Chapter 5
How do People Leave Bequests: Family or Philanthropic Organizations?
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Introduction

The growth in wealth over the past decades and the projected wealth transfer over the next half-century of at least $41 trillion from estates of final decedents[1] means that the decision-making process behind the allocation of transfers—both *inter-vivos* and by bequest—to heirs and charity has become of great interest in many quarters. The forthcoming wealth transfer is of significance not just to heirs, but to charities, financial planners, financial institutions, state and federal governments, and wealth holders[2] themselves. It is this latter group, and how they decide to allocate their transfers to heirs and charity, that are the special interest of this chapter.

We draw on our theoretical and empirical research on wealth and philanthropy to elaborate two new directions for understanding transfers to family and charity. The first is to suggest that identification with the fate of others is the primary variable that explains transfers to both family and charity for individuals across the economic spectrum. The second and newer direction is to argue that there is a major change in the decision-

[1] Havens and Schervish (1999).
[2] Primarily out of necessity, we join other researchers in identifying wealth holders as those persons having at least $1,000,000 in family net worth. Few large data sets have a sufficient sample of wealthier individuals for us to focus solely on the extremely wealthy of $5 million or more, among whom, as we have

making dynamics of transfers when individuals reach a self-defined level of financial security. When wealth holders have redundant resources, that is, a substantially large enough lifetime resource stream to provide whatever they desire for themselves and their heirs, then the tradeoffs between self and family, on the one hand, and charity, on the other, are obviated. If the first aspect of our argument is about continuity in underlying motivation, the second is about discontinuity in decision-making dynamics. Both aspects are social-psychological in that they introduce and rely on behavioral explanations about the meanings and motivations that generate transfer decisions.

The chapter consists of four sections and a conclusion. In the first section, we focus on the identification theory and supporting evidence for it, especially from the year-long Boston Area Diary Study. Incorporation of the identification theory into explanations of transfers to heirs and charity has the advantage initially of serving as a more general theory within which economic theories can be understood, and eventually, although we do not take this further step here, as a way to integrate aspects of the three primary economic theories of motivation, namely altruism, exchange, and warm glow. In the second section we present empirical evidence concerning the relationship of income and wealth to charitable contributions and to inter-personal transfers. These empirical patterns suggest that the very wealthy make such substantial and disproportionate contributions to charity that some additional element, over and above identification, is at play in motivating their charitable giving. In the third section, we identify financial security as that additional factor that provides an impetus for greater charitable giving and helps explain just why wealth holders at the high end of our wealth spectrum are disproportionately inclined toward charitable giving. Although the motivations of identification explain giving by individuals across the economic spectrum, the allocation of gifts is different for those individuals who have solved what Keynes calls “the economic problem [of scarcity]” and those who have not.[3] If, due to financial security, the dynamics of wealth-transfer decisions are different for the very wealthy, then devising models that better fit their actual decision-making processes may contribute to better interpreting, if not clearing up, the contradictory or ambiguous findings about the determinants of transfer decisions, especially in regard to the role of tax considerations in charitable giving.[4] In the fourth section of the paper, we explore a new direction in financial planning that wealth holders are employing. Financial planning procedures are an intervening behavioral variable that contributes to making the decision-making process for allocations different for many wealth holders, namely one that results in a greater priority being given to charitable giving. In the conclusion we suggest that as a result of material wherewithal, identification with the fate of others, and new directions in financial planning, wealth holders may be shifting their wealth allocations toward philanthropy rather than heirs, in general, and toward *inter-vivos* charitable contributions and transfers rather than bequests, in particular.

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[3] Keynes (1933/1930), p. 366.
[4] Tempel and Rooney (2000).

1. The Identification Theory

In this section of the paper we review the elements of the identification theory and suggest that it provides a general theoretical framework that (1) shares elements with economic explanations of wealth-transfer decisions, (2) explains transfer decisions to family and philanthropy as similar in motivation, and (3) is applicable to decisions by individuals from across the economic spectrum. Most recent economic research concerning transfers to adult family members and philanthropic organizations relies on one of three competing motivational paradigms, namely altruism, exchange, and warm glow. The altruism paradigm assumes that the family, as an institution, functions to equalize the income of its members and that inter-personal (including intra-familial) transfers are motivated by altruism,[5] or more generally that charitable contributions are motivated by altruism.[6] The exchange paradigm assumes that some *quid pro quo* motivates both inter-personal transfers[7] and charitable contributions.[8] The warm glow paradigm assumes that inter-personal transfers and charitable contributions make the giver feel good and experience a psychological benefit.[9] Each of these paradigms has its proponents and each has some evidence in its favor; however, none of these three has emerged as the single valid motivation to explain either interpersonal transfers or charitable donations. Without denying the validity of any of these paradigms, we offer

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[5] Cox (1987).
[6] Clotfelter (1997).
[7] Cox (1987).
[8] Clotfelter (1997); Andreoni (2001).
[9] Andreoni (2001); Clotfelter (1997).

the identification theory as a broad, empirically derived motivational paradigm that integrates all three economic motivations.

We have developed the identification theory from our extensive ethnographic and survey research on charitable giving, although its roots may be found in the religious and philosophical traditions of the practice of human love.[10] The central tenet of the theory posits that self-identification with others in their needs (rather than self*lessness*) motivates transfers to individuals and to philanthropic organizations and leads givers to derive satisfaction from fulfilling those needs.

Based on intensive interviews with 130 millionaires in 1986 and 1987 in the *Study on Wealth and Philanthropy,*[11] we developed and subsequently refined the identification theory as a general framework for understanding interpersonal transfers and charitable behavior.[12] There are two major components of the theory. First, philanthropic behavior,

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[10] Gilleman (1959); Toner (1968); Pope (1991a, 1991b, 1992).

[11] Schervish and Herman (1988); Schervish, Coutsoukis, and Lewis (1994).

[12] We do not hold that this theory is completely novel (indeed we trace its explicit antecedents at least as far back as Thomas Aquinas) or that it contradicts the economic paradigms. Rather it provides a broader and perhaps richer context within which to understand transfer behavior, which may at times appear to reflect altruistic behavior, at other times reflect exchange behavior, and at yet other times reflect warm glow. In fact, the theory has a precursor in economics. More than a quarter of a century ago, an iconoclastic economist, Kenneth Boulding, foreshadowed the identification theory when he hypothesized that self-identification motivates both charitable and intra-familial transfers. Examining the motivation for philanthropic giving, Boulding wrote in 1962: “The name philanthropy, itself, which means of course, the love of man, is a clue to the essential nature of the genuine article. When we make a true gift, it is because we identify ourselves with the recipient . . . It is the capacity for empathy - for putting oneself in another’s place, for feeling the joys and sorrows of another as one’s own - which is the source of the genuine gift. It is because ‘no man is an island,’ because the very realization of our own identity implies in some sense that there is a common identity in humanity, that we are willing to ‘socialize’ our substance and to share with the afflicted . . . Obviously, the more an individual identifies with some cause, community, or organization, the more likely he is to support it and the greater will be his donations to it. This is why the immediate face-to-face group and the reference groups with which he has identified himself always figure largely in the amounts given by an individual. When he gives to his children, for instance, he gives in a sense to an extension of himself. When he gives to a church of which he is a member, he is expressing his identity with a community a little larger than the family but fulfilling some of the same functions. As he contributes toward it, therefore, he is contributing in a sense toward part of his larger self.” (1962: 61-62).

including both charitable donations and transfers to families, is a manifestation of the broader concept of *caritas* or care—what Toner defines as meeting the true needs of another person.[13] Care radiates from the self and care of self is part of *caritas*. Care is first learned in the relationships of family and expands to encompass friends, neighbors, associates, and others, and is expressed either directly through interpersonal care, or indirectly through nonprofit organizations. Care may also extend to people collectively organized in groups, communities, and nations.

The second major component and the essence of the identification theory of *caritas* is the principle that caring behavior does not reflect selflessness or the absence of self; rather, caring behavior derives from a self-identification with others that results from a recognition that the needs of others are similar to what oneself or one's family has or could have personally experienced. As such, caring for others fulfills the needs of the caregiver as well as the needs of the recipient, providing the caregiver with a kind of emotional satisfaction akin to the "warm glow" motivation specified by some economists. Inspired in part by the work of Thomas Aquinas, the identification theory recognizes that caring behavior reflects the unity of love of self, love of neighbor, and love of God.[14] In our research, we have found that identification with others develops and is applied primarily through networks of association that bring donors into contact with potential recipients. Through the various constellations of formal and informal associations, some of which we seek out and some of which are thrust upon us, we learn about people in need and come to identify with them as like ourselves. It is not surprising, therefore, that

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[13] Toner (1968).

we tend to give, at least at first, to those organizations and individuals with whom we frequently associate in our daily lives. One of our most consistent findings is that the greatest portion of giving and volunteering takes place in a donor's own community and church, and helps support activities with which the donor is directly associated, and as is often the case, from which the donor directly benefits. Over the course of our research, it has become increasingly clear that differences in levels of giving of time and money are due less to differences in income, wealth, religion, gender, or race, and more to the mix and intensity of one's network of formal and informal associations, and hence to one's identifications, ranging from immediate family to extended family, friends, associates, community groups, and eventually beyond these groups.[15]

Identification in Practice: The Boston Area Diary Study

Evidence that the identification theory is a robust model for understanding the caring behavior of a wide spectrum of individuals at all levels of income and wealth (as well as age, ethnicity, gender, and marital status) comes from the Boston Area Diary Study (BADS) which we conducted during 1995 and 1996. To our knowledge, this was the first ever methodologically rigorous diary study focusing primarily on giving and volunteering.[16] The BADS involved repeated intensive interviews with forty-four randomly selected people who were contacted weekly by telephone to report on care

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[14] Gilleman (1959).
[15] Havens and Schervish (1997); Schervish and Havens (2002b).
[16] The study was funded by the W. K. Kellogg Foundation and the T. B. Murphy Foundation Charitable Trust. For details on the research methodology and interview protocols see Schervish and Havens (2001b). For further interpretation of the findings see Havens and Schervish (1997) and Schervish and Havens

given and care received over the course of a year. We obtained information from participants concerning money and goods given to and received from charitable organizations and other persons, except for spouses and dependent children. We also inquired about time both given to and received in unpaid assistance, emotional support, and volunteer activity from organizations and other persons, excluding spouses and dependent children. Among our findings were (1) that care is a unity or seamless continuum which does not distinguish between recipients except in regard to immediacy of need, and (2) that the individuals and causes which received the most care were those with which our interviewees identified in a personal way.

Table 1 summarizes the donations of time and resources that people give to help others on a regular basis. Care is provided in an array of ways: some are relatively passive, such as praying for others or treating others with civility and respect; others involve direct action, such as taking care of an elderly relative, driving friends and acquaintances who are in need of transportation to a variety of appointments and activities, helping others take care of their children, and providing emotional support to those facing both common and extraordinary tribulations. The statistical findings combined with the additional personal information garnered during the interviews produce three findings:

1. Above and beyond the care respondents expressed through contributions of money, goods, and time to and through charitable organizations, the participants spent a vast amount of money, goods, resources, time, and energy on informal

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(2002b).

care for individuals other than their spouses and dependent children.

2. Formal philanthropy represents merely the surface of the total amount of care that the members of society extend to each other on an informal basis.

3. Participants contributed the largest amounts of care to those individuals and charitable causes with which they were most closely identified and involved; for example, giving to family and relatives generally took precedence over friends and acquaintances, and giving to organizations that helped the participant, their family, or their friends generally took precedence over organizations and causes that did not.

Findings on Identification and Wealth Holders

The findings of the BADS are consistent with the findings of our prior and subsequent research based on in-depth interviews with wealth holders.[17] Even at higher levels of wealth and income than we encountered in the diary study, we find that behind any charitable gift is a story of identification and association. For example, we found that for the younger philanthropists we interviewed in our *2001 High-Tech Donors Study*,[18] the foremost impediments to greater charitable involvement were the relative youth of the interviewees, their lack of religious connection, their recent arrival in their communities, and the lack of store-front retail business. Such sparse networks of association simply do not provide them with extensive or intensive outlets for their care or many opportunities

[17] Schervish and Herman (1988); Schervish, Coutsoukis and Lewis (1994); Schervish, O'Herlihy, and Havens (2001).
[18] Schervish, O'Herlihy, and Havens (2001).

for identification. But as their connections grow through peer organizations like Social Venture Partners, or through involvement in their children's schools, so too does their involvement and financial support of charitable causes. After taking care of their families, for example, through outright transfers of capital, scholarships, or living trusts for health care, they look for outside opportunities to use their financial wherewithal to express their personal and family values. Throughout the interviews we found that, as with the diary respondents, the causes high-tech donors tend to support are those that capture the concerns they, their families, and those with whom they have been associated have experienced, often in their childhood. A beneficial elementary school or college education breeds a concern in later life with early childhood education or research at a university. A life-long participation in hiking and mountain climbing generates a special care for preserving the environment. The death of a loved one from cancer leads to establishing an oncology center at a hospital. Being a musician leads to contributions to the arts. Explicitly or just beneath the surface of their narratives is an account of how the people and events that have materially and emotionally affected high-tech donors and their loved ones are recapitulated in the people and causes they most care about. Respondents made it clear that their moments of identification extended the sentiments of family-feeling to the realms of fellow-feeling and respondents often recount the motives and meanings of their philanthropy in the language of surrogate kinship. Regardless of other differences, those they seek to help are like them, they say, like their parents, like the people they once knew.

Implications for the Allocation of Transfers

There are important implications of the findings from our BADS and wealth-holder studies for understanding the allocation of transfers between family and charitable organizations:

1. Individuals across the economic spectrum allocate their financial resources to the people and organizations with whose needs they identify. Allocations for self, family, and charity are all motivated by identification.
2. There tends to be a hierarchical ordering of such identifications and allocations such that personal and family needs generally take priority over the needs of friends and acquaintances, and the needs of organizations with which one has been associated take priority over other organizations.
3. As the needs of the people and organizations to which one has given initial priority become fulfilled, the needs of other individuals and organizations are moved up in priority.

In sum, our research on the philanthropic behavior of the very wealthy, the wealthy, and the non-wealthy has repeatedly shown that the dichotomy of formal and informal philanthropy, or giving to and through formal philanthropic organizations versus giving to family and friends, is a false dualism. Most individuals do not make such sharp distinctions but perceive their transfers of time, money, and emotional support as occurring in concentric circles of care, beginning with those near at hand and extending to others beyond immediate kith and kin. Furthermore, our research suggests that the allocation decisions between family and charity spring from a dynamic relationship among social, economic, and demographic variables, which can be influenced, altered, and expanded for all individuals regardless of their socio-economic and demographic status, especially as they are dependent on moments of identification and connection.

2. Empirical Relationship Between Transfers and Family Income and Wealth

People can give to charitable causes during their lifetime (*inter-vivos* giving) and/or at their death (charitable bequests). Similarly, they can transfer financial resources to relatives and friends through *inter-vivos* transfers and/or bequests to heirs. In both cases there is such a striking upswing in giving among those in the upper tiers of income and wealth that it is important to identify not only the fact of such an upswing but also what brings it about.

Charitable Inter-Vivos Giving and Bequests

In aggregate, for the year 2000 *Giving USA* estimates that charitable contributions amounted to $203 billion from all sources. Three-quarters of this total was contributed by individuals in their lifetime and another 7.8 percent consisted of charitable bequests. [19] During the past twenty years aggregate giving by individuals has grown 79 percent in real terms and aggregate charitable bequests by 168 percent. In this section we present data on charitable giving and on the transfers to relatives and friends. Table 2 presents data

[19] AAFRC (2001). The remaining 17% percent was contributed by foundations and corporations.

from the 1998 Survey of Consumer Finances (SCF)[20] and the 1998 General Social Survey (GSS)[21] on the distribution of *inter-vivos* charitable giving. The data show that the share of families making charitable contributions increases by income and net worth. The results also indicate that a small fraction of high-income families or high-wealth families make a disproportionately large share of the charitable *inter-vivos* contributions. Families in the top 5 percent of the income distribution made 39.7 percent of the total charitable contributions in 1997, with an average donation of $8926. Similarly, families in the top 5 percent of the wealth distribution made 41.6 percent of the charitable contributions in 1997 for an average donation of $9644.

One seeming anomaly is that charitable contributions as a share of net worth decrease with net worth. Families in the bottom half of the wealth distribution contribute about 1 percent of their net worth, while families in the top 5 percent of the distribution contribute only 0.3 percent (not shown). However, as Table 3 shows, there is a strong positive relationship between charitable bequests and wealth that contrasts sharply with the negative correlation between wealth and percentage of wealth contributed to charities in the form of *inter-vivos* gifts. Among wealthy decedents, charitable bequests as a percentage of the value of the estates—less estate fees and spousal deduction— increase as asset levels increase, rising from 4 percent for estates of less than $1 million to 33 percent for estates of $20 million or more.

In addition, we see from Table 4 how the allocation of bequests has changed over the time period 1992 to 1999. In the early part of the decade wealth holders seemed to

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[20] National Opinion Research Center (1998a).

shift bequests from heirs to charity, but this trend reversed between 1997 and 1999 (Panel A). In particular, as shown in Panel B of Table 4, those with net estates valued at $20 million or more increasingly devoted a larger share of their estates to charitable bequests between 1992 and 1997. The share of bequests in charitable estates increased from 33.7 percent in 1992 to 49.1 percent in 1997, but then fell to 33.3 percent in 1999. Later in the chapter, we will discuss some potential reasons for this trend and why it does not necessarily indicate a retreat from charitable giving by the wealthy.

Inter-Vivos Transfers to Relatives and Friends

High-income and high-wealth families also make a disproportionate share of transfers to relatives and friends. According to the 1998 SCF, approximately 12 million households made *inter-vivos* transfers to relatives and friends for financial support amounting to $64 billion during 1997. These transfers ranged from as little as $20 to more than $1,000,000. As measured by the mode, the typical transfer for households making transfers was $3,000 and was most often given to the respondent's own children. Households in the top 5 percent of the wealth distribution made 35 percent of all the transfers (in dollar terms).[22] Previous research has shown a strong relationship, comparable to transfers to charity, between income and wealth on one hand and the frequency and magnitude of intra-familial transfers on the other.[23] For very wealthy

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[21] National Opinion Research Center (1998b).
[22] Havens and Schervish (2001).
[23] Altonji, Hayashi, and Kotlikoff (1996).

decedents, the wealth of the decedent is strongly related to both the frequency of making *inter-vivos* gifts and the value of those gifts.[24]

The data in this section may be summarized as follows: a small percentage of wealthy and very wealthy families makes a disproportionate amount of the transfers both to charitable causes and to friends and relatives. These transfers are made both during life and at death. As wealth increases the proportion of *income* given to charity while the donor is alive also increases but the proportion of *wealth* given to charity while the donor is alive falls. However, wealthy people have traditionally given to charitable causes through charitable bequests, and as the asset value of estates rises, the proportion of that value devoted to charitable bequests rises substantially. As can be seen, the allocation decisions of wealth holders shape aggregate giving and aggregate transfers more per family than any other socioeconomic segment. Although our research confirms that the motivation of both wealth holders and non-wealth holders in making financial transfers revolves around identification and care, the foregoing patterns require that we look for an additional factor that inclines wealth holders to give such large portions of their wherewithal to charity. This factor, we believe, is the matrix of material capacity and social-physiological dispositions associated with financial security. When wealth holders can underwrite into perpetuity a desired standard of living for themselves and their heirs, the tradeoffs and motivational dynamics circumscribing their wealth-transfer decisions become different from those who are not financially secure.

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[24]Joulfaian (2000).

3. Financial Security and Philanthropy

In this section we argue that those who are financially secure enter a new realm of decision-making in regard to charitable transfers. By financial security we mean that individuals have reached a level of wealth where both materially and perceptually they can provide the standard of living they desire for themselves and their family, such that they could survive a major personal or economy-wide financial setback with their standard of living insured. If financial security is the material and emotional foundation for dedicating large sums to philanthropy, the next question is: How does financial security translate into financial philanthropy rather than into business investment, greater transfers to heirs, or tax payments? In other words, why do wealth holders who are financially secure tend to allocate transfers differently from those who are not financially secure, in that they allocate a greater proportion of their wealth to charity?

The first thing to be said is that feeling financially secure does not occur at some objective level of financial resources and, as findings from our survey of 112 individuals with assets at or above $5 million demonstrate, individuals vary greatly in the amount of wealth they consider necessary to reach financial security.[25] Although 98% of our respondents placed themselves above the midpoint on a scale from 0 to 10 (from not at all secure to extremely secure), only a relatively low 36% felt completely financially secure. The amount of wealth respondents considered necessary to feel completely financially secure

[25] Schervish and Havens (2001c).

ranged from $10,000 to $500 million. The median amount needed for financial security was $20 million, or 67% more than current wealth, while the average amount needed was $44 million, or 76% more than current wealth. These figures, of course, vary by how financially secure someone currently feels. Respondents who felt completely financially secure indicated that they would require about 44% of their current level of wealth to maintain that security. Respondents who rated themselves as 8 or 9 indicated that they would require an average additional 60% of their current net worth in order to feel completely financially secure, and respondents who rated themselves lower than 8 on the scale indicated they would require an average increase of 285% in their net worth in order to feel completely financially secure. Another indicator of the psychological dimension of financial well-being is that on average respondents at moderately high levels of income (up to $10 million family income) and wealth (up to $50 million family net worth) indicated they would require additional wealth in order to feel completely financially secure. Only at very high levels of income ($10 million or more in family income) and wealth ($50 million or more in family net worth) did respondents indicate, on average, that they would feel completely financially secure with less than their current level of wealth.

Despite these perhaps surprising findings about the level of financial resources deemed necessary to guarantee financial independence, the same study shows that there is a strong positive relationship between perceived financial security and charitable giving, measured in amount, percentage of income, and percentage of wealth. Table 5 shows that those with higher net worth give substantially more to charity on average than those with less (although substantial) net worth; and this holds in terms of absolute dollars, as well as in terms of percentage of income contributed and percentage of net worth contributed. More importantly, the table also shows that financial security has a very strong positive relation to charitable giving. The more financially secure a respondent feels, the more is given to charity, not just in absolute amounts but also as a percentage of income and net worth.

Given the positive relationship between financial security and charitable giving, just how does financial security translate into charitable giving? Thomas B. Murphy, an actuary, business owner, and wealth holder, has sought to conceptualize the usually implicit combination of financial and psychological reckoning that he and other wealth holders go through, formally or informally, in determining how much of their resources to donate to charity. He describes a process in which wealth holders determine a stream of resources; a stream of expenditures for self, family, and investment; and a stream of truly discretionary resources that is simply the positive difference (if any) between the stream of resources and the stream of expenditures:

> Given the generally accepted assumption that one provides first for oneself and one's family and does so at some level of lifestyle, philanthropy enters into the decision-making process [in a more formidable manner] when the difference between the expected level of income, current and future, and expected level of expense, current and future, to maintain and enhance one's standard of living is substantial and relatively permanent as measured by the subjectively determined criteria of the decision maker. . . The extent to which this difference (discretionary income) between income and expense is positive quantifies the financial resources available for philanthropic activities. The extent to which this difference is

perceived as permanent strengthens the case for allocating some of the resources for philanthropy. The extent to which the difference is positive, permanent and growing in magnitude enhances the philanthropic allocation.[26]

This decision-making scenario described by Murphy regarding the meaning of financial security and how it translates into charitable transfers reflects what we have repeatedly heard wealth holders describe in their intensive interviews. Reviewing in some detail the transition from accumulation to charitable allocation of another wealth holder, with whom we have conducted over four hours of interviews, confirms Murphy's analysis and demonstrates how and why we believe a substantial behavioral sea-change is taking place in the decision-making dynamics of the very wealthy in regard to charitable involvement. For this purpose, we turn to the account of 45-year old David Hendricks (pseudonym), a now cashed-out equity partner of a venture capital firm, whom we have found is typical and articulate about the way he has defined financial security, calculated its amount, and is devoting his redundant resources and intellectual capital to charity. Hendricks defines financial security as:

> basically having a very, very low chance that you will go broke even if you don't have a job, given an acceptable lifestyle. I have a computer model that I built that reaches out to when we're [he and his wife] ninety years old that factors in inflation and that plays out all this growth stuff and what the random fluctuations

[26] Murphy (2001), 34-35.

> of the stock market could possibly be. And it lays out a thousand versions of the way the world might play out and in only one time out of a thousand will we go broke given the lifestyle that we've chosen. And that's financial independence.

He goes on to explain that as a mathematician and computer programmer, and as one who is exceptionally risk averse when it comes to long-term financial independence, the elaborate model he has constructed:

> randomly simulates the way the stock market will play out over the years, using history as a guide for what numbers you should put in there. And the question for me was, do you have enough squirreled away so that basically we can maintain the lifestyle that we've chosen through our old age and have a very low probability of having either inflation or a lack of appreciation in the stock market make us go broke?

For Hendricks, the amount designed for financial security is a present value resource stream of $6 million, net of prospective taxes, net of inflation, and net of potential negative stock-market shocks.

Turning to Philanthropy

More important for our argument here is how, in the light of meeting his goals for financial independence, Hendricks has turned to philanthropy as the realm in which he has now begun to focus his intellectual, emotional, and financial capital. Prior to declaring himself materially and psychologically financially secure, Hendricks was already a small contributor to charities, but upon cutting back on his business activity and cashing out his equity share in his venture capital firm, he began in earnest to investigate ways to use his money, skills, and time in a more qualitatively systematic and quantitatively substantial manner. It was now time, he recounts, for him to pursue more wholeheartedly something in the realm of philanthropy that fits the "ideal" of being "unambiguously social." As he puts it,

> I've always kind of rolled my eyes a little bit when I hear about do-gooders because I have this image in my mind—not grounded at all on any experience—they will be lightweight type of stuff, full of petty politics. So I've always steered away from the world of philanthropy or non-profit and pooh-poohed it somewhat. But there is a side of me that says that maybe I can tune in a little bit more and do something that is unambiguously socially positive and see how that feels. I would like to see how that feels and if I find myself getting up in the morning very excited about how I am spending my time, if indeed I do find something that is unambiguously socially positive. This is something that struck me really very profoundly: those simple pleasures of being a contributor and being able to map how those contributions fit into the larger scheme of things. Kind of the social welfare, if you will.

Hendricks makes it clear, however, that a serious pursuit of philanthropy would have only been pursuing a "romantic" rather than a "pragmatic" ideal had he not first achieved financial independence:

> You need wealth to actually act on that ideal because, I'm sorry, I enjoy so much the lifestyle you can achieve with wealth. The pragmatist in me, like the squirrel, says, 'save your chestnuts and the sooner you get that done, the sooner you can rise up a Maslovian level and do the other things. And beware trying to rise up the Maslovian level before you are ready to do it. Be very, very sure that you are ready to do it because it is tough to turn back.'

It is instructive that even with financial security in hand the transition to a sharper focus on philanthropy is neither for Hendricks, nor for his financial peers, an automatic step. Financial security even when understood to be assured leads to philanthropy only in combination with other motivational vectors. This array of motivations for Hendricks and his peers includes identification, gratitude, the prospect of entrepreneurial effectiveness, and the desire to limit bequests to heirs.

Identification

We have already discussed the motivation of identification at some length. But we can see its ability to animate the philanthropy of a wealth holder by a brief look at how Hendricks connects what he considers to have been the comparative advantage of being well educated with the plight of those whose lack of quality education excludes them from the knowledge economy. Hendricks recounts that both he and his wife, Meagan, have gotten ahead in life due to the intellectual capital they garnered from their extensive top-tier university studies and, besides, "between Meagan and me we've got so many educators everywhere" in the family, that a concern for education has been "imprinted in us."

"I'm very concerned about a bifurcation of the educated and the educated-nots in our society," explains Hendricks, "because I see increasingly that our economy is driven by knowledge-worker types, problem-solvers. So I have real concerns about how to democratize education." Especially for the poor, "education is very important 'cause what we're talking about is people who would otherwise be burger-flippers." As was true for him, "the comparative advantage to them [poor children] is an affordable education, which in turn allows them to get jobs in the knowledge economy."

Gratitude

The motivation of identification is complemented by a particularly strong sense of gratitude for unmerited advantages or, as some say, "blessings" in reaching financial success. In our *2001 High-Tech Donors Study*[27] we found that most participants do not credit their wealth solely to their own efforts and skills. They understand that at various points in their careers there was always risk of failure. Thus, some credit their wealth at least in part to luck and good fortune, or if they are religiously inclined, to God's will or God's blessing. Such experience of blessing and gratitude further animates them to seek ways to help individuals and causes with which they identify.

The dynamics of gift and gratitude leading to care for others is precisely what Hendricks describes as motivating his concern for the vocation of education as a "noble

[27] Schervish, O'Herlihy, and Havens (2001).

thing." "The other piece of it," he continues, moving from identification to gratitude, "is I personally got so much out of my education. It has enriched me beyond measure. Not only the practical aspects of it, for instance in my career, [but also] to have a sense of irony, and to build an intellectual richness in life that for me has just meant so much as a gift":

> The gift of knowledge you might say – the gift of how to think, how to write, how to communicate, how to analyze as well as the gift of all the touchstones that an education gives you – the building of commonality in a community. You know, if everybody has read Shakespeare, there's a commonality that comes out of that which makes for better life. I do believe in having touchstones—that communities have points of reference that are rich and deep which can be commonly held and therefore allow people to not feel alone and to have confidence in the like-mindedness of their fellows.

Hyperagency

In addition to identification and gratitude, another motivation derives from the particularly active way wealth holders have made their money, namely, the desire to be as entrepreneurially productive in the realm of philanthropy as they have been in the realm of commerce. The majority (approximately 93%) of wealth holders acquired most of their wealth through their own skills and efforts (including investments) rather than through inheritance (7%).[28] Their major road to wealth has been business in the sense that they have owned and operated their own businesses, most often as entrepreneurs. [29] And those who have not been directly involved in business see themselves as active investors. Our research findings continually confirm that the fundamental common trait of wealth holders is what we call hyperagency. Hyperagency is the ability to be a producer and a creator of the organizational life of a society rather than simply a supporter and participant. As institution-builders in commerce, politics, and philanthropy, hyperagents do not simply seek to find the best environment within which to work, live, or give. Rather in all three realms, hyperagents are able to do alone or with a few other individuals what would take others a substantial social, political, or fundraising movement to achieve. When they choose to do so, hyperagents on their own can start new ventures, apply new ideas and methods, and set new institutional directions for existing organizations; and, as we have often seen in recent years, they can jump into electoral politics, leapfrogging established candidates. The wealthy thus bring to their philanthropy not just an over-arching expectation and confidence about being effective, but also a wide range of skills revolving around "questions of how to manage change," as Hendricks puts it. Such skills include an understanding of finance, management, investment leverage, personal connections, leadership talent, and a can-do attitude bred

[28] These estimates are based on data from the 1998 *Survey of Consumer Finances* (National Opinion Research Center) which asked respondents detailed questions concerning inheritance. The current value of all inheritances was estimated by adjusting the value of inheritances received for inflation and by assuming a real secular growth rate of 3%. This value was at least 50% of current total net worth for only 7% of families whose net worth was $1,000,000 or more.

[29] Based on data from the 1998 SCF we estimate that of the 4.6 million families with a net worth of one million dollars or more, 53% owned one or more businesses, as contrasted with the 11% of families with less than one million dollars in net worth.

by success. In particular, wealth holders, the longer they are members of a community, often have assembled such an array of informal and formal associations within their communities and through board memberships and other leadership positions that they become, as a matter of daily schedule, intimately knowledgeable about, interested in, and responsible for philanthropic initiatives and non-profit management and innovation. When coupled to the fact of earlier financial security and longer life expectancy, many wealth holders have both the time and energy to devote deeper thinking and vigor to the people and causes about which they care.

In philanthropy, as in commerce, politics, and civic life in general, the desire to be productive hyperagents is an active motivation that is part of the general inclination of wealth holders to be as publicly purposeful in allocating their wealth as they were privately purposeful in accumulating it. Hendricks demonstrates this third motivation in addition to those of identification and gratitude. His disposition to be involved in philanthropy requires working through a "high performance culture." "I want strong intellectual problem-solvers who are also interested in really getting a lot done. It's not just getting a lot done, but I am just a more cerebrally oriented person, I think, and will find it difficult being effective and happy in a more politically oriented culture or in a more ideologically oriented culture than maybe other people will be." His objective to make a far-reaching impact leads Hendricks to look first at local education but, speaking as a hyperagent, he says, "at the end of the day I have an ambition to be able to look at the magnitude, how far reaching the things are that I do. I'd like to see if I could affect thousands of people positively and meaningfully." He seeks to apply the "Jesuit premise" of leveraging and measuring change so as to solve the "bottleneck" in inner-city education due to “the expense of real estate and the scarcity of good teachers, who can be effective.” In his view, the use of technology is one tool to “change the student-to-teacher ratio” and to create better education “which is one one-hundredth as expensive on a per-student basis.” But his goal is not to simply affect this or that school, but to produce new and measurable advances for the educational enterprise in general. Hendricks does not insist his approach will be the answer but he does look to produce a widespread approach to an old problem: “Will you be able to attract leadership and build an institution that allows for the continuous improvement” of education for the poor, he asks, so that once started the innovations in such education can keep up with the next waves of development in business and technology? Put simply, he says, “there’s an institutionalization aspect to this” and it is a clear example of “an unambiguously positive type of thing that could have far-reaching impact.”

Limiting Transfers to Heirs

We noted above the decline in the shift of bequests from heirs to charity in 1999. It is difficult to know whether this reversal is a random fluctuation in the 1999 data, a decline in overall giving to charities, or the beginning of a shift among the wealthiest individuals from giving through bequests to *inter-vivos* giving through one of several vehicles for charitable giving. Certainly, in recent years, some reports have indicated (although not thoroughly documented) that, as a result of planned-giving strategies, wealth holders are moving toward increased *inter-vivos* giving as part of a consolidated lifetime financial plan. The increase in the variety and popularity of planned giving vehicles for donors, as well as the growth in the number and size of private foundations (including personal and family foundations) and donor-advised funds are indicators of this shift.[30] Moreover, our interviews with high-tech wealth holders and some informal interviews with financial planners and fundraisers reveal that increasingly upper-tier wealth holders are actively pursuing opportunities to implement their philanthropy while they are alive, rather than largely through their estates.

In addition, for the very wealthy, the allocation of wealth to heirs is already being limited by considerations such as the potentially negative effects of large inheritances on children; and allocations to philanthropy are more frequently occurring via a family foundation or through the involvement of the wealth holder and heirs in philanthropy, as a good way to resolve the moral dilemmas that surround the best use of excess wealth.

In the *Wealth with Responsibility Study 2000,*[31] 112 respondents worth $5 million or more were asked about the effect of the estate tax on their allocation of wealth between charitable bequests and heirs. The distribution of responses indicated that if taxes were eliminated as a consideration, wealth holders would give more to charity rather than giving all the tax savings to heirs. For example, when asked how they expected to and how they would like to allocate their estates to heirs, taxes, and charity, on average the

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[30]Between 1999 and 2000 The Fidelity Gift Fund assets grew 41%, the amount distributed to charities grew 53%, and the number of donor-advised funds grew 39%. In 2001 the Fidelity Gift Fund became the second largest charity on the *Chronicle of Philanthropy's* Philanthropy 400, its assets growing to over one billion dollars. In recent years, there has been a huge growth in private foundations, showing that gifts are being made in life rather than at death: 40% of US foundations are family foundations; two thirds of family foundations were formed in the 1980s and 1990s (Foundation Center 2000b); independent (not corporate or community) foundations accounted for more than four-fifths of overall increase in foundation giving in 2000; the number of independent foundations grew 7.2% from 1998-1999; and the number of operating foundations grew 8.3% over the same period (Foundation Center 2000a). Donors have been taking advantage of charitable vehicles which meet their needs: while just 2% of total population have established a charitable remainder trust (National Committee on Planned Giving 2001), the 1998 US Trust *Survey of the Affluent*, which interviewed 150 people in the top 1% of income and wealth, found that 15% of respondents had set up a charitable remainder trust and 25% were likely to do so in the future.

respondents *expected* 47% of assets from their estates to go to heirs, 37% to go to taxes and 16% to go to charities. Their *desired* allocation, however, was to see 64% of their assets go to heirs and 26% to charity, with taxes unsurprisingly trailing a distant third priority at 9% (unspecified other purposes made up the remaining 1%). In other words, in their ideal scenario, their 76% reduction in taxes would result in a 63% increase in bequests to charity. The *Wealth With Responsibility Study 2000* also showed that the desire to reallocate money from taxes to charity is even stronger at the upper levels of wealth: respondents with a net worth at or above $50 million envisioned an even greater shift to charity than those with a net worth below that amount.

Additional evidence is provided by Greg Yancey (pseudonym), interviewed in our *2001 High-Tech Donors Study*.[32] He speaks for the majority of those we interviewed in citing his fear that the burden of wealth would overwhelm his children, and attested to his intention to limit the resources made available to his heirs, seeing overly abundant inheritances as an extravagance, if not downright injury. Although he is just 35 years old and has four children under the age of eight, he is already concerned about insuring their financial virtue. Yancey grew up fending for himself with several small entrepreneurial ventures and struck it rich when a larger firm bought his ConnectionsTo company that had developed software to link stored data. The fact that his children will grow up affluent is “a bitch,” something that is “really scary” and “haunts” him. Recalling his own upbringing where “you had to make your own way . . . There wasn’t some rich uncle somewhere who would keep bailing you out of university or anything like that. There’s

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[31] Bankers Trust (2000); Schervish and Havens (2001c).

decisions you make and consequences to each one of them and that's really frightening." Turning to his kids, he wonders aloud how he should eventually talk to them about "all the challenges that wealth is going to bring to them." Although his kids are "damn well going to" be taught how to handle wealth responsibly, he is simply clearer about the problems than the solutions for such training. Educating the children about wealth is "really a difficult area for us to think about and we are only a year into this and we certainly don't have the answers there yet." One thing Yancey does know is that he "just can't see anything beneficial" from simply transferring all his wealth to his kids. That would turn out to be "just mostly downside for them, more complexities." At the same time, Yancey has begun to think that involving his kids in philanthropy offers some "practical" potential for teaching his kids how to handle their wealth:

> I think the Social Venture Partners Fund [my wife and I founded] is a good example. If we build this thing right our kids are going to grow up knowing us as people that took our own unique gifts and got back involved in the community. Not someone that just kind of got a wing of the music college named after them for a couple million dollars or something easy like that. But that we rolled up our sleeves and took our unique gifts and tried to build something where something didn't exist.

Neither the survey nor ethnographic evidence just presented *proves* that financial security changes the decision-making dynamics for those who have solved "the economic

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[32] Schervish, O'Herlihy, and Havens (2001).

problem" for themselves and their families. However the foregoing statistical and interview evidence does indicate that the allocation of wealth between family and philanthropy may take on a different character for the financially secure, one that does not depend primarily upon estate-tax avoidance, but depends more upon a logic that inclines the very wealthy to view philanthropy as both a positive alternative to bequeathing wealth to heirs and a way to combine philanthropy with the transmission of financial morality through the creation of foundations and philanthropic trusts that will involve the next generation.[33]

4. New Directions in Financial Planning and Their Impact on Wealth Allocation

Like many of us, wealth holders (especially self-made wealth holders) typically concentrate on accumulating wealth early in their careers. Only later do they focus as attentively on the allocation and distribution of the wealth they have accumulated. During this subsequent phase they usually seek information and advice about allocation strategies, often from financial or estate planners and sometimes from development officers and fundraisers for charitable organizations to which they may potentially contribute. In this section we describe a relatively new methodology used by some financial planners, as well as some fundraisers, to guide wealth holders through the

[33] Schervish (2001a).

planning process for allocating redundant resources. We have coined the term "discernment process" as a descriptive name for this new methodology.[34]

Discernment means insight, perception, or sagacity. The discernment method is an approach that helps wealth holders and donors gain insight into their finances and their needs with a view to identifying their personal level of financial security and their desires for using their financial resources to express their personal and family values. The goal is to enable individuals to make wise choices concerning the allocation of their redundant financial resources.

The discernment process has three component sub-processes. One sub-process guides the wealth holder through an examination and discernment of their financial resources. Another sub-process invites the wealth holder to examine their values, goals, desired lifestyle, and ideals in order to discern their psychological inventory of subjective factors that affect the allocation of their financial resources. The third sub-process involves the development and implementation of a plan, including specific financial instruments, to allocate their resources consistently with their subjective values, goals, and desired lifestyle for themselves and for their families. More specifically, the discernment methodology of financial planning seeks first to enable wealth holders to estimate an expense stream, to see wealth and income as together providing the resources to meet and exceed that expense stream, and to estimate what is left over after financial security has been achieved.[35] In so doing, it obviates the anxiety the wealth holder feels about providing for self and family, settles the issue of inheritance for children, and opens

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[34] Schervish (2001b); Schervish and Havens (2002a).

up remaining resources (that is, redundant financial resources) to create a social capital legacy comprised of explicitly directed transfers to taxes and to philanthropy.

These financial planning processes actually formalize the discernment which many wealth holders go through privately. As implied by Murphy's description of the dynamics of financial security,[36] many wealth holders are already inclined away from leaving an inheritance to children that exceeds their needs, away from excessive taxation, and toward charity as the best disbursement of their financial legacy.[37] The practice of a discernment model of financial planning reinforces this inclination, since wealth holders arrive at greater clarity both about their financial potential and personal predilections for charitable giving.

The positive role of the discernment process in helping the wealth holder identify financial security cannot be underestimated, for it is only when the wealth holder reaches financial security that they can become confident about the existence, and therefore deployment, of redundant resources. As we have already noted, the *Wealth with Responsibility Study 2000* clearly shows that feeling financially secure is a function of psychological comfort as well as of the level of material wherewithal. The discernment process, because it involves deep personal reflection in relation to values and money, can give donors the confidence to determine, locate, and allocate financial resources to achieve financial and psychological security for self and spouse and to provide what wealth holders want to give their heirs; then it can give them the freedom to embrace

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[35] See Fithian (2000) for an elaboration of these ideas.
[36] Murphy (2001).
[37] Schervish and Havens (2002a).

ways to be effective in the public sphere by responding to the following four questions: Is there anything you want to do? That is important to do to meet the needs of others? That you can do more efficiently than government or commerce? And that enables you to express your identification with others and gratitude for advantages, and to achieve greater effectiveness and deeper personal happiness?

A discernment-led approach to allocation differs from traditional financial planning in two major respects. First, values rather than tax considerations drive allocation decisions for those who go through the process. Second, rather than accepting a predetermined plan, the wealth holders are at the center of the process and are encouraged to develop their own plan based on their own perceptions of their financial resources and future financial needs, based on their own values, and based on their own philanthropic objectives and priorities.

Will a more self-reflective wealth allocation decision-making process lead to a noticeable effect on charitable giving on an aggregate level? We think that there will be a substantial effect, one which may already be visible in the statistics. First, there is a large number of families that are already wealthy (in 1998 approximately 5% of families, more than 5 million families, had net worth of at least $1 million). The rapid growth in wealth during the last decade has meant that more and more people are achieving high levels of wealth and confronting in daily life what we call "the spiritual secret of wealth": how to best disburse redundant resources when financial security has been achieved and guaranteed.[38] We expect that trend to continue as personally held wealth continues to

[38] Schervish and O'Herlihy (2002).

grow over the next 55 years, though perhaps at a lower rate than during the 1990s. In our 1999 report *Millionaires and the Millennium* we presented projections for wealth transfer through the year 2053. Our most conservative estimate of economic growth of just 2% produced projections of wealth transfer of $41 trillion of which at least $6 trillion could be allocated to charity. According to our recent calculations, and based on a low estimate of secular growth of just 2%, we project that individuals will donate $3.3 trillion in lifetime giving to nonprofit organizations in the next 20 years, or $13.2 trillion in lifetime giving over the next 50 years.[39] Clearly, independent of the effects of the discernment process, there is a boon for charity in the offing.

Second, the behavioral indicators from intensive interviews, from statistical trends, and from our Bankers Trust study presented in Section 3 imply that both charitable bequests and *inter-vivos* gifts will be increased to the extent that the practice of financial planning offers a methodology that reinforces the behavior already evident. We have seen a growing interest in the wider variety of charitable vehicles available to donors,[40] evidence of donors more frequently using their wealth to have an impact in life rather than after death, the involvement of heirs in philanthropy, and a reluctance to burden heirs with a large legacy in excess of their needs. As more and more donors have the opportunity for self-reflection about their wealth and values in an atmosphere of liberty and inspiration, we expect these trends to continue, resulting in more *inter-vivos* giving to charity and a continuing shift in bequests from heirs to charity.

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[39] Calculated by the Social Welfare Research Institute, Boston College, based on an initial estimate from AAFRC, *Giving USA 2001*, of *inter-vivos* giving in 1998.

[40] See footnote no. 30.

In sum, the new practices of financial planning revolving around developing and implementing a financial plan via a structured set of meetings between client and professionals have the following effects: First, they reduce uncertainty concerning current and future financial status and increase clients' psychological sense of financial security, if for no other reason than that doubt about one's own and one's family's current and prospective condition is mitigated. Second, the new planning methods encourage clients to contemplate their own life and their values in a way that brings identification to a conscious level. Finally, the new planning approach provides expert information concerning the alternative uses of any excess financial resources that clients may have, including how to allocate excess resources to charity in a manner that meets the needs of others, fulfills the inclinations of donors to be socially constructive, and opens an opportunity for the philanthropic education of heirs.

Conclusion

Our purpose has been to set out some new thinking about the motivations for giving to heirs and charity and the dynamics of those transfers among upper-tier wealth holders, that is, among those who are self-consciously financially secure. We believe that the meaning and practice of wealth transfer among the very wealthy need to be understood in a new way and that to do so reveals why so many current research findings involving the very wealthy are at best ambiguous and at worst mistaken.

We have posed an argument with two motifs. The first theme revolves around locating elements of continuity in the wealth-transfer dynamics of wealth holders and the non-wealthy. Wealth holders share with others across the economic spectrum a common motivational matrix for allocating financial resources, which we have termed identification. Individuals' caring behaviors are motivated by a convergence of interest with the fate of others, not along the axis of altruism versus self-interest, but along the axis of identification versus isolation. It is not the absence of self but the engagement of self that motivates care for others in need. Moreover, in the identification theory, because care of self, family, and others is viewed by the caregiver as arising from the same underlying dynamics, it is not necessary to attribute different motivations for wealth transfers to different recipients. Rather, what is needed is to uncover the relative amount of financial care people are inclined to allocate to self, heirs, and social needs. The decision-making dynamics of this second process is the paper’s second motif.

If the dynamics of identification delineate a common motivation for allocations to self, heirs, and others—and do so for individuals across the economic spectrum—the dynamics of financial security reflect consequential discontinuities in the content and categories of wealth-transfer decision-making. It is not so much differences in fundamental motivation as differences in capacity that result in the very distinct way the wealthy allocate their financial resources. Our and others’ research on wealth and philanthropy reveals that those who are both materially and psychologically financially secure have for all practical purposes eliminated those budget constraints that would entail tradeoffs between their own material well-being and that of their heirs, on the one hand, and the well-being of others, on the other. Such wealth holders, we have found, are increasingly disinclined from simply maximizing transfers to heirs, minimizing taxes, and treating charitable transfers as a by-product of the other two. Rather, as a result of enhanced material capacity combined with new methods of self-reflective financial advisement, increasing numbers of wealth holders, at an earlier age and at more realistic levels of wealth, understand themselves as enjoying redundant resources. The implications for behavior and, hence, for theory, research, and policy are several and notable.

First, economic theories and evidence from analysis of estates across the entire spectrum of wealth and income brackets are indeterminate regarding the motivations behind the allocation of transfers between philanthropy and family. Our foregoing analysis indicates that the dynamics of identification and financial security may have special application in explaining the behavior of those at the highest levels of income and wealth, thereby clearing up some of the contradictory and ambiguous findings about how and to whom wealth is allocated.

Second, if findings on the effect of estate taxes conflate the differing decision-making dynamics at play at different levels of financial security, then policy proposals based on such research may be misguided. For example, the basic motivation animating the philanthropic behavior of the very wealthy is identification, but precisely what other factors affect that behavior, and how, remain largely speculative. More specifically, much research assumes that marginal estate and income tax rates, coupled with charitable deductions, influence philanthropic behavior. However, it is not clear that taxes have the same effect on very wealthy individuals who command redundant financial resources as they do on well-to-do but not wealthy individuals.

Third, in the past decade a new approach to financial planning, the discernment method, has emerged. This methodology guides wealth holders through a process of self-discovery prior to the development of specific financial plans. This relatively new process not only reflects but also actually creates the outcomes that heretofore have been attributed to conventional independent variables. These new models and methods for financial planning and fundraising increasingly encourage understanding *inter-vivos* and bequest giving as a unified, endogenous process. We hypothesize that these new approaches are having a profound effect on the timing and magnitude of giving among wealth holders such that they are moving their charitable giving toward the present and thereby away from charitable bequests and toward *inter-vivos* gifts.

Although there are many additional implications for theory, research, and policy, the primary ramification of our analysis is that a relatively substantial reconsideration of the dynamics of wealth allocation may be in order. This, we believe, is certainly true in reference to the very wealthy who deem themselves, as they are in fact, financially secure. Economic analysis consistently assumes budget constraints in modeling and explaining financial decision-making. But if it is true, as we believe, that increasing numbers of individuals are completely financially secure and even larger numbers are substantially financially secure or sufficiently affluent to relax if not remove budget constraints, then a new way of conceptualizing wealth-transfer dynamics is crucial for discerning whether policies advancing wealth production or distribution will provide a more salutary relationship between private wealth and the commonwealth. For now, our research suggests that the dynamics of identification, financial security, and financial planning dispose the very wealthy to define their financial independence, to intentionally limit the amounts they want transferred to heirs, and to purposefully dedicate their redundant resources for charitable purposes.

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Table 1: Contributions of Money, Goods and Time, Boston Area Diary Study

Category of Organization or Person	Share Contributing Money and Goods (%)	Mean Annual Contribution of Money and Goods	Contributions of Money and Goods as Percentage of Income	Volunteering/Unpaid Assistance	
				Share (%)	Hours/Month
All Organizations	**100**	**$1490**	**2.2**	**84**	**9.9**
Religious	75	$741	1.3	36	6.0
Non-Religious	95	$750	0.9	79	5.9
All Interpersonal	**98**	**$7779**	**7.4**	**100**	**57.7**
Relatives	93	$7092	6.1	100	44.2
Adult Child/Grandchild	50	$4834	3.8	59	6.7
Parent	52	$294	0.6	64	15.7
Other Relative	93	$1964	1.6	95	10
Non-Relatives	98	$687	1.3	100	13.5

Source: Social Welfare Research Institute, Boston College, 1996

Table 2. Charitable Inter-vivos Contributions by Income and Wealth, 1998 Survey of Consumer Finances and 1998 General Social Survey

Panel A: Income greater than $0

Income	Share of Families	Share of Families Contributing	Group's Share of Total Contributions	Average Family Contribution
$1 -19,999	29.4	62.1	5.1	$211
20,000-39,999	28.1	75.8	12.1	$504
40,000-74,999	26.3	83.7	25.8	$1147
75,000-124,999	11.1	87.9	17.3	$1836
150,000-	5.2	97.0	39.7	$8926

Panel B: Net worth greater than zero

Net Worth	Share of Families	Share of Families Contributing	Group's Share of Total Contributions	Average Family Contribution
$1-19,999	22.7	10.5	3.6	$190
20,000-74,999	24.7	26.7	7.1	$409
75,000-199,999	24.6	40.9	16.4	$763
200,000-999,999	23.1	61.6	31.3	$1639
1,000,000-	5.0	85.8	41.6	$9644

Source: Author's own calculations using the 1998 Survey of Consumer Finances and the 1998 General Social Survey (for contributions less than $500).

Table 3: Charitable Bequests, Taxes, and Bequests to Heirs and Others by Asset Value of Estate for 1999 Filings

Gross Estate Category	Gross Estate				Charitable Bequest		Taxes		Heirs and Other	
	# Returns (Thousands)	Net Worth (Billions)	Fees & Surviving Spouse (Billions)	Available Estate[a] (Billions)	Amount (Billions)	Share of Available Estate (%)	Amount (Billions)	Share of Available Estate (%)	Amount (Billions)	Share of Available Estate (%)
0.6 M-1M	49.9	$37.9	$7.3	$30.6	$1.1	3.6	$1.3	4.2	$28.2	92.2
1 M-2.5 M	40.8	$58.4	$18.3	$40.1	$2.4	6.0	$6.7	16.7	$31.0	77.3
2.5 M-5 M	8.6	$28.2	$10.6	$17.6	$1.5	8.5	$5.7	32.4	$10.5	59.6
5 M-10 M	3.1	$20.0	$7.9	$12.1	$1.4	11.6	$4.9	40.5	$5.8	47.9
10 M-20 M	1.1	$13.9	$5.4	$8.5	$1.4	16.5	$3.8	44.7	$3.3	30.8
20 M or more	0.6	$31.6	$11.3	$20.4	$6.8	33.3	$7.9	38.7	$5.7	27.9
Total	104.0	$189.9	$60.7	$129.3	$14.6	11	$30.3	23	$84.4	65

Source: Calculated by John Havens at the Social Welfare Research Institute at Boston College based on tabulated data available on the web page of the Statistics of Income Division of the IRS.
(a) Available estate is the estate after fees and transfer to surviving spouse.

Table 4: Amount and Allocation of Estates Less Fees and Bequests to Spouse, 1992-1999

Panel A. All Estates
(Billions of 1999 Dollars)

Year	Available Estate[a]	Charitable Bequest as a Percent of Available Estate		Taxes as a Percent of Available Estate		Bequest to Heirs as a Percent of Available Estate	
		Amount	Share of Available Estate (%)	Amount	Share of Available Estate (%)	Amount	Share of Available Estate (%)
1992	$74.4	$8.1	10.9	$15.7	21.1	$50.6	68.0
1995	$79.8	$9.5	11.9	$17.1	21.4	$53.2	66.7
1997	$106.09	$14.8	13.8	$22.8	21.3	$69.3	64.8
1999	$129.3	$14.6	11.3	$30.3	23.4	$84.4	65.3

Panel B. Estates of $20 Million or More

Year	Available Estate	Charitable Bequest as a Percent of Available Estate		Taxes as a Percent of Available Estate		Bequest to Heirs as a Percent of Available Estate	
		Amount	Share of Available Estate (%)	Amount	Share of Available Estate (%)	Amount	Share of Available Estate (%)
1992	$8.6	$2.9	33.7	$3.3	38.4	$2.4	27.9
1995	$9.1	$3.7	40.7	$3.2	35.2	$2.2	24.2
1997	$17.5	$8.6	49.1	$5.3	30.2	$3.6	20.6
1999	$20.4	$6.8	33.3	$7.9	38.7	$5.7	27.9

Source: Boston College Social Welfare Research Institute based on data from Johnson and Mikow 1999 and Eller 1996-1997 and from the web page of the Statistics of Income Division of the IRS.
(a) Available estate is the estate after fees and transfer to surviving spouse.

Table 5: Charitable Giving by Net Worth and Financial Security

Panel A. Net Worth of $15 million or less

	Less than 8/10 Financial Security (a)	8/10 or 9/10 Financial Security	Complete (10/10) Financial Security	All Levels of Financial Security
Mean Charitable Contribution	$32,114	$69,036	$369,778	$116,778
Mean % Income Contributed	5.0%	6.6%	23.4%	9.5%
Mean % Net Worth Contributed	0.4%	0.5%	3.0%	1.0%

Panel B. Net Worth of more than $15 million

	Less than 8/10 Financial Security (a)	8/10 or 9/10 Financial Security	Complete (10/10) Financial Security	All Levels of Financial Security
Mean Charitable Contribution	$228,333	$1,044,265	$3,779,159	$2,234,681
Mean % Income Contributed	7.6%	19.2%	51.0%	32.9%
Mean % Net Worth Contributed	0.7%	2.0%	3.9%	2.8%

Panel C. All Levels of Net Worth

	Less than 8/10 Financial Security (a)	8/10 or 9/10 Financial Security	Complete (10/10) Financial Security	All Levels of Financial Security
Mean Charitable Contribution	$58,872	$603,839	$2,598,988	$1,108,707
Mean % Income Contributed	5.4%	13.5%	41.5%	20.4%
Mean % Net Worth Contributed	0.5%	1.3%	3.6%	1.8%

Source: Calculated by John Havens, Social Welfare Research Institute Boston College based on data from the Bankers Trust *Wealth with Responsibility Study 2000*.

(a) Respondents were asked to rate their sense of financial security on a scale of 0-10 from completely insecure to completely secure.