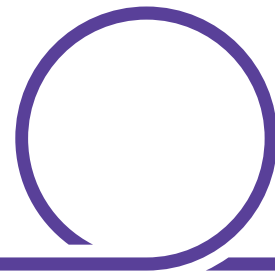


IAC Member Briefing

# Australian gifts in wills 2040

September 2019



## Background

Include a Charity (IAC) has commissioned Legacy Foresight to analyse recent trends in Australian gifts in wills giving and explore the long-term outlook for the sector over the next 20 years.

This work builds on Legacy Foresight's long experience of benchmarking, researching and forecasting the gifts in wills sector in the UK, and more recently the Netherlands, together with a solid assessment of Australia's own unique market trends and drivers.

The analysis is being presented at a series of IAC breakfast briefings in September 2019 by Legacy Foresight Development Director, Meg Abdy.

## Setting the scene

Gifts in wills are a vital source of income to Australian charities. According to the latest Pareto Fundraising benchmarking analysis (General Trends Report 2019), bequests accounted for 20% of fundraising income in 2018. That share has grown over time as gifts in wills income has outpaced other forms of individual giving. According to the Pareto data, from 2008 to 2018, gifts in wills income grew by an impressive 10% p.a.

Despite its significance, gifts in wills fundraising does not receive the investment or 'airtime' of more immediate forms of fundraising like regular giving or cash gifts. According to recent analysis by More Strategic, gifts in wills fundraising represents less than 3% of total fundraising budgets.

Over the past decade, gifts in Wills fundraising has been gaining momentum, boosted by the launch in 2011 of Include a Charity, a collaboration of nearly 90 charities dedicated to encouraging more Australians to leave a gift in their will.

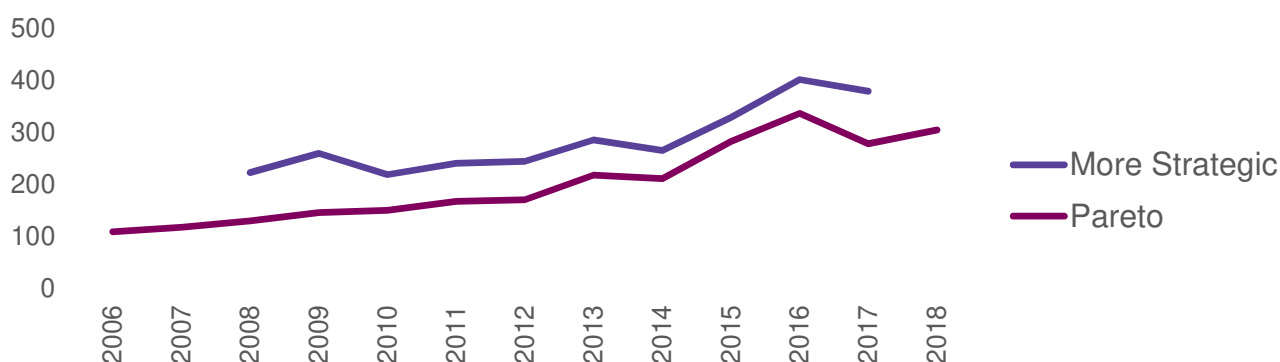
At present, including a gift in the will is still relatively rare: research by Dr Christopher Baker's team at Swinburne Business School (2014) found that just 7.6% of final estates included some sort of charitable bequest (that's around half the percentage in the UK). This figure suggests the scale of both the challenge and the opportunity for Australian gifts in wills fundraisers.

## The forecasting approach

Legacy Foresight's Australian gifts in wills market model was based on gifts in wills data for 80 large Australian charities 2011 – 2018, with combined bequest income of A\$285m, drawn from Pareto Fundraising's 2019 benchmarking analysis. This data was broken down into total gifts in wills income, number of gifts in wills donors and average gifts in wills values, allowing Legacy Foresight to model the number and value of gifts separately.

This Pareto sample was calibrated against 10 years of gifts in wills income data reported in the annual accounts of 41 leading Australian charities (from 2008 – 2017), with combined gifts in wills income of A\$380m. This data has been compiled over the years by More Strategic, who generously agreed to share and update the information for this project with the support of the Include a Charity team. Reassuringly, the two samples showed similar patterns in total income over time, albeit the Pareto sample is lower in value terms.

### The two sources compared: bequest income, \$m



Using the 2011 to 2018 Pareto data, we modelled two factors: average gifts in wills values and the number of gifts in wills. These two models were then combined to create total gifts in wills income in real terms.

To take out the effect of rising death rates on numbers of bequests we calculated the number of bequests per 1,000 deaths. Based on the Pareto gifts in wills numbers data 2011 – 2018 we could discern no upward trend – the pattern was highly volatile, but the underlying level was flat. This is a worrying pattern as it suggests that the Australian public's appetite for gifts in wills has not changed, despite the best efforts of Include a Charity and its members.

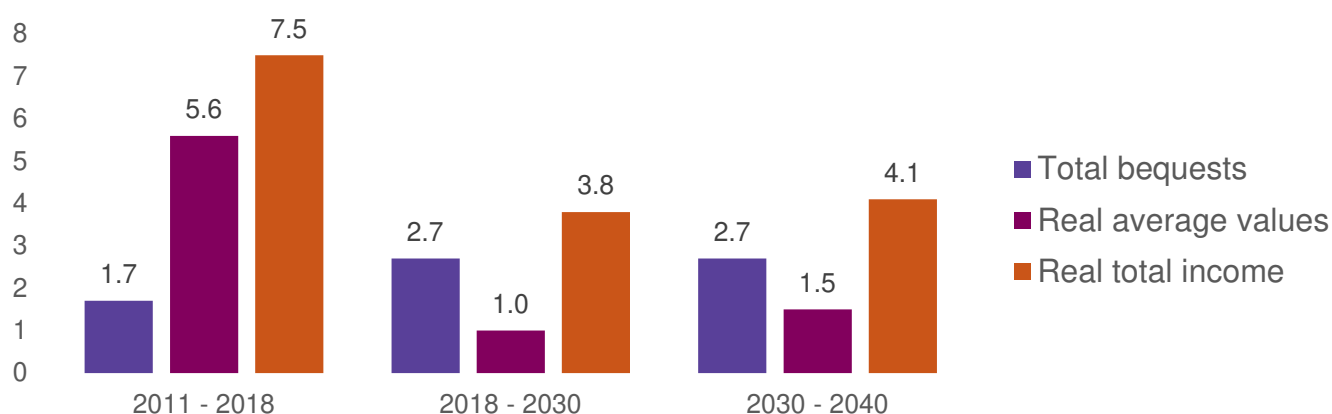
When producing our market forecasts and scenarios to 2040, we used five key drivers:

- Numbers of deaths
- % of deaths from child-free people (child-free people are 6 times more likely to leave a gift)
- House/Share prices (reflecting the magnitude of property and financial assets in estates)
- The impact of charity marketing activity.

The forecast inputs were from the Australian Bureau of Statistics, Oxford Economics' Australian forecasting service and Legacy Foresight's UK market model.

## The central forecasts

Average growth rates, % p.a.



### In summary:

- We expect small declines in gifts in wills income of -0.1% in 2019 and -0.3% in 2020 as recent falls in house prices feed through to residual bequest values.
- Long-term growth in bequest numbers is expected to be higher than of late, driven by more deaths and a greater proportion of child-free deaths.
- Long-term growth in average values is expected to be lower than of late, due to slower expected growth in house prices and share prices.
- Overall, income growth over the next 20 years is expected to be strong, but slower than we've seen over the last decade.
- By 2040, gifts in wills income will be 2.3 times higher than today – this is in real terms after inflation, and reflects the purchasing power of charities – i.e. what they can do with the money they receive
- In comparison, the more mature British bequest sector is predicted to be 1.7 times higher by 2040
- By 2040, the total number of bequests received will be 1.9 times higher than today

## Alternative scenarios

In addition to the central (most likely) scenario, we produced two alternative scenarios to understand the range of possible future income trajectories.

### Pessimistic scenario: uncertain economic times

This scenario assumed that the current house price correction is more severe than currently expected, leading to a 15% reduction in prices during 2019. It also assumed that increased global trade tensions escalate to a full-blown trade war over the period 2020-2030, accompanied by a less welcoming domestic agenda towards migration that halves net migration to Australia. Both these factors would lead to further drops in house and share prices over the period.

Under this scenario, real bequest income will grow by 3.7% p.a., 2018 – 2040, with bequest income reaching 2.1 times current levels in 2040.

## Optimistic scenario: marketing impacts accelerate

This scenario assumed that the underlying propensity for people to leave a charitable gift in their will increases in line with the trends we've seen in the UK. We estimate that Australian gifts in wills fundraising is around 10 years behind the UK in terms of scale and impact, although it's catching up fast!

Under this scenario, real bequest income will grow by 4.5% p.a. 2018 – 2040, with bequest income reaching **2.6 times current levels in 2040**.

On balance, we would assign a higher probability to this more optimistic scenario than to the pessimistic one.

## Conclusions and implications for Australian charities

- The outlook for the Australian gifts in wills sector is very positive – thanks to underlying demographic and economic factors, real incomes will more than double over the next 20 years
- The impressive growth rates seen over the past decade have been boosted by Australia's strong economic performance, impacting on the value of property and financial assets
- Looking ahead, that economic performance is likely to be more muted, due to chronic uncertainties in the global economy
- Instead, it's numbers of bequests, driven by rising death rates (the boomer generation) and an increase in the number of child-free people dying which will underpin growth
- The challenge for gifts in wills fundraisers is to raise the 'propensity' of all donors – including those with children and less wealthy households – to include a charity in their will. Based on the available data, there is no evidence that this has increased over the past 10 years
- The role of Include A Charity is crucial to the long-term future of gifts in wills – working alongside individual charity members to raise public awareness of the potential and value of leaving a charitable gift
- Understanding the motivations and attitudes of the large and affluent baby boomer generation (now in their 50s and 60s) will be key to ensuring that channels and messaging have the maximum impact
- To support strategic development, gifts in wills fundraisers need access to more consistent, comprehensive information on gifts in wills income and bequests by type

**Legacy Foresight** are Europe's foremost analysts of the legacy and in-memory giving sectors. They appraise the state of the markets, benchmark charity performance, produce income forecasts and research into donor motivations. Their work is used both for ongoing performance management and long-term strategic development. Since their first legacy project in 1994, the Legacy Foresight team has worked with over 100 UK charities, including all the top 20 fundraising brands. They also work with a growing group of Dutch charities; 19 this year. This is the team's first Australian project.

We would like to thank our report partners

