

Final Report

Submitted to the AFP/Legacy Leaders Planned Giving Research Grant Program

**Causes and correlates of charitable giving in estate planning: A cross-sectional and
longitudinal examination of older adults**

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Original Proposed Project Summary:

“The goal of this study is to develop an econometric model identifying social, economic, health, and environmental characteristics associated with the action of changing an estate plan to include (or exclude) a charitable component. This will be accomplished through longitudinal analysis of five waves (1996-2006) of the University of Michigan Health and Retirement Study (HRS). The HRS is a longitudinal study surveying more than 22,000 individuals in the United States over the age of 50 every two years. This study would be the first comprehensive longitudinal analysis of charitable bequest behavior among older adults. The results will provide direct benefit to planned giving professionals by uncovering the factors associated with adding (or removing) a charitable component to one’s estate plan. Knowing these factors will deepen our understanding of charitable bequest motivations as well as improve the potential for prospect targeting.”

RESULTS

The project successfully accomplished its goals by as described. The resulting publications now identify the impact of a variety of factors on having, adding, and removing a charitable estate component. The resulting study is now the first comprehensive longitudinal analysis of charitable bequest behavior among older adults.

Original Award Time and Project Costs

The original grant award was \$4,200 for the time period October 1, 2007 to March 1, 2009.

RESULTS

The project was completed seven months prior to the originally scheduled completion date. All grant funds were designated for researcher time; therefore, no additional enumeration of expenditures is listed.

Original Dissemination Plan

Two products will result from this study. First, a practitioner-focused article targeted for *Advancing Philanthropy* will describe how planned giving professionals can use the study's results in the daily work of the planned giving officer. Second, an article focused on an academic research journal will be prepared for submission to a relevant journal such as the *International Journal of Educational Advancement* or the *Nonprofit and Voluntary Sector Quarterly*.

RESULTS

The original dissemination plan has been met.

- **The enclosed academic paper has been accepted for publication in the *Nonprofit and Voluntary Sector Quarterly* pending minor revisions.**
- **The enclosed practitioner-focused summary article is targeted for publication in *Advancing Philanthropy* or, alternatively, publication on the AFP website.**

In addition,

- **The results of this study were presented at the Andrew Young School of Public Policy at Georgia State University in Atlanta, GA as part of their Nonprofit Studies Seminar Program.**
- **A proposal to present the results has been submitted for presentation at the 2009 Association of Fundraising Professional International Conference in New Orleans, LA.**

Practitioner Article Targeted for Advancing Philanthropy or AFP Website

New research findings on charitable estate planning

Who is likely to add (or remove) a planned charitable estate gift? When are they likely to do it? Until now, these questions could only be answered based on personal experiences or a handful of examples. New research, funded by a grant from the Association of Fundraising Professionals through support of Legacy Leaders, has now shed some light on these basic questions.

Previous research on the topic had used only post-mortem records or one-time surveys, but none had tracked individuals over a period of years. Russell James III, J.D., Ph.D., of the University of Georgia's Institute for Nonprofit Organizations authored the new report. "This study was the first nationally-representative, longitudinal analysis of charitable bequest behavior among older adults," explained Dr. James. The study was longitudinal, meaning that it followed the same group of individuals over several years. It tracked over 20,000 older Americans (over the age of 50) between 1995 and 2006 as part of a larger Health and Retirement Study.

The research attempted to answer three basic questions. Dr. James explained, "We wanted to know who had charitable estate plans, who added charitable estate plans, and who dropped charitable estate plans." Each of the three questions can have different relevance for planned giving professionals. For example, if you were working with a group of donors who had already named your organization in a will, you might be more interested in factors that increased the likelihood of removing a charitable estate component. But, if you were targeting prospective estate donors, you might want to

know who had charitable estate plans or who was likely to adopt a charitable estate plan in the near future.

The new study, soon to be published in the academic journal *Nonprofit and Voluntary Sector Quarterly*, produced important findings in three areas. The first finding was that charitable estate planning was not common. Among those over age 50 who were donating more than \$500 per year to charitable organizations, fewer than 9.5% had a charitable estate plan. Theoretically, some of these donors might add an estate gift before death. However, both age-mortality adjusted projections and the estate distributions from recently deceased study participants suggested that, ultimately, only 10% to 12% of donors will die with any charitable estate provision. Dr. James said, “For those who think the generational transfer will automatically flood their organizations with resources, it’s time to think again. Without putting in the hard work of generating these planned gifts, 90% of donor mortality will simply result in lost current giving.”

The second major finding was that the most dominant factor in predicting charitable estate planning was not wealth, income, education, or even current giving or volunteering. By far, the dominant predictor of charitable estate planning was the absence of children. Among current donors over age 50 who had already completed a will or trust, only 9.8% of those with grandchildren included a charitable component. For similar donors without any offspring, 50% had a charitable estate plan. This five-to-one ratio of charitable estate planning among childless individuals as compared to grandparents was also true among all seniors, all seniors with a will or trust, and all seniors who were current donors.

Share of Americans over 50 with a charitable testamentary provision				
Family Status	All	Current Donors	All with a Will/Trust	Current Donors with Will/Trust
No Offspring	19.1%	32.7%	36.4%	50.0%
Children Only	7.3%	10.9%	13.0%	17.1%
Grandchildren	4.1%	6.8%	7.2%	9.8%

While some connection between offspring and charitable estate giving was expected, the magnitude of the effect was surprising. Consider this comparison. Senior adult “A” makes substantial charitable gifts, volunteers regularly, and has grandchildren. Senior adult “B” doesn’t give to charity, doesn’t volunteer, and has no children. “A” and “B” are otherwise demographically and financially identical. Who is more likely to have a charitable estate plan? Answer: person “B” – by a wide margin. In fact, even if “A” had more income, or education, or assets, he is still less likely to leave a charitable estate gift than “B”. The table shows the effects of a variety of factors in predicting the likelihood that a senior adult will have a charitable estate plan.

Considering two otherwise demographically and financially identical senior adults, how does the likelihood of one of them having a charitable estate plan change if he or she:

1. Has a graduate degree (v. high school)	+4.2 percentage points
2. Gives at least \$500 per year to charity	+3.1 percentage points
3. Volunteers regularly	+2.0 percentage points
4. Has a college degree (v. high school)	+1.7 percentage points
5. Has been diagnosed with a stroke	+1.7 percentage points
6. Is ten years older	+1.2 percentage points
7. Has been diagnosed with cancer	+0.8 percentage points
8. Is married (v. unmarried)	+0.7 percentage points
9. Has been diagnosed with a heart condition	+0.4 percentage points
10. Attends church at least once per month	+0.2 percentage points
11. Has \$1,000,000 more in assets	+0.1 percentage points
12. Has \$100,000 per year more income	not significant
13. Is male (v. female)	not significant
14. Has only children (v. no offspring)	-2.8 percentage points
15. Has grandchildren (v. no offspring)	-10.5 percentage points

This strength of the relationship with childlessness may suggest a modification to standard strategies of targeting potential estate donors. Often fundraisers target their largest current donors first and work their way down according to annual giving level. While this strategy is still valid, it may be most effective if combined with a simultaneous strategy of identifying supporters without children.

Finally, the study examined those who either added or dropped a charitable estate provision during the tracking period. Altogether, 1,306 individuals reported dropping the charitable component of their estate plan during the course of the study. Conversely, 1,477 seniors reported adding a charitable component during the study. What factors accompanied these changes? Dropping a charitable estate plan was most strongly associated with becoming a grandparent. Similarly, becoming a parent for the first time significantly increased the likelihood of dropping a charitable estate plan. Another hint

that the charitable estate plan would be dropped was cessation of current giving. Finally, a substantial drop in self-reported health also increased the likelihood that the charitable component of an estate plan would be dropped.

Predicting a charitable estate planning change
The changes most likely to predict the removal of a charitable estate plan: <ol style="list-style-type: none">1. Becoming a grandparent2. Becoming a parent3. Stopping charitable giving4. A drop in self-reported health
The changes most likely to predict the addition of a charitable estate plan: <ol style="list-style-type: none">1. Starting to make charitable gifts2. An improvement in self-reported health3. An increase in assets

On the other hand, an increase in self-reported health increased the likelihood of adding a charitable estate component. In addition, a substantial increase in wealth raised the likelihood of adding a charitable estate component, as did beginning to make charitable gifts. Finally, the biggest factor that reduced the likelihood of adding a charitable estate plan was becoming a grandparent.

Oftentimes research studies confirm common sense impressions. Even so, such studies can separate common sense truth from common sense myth. These new findings on charitable estate planning provide a solid research-based foundation for fundraisers to develop their own day-to-day best practices for acquiring and retaining charitable estate donors.

Health, wealth, and charitable estate planning:

A longitudinal examination of testamentary charitable giving plans

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NOTE

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Families, wealth, and charitable estate planning:

A longitudinal examination of testamentary charitable giving plans

ABSTRACT

Anticipated generational wealth transfers hold much potential for nonprofits. However, a weighted cross-sectional analysis of 18,469 respondents in the 2006 Health and Retirement Study (HRS) and data from respondents dying between the 2004 and 2006 HRS waves indicated that 88%-90.5% of donors (>\$500/year) over the age of 50 will die without a charitable bequest. Cross-sectional probit analysis of the 2006 HRS and longitudinal conditional fixed-effects logistic analysis of the 1995-2006 HRS indicated that charitable estate planning was positively associated with age, wealth, education, religious attendance, volunteering, charitable giving, and the absence of children or grandchildren. In all specifications, the absence of children was a dominant predictor of charitable estate planning.

The coming generational transition promises both opportunity and risk for charitable organizations. As greater numbers of older donors pass away, the need to replace them with new donors will increase. Yet, the transmission of wealth through estate transfers also creates the possibility of increased charitable revenues from testamentary gifts. Understanding charitable estate giving can be problematic due to the lack of research on testamentary – rather than current – giving, and the substantial gap between testamentary document execution and gift receipt.

This paper presents findings of characteristics associated with charitable estate planning from a nationally representative longitudinal survey, the Health and Retirement Study (HRS), using both cross-sectional and longitudinal approaches. By presenting results from the first longitudinal analysis of testamentary charitable plans, this paper adds significantly to the understanding of this form of charitable giving.

LITERATURE REVIEW

Giving through bequests produces over \$22 billion in charitable contributions to American nonprofit organizations, nearly twice as much as all gifts from businesses and corporations (Giving USA Foundation, 2007). While bequests constitute about 8% of total charitable giving (Giving USA Foundation, 2007), certain organizations receive significantly greater proportions of their gift income from bequests. For example, colleges and universities in the 2003 Voluntary Support for Education survey reported that nearly one-quarter of all giving by individuals came from bequests (Council for Aid to Education, 2004). For other organizations with a strong emphasis on planned giving, this proportion can often be closer to 30% (Mann & Sharpe, 2004). Such testamentary gifting is expected to make a continued increase in coming years (Radcliff, 2002) as part of an overall growth in intergenerational transfers (Havens & Schervish, 1999; Havens & Schervish, 2003). While the trends are positive,

the potential could be far greater as a much smaller proportion of individuals leave charitable bequests than give regularly during their lifetimes (Sargeant, Hilton, & Wymer, 2005).

The making of charitable gifts during life has been the subject of a good deal of empirical and academic research (Bekkers & Wiepking, 2007; Steinberg, 1990). Economists in particular have completed much research examining current gifting and its implications for economic theory and tax policy (Clotfelter, 1985). However, academic research on the determinants of testamentary charitable giving has been much sparser. The practical difficulty in tracking testamentary intentions accounts for part of this relative scarcity. Current donations immediately couple the intention of giving with the receipt of the gift by the donor organization. Conversely, charitable organizations often have no knowledge of a revocable testamentary gift until many years after the making of the estate plan. While the cases of relatively minor current donors leaving substantial testamentary gifts have been common (Sargeant, et al., 2005), targeting such potential testamentary donors at the time when they are making testamentary decisions can be difficult.

Previous economic research on testamentary charitable giving has largely focused on the impact of estate taxes. In general, researchers have found that estate taxes increased both testamentary charitable giving (Bakija & Gale, 2003; Boskin, 1976; Clotfelter, 1985; Joulfaian, 1991, 2000; Kopczuk & Slemrod, 2003) and inter vivos charitable giving (Auten & Joulfaian, 1996; Greene & McClelland, 2001). As with many forms of giving, bequest giving was more common among the wealthy (Barthold & Plotnick, 1984; Havens & Schervish, 1999; Joulfaian, 2000). Perhaps due in part to the potential estate tax burden on large estates, the very wealthy who left charitable gifts also tended to leave a much larger proportion of their estates to charity (Boskin, 1976; Clotfelter, 1985; Havens & Schervish, 1999; Joulfaian, 2000). Further, as

children's income rose, the propensity for decedents to leave charitable bequests also increased (Auten & Joulfaian, 1996). Bequests to religious organizations have been particularly wealth inelastic (Barthold & Plotnick, 1984), which corresponds to findings of relative income inelasticity in current religious giving (James & Sharpe, 2007a).

Age has been positively associated with both current charitable gifts (Abrams & Schitz, 1978; James & Sharpe, 2007b; Kingma, 1989; Lankford & Wyckoff, 1991; Randolph, 1995) and the presence of estate planning documents (Edwards, 1991; Lee, 2000; Rossi & Rossi, 1990; Schwartz, 1993; Simon, Fellows, & Rau, 1982). However, in a study of Connecticut probate records from the 1930's and 1940's, Barthold and Plotnick (1984) did not find that the decedent's age influenced charitable bequests. They also found that the presence of a surviving spouse decreased charitable bequests. However, McNees (1973) found that charitable bequests tended to be lower for widowed decedents.

Sergeant, Hilton and Wymer (2005), examined donors from five charitable organizations. Their study analyzed surveys from 660 donors who indicated they had named one of the organizations in a bequest and 630 donors who had not so indicated. Within these five organizations, donors indicating they had made a bequest were more likely to be older, female and widowed. However, there was no significant income difference between donors who had joined the organizations' legacy group (indicating they had made a bequest), and donors who had not joined the group. Reflecting the difficulty of research in this area, 1/3 of the donors indicated that even if they had signed a bequest to the charity, they would not have chosen to reveal that information to the charity. Unfortunately, given the limited sample, the authors acknowledged that it would likely not be possible "to generalize the findings to the wider nonprofit community" (Sergeant et al., 2005, p. 218).

To this point, most sources of information on revocable testamentary giving have come from post mortem information on completed gifts. Such data sources include estate tax records, probate records, and surveys sent to charitable organizations such as the Giving USA survey (Giving USA Foundation, 2007) and the Council for Aid to Education (2004) Voluntary Support of Education survey. Information on attitudes of living donors who have made revocable testamentary dispositions have come from the National Committee on Planned Giving's (2001) survey and the National Survey of Giving and Volunteering (Chang, Okunade, & Kumar, 1999). However, these surveys were not longitudinal. Consequently, the ability to investigate what events may have triggered the decision to include or remove a revocable charitable gift has been limited. In particular, planned giving professionals may be interested in factors associated with a change in the estate plan to include or exclude a charitable beneficiary.

MODEL AND DATA

Model

Economists have modeled current charitable giving using a variety of approaches. One approach suggests that donors give the smallest possible amount necessary to ensure their use or benefit from some public good (Andreoni, 1990). Prestige models introduce others' perception of the donor's wealth into the donor's utility function, making charitable giving a means to project economic status (Glazer & Konrad, 1996). However, these models may not be directly applicable to the context of testamentary charitable giving, as any benefit coming to the individual from the testamentary charitable donation must take place prior to the transfer. While a few charities do offer recognition clubs for revocable testamentary gifts, these clubs rarely provide substantial direct economic benefit, and any prestige is tempered by the reality that

anyone may make (and subsequently revoke) a revocable testamentary gift without any actual transfer ever taking place.

In the absence of direct benefit or prestige, it seems more appropriate to consider a model where the donor truly cares about the future well-being of the potential recipients. In other words, a future-oriented interdependent utility function may motivate the testamentary donor. In such a circumstance, the intent of making an estate plan will be a function of the testator's utility interdependence, estate size, expected time until death, and alternative beneficiaries. A change in one of these factors would result in a change in the value of a particular estate plan.

Data

This examination used data from the 1995-2006 HRS. The HRS is a panel study of Americans over the age of 50 that has included over 26,000 individuals. Initially beginning as two separate panels, the original HRS and the Study of Asset and Health Dynamics among the Oldest Old (AHEAD) merged in 1998 to form a single HRS panel. To maintain the ability to represent Americans over the age of 50, the HRS adds a new young cohort every six years, the most recent in 2004. The HRS has been used to estimate the impact of estate taxes on current giving (Greene & McClellan, 2001), the interconnectivity of receiving bequests from parents and leaving bequests to children (Cox & Stark, 2005), and the impact of life events on the initial decision to adopt a will or trust (Palmer, Bhargava, & Hong, 2006). For a study on testamentary giving plans, limiting the population to those over 50 is reasonable. Any charitable benefit from younger aged planning would be less certain due to the longer expected time until death and the potential for intervening plan changes.

Since 1995 in AHEAD and 1996 in the original HRS, these surveys have included a question about the charitable component of the respondent's estate plan. Respondents were first

asked, “Do you currently have a will that is written and witnessed?” The following analyses grouped those who responded by reporting a will only, a will and a trust, or a trust only into a single category of having a will/trust. Respondents with any of these estate documents were later asked, “Have you made provisions for any charities in your will or trust?” Thus, the following analyses examine the presence of a charitable component in the estate plan, rather than the level of gift or the specific organizations named.

METHODS AND RESULTS

Descriptive statistics - Methods

Table 1 reports variable means from 18,469 respondents in the 2006 HRS weighted to project to a national sample of U.S. adults over the age of 50. It includes descriptive statistics for all individuals, individuals with no will/trust, individuals with a will/trust without a charitable provision, and individuals with a charitable will/trust provision.

Asset and income variables included all forms of assets and income for the respondent’s household. The volunteer variable indicates that in the previous twelve months the respondent has spent time “doing volunteer work for religious, educational, health-related or other charitable organizations.” The charitable donor variable indicates that in the previous twelve months the donor gave “money, property, or possessions totaling \$500 or more to religious or other charitable organizations.” The education variables reflect the respondent’s highest level of education with “college graduate” referring to the bachelor’s degree (16 years of education) and “post college” indicating the presence of any education beyond the bachelor’s degree whether or not an additional degree was obtained. Monthly religious attendance is an estimated figure based upon the categorical responses of attending more than once a week (~8 times per month), once a

week (~4 times per month), two or three times a month (~2.5 times per month), one or more times a year (~1 time per month), and not at all (0).

Health ratings reflect the respondent's answer to the question, "Would you say your health is excellent, very good, good, fair, or poor?" For the regressions, these ratings are condensed into a single health variable scaled as poor health (1), fair health (2), good health (3), very good health (4), and excellent health (5). The "cancer" variable indicates a positive response to the question "Has a doctor ever told you that you have cancer or a malignant tumor, excluding minor skin cancer?" Similarly, "heart condition" reflects a positive answer to the question, "Has a doctor ever told you that you had a heart attack, coronary heart disease, angina, congestive heart failure, or other heart problems?" Finally, "stroke" indicates a positive response to the question, "Has a doctor ever told you that you had a stroke?" or a volunteered response indicating a previous possible stroke or TIA (transient ischemic attack).

[INSERT TABLE 1]

Descriptive statistics - Results

In general, those with a will or trust have markers of higher socio-economic status than those without a will or trust. Similarly, those with a charitable component in their estate plan have markers of higher socio-economic status than those with a will or trust lacking a charitable component. As one's assets increase, the need for estate planning documents increases, not only due to the economic importance of the estate, but also because of the increased likelihood of estate tax considerations. Several estate tax avoidance mechanisms are readily available, but these require the existence of estate planning documents. Further, the higher marginal estate tax rate for larger estates may increase the attractiveness of charitable estate gifts.

Those with planned testamentary gifts also attended religious services more frequently than did others. Perhaps corresponding to their higher income levels, those with planned gifts were less likely to report poor health and more likely to report excellent health. Interestingly, this self-report did not correspond with the frequency of previous diagnosis with cancer, heart disease, or stroke. Planned testamentary donors had similar rates of heart disease and stroke but significantly higher rates of previous cancer diagnosis.

Those with testamentary gift plans were significantly more likely to have volunteered or made current donations of \$500 or more in the previous year than were others. Nevertheless, 90.6% of donors giving \$500 or more to charity did not have a charitable estate plan. Though not reported in the table, the proportion of current donors with a charitable estate plan varied with age. Examining different age decades, the age range (and proportion of donors with no charitable estate component) was 50-59 (92.2%), 60-69 (92.6%), 70-79 (89.6%), 80-89 (85.5%), 90+ (81.1%). Calculating the impact of this age-related variation in charitable planning, the weighted population at each individual age (topcoded at age 99), and the gender and age-adjusted probability of death (Social Security Administration, 2007) suggests that 88.04% of current donors aged 50 and above dying in any given year would die with no charitable estate component.

While these numbers are only projections, they also approximate the most recent experiences of this panel group. Following the 2004 HRS wave, 326 of the respondents who had indicated making current charitable gifts in excess of \$500 per year died. During the 2006 HRS wave, interviews with surviving family members or caretakers revealed that 295 of these individual's estates included no charitable beneficiary. Only 31 estates did have a charitable beneficiary. Thus, among respondents making charitable gifts in the 2004 wave who died prior

to the 2006 wave, 90.49% left no charitable estate gifts. For these donors, their death apparently resulted in an uncompensated loss of income for their supported charities.

Probit analysis (cross-sectional) - Method

The weighted probit analyses in Table 2 used data from the 2006 HRS only. Household income and asset variables were measured in \$100,000 units to aid coefficient readability. The education variables were measured against a reference category of high school graduate. A reference category of no children is compared against two dummy variables of “children with grandchildren” and “children without grandchildren.”

The outcome variable is 1 if the individual indicated the presence of a charitable estate provision in the 2006 survey, and otherwise is 0. The probit regression provides one approach to modeling such binary outcome variables. While it is also possible to use a linear probability model, this can produce results outside the range of the possible (i.e., a predicted probability of occurrence greater than 1 or less than 0). This problem does not occur with the probit model because of its use of the cumulative distribution function of the standard normal distribution within the functional form.

1

The probit analysis in Table 2 reports both the probit coefficients and the estimated probability changes associated each independent variable.² The latter estimates the change in the probability of having a charitable estate plan resulting from a one-unit change in the independent variable (assuming that all other independent variables were equal to the sample mean for each variable). The probit analyses in Table 2 were weighted to project to the national population of individuals over age 50. Weights were rescaled to have a mean of one in order to prevent artificial deflation of standard errors.

Because having a charitable testamentary provision requires the existence of a valid will or trust, some variables may be associated with the outcome variable primarily through a connection with having an estate plan, rather than through a separate connection with having a charitable provision. In order to investigate this possibility, Table 2 reports one probit analysis for the population as a whole, and one limited to individuals with a valid will or trust.

Probit analysis (cross-sectional) - Results

[INSERT TABLE 2]

Table 2 reports the results from a probit analysis measuring the likelihood of having a charitable estate plan, first among all respondents and then among only those respondents with a will or trust. The most dramatic impact in both specifications resulted from the presence or absence of children. Children are, to use the legal term, “natural objects of bounty.” In the absence of these natural recipients of estate funds, it is more likely for a testator to consider charitable estate gifts. While the negative association between children and charitable estate provisions may not be surprising, the magnitude is certainly notable. For example, an individual with children and grandchildren, even one who both volunteered and made annual charitable donations greater than \$500, was still less likely to leave a charitable estate gift than was a similarly situated non-donor, non-volunteer with no children.

As expected, both charitable giving and volunteering were associated with a higher probability of leaving a charitable estate gift. Although an income difference existed in the descriptive statistics, income was not a significant factor in predicting charitable estate planning among the population as a whole. However, income was significantly associated with a charitable estate plan when the analysis was restricted to those with an estate plan. In both specifications total assets were a significant factor, but not of overwhelming magnitude.

Minority racial status may be associated with the absence of a charitable estate plan largely through its association with a lack of planning. Both black and Hispanic racial statuses were associated with a significantly lower likelihood of charitable planning among the general population, but not among those with existing estate plans. This may suggest that the primary barrier for minority estate gifts was not donative preference, but the planning process itself.

Corresponding with descriptions in Table 1, the frequency of religious attendance was positively associated with charitable estate planning. While having higher self-reported health was positively associated with charitable estate planning, so was a previous diagnosis of a stroke as was, for the sample as a whole, a previous diagnosis of cancer. In an alternative specification where former diagnoses of stroke, heart condition, and cancer were not included, self-reported health became insignificant for individuals with a will/trust, but remained significant and positive for all individuals. An association between self-reported health and charitable estate giving could reflect a connection between optimism and philanthropy, or a connection between perceived health and projected future wealth.

Fixed effects conditional logistic regression (longitudinal) - Method

Table 3 reports results from three fixed effects conditional logistic regressions. The data analyzed contained up to six observations for each respondent from the years 1995 or 1996, 1998, 2000, 2002, 2004, and 2006. (As discussed above, because the HRS and AHEAD panels merged in 1998, a respondent could be in either the 1995 AHEAD or 1996 HRS panel, but not in both.)

A fixed effects approach is a within-subject comparison, evaluating factors associated with changes to the outcome variable occurring in the same individual at different points in time. A popular alternative to a fixed effects approach is a random effects model. Random effects

models consider across-person variation over time, but do not control for stable characteristics of individuals, except to the extent that these controls are introduced as independent variables.

Most commonly, the choice between a fixed effects or random effects approach is guided by the results of a Hausman test (Hausman, 1978; Owusu-Gyapong, 1986). The Hausman test results reported in Table 3 indicates that a random effects model using this set of independent variables would likely produce inconsistent coefficients, suggesting the use of a fixed effects approach.

One benefit to the fixed effects approach is that it automatically controls for all stable (time invariant) characteristics of individuals in the study, thus removing potentially large sources of bias (Allison, 2005). For example, an innate tendency to focus on the future might be associated with both homeownership and charitable estate planning. In that case, examining differences across individuals may lead to a spurious conclusion about the effects of homeownership. However, examining changes over time within the same individual would eliminate the impact of an unmeasured underlying characteristic such as future-orientation, if it were a stable characteristic. The fixed effects analysis excludes these time invariant factors because it compares an individual only with the individual herself, but at different times (Wilsgaard & Arnesen, 2007).

Applying this fixed effects approach to a logistic analysis requires a conditional likelihood estimation (Chamberlain, 1980), where the analysis is conditioned on the presence of a change in the dependent variable (Chay & Hyslop, 1998). In essence, the analysis considers only those individuals who, at some point during the panel, either added or removed a charitable estate component. Certain conditions that were associated with times of having a charitable estate plan, but were not associated with times of not having a charitable estate plan (or vice-versa), could be causes or correlates of charitable estate planning. To examine further the issue

of triggering events, two additional analyses are also included. These consider the timing of the act of adding (or dropping) the charitable testamentary component, among those who made an addition (or removal) during the period of examination. Thus, the outcome variable is one if a charitable testamentary component was added in that wave (or, for the second analysis, dropped in that wave), and zero otherwise.

The combination of analytical approaches may help to paint a more complete picture. Where the cross-sectional probit analysis examines differences between testamentary donors and non-donors, the fixed effects cumulative logistic regression compares years when particular individuals had (or changed) a charitable estate planning component with years when they did not. Thus, the probit analysis suggests factors associated with individuals who have a charitable estate component while the fixed effects results suggests factors associated with the timing of adding or dropping a charitable component (among those who made such changes).

Independent variables. Because the fixed effects conditional logistic approach examines the association of within-person changes in independent variables with within-person changes in the outcome of interest, any independent variables that do not change over time cannot be meaningfully included. Consequently, racial status and gender are excluded from this analysis. Age is also excluded because its change is constant over time. Although changes in education level for people over 50 do occur, these changes are rare, making education variables poor candidates for inclusion. The volunteer variable appears in all panel waves except the 1995 wave. As a result, the volunteer variable reported by those individuals in the following wave (1998) is used as a proxy variable for 1995 volunteer status. Monthly religious attendance is not included in the longitudinal analysis because the question did not appear in many earlier waves of the panel.

Outcome variables. The fixed effects conditional logistic analysis makes comparisons within a particular individual, of years when the outcome variable was positive with years in which the outcome was negative. Because this comparison is not possible for individuals who never experienced a change in the outcome variable, they cannot be meaningfully included in the fixed effects analysis. The longitudinal analyses employed three different outcome variables. The first was a dummy variable indicating the presence (1) or absence (0) of a charitable testamentary provision in each wave. The second analysis used a dummy variable indicating whether the individual added a charitable testamentary component in that wave. This occurred if the individual reported a charitable testamentary component after reporting not having had a charitable testamentary component in his or her most recent previous report. The third analysis employed a similar dummy variable indicating if the individual removed a charitable testamentary component in that wave.

Several issues motivated these separate analyses of additions and removals. While the initial approach treated adding and removing a charitable component as inversely equivalent events, they are quite different from a fundraising perspective. For the development officer seeking to retain the revocable gifts of those donors in a planned giving recognition group, factors associated with dropping a charitable plan may be most pertinent. Conversely, the fundraiser seeking to encourage current donors to add a testamentary gift will be more interested in those factors associated with adding a charitable plan. Because the first analysis combined the effects of both adding and removing, it may not be possible to tell whether a factor was driving the result through new charitable components, dropped charitable components, or both.

The combined analysis may also mask the effects of trigger events that simultaneously increased the likelihood of both dropping and adding a charitable provision. Such trigger events

could cause individuals to rethink their current estate plans, increasing the likelihood of either change type. While the combined effect may have been statistically insignificant in the first analysis, the event itself may have been a highly significant indicator of both types of change, and thus of importance to fundraisers.

Fixed effects conditional logistic regression (longitudinal) - Results

[INSERT TABLE 3]

Table 3 reports results from a longitudinal examination of the presence of the charitable component, the addition of a charitable component, and the removal of a charitable component. The first column reports results when the outcome variable was the presence of a charitable estate component. In general, most of the significant time-varying factors in the cross-sectional probit analysis displayed similar relationships in this first longitudinal analysis (although the p-values are generally larger for the fixed effects approach, as so many observations are excluded).

Just as in the cross-sectional analysis, the largest coefficients in column 1 relate to the presence of children or grandchildren. Volunteering and giving to charity also had similarly positive relationships with charitable testamentary plans. Income, which was statistically significant in only one of the two probit models, was not significant in any fixed effects model. However, assets were positively related to charitable testamentary planning in the first two fixed effects models as well as both cross-sectional models. Positive relationships in both cross-sectional and fixed effects results were also found for homeownership and previous diagnosis with cancer. However, neither health rating nor stroke were statistically significant in the longitudinal analysis, although both were positive and significant in the cross-sectional analysis. Marriage, which was significantly positive in one of the probit analyses, had a negative relationship with charitable estate planning in the first fixed effects analysis.

The second two longitudinal analyses separately examined charitable additions and removals. This approach served two purposes. First, it indicated those factors that may have been triggers for additions or deletions. Second, it may have indicated whether the impact of a variable on the presence of the testamentary charitable component was being driven by charitable additions, subtractions, or both.

All factors that were significant for the timing of both additions and deletions had the expected opposite signs for the relationships with these two outcomes. However, in some cases, only one of the two effects was statistically significant. So, for example, the negative relationship between grandchildren and charitable testamentary plans appears to be explained by its positive impact on dropping an existing charitable component, more so than by its negative impact on adding a charitable component.

The most important triggers for dropping the charitable component were the presence of grandchildren and children, while the factors most likely to prevent such a drop were current charitable giving and a positive health rating. Similarly, the most important triggers for adding a charitable component were charitable current charitable giving and a positive health rating, while the factor most likely to prevent such an addition was the presence of children.

DISCUSSION

The interdependent utility approach to estate planning suggests that the utility from an estate plan is dependent upon the testator's estate size, expected time until death, utility interdependence, and alternative beneficiaries. Both cross-sectional and longitudinal analyses appear consistent with the idea that these factors affect charitable estate planning.

However, the presence of children or grandchildren, the most natural potentially competing beneficiaries for intergenerational transfers, was the most dominant factor in

predicted charitable testamentary planning across all analyses. In every specification, the presence of children or grandchildren was the largest influencer of the presence of charitable estate giving (usually by a dramatic margin).

[INSERT TABLE 4]

In a further demonstration of the strength of this relationship, Table 4 reports the proportion of individuals with a charitable testamentary component according to the presence of children or grandchildren. Among current donors with a will or trust, fully half of those with no children or grandchildren included a charitable provision. Conversely, only 9.8% of current donors with a will or trust who had grandchildren included any charitable provision. Thus, in the category of donors with a will or trust, respondents with no offspring were 5 times more likely to have a charitable provision as compared to those with grandchildren. This same comparative ratio held roughly true for all other groupings including all donors, all individuals with a will or trust, and the projected population as a whole. While childless individuals constituted only 7.8% of the over 50 population, they accounted for 25.6% of all charitable testamentary plans. Although other factors may also be of interest, for the fundraiser interested in targeting those most likely to have, most likely to add, and least likely to remove, a charitable testamentary component, no other indicator is as strong as childlessness.

The next strongest correlates were those factors reflecting an increased utility interdependence with charitable recipients, i.e., volunteering or donating. These were also associated with an increased likelihood of charitable estate planning in both cross-sectional and longitudinal analyses. Total assets were also a consistently significant positive predictor of testamentary giving across most specifications, although often of far more limited impact. Conversely, income was insignificant in every regression excepting only the cross-sectional

analysis of individuals with a will or trust. This is consistent with the proposed interdependent utility approach as the utility of these estate transfers depends, in part, on the size of the estate. Income, however, has no impact on the utility of such transfers except to the extent that it increases assets or makes planning fees more easily affordable.

An interdependent utility model also predicts an increased value for estate planning as expected mortality increased. Factors affecting the perceived mortality risk such as cancer, heart condition, or stroke were of the expected sign when significant, but were often not statistically significant. While a previous diagnosis with cancer was associated with charitable estate planning in one of the cross-sectional and one of the longitudinal specifications, it was insignificant for the others. Similarly, although a previous diagnosis of stroke was positively associated with charitable estate planning in both cross-sectional specifications, it was not statistically significant in any longitudinal analysis. Previous diagnosis with a heart condition was never statistically significant in any of the models.

CONCLUSION

While some have characterized the upcoming generational change as promising a massive transfer of estate wealth to charitable organizations (Global Business Network, 2002), the real picture may be more complex. The generational substitution resulting from this change could have a negative effect on current charitable giving. After adjusting for life cycle and income differences, the pre-baby boom generation has been a significantly more generous cohort than baby boomers (Wilhelm, Rooney, & Tempel, 2007). Moreover, as reported in Table 1, only 9.4% of current charitable donors (>\$500/year) over the age of 50 have a charitable component in their estate plan. Ultimately, both age-mortality adjusted projections and the experience of panel members dying between the two most recent waves suggest that approximately 88% to

90% of such donors will die without a charitable estate plan. Thus, for nearly 90% of current donors, their death will result only in a loss of current charitable giving, not in any transfer of estate wealth to charity. This absence of charitable estate planning suggests the importance of more effectively targeting potential estate donors, rather than simply assuming the existence of a forthcoming wealth transfer to charitable organizations. Both the aging of the large baby boom cohort and the increased incidence of childlessness in subsequent generations (DeOllos & Kapinus, 2002) speak to the great potential of future charitable estate planning. However, the current widespread lack of charitable estate planning by older donors suggests that, without changes, much of this potential may never be realized.

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TABLE 1
 Descriptive Statistics 2006 Health and Retirement Study
 Weighted Mean (Standard Error)

Variable	All	No Will/ Trust	Will/Trust with No Charitable Component	Will/Trust with Charitable Component
Household income [median in brackets]	\$77,341 (\$3,037) [\$43,000]	\$65,638*** (\$5,958) [\$35,400]	\$77,078 (\$1,298) [\$47,228]	\$169,369*** (\$24,494) [\$67,780]
Household assets [median in brackets]	\$597,149 (\$20,232) [\$210,800]	\$306,644*** (\$25,102) [\$90,700]	\$733,015*** (\$27,014) [\$339,000]	\$1,628,215*** (\$178,450) [\$589,000]
Age	64.5 (0.08)	61.2*** (0.10)	67.1*** (0.11)	66.2*** (0.36)
Male	45.6% (0.37%)	46.8% (0.55%)	44.4% (0.52%)	47.2% (0.02%)
Married	66.7% (0.35%)	63.3%*** (0.53%)	69.2%*** (0.48%)	70.7% (0.01%)
Children	3.0 (0.01)	3.2*** (0.02)	3.0 (0.02)	2.2*** (0.06)
Grandchildren	4.7 (0.04)	5.0*** (0.06)	4.6 (0.05)	3.1*** (0.14)
Volunteer	34.6% (0.35%)	26.7%*** (0.49%)	38.6%*** (0.51%)	60.2%*** (1.57%)
Charity (>\$500)	49.5% (0.37%)	36.7%*** (0.53%)	57.1%*** (0.51%)	81.2%*** (1.25%)
Education				
<High school	19.5% (0.29%)	27.8%*** (0.49%)	13.7%*** (0.36%)	6.7%*** (0.80%)
High school	32.6% (0.34%)	33.1% (0.52%)	33.5% (0.49%)	21.5%*** (1.32%)
Some college	22.4% (0.31%)	21.9%*** (0.46%)	23.1% (0.44%)	20.6% (1.30%)
College graduate	11.9% (0.24%)	8.62%*** (0.31%)	14.2%*** (0.36%)	17.8%*** (1.23%)
Post college	13.1% (0.25%)	07.8%*** (0.30%)	15.3%*** (0.37%)	33.0%*** (1.51%)
Black (non- Hispanic)	9.2% (0.21%)	16.4%*** (0.41%)	3.5%*** (0.19%)	3.0%*** (0.54%)
White (non- Hispanic)	81.1% (0.29%)	66.7%*** (0.52%)	92.2%*** (0.28%)	94.4%*** (0.74%)
Hispanic	7.2% (0.19%)	13.1%*** (0.37%)	2.7%*** (0.17%)	01.9%*** (0.44%)
Homeowner	72.7%	63.2%***	79.7%***	84.4%***

	(0.33%)	(0.53%)	(0.42%)	(1.16%)
Monthly religious attendance	2.62 (0.02)	2.36***	2.74***	3.44***
		(0.03)	(0.03)	(0.09)
Excellent health	12.7%	10.3%***	14.0%***	20.5%***
	(0.25%)	(0.33%)	(0.36%)	(1.30%)
Very good health	30.6%	25.9%***	34.0%***	36.8%***
	(0.34%)	(0.48%)	(0.49%)	(1.55%)
Good health	29.9%	30.6%	29.6%	27.4%
	(0.34%)	(0.51%)	(0.47%)	(1.43%)
Fair health	19.0%	23.1%***	16.4%***	11.2%***
	(0.29%)	(0.46%)	(0.39%)	(1.01%)
Poor health	07.7%	10.2%***	6.0%***	4.2%***
	(0.20%)	(0.33%)	(0.25%)	(0.64%)
Cancer	13.4%	9.7%***	16.1%***	17.7%***
	(0.25%)	(0.33%)	(0.38%)	(1.23%)
Heart condition	23.4%	20.8%***	25.6%***	23.2%
	(0.31%)	(0.45%)	(0.45%)	(1.35%)
Stroke	6.3%	6.3%	6.2%	06.7%
	(0.18%)	(0.27%)	(0.25%)	(0.8%)
% with a will/trust	56.1%	0%	100%	100%
	(0.37%)			
% with a charitable will/trust provision	5.7%	0%	0%	100%
	(0.17%)			
% of charitable donors with a charitable provision	9.4%	--	--	--
	(0.31%)			
n (unweighted)	18469	8251	9244	974

Note. *** t-test indicates difference from the rest of sample is significant at the p<.001 level

TABLE 2
Likelihood of Having a Charitable Provision in the Will or Trust
Weighted Probit Analysis of 2006 Health and Retirement Study

Variable	<u>All Individuals</u>		<u>Individuals with a will/trust</u>	
	Coefficient (standard error)	Δ in est. probability [at sample means]	Coefficient (standard error)	Δ in est. probability [at sample means]
Children w/ grandchildren	-0.9605*** (0.0501)	-0.1052	-1.1501*** (0.0568)	-0.2452
Children w/o grandchildren	-0.6929*** (0.058)	-0.0287	-0.8608*** (0.0656)	-0.0757
Volunteer	0.2855*** (0.0394)	0.0202	0.2476*** (0.0422)	0.0353
Charity	0.4570*** (0.0439)	0.0307	0.3989*** (0.0478)	0.0525
Income (100k)	0.0015 (0.0027)	0.0001	0.0453*** (0.0109)	0.0064
Assets (100k)	0.0020*** (0.0005)	0.0001	0.0019*** (0.0005)	0.0003
Age	0.0185*** (0.0019)	0.0012	0.0089*** (0.0021)	0.0012
Married	0.1132** (0.0436)	0.007	0.0615 (0.0476)	0.0083
Male	-0.0620 (0.0366)	-0.0039	-0.0337 (0.0398)	-0.0046
<High School	-0.1458* (0.068)	-0.0087	-0.0851 (0.0744)	-0.0112
Some college	0.1131* (0.0503)	0.0077	0.0853 (0.0547)	0.0121
College graduate	0.2211*** (0.0557)	0.0168	0.1246* (0.0601)	0.0182
Post college	0.4658*** (0.0519)	0.0424	0.3506*** (0.0567)	0.0572
Black	-0.4648*** (0.0896)	-0.022	-0.1607 (0.1095)	-0.0198
Hispanic	-0.2907** (0.109)	-0.015	-0.0335 (0.133)	-0.0045
Homeowner	0.1356** (0.0471)	0.0083	0.059 (0.0516)	0.0079
Monthly religious attendance	0.0277*** (0.0072)	0.0018	0.0326*** (0.0078)	0.0046
Health rating	0.0640*** (0.0184)	0.0044	0.0405* (0.0201)	0.0047

Cancer	0.1092* (0.0485)	0.0078	0.0556 (0.051)	0.0078
Heart condition	0.0574 (0.0445)	0.0039	0.0193 (0.0478)	0.0027
Stroke	0.2168** (0.0719)	0.0171	0.2343** (0.0779)	0.0369
Intercept	-3.0569*** (0.1597)		-1.8269*** (0.1819)	-0.0712
Original n	18,469		10,218	
n used	16,914		9,624	
n missing values	1,555		594	
log likelihood	-3075.87		-2726.19	

Note. The marginal effects for the group including all individuals were calculated using the means for all individuals in the sample. The marginal effects for the group including only individuals with a will/trust were calculated using the means only for individuals in the sample with a will/trust.

* p-value <.05, **<.01, ***<.001

TABLE 3
Tracking Changes to the Charitable Component of a Will/Trust
Conditional Fixed Effects Logistic Regression (Health and Retirement Study 1995-2006)

Independent Variable	Presence of charitable component (among those who changed)	Timing of charitable addition (among those who added)	Timing of charitable drop (among those who dropped)
Children w/ grandchildren	-0.4743* (0.1961)	-0.3530 (0.2413)	0.7226* (0.2997)
Children w/o grandchildren	-0.4921* (0.2128)	-0.4641 [†] (0.2732)	0.6111 [†] (0.3200)
Volunteer	0.2387*** (0.0685)	0.1095 (0.0856)	-0.1329 (0.0903)
Charity	0.2642*** (0.0715)	0.1531 [†] (0.0882)	-0.1198* (0.0934)
Income (100k)	0.0174 (0.0154)	0.0076 (0.0228)	0.0008 (0.0201)
Assets (100k)	0.0047* (0.002)	0.0061** (0.0023)	-0.0020 (0.0025)
Married ^a	-0.2233 [†] (0.117)	-0.1107 (0.1533)	-0.2182 (0.1594)
Homeowner	0.1708 [†] (0.0997)	-0.0004 (0.1316)	-0.2077 (0.1313)
Health rating	0.0350 (0.0345)	0.0927* (0.0446)	-0.0768 [†] (0.0461)
Cancer	0.3083* (0.135)	0.2134 (0.1738)	-0.0294 (0.1830)
Heart condition	0.1964 (0.1025)	0.1379 (0.1361)	0.1248 (0.1466)
Stroke	0.1152 (0.1549)	0.0002 (0.1949)	-0.0120 (0.2095)
Log likelihood	-3530.22	-2226.59	-1963.61
Hausman test for random effects χ^2	915.73***	166.85***	273.03***
Individuals with outcome change	1951	1477	1306
Total observations	9676	6523	5768

Note. [†] p-value <.10, *<.05, **<.01, ***<.001

^a During the panel, 13.5% of respondents reported a marital status change. Of these, 51.9% were due to divorce, 20.2% were due to death of a spouse, and 17.9% were due to marriage.

TABLE 4

Proportion of Individuals with a Charitable Testamentary Provision
 2006 Health and Retirement Study (n=18,469) Weighted

Family Status	All	Current Donors	All with Will/Trust	Current Donors with Will/Trust
No Offspring	19.1%	32.7%	36.4%	50.0%
Children Only	7.3%	10.9%	13.0%	17.1%
Grandchildren	4.1%	6.8%	7.2%	9.8%

Note. All differences between family status groups in each category are significant at $p < .0001$

NOTES

¹ See Griffiths, Hill, and Judge (1993) for a more complete explanation. One way to think of the probit analysis is to imagine an underlying variable that indicates one's tendency towards having a charitable testamentary gift ($Y^* = \mathbf{x}'\boldsymbol{\beta} + \varepsilon$). Here, Y is a binary variable indicating whether or not a person provides a testamentary gift and Y^* reflects the (unobserved) net tendency of making such a gift. When the underlying variable is not positive, no testamentary gift planning will take place ($Y=0$ if $Y^* \leq 0$). When it is positive, there will be a charitable estate gift ($Y=1$ if $Y^* > 0$). If the relationship between this underlying variable and the independent variables has an error term with a standard normal distribution, then the probability that a charitable estate plan will be present can be represented by projecting the independent variables and coefficients onto a cumulative distribution function of the standard normal distribution (Griffiths, Hill, & Judge, 1993). (This is symbolized as $\Phi(\mathbf{x}'\boldsymbol{\beta})$, where Φ is the cumulative distribution function of the standard normal distribution.)

² The probit coefficients are converted to estimated probability changes by setting the vector \mathbf{x}_i in $\Phi(\mathbf{x}'\boldsymbol{\beta})$ at the sample mean of \mathbf{x}_i and varying the independent variable of interest, x_i .