

## Consumer Attitudes Regarding End of Life Charitable Planning

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As the U.S. population ages, much discussion has surrounded the associated transfer of estate wealth from older generations to younger. A significant, and particularly policy relevant, part of this transfer involves potential transfers to nonprofit and charitable institutions. For example, charitable estate transfers provide more income to U.S. nonprofits than all corporate charitable giving combined (Giving USA 2015).

My research will present results from the first nationally representative study of attitudes regarding end of life charitable planning with detailed respondent information. Previously published research on U.S. charitable estate planning has been limited to post-mortem transfer data from very large estates subject to taxation (Kopczuk & Slemrod, 2003), small single location explorations of probate records (Barthold & Plotnick, 1984) and the presence of a charitable component in estate plans of those aged 50 and older (James, 2009).

Past research indicates that minorities, especially African-Americans, donate more to religious groups during their lifetimes than non-minorities (Iannaccone, 1994). Preliminary Panel Study of Income Dynamics (PSID) data indicate that African Americans are relatively more interested than whites in leaving a charitable or family bequest, and much more interested in leaving a religious bequest. By contrast, when it comes to HRS data showing actual charitable bequests for those age 50 and over, whites leave a much larger charitable bequest than blacks. It appears that the propensity to give, especially to religious organizations, is present, but that the estate planning documents, such as a will or trust, are not. Blacks are much less likely than whites to have estate planning documents in place (James, 2015), presenting a huge barrier to charitable estate planning and a possible untapped resource for estate planners.

There are different styles of religion. If we divide into two categories - church-like (referred to in this paper as "open") and sectarian (referred to in this paper as "strict") – those that are open have few barriers to entry, while those that are strict have barriers to entry such as a cost of membership (Iannaccone, 1998). Lower income, lower education, and being black are associated with lower levels of charitable giving in general (secular and mixed), but with higher levels of wholly religious giving. James and Sharpe refer to this as the "sect effect" (James, 2007). The theory of the economics of religion attributes this to the idea that minorities may have fewer income opportunities, which means the cost of rejecting social norms is lower than for someone of higher socioeconomic status.

The concept of religious human capital also comes into play. Capacity to produce religious commodities depends on a person's inputs of time and goods, but also on friendships with fellow church members, knowledge of the religious rituals and doctrines, and overall experience in the church (Iannaccone, 1998). Similarly, club models of religion, considered an extension of the household production model, play a role. Club goods are public goods that are excludable, so that they are shared by more people than a typical private good but fewer people than a typical public good (Buchanan, 1965); these goods are said to have "artificial scarcity (Buchanan, 1983)." Religious commodities that are now a part of a household's utility function depend on inputs of fellow members, not just that household's inputs of goods, capital, and time (Iannaccone, 1998). In a strict church, it could be said there are more positive externalities and fewer free riders because of the stringent membership requirements and monitoring of church members (Iannaccone, 1998).

The current study adds to available empirical information on the increasingly important phenomenon of charitable estate transfers by

1. Providing results from the first nationally representative study of attitudes regarding end of life charitable planning with detailed respondent information using data from the Panel Study of Income Dynamics.
2. Contrasting these findings with previous results from behavior of those age 50+ (from the health and retirement study) and from post-mortem transfers (from the IRS statistics of income), thus providing the first insights in this area regarding those under age 50.
3. Providing the first comparison of charitable estate transfer attitudes among current donors to different types of charities, specifically those giving to religion, combination purposes, for the needy, health, education, youth, cultural, neighborhoods, environment, international, or other.

4. Contrasting attitudes regarding estate gifts towards religious charities and with attitudes regarding estate gifts towards other charities.
5. Providing details regarding the health, economic, and demographic characteristics of those with varying attitudes towards end of life charitable planning.

These results will provide the first source of empirical information regarding an economically and socially important behavior where no comparable source of published information currently exists.

The core data used in the study comes from the 2007 Panel Study of Income Dynamics (PSID), the only wave of the PSID in which these particular questions were asked. PSID survey weights are applied. The PSID is a well-known nationally representative longitudinal study in continuous existence since 1968. Comparison data comes from the Health and Retirement Study (HRS), a nationally representative longitudinal study of adults over the age of 50 in the U.S.

Attitudinal measurements are associated with key economic, demographic, and health characteristics by (1) reporting of significant differences in cross-tabulations, (2) reporting significant differences in an ordered probit regression incorporating each level of attitudinal agreement, (3) reporting differences in an ordered probit regression including interaction variables with a dummy variable indicating age 50+ (for which we have previous data from the HRS) or age under 50 (for which we have no previous data), (4) reporting differences in an ordered probit regression including a series of interaction variables with a dummy variable for the presence of current giving to each separate giving category, (5) contrasting factors associated with positive attitudes towards charitable estate gifts and religious charitable estate gifts by completing steps 1-4 for the outcome variable of attitude towards religious charitable estate gifts both with and without controls for general charitable estate giving attitudes.

Lower income, lower education, and being black are associated with lower likelihood of charitable giving in general (secular and mixed), but with higher likelihood of wholly religious giving (James, 2007). "Secular" refers to non-religious charitable donations, "mixed" means donations were made to both religious and non-religious charities, and "solely religious giving" means that 100% of that person's charitable donations were to religious organizations. Theories from the economics of religion predict that minorities have an increased propensity for religious giving. Past research indicates that minorities, especially African-Americans, donate more to religious groups during their lifetimes (Iannaccone, 1994).

Donations to religious organizations historically have been the largest share of total giving (Brown, 2004). However, the number of adults who consider themselves religiously unaffiliated has been growing across all geographic regions of the United States, while the number who identify as Christian has been declining (Pew Research Center, 2015). Although blacks are the least likely racial group to be religiously unaffiliated at 18%, the numbers are growing (Pew, 2015). The decline in Christian affiliation is most prominent among young adults (Pew, 2015). This has important policy implications for religious organizations. If church membership declines, the number of donations will decline, and the number of churches also may decline. In addition, if African Americans tend to belong to churches with strong barriers to entry, and they continue supporting those churches, then those churches might become the predominant church style. Churches with fewer barriers to entry and more open membership may be the ones to decline, ironic as that may sound.

The upcoming transfer of generational wealth has drawn much attention. The current study adds important context to understanding the charitable component of that transfer. In particular, the importance of childlessness suggests that charitable estate transfers will become increasingly important as the rate of childlessness among older adults in the US will be increasing substantially over the next two decades and beyond. Further, the results provide interesting contrasts in racial attitudes towards estate giving to charitable and religious organizations. Finally, these results provide the first glimpse of information about the charitable estate planning attitudes of those under age 50.

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