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Charitable Planning for Nonparents

Easing anxiety and ensuring legacy

Studies suggest that America's nonparent population is growing. In a 2023 Pew Research Center survey, 47% of nonparent participants ages 18 to 49 said they were either *not too likely* or *not at all likely* to have children someday, a 10% increase over a similar study in 2018.¹ Additionally, a recent study of adults living in Michigan found that one in five participants identified as “childfree,” that is, they were actively choosing not to have children.² Because Michigan is demographically similar to the United States as a whole, this finding could mean approximately 50 to 60 million Americans are pursuing a childfree lifestyle.³

An expanding childfree cohort could translate into a significant uptick in charitable donations. Consider a review of 1995-2006 Health and Retirement Study data, which found that decedents with a will or trust but without grandchildren were five times more likely to have included a charitable bequest under their estate plan.⁴ Moreover, a separate review of this same data found that bequests from nonparent decedents made up nearly 52% of the funds transferred to charity despite nonparents making up only 9.75% of the decedents in the study.⁵

Why Nonparents Give

Why do nonparents give to charity at death more often and in larger dollar amounts than parents? It's not because nonparents lack other beneficiaries.

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Research suggests that many nonparents build close relationships with their spouses, parents, siblings, nieces and nephews, with some reporting that their decision not to have children enhanced these relationships.⁶ Many nonparents also build close relationships with extended family members, neighbors and friends (collectively, their chosen family) and may be more likely to make gifts to these individuals than their parent counterparts.⁷ Further, research reflects similar levels of interest in charitable giving among parents and nonparents during life. For example, a 2009 study of lifetime transfers from over 20,000 Americans ages 51 and older and their spouses found that the presence of children had almost no effect on the likelihood of an individual giving to charity, though the nonparents who made gifts did so in larger amounts.⁸

The psychological framework known as “terror management theory” (TMT) may provide insight into these divergent giving behaviors. The theory builds on the work of cultural anthropologist Ernest Becker, who suggested that human behavior is largely driven by a fear of death, and posits that individuals assuage death-related anxiety in two ways:

- By seeking to uphold shared values and beliefs that help explain life's meaning and provide connection to a larger social group that will outlast the individual (a cultural worldview); and
- By building a sense of personal significance within that framework (self-esteem).⁹

The theory further suggests that reminders of mortality activate these terror management mechanisms, resulting in efforts to defend or validate a cultural worldview or enhance self-esteem.¹⁰ Indeed, numerous studies on the topic have documented

individuals' increased interest in upholding cultural norms following a mortality reminder.¹¹ Other studies have tracked the correlation between self-esteem and responses to thoughts of death, with mortality reminders intensifying behaviors linked to an individual's chosen source of self-esteem.¹²

When viewed through a TMT perspective, might parents' tendency to focus on leaving their estate to their children, rather than to charity, partly reflect a desire to uphold cultural norms? Notably, our culture often presumes that children are the natural recipients of their parents' wealth. Consider state-level intestacy laws that leave parents' property to their children in the absence of a will directing otherwise.¹³ Indeed, some states allocate a portion of a parent's property to living children despite the presence of a surviving spouse.¹⁴ Thus, including a bequest to children under one's estate plan not only connects parent and child but also links the individual to their culture, offering some protection against existential anxiety. Additionally, a child who carries shared genetics, personality traits or memories can symbolize the parent's influence on the larger culture.¹⁵ Giving to that child then becomes a means of self-esteem enhancement.

TMT research also suggests that attempts to embrace competing elements of a worldview may limit its anxiety-reducing effects, potentially explaining the singular focus of some parents' estate plans on their children. For example, a 2005 Dutch study found that participants who believed that having children wouldn't negatively impact their ability to pursue other aspirations responded to a mortality reminder with a desire for more children.¹⁶ That is, for these participants, the thought of having additional children functioned as a terror management mechanism in direct response to thoughts of death. However, participants who viewed having more children as potentially constraining other parts of their worldview either experienced no change or a decrease in the number of desired children when confronted with a mortality reminder.¹⁷ Thus, parents may avoid competing parts of their cultural worldview, for instance, a desire to support both children and philanthropy via the same asset pool, to preserve the emotional benefits triggered by gifts to children.¹⁸

Nonparents, on the other hand, face different cultural standards, or lack thereof, when it comes to gifts to chosen family members. Unlike property transfers to children, there are few cultural expectations to leave assets to extended family or nonrelatives when one dies. For example, state-level intestacy laws typically emphasize the parent-child bond even for those without descendants, with property passing to a decedent's surviving parents in the absence of or, in some cases, in addition to a surviving spouse.¹⁹ Further, while these statutes include a decedent's siblings and nieces and nephews in the list of potential beneficiaries, they completely omit gifts to non-relatives other than the state.²⁰ Moreover, rather than setting affirmative expectations, a handful of states impose punitive inheritance taxes on transfers to extended family members and friends.²¹ Assuming transfers to chosen family members aren't closely aligned with larger cultural norms, TMT theory suggests that nonparents may respond to the mortality reminders inherent in estate planning through other means, including gifts to charity.²²

For those looking for relief from death-related anxiety, charitable gifts may pack a substantial punch. Consider that most cultures teach that kindness, generosity and care for others are worthy values, with a charitable gift affirming these social norms.²³ Further, an ever-expanding population of charitable causes and communities allows donors to craft a highly individualized legacy that reflects and supports their self-esteem. Charity also allows for the creation of a long-lasting impact in a manner that gifts to individuals may not, a fact that may amplify the gift's emotional impact. Consider the results of a study in which participants were entered into a drawing and given the opportunity to pre-commit a portion of their potential winnings to a charity, with one group offered a charity that focused on the immediate needs of an impoverished community and the other offered a charity that created lasting improvements in this community.²⁴ On average, participants who were exposed to a death reminder before making their decision gave \$80.97 to the charity focused on an immediate impact and \$223.98 to the charity creating lasting improvements. In contrast, those with no reminder gave on average \$257.77 to the charity



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focused on an immediate impact and \$100 to the charity creating lasting improvements.²⁵ Researchers explained the findings by suggesting that the death reminder triggered a reflexive desire to enhance the gift's future value to others as a means of boosting the gift's anxiety-reducing power.²⁶

Crafting a Charitable Legacy

What does this mean for estate-planning professionals working with charitably minded nonparents? As a first step, planners should consider whether such clients might gain more from personalized gifts rather than future flexibility. Imagine an estate planner helping a client who can't decide on a preferred charitable cause. The planner might suggest letting a future trustee select charitable beneficiaries based on the client's past donations. This approach fulfills the client's desire to give to charity while preserving optionality—mission accomplished, right? Yet, the aforementioned research raises concerns. A nonparent's lifetime giving patterns may not match their ultimate testamentary goals. What's more, because the decision is deferred to a trustee, this solution might not generate the positive response that comes from directly choosing a specific cause that aligns with the individual's worldview and enhances their self-esteem.

Instead of prioritizing flexibility to accommodate uncertainty, the planner may achieve a better

result by shifting the conversation toward the individual's belief systems. (See "Life-Focused Discovery Questions," this page.) In an ideal world, what traits, characteristics and skills would the client want others to associate with them? Are there charitable organizations that support those with similar values and goals? If a planner can tap into the client's cultural worldview and sense of personal significance, TMT theory suggests this may ease any anxiety triggered by the estate-planning process while facilitating a more in-depth conversation.

Additionally, planners may help nonparents establish relationships with philanthropic partners during life by first addressing their financial concerns. A recent study of nonparents aged 50 and older found that over a third of participants worried *extremely or very often* worried about having enough money as they age.²⁷ To overcome these doubts, planners may look to financial modeling to determine the level of funds needed to support the client's desired spending level throughout life—their "core capital." (See "Building Core Capital," p. 33.) With an estimate of core capital in hand, the client may feel more comfortable using surplus capital to engage in lifetime charitable giving. Building lifelong relationships with one or more charities could help pinpoint a potential recipient for a future legacy gift. Additionally, planners may consider using testamentary-like strategies, such as charitable

Life-Focused Discovery Questions

Shift the conversation to the individual's belief system

Define What Matters—Cultural Worldview

- **Who's important to you** in your life and why?
- Tell me about your **hobbies or interests**. How frequently do you engage in them?
- Are there any **societal issues** that serve as a major source of interest or concern for you? If so, tell me more about what drew you to them. Do these issues impact the people in your life in any certain way?
- Do you regularly interact with any **particular organizations**? Have you ever held any volunteer or formal roles with these organizations?
- Do you give to any **charitable causes**? If yes, tell me more about what drew you to these causes.

Make It Personal—Self-Esteem

- If you had to describe yourself to me in three words, what would they be?
- Have you mentored or helped others in a way you would like continued under your estate plan?
- What are you proud of and why?
- Is there a story or tradition that you would like those in your life to remember after you're gone?
- Tell me about a setback that you experienced and how you came back from it?
- What does the word "legacy" make you think of? If you were to leave a legacy, what do you think it would be?

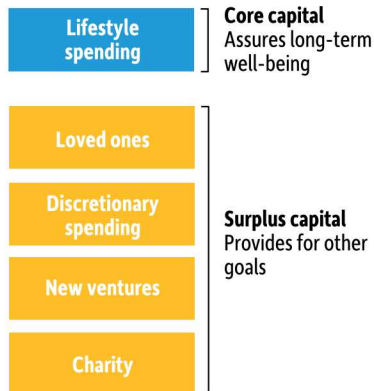
— AllianceBernstein



Building Core Capital

Assets needed to support client's lifestyle

Hierarchy of Objectives



The Critical Goal: Meeting spending needs



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remainder unitrusts, to provide clients with liquidity for lifetime spending while leveraging the promise of the trust's remainder interest to engage with potential charitable partners.

In addition to addressing sources of potential anxiety, estate-planning professionals may suggest expanding a charitable gift's time horizon to boost its emotional benefit, either through an ongoing program within an existing entity or by creating a new charitable structure. Notably, one common concern among those looking to create a long-lasting or perpetual charitable legacy is who should serve as successor advisors after the client's passing, particularly if younger descendants can't be relied on to do so. The solution largely depends on the client's underlying concerns. Is the client worried that such an appointment might prove too burdensome for their loved ones or that such loved ones may not have sufficient interest in the task? If so, a planner could suggest using professional administrators to work alongside designated individuals and undertake the less desirable parts of the entity's administration. This could take the form of either a donor-advised

fund (DAF) or third-party administrators for a private foundation (PF). Alternatively, if the entity is a PF, a planner may suggest compensating appointed loved ones to reward and encourage engagement.²⁸ On the other hand, if the client can't name individuals willing to co-serve with support or enticed by compensation, a planner might consider structures that involve other decision makers, including giving circles or field of interest funds that rely on third-party administrators or other donors to guide the use of funds. In some cases, DAF sponsors offer an "endowment" legacy option that allows a donor to establish a level of continuing distributions, say, 5% of the fund's value, that the sponsor will make to one or more identified charities following the donor's death.

Another consideration for an ongoing charitable entity is finding ways to amplify the entity's impact without draining its resources too quickly. Here, a planner may consider combining multiple strategies to produce a greater overall impact. For instance, if a client creates a charitable structure that will distribute 5% of its value each year, the planner may



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suggest using a testamentary charitable lead annuity trust to reduce the initial brunt of distributions in the entity’s early years without significantly undermining its cumulative distribution potential. (See “CLAT’s Philanthropic Value Over Time,” this page.) Additionally, a planner may propose leveraging an entity’s balance sheet to further its charitable impact rather than relying solely on grants that may empty its coffers. This may include the use of program-related investments, recoverable grants and more. Viewed through the lens of TMT, such creative planning strategies can enhance a client’s sense of belonging and purpose within their cultural worldview, making estate planning the ultimate protection against our mortality.

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of any particular wealth transfer strategy. Bernstein does not provide legal or tax advice. Consult with competent professionals in these areas before making any decisions.

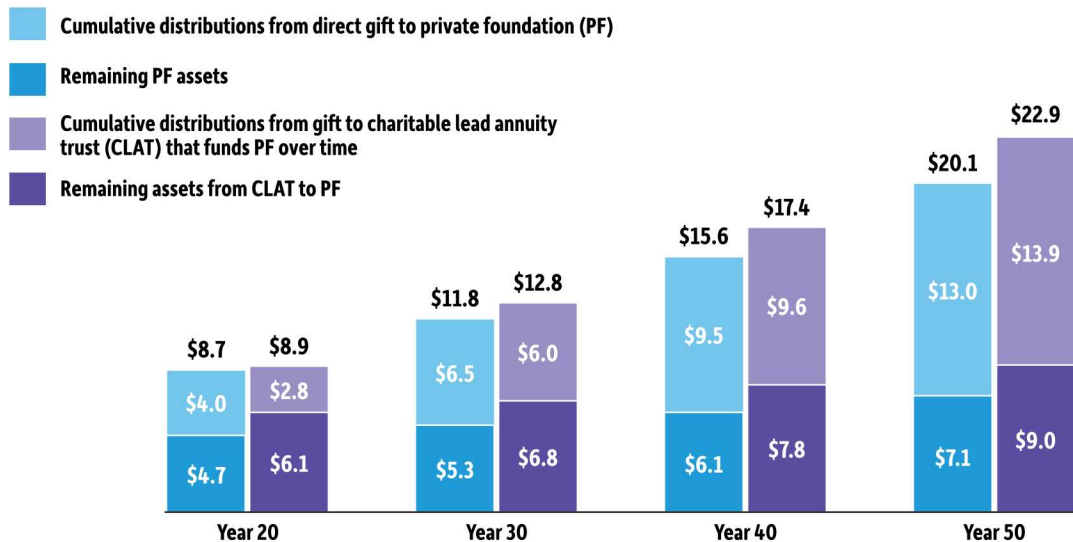
Endnotes

1. Rachel Minkin et al., “The Experiences of U.S. Adults Who Don’t Have Children,” Pew Research Center (July 2024), at p. 5, www.pewresearch.org/social-trends/2024/07/25/the-experiences-of-u-s-adults-who-dont-have-children/.
2. Zachary P. Neal and Jennifer Watling Neal, “Prevalence, Age of Decision, and Interpersonal Warmth Judgements of Childfree Adults,” *Sci. Rep.* 12: 11907 (2022), at pp. 1, 3, www.nature.com/articles/s41598-022-15728-z.
3. Kim Ward, “Study: One in Five Adults Don’t Want Children— And They’re Deciding Early in Life,” *MSU Today* (July 25, 2022), <https://msutoday.msu.edu/news/2022/One-in-five-adults-dont-want-children>.
4. Russell N. James, III, “Health, Wealth, and Charitable Estate Planning: A Longitudinal Examination of Testamentary Charitable

CLAT’s Philanthropic Value Over Time

An increase in assets to the private foundation

Typical markets*
(\$ millions, nominal)



Typical markets refers to the 50th percentile results of 10,000 trials in Bernstein’s Wealth Forecasting System. Assumes initial funding of \$3.5 million and an allocation of 70% global stocks and 30% bonds in all portfolios. Assumes that the charitable lead annuity trust makes annual lead payments of \$276,106 based on an Internal Revenue Code Section 7520 rate of 4.8%. Assumes that the private foundation distributes 5% annually. Based on Bernstein’s estimates of the range of returns for the applicable capital markets over the next 50 years. Data doesn’t represent past performance and isn’t a promise of actual or range of future results. Bernstein doesn’t provide tax, legal or accounting advice.



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- Giving Plans,” *Nonprofit and Voluntary Sector Q.*, Vol. 38, No. 6 (December 2009), at pp. 1026, 1039, <https://journals.sagepub.com/doi/10.1177/0899764008323860>.
5. Russell N. James, III, “The Ten Most Painful and Pleasant Statistical Realities in Bequest Fundraising”, at pp. 1, 4, www.pgcalc.com/sites/default/files/outline23i0sem.pdf; Russell N. James, III, “The Myth of the Coming Charitable Estate Windfall,” *Am. Rev. Pub. Admin.*, Vol. 39, No. 6 (November 2009), at pp. 661-674, <https://journals.sagepub.com/doi/abs/10.1177/0275074008326188>.
 6. Marco Albertini and Martin Kohli, “What Childless Older People Give: Is the Generational Link Broken?” *Ageing and Soc’y*, Vol. 29, 2009, at pp. 1261, 1262-63, www.researchgate.net/publication/231948092_What_Childless_Older_People_Give_Is_the_Generational_Link_Broken; see also Minkin et al., *supra* note 1, at p. 26 (finding that roughly a quarter of married nonparent survey participants aged 50 and older report that not having children had a positive impact on their marriage, with the childfree participants especially likely to report this impact) and p. 29 (finding that a majority of nonparent survey participants who had nieces or nephews reported feeling close to at least one niece or nephew).
 7. Albertini and Kohli, *ibid.*, at pp. 1262, 1269; Michael Hurd, “Intervivos Giving in the Older Population: Who Receives Financial Gifts from the Childless?,” *Ageing and Soc’y*, Vol. 29, 2009, at pp. 1207, 1214-1215, <https://pubmed.ncbi.nlm.nih.gov/23487586/> (finding that singles and couples without children were on average 4.27% and 3.3%, respectively, more likely to give to friends or relatives—other than their own parents—than singles and couples with children).
 8. Hurd, *ibid.*, at p. 1223 (finding that the nonparents who gave to charity gave on average two to 5.5 times more than the parents in the study, depending on marital status).
 9. Sheldon Solomon, et al., *On the Role of Death in Life*, at pp. 8, 9 (Random House 2015); see also Eva Jonas et al., “The Scrooge Effect: Evidence That Mortality Salience Increases Prosocial Attitudes and Behavior,” *Personality and Soc. Psychol. Bull.*, Vol. 28, No. 10, at pp. 1342, 1343 (October 2002), www.researchgate.net/publication/247746786_The_Scrooge_Effect_Evidence_That_Mortality_Salience_Increases_Prosocial_Attitudes_and_Behavior (“From the perspective of TMT, protection from death-related fear is provided by a dual-component cultural anxiety buffer consisting of (a) a cultural worldview, which provides a meaningful, orderly, stable conception of reality, standards, and values through which one can feel valuable, and a promise of death transcendence that can be either literal (e.g., heaven, nirvana) or symbolic (e.g., publication, artwork) for those who live up to these standards of value and (b) self-esteem, which is the belief that one is currently living up to cultural standards”).
 10. Orit Taubman-Ben-Ari, et al., “The Impact of Mortality Salience on Reckless Driving: A Test of Terror Management Mechanisms,” *J. of Personality and Soc. Psychol.*, Vol. 76, No. 1, at p. 35 (1999), www.researchgate.net/profile/Mario-Mikulincer/publication/13315860_The_Impact_of_Mortality_Salience_on_Reckless_Driving_A_Test_of_Terror_Management_Mechanisms/links/55d3093b08aec1b0429f2ae4/The-Impact-of-Mortality-Salience-on-Reckless-Driving-A-Test-of-Terror-Management-Mechanisms.pdf; see also Jonas, et al., *supra* note 9, at p. 1343.
 11. Jonas, et al., *ibid* (noting that a bulk of 80 studies conducted in seven different countries demonstrated that mortality salience increases a subject’s positive reaction towards those who uphold the same worldview and negative reactions towards those who don’t).
 12. Taubman-Ben-Ari et al., *supra* note 10, at p. 42 (finding that individuals who reported that their driving skills were relevant to their self-esteem were more likely than a control group to report intentions of risky driving or to engage in risky driving following a mortality reminder).
 13. Uniform Probate Code (UPC) Section 2-103(b) (1969, last amended 2019).
 14. *E.g.*, see UPC Section 2-102 and D.C. Code Ann. Section 19-302.
 15. Solomon, et al., *supra* note 9, at pp. 103-104.
 16. Arnaud Wieman and Jamie L. Goldenberg, “From the Grave to the Cradle: Evidence That Mortality Salience Engenders a Desire for Offspring,” *J. Personality & Soc. Psychol.*, Vol. 89, No. 1 (2005), at pp. 46, 57, www.researchgate.net/publication/7686310_From_the_Grave_to_the_Cradle_Evidence_That_Mortality_Salience_Engenders_a_Desire_for_Offspring.
 17. *Ibid.*, at p. 55.
 18. Presumably, this wouldn’t impact a parent who felt that they could provide for their children to the satisfaction of cultural norms and leave excess funds to charity or otherwise combine the two objectives, such as creating a private foundation (PF) run by their children.
 19. UPC Section 2-103(d).
 20. *Ibid.*, at Section 2-103. Notably, this may represent a specific cultural perspective, as other societies allow for the judicial distributions of assets based on a decedent’s financial relationship with a petitioner, as opposed to shared lineage alone. See Susan N. Gary, “The Probate Definition of Family: A Proposal for Guided Discretion in Intestacy,” 45 *U. Mich. J. L. Reform.*, at pp. 787, 813-815 (2012).
 21. *E.g.*, Md. Code Ann., Est. & Trusts, Section 7-203 (2023).
 22. Consider, however, how this might change in connection with changing social norms, including a larger recognition of chosen family structures.
 23. Jonas, et al., *supra* note 9, at p. 1344. A gift to chosen family members also constitutes a means of helping others. However, gifts to charitable organizations may benefit from greater social reinforcement. Consider whether this may change as movements that emphasize gifts to individuals, such as crowdfunding, become more commonplace.
 24. Russell N. James, III, “An Economic Model of Mortality Salience in Personal Financial Decision Making: Applications to Annuities, Life Insurance, Charitable Gifts, Estate Planning, Conspicuous Consumption, and Healthcare,” *J. of Fin. Therapy*, Vol. 7, Issue 2, at pp. 62, 71 (December 2016).
 25. *Ibid.*
 26. More specifically, researchers suggested that death reminders reduce a donor’s assigned value of an immediate action due to a decrease in such donor’s future enjoyment of the action, such as the future benefit from a resulting increase in self-esteem. Conversely, a death reminder shouldn’t negatively impact the value of an action to others after the donor’s death. Thus, when individuals were exposed to a death reminder, they were more likely to place greater emphasis on a gift that would deliver future benefits to others as it would retain greater value after the donor’s death. *Ibid.*, at pp. 64-66.
 27. Minkin, et al., *supra* note 1, at p. 22.
 28. For example, assume that an individual wishes to start a charitable entity with a \$3.5 million contribution. If the donor-advised fund’s annual administrative fee is calculated at 0.60% on the first \$500,000, 0.30% on the next \$500,000, 0.25% on the next \$1.5 million and 0.15% on the last \$1 million, this equates to a \$9,750 annual fee. Should the individual instead wish to create a PF, they could pay a similar amount as compensation to the individuals tasked with its administration.