JBWere

The Bequest Report

Reshaping Australia by passing on more than assets

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“This period of wealth transition is a once in a generation opportunity to unlock significant pools of capital, which have accumulated in many Australian households, for social impact.”

Shamal Dass
Head of Family Advisory
& Philanthropic Services,
JBWere Australia

Acknowledgement of Country

JBWere acknowledges the Traditional Custodians of the land as Australia’s First Peoples and pay our respects to Elders past and present. We recognise the continued connection and contribution to land, waters, and community.

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Foreword

I joined JBWere Australia, because it is an organisation that can, and does make a difference. We exist to give our clients the confidence to do what matters: what matters for their families and for the communities around them – whether locally or globally.

As CEO, I have the privilege of stewarding a business that has been providing trusted and tailored advice to clients for more than 180 years – with more than AUD$58 billion of funds under management in Australia. Our success over this long timeframe is based on the ability of our talented people to look beyond the horizon, and help our clients navigate through the challenges and make the most of the opportunities that arise.

One of our key areas of current focus is the transition of wealth across generations that is taking place over the next two decades. In our last report, *The growth of Women and Wealth (March 2024)*, we explored the factors influencing the growth of women's wealth and the challenges they continue to face, highlighting the clear urgency for the wealth management industry to evolve.

In this report, we continue to explore this theme from the aspect of contribution to family and society – something of interest across our significant family and for-purpose client base, and society more broadly. I want to acknowledge the exceptional contribution to our clients and the sector over the last two decades from our widely respected Family Advisory & Philanthropic Services team. In particular I wish to acknowledge John McLeod, the co-founder of the team and the author of this report, and Kim Venter (Director – Family Advisory) for her contribution.

We look forward to engaging with our clients and broader network to explore how these insights can be turned into effective strategies and partnerships. Please contact your JBWere adviser or the JBWere Philanthropic Services team to discover how we can work together to make the most of this phenomenal opportunity.

Maria Lykouras
CEO, JBWere Australia

I have had the privilege and honour of leading the Philanthropic Services team for more than a decade. Today, purpose - focussed families, businesses, institutions, and charitable organisations have entrusted us with more than $16 billion of their capital across Australia and New Zealand. These clients choose to partner with us because they want more than prudent investment advice – they seek a partner who can help them deliver better outcomes for individuals, families, and communities in need.

Our team has grown and evolved to match the needs of our clients in an increasingly complex environment. We have continued to invest our resources into conducting research into areas that provide real insight, to better equip our clients to develop and execute strategy. This began with the *IMPACT Australia and Cause Reports* and then delved deeper into the less understood areas of funding such as Ultra High Net Worth (UHNW) Giving and Corporate Community Investment.

And now we turn our gaze to bequests. Why?

1. Because it is under-researched;
2. Because we are, by any financial measure, a very wealthy nation; and
3. Because a large portion of this wealth will change hands across generations in the coming decades.

This period of wealth transition is a once in a generation opportunity to unlock significant pools of capital, which have accumulated in many Australian households, for social impact. This is important, because in this same period of wealth creation, we have also seen increasing disadvantage for many across society. We believe that a deeper understanding of bequests, and philanthropy more generally, will help increase the flow of capital to the social sector to help address some of these pressing social and environmental needs.

At JBWere, we understand that our heritage and scale demand that we fulfil our unique role in the ecosystem: to provide high quality insight and advice so our clients have the confidence to do what matters. The opportunity to assist our clients in achieving their ambitions, and the ability to contribute to the broader social impact ecosystem, is what inspires and motivates the experienced specialists in our Philanthropic Services and Family Advisory team.

I hope you find the report enjoyable and insightful.

Shamal Dass
Head of Family Advisory & Philanthropic Services, JBWere Australia

Executive Summary

There are three reasons for this report. Firstly, to quantify and put into perspective the intergenerational wealth transfer in Australia. While there is much discussion, there is little updated data, and significant events and valuation changes have occurred since the often quoted Productivity Commission's *Wealth transfers and their economic effects* was published in 2021. Secondly, an examination of the options available for the individuals leaving inheritances and encouraging deeper thought about what their lifetime's achievements could accomplish beyond them. Thirdly, we have considered this transfer from the perspective of the for-purpose sector. We have collected the known data in Australia and compared it internationally to see where we stand and the opportunities available for charitable bequests. We have detailed why they are important, their characteristics and trends plus the levers available to grow them within organisations and more importantly as a total for the sector.

As global populations peak this century, the current ageing cohort of Australians are set to continue to change the shape of our country. How this historically unique event unfolds is still to be decided and we believe that the traditional form of inheritance can be improved to provide a better outcome for both the next generation receiving it and the community in which they live.

We make the following observations:

- Australia's population growth is slowing and while positive net migration sees our peak later than global totals, we will still experience a dramatic increase in the number of older age people in the population. This contributes to an acceleration in the number of annual deaths from around 180,000 currently to over 330,000 within 40 years.
- Australia remains near the top globally for average household wealth and even higher on median wealth measures, meaning a more even spread than most countries. While inequality does remain a pressing issue, the wealth gap between young and old is large and exacerbated by current cost of living issues. Importantly, the wealth transfer is happening from the older and wealthier cohort.
- We have included data showing where Australian households and taxpayers rank within the Australian population, remembering our position as a globally very wealthy country. This is later linked to the opportunity to radically grow levels of giving, including structured giving with Private Ancillary Funds (PAFs) potentially growing from currently just over 2,000 to more than 50,000 and subfunds even more substantially. We expect strong growth in family foundation and subfund giving while living, further enhanced through inheritance.
- We estimate total inheritances of around $150 billion in 2024 with the next 20 years totalling $5.4 trillion, up from the 2017 estimate used previously by the Productivity Commission of $3.5 trillion over two decades.
- The vast majority of those inheritances will go to the partner if still in a couple (38%) or the next generation (who will be almost 60 years of age) if single (51%). A further 10% goes to other family and friends and only 1% to for-purpose organisations (only 25% of the US and UK proportions).
- While leaving to a partner is unsurprising, on average, within 10 years, that person faces a bigger choice in how best to pass on their (and their partner's) lifetime of assets and values. We present a case for thinking of "the full family balance sheet", including non-financial assets, and a deeper meaning of legacy that can be achieved with stronger connections to community.
- For-purpose organisations should understand the scale of charitable bequests in terms of both their annual growth rate (double that of mass market giving) and quantum (double that of PAFs). Charitable bequests, whether one off or from a past gift to a charitable trust or foundation, regularly make up 20 of the largest 50 annual philanthropic gifts in Australia.
- They are mostly unrestricted in their use and have a return on investment around six times the average for all fundraising, meaning within the total income mix of for-purpose organisations, they are the most valuable source of income by quite a margin.
- Like most income including fundraising, the majority of dollars goes to a concentrated group, and it comes from a smaller cohort of large donors. Research needed and strategies to gain a share of this growing income are discussed.
- Australia's position as a wealthy but ageing nation provides a strong baseline for charitable bequests. However, the currently low proportion leaving a bequest and the low percentage of assets left, falls far short of international peers and the levels of giving by people during their own lifetime.
- Country differences such as inheritance and estate taxes are part of the reason, but practice, culture, and a lack of discussion about such bequest options are easy opportunities for change. Increasing the level of discussion by financial and legal advisers, and growing the media coverage of peer giving through inheritance, can have a large influence in normalising giving in wills. This should form part of a national giving campaign, which was our highest priority in recent submissions to the Productivity Commission Inquiry into Philanthropy.

- Removing some of the current barriers, such as allowing charities to be beneficiaries of superannuation assets and introducing 'living bequests' where a small current tax incentive is given for a larger binding bequest in the future, will enhance giving from inheritances.
- Finally, we highlight the inevitable growth in charitable bequests through just demographics and asset value changes whereby we should see an increase from $1.3 billion to $2.6 billion over a decade. We do conclude by suggesting that if we could improve the rate and value of charitable bequests to a level of 3%, still below international standards, we could reach almost $8 billion annually by the end of that decade.

Introduction

Choosing how to pass on your lifetime's accumulation of assets, memories and values is one of the single most important decisions most of us make. The fact that we usually only make this decision a few times during our life, often years before it is enacted and for most, as an automatic equal division between the children, suggests that there is room for doing it a better way. Multiply this by the dramatically ageing Australian population and their increasing wealth highlights the need for this closer examination of inheritance in Australia.

Our past reports have tried to provide a detailed examination of each topic covered, but as importantly, present them in a wider context. *The Cause Report* in 2016 looked at the evolution of the for-purpose sector over the past 20 years and towards the future opportunities and challenges by individual cause areas. *The Support Report* in 2018 focussed on the significant changes we were seeing in Australian philanthropy, including the decline in mass market giving and volunteering, the growth in foundations and high net worth giving, and the implications for these trends. In 2022 we published *The Corporate Support Report* which traced the evolution in corporate community investment and the size and opportunity it presents today.

When we looked at the next area needing deeper analysis, it was hard to ignore the society wide effect of the intergenerational wealth transfer. While much has been written both here and overseas, it was rare to find work which tied together and accurately defined each of the 'what is it', 'what does it mean for me' and 'what does it mean for the for-purpose sector'. Also adding a 'what could it look like if we get it right' section guided the scope of *The Bequest Report*.

Tying together and linking excellent previous work from Government agencies, academics and industry experts here and overseas gave us a good picture of the current situation, opportunities, and levers to improve outcomes for both those leaving an inheritance and those receiving them including children. This past work included two studies by friends who have since passed and we'd like to acknowledge. Chris Barnard, a fellow JBWere alumni wrote *Charitable Bequests A specific case of gift giving* with Queensland University of Technology (QUT) in 1995 and Dr. Christopher Baker, a fellow Swinburne alumnus, wrote *Encouraging Charitable Bequests by Australians* in 2013.

This report starts by looking at the changing demographics of Australia and its wealth, including inequality, compared to other countries. We then examine the inheritance decisions in front of this growing cohort, both what happens currently, what other options exist and the benefits of some deeper planning. The report looks at the current situation and potential for the for-purpose sector and offer thoughts on preparing for the opportunity. Finally, we offer a vision for the future which combines a better public discussion about inheritance and the levers available to grow charitable bequests.

Australia is indeed a fortunate country, with great wealth and a relatively small population to divide it amongst. How that is handled in the next few decades, as record levels of accumulated wealth and family values changes hands, can reshape our country. It would be an enormous waste to just 'fill right' on the excel sheet of life without considering the potential of doing it better.

> "Australia is indeed a fortunate country, with great wealth... how that is handled in the next few decades... can reshape our country." John McLeod, Senior Research Consultant, Family Advisory and Philanthropic Services, JBWere Australia

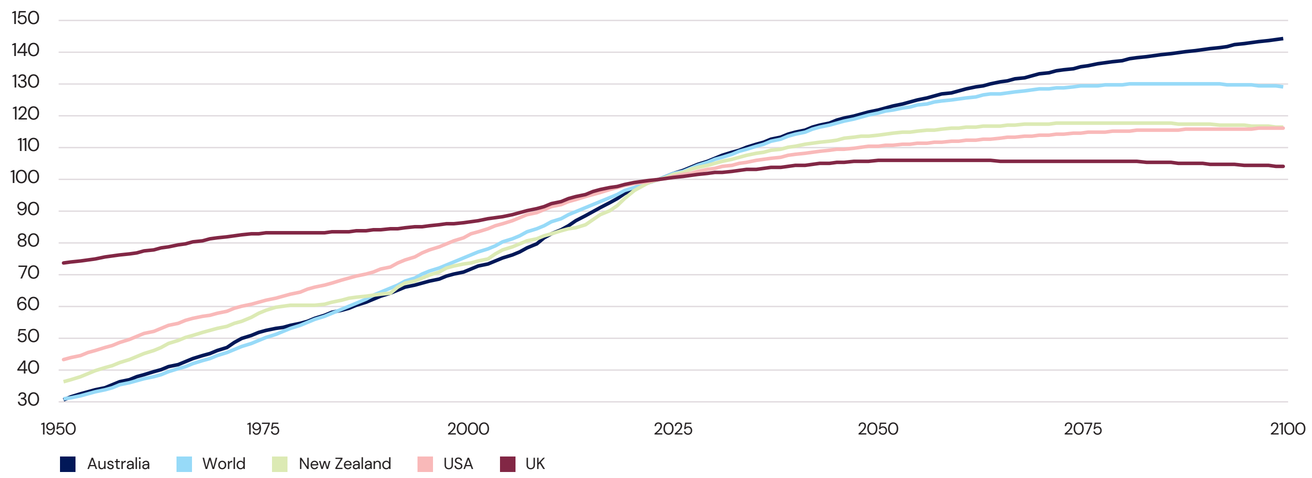
What does the intergenerational wealth transfer look like in Australia

The equation is relatively simple. Multiply the number of people passing away by what they own at that time and then look at who they intend those assets to pass to.

A growing but ageing population

There has been quite a lot of good analysis on population projections and demographic changes in Australia and internationally in recent years. Some of the more consistent and detailed work from the United Nations Population Division highlights the slowing nature of global population growth, predicting a peak in just over 60 years in 2086 (Chart 1). For some countries, this will occur earlier with the United Kingdom (UK) expected to peak in 2055.

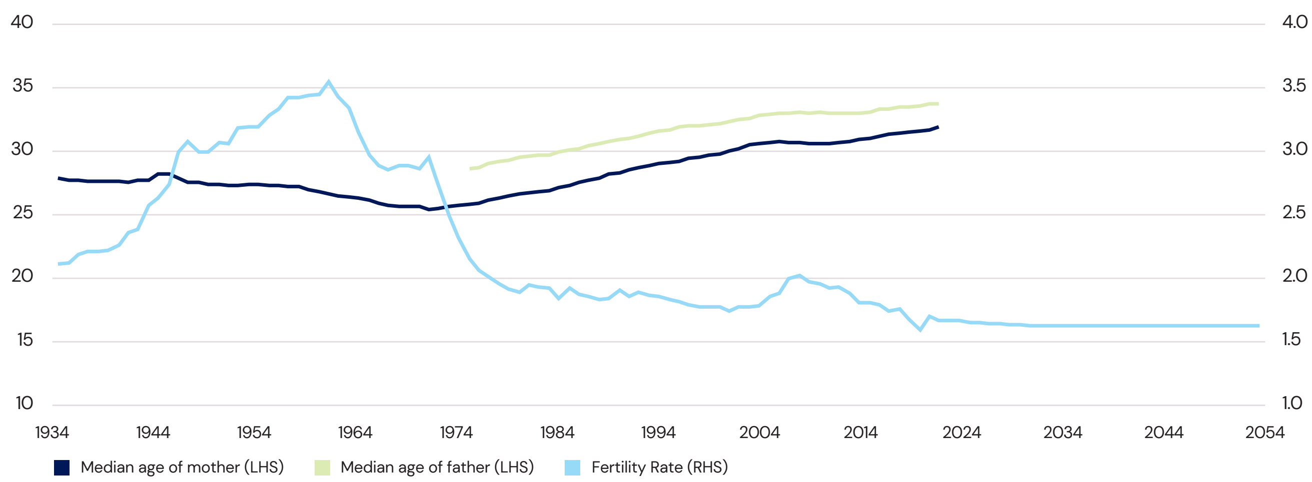
Chart 1 – United Nations population projections 1950-2100 (2024 = 100)



Source: World Population Prospects 2022, United Nations Population Division

Falling fertility rates in many countries is the main contributor to this population peak and Australia is no different with rates falling below 2.0 in 1978 (Chart 2). While this slows our rate of growth, it doesn't see it peak until earlier in the next century due to net migration which differs between countries.

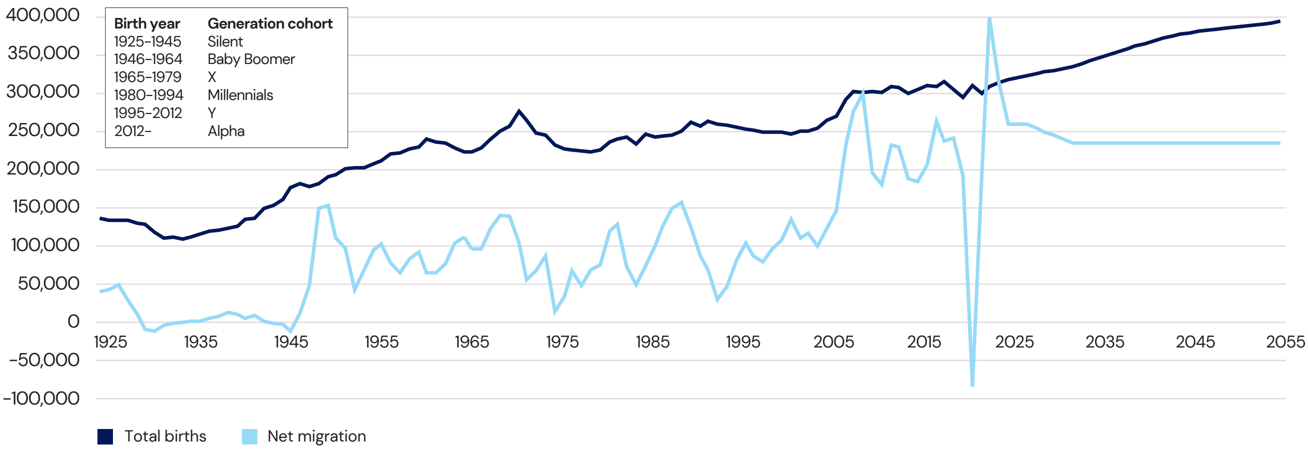
Chart 2 – Australian parent age and fertility rates 1934-2054



Source: Productivity Commission

While the rate of growth in births is slowing, Australia has almost always been a county of positive net migration, contributing to overall population growth, with only nine years in the past century having a negative value, the most recent and largest being during the COVID epidemic in 2021. Current debates around net migration may influence this timing and we have used the Productivity Commission forecasts of 235,000 per annum in our population and inheritance modelling (Chart 3).

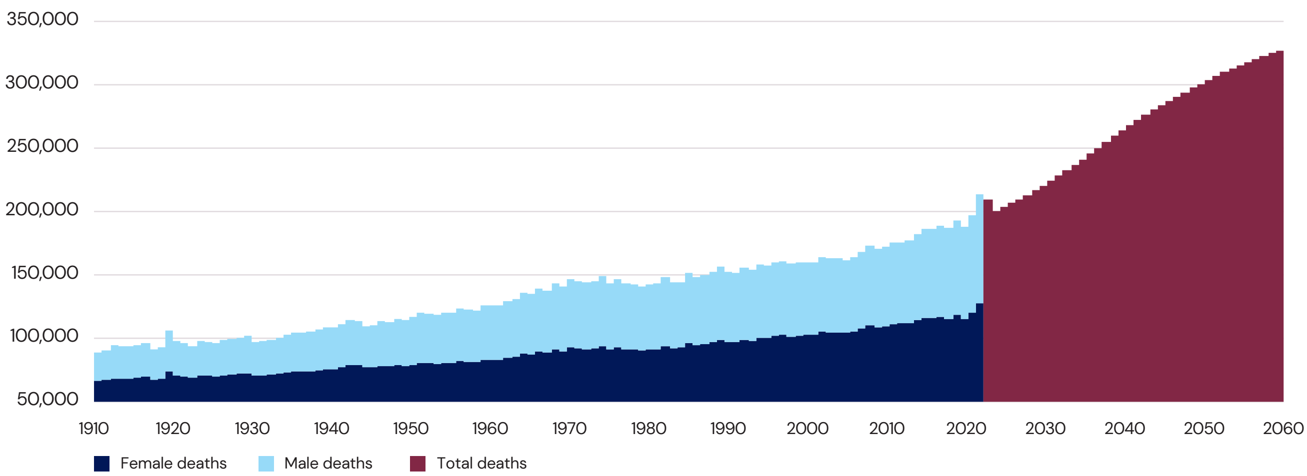
Chart 3 – Australian births and net migration 1925-2055



Source: Australian Bureau of Statistics, Productivity Commission

Despite changes to births and net migration in coming years, the largest change in the population formula is the number of deaths with expectations of the annual number doubling over the next 40 years, further accelerating what has been a multi decade trend (Chart 4).

Chart 4 – Annual and projected deaths in Australia 1910-2060



Source: Australian Institute of Health and Welfare (for historical) and Productivity Commission (for projected)

This change is also the main contributor to Australia's slowing population growth with the annual increase falling from 366,000 in the decade to 2020 to 320,000 by 2060 and under 100,000 by the end of the century (Table 1).

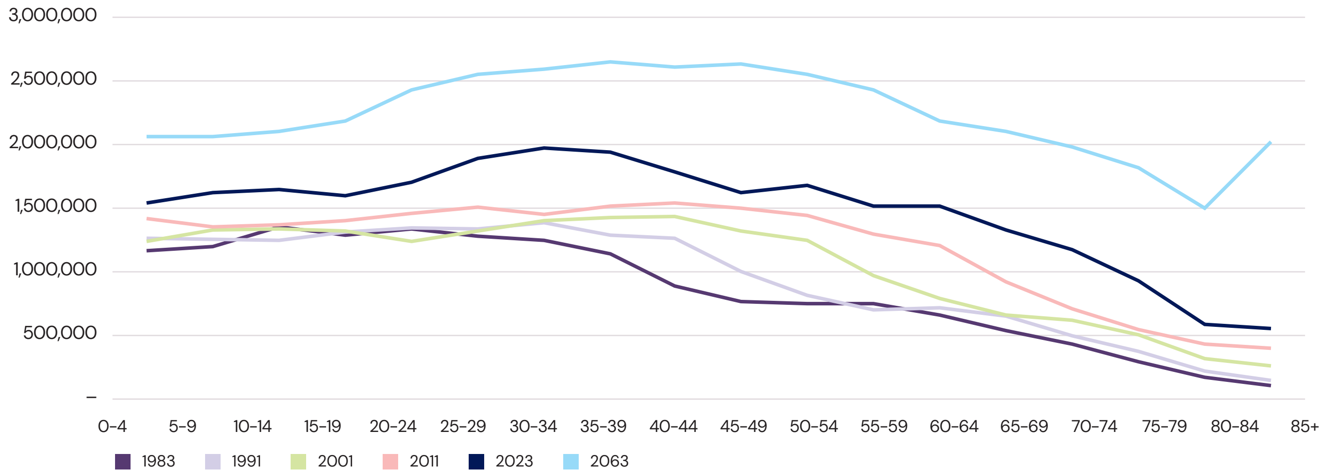
Table 1 – Annual values in decade to

	2020	2060	2100
Births	306,000	396,000	342,000
Deaths	156,000	311,000	385,000
Net migration	216,000	235,000	140,000
Change	366,000	320,000	97,000

Source: Australian Bureau of Statistics (2020), Productivity Commission (2060) and United Nations Population Division (2100)

The main reason for this increase in the number of deaths is due to our growing but ageing population (Chart 5). This change has been occurring for many years but the decade apart lines of population by age, highlight both the increase and importantly the move to the right. In particular, the 85+ age group is the one expected to dramatically increase as the number of aged combines with increased life expectancy.

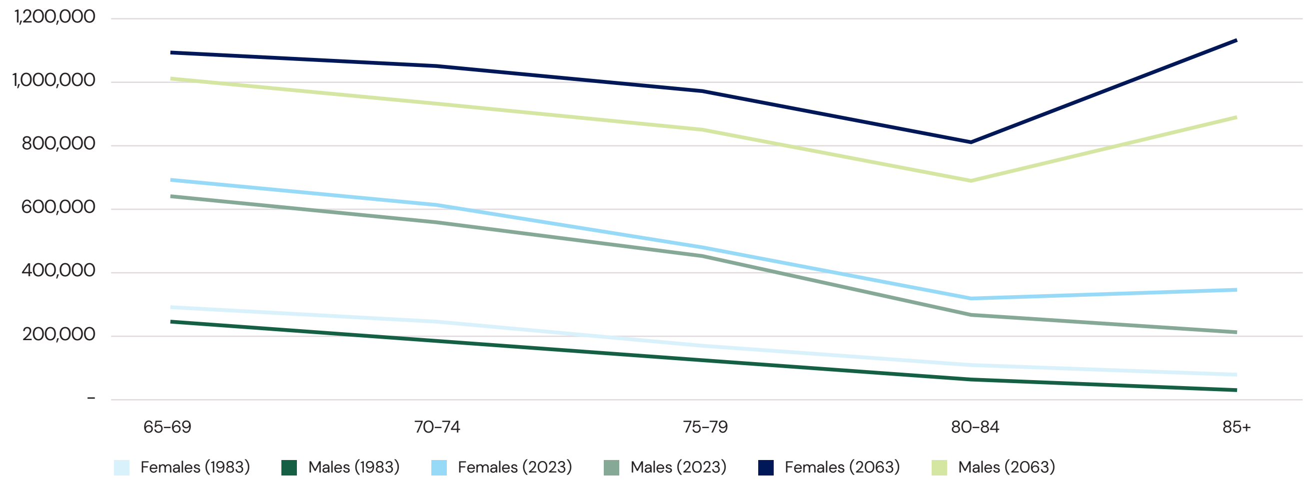
Chart 5 – Australian population by age



Source: Australian Bureau of Statistics (for historical) and Productivity Commission (for projected)

If we focus on the movement in the 65+ age cohort and study gender differences, greater female life expectancy (currently four years) becomes a more dominant factor in coming years (Chart 6). The data spread over 40 year gaps, highlights these significant changes. This has important implications for the choices in intergenerational wealth transfer. Further to this a recent JBWere report, *The growth of Women and Wealth*, found that the oldest daughter is 50% more likely to control the family finances at the point of wealth transfer. Similar work by McKinsey in the USA suggested that household assets controlled by women will rise from 1/3 to 2/3 within a decade and Schroders in the UK saw it happening even sooner due to the more imminent demographic changes in that country.

Chart 6 – Number of older Australians by gender



Source: Australian Bureau of Statistics (for historical), Productivity Commission (for projected)

High and increasing wealth levels

Australia ranks highly in both average and median wealth globally (Table 2). We also rank well on other measures such as happiness. While we have many very wealthy individuals and families plus many considerably less well off, the gap is far less than in comparable countries as shown by measures such as the Gini index (measure of inequality or dispersion of wealth, the lower the better). For comparison, while average wealth in the USA ranks above Australia, they are well below in median wealth, suggesting a much bigger society wealth gap and levels of inequality.

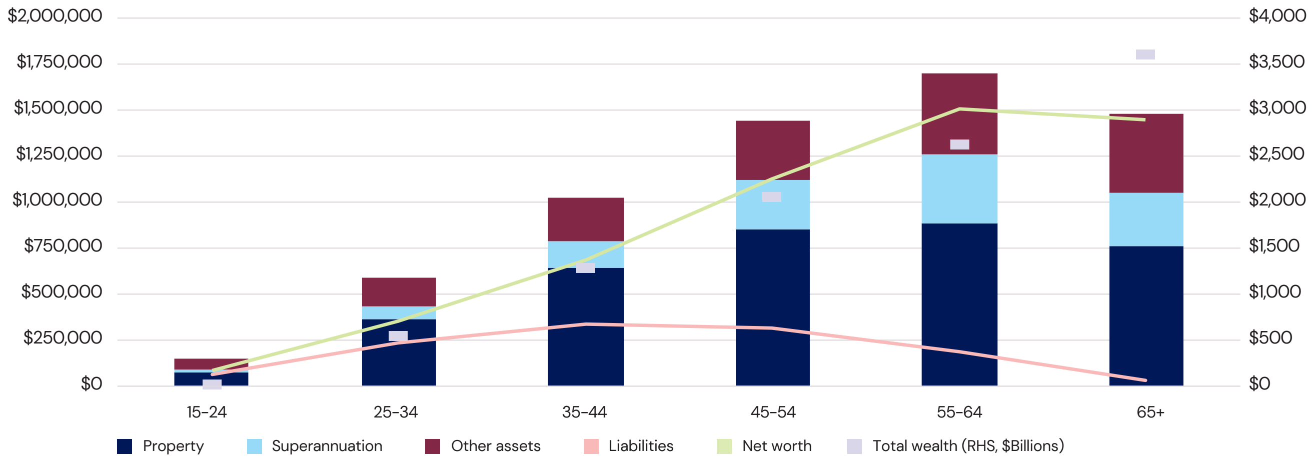
Table 2 – Annual values in decade

	Australia	USA	UK	New Zealand	Canada
Average household wealth	4th	2nd	13th	6th	9th
Median household wealth	2nd	13th	7th	4th	9th
Happiness Index	10th	23rd	20th	11th	15th
CAF World Giving Index	14th	5th	17th	10th	8th
Mean wealth per adult (US$)	$496,819	$551,347	$302,783	$388,761	$369,577
Median wealth per adult (US$)	$247,453	$107,739	$151,825	$193,065	$137,633
No. of USD millionaires	1,840,000	22,710,000	2,556,000	255,000	2,032,000
Top 10% of global wealth holders	12,403,000	110,219,000	26,675,000	2,054,000	15,237,000
Top 1% of global wealth holders	1,632,000	21,037,000	2,227,000	237,000	1,802,000
Top 1% share of total country wealth	21.8%	34.2%	20.6%	20.1%	24.3%
Wealth inequality (Gini index)	66.3	83.0	70.2	69.9	72.3

Source: Credit Suisse Global Wealth Report 2023, World Happiness Report 2024, CAF World Giving Index 2023

Wealth levels tend to rise with age due to the accumulation of earnings and compounding superannuation, investment, and property assets. Data for 2020 shows that net wealth (assets including residential housing less debt) peaks in the 55-64 age bracket but only dips slightly after that as debt is reduced (Chart 7). Many people die with the highest levels of assets accumulated over their lifetime, including superannuation, rather than spend it down in retirement. The total wealth by age (of the Australian Bureau of Statistics reference person in the household) also shows the increased value of assets sitting with the older cohort in Australia.

Chart 7 – Average household wealth by age in Australia 2020



Source: Australian Bureau of Statistics

For some, not realising how wealthy they are relative to the population (measured by either assets or income), can reduce confidence in spending down in their later years. Data showing the ranking of household net assets and individual income levels is useful in understanding this relativity, remembering that we also sit near the top of global wealth rankings (Table 3). Being amongst the wealthiest in one of the wealthiest countries in the world is a privilege and is owed partly to the society we live in.

Table 3 – Rank of Australian households by net assets and taxpayers by pretax income levels

	Net asset range	No. of households	Cumulative households
Households by assets			
Top 0.003%	above $500,000,000	300	300
0.003% - 0.033%	$50,000,000 - $500,000,000	3,000	3,300
0.033% - 1%	$10,000,000 - $50,000000	94,024	97,324
1% - 2%	$6,750,000-$10,000,000	97,324	194,648
2% - 5%	$5,400,000-6,750,000	291,972	486,620
5% - 10%	$2,257,700 - $5,400,000	486,620	973,240
10% - 20%	$1,447,800 - $2,257,700	973,240	1,946,480
20% - 30%	$1,052,400 - $1,447,800	973,240	2,919,720
30% - 40%	$789,100 - $1,052,400	973,240	3,892,960
40% - 50%	$579,200 - $789,100	973,240	4,866,200
50% - 60%	$411,500 - $579,200	973,240	5,839,440
60% - 70%	$248,300 - $411,500	973,240	6,812,680
70% - 80%	$113,400 - $248,300	973,240	7,785,920
80% - 90%	$36,900 - $113,400	973,240	8,759,160
Bottom 90% - 100%	to $36,900	973,240	9,732,400
Total households		**9,732,400**	

	Pretax income range	No. of individuals	Cumulative individuals
Individuals by income			
Top 0.1%	above $1,000,000	19,666	19,666
0.1% - 0.5%	$500,000 - $1,000,000	51,968	71,634
0.5% - 2.0%	$250,000 - $500,000	223,527	295,161
2.0% - 7.5%	$150,000 - $250,000	844,450	1,139,611
7.5% - 20%	$100,000 - $150,000	1,830,676	2,970,287
20% - 30%	$80,000 - $100,000	1,485,824	4,456,111
30% - 50%	$50,000 - $80,000	3,600,147	8,056,258
50% - 75%	$25,000 - $50,000	3,837,046	11,893,304
Bottom 75% - 100%	below $25,000	3,240,885	15,134,189
Total taxpayers		**15,134,189**	

Source: Credit Suisse Global Wealth Report 2023, Australian Bureau of Statistics, Household, Income and Labour Dynamics in Australia, Australian Taxation Office, Centre for Social Impact

Future inheritance trends

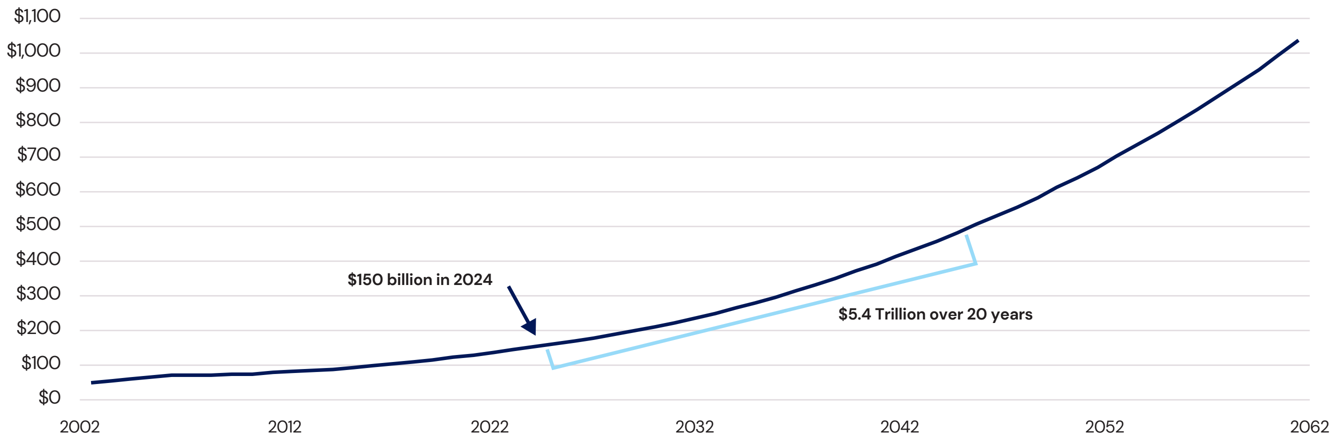
When we combine the increase in expected deaths with the high and growing asset values of the population, particularly the older cohort, we can see a powerful rise in the value of future inheritances in Australia. We have used a 3.5% real annual growth in combined assets going forward, which compares to Productivity Commission data showing historical housing growth of 4.4% and superannuation of 3.3% over the 20 years to 2018.

Cost of living pressures are currently being widely felt in Australia and real average earnings growth of only 1.3% annually over the same period, compared to the higher levels of asset growth, has meant the younger and less asset rich have been hurt more. Generally, the value of older people's assets and eventually inheritances is less affected by current cost of living issues, although this certainly isn't true for all.

Our analysis shows the estimated value of inheritances in 2024 is $150 billion and compares to the last two Household, Income and Labour Dynamics in Australia (HILDA) surveys in 2014 and 2018 showing $86 billion and $107 billion respectively. There is an additional 10% given as gifts during lifetime which may grow during the current cost of living and housing crisis as parents assist children. Asset growth and rising death rates 6 years after the last survey has propelled estimated current values significantly higher. Interestingly, this $150 billion compares to annual income for the Australian Charities and Not-for-profits Commission (ACNC) registered charities of $200 billion in 2022.

In addition, the often used '$3.5 trillion over 20 years' from the Productivity Commission was based on research from 2017. Again, moving forward seven years and our analysis estimates the 20-year total now at $5.4 trillion (Chart 8).

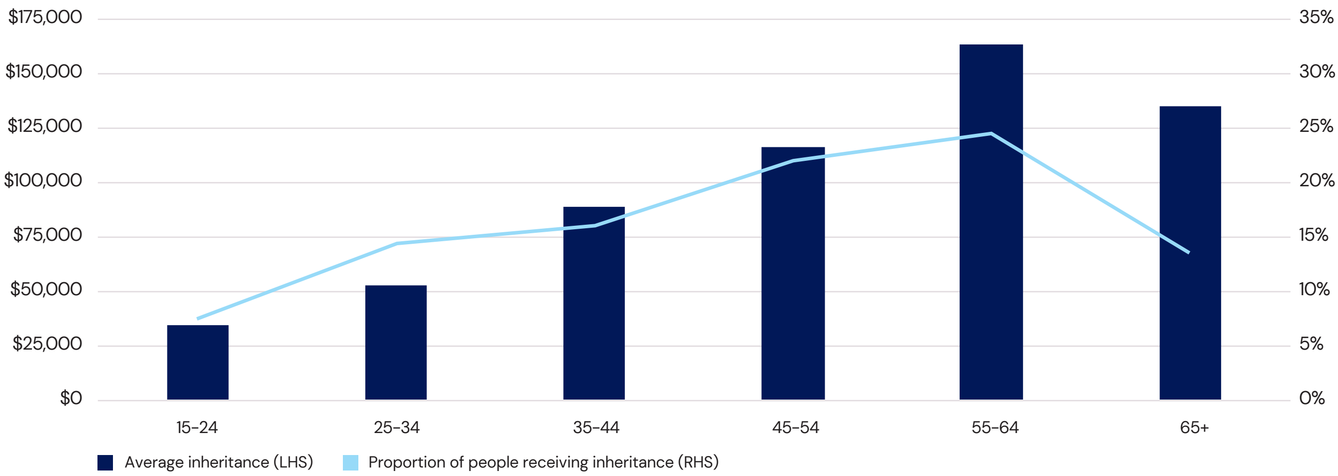
Chart 8 – Total Australian annual inheritance 2002-2062 (2024 $ billion)



Source: JBWere estimates

Finally, HILDA surveys asking inheritors, the age they received, and the value of inheritances found that both peak around 60 years of age (Chart 9). This increased age of receiving an inheritance can be traced back to the rise in the average age of having children and increased life expectancy. It does however raise the question of the need of recipients at this stage of life, compared to either earlier years (Bank of Mum and Dad) or for some bequests being directed elsewhere where greater need exists.

Chart 9 – Average value and proportion receiving inheritances by age in 2018



Source: HILDA, Productivity Commission

Opportunities for individuals and families

Both during life and after passing, there are a limited number of broad choices for discretionary spending (ignoring tax and non-discretionary living expenses). Yourself, family and friends or community/charity. Admittedly, many are seeing far less in available discretionary funds currently, but a significant cohort have the benefit of choice and even more so after passing as one of those spending options no longer exists.

The choices available

The choices and rationale for them are summarised below (Figure 1). There has been increasing commentary on the best way to divide spending and inheritance from the well-used (for good reason) Warren Buffett line of *"I want to leave my children enough so they can do anything, but not so much that they can do nothing"* to the sentiment expressed by Bill Perkins in his book *'Die with Zero, Getting all you can from your money and your life'*. In that book he argues that a combination of enjoying your life and spending in earlier years and building memories for a longer period, helping family earlier when they need it and supporting charity during your lifetime to see the impact, provides a better outcome than passing with a still large financial balance sheet.

Of course, the choices available for inheritance are even less with only family and friends or community/charity available. This leaves out tax which is a significant factor in many other countries where estate or inheritance taxes are levied. Australia does have some tax leakage from Estates (non dependant recipients of superannuation and capital gains when assets are sold) but this is a comparatively smaller leakage to tax than that experienced in many countries offshore, hence maintaining a greater portion of overall assets to be passed on.

Figure 1 – Discretionary spending options during life and options for inheritance

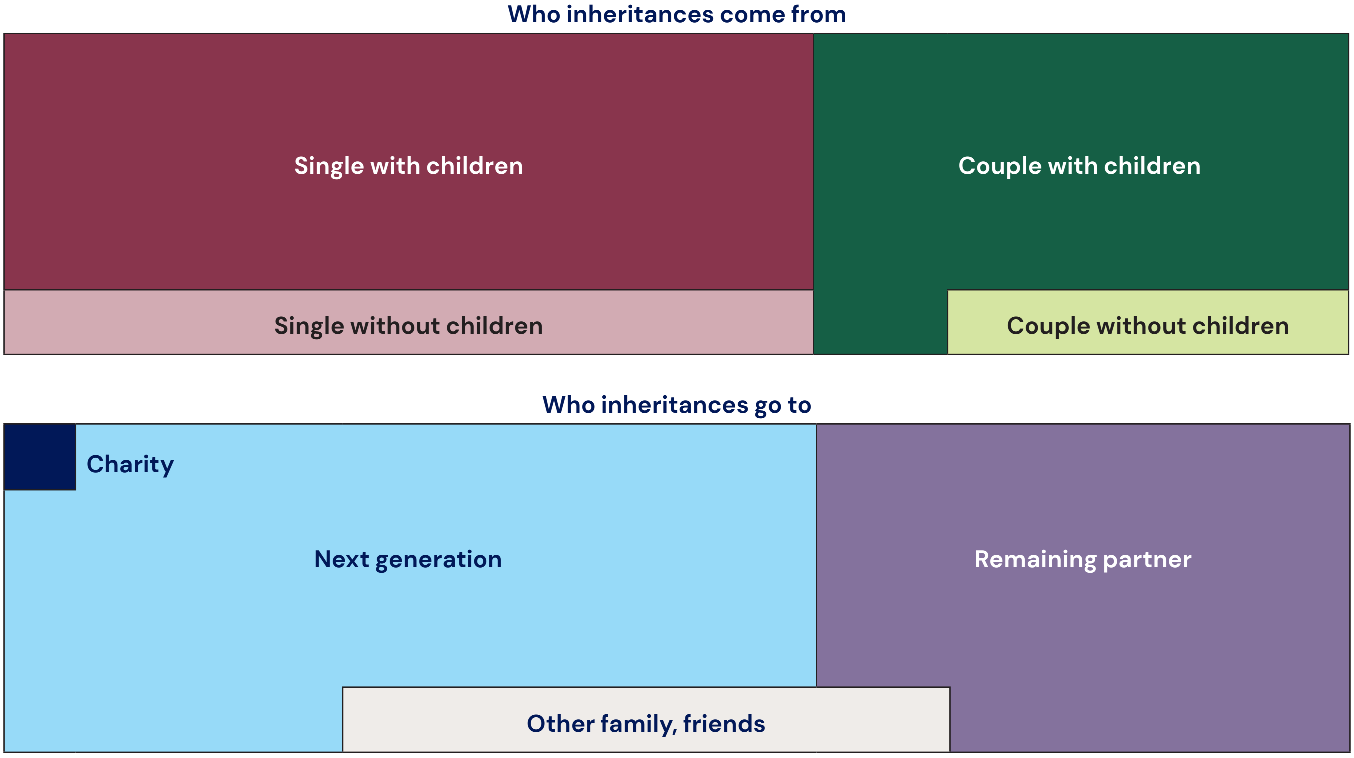
Spend it now on me	Accumulate experiences earlier in life to enjoy memories over more years.
Spend it now on family	Increasing presence of the Bank of Mum and Dad.
Spend it now on charity	Give while you live sentiment. Enjoy seeing the impact.
Leave it to family	Currently, the automatic action. What's fair, does it help them and your legacy/vision?
Leave it to charity	Under used in Australia, not front of mind for most when writing a will.
Combination of the above	Best result but needs to be planned to achieve greatest family and society impact.
None of the above	Worst result, 40% of Australians don't have a will and almost 10% die intestate, leaving succession laws to decide who or what you loved.

Source: JBWere

What currently happens

From the options available for inheritances, the Productivity Commission looked at likely destinations (Figure 2). Choices made largely came down to whether the person had a partner and if they had children. Around 40% of people passing away have a partner and 95% of their assets pass to that surviving partner with another 4% to the next generation. However, on average, after around 12 years for a surviving female or nine years for a male, that person will pass as single and 85% of assets will move to the next generation with the remaining going mostly to other family and friends if they had no children. The overall proportion left to charity is around 1% in Australia which is well below values seen in the USA or the UK. We make those comparisons in more detail in a later section of this report.

Figure 2 – Inheritance directions in Australia



Source: Productivity Commission

For those with children, consider whether real life support for them would be lessened significantly if an increased amount was designated for charity. Indeed, might that increased support for charity actually broaden the value of your legacy. The amounts left per child are not much reduced even with increasing charity allocations (Table 4).

Table 4 – Proportion of inheritance received per child

Number of children	1	2	3	4
Allocation to charity				
0%	100%	50%	33.3%	25%
1%	99%	49.5%	33%	24.8%
2%	98%	49%	32.7%	24.5%
5%	95%	47.5%	31.7%	23.8%
10%	90%	45%	30%	22.5%
20%	80%	40%	26.7%	20%

Source: JBWere

Consider a family with three children whose net wealth had risen over their lifetime to $5 million, placing them in the top 10% of Australian households. If they left 10% of that wealth to charity, each child would still receive $1.5 million rather than $1.67 million but would also have been part of continuing that family's values through the legacy of their parents.

The meaning of wealth

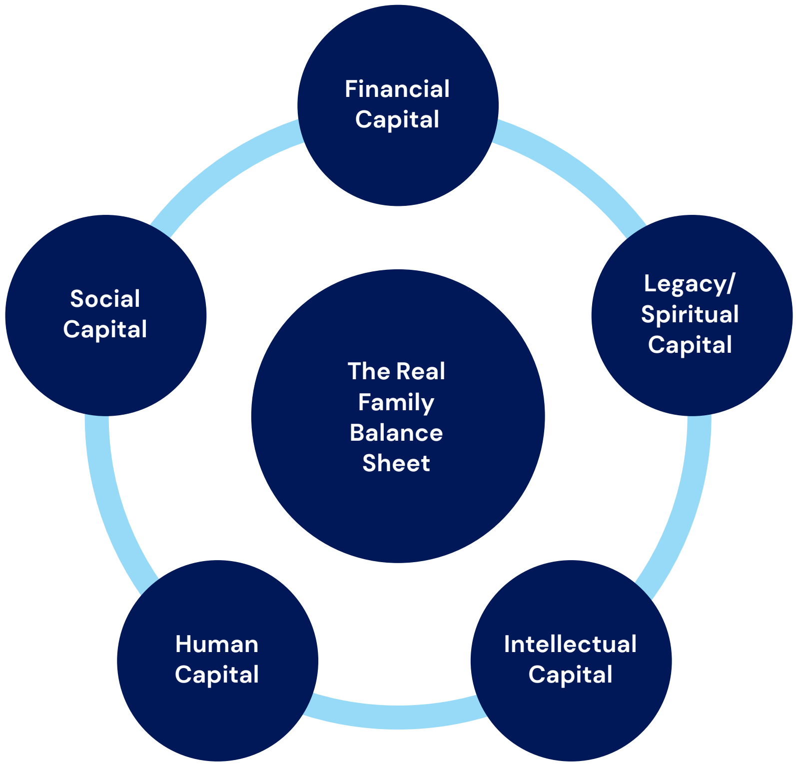
Whilst material possessions often define success in a society focused on accumulation, wealthy families increasingly recognise a deeper meaning of legacy that transcends tangible assets. As families transition through generations, the concept of a 'life well lived' can become defined by parenting, grandparenting and service to community. Parents naturally aspire to instil in their children generosity, a strong sense of family values, and a desire to contribute positively to society.

The discussion to be encouraged then is whether that average asset breakup is achieving the best outcome for the family legacy that most are trying to achieve. Financial success is often equated with wealth, but for families aiming to build a real legacy, wellbeing takes centre stage. James (Jay) E. Hughes Jr., a renowned family enterprise advisor, proposes that families should exist primarily to enhance the lives of others. He identifies five key areas shown below, the 'real balance sheet of the family', that contribute to a family's ability to flourish across generations (Figure 3):

- **Human Dimension:** This encompasses the physical and emotional health of family members, fostering a supportive and nurturing environment.
- **Intellectual Dimension:** Encouraging continuous learning and personal growth for all family members creates a dynamic and stimulating environment.
- **Social Dimension:** Building strong relationships within the family and fostering connections with the broader community fosters a sense of belonging and purpose.
- **Spiritual Dimension:** This can encompass shared values, beliefs, and a sense of purpose that goes beyond the individual.
- **Financial Dimension:** Whilst the only quantitative element, financial capital plays a crucial role in supporting and cultivating the other dimensions, allowing wealth to have a deeper meaning.

By actively considering these five capitals when evaluating family wellbeing and wealth, families can significantly improve their chances of building a legacy and perpetuating wealth across generations.

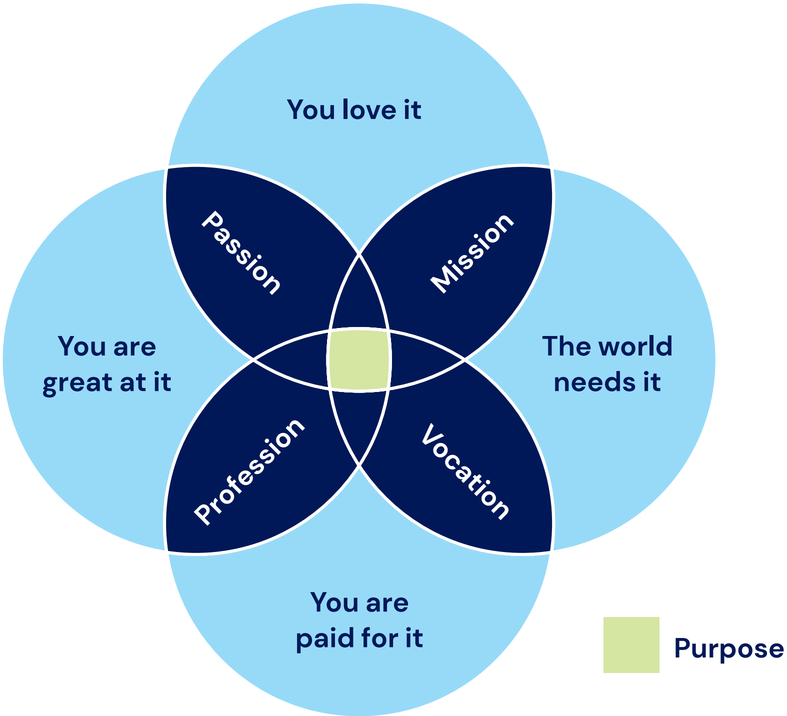
Figure 3 – Elements of the full family balance sheet



Source: JBWere, James E. Hughes Jr.

Leaving children the right share of the full family balance sheet can better equip them to achieve purpose in their own lives. Putting in place support for broader societal impact through an inheritance that goes beyond just family can be the common thread that stiches future generations together. Leaving them enough to achieve purpose (Figure 4) and guiding them with the values and family ethos exhibited during your life may be the best gift to pass on.

Figure 4 – Productivity and the power of purpose



Source: Productivity and the power of purpose by Ashutosh at Medium

"The Bequest Report outlines the significant scale of the generational wealth transfer which creates an immense opportunity for us as a country to increase our giving up to the level of global peers. We need to collaborate as a sector to help more Australians to invest in the sector if we want to achieve greater social change.

Jodi Kennedy, General Manager, Philanthropy and Community Trusts, Equity Trustees

How to approach the intergenerational family discussion

By openly communicating and documenting their values, a family can develop their own legacy statement. This statement should capture the shared values and vision that bind the family together and will support them in navigating any challenges with greater clarity and purpose. When used as a guiding principle for addressing wealth transfer questions, it can help families;

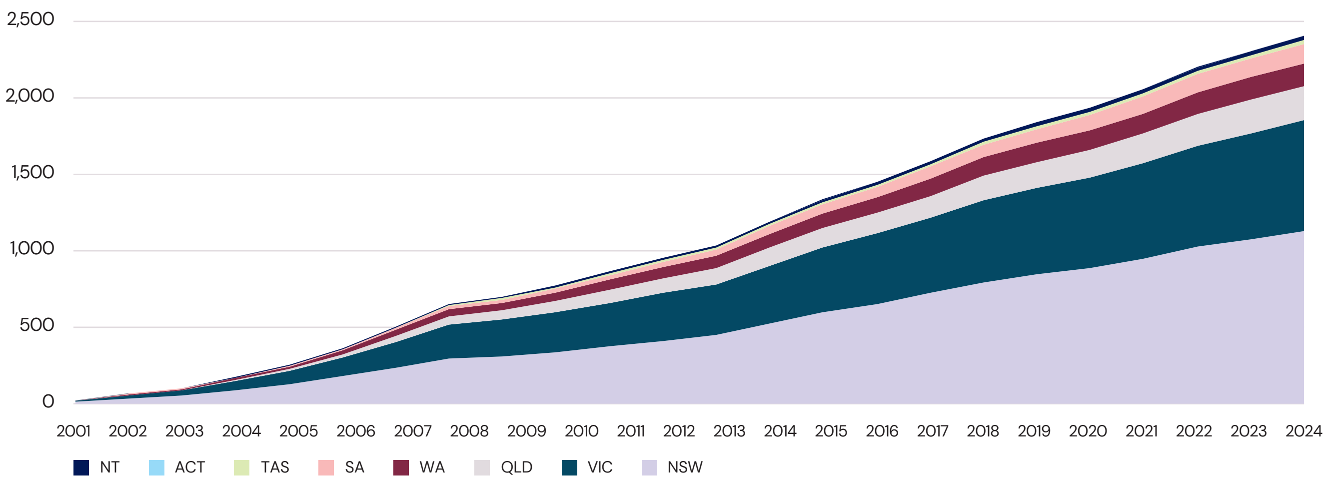
- **Minimise conflict:** Whilst conflict may not be entirely avoidable, a strong legacy statement equips families to process decisions collaboratively and accept outcomes, reducing the risk of disengagement and fractured relationships.
- **Foster open communication:** Families are inherently emotional systems, with deep-seated feelings influencing behaviour. Open communication, trust building, and a shared sense of purpose are essential for managing hurt feelings and disappointment, which inevitably lead to conflict.
- **Build a stronger family unit:** By addressing the human need for love and belonging, families can cultivate a sense of connection where family members feel heard and treated fairly. This fosters a thriving family unit, contributing positively to society as a whole.

Whilst planning is critical, it is not sufficient to avoid conflict. Having a plan that is not discussed presents a high likelihood of conflict - communication is key. It's never too early to incorporate these strategies into your family routines. Adapt the communication style and frequency to your specific needs and family. Whether it's annual family retreats or regular family meetings, create a space for open dialogue about the family wealth and shared values.

- **Defining family goals:** Discuss and define what "good" looks like for your family. What are the shared aspirations and values?
- **Open communication channels:** Establish a safe and open environment where family members can share ideas and information.
- **Lifelong learning:** Cultivate a culture of continuous learning that encourages personal growth for all family members across the generations.
- **Family identity:** Collectively define what your family represents and what core values bind you together.
- **Shared vision:** Articulate a shared vision for the future that guides your decisions.
- **Storytelling and documentation:** Utilise storytelling and documentation to preserve family history, strengthen connections, and foster a sense of belonging across generations.
- **Family dynamics:** Acknowledge and understand the unwritten rules that shape family interactions. Some families may even establish a code of conduct to ensure respectful communication.
- **Decision making:** Clearly define who participates in family decision making processes. Outline roles and responsibilities for each member to ensure clarity and prevent conflict.

One of the trends increasingly seen in the USA is for the family charitable foundation, established during their lifetime, to be a recipient of the intergenerational wealth transfer. The higher proliferation of family foundations in the USA is part cultural, part taxation, particularly from Estates, and part the length of time they have been available. Australia is slowly catching up with now over 2,200 PAFs (Chart 10) and a similar number of subfunds in Public Ancillary Funds (PuAFs). We expect an increasing number of these funds will be a part recipient of inheritances. A recent discussion with a PAF holder demonstrated this likelihood as they explained that their four children have been told the family PAF is now being treated as their fifth child when it comes to inheritance. The recent book by Peter Winneke, *Give While You Live* promotes both this broader enjoyment of giving while donors are alive to see the impact.

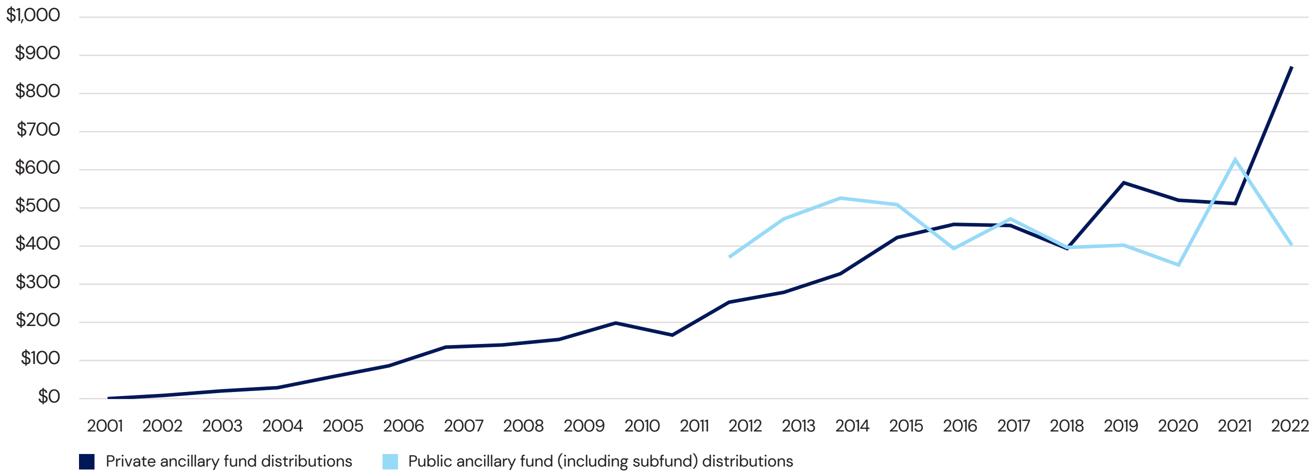
Chart 10 – Cumulative total of PAFs established



Source: ABN Search, JBWere

While giving from ancillary funds, particularly PAFs, has continued to grow (Chart 11), imagine the potential for future charitable giving, and connecting values and purpose through generations, if all people earning over $500,000 had a charitable foundation (71,634) or all households with over $10 million in net assets (97,324). Add the potential number of subfunds if just the top 10% of asset holders or income earners had one, we would see another one million giving accounts. If those vehicles were also beneficiaries of an inheritance, the impact created in the for-purpose world would be dramatically improved and the lives of their family enhanced through their ongoing connection to community.

Chart 11 – Annual ancillary fund distributions ($ million)



Source: Australian Taxation Office, JBWere

"The JBWere Bequest report provides great context on the current landscape and trends for giving from inheritances in Australia. The report data is a key input to the development of CCQ Bequest strategy, helping to shape where investment, collaboration and opportunities exist over a long-term horizon."
Bradley Cameron, Head of Growth and Impact, Cancer Council Queensland

Opportunities for the for-purpose sector

The for-purpose sector will see great change in coming decades. Larger and evolving demand for services, continuing tight profit margins, not to mention ongoing COVID recovery, climate change and Artificial Intelligence will meet an ageing and growing population. The continued fall in mass market philanthropy and the current rates of volunteering are a worrying backdrop. Thankfully, there are opportunities from these changes.

Why charitable bequests are important

Philanthropy is the most valuable form of income for the for-purpose sector as it mostly comes without the service provision costs of government or client (fee for service) income. Although the cost of fundraising has risen over the last two decades due to competition in a falling mass market, it is still the highest margin form of income. Within that fundraising mix, bequests are the most valuable. They provide the highest returns on investment (around 25 times compared to 3-4 times for overall fundraising) and are usually unrestricted (only an average of 9% has a defined use).

Also, while for individual organisations, bequests can be quite volatile year to year, for the overall sector they have averaged a reasonably steady estimated 6% growth in recent years. This is below the growth rate of our largest individual and corporate donors in most years but has been above the mass market in nearly all years (Chart 12). We estimate charitable bequests at $1,300 million annually. Australian Taxation Office data for 2022 shows PAFs and PuAFs distributed $870 million and $401 million respectively while separately, total tax deductible giving was $4,266 million but excluding all donations into ancillary funds was only $1,765 million. While some donations into ancillary funds will come from non taxpayers, it still highlights the important scale of charitable bequests compared to other forms of giving.

The generally unrestricted nature of bequests is a rare and important factor for recipients, allowing funds to go to the highest priority, even if it isn't the most 'attractive' funding area (e.g. administration costs). It can also allow the building of a future proofing corpus for an organisation which is often difficult to build from usually slim operating margins.

Chart 12 – Annual growth rates for giving and wealth 2018-2023

Source: JBWere estimates, AFR Rich List, JBWere/NAB Charitable Giving Index

Bequests do present some challenges for organisations. They are difficult to predict, except for only the largest groups with a long and deep pipeline of prospects and confirmed donors. There is usually a long lead time, although having a strong relationship with a future bequestor who can pass on their intended support in messages and encouragement to others, may be of even greater value. While bequests can be challenged, less than 5% are, however they can receive more publicity.

To show the significance of bequests at the top end of philanthropic funding we can look at the trend from the top 50 individual and family funders that JBWere has analysed for the Australian Financial Review over the last 8 years in their annual *Philanthropy 50 special edition* (Chart 13). In the most recent year to June 2023, we saw four large one-off bequests make the list and an even more impressive 16 from Foundations established by now deceased founders which are annually providing charitable grants at the top end of Australian philanthropy.

Chart 13 – Largest 50 private donations in Australia

Source: JBWere

"The report has prompted me to revisit the next phase of our strategy at Royal Flying Doctor Service VIC – further investment coupled with innovative thinking is needed to truly prepare for what is to come and to manage this once in a lifetime opportunity effectively." Marie Quirke, General Manager, Marketing and Fundraising, Royal Flying Doctors Service VIC

What we currently know about charitable bequests

The starting comment needs to be that there are large gaps in both international data and even more in Australia. Our introduction to this report warmly mentioned two of the very limited studies on Australian bequests conducted by Chris Barnard and Dr. Christopher Baker. Many charities choose to separately report charitable bequests in financial statements, but many combine them with other donations and more importantly, our regulator, the ACNC only require the combined value to be reported. The New Zealand equivalent regulator, Charities Services had required reporting of bequests individually from 2010 but didn't continue this valuable information past 2016. Various other countries estimate bequests using either a top down or bottom-up methodology meaning consistency isn't perfect, but data is gradually improving.

We have compiled data from various sources to compare annual inheritances on a top-down basis and then estimates of each country's charitable bequests from that inheritance pool (Table 5). The significant factors are highlighted showing that Australia ranks very highly on wealth and the proportion of people writing a will, however we are well below on the proportion who include a charitable bequest and on the proportion of inheritance given to charity. Our reliance on bequests within overall philanthropy is consistent with other countries but is more reflective that our levels of giving are lower overall (hence Philanthropy Australia's call for a doubling of philanthropy by the end of the decade, supported by the Federal Government and a topic of a current Productivity Commission Inquiry). This lower level of giving and bequests is shown in our much lower level of bequests as a proportion of overall charity income.

Table 5 – Inheritance and charitable bequest comparisons by country

Local currency	Australia	USA	UK	New Zealand
Population (million)	26.0	338	67.5	5.2
Average wealth per adult global rank	# 4	# 2	# 13	# 6
Median wealth per adult global rank	# 2	# 13	# 7	# 4
Annual deaths	191,000	3,280,000	580,000	34,000
Total value of annual inheritances (billion)	$135	$1,035	£109	$24.8
Average value per inheritance	$706,806	$315,549	£187,759	$730,000
Proportion of population with a will	60%	32%	44%	55%
Proportion aged over 70 with a will	90%	72%	78%	86%
Proportion of wills including a charity	6.5%	10.0%	13.7%	5.0%
Value of annual charitable bequests (billion)	$1.3	$45.6	£4.0	$0.25
Proportion of inheritance left to charity	1.0%	4.4%	3.7%	1.0%
Bequests as a proportion of all philanthropy	10%	9.1%	14%	5.1%
Bequests as a proportion of total charity income	0.6%	1.8%	4.5%	1.3%

Source: JBWere estimates, Giving USA, Smee and Ford UK, Public Trust NZ, Australian Taxation Office, Australian Charities and Not-for-profit Commission, Charities Services NZ

The following section shows some of the characteristics of bequests received by the for-purpose sector.

When leaving a bequest, people can choose different ways of defining what or how the gift is calculated (Table 6). A specific amount or pecuniary gift (e.g. $10,000) or a residual amount (e.g. 10% of the remainder of the Estate after specific values are deducted) or a specific item (e.g. a painting or a house). While the majority of bequests by number are specific values, when it comes to the financial value of those bequests, the residual amounts dominate giving.

Table 6 – Types of charitable bequests

Charitable bequest income by value	
Residuary (proportion of Estate)	84%
Pecuniary (specific amount)	8%
Other (eg specific items)	8%

Charitable bequest income by number	
Residuary (proportion of Estate)	38%
Pecuniary (specific amount)	55%
Other (eg specific items)	7%

Source: JBWere estimates

The data available from a number of countries highlights the concentration of total bequest value that resides in the small number of major gifts (Table 7). While this is true in overall philanthropy, it is much more pronounced in bequests where the total number of bequestors is so much less than from living donors.

Table 7 – Concentration of total value from larger charitable gifts

Australia	
Proportion of Estates over AUD$2 million	5%
Value of those in total bequests	56%
Proportion of Estates below AUD$1 million	85%
Value of those in total bequests	29%

United Kingdom	
Proportion of bequests over £100,000	9%
Value of those in total bequests	59%

USA	
Proportion of large bequests	1.1%
Value of those in bequests	43%

New Zealand	
Proportion of bequests over NZ$1 million	1%
Value of those in total bequests	52%

Source: Christopher Baker Swinburne University, Fundraising Institute of New Zealand, Smee and Ford (UK), Russell James (USA)

Taking this concentration of gifts analysis further, the likelihood of gifts coming from larger Estates is significantly higher than from smaller Estates (Table 8). In both the USA and UK, estate and inheritance taxes help skew this trend even further.

Table 8 – Charitable bequests by Estate size

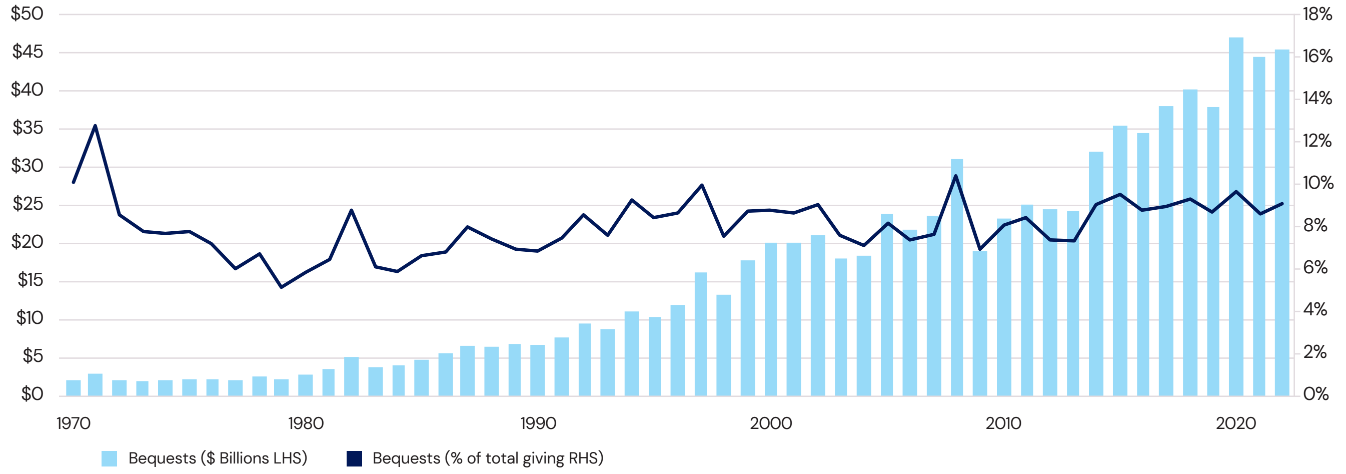
USA (US$ million)	1 - 2.5	2.5 - 5	5 - 10	10 - 20	20+
Charity share of assets	5%	11%	12%	17%	32%
Taxes share of assets	9%	25%	37%	41%	37%
Heirs share of assets	85%	64%	52%	43%	31%

UK (£ million)	Below 0.25	0.25 - 0.5	0.5 - 1.0	Above 1.0
Proportion including a charitable bequest	14%	27%	25%	38%

Source: IRS (Schervish), HM Revenue and Customs (Pharoah and Harrow)

Detailed and long term giving data is available in the US from Giving USA (Chart 14) and shows a consistent 9% of overall philanthropy coming from bequests. It also shows the significant rise in the value of that giving over the past decade. Given the strong rise in high net worth and Foundation giving in the USA over that period, bequests have been impressive to maintain that share of overall philanthropy. A smaller but growing proportion of those bequests have also been directed to family charitable foundations established by the bequestor or previous family in their lifetime.

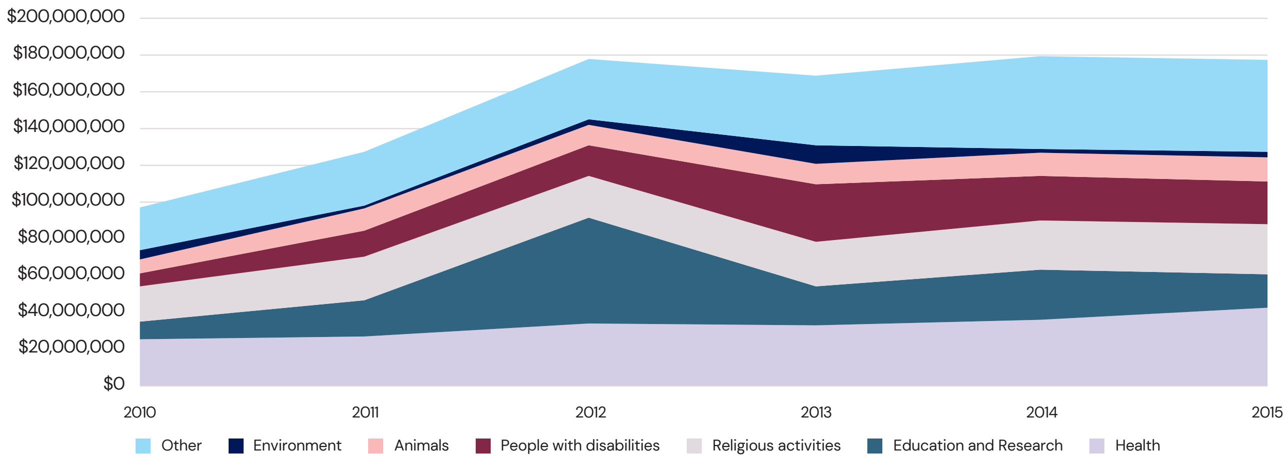
Chart 14 – Charitable bequests in USA 1970-2022



Source: Giving USA

New Zealand's charity regulator, Charities Services, collected separate bequest data for a recent period and so provided a view into both totals and more importantly, giving by cause which has provided useful data in estimating bequestor choices between causes (Chart 15).

Chart 15 – New Zealand bequests to charities by cause 2010-2015 (NZ $millions)



Source: Charities Services NZ

There can be significant differences annually between causes supported due to the importance of unique larger gifts and some country differences are evident. However, data is patchy, and we have attempted to average the causes receiving bequests over a number of years and rounded to 5% to reflect that volatility (Table 9). The often mentioned, animals cause is quite reliant on bequests, but it is also important to note the strong link between that cause and the passion and personal link to their donors. This should provide a lesson on the "what's in it for me" message for other organisations looking to gain bequest support.

Table 9 – Bequests by cause

Health	20%
Medical research	10%
Animals	20%
International	10%
Environment	5%
Religion	10%
Welfare	15%
Other	10%

Source: JBWere estimates

Future trends between causes will be decided by a combination of the demographics tending to support each cause, the evolving nature of public interest and the need demonstrated for those causes. While there will be short and medium-term winners, the focus must be on strongly growing the pie, rather than competition between causes. We all have much more to gain by broadly promoting charitable bequests than by being protective of our own share.

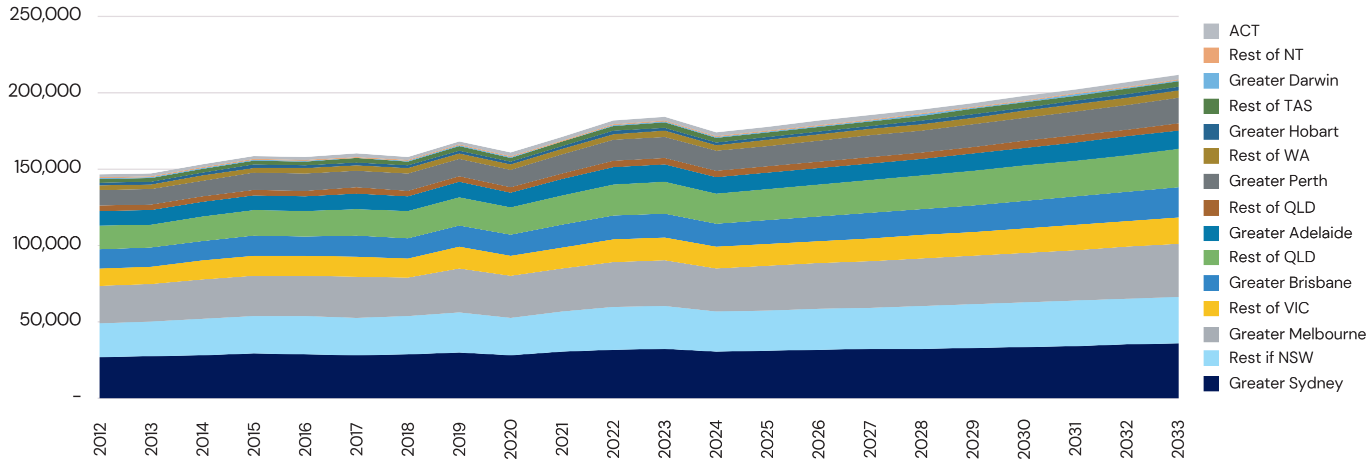
How to focus on and grow charitable bequests

The most important starting point is for the Executive and Board to have an understanding of the opportunity and be supportive of the commitment required across the organisation. This means a multi-year (10 minimum) agreement to build and adequately resource at the appropriate scale.

Harnessing broad data from organisation records is important, not just current donors. Past supporters, current and past staff and volunteers should be part of the data set along with details where available including age, gender, and family situation.

Depending on the nature of your organisation, data on the population by Local Government Area (LGA) such as demographics and wealth are important parts of the equation. The Australian Bureau of Statistics and Census data contains quite detailed levels of useful information (Chart 16) and combined with Australian Taxation Office data can build a powerful view to better understand the opportunities.

Chart 16 – Deaths by location 2012-2033



Source: Australian Bureau of Statistics

As an example, the highlighted areas show where State/Territory differences are greatest (Table 10).

Table 10 – Selected demographics by State/Territory

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	Australia
Population	8,342,285	6,815,441	5,460,420	1,852,284	2,881,227	573,156	466,566	252,529	26,648,878
Aged 65+	1,459,299	1,128,936	926,752	370,335	463,345	122,386	63,924	23,350	4,559,374
Aged 85+	186,806	145,559	102,543	48,346	54,821	13,821	7,525	1,401	560,905
Proportion population 65+	17%	17%	17%	20%	16%	21%	14%	9%	17%
Proportion population 85+	2.2%	2.1%	1.9%	2.6%	1.9%	2.4%	1.6%	0.6%	2.1%
Annual deaths	62,845	47,851	38,075	15,423	17,223	5,132	2,563	1,271	190,939
Proportion of deaths in capital city	55%	67%	44%	74%	78%	42%	100%	51%	59.4%
Average household net wealth capital city	$1,363,800	$1,246,700	$833,500	$875,500	$860,000	$982,300	$1,116,200	$745,900	$1,124,900
Average household net wealth remainder	$911,700	$1,006,100	$734,400	$1,158,900	$939,000	$622,600	n/a	n/a	$874,900
No. of taxpayers	4,689,060	3,856,989	3,053,477	1,033,940	1,625,445	321,728	294,846	131,403	15,134,189
No. of donors claiming a tax deduction	1,324,397	1,167,225	776,311	263,698	432,246	85,633	101,056	35,979	4,193,605
Donations claimed ($million)	$1,385	$1,378	$531	$164	$748	$51	$108	$18	$4,392
% claiming donation deduction	28%	30%	25%	26%	27%	27%	34%	27%	28%
Donations % of income	0.41%	0.53%	0.27%	0.26%	0.63%	0.28%	0.46%	0.20%	0.42%

Source: Australian Bureau of Statistics, Australian Taxation Office

We know that overall, only 20% of bequests come from people who have told you that they'll be leaving one. Another 40% come from those you already know but didn't realise they'd leave a bequest. This leaves a huge 40% coming from people you didn't know, but obviously knew of you. While this will vary between causes, it does highlight the need to be known. Name recognition is vitally important and so the education of the public including local lawyers, wealth and financial planners and media about what you do is critical. Broadly, 90% of philanthropy goes to the top 10% of organisations by size. For charitable bequests, the concentration is even more pronounced with 95% going to the top 5%.

Being able to articulate why leaving your organisation a bequest is good for that person is important. What do they get out of it? Legacy, future impact from them when they're not around, family involvement and remembrance are all important but often missing pieces in the discussion.

Finally, the "how to do it". Trust, safety, ease and just awareness of the option of leaving a charitable bequest are all critical. Some of the developing options promoted by groups such as *Include a Charity*, are helping raise awareness of the options and smooth the process for potential donors. It's not just about building a pipeline of potential bequestors, it is about stewarding those relationships over an extended time. One of the most powerful ways of having people consider a charitable bequest is when one of their peers speaks about why they have done it and what it means for their own family and legacy.

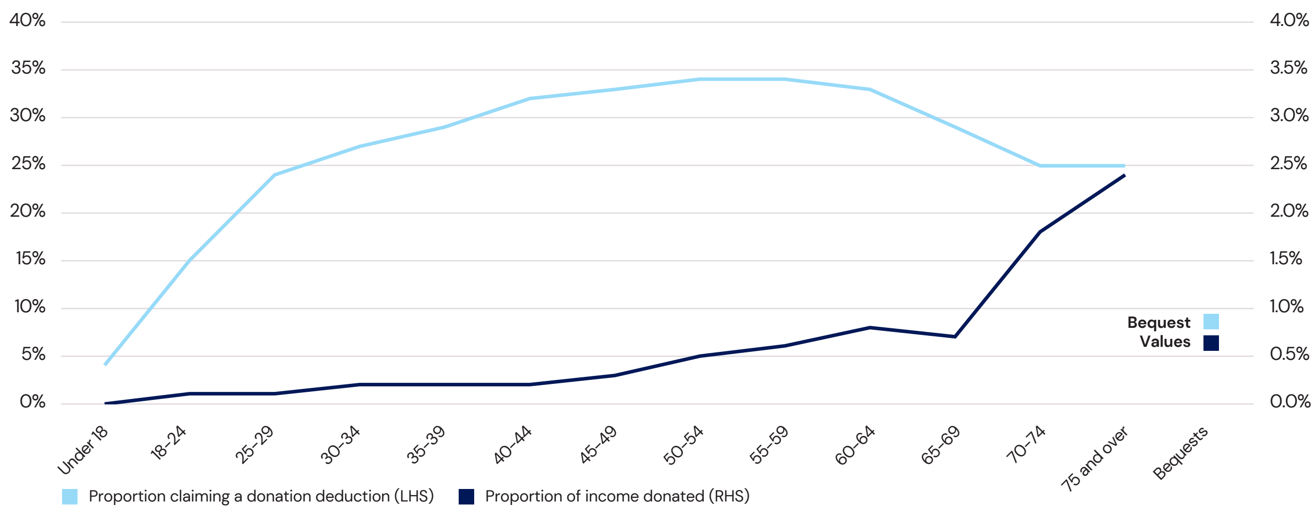
"For me, the findings in the report really validated the effort that we are putting into resourcing our Gifts in Wills program at University of Melbourne. This information allows us to further refine our strategy and consider further investment into this opportunity!" Joanna Watts, Executive Director, Advancement, University of Melbourne

Vision for the future

While the growth in the future value of total inheritances is locked in by demographics, it is how they are used where we could see great gains for Australian society. The opportunity is for families to pass on financial assets in alignment with their values, allowing the for-purpose sector to play a more significant role in assisting that legacy over time.

It is curious that when we examine our giving habits during life, an increasing proportion of people claim a tax deduction for giving as they age (and become wealthier), with the statistics only declining post-retirement as many leave the tax system and reported tax data doesn't fully pick up their donations. In addition, the average proportion of income donated continues to rise as we age (Chart 17). However, when we compare the statistics for bequests, both the proportion leaving them and the proportion of assets given declines significantly, despite not having personal expenses at that point. Much of this comes down to not considering charitable giving as a normal part of the will making process in the way that people do when alive.

Chart 17 – Donations by age - 2021



Source: Australian Taxation Office

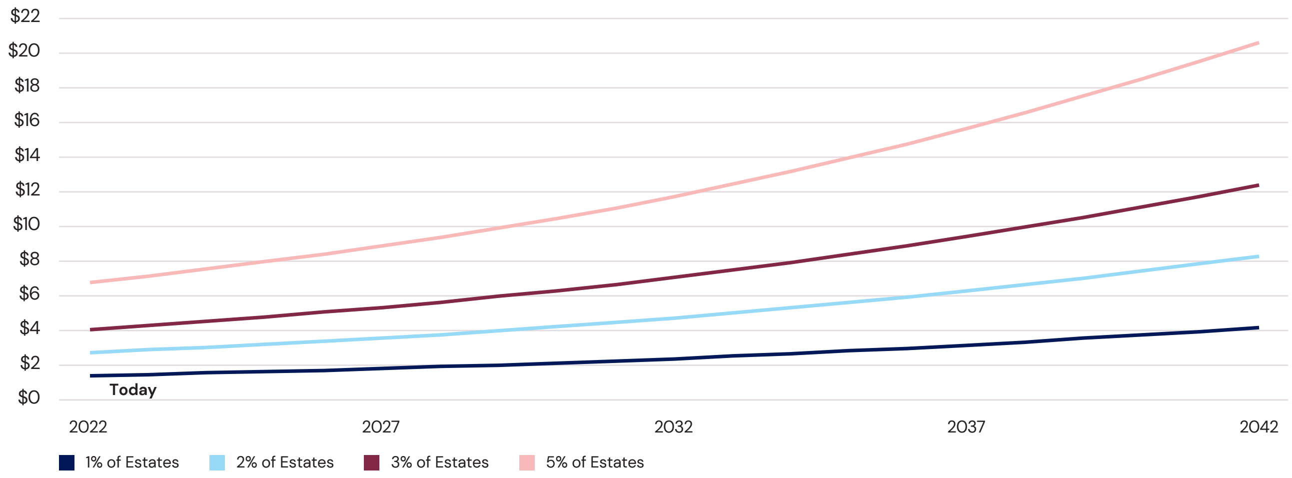
There are several factors that could enhance this scenario.

- Improving the proportion of those leaving a charitable bequest in their will, partly through a national giving campaign for philanthropy that would raise awareness and help normalise this and other giving and volunteering options.
- Education of influencers such as lawyers, wealth and financial planners, media and peer champions are needed to raise the recognition of this opportunity.
- As a component of this campaign and national discussion, highlight the advantages of legacy being created through passing on values and how for-purpose organisations can be part of the solution for donors in helping achieve generational goals in their wealth transfer.
- If we can accelerate the growth in family giving vehicles (foundations and subfunds) during people's lifetime, that future home for a part of their inheritance can be created and enjoyed while living and greatly enhanced for future generations.
- Reconsider the establishment of 'living bequests' in Australia. The US form of this structure has encouraged many confirmed bequests to be formed while donors are alive by providing a small tax incentive during their lifetime for a contractual gift after passing.
- Remove the challenge and disincentive of leaving superannuation to charity. Currently, it can't be done directly and if transferred through one's Estate, it is subject to the death tax of 15% plus Medicare. Done a day before death, it is eligible for a tax deduction.
- While a much broader taxation discussion, it is observed that countries with a higher proportion and value of charitable bequests, usually also have estate or inheritance taxes which influence decisions, particularly at higher Estate values.

If we change nothing, charitable bequests are set for a significant increase in coming decades (Chart 18). However, if we enact some of the above suggestions, that value could rise even further, transforming both the for-purpose sector and benefitting Australian society including those descendants who saw only a marginal reduction in their share of this growing pool of the intergenerational wealth transfer.

If we could normalise including a charitable bequest and raise participation rates to 30%, with giving from these to 10%, we would see a threefold jump from this growing pool of inheritances to potentially $7.9 billion in a decade.

Chart 18 – Value of annual charitable bequests ($ billion)



Source: JBWere estimates

About the author

John McLeod
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John co-founded the JBWere Philanthropic Services team in 2001. Prior to this John spent 16 years as a financial analyst and manager of the Resource Research group within the firm's top-ranking strategy team.

John produces the leading research reports into the trends in the for-purpose and philanthropy sectors. In 2013, John co-authored the *Impact – Australia* report with the Federal Government, highlighting the current practice and growth potential for Impact Investing. In 2017, John co-authored *Growing Impact in New Zealand*, released at the Social Enterprise World Forum held in Christchurch.

John has also produced the following research insights:

- The Cause Report (2016) examining the evolving shape of the for-purpose sector in Australia;
- The Support Report (2018) focussing on the dramatic trends occurring in Australian giving and the implications for recipients over the coming decade;
- The Corporate Support Report (2022); The evolution of corporate giving and community investment in Australia.

John also compiles the list of Australia's major philanthropists for the Australian Financial Review's (AFR) annual special, Philanthropy 50; and the list of Australia's top 50 companies for corporate community investment published in the AFRs Boss magazine.

John serves on a volunteer basis as;

- Non-Executive Director Liverty Housing; and
- Non-Executive Director Philanthropy Australia.

Contributor

Kim Venter

Director, Family Advisory, JBWere Australia

Kim joined JBWere in 2022 from Canada where she held the position Portfolio Manager & Investment Adviser with the top Canadian wealth management firm. With nearly 20 years of wealth management experience, including private banking and investment management in both Canada and South Africa, she brings a diverse understanding of enterprise client service to the team.

Kim is passionate about building trusted client relationships and providing tailored advice and support associated with the transition of wealth and control across generations. She works closely with the specialists across the business to design and implement a tailored framework that allows the family to address all aspects of their enterprise so that they can preserve and grow their wealth and legacy well into the future.

About JBWere

For decades, we have partnered with our for-purpose clients to support them in shaping a better society. The experts in our Philanthropic Services team are wholly focused on leveraging the heritage, strength, and scale of JBWere and our international network, so we can provide tailored advice and insight to our diverse range of clients.

As a trusted partner we will develop a deep understanding of our for-purpose client's mission, needs and circumstances. We then proactively leverage our experience, expertise and networks to provide tailored advice, build capacity and facilitate valuable connections to ensure our clients are positioned to fulfil their ambitions.

If you are a family considering the role of bequests in your succession planning, or a for-purpose organisation who would like to explore how to turn these insights into strategy, please contact your JBWere adviser or email **philanthropic.services@jbwere.com**.

For support with banking and investments from NAB Private Wealth, visit nabprivate.com.au

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