

Research Highlights and How to Apply to Your Work

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Overview of CAP®

The Charitable Bequest Gap
Among African-Americans:
Exploring Charitable, Religious, and
Family Estate Planning Attitudes

Why the topic Matters

Previous research has identified significant variations in charitable behavior associated with race, such as increased propensity to give religiously, especially exclusively religiously, among African Americans.

- African-Americans tend to donate less to charity in general but more to religious organizations during their lifetimes (James, 2007).
- It is unknown whether the same holds true for charitable bequests.

Why the topic Matters

Charitable estate planning is an economically important activity, of importance to nonprofits and with relevant policy implications

- Potential transfer of wealth to charities could have a significant impact. Charitable estate transfers provide more income to U.S. nonprofits than all corporate charitable giving combined (Giving USA).
- If lack of planning documents is the obstacle, this demographic could present a large untapped resource for philanthropy professionals.

Research Questions

Do the previously identified differences in propensities to give to religious charities among African-Americans also apply to religious charitable bequest intentions?

Do underlying charitable estate giving attitudes, rather than documentation, serve as the key barrier to charitable estate planning for African-Americans?

Documentation barrier?

Previous research suggests that completing estate planning documents may be an important barrier for African-Americans

Whites have been more likely than other racial or ethnic groups to have a will (Palmer, 2006; Goetting & Martin, 2001; Lee, 2000; O'Connor, 1996).

African-Americans have been less likely to have a charitable estate plan in general, but not among those who had estate planning documents (James, 2009a).

Documentation barrier?

Recent research from Donors of Color network examining high net worth donors of color

A study of high-net-worth donors of color found that 30% of their study participants already had a planned gift in place (via a charitable bequest, charitable remainder or lead trust, charitable gift annuity, or endowment gift) (Lee, et al, 2022).

Compare this to the 22% of all high-net-worth donors who have planned gifts in place

Discussion

- The lack of estate planning documents among African-Americans may be part of a tendency to be less engaged with traditional financial institutions and financial planning in general.
- Objective and subjective financial knowledge both have a positive impact on cash and credit management behavior. If one lacks objective and subjective financial knowledge, he/she may be more likely to disengage with financial institutions and estate planners (Woodyard, 2017).

Descriptive Statistics for Presence of a Checking, Savings, Money Market, CD, U.S. Savings Bond, or Treasury Bill (Unweighted)

	Have a bank account	Do not have a bank account
Non-Hispanic Black***	56.80%	43.20%
Other	75.00%	25.00%
Hispanic***	60.50%	39.50%
Non-Hispanic White***	88.79%	11.21%
Ln Wealth	10.06	6.06
Mean Education	13.42	11.50
Family Size	2.72	2.65

Two-sample t-tests were performed comparing means between Non-Hispanic Blacks and all others, Non-Hispanic Whites and all others, and “Other” races and all others, on presence of a Checking, Savings, Money Market, CD, U.S. Savings Bond, or Treasury Bill. The t-tests for Non-Hispanic Blacks, Hispanics, and Non-Hispanic Whites suggest rejection of the null hypothesis, which means there is a difference between groups, and failure to reject the null hypothesis for Other races, which means there may not be a difference between “Other” races and all others.

***indicates significance at the .1% level

**indicates significance at the 1% level

*indicates significance at the 5% level

Data source: Panel Study of Income Dynamics, 2007 wave

Contributions: Unique data

The PSID included a one-time question about charitable bequest (both religious and non-religious) preferences

- The current study provides the first results examining both religious and other charitable estate planning attitudes across all age groups.
- This question has not resulted in any previous publications (excepting an internet posted summary document investigating other topics).

Dependent Variables

- Likert scale to rank importance of **bequests to relatives, bequests to charity, and bequests to religious organizations**, in three separate questions
- 1 is “not at all important,” 2 is “not important,” 3 is “quite important,” and 4 is “very important,” in order that a positive coefficient will be positively associated with the outcome

Ordered Probit Regression: Marginal Effect of Ethnicity, Race, Wealth, Education, and Family Size on the Importance of Leaving a Bequest to a *Religious Organization*

***indicates significance at the .1% level

**indicates significance at the 1% level

*indicates significance at the 5% level

Standard Errors are in parentheses

Number of observations = 7,595

Data source: Panel Study of Income Dynamics, 2007 wave

PSID survey weights applied

IMPORTANCE OF BEQUEST TO RELIGION

EXPLANATORY VARIABLE	NOT AT ALL IMP.	NOT IMP.	QUITE IMP.	VERY IMP.
BLACK	-.1497*** (.0081)	-.0261*** (.0029)	.0972*** (.0053)	.0787*** (.0049)
HISPANIC	-.0298 (.0151)	-.0052 (.0027)	.0194 (.0098)	.0157 (.0080)
OTHER RACES	-.0805*** (.0180)	-.0140*** (.0034)	.0522*** (.0117)	.0423*** (.0095)
LN (WEALTH)	0.0029*** (0.0009)	0.0005*** (0.0002)	-0.0019*** (0.0006)	-0.0015*** (0.0005)
EDUCATION	.0052** (.0015)	.0009** (.0003)	-.0034** (.0010)	-.0027** (.0008)
FAMILY SIZE	-.0050* (.0025)	-.0009* (.0004)	.0033* (.0016)	.0026* (.0013)

Ordered Probit Regression: Marginal Effect of Ethnicity, Race, Wealth, Education, and Family Size on the Importance of Leaving a Bequest to *Charity*

***indicates significance at the .1% level

**indicates significance at the 1% level

*indicates significance at the 5% level

Standard Errors are in parentheses

Number of observations = 7,604

Data source: Panel Study of Income Dynamics, 2007 wave

PSID survey weights applied

IMPORTANCE OF BEQUEST TO CHARITY

EXPLANATORY VARIABLE	Not at all Imp.	Not Imp.	Quite Imp.	Very Imp.
BLACK	-.0925*** (.0074)	-.0361*** (.0033)	.0752*** (.0059)	.0534*** (.0045)
HISPANIC	-.0468*** (.0134)	-.0182*** (.0053)	.0380*** (.0109)	.0270*** (.0078)
OTHER RACES	-.0798*** (.0163)	-.0311*** (.0064)	.0649*** (.0132)	.0461*** (.0095)
LN (WEALTH)	0.0048*** (0.0008)	0.0019*** (0.0003)	-0.0039*** (0.0006)	-0.0028*** (0.0005)
EDUCATION	-.0020 (.0013)	-.0008 (.0005)	.0016 (.0011)	.0011 (.0008)
FAMILY SIZE	-.0007 (.0022)	-.0003 (.0009)	.0006 (.0018)	.0004 (.0013)

Ordered Probit Regression: Marginal Effect of Ethnicity, Race, Wealth, Education, and Family Size on the Importance of Leaving a Bequest to *Family*

***indicates significance at the .1% level

**indicates significance at the 1% level

*indicates significance at the 5% level

Standard Errors are in parentheses

Number of observations = 7,611

Data source: Panel Study of Income Dynamics, 2007 wave

PSID survey weights applied

IMPORTANCE OF BEQUEST TO FAMILY

EXPLANATORY VARIABLE	NOT AT ALL IMP.	NOT IMP.	QUITE IMP.	VERY IMP.
BLACK	-.0526*** (.0035)	-.1049*** (.0057)	-.0629*** (.0038)	.2204*** (.0109)
HISPANIC	-.0075 (.0049)	-.0150 (.0098)	-.0090 (.0058)	.0316 (.0204)
OTHER RACES	-.0151* (.0057)	-.0301* (.0112)	-.0180* (.0067)	.0632* (.0235)
LN (WEALTH)	.0001 (.0003)	.0002 (.0006)	.0001 (.0003)	-.0005 (.0012)
EDUCATION	.0013 (.0005)	.0025 (.0010)	.0015 (.0006)	-.0053 (.0021)
FAMILY SIZE	-.0053*** (.0009)	-.0105*** (.0016)	-.0063*** (.0010)	.0220*** (.0034)

The importance of relative preferences: “It’s got to go somewhere”

- Some variables show associations with increased desire for all forms of bequests
- These ABSOLUTE levels may be relevant to decisions on current consumption v. bequests, but what goes into the actual plan depends upon RELATIVE preference for the three bequest options
- New dependent variables: the ratio of 1 to all, e.g., Religious (1-4)/All (Religious + Charity + Family) and
- The ratio of Religious (1-4)/Family (1-4), Charitable/Family, and Religious/Charitable

Results (Ratios Using Ordered Probit)

	Religious Bequest Importance to Total Bequest Importance	Charitable Bequest Importance to Total Bequest Importance	Family Bequest Importance to Total Bequest Importance	Religious Bequest Importance to Family Bequest Importance	Charitable Bequest Importance to Family Bequest Importance	Religious Bequest Importance to Charitable Bequest Importance
Race						
Black	.1456*** (.0268)	-.0792*** (.0267)	-.0227 (.0269)	.0984*** (.0273)	-.0324 (.0272)	.1671*** (.0295)
Other	.0796 (.0602)	.1163** (.0602)	-.1236** (.0605)	.1152** (.0613)	.1363** (.0611)	-.0012 (.0660)
Ethnicity						
Hispanic	.0002 (.0492)	.1148*** (.0492)	-.1001** (.0495)	.0394 (.0503)	.0997** (.0500)	-.0881* (.0542)
Ln Wealth	-0.0034 (0.0028)	-0.0151*** (0.0028)	0.0120*** (0.0028)	-.0077** (.0029)	-.0153*** (.0029)	.0078** (.0031)
Education	-.0162*** (.0048)	.0222*** (.0048)	-.0022 (.0048)	-.0092** (.0050)	.0124** (.0049)	-.0264*** (.0053)
Family Size	-.0086 (.0082)	-.0300*** (.0082)	.0328*** (.0082)	-.0221*** (.0083)	-.0346*** (.0083)	.0174* (.0090)

Discussion

- *African-Americans will indicate that religious estate gifts are of greater importance than will other groups.*
 - Yes
- *African-Americans will not indicate that charitable estate gifts are of less importance than will other groups.*
 - Yes
 - Observed lack of charitable estate planning in other studies is possibly due to the lack of estate planning documentation; lack of desire has been ruled out.

Citations

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**Charitable bequest
importance among donors to
different types of charities**

Research Question

Do lifetime donors to different types of charities have varying charitable bequest attitudes?

Economic theory

- Current economic theory suggests a model of “impure altruism” combining economic benefit (Becker, 1974) – use of a public or shared good – and “warm glow” (Andreoni, 1990) – helping others because it makes us feel good.
- Personal economic benefit – use of a public or shared good – is not possible with bequest giving because after we make the gift, we aren't alive, and before we make the gift, we can change our mind.

Why the topic Matters

Fundraising goals, metrics, shared lists

- Fundraisers have target dollar amounts to raise. More effective targeting of likely donors means more productive conversations and end results and fewer wasted resources.
- Focus on being donor-centric rather than money-centric; meet the donors where they are.
- People giving to charity during life but not including charity in their estate plan are an untapped resource for bequests.
- Annual, major, and planned giving are all different.
- List sharing may not make sense for all charity types.

Theory: Personal benefit received from charitable donation

- This study hypothesizes that among donors to *high personal benefit* causes, such as those emphasizing shared goods benefitting the donor, interest in a charitable bequest (which offers no opportunity for receiving such benefits) will be relatively less than among donors to a *low personal benefit* cause.
- An exception will be donors to religious charities which, although they may create shared goods, also create potential for post-mortem benefits thus motivating charitable estate giving.

Theory: Personal benefit received from charitable donation

- High personal benefit charities: culture, community, youth, religion, other.
- Low personal benefit charity: international relief (peace).
- Mixed (unclear) personal benefit charities: needy, education, environment, health, multi-purpose.

Core Dataset

2007 Panel Study of Income Dynamics (PSID), the only wave of the PSID in which these particular charitable bequest questions were asked

- A well-known, nationally representative, longitudinal study in continuous existence since 1968
 - Conducted at University of Michigan's Survey Research Center
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Discussion

- There are differences in estate giving attitudes depending on the type of charitable organization the person donates to during life.

Discussion – Consistent results

- Donors to int'l relief organizations receive low personal benefit, so the positive association with a desire to leave a charitable bequest supports the hypothesis.
- Donors to religion receive high personal benefit, which normally would generate less bequest giving due to a lack of personal benefit from a bequest; however, since religious donors can also get post-mortem personal benefits from a religious bequest due to after-life benefits, then the positive association with a desire to leave a charitable bequest supports the hypothesis.
- Donors to “other” charitable organizations like local sports associations, receive high personal benefit, so the negative association with a desire to leave a charitable bequest could support the hypothesis.

Discussion – Weakly consistent results

- Donors to health and education receive mixed personal benefit (some direct lifetime benefit, some indirect benefit), so the positive association with a desire to leave a charitable bequest is not surprising.
- Donors to the needy, the environment, and multi-purpose charities receive mixed personal benefit (some direct lifetime benefit, some indirect benefit), so the unknown association with a desire to leave a charitable bequest is not surprising.
- Donors to youth and community receive high personal benefit, so the unknown association with a desire to leave a charitable bequest is more in line with the expected results than if there had been a positive association.

Discussion – Inconsistent Results

- The puzzling one is donors to culture, as donors receive high personal benefit yet are positively associated with a desire to leave a charitable bequest.
- Post hoc explanation
 - While cultural organizations provide lifetime benefits to donors, such as season tickets, backstage passes, and private events, there is a strong sentiment among these donors that these cultural opportunities make the world a better place and need to continue existing.
 - Thus, donors may want their current lifetime benefits to be available to others in the future, which means the donor needs to do both inter vivos and bequest giving.
 - So, even though donors to culture receive high personal benefit, they are also forward looking, beyond a strictly “what’s in it for me” attitude. This could explain the outcome for this variable.
- My next publication explores this association.

Citations

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Consumption capital and distinctive characteristics of donors to education

Research Question

Is accumulation of consumption capital more relevant for donors to education than other types of giving?

Are measures of time discounting, such as level of education, associated with giving to education more so than other types of giving?

Theory: Consumption Capital

- Applies to experiences that require early investment in relatively less pleasant practice in order to increase future enjoyment
- Some types of charity, such as arts & culture and education, represent support for causes that require such accumulated practice (consumption capital) in order to fully appreciate their benefits
- Religious practice is an example

Theory: Time Discounting

- People value future and immediate outcomes differently
- Time discounting influences consumption capital accumulation
- Education is a measurement of time discounting and complementary consumption capital because previous investment in education results from and causes lower time discounting (Becker & Mulligan, 1997). Those with higher levels of education are more willing to delay gratification (Bembenutty, 2011).
- The most common way to measure time preference is by asking individuals whether they prefer to receive an amount of money now or a higher amount of money in the future (Frederick et al., 2002). Since education is considered an investment in one's future, at the expense of current consumption, it is a reasonable proxy for investing versus spending now.

Hypothesis

Hypothesis: Previous education, being a measurement of both time discounting and accumulation of complementary consumption capital, should be strongly associated with giving to education more so than other types of giving.

Core Dataset

2007 Panel Study of Income Dynamics (PSID)

- A well-known, nationally representative, longitudinal study in continuous existence since 1968
 - Conducted at University of Michigan's Survey Research Center
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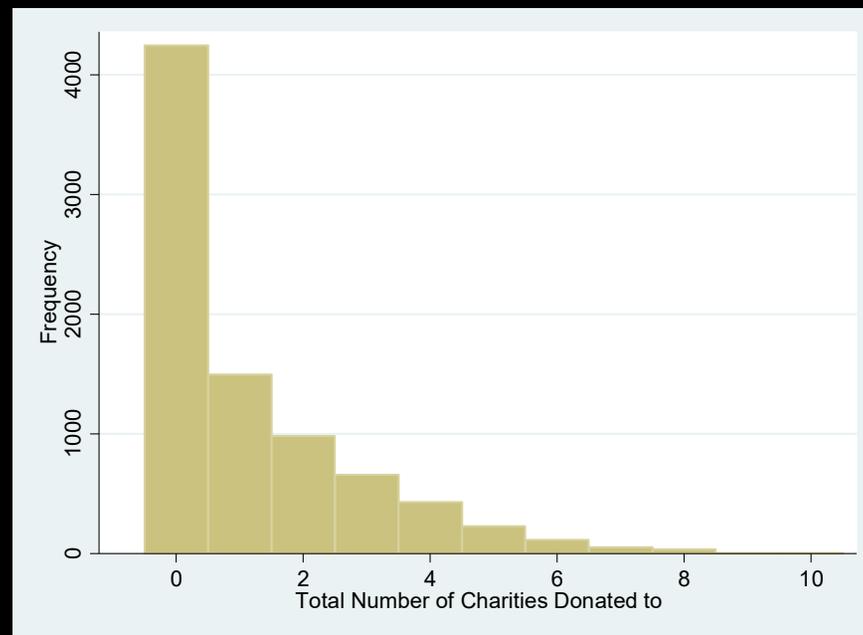
10 Charity Types

- Arts & culture
- Education
- Needy
- Health
- Youth
- Community
- Environment
- Int'l Relief (peace)
- Multi-purpose
- Other

Charity Types Correlation Matrix

	Religion	Multi-purpose	Needy	Health	Education	Youth	Arts	Community	Environment	Int'l Relief	Other
Religion	1.00										
Multi-purpose	0.275	1.00									
Needy	0.272	0.269	1.00								
Health	0.232	0.270	0.307	1.00							
Education	0.246	0.270	0.315	0.291	1.00						
Youth	0.209	0.230	0.282	0.240	0.268	1.00					
Arts	0.109	0.190	0.228	0.231	0.317	0.212	1.00				
Community	0.100	0.132	0.186	0.155	0.175	0.146	0.155	1.00			
Environment	0.073	0.156	0.227	0.250	0.212	0.195	0.285	0.129	1.00		
Int'l Relief	0.123	0.161	0.229	0.192	0.193	0.167	0.233	0.133	0.233	1.00	
Other	0.053	0.053	0.119	0.157	0.112	0.078	0.121	0.069	0.111	0.074	1.00

Zero Inflated Poisson



Discussion - Education

- Level of education is positively associated with giving to arts and education as well as giving exclusively to arts or education, as predicted, indicating that those who have invested in earning an education or helping someone else earn an education are more likely to donate to arts and education charities.
- Education is only significant for one other exclusive charity type and two other charity types, at a lower level of significance than arts and education.
- Zero Inflated Poisson regression results indicate that higher levels of education make it less likely that the number of charities donated to is zero, meaning there is a positive association between this time preference variable and donating to at least one type of charity. Zero Inflated Poisson regression results also indicate that those with higher levels of education are more likely to donate to more charity types.

Discussion - Education

- In a comparison study of educational donors in the United States and the Netherlands, it was found that donors to education were generous, even more so than donors to religion and other non-educational charities, and that 30.7% of educational donors in the U.S. had graduate education, while only 9.9% of noneducational donors in the U.S. had graduate education (James & Wiepking, 2008).
- A similar study of donors in the United States using Consumer Expenditure Survey data from 1995–2005 found the same thing: donors to education were generous, even more so than donors to religion and other non-educational charities (James, 2008). Specifically, those with higher levels of educational attainment were more likely to donate not only to educational institutions, but to religious organizations and other charities (James, 2008).

Discussion - Education

- Reciprocity is a primary motivator for educational giving, indicating that alumni that were actively involved students at that school should be primary targets for that university's fundraisers (Diamond & Kashyap, 1997; Drezner & Huehls, 2014; Weerts & Cabrera, 2018).
- Students attending university on scholarship often return the favor by contributing to a scholarship at that university later on (Drezner & Huehls, 2014, citing Cascione, 2003; Monks, 2003; Pezzullo & Brittingham, 1993).
- This is as expected, since educated people are generally more willing to delay gratification and think of the greater good (Bembenuddy, 2011).

Discussion – religious practice

- Religious people are less likely to give to the arts, but more likely to give to education.
- Being religious was positively associated with giving to education (indicative of complementary goods).
- Zero Inflated Poisson regression results indicate that being religious makes it less likely that the number of charities donated to is zero, meaning there is a positive association between this time preference variable and donating to at least one type of charity.
- Those with religious beliefs may give to charity, in part, with the expectation of both lifetime and postmortem benefits.

Citations

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Where to find these publications

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Thank You!

- Questions and Comments