) were selected from U.S. metropolitan statistical areas (MSAs) and non-MSA counties with a probability proportionate to size. In addition, the 16 largest MSAs were selected as PSUs without regard to probability. In the second stage, area segments were chosen from within each selected PSU. Next, all housing units within the area segment were physically identified and recorded. A sample of these housing units was then selected and contacted to identify if an age-eligible person was residing in the home. Homes with willing age-eligible persons were then included in the panel.

Failure to take into account the complex sample selection process can result in inaccurate variance estimates (Wolter, 2003). As such, all results reported in this article incorporate the complex sample selection process using the SAS SURVEY procedures. For each of the following tables, there were 54 strata, 107 clusters, and 5,957 observations (except where otherwise noted), with a sum of weights of 19,715,020. In addition, some tables report means and standard errors for subgroups of the sample. Where means for subgroups

are reported, these are estimated using the SAS DOMAIN command. This command allows for the incorporation of the complex sample selection process when estimating the variances for the subpopulations by employing the Taylor series expansion methods.

### Spouse's Charitable Giving

Death clearly results in the cessation of annual charitable giving by the decedent. However, for decedents leaving a surviving spouse, death may not result in the cessation of charitable giving from the household. In some cases, the surviving spouse may continue to make gifts at the same level that the couple did prior to the decedent's death. In these situations, death may not result in a change in annual charitable giving from the household.

However, it seems likely that if the decedent left an estate gift to a particular charity instead of to his or her surviving spouse, the surviving spouse probably did not have an equal affinity for that particular charity. In other words, it may be unlikely for a particular charitable organization to both receive an estate gift from the deceased spouse and continue to see the same level of annual gifting from the household, even if the household's overall giving did not change.

Nevertheless, it is possible to compare the total annual giving of the surviving spouse to the annual giving of the couple prior to death. The surviving spouse's giving is measured as the average giving by the spouse for all survey waves following the decedent's death. This provides a measurement of the change in household-level giving. Charitable giving taking place after a surviving spouse has been remarried are excluded from the analysis. Remarriage involves the combining of preexisting households, and subsequent giving is more likely to reflect the shared level of household resources rather than the impact of the decedent's mortality. In the analyses involving household giving before and after death, the applicable weighting remains the weighting attached to the decedent rather than the surviving spouse.

## Results

Table 1 compares weighted means for deceased respondents leaving a charitable estate gift to those leaving no such gift. On average, those leaving an estate gift did leave a significant amount, averaging more than 15 times their annual giving. However, leaving a charitable estate gift was quite unusual, occurring in only about 5% of all estates. Charitable estate donors were more likely to be older, unmarried, and female. They also tended to have fewer children and more education.

For nonprofit managers to accurately project the impact of mortality on organizational resources, it is important to count not only what is gained—through charitable estate gifts—but also what is potentially lost. Table 2 measures the potential for loss of resources both in terms of annual gifting and in terms of volunteering. Overall, estate giving generated about 5 times predeath annual giving. In addition, decedents had been providing more than 24 hours per year in volunteer time prior to death. Examining various approaches to valuing volunteer labor, Brown (1999) provides methodologies generating estimates from \$7.21 to \$14.07 in 1996 dollars. In a study of Canadian hospital volunteers, Handy and Srinivasan (2004) estimated volunteered labor to be worth \$14.28 per hour. Converting these estimates to 2006 dollars suggests an average loss in volunteer benefits of about 13%



**Table 1**  
**Estate Donors and Nondonors Among Deceased Panel Members**  
**in the 1995–2006 Health and Retirement Study**

Variable	Non-Estate Donor		Estate Donor	
Weighted population share	94.7%	(0.38)	5.3%	(0.38)
Estate size	\$790,004	(316,558)	\$615,373	(80,858)
Annual giving (> \$500)	\$1,176	(92)	\$10,896	(3,997)*
Previous year volunteer hours	23.9	(1.9)	32.2	(8.0)
Charitable estate gift	\$0		\$161,774	(46,352)*
Age	80	(0.2)	84	(0.6)*
Married	46.2%		30.0%*	
White	86.2%		94.2%*	
Male	49.2%		35.9%*	
Children	3.0	(0.1)	2.4	(0.2)*
Grandchildren	6.1	(0.2)	4.9	(0.5)
Education				
> high school diploma	41.8%		23.2%*	
High school diploma	31.1%		28.5%	
Some college	15.3%		25.8%*	
College graduate	6.4%		10.9%*	
Graduate education	5.4%		11.6%*	
Sample <i>n</i>	5,655		302	

Note: Table reports weighted means with complex sampling adjusted standard errors in parentheses.

\*Means are different at  $p < .05$ .

to 26% of the value of predeath annual charitable giving. However, the value of this volunteer time could vary greatly depending on the organization and circumstances, so it has not been monetized in the table or in any calculations. In addition, volunteer time is calculated only from the survey wave immediately prior to death and thus may be lower because of effects from a final illness.

Table 2 not only provides overall means but also reports means for different estate sizes. Those with unknown or unreported estate sizes were included in the "< \$100,000" category. The difference in estate giving based on estate size is particularly important, given that different types of charities are supported by those of different financial means (James, 2008; James & Sharpe, 2007). Table 2 indicates that nonprofit managers may experience very different results from donor mortality depending on the wealth level of their support base.

Overall, those with estates of less than \$100,000 provided about one fourth of the total annual gift income from all deceased respondents. However, this group left estate gifts of only 0.15 times their annual giving, or barely more than 7 weeks worth of annual giving. Those with estates less than \$500,000 provided almost half (46%) of all annual charitable gifts from deceased respondents but left just more than 8 months worth of annual giving through charitable estate gifts (0.69 combined estate giving multiple). Thus, nonprofits supported largely by those with estates less than \$500,000 should not expect the death of donors to provide any type of financial windfall. Indeed, these estate transfers did not even match the previous level of charitable giving for a single year. This finding is particularly important as the only prior research comparing current charitable giving and estate giving

**Table 2**  
**Comparing Estate Giving and Annual Giving for Deceased Panel Members in the**  
**1995–2006 Health and Retirement Study by Estate Size**

Total Estate Size	Last Annual Volunteer Hours	Annual Giving	Estate Gift	Estate Gift to Annual Giving Multiple	Estimated Estate % to Private Foundations <sup>a</sup>	Public Estate Gift Multiple	Weighted Share of Population
< \$100,000	20.6 (2.0)	\$666 (57)	\$99 (19)	0.15	0	0.15	61.8% (1)
\$100,000 to < \$500,000	26.1 (3.6)	\$1,702 (295)	\$3,223 (862)	1.89	0	1.89	21.9% (0.6)
\$500,000 to < \$1 million	34.3 (12.1)	\$2,551 (455)	\$9,513 (4,245)	3.73	4.2	3.57	3.9% (0.3)
\$1 million to < \$5 million	34.9 (6.8)	\$4,603 (773)	\$37,381 (6,575)	8.12	11.7	7.17	12.1% (0.5)
\$5 million +	72.1 (58.6)	\$73,305 (42,914)	\$853,702 (575,168)	11.65	43.7	6.56	0.3% (0.1)
Total	24.3 (1.8)	\$1,691 (269)	\$8,582 (2,609)	5.07	23.6	4.00	100

Note:  $N = 5,957$ . Table reports weighted means with complex sampling adjusted standard errors in parentheses.

a. Estimates from estate tax return data reported in Eller (2001).

was conducted using tax records (Joulfaian, 2000). Although such a data source provides important insights, estates less than \$500,000 would not normally have generated any estate taxes. Thus, these estates would not have been observed in an analysis of estate tax records.

Although the ratio of estate giving to annual giving was very low for these smaller estates, it also increased with estate size. Consistent with similar findings in Joulfaian's (2000) analysis of tax records, charitable bequests increased as a proportion of total estate size as the estate size grew. Initially, this trend suggests that for nonprofits supported by the very wealthy, the coming generational transition may indeed hold the promise of dramatic charitable estate gifts. Table 2 indicates that, for the largest estates, charitable estate transfers exceed 11 times annual charitable giving. At these levels, revenue from investing the estate gift could come close to generating enough income to match the previous annual giving.

However, estate tax return data suggest that the charitable estate giving of the very wealthy is much less likely to support existing public charities (Eller, 2001; Joulfaian, 2000). Rather, at these larger sizes of estates, decedents have sufficient resources to establish their own private foundations. These transfers, although still charitable transfers, are not funds that will come directly to existing public charities. (In some cases, these new private foundations may even be establishing well-funded competitors for existing public charities.) Consequently, even nonprofit managers with very wealthy supporters may find that donor mortality does not provide a benefit to their organization, even where very large charitable estate transfers occur. Of course, private foundations do eventually distribute some funds, at a minimum rate of 5% of corpus per year, either through funding grant requests or through active project management. Nevertheless, the establishment of such funds does not produce the kind of windfall for existing public nonprofits that one might expect when considering only the total charitable estate giving amounts.

Overall, estate giving of all types amounted to about 5 times the previous levels of annual giving (excluding the value of annual gifting less than \$500). However, Table 3 shows that this ratio of estate giving to annual giving varied dramatically with family type. Respondents with no children not only gave more during life but also gave a much larger

**Table 3**  
**Estate Giving for Deceased Panel Members in 1995–2006**  
**Health and Retirement Study by Offspring**

Offspring	Last Annual Volunteer Hours	Annual Giving	Estate Gift	Estate Gift Multiple
No children	32.6 (6.6)	\$3,576 (2,073)	\$44,849 (24,128)	12.54
Children only	25.4 (7.1)	\$1,316 (229)	\$6,147 (2,177)	4.67
Grandchildren	23.2 (2.1)	\$1,497 (199)	\$4,320 (783)	2.89
Total	24.3 (1.8)	\$1,691 (269)	\$8,582 (2,609)	5.07

Note:  $N = 5,957$ . Table reports weighted means with complex sampling adjusted standard errors in parentheses.

amount at death—more than 12 times their annual giving during life. Conversely, respondents with grandchildren generated less than 3 times their annual giving as charitable estate gifts. This lack of charitable estate giving by grandparents is especially relevant given that the vast majority of deceased respondents had grandchildren. Thus, nonprofit managers' expectations of charitable estate transfers should reasonably be different depending on the typical family profile of their supporters.

Another approach to measuring the loss of ongoing resources generated by donor mortality is to consider the effect of mortality on household-level annual giving. Although the household simply disappears if the decedent was single, the household continues if the decedent was married or coupled. Table 4 presents results when considering the impact of continued annual giving by the surviving spouse. The difference between pre- and postdeath household giving is reported in the column labeled "Postdeath Drop in Household Giving."

When surviving spouse giving is considered, the drop in annual giving is less than total annual giving prior to death. As such, the ratio of estate giving to the drop in current giving will be larger than the previously reported ratio of estate giving to prior giving. For individuals with estates of less than \$100,000, charitable estate gifts make up for the loss of annual giving for about 3.5 months. For individuals with estates less than \$500,000, estate giving amounts to 1.7 times the loss in annual household giving, or enough to cover lost charitable giving for about 21 months. If estate giving to private foundations is treated the same as all other forms charitable giving, then overall estate giving compensates for about 8.6 times the drop in annual giving. However, considering that a large portion of charitable estate gifts from the very wealthy go to create their own foundations, public charities are likely to see only about 6.7 times the annual loss in household giving.

## Discussion

There are several different ways to measure the gains and losses generated by donor mortality. Depending on the preferred approach, estate giving provided from 4.0 to 8.6 times the annual loss of gift income. In addition, mortality also brought about a loss in volunteer time. Although these results confirm that estate giving is significant, they also suggest that the one-time distribution of estate assets does not constitute a windfall. In simple terms, the value of continuing the annual giving income stream is greater than the value of the lump-sum

**Table 4**  
**Changes in Annual Giving for Households With Deceased Panel Members in**  
**1995–2006 Health and Retirement Study by Estate Size**

Total Estate Size	Postdeath Drop in Household Giving	Estate Gift	Estate Gift to Annual Drop Multiple	Estimated Estate % to Private Foundations <sup>a</sup>	Public Estate Gift Multiple
< \$100,000	\$342 (74)	\$99 (19)	0.29	0.0	0.29
\$100,000 to < \$500,000	\$1,073 (300)	\$3,223 (862)	3.00	0.0	3.00
\$500,000 to < \$1 million	\$1,554 (427)	\$9,513 (4,245)	6.12	4.2	5.86
\$1 million to < \$5 million	\$2,307 (786)	\$37,381 (6,575)	16.21	11.7	14.32
\$5 million +	\$62,299 (41,165)	\$53,702 (575,168)	13.70	43.7	7.72
Total	\$999 (248)	\$8,582 (2,609)	8.59	23.6	6.74

Note:  $N = 5,957$ . Table reports weighted means with complex sampling adjusted standard errors in parentheses.

a. Estimates from estate tax return data reported in Eller (2001).

transfer at death. Estate gifts can provide an important cushion to allow nonprofit organizations a period of months or years to find replacement donors who will make up the loss in annual giving. However, estate gifts, by themselves, do not fully make up for the mortality-related loss of annual giving and volunteering. Furthermore, the offsetting opportunity cost is very real even if the nonprofit eventually recruits new living donors. Given that nonprofits tend to maximize gift income within certain constraints of excessive fundraising costs (Rose-Ackerman, 1982), the quest for new donors would have occurred regardless of the death of the estate donor.

The nonprofit community might benefit from future research that incorporates more recent information about wealth holdings and charitable estate giving into new projections of estimated charitable estate transfers. The widely publicized estimates from 1999 now appear clearly overstated. This overstatement may have been because of an overestimation of total transfers and an overestimation of the charitable share of these transfers. For example, Havens and Schervish (1999) assumed that more than 5% of estates valued at less than \$1 million would go to charity. Results from the current panel suggest that this estimate was almost 4 times too high, as such estates directed 1.3% of all assets to charity.

Given the inherent complexities involved, there may be no reliable way to precisely predict the amount of charitable estate giving during the next year, decade, or century. But regardless of differing predictions of total intergenerational transfers, the previous results suggest that, overall, as much is lost as is gained by donor mortality. For nonprofit managers, understanding that increased charitable estate transfers can generate reductions in annual giving and volunteering may lead to more realistic projections of total gift income.

This less optimistic view does not mean that investment in the development of charitable estate gifts is any less important. Donor mortality is a reality. Failing to generate estate gifts from the organization's donors means that the postdeath loss of giving and volunteering would be completely uncompensated. But increased donor mortality, ultimately, is not a panacea for nonprofit organizations. Rather than receiving estate windfalls, it appears that nonprofit charities will have to earn any benefits from the coming intergenerational transfer through the hard work of developing relationships with new, perhaps less charitable heirs and new private foundations.

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**Russell N. James III** is an assistant professor and estate planning attorney affiliated with the department of housing & consumer economics and the Institute for Nonprofit Organizations at the University of Georgia. His research focuses on charitable giving and nonprofit management in housing.