

Determinants of U.S Donor Behaviour: The Case of Bequests

By

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This research has been kindly sponsored by the Association of Fundraising Professionals (AFP) and Mal Warwick & Associates, Inc.

June 2004

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Introduction

There are more than 1.2 million nonprofits and churches in America, with the number of registered nonprofits growing by 5 to 6% each year. The sector is a large and growing part of the nation's economy, employing nearly 11 million workers (Independent Sector, 2000). Nonprofits are increasingly a part of daily life - the scope of their work has widened to the point where they are involved with almost every aspect of human endeavor.

Over 75% of all contributions come from individuals, with 85% of households donating to charity each year. Americans are continuing to contribute generously, with giving levels at 2.1% of personal income. However, there are signs that giving patterns may be changing. There are indications that economic recession is beginning to slow growth in individual giving, where philanthropic decision-making is based on both income and assets. Demographic and social change is impacting on the ways that people give and is causing fundraisers to review the communications they use to attract and retain their various donor audiences.

As nonprofits face slowing levels of growth in giving, increasing levels of competition and changes in donor audiences and expectations, organizations will have to work ever harder to solicit the desired levels of support. An understanding of how the decision to donate is made and an identification of the key variables that might have the propensity to influence that decision, is therefore now of particular significance and interest. Nonprofits clearly need to understand far more about the factors that can impact on giving behaviour and to tailor their approach to ensure that as wide as possible a segment of society can be persuaded to give.

Bequest giving has historically been an important income source for American nonprofits representing 7.5% of all contributions from individuals in 2002. Since 1971, bequest giving has increased steadily at an average of 6.8% annually. However, in 2001 the revenue from bequests dropped by 4.5% to \$16.33 billion - (AAFRC Trust for Philanthropy 2002). It is pleasing to note that this decline now appears to have been arrested with bequest giving increasing by a modest 0.4% (inflation adjusted figure) from 2001 to 2002. Indeed, in 2002 bequest giving reached an estimated \$18.10 billion (AAFRC Trust for Philanthropy 2003).

Despite the significance of bequest income for the sector, it remains grievously under-researched with few serious academic studies of the subject being conducted in the past ten years (see for example, Schervish and Havens 2001). As a consequence we presently understand very little about why individuals might choose to leave a bequest, how they select the organizations they wish to support and importantly, what triggers the decision to include a charity beneficiary in their will. This latter point is particularly crucial as the sector spends millions of dollars each year on bequest fundraising, the effectiveness of which has yet to be measured. Organizations remain unsure whether such marketing activities actually trigger pledges and of these, how many individuals actually make a change to their Will. Charities also remain unclear on the best form of approach, whether this should be segmented in some way and the nature of the marketing channels that would be most effective. It is these issues that have prompted the current research.

It is also the case that many nonprofits in the US continue to regard bequest giving as a component of planned giving and thus consider it as a function of what might be termed 'major gift' fundraising. The UK experience has been that even those individuals offering relatively small donations through the direct mail program can often offer significant gifts through the medium of bequests when they die. Indeed this has generated over \$2.7 billion a year in income to the sector in the UK with an average gift of \$18K. Since only 5% of those who die leave a bequest to charity, compared to over 85% who give in their lifetime (Radcliffe 2002) the market has great growth potential and it is important to understand more about the manner in which such gifts could be solicited right across a typical nonprofit's database.

References

- . AAFRC Trust (2003) Giving USA, Indianapolis, Indiana.
- Radcliffe R (2002) 'Where Now For Legacy Fundraising?' in Walker C and Pharoah C (Eds), A Lot of Give, Hodder and Stoughton, London, pp60-64.
- Schervish P.G. and Havens J.J. (2001) 'The New Physics of Philanthropy: The Supply Side Vectors of Charitable Giving', The CASE International Journal of Educational Advancement, 2(2), pp95-113.

The Current Study - Objectives and Methodology

To investigate these issues we assembled a panel of five US nonprofits currently engaged in the solicitation of legacy gifts. Working with these five partners we designed a quantitative research study with the following objectives, namely to

- a) Identify factors that prompt an individual to offer a bequest.
- b) Identify the environmental triggers that might prompt an individual to offer a bequest (e.g. prompting by a professional, prompting by a charity, loss of a loved one etc.)
- c) Identify the best prospects for legacy/bequest 'asks'.
- d) Identify how various categories of 'bequest ask' communications are perceived by donors.
- e) Identify the relationship between stated intentions to pledge and actual bequests made. It is interesting to note that the direct marketing agencies working with lower value bequests in the UK estimate that over 80% of pledgers are lying and fail to follow through on their promise. In our own academic study conducted in the UK, the figure was found to be much smaller. We could identify no related studies on this topic to date in the US.

Following an initial review of the giving behavior literature the model depicted in Appendix 1 was developed. The model highlights each of the relevant factors (or constructs) with the capacity to influence legacy giving. Measurement scales were developed to gather data on each of these dimensions and a draft questionnaire designed to include these alongside questions designed to gather demographic data.

To test the impact of each factor it was decided to compare the attitudes of those who had been motivated in the past to pledge a legacy gift with those have been asked but have so far not made such a commitment. It was felt that this would provide a sense of the key factors most likely to influence legacy giving. Each partner to the research was therefore asked to supply a sample of individuals who had pledged to offer a legacy gift and a sample of supporters who had recently been in receipt of a legacy solicitation. An appropriately tailored postal survey was then despatched to each sample.

What follows is an analysis of the aggregate results across the five nonprofit partners to the research. The results are presented for both legacy pledgers and general supporters, with comparisons drawn where appropriate between the two groups. Legacy pledgers are individuals who have communicated to the nonprofit that they have made a legacy bequest in their Will to that organisation. The decision on which supporters to select to receive a legacy communication was made by the nonprofits. Many nonprofits elect to target loyal supporters, with a long association with the charity. Some also target older givers in legacy promotion work.

The overall response rate achieved amongst legacy pledgers was 26.4 %, and amongst supporters 25.2 %. These results are therefore based on the responses of 1290 individuals in total.

Results

Profile of Respondents

The total sample achieved contained a good balance of male and female respondents. A slight bias in favour of female respondents was identified, but this merely reflects the gender balance evident on many charity donor databases and thus the population surveyed. Table 1 presents the gender profile:

Table 1: Gender of Respondents

Gender	%
Male	44.6
Female	55.4

Legacy pledgers were found to be significantly more likely to be female than supporters. 68.05% of legacy pledgers were found to be female compared with only 43.53% of supporters.

The income profile of the respondents is depicted in Table 2. As the table clearly indicates, the organizations participating in the study attract donors across a range of income levels. No clear pattern emerges from the data and there were found to be no significant differences between pledgers and supporters.

Table 2: Income Profile of Respondents

Income Category	%
Up to \$20,000	5.9
\$20,000 – \$39,999	15.3
\$40,000 – \$59,999	22.9
\$60,000 – \$79,999	18.2
\$80,000 – \$99,999	11.2
\$100,000 and over	26.5

The remaining demographic data gathered in the questionnaires is displayed in Tables 3 and 4. The majority of supporters surveyed are married. As one might expect legacy pledgers were found to be significantly more likely to be widowed than supporters.

Table 3: Marital Status

Marital Status	%
Single	15.3
Married	59.5
Separated	4.5
Divorced	3.2
Living With Partner	2.9
Widowed	14.6

Table 4: Profile of Respondents

Variable	Supporter Mean	Pledger Mean
Age	65.7	68.7*
Level of Education	Degree	Degree
Number of Children	2.21	1.29**
Number of Grand-Children	2.85	1.52**
Mean amount donated to nonprofits each year	\$6,960.74	\$4,865.38*
Importance of religion in your life	Important	No Opinion**

* = Significant at the 0.05 level of significance

**= Significant at the 0.01level of significance

Table 4 highlights that a typical supporter is aged 66 and educated to degree level. They have 2 children and 3 grandchildren and donate in excess of \$6,900 to nonprofits each year. It should be noted, however, that the mean in this case is distorted by the presence of a small number of individuals offering substantial gifts to the sector each year. In such circumstances the median (or middle) gift is a more reliable average and this was found to be \$3,500 per annum.

Legacy pledgers were found to be significantly older than supporters. Indeed, the legacy pledgers in our sample are on average 3 years older than supporters. They are typically College graduates and donate approximately \$5,000 to nonprofits each year. Once again the median figure is somewhat lower – \$2,500 in this case. They have smaller numbers of children and grand-children.

Attitudes To Nonprofits and Charity Giving

The questionnaire then gathered data in respect of the attitudes of pledgers and supporters to nonprofits and their own charitable giving. To gather this data respondents were asked to indicate the extent to which they agreed or disagreed with a series of attitudinal statements, where 1 = strongly disagree and 5 = strongly agree. In the analysis that follows we have reported the mean scores for each statement for both pledgers and supporters. We have also indicated where the views of the two groups were significantly different.

The first group of statements was designed to measure altruism, empathy and negative state relief. The results of this analysis is reported in Table 5:

Table 5: Attitude of Respondents To Giving

Statement	Supporter Mean	Pledger Mean
I often give to nonprofits because I would feel guilty if I didn't	2.16	2.18
If I never gave to nonprofits I would feel bad about myself	2.91	3.10*
I feel it is my duty to make the world a better place	4.01	4.13
It is right to use any resource you have to advance society	3.41	3.47
It is important to give money to nonprofits to help others	4.09	4.20
When I give I expect nothing in return	4.49	4.28**
People in need should receive support from others	4.12	4.03
I feel I understand the needs of others	3.37	3.39
I find it easy to imagine how others might be feeling	3.29	3.45**
I can empathize with those in need	3.76	3.86

* = Significant at the 0.05 level of significance

**= Significant at the 0.01level of significance

The differences emerging between pledgers and supporters in this instance is that pledgers are significantly more likely to agree that if they never gave to nonprofits they would feel bad about themselves, are significantly less likely to agree that they expect nothing in return for their giving and more likely to agree that they find it easy to imagine how others might be feeling. While these differences are statistically significant it is important to recognise that in none of these cases do the aggregate views of each group differ (i.e. agree, disagree, no opinion etc).

Respondents were then asked to indicate how they selected particular nonprofits for support. The results of this analysis are supplied in Table 6:

Table 6: How Organizations Are Selected For Support

Statement	Supporter Mean	Pledger Mean
I compare between organizations to find the one most likely to have an impact on the cause	3.68	3.94**
I only support the best performing nonprofits	3.33	3.45
I look for nonprofits that spend a high proportion of their income on the cause	4.36	4.49*
I give to organizations that have been helpful to me or to someone I know	3.06	2.67**
When I support a nonprofit I look to receive some form of benefit in return for my gift	1.64	1.82**
When I support nonprofits the recognition they offer is important to me	1.76	1.92*
I only support nonprofits that are managed professionally	3.14	3.21
I support nonprofits that have assisted me in the past	2.14	1.79**
I give to nonprofits that have good professional reputations	4.04	4.21**
I support nonprofits that approach me in a professional manner.	3.66	3.82*

* = Significant at the 0.05 level of significance

**= Significant at the 0.01 level of significance

The results indicate that both supporters and pledgers place a high degree of importance on performance and professional reputation. They tend to look for organizations that spend a high proportion of their income on the cause.

The significant differences between the two groups here were that pledgers are significantly more likely to agree that they compare between organizations to find the one most likely to have an impact on the cause when selecting a nonprofit for support and more likely to agree that they look for nonprofits that spend a high proportion of their income on the cause. Pledgers are significantly less likely to look for organizations that have helped them or someone they know.

Both groups do not think that benefits and recognition are important factors in their choice of nonprofit, with pledgers feeling more strongly than supporters on this issue. Both groups feel that professionalism is important in the nonprofits they support; with pledgers feeling significantly more strongly than supporters that this is the case.

Respondents were next asked which aspects of a relationship with the nonprofits they support are most important to them. The results of this analysis is reported in Table 7:

Table 7: Importance of Components of Relationship

Statement	Supporter Mean	Pledger Mean
I expect to be kept informed about how my money is being used	3.73	3.97**
I expect any nonprofit I support to respond promptly to requests I might make for information	3.58	3.85**
I expect nonprofits I support to respond to my needs and preferences as a donor	2.52	2.78**
I expect my gifts to be appropriately acknowledged	3.35	3.65**
I expect nonprofit employees to be courteous in their dealings with supporters	4.25	4.46**
I expect some choice over the communications I receive	3.51	3.71**
It is important that nonprofit communications are timely	3.61	3.79**
It is important that nonprofit communications are courteous	4.17	4.37**

** = Significant at the 0.01 level of significance

The most important aspect for both groups would appear to be courtesy in communications. Both groups are also keen to receive feedback on how their money is being used. It is interesting to note that while the differences in mean scores between the two groups are not large, pledgers are significantly more demanding than supporters in *every* area. These findings suggest that pledgers should be developed with an especially differentiated standard of care as they appear to be more demanding in respect of the quality of service received. Indeed, this is an intuitive finding given the significance of the gift they have planned to leave to the nonprofit.

To summarize the attitudinal data, the statements used to measure the constructs in Appendix 1 were isolated and an average score calculated for each respondent. A mean score for altruism, empathy, performance etc. was calculated for each respondent. A comparison was then undertaken of the scores obtained for pledgers and supporters. The results of this analysis are reported in Table 8:

Table 8: Construct Scores

Construct	Supporter	Pledger
Negative State Relief	2.54	2.62
Altruism	4.01	4.01
Empathy	3.46	3.56*
Performance	3.78	3.96**
Reciprocation	2.14	2.06
Professionalism	3.61	3.75**
Responsiveness	3.30	3.57**
Communication	3.89	4.09**

* = Significant at the 0.05 level of significance

**= Significant at the 0.01level of significance

As the table shows, pledgers are significantly more concerned on several dimensions including responsiveness, professionalism, performance and communication. This simply reinforces the earlier observation that they are significantly more demanding of the organizations they support than typical supporters.

Legacy Solicitation

The survey then gathered data in respect of whether respondents had made a Will and elected to leave a gift to a nonprofit in that Will. The results of this analysis are reported in Table 9:

Table 9: Percentage of Individuals Making A Will / Leaving A Gift

Action	Supporter (%)	Pledger (%)
Made A Will	85.3	96.6**
Left A Gift To A Nonprofit	35.9	90.2

**= Significant at the 0.01 level of significance

It is interesting to note that a very high proportion of supporters have created a Will, but that less than 40% of these individuals have elected to offer a gift to a nonprofit. While almost all legacy pledgers claim to have made a Will, not all of these appear to have left a gift to a nonprofit despite having pledged to do so.

88.7% of supporters indicated that they believe it is appropriate for nonprofits to ask for a legacy gift. The figure for legacy pledgers was even higher. In this case 91.9% of individuals felt that it was appropriate for nonprofits to solicit such gifts.

The survey also asked an additional question of supporters, namely that if they were to offer a legacy gift to a nonprofit, whether they would notify them that they had been included in their Will? Only 67% of supporters overall would notify the nonprofit of their intentions.

Both groups were asked to name the nonprofits they were currently planning to support with a legacy gift. In every case a wide range of organizations were named, suggesting that the nonprofits in our study compete with causes in both similar and different fields for bequest income. In many cases local causes were named alongside large national charities.

The sample was evenly split on the notion of whether it was appropriate for them to be offered recognition in return for a legacy pledge. 52.6% of supporters felt this was appropriate and 57.7% of pledgers (a significant difference in opinion between these two groups). Clearly a high proportion of individuals are not interested in receiving recognition for this category of gift. When asked to tell us what form of recognition would be most appropriate the most common suggestion was that a simple letter of thanks would be sufficient.

Respondents were then asked which channels of communication they felt to be most appropriate in the promotion of legacy giving to supporters. A 5 point scale was once again employed ranging from 1 = very inappropriate to 5 = very appropriate. The results of this analysis are reported in Table 10 (See Section II).