Many of us have favourite charities to which we give regularly, sometimes by responding to requests, and sometimes by a more structured process, such as via direct debits. If you were to guess how many of us go on to leave something to charity from our estates in our wills, what would you estimate? Your guess might be as good as anyone else’s, as up until recent times we have had very little insight into charitable giving from Australian wills. In 2005, the Commonwealth Government estimated that some 58 per cent of adult Australians have a will, and just 7.5 per cent of those include a charitable bequest. That’s a big gap between our participation in regular charitable giving and our participation in giving from our estates – which is the last chance we have to exercise control over where our money goes.

Some insights into why this gap is so large have come out of a detailed study undertaken here at Swinburne University of Technology. An analysis of the distributions from 1700 Victorian deceased estates large enough to require processing by the courts in 2006 revealed that, of those estates, just over five per cent included a charitable bequest. This compares with some 16 per cent in the United Kingdom.

The Swinburne study revealed that, in practice, the overwhelming majority of us do the same thing. We leave all of our accumulated wealth to immediate family members: first to our spouses, then to our children. It doesn’t seem to matter which country we were born in, how much wealth we’ve accumulated, the age of our children or the extent of their economic dependency or needs. When it comes to dividing up our estates, we Australians are all in the same groove; irrespective of circumstances, we give everything that we have to our families. Whatever our giving practices may have been during our lives, we just don’t include charities in our wills.

Of course, it makes sense that we put our families first! Adequately providing for those who are dependent on our financial support during our lifetimes is given; however, this does not necessarily mean that nothing else can get a look in. One case that makes this point is the estate of a widow who died at the age of 91 leaving her substantial $11 million estate to her three children, aged 71, 69 and 65, in equal share. The executor of the estate was the eldest son – a retired barrister residing in an affluent Melbourne suburb. From this information, it is possible to imagine that the family had always had a degree of relative wealth and had been able to send the son to law school, from where he had gone on to be financially successful in his own right. Had this person gifted 10 per cent of her estate to a charity, then each of the children would
have received $3.3 million rather than $3.7 million. Had the one million dollars been gifted to a single charity, it would have been a major contribution. Perhaps she was just in the same groove as the rest of us, and had simply not considered such an option.

As this example demonstrates, putting our family first does not necessarily mean that we exclude all others – it means looking first to the current and future needs of our families, and then giving consideration to including a contribution to our favourite charity or charities. This is backed up by both the Swinburne study, and another conducted by the Queensland University of Technology (QUT), which explored the attitudes of 1000 existing donors to Australian charities. The QUT study found that the strongest influences over donors committing to include a charitable bequest were 1) perceiving the family to be adequately provided for; and 2) having no family to provide for. The Swinburne study found that individuals with no children were far more likely to include a charity in their wills, but most were still unlikely to do so, preferring to leave their estates to other family members.

**Why consider a charitable bequest?**

You can leave a legacy that contributes to a better world.

For many charities, bequest income is the bedrock for their ability to really make a difference. Regular donations are used to carry out the day-to-day work of the organisation, but bequests have a very special role, as they provide capital. Such capital firstly delivers a base for generating ongoing income that can be used by the charity; and secondly, it provides the organisation with collateral against which it can borrow for longer-term projects and/or infrastructure work. Many charities also make a clear point of using bequest funds only for longer-term projects – things that would not be possible otherwise, and that make an ongoing difference into the future.

By attending to the needs of your family and including a charitable bequest in your will, you can leave a legacy that will continue to contribute beyond your own lifetime. In addition, a charitable bequest poses no risk to your own financial security. If you leave a charitable bequest in your will, it is, of course, only payable if there are funds available from your estate.

This raises the very practical question of what the options are for leaving a charitable bequest.

Firstly, of course, you need to cover all of the necessary bases in preparing a will, including the makeup and value of your estate, who you want your assets to be distributed to, and who you want to act as executor in managing the wrap-up and distribution of your holdings. If after providing for your family you wish to consider leaving a charitable gift, the options available to you in terms of the form of that gift are many, and include:

- a particular asset or assets; for example, BHP share holding
- a specified sum; for example, $5000
- the residue of your estate (what remains after all expenses are met and specified distributions made)
- a percentage of your estate; for example, 10 per cent
- a percentage of the residue of your estate; for example, 10 per cent.

Taking advice on these matters is important. Let me give an example of the potential pitfalls of leaving a specified sum – be it for a charitable bequest or for a family member. I recently reviewed a will in which the will-maker had left the bulk of her estate to her children, and a specified amount of $1000 to each of two charities. She passed on some 20 years after finalising her will. So, whereas at the time of writing the will, $1000 was – and was intended to be – a significant sum, 20 years later the buying power of $1000 is considerably diminished, and the relative share of the estate is similarly dwarfed.

The option of electing to gift a percentage of the residue of your estate means that if the value of your assets decreases over time, so too does the value of your gift decrease commensurately. Similarly, if the value of your estate increases, then the fixed-percentage gift means the monetary value also increases, but not at the expense of other beneficiaries.

In terms of wording, again, taking advice is important. If you do elect to make a gift to a charity, then many charities can provide you or your solicitor with recommended wording. For a working example, you can take a look at the website of Include a Charity (www.includeacharity.com.au) – a consortium of 140 Australian charities that would like to encourage more Australians to leave a charitable bequest. You can also find a link on this website to each of the participating charities.

Where most people choose to leave a bequest is of course related to their own experience, interests or passions.

If you are considering leaving a charitable gift in your will, there is one very important early step – discuss your intentions with your family. Make sure that everyone in your family is aware of your intentions, to ensure that they are not caught unawares by your will. There are really no steps that you can take to guarantee that your will cannot be challenged, but talking to your family is a fundamental first step. The opportunity to leave a legacy by gifting a part of your estate to make the world a better place is in your hands.

You don’t have to be rich or famous to make a difference. You just have to make a simple decision. Whoever you are, whatever your situation, you can help create a better world by including a charity in your will. Include a Charity.

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