

## Shared Enterprise and Apollo Fundraising Individual Giving and Legacies – Workshop 2 Legacies

### What is a Legacy?

A legacy is a gift left to charity that is received when the donor (or testator) dies. It can be a gift of cash or a specific item. It is important to remember that, while the charity only receives the gift upon the donor's death, the actual donation is made when the donor writes their Will, and is confirmed every time they update their Will and leave the gift in there.

### Legacy Giving in the UK

Legacy giving in the UK is valued at £2.5billion each year, representing 20% of all charitable donations. 2 out of 3 Guide Dogs, 1 in 6 children in NSPCC care and one third of cancer research are said to be paid for by legacy gifts.

Approximately 36,000 Wills a year include a gift to charity – 6.3% of Wills. This is a marked contrast to the 15% of adults who say they would like to leave a gift in their Will. Clearly there is even more potential here if charities can turn this desire into action. Where someone does leave a legacy, on average they will leave 15.6% of their estate to charity. On average, this is split between 3.3 charities.

*It will take 44 years and  
1.75m more London Marathon  
runners to raise the same  
amount that is donated in  
legacy gifts each year.*

legacy **Voice**

The good news for fundraisers is that, according to research group Legacy Foresight, legacy giving is set to grow significantly, reaching an annual value of £5.2billion by 2050. This will be caused by a number of factors, including:

- ⊗ More people dying
- ⊗ A more philanthropic generation (War Babies and Baby Boomers) reaching legacy age
- ⊗ Increased confidence in the economy
- ⊗ An increase in the number of people dying childless

While the economic shocks caused by recent changes in international politics will have an impact in the short-term, Legacy Foresight's current research suggests the longer term impact will be small.

## Should you care about legacies?



The bad news for arts and culture organisations is that they currently receive less than 1% of legacy gifts. The good news is that this figure is rising. It is also worth noting that when people do leave a gift in their Will to arts and culture organisations, the average value of the gift is higher than the wider charity sector average.

This growth is likely to continue. Research shows that over 50% of the Baby Boomer generation (the generation currently approaching legacy age) engage with arts and culture activities. Of those, over 60% are in the most affluent segments of the UK population.

Remember, it is not just about you. Providing a legacy programme enables your most loyal and committed supporters to do something transformational and complete their relationship with your organisation.

This is clearly a significant opportunity for the sector and an exciting time for arts fundraisers.

## The Language of Legacies

A Will is a legal document so legacy giving is surrounded by legal jargon. It is important that you know, understand and use the correct terminology to build trust in supporters and to make things simple for them. Here are some key terms:

- ⊗ **Testator** – the person writing the Will/leaving the legacy
- ⊗ **Estate** – the total value of the Testator's assets when they die after all debts, taxes and costs have been paid
- ⊗ **Executor** – the person, or people, charged with administering the Testator's estate to ensure their final wishes are carried out. This could be a friend, family member, solicitor, Trust or other organisation. They can also be a beneficiary.
- ⊗ **Beneficiary** – the person or organisation receiving something in the Will
- ⊗ **Pecuniary** – a pecuniary legacy is where the Testator leaves a cash gift of a specified sum. This can be index-linked to ensure it does not lose its value as inflation rises
- ⊗ **Residuary** – a residuary legacy is where the Testator leaves a percentage of their Estate
- ⊗ **Codicil** – a separate legal document which is an appendix to the Will, often updating the contents. This is used for minor revisions where it is not necessary to change the whole Will
- ⊗ **Intestate** – if somebody dies without writing a Will, their Estate is distributed in accordance with the law. This could result in the state applying for the Estate, if there are no living blood relations.
- ⊗ **Probate** – the legal process by which the Executor administer the Testator's Estate, in accordance with the requirements of the Will.
- ⊗ **Inheritance Tax** – tax of 40% is paid on the proportion of the Estate that is over the nil-band rating. (The nil-band rating is currently set at £325,000 until 2021). Donations to charities are exempt from inheritance tax. In addition, leaving 10% or more to charity will reduce the Inheritance Tax rate from 40% to 36%.

While this is important information to have, you should not seek to replace the role of a solicitor or accountant. Encouraging your supporters to seek advice from a legal advisor will give your organisation a level of protection while providing the supporter with peace of mind that their Will has been written correctly.

The correct term for this type of giving is much debated. 'Legacy', 'bequest' and 'Gift in your Will' all mean the same thing. However, research has shown that 'Gift in your Will' is preferred by supporters.

### Types of Legacy

There are a number of different ways someone can make a gift in their Will:

- ⊗ **Pecuniary Legacy** – a person leaves a cash gift of a specified sum
- ⊗ **Residuary Legacy** – a person leaves a percentage of their remaining Estate
- ⊗ **Specific Legacy** – a person leaves an item or asset, such as artwork, buildings or jewellery. This is particularly common for museums, with people leaving items or collections. You should be clear about your collecting policy to discourage gifts of inappropriate items. It is also not uncommon for museums to ask for a financial gift in addition, to support the storage and conservation of the item(s).
- ⊗ **Reversionary Legacy** – the gift being left will change ownership after a set period of time or on the completion of certain criteria. For example, a husband might leave his artwork to his wife, which will then revert to a charity on her death. An alternative might be that, on death, a property is given to a charity for 10 years, after which it reverts back to the family.
- ⊗ **Conditional Legacy** – a gift will be made, provided that certain criteria are met or adhered to. This could include conditions on how the gift is used, or actions that must be completed to thank and remember the legacy giver.

### **Residuary (%) v Pecuniary (Cash)**



There is currently a big difference between the average size of a residuary legacy and a pecuniary legacy. One reason for this is that people often don't know their true (financial) worth. Leaving a gift of £5,000 feels like a lot of money, whereas leaving 5% of your estate is harder to quantify and might feel smaller. However, if your total estate is worth £1million that 5% is £50,000. While the gap in average donations is closing, it is clear that residuary legacies are preferential for fundraisers.

### Legacy Prospects

The great thing about legacies is they can be (and are!) left by all sorts of people. Anybody writing a Will could be a legacy prospect. However, there are certain groups of people that are more likely to support your work in this way.

Across the UK charity sector, the average legacy donor is:

- ⊗ **Female** – 60% of legacy gifts are left by women. This can be attributed to the fact that, on average, women live longer than men.
- ⊗ **Lives in the South East** – while legacy donors live all over the UK, the older demographic in the South East means that there are also a larger number of legacy donors in this area
- ⊗ **Dies aged 83**
- ⊗ **Adds charity gift in last 5 years of life** – while legacy gifts were previously added earlier, the current generation of legacy donors is making important financial decisions later, with over 60% of legacy gifts added in the last 5 years of life, and 30% added in the last 3 years of life.
- ⊗ **Supports 3 charities** – on average, if somebody decides to leave a gift in their Will they will support more than one charity.



These are averages for the whole charity sector. Your organisation might find that your legacy donor profile looks very different. When you are starting out, look back at previous legacy gifts your organisation has received (even without a legacy programme, most organisations have received at least one legacy gift). Consider the five characteristics above (gender, geography, age at death, date of charitable Will, number of causes supported in Will). You should also consider their previous relationship with your organisation – did they work for you? Were they lifetime donors? Did they benefit from your work? Identifying your average legacy donor is a good starting point for identifying future legacy prospects. As your legacy programme develops, monitor trends that can help you to identify your legacy prospects.

In addition, your best legacy prospects could be reached by considering the following factors:

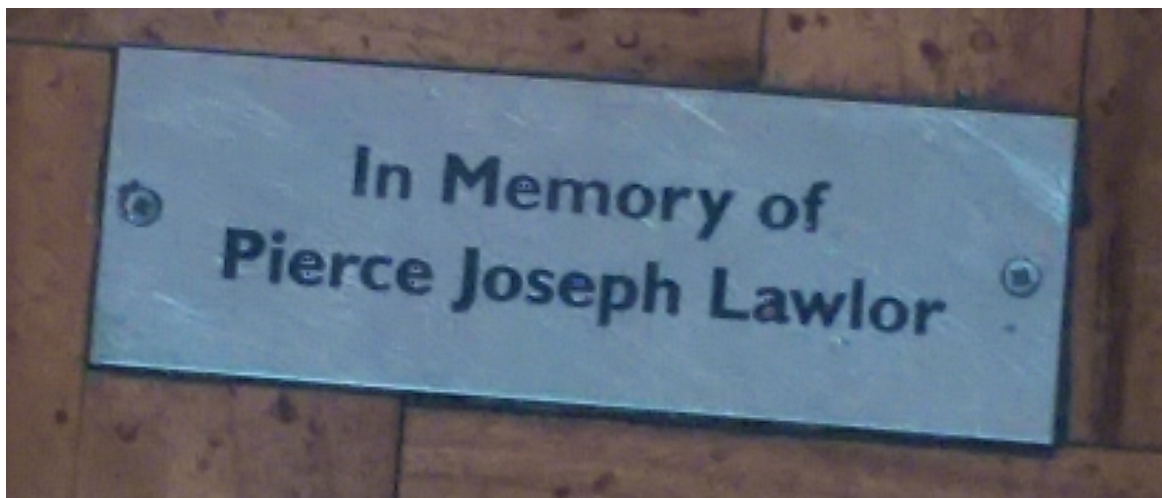
- ⊗ **Existing regular donors** – people with a strong existing relationship with the organisation (regular donors, demonstrating other signs of commitment to the organisation) are strong prospects for making the next step up to legacy donor.
- ⊗ **Engaged but not donors** – some of your donor's will have most of their wealth tied up in assets. This means that they cannot support during their lifetime but could make a substantial gift on death. Just because somebody hasn't donated doesn't mean they are not a legacy prospect. You should look for people that have demonstrated a deep engagement with the cause in other ways. This could include regular visitors and your volunteers.
- ⊗ **Approached via advisors** – solicitors and financial advisors have a powerful role to play in legacy fundraising. Prompting Will-writers to include a charitable gift has been shown to have a huge impact. While advisors are not allowed to suggest specific causes you can ask them to have materials relating to your organisation and your work on display in their office. This helps to ensure you are top of mind when people are making this decision.
- ⊗ **No contact** – it is not unheard of for donors to support organisations that they have had no direct contact with during their life. This happens more often than you might imagine. Ensuring your organisation ranks highly on Google searches can help potential legacy donors find you, while advertising in legal directories and journals that might be found in solicitors' offices can also help you to reach people at the time they are making this decision. This is also helpful for solicitors asked to act as executors where there is only vague instruction on who to give the money to.



## Legacy Motivations

As with all gifts, there are a number of reasons that somebody might decide to leave a legacy. Rather than one sole reason, it is likely that somebody will have a number of motivations. Some common legacy motivations include:

- ⊗ **Connection to the cause** – this can include a long-term association with a charity, an association with a specific life-event or a desire to say “thank you” to a charity that has directly impacted the donor’s life.
- ⊗ **Desire to be remembered** – leaving a legacy provides people with the opportunity to choose their own memorial, being remembered for their charitable work. This could include a tangible memorial, through naming rights or a physical credit for their support. For others, it could be a chance to compensate for negative PR. While not everybody will be motivated by it, you need to consider how your organisation can help people to be remembered through legacy giving.
- ⊗ **Chance to make a difference** – as mentioned above, some people have all of their wealth tied up in their Estate, meaning that a legacy gift is their one chance to make a transformational gift.
- ⊗ **Stop others getting it** – for those without relatives, giving to charity is one way of ensuring that the state doesn’t get it. For others, there is a desire to ensure their family (usually their children) don’t get it. This could be because of spite or, perhaps more palatably, because they don’t want their children to have everything handed to them on a plate. However, the recent *Illott v Mitson* case has confirmed the legal requirement that Testators need to provide “reasonable provision” for their children, and this can include cases where the children are adults.
- ⊗ **Reduce Tax bill** – as mentioned above, donating 10% or more to charity in your Will reduces the Inheritance Tax rate from 40% to 36%. While this is an incentive to donate more, this is rarely the most important motivation for deciding to leave a gift to charity.
- ⊗ **Religious reasons** – some people are motivated to give for religious reasons.



## **Your Future Vision – Telling your Legacy story**

Unlike lifetime giving, it can be hard to come up with tangible propositions that a gift in Will could help solve. As you do not know when the gift will be received, you need to think carefully about how you communicate the impact the gift will have. After all, the needs of your organisation could be very different in 5, 10, 50 years time.

You should therefore consider including a mix of aims, including both core parts of your mission which you know will continue to be true in many years to come, and some suggested aspirations of things you would like to do, but that aren't time-sensitive. For a museum, this could include the ongoing preservation of items or buildings, the acquisition of items to enhance your collection and/or the introduction of a bursary or competition.

When you are developing your Future Visions, try and consider the following questions:

- ☺ **Is your vision Practical?** Will your potential supporters believe that your vision is realistic and achievable?
- ☺ **Is your vision Proportionate?** Given the average size of legacy gifts, is it realistic that your vision could be achieved by a gift in a Will?
- ☺ **Is your vision Passionate?** Is your vision something that your identified legacy prospects will get excited or inspired about?

## **Why DON'T people leave a legacy?**

No matter how good your legacy marketing is, it is unlikely to be the thing that makes someone book an appointment with their solicitor, go out and write their Will. However, that's not to say that you shouldn't try! In particular, if you understand the common reasons that people don't leave a gift in their Will, you can work to overcome these barriers.

Some of the common reasons include:

- ☺ **"I didn't know you needed legacies" or "I didn't know I could leave you a gift in my Will"** – in some quarters of organisations there can be a nervousness about talking about legacies. This can result in legacy information being hidden away. However, if people don't know that they can leave you a gift in their Will, you will not be top of mind when it comes to making that decision. This challenge is heightened in the arts and culture sector, as visitors often don't associate your organisation with being a charity. Your marketing needs to make it clear that legacy gifts are a vital source of support for your work.
- ☺ **"I need to look after my family"** – testators with children are generally keen to ensure that their dependents are taken care of. Your marketing needs to make it clear that leaving a charitable gift is something to consider after they have left suitable provision for their family and loved ones.
- ☺ **"You have to be rich to leave a legacy"** – there is a common misconception that only wealthy people leave a gift in their Will, or that only big gifts will make a difference. Your marketing needs to make it clear that leaving a gift in your Will is a socially normal thing to do, and that their gift will make a difference.

- ⊗ **“It’s so difficult/expensive to write a Will”** – a Will is an important legal document and people can be put off by perceived time, effort and money needed to write or update one. Your marketing needs to try and make it as easy as possible for people take action.

### **Promoting Legacy Giving**

When it comes to promoting legacy giving you need two approaches, running at the same time – drip feeding and targeted marketing.



Drip feeding is important as you do not know when a potential donor is going to write, or revise, their Will. Therefore, you need to ensure you are at the front of their mind when it comes to making this decision. Look for opportunities to including legacy giving as one of the options whenever you are communicated ways people can support – on your website, ‘Support Us’ brochure, on signage within the museum etc. A donor board celebrating those who have already giving a legacy can also help promote gifts in Wills.

Your newsletter, programme or email update can also help with this. Including regular stories of how legacies are helping your organisation help to build awareness and portray legacy giving as a ‘normal’ thing to do. Research from America has suggested that ‘life stories’ (i.e stories about legacy donors who have included you in their Will but who are still alive) have greater impact on potential donors than stories about realised legacies.

In sharing these stories, you are looking to convey the impact legacy giving has on your organisation and, more importantly, your beneficiaries. You also want to convey that it is a positive, life-affirming and easy thing to do.

One concern that some donors might have is the impact a charitable gift will have on their family. In promoting legacy giving it is important to frame Gifts in Wills as something to consider **after** they have provided for their family and loved-ones. Including quotes and stories from family members of people that have left a legacy can help to address this.

Finally, when including legacy giving as an option you need to make it easy for people to get in touch for more information or to discuss this further if they wish. While many people will not tell you if they intend to leave a gift in their Will, others will want you to know. This could be because they want the gift to be used in a specific way, there might be conditions on the gift or they might want to be acknowledged for their gift.

### **Don't forget your old friends!**

As we mentioned above, most legacy gifts are added in to Wills in the last 3 to 5 years of life. At this stage of life, it is possible that your prospects' lives will have changed. Where they were once regular visitors, volunteers and supporters it is likely that they will have reduced their involvement all together, due to the changes in their personal circumstances. This doesn't mean they don't love you any more. However, a lot of organisations will remove their old friends from their mailing list once they stop giving. This means you will not be top of mind when it comes to make decisions about legacy giving.



If a long-standing friend or supporter stops giving, consider asking if they would still like to be kept on the mailing list, or to receive the Friends' newsletter. This will help you to keep in touch.

### **Taking a Target Approach**

However, there will be some people that you have identified as being strong legacy prospects. You will want to take a more targeted approach with these people. This could be because they have expressed an interest in learning more about legacy giving. There are a number of ways you can approach this:

- ☺ **Conversation** – for some legacy prospects, a face-to-face conversation is the best way to address this. Once you understand their motivations, you can show how a gift in their Will can help achieve this. While a fundraiser could have this conversation, getting a friend or peer of the donor (particularly one who has already left a legacy themselves) can be very strong. However, you need to be aware that this is a personal matter and some people don't want to talk about their Will with others. You need to be prepared to change the topic if it is clear that the potential donor is not comfortable discussing this with you.
- ☺ **Legacy Pack** – if somebody asks for more information you need to be able to provide this. A good legacy pack should include:
  - A cover letter from someone your legacy prospects respect or respond well to. For example, this could be your CEO, Chair, Fundraiser, Curator or a celebrity.
  - A "how to" guide, outlining the process and the steps they need to take to add a legacy gift to their Will
  - Suggested wording for adding a legacy gift to your organisation
  - Signposts towards further advice. This could include links to websites with more information, or a directory of local solicitors that can help with writing a Will
  - A pledge device – which the potential donor can return to the charity to inform them of their intentions
  - A response device – which the potential donor can send to their legal advisor informing them of their wish to amend their Will

Some charities will also include a free gift. This is based on the theory of reciprocity – if they give something to the donor, the donor is more likely to give something to them.

- ☺ **Estate planning/Will-writing event** – many charities have established partnerships with local financial and legal advisors to offer free Will-writing or estate planning sessions at the charities venue. While the advisors can't promote leaving a gift to specific charities, it can help ensure that you are top of mind. By removing a number of barriers you can also make it easier for people to overcome the inertia that can prevent them from going from desire to taking action.



## Tackling Common Objections

We know that fundraisers often face objections when they suggest implementing a legacy campaign. Here are some of the common concerns and some thoughts on how to address them:

### ***“Legacy giving is all about death. We don’t want to talk about death!”***

While it is inevitable that you will have to talk about death and dying when you are involved in legacy fundraising, it is important to note that most legacy donors refer to the act of leaving a gift in their Will as being incredibly life affirming. For them, it is a positive act which enables them to do something wonderful for a cause they love, while also creating a memorial for themselves.



In particular, it is the next logical step for donors that have shown huge commitment to your organisation for many years. This could include direct engagement with your work, financial support, volunteering and other forms of involvement.

While you may be uncomfortable talking about death, for your legacy prospects this has become a regular part of life. The deaths of friends, family and loved ones, increased age and possible decreasing health means they are thinking about this regularly. They will be aware of the practical need to finalise their plans for the end of their life and will be taking steps to ensure everything is in order. If they are unaware that they can leave a gift to you, or if you are unable to answer their questions about legacy giving you will lose out to other causes.

Nobody likes to confront their own mortality but failing to offer legacy giving as an option is denying your closest supporters the chance to do so something incredibly positive, plan for their future and complete their journey with your organisation.

### ***“Why should we invest in something that won’t pay off for ages?”***

The average time for a legacy programme to mature is 4.4 years. For some organisations, there is a constant need to secure short-term funding to keep the doors open and the lights on. You might face objections that there are more pressing needs and you need to focus elsewhere.

However, all types of fundraising need investment and take time to pay off. Legacy giving is often quoted as having the best return on investment of any fundraising stream and it is true that the returns can be high. With the legacy market predicted to exceed £5billion a year by 2050, organisations need to invest now to maximise this opportunity. With legacies often providing unrestricted income, investment now could ensure that your organisation is in a much more stable, sustainable position in five years time.

### ***“We don’t want to be seen to be robbing children of their inheritance!”***

A key consideration in legacy marketing is ensuring that donors know that they are being asked to consider a gift **after** they have provided for family and loved-ones. Legacy gifts are among the last things to be added.

It is also worth considering the impact the reduction in Inheritance Tax can have. A donation of 10% of the Estate reduces the Inheritance Tax from 40% to 36%. This means that there is no difference to the amount the donor’s family could receive if a donor leaves 4% or if they leave 10%.



*“Why would anybody leave a legacy to us? We can’t compete with Cancer Research/Oxfam/RNLI...”*

Donors give to the causes and organisations that matter to them. For some, this will be health and welfare causes, for others it will be animal charities and for others it will be arts and culture organisations. While there may not be the volume of donors that other charities have, arts and culture organisations play a key role in the lives of many people. In fact, the average legacy gift to arts and culture organisations is larger than the wider charity sector.

It is also worth noting that, on average, when a donor leaves a gift to charity in their Will they usually support more than one cause.

## About Apollo Fundraising

Apollo Fundraising provides consultancy, training and support to help arts and culture organisations to improve their fundraising.

Our areas of expertise include developing fundraising strategies, building individual giving and legacy programmes and helping organisations to identify their best prospects.

Our experience includes raising funds for a wide range of arts and culture organisations, including opera houses, historic buildings, theatres, orchestras, music festivals, museums and art galleries.

**Contact David today to find out more about our work and to discuss how Apollo Fundraising could help you and your organisation:**

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