

# Charitable bequests

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## Background

Charitable bequests (i.e., money, shares, property or other items left to a charity via a Will) are an important source of income for Australian charities. In 2017, gifts from Wills accounted for approximately 20 per cent of charities income<sup>i</sup>. With Australia's ageing population, this proportion is expected to increase in coming years<sup>ii</sup>.

To support Australian charities to deliver their important work, the Department of Social Services (DSS), acting on behalf of the Prime Minister's Community Business Partnership, commissioned the Behavioural Economics Team of the Australian Government (BETA) to investigate ways of encouraging charitable bequests in Australia.

Around 15 per cent of Australians plan to include a charity in their Will<sup>iii</sup>, but less than half follow through with that intention. In 2017, just 7.4 per cent of adults with a Will indicated they left a gift to a charity<sup>iv</sup>. This figure is largely consistent with earlier research, suggesting the level of charitable bequests has remained largely unchanged over the last 15 years<sup>v</sup>.

## What we found

To better understand why some people do not follow through with their intentions, BETA conducted a literature review and interviewed legal professionals, estate planners, charities and public trustees.

Charitable bequests are driven by altruistic motivations, warm glow effect (donating for the purpose of feeling personally satisfied), status associated with making a donation, and reciprocity. Common reasons cited for choosing a particular charity include personal or familial connection to the charity, religious affiliation, charity reputation and perceived ability to effect change.

Older Australians are the ones who typically include a charity in their Will<sup>vi</sup>. Wealth does not seem to be a driver of charitable bequests<sup>vii</sup>, however absence of family is<sup>viii</sup>. Bequests are more likely when a donor either has no children, or feels that their children have been adequately provided for. Those who have children and still want to leave a bequest, often consider charities in conjunction with family or as alternative beneficiaries (i.e. if nominated beneficiaries die before the Will is executed).

To help explain the mismatch between intentions and actions, we identify three types of barriers that impede charitable bequests:

1. **Informational barriers:** People are often unaware that including a charity in their Will is an option. There is also a lack of understanding of familial obligation when drafting a Will (dependants must be provided for) and the impact these requirements have on including a charity<sup>ix</sup>.

2. **Structural barriers:** Many people perceive including a charity as a difficult, time consuming and costly process, especially if it would require them to update an existing Will. Unless the testator's lawyer raises the option of adding a charitable bequest during the drafting process and explains the required steps, many people who are aware of the possibility of including a bequest may assume the process is too difficult or costly to be worth their time.
3. **Behavioural barriers:** We found people do not like uncertainty, and as a result many choose to delay including a charity until they are more certain of their financial position, particularly if prospective donor/s have family members they would like to provide for in their Will. It is also common behaviour to postpone engaging in difficult and unpleasant tasks, such as considering one's mortality and legacy.

To help donors navigate these barriers, charities should consider applying behavioral science concepts to their communication materials. In the attached document we provide an overview of relevant behavioural concepts and demonstrate how they may help donors follow through with their intentions.

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<sup>i</sup> Include a Charity, 2017. *Survey Results FY16/17*, s.l.: s.n..

<sup>ii</sup> McGregor-Lowndes, M. & Hannah, F., 2008. *Every player wins a prize? Family provision applications and bequests to charity*, Brisbane, Queensland: The Australian Centre for Philanthropy and Nonprofit Studies.

<sup>iii</sup> Include a Charity, 2013. *Solicitor Research*, s.l.: Include a Charity.

<sup>iv</sup> McGregor-Lowndes, Myles, Marie Crittall, Denise Conroy and Robyn Keast with Christopher Baker, Jo Barraket and Wendy Scaife. 2017. Individual giving and volunteering. Giving Australia 2016 report series commissioned by the Australian Government Department of Social Services. Brisbane, Queensland: The Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, Centre for Social Impact Swinburne, Swinburne University of Technology and the Centre for Corporate Public Affairs.

<sup>v</sup> A 2005 survey by Giving Australia found approximately 7.5 per cent of those with a Will left a bequest to a charity (Australian Council of Social Service, 2005. *Giving Australia: Research on Philanthropy in Australia Summary of Findings*, s.l.: s.n.). A review of probate records processed in 2006 found 5.4 per cent of all probated records included a charitable bequest. In cases where there is no surviving spouse, but a Will has been completed, 7 per cent of records included a gift to a charity (Baker, C. & Gilding, M., 2011. Inheritance in Australia: Family and charitable distributions from personal estates. *Australian Journal of Social Issues*, 46(3), pp. 273-289), A 2014 Australia-wide review of probate records found 6.5 per cent of records included a charitable bequest, and a further 1.4 per cent included a contingent bequest (which would only occur if a specific condition was met) (Baker, C., 2014. *Encouraging Charitable Bequests by Australians*, s.l.: Swinburne Business School- Asia-Pacific Centre for Social Investment & Philanthropy.).

<sup>vi</sup> James, R. & Baker, C., 2015. The Timing of Final Charitable Bequest Decisions. *International Journal of Nonprofit and Voluntary Sector Marketing*, 20(3), pp. 277-283.

<sup>vii</sup> Wiepking, P., Scaife, W. and McDonald, K., 2012. Motives and barriers to bequest giving. *Journal of Consumer Behaviour*, 11(1), pp.56-66

<sup>viii</sup> Baker, C., 2014. *Encouraging Charitable Bequests by Australians*, s.l.: Swinburne Business School- Asia-Pacific Centre for Social Investment & Philanthropy.

<sup>ix</sup> Wiepking, P., Scaife, W. and McDonald, K., 2012. Motives and barriers to bequest giving. *Journal of Consumer Behaviour*, 11(1), pp.56-66