Int. J. Nonprofit Volunt. Sect. Mark. **10**: 33–41 (2005)
Published online in Wiley InterScience
(www.interscience.wiley.com). **DOI:** 10.1002/nvsm.2

What some recent research tells us about planned giving (legacy marketing) in North America

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- *The transformation of fundraising from an 'emerging profession' to a 'true profession' is contingent on the continual development of a formal body of knowledge based on theory and research. To further that goal, this paper, written from a Canadian perspective, reviews current and recent research studies in both Canada and the USA, focusing specifically on the areas of legacy marketing and bequest gifts.*
- *The aim of this paper is two-fold: first, to bring forward 'established knowledge' in this relatively new and burgeoning area of fundraising; and second, to draw attention to areas where there is a knowledge gap, thereby laying the groundwork for further research and progress in this area.*

Introduction

Legacy marketing, arguably the new frontier in development and fundraising in North America, has justifiably attracted significant attention since the early 1990s. For years, fundraising practitioners in both Canada and the USA have cited an unprecedented 'intergenerational wealth transfer', i.e. the estimated amount of money that will pass from one generation to the next.

In November 1990, *Maclean's* magazine alerted Canadians to the prospect of the largest intergenerational wealth transfer in history, which was described as a 'trillion dollar windfall'. Today, this massive shift in the distribution of wealth is well underway. Between 1990 and 2010, *Maclean's* cited that 3.5 million Canadians were expected to die, leaving an estimated $1 trillion to their heirs and community. Those from this generation (essentially the parents of the baby boomers) own or control over 75% of all personal wealth in Canada, and are making plans for the disposition of their assets upon their death.

With a population approximately ten times that of Canada, US estimates for the intergenerational wealth transfer are considerably greater. In their original study, Havens and Schervish (1999) used conservative assumptions to arrive at their estimate of a minimum $6 trillion that will be transferred to charity through bequests during the period from 1998 through to 2052. At the end of 2002, the researchers remained confident in their earlier prediction, despite the economic downturn.

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The prevailing wisdom from all those who have written on this subject in recent years is consistent: the transfer of wealth to charity will be from gifts of assets, rather than gifts from cash flow. Further, whatever occurs, the wealth transfer will most certainly not be evenly distributed. A small minority of charitable and non-charitable beneficiaries will receive relatively larger sums, while others will receive little or nothing. Since there is no assurance of reaping large rewards, organizations that develop a strategic plan for gift planning, invest in qualified staff, actively engage their donors and market effectively will reap the greatest rewards.

At the time of writing in 2004 some time has passed from the earliest references to the intergenerational wealth transfer, and it is worthwhile to reflect on whether this anticipated transfer is in fact materializing. This will be reviewed in the section entitled an overview of charitable giving in North America.

In recent years, both countries have witnessed a shift towards more favourable tax incentives by their federal governments, designed to encourage more and larger gifts to charities from individuals and corporations. These changes make gifts of capital more attractive to potential donors. Many fundraising professionals believe that these increased tax incentives have further enhanced the conditions for legacy marketing in both Canada and the USA, bringing its status closer to that of Great Britain.

Given this now ripe environment for legacy marketing in North America, it makes sense for us to understand this unique aspect of fundraising better. One could argue that it is the single best way for charitable organizations to maximize their respective potential. To further our progress, this paper will review recent selected survey material undertaken in Canada and the USA to uncover answers to several important questions, namely:

- Who gives a legacy gift?
- Why do donors leave legacies?
- How can we best communicate with existing and prospective legacy donors?

What research is available?

In 1999, the Canadian Association of Gift Planners (CAGP), through the research firm Baseline Market Research Ltd., published a study surveying fundraising professionals across Canada. This study, entitled 'The CAGP Survey on Gift Planning in Canada', was designed to explore the various types of gifts that were received and the level of gift-planning activity carried out by charitable and nonprofit-making organizations. Information generated by this study also provided a basis on which the CAGP could assess the (then) recent impact of tax incentives and increased educational programmes on gift planning. It should be noted that this research involved telephone contact with fundraising professionals (not donors), representing a wide range of charitable and nonprofit-making organizations across Canada.

In 2000, the Canadian Centre for Philanthropy (CCP) released 'The National Survey of Giving, Volunteering and Participating' (NSGVP). This survey was conducted by Statistics Canada as a supplement to the Labor Force Survey, and was based on a representative sample of 14,724 Canadians.

In the USA, the most widely cited study is 'Planned Giving in the United States 2000: A Survey of Donors', a reprise of a study first conducted in 1992 by the National Committee on Planned Giving (NCPG, 2001). The project began with a sample of 170,000 US households; after intensive screening, 1,579 detailed questionnaires were completed for the basis of its findings. For bequests, the base size was 782 and the survey cited a 97% accuracy rate for the population sampled, plus or minus 3.5%.

In March 2003, Lang Research (of Toronto, Canada) conducted research in both the USA and Canada. Telephone interviews with 500 direct mail donors were conducted in each country. One of the main objectives of this privately funded research was to examine the acceptance of legacy giving as a relatively new method of soliciting charitable donations.

Other unpublished research and studies may exist which might add value to this review, but remain in the hands of consultants for their own private use. Any such study falls into the category of anecdotal information and does not contribute to the existing body of knowledge in Canada and the USA.

An overview of charitable giving in North America

Has legacy-giving really increased in the last several years? Are charities and nonprofit-making organizations witnessing a boom in their legacy-giving programmes as a result of the intergenerational wealth transfer that we first heard about more than a decade ago?

The numbers suggest that we are seeing a rise in legacy-giving and asset gifts. In 2000, Statistics Canada reported that more than \$5 billion had been donated to charity between 1st October, 1999 and 30th September, 2000, representing a significant rise from the \$4.45 billion cited in the 1997 NSGVP.

Although the same percentage of the population (78%) made charitable gifts to organizations in 2000 as in 1997, the total amount donated increased by an estimated 11% (or 6%, when adjusted for inflation). This indicates that most of the growth is due to an increase in the average amount donated. (Statistics Canada, 2000).

To underline this point, the number of bequests made to charities in Canada in 2000 comprised 4% of all charitable donations made in that year; marking a one-point increase (from 3%) over 1997 (Statistics Canada, 2000). In fact, this significant rise in charitable giving can be traced to a profound shift in the tax policy of Canada which began in the federal budget of 1997 and has been further expanded and enhanced in subsequent budgets.

The USA also saw a rise in legacy-giving in 2002. Charitable giving reached an historic high of \$240.92 billion, representing a 1% increase over 2001 and, of this amount, \$16 billion or 7% of philanthropy came from bequests. Bequests accounted for 8% of all charitable donations in 2000, up from 5.7% in 1992 (NCPG, 2001).

Throughout this article we will be referring to a number of terms relating to legacy marketing. For clarification, the definitions being used are as follows: a legator is the person who has left a legacy gift in her will, which has been realized; a pledger is someone who has pledged, but where the gift has not been fulfiled; and a prospect is a likely target for making a legacy gift.

Growth of the profession

In general, the belief among fundraising professionals in Canada and the USA is that gift planning is now poised for dramatic growth. In Canada, the CAGP only came into existence 11 years ago and, at that time, the Association of Fundraising Professionals (AFP) had not yet arrived in the country. There had been no significant changes in either the regulation of charities or in the tax incentives available to donors, in more than 15 years.

Today, CAGP's membership has grown from just 11 members in 1993 to its current size of 1,200, with a mandate to bring together professionals from various disciplines to ensure that the gift-planning process achieves a fair and proper balance. The CAGP is currently the only organization in Canada that brings together charitable representatives and allied professionals into one professional association focused on gift planning.

A significant watershed was achieved in 1995 in part through the Voluntary Sector Roundtable (VSR) in Canada, which was served with a three-part agenda: opening dialogue with the federal government, addressing the media and public perception over lack of accountability and improving the system of tax incentives for donors. From 1996 to 2004, there was a complete overhaul of the legislative framework for charities in Canada. In particular, there have been 15 major tax incentives for giving, and all but one of these incentives focused on gifts of assets, not cash flow. It started in 1996 when the federal budget raised the contribution from gifts equal to 20% of net annual income to 50% during life, and from 20% to 100% for gifts in the year of death, with a one-year carry back. In 1997, the capital gains inclusion rate for gifts of publicly listed shares was reduced by one half, making this method of giving highly tax effective. These measures for asset gifts, among others, have spurred a 62.5% increase in overall giving in Canada during the period 1996 to 2002.

Today, the NCPG is a professional association for people whose work includes charitable gift planning in the USA, and is the equivalent of the CAGP in Canada. The NCPG is composed of over 110 planned-giving councils and has approximately 12,000 individual members. With the growth in professional associations like the CAGP, the NCPG and the AFP in Canada and the USA, there is a belief that North American fundraisers are becoming more proactive in their approach to gift planning. It was not too long ago that gift planning was largely reserved for relatively few charities—universities mostly, but also religious organizations, hospitals and some social action agencies. With the widespread growth of professional associations and greater tax incentives for charitable giving, the environment now is ripe for those working in the arena of gift planning across many sectors—health, educational institutions, advocacy organizations and others—to see the greatest gain for their charity. Much of this success will depend on the information that has been made available and so we turn our attention to synthesizing current research and theory as we make our way forward into the future.

Who leaves a legacy gift?

The demographics of the North American donor

What are the most important demographic criteria for legacy donors? Is it age, gender or both? Similarly, what role does income and wealth play? Are clients, annual fund donors and volunteers more likely than other individuals to leave a legacy gift? What do we know about the 'average' legacy donor in Canada and the USA and, equally, how does this information inform what gift-planning professionals are doing?

The 1999 CAGP survey on gift planning in Canada revealed that an overwhelming 83% of the fundraising professionals surveyed targeted age groups for gift planning. However, the ages targeted were more general than specific: 'the 50+ population is most often targeted for gift planning'. Of those charities which segmented by age, 61% did not stop there, but continued to segment further and created profiles of potential planned-giving donors based on the following categories (CAGP, 1999):

- Former donors
- Allied and other professionals
- Alumni
- Board members
- Lawyers
- Volunteers
- Members.

The 2000 NSGVP in Canada offered some perspective on the role of age in bequest giving, citing '*that 7% of older seniors (75+ years old) left a bequest (pledgers) to a charitable, religious or spiritual organization, compared to 4% of younger seniors (65–74 years old)*' (Statistics Canada, 2000). These figures substantiate the view that while it is critical to continue to educate a younger demographic about the opportunity of leaving a legacy gift to charity, it is still important to focus resources on an older audience, where there will be a greater return on investment.

In the USA, bequests seem to have a long gestational period. Respondents to the NCPG survey indicated that age 49 was when they first provided for a charitable bequest in their wills. Some 43% of the respondents were under the age of 55 with the mean age being 58. Based on these statistics and those in Canada, gift-planning officers, depending on the availability of resources, would do well to target age well below the norms associated with 'the elderly' (NCPG, 2001).

As to how wealth and income factor into planned giving in Canada, Malcolm Burrows, Government Relations Chair of CAGP (Personal Communication, June 2004) offers this comment:

> '*Planned gifts are most often major gifts from the middle-class. The most successful*

> *planned giving organizations target middle-class donors, rather than major 'high net worth' donors. The best audience for gift planning, and a legacy ask, is in the annual giving or direct response fundraising stream.'*

Interestingly, in the USA, the statistics help to substantiate this belief—that middle class donors *are* making legacy gifts. According to the 2001 NCPG report, 'While the average income among donors is $75,000, 36% earn less than $50,000.' Somewhat related to the issue of both income and age, the report also states: 'bequest donors tend to be married, living in one-or-two member households without children under 18' (NCPG, 2001). Again, this report was referencing bequest pledgers—those who said they had left a legacy gift in their will to charity—rather than any examination of legacy gifts.

For the most part, it would appear that legacy prospects are also donors. As the NCPG (2001) learned in its study, 'The majority of planned gift donors have made multiple gifts to charity, including outright gifts of cash and various planned gifts.' While there is no hard evidence that this is true in Canada, it appears that those working in gift planning do target former donors when screening for gift-planning prospects. The CAGP learned in its 1999 study that, 'Sixty-one percent of those contacted indicated that they targeted groups other than those based on age for planned giving. The group most frequently mentioned was that of former donors (74%) followed by allied professionals (11%)' (CAGP, 1999).

For more than a decade, direct marketing agencies Stephen Thomas and Mal Warwick & Associates have been developing strategies to promote legacy-giving by mail with their clients. Much of this experience substantiates the link that donors—specifically annual donors—make a strong target group for gift planning. In fact, through data mining and direct response performance indicators such as recency, frequency and, to a lesser extent, average gift, significant progress is being made by some of the most progressive charities in Canada and the USA, to identify new legacy donors and prospects.

In the USA, there *is* evidence to suggest that those with a strong link to a specific charity are prime targets, and most likely to leave a legacy gift. **Figure 1** illustrates that those donors with an affiliation to the charity showed the greatest propensity to make legacy gifts in the USA.

In the USA, where research is available, it appears that while there is a slight bias towards female donors, this is not nearly as pronounced as we might have suspected. The NCPG learned in 2000 that only slightly more females made a bequest (pledge) to a charity at 53% (NCPG, 2001).

To summarize, there are very little hard data linking key demographic characteristics such as age, income, wealth and gender to legacy-giving in either Canada or the USA. So much of the ongoing practical work by those in the field is based, not on published theory and research, but on intuition, experience of individual charities and some limited research in the USA on legacy pledgers. While legacy-giving is still in its infancy in North America, one can imagine future studies designed to examine further demographic characteristics of known legacy pledgers. Perhaps of greater importance would be research based on known legacy donors (legators) which has not yet been conducted in Canada or the USA.

Why do donors leave legacies?

Given the recently added tax incentives in Canada (as well as in the USA), one might expect to see the motivation for legacy-giving centring around the issue of tax savings. Instead, according to the NCPG's 2000 survey, charitable bequest pledgers stated the factors shown in **Table 1** in their decision to make a gift (NCPG, 2001).

People often have complex motives for making certain charitable decisions. While tax and financial issues remain important, it is clear that, despite recent tax incentives in the USA, the 'desire to support the charity' and the

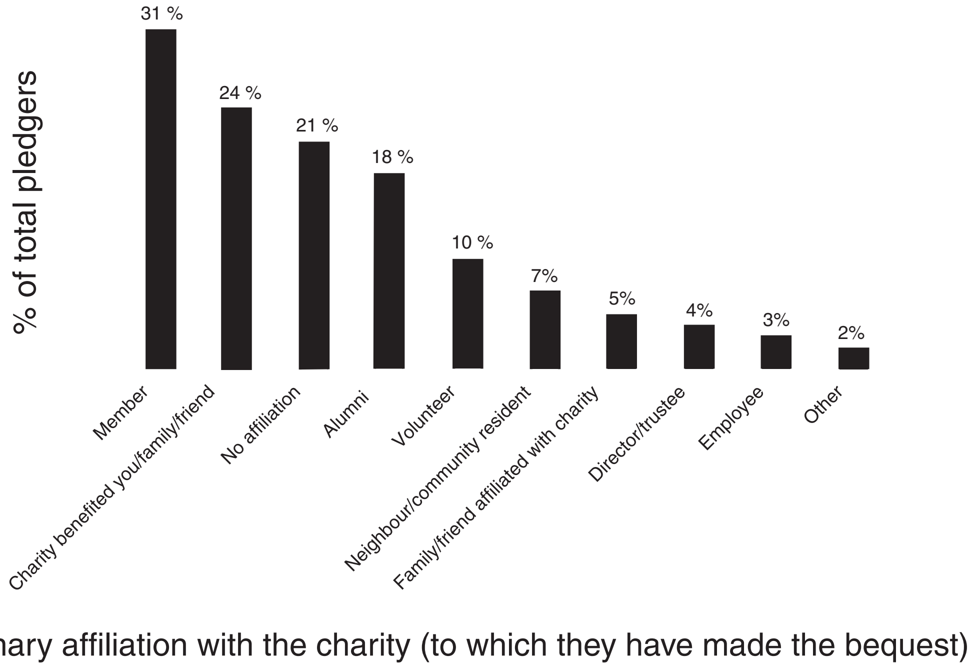

Figure 1. Categories of USA bequest pledgers and their primary affiliation to the charity (to which they have made the bequest). *Source*: NCPG (2001).

'ultimate use of the gift by the charity' still remain paramount motivators. As the NCPG study (2001) concluded, 'Legal and financial advisors appear to play a much more significant role in the gift planning process than they did [in 1992].' This may be attributed in part to the increasing affluence and financial sophistication of donors in a strong economy. However, the desire to support the charity remains the primary motivation of most donors, while issues of tax and financial considerations remain somewhat secondary.

What of the other, more fundamental motivations for giving? Notwithstanding the marked differences in tax incentives between Canada and the USA, there are subtle yet profound variances in each country's political history and social fabric which call for independent, rigorous research on both sides of the 49th parallel.

How can we best communicate with legacy prospects and donors?

Since the 1992 US survey on planned giving, both representatives of charities themselves as well as for-profit advisors (such as financial and estate planners) have become more active in

Table 1. An eight year comparison of motivational factor

Charitable motivation	2000 (%)	1992 (%)
Desire to support the charity	97	95
Ultimate use of the gift by the charity	82	74
Desire to reduce taxes	35	not asked
Long-range estate and financial planning issues	35	21
Relationship with a representative of the charity	21	not asked
The encouragement of legal or financial advisors	12	18

Source: NCPG (2001).

promoting planned giving. The 2000 US survey suggests that these efforts have been somewhat successful. When asked the origin of the idea of a planned gift, 28% of bequest donors cited a legal or financial advisor in 2000, compared with just 4% in 1992 (NCPG, 2001). Of further interest, the 2000 US survey also outlined that, when asked about the origin of the idea of a planned gift, 34% said that the source of the idea was published materials, while 11% cited visits from representatives of the charity itself (NCPG, 2001).

Certainly there has been a feeling in the USA that those working in planned giving have, in recent years, been more proactive not only in the marketing of planned giving to their donors, but also in engaging allied professionals in a meaningful way. This might help to explain the significant increase in recent years of those donors citing the origin of the idea of making a planned gift as their financial or legal advisor.

In Canada, while allied professionals are also becoming increasingly involved in the gift-planning process — not only to raise awareness of the possibility of leaving a legacy gift, but to provide professional advice on estate and financial planning options — there is still no data to support that this is having any effect on influencing the donor's decision-making process.

The CAGP's 1999 survey on gift planning in Canada (CAGP, 1999), identified the following communication vehicles used by fundraising professionals to reach donors:

- Newsletters (46%)
- Direct mail (41%)
- Personal contact (31%)
- Brochures (24%)
- Workshops and seminars (23%)
- Commercial advertisements (16%)
- Contact with allied professionals (14%)
- Presentations (12%)
- Donor recognition (11%).

Significant weight was placed on direct response vehicles such as direct mail packages and newsletters as well as on personal contact, although, admittedly, the extent to which these tactics have been effective in securing a legacy gift is unknown.

One common and significant way in which both Canadian and US fundraisers have been working to educate the general public about leaving a legacy gift to charity is through the public awareness campaign, LEAVE A LEGACY™, a programme initiated by NCPG and licensed in Canada by CAGP. LEAVE A LEGACY™ programmes are community-based. They help the general public to learn about leaving charitable gifts through wills or estates and do not solicit gifts for a particular organization. The campaign itself is a community effort and is sponsored by a variety of nonprofit-making agencies. What started out with one programme in 1995 has now grown to 189 programmes across North America, showing how valuable this programme is considered to be by so many charities. With the year 2005 marking 10 years since the inception of LEAVE A LEGACY™, perhaps a review of the effectiveness of this programme is warranted through further research.

What a planned giving programme can mean for a charity's revenue

Benjamin Franklin said: 'Well done is better than well said.' In other words, life rewards action. So, it stands to reason that a strategy which begins with careful decisions and then charts an actionable plan will have the greatest chance of success. There is some evidence to support this theory in the world of gift planning.

In 1999 the CAGP surveyed 278 charitable organizations on planned giving. Of those which participated, 48% said they had a gift-planning programme in place, while 31% did not have a formal programme in place but developed planned gifts as opportunities were presented. Only 3% stated they had no gift-planning programme in place and had no plans to implement one in the near future (CAGP, 1999).

According to the 1999 research study by the CAGP, the overall average receipted income (of those organizations surveyed) was $4,253,707.

Those that said they responded to opportunities as they presented themselves and therefore were not proactive in legacy marketing showed an average receipted annual income of only \$2,109,171—significantly less than the average annual income cited in the CAGP survey. This contrasts sharply with the second group: those charities with a planned giving programme in place showed an average receipted annual income of \$7,213,501—more than three times the revenue of those organizations with no established plan (CAGP, 1999).

Unlike many other forms of individual fundraising such as annual giving and capital campaigns, success in gift planning is not necessarily dependent on a proactive plan. In fact, many (mostly established) organizations are successful in planned giving despite not having a set and actionable plan. This may lead to a false sense of security and, in the long term, may mean that these organizations receive a smaller piece that is the intergenerational wealth transfer.

Conclusion

The research synthesized in this paper is presented to advance fundraising and gift planning as a profession, built on a body of knowledge based on theory and research. As we move forward, the emphasis on research is considered by many to be a key feature in our collective and continued professionalism.

Much anticipation of the North American intergenerational wealth transfer has been played and replayed since the emergence of this trend in the early 1990s. The theory then and now is that there will be an unprecedented transfer of revenue from one generation to the next, and it will occur to varying degrees in Canada and the USA.

With an increasingly sophisticated donor population, there is now greater emphasis on individual donors who are building their giving plans, managing their estates and seeking counsel from estate and financial planners in an effort to further their charitable giving. While this wealth transfer occurs (and indeed it is happening now), the amount received by charities for their own good work will most certainly not be apportioned equally across all organizations. Instead, those with plans in place to secure legacy gifts will benefit disproportionately.

There are also other positive factors affecting gift planning. Recent and more favourable tax incentives in both Canada and the USA have helped to create a more positive environment for gift planning. As a result, gifts are being made on a scale which may not have been possible years ago. Increased professionalism through association roundtables and annual conferences, as well as greater synergies between allied professionals such as estate and financial planners and gift-planning officers, are cementing and adding value to the process.

At the same time as this potential is witnessed, there is no question that many organizations (particularly smaller ones), faced with limited resources and a reactive marketing strategy, are struggling with the gift-planning portfolio. In many cases, the role of major gift officer and gift-planning (legacy) officer is one and the same, which may explain why some organizations focus only on the high net worth donor to the exclusion of others.

Malcolm Burrows (Personal Communication, June 2004) comments on the current status of gift planning in Canada:

> *'The classic model of gift planning in Canada originated with large universities in the US. This model features well-trained, full-time gift planners and an emphasis on marketing the benefits of tax incentives. The donors also tend to be more affluent and sophisticated. This model, adopted by many charities over the years, hasn't been terribly helpful for middle-class charities—those with large direct response programs and/or a relatively small staff and limited resources. We need a new model for legacy giving in Canada. If gift planning is to mature further, we need to address the needs of more grass-roots charities with large numbers of donors who are capable of significant asset gifts through their estate plans.'*

In the mid-1990s, direct marketers in Canada and the USA began using direct mail to secure leads for legacy-giving and met with success, mining key donor segments and using a personal letter and invitational style, direct mail package. Over the years, they have tested many different data-file segments and have come to the conclusion that the number of years of giving is one of the most important variables for legacy prospects. This gives further credence to the now emerging belief that the middle class are an important target market for legacy-giving.

Marketing channels should include materials directly distributed by the charity to the individual donor, as the majority of donors learn about legacy-giving in this way. Allied professionals appear to be playing a bigger role in advising donors as well (particularly high net worth donors). As such, gift-planning officers would do well to form alliances with their own circle of respected professionals to aid in the information flow to donors.

Given the relative importance of gift planning to fundraising in the coming years, it will be incumbent on the North American profession — specifically those involved in the fundraising associations — to commit to further research in order to keep pace with changes in the marketplace and the introduction of new gift vehicles. How, for example, has the war on terror and suffering economy in the USA and Canada hampered legacy-giving in these countries? Are donors less confident of their ability to donate? How has the LEAVE A LEGACY™ campaign impacted on the public's perception of charitable legacy-giving and estate planning? What impact will the increased feminization of our society have on charitable legacy-giving? Do widows seek to honour their late husbands' wishes in legacy-giving, or do they also favour their own causes in their wills? These are important questions for research on donor motivation for the future.

In order to advance fundraising and gift planning in North America, much will depend on the profession committing to a sustained effort to build on current theory and published research. Ours is an imperative for parallel rigorous research and published reports which will allow for the greatest benefit to fundraising practitioners in both Canada and the USA.

Acknowledgment

The authors wish to extend special thanks to Rebecca Warnett, research assistant at Stephen Thomas (Canada).

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