

Impact case study (REF3)

Institution: University of Bristol		
Unit of Assessment: 16 Economics and Econometrics		
Title of case study: University of Bristol research findings used to increase UK legacy giving		
Period when the underpinning research was undertaken: 2010 – 2016		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Sarah Smith	Professor of Economics	09/2005 – present
Edd Cowley	Research Assistant	10/2010 - 09/2011
Period when the claimed impact occurred: 1 August 2013 – 2020		
Is this case study continued from a case study submitted in 2014? N		

1. Summary of the impact

University of Bristol (UoB) research findings on effective behavioural insights, or ‘nudges’, applied to charitable giving has increased ‘legacy giving’ (leaving money to charity in wills) in two ways. First, by changing thinking and practice among practitioners, and second, by shaping UK inheritance tax policy. Specifically, research conducted in 2012 and 2015 provided evidence for successful campaigning by Remember a Charity, the Law Society and the Government to increase the number of will-writers who discuss charitable bequests with their clients which, in turn, is growing legacy income. The 2012 research findings were also instrumental in another successful campaign in 2018 by Remember a Charity to preserve inheritance tax charity relief in the UK. Taken together, the effect of the two impacts on UK charity incomes is worth an estimated GBP600 million each year.

2. Underpinning research

Understanding why people give – and what measures are effective at increasing donations – is key to enabling charities fund their essential work of delivering services for society’s benefit.

Since 2010, Sarah Smith of UoB has produced a body of work exploring the effects of standard economic incentives and alternative behavioural ‘nudges’ on charitable giving. Notably, the work has made important contributions to understanding legacy giving, a little studied topic in economics, with Smith’s being the first study to apply behavioural insights to this type of giving.

Decline in charitable donors

Research conducted in 2010 [R1] by Smith and co-authors from UoB and Cass Business School highlighted a shrinking and ageing of the UK donor population. The empirical analysis by Smith and Cowley (both UoB) using data from 1978 – 2006 showed that the proportion of UK households giving to charity fell from 32% to 28% over the period, while the share accounted for by the over-65s increased from 25% to 35% [R1].

Applying behavioural insights to charitable giving

Smith drew on the behavioural economics literature to identify nudges that might help to reverse the decline in donors [R2]. From 2010 she worked with charities to study ‘framing effects’ (different ways of presenting equivalent financial incentives) and ‘social effects’ (the effect of donations made by others) [R2, R3]. An ESRC grant (2009-2012) [i] that included a PhD studentship, co-funded by the Charities Aid Foundation (CAF), allowed her to develop new research with Michael Sanders who was recruited to the studentship in 2010. Sanders and Smith [R4] summarised insights from behavioural economics for increasing charitable giving.

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They emphasised the importance of collecting evidence and developed ideas for trials to test specific behavioural nudges.

Legacy giving trials

Sanders and Smith [R5] tested two behavioural nudges applied to legacy giving in a 2012 field study involving 2,664 callers to the Co-operative's Legal Services (CLS) who phoned to make a will. The nudges were 1.) a reminder from advisers to leave money to charity and 2.) an additional prompt incorporating social/emotional factors (asking which causes the caller is passionate about). The study demonstrated the powerful effect of simple prompts: the reminder doubled the proportion of will-makers who made a charitable bequest (from a base of just over 5%), while the social/emotional prompts increased this by a further 50%. A follow-up study in 2015 by Sanders, Smith and Nolan [R6] with eight legal firms across the UK confirmed these findings with a wider range of will-writers. It also provided new insights, for example, it showed that 'normalising' legacy giving (i.e. explaining to clients that leaving charitable bequests is something other people do) has a positive effect among first-time will-writers.

Inheritance tax effects

The data collected during the 2012 study were used to implement a regression discontinuity design (RDD) to test the effect on legacy giving of exempting charitable bequests from inheritance tax [R5]. There had been much policy debate about inheritance tax (IHT) reform but, until this study, no evidence on the impact of the charitable bequest exemption on legacy giving. The study found that the exemption had a sizeable effect. An estimated 30% of wills with wealth above the GBP350,000 inheritance tax threshold include a charitable bequest¹; the RDD results indicated that around one-third of this might be due to the IHT exemption (an estimated 10 percentage point uplift at the threshold). The magnitude was attributable to will-writers using the threshold as a prompt to discuss leaving money to charity as a way of reducing tax liability.

3. References to the research

- [R1] **Cowley, E.**, McKenzie, T., Pharoah, C. And **Smith, S.** (2011) *The new state of donation – three decades of household giving to charity*, CMPO/CGAP research report. http://www.cgap.org.uk/uploads/reports/Executive_Summary%20new%20state%20of%20donation.pdf
- [R2] **Smith, S.** (2012) "Increasing charitable giving – what can we learn from economics?" *Fiscal Studies*. 33 (4) pp 449–466. DOI: 10.1111/j.1475-5890.2012.00168.x.
- [R3] **Smith, S.**, Windmeijer, F. and E. Wright (2015) "Peer effects in charitable giving: Evidence from the (running) field" *Economic Journal*. 125 (585) pp. 1053-1071. DOI: 10.1111/eoj.12114.
- [R4] **Smith, S.** and **Sanders, M.** (2011) "New Directions for Giving: Raising Levels of Giving in the UK?" *Voluntary Sector Review*. 2 (3) pp. 415-423(9). DOI: 10.1332/204080511X608825.
- [R5] **Sanders, M.** and **Smith, S.** (2016) "Can simple prompts increase bequest giving? Field evidence from a legal call centre". *Journal of Economic Behavior and Organisation*. 125: 179-191. DOI: 10.1016/j.jebo.2016.01.002.
- [R6] **Sanders, M. Smith, S.**, Groot, G, **Nolan, D** (2016) *Legacy giving and behavioural insights*. Behavioural Insights Team report. <https://www.bi.team/wp-content/uploads/2016/10/Legacy-Giving-Report-final.pdf>

Grants

[i] **Smith, S.** *The Economic Impact of the Third Sector: A Capacity Building Cluster*. ESRC. Nov 2009 - Aug 2012. GBP882,424.

¹ Atkinson, A., Backus, P. and J. Micklewright (2017) "Charitable bequests and wealth at death", *Economic Journal* 127 (605) F1 – F13

4. Details of the impact

UoB research has had impact in two areas: 1.) changing thinking and practice around behavioural insights in relation to charitable giving, particularly legacy giving, and 2.) shaping policy on UK inheritance tax reform.

1. Changing thinking and practice in the UK charitable sector

Smith and Sanders' research changed thinking and practice around the use of behavioural insights in the UK charitable sector. The impact on legacy giving (discussed below) is a particularly notable example, but there is a strong claim for a wider impact through the long-term effect of UoB research on the agenda of the Behavioural Insights Team (BIT).

During 2011-2013, Smith and Sanders promoted their ongoing research on the potential of nudges to reverse the decline in donors [R1-4] at policy and practitioner events and in the general- and sector-specific media. The shrinking and ageing of the donor population was not only a concern to charities, but also to the then Coalition Government in the light of its Big Society agenda. BIT, then newly-formed and part of the Cabinet Office, adopted charitable giving as a priority policy area as a direct result of the UoB research: "*Smith's research reinforced both the need for government action to promote giving and the potential for applying behavioural insights to this field*" (former Deputy Director, BIT) [S1]. BIT invited Sanders on secondment in 2012, resulting in a report written by Sanders and published by BIT in May 2013 [S8]. The report presented findings from several trials which tested ideas from [R2] and [R4], including framing, personalisation, pre-commitment and social effects on charitable giving.

Positive reception and widespread media coverage of both the 2013 report [S8] and the 2016 follow-up [R6] led to a long-term impact of UoB research on BIT's agenda: "*The success of the trials and the positive reception of the research findings and the BIT report led us to keeping philanthropy and social impact on BIT's longer-term agenda.*" (BIT) [S1]. As evidence of continued interest, in 2018, BIT published reports on the potential of behavioural insights in the Canadian context (commissioned by the Canadian charity, the Rideau Hall Foundation) and on how behavioural insights could overcome funders' reluctance to pay for charity overheads (commissioned by the UK think tank Charity Futures to explore) [S1].

BIT's sustained focus on charitable giving paved the way for wider changes in thinking and practice in the sector: "*Through BIT's giving policy, Smith and Sanders' research laid the foundations for fresh thinking and practices in the UK's charitable sector and have led to significant behaviour changes that have successfully increased donations to charities.*" (BIT) [S1].

Remember a Charity (RaC) campaigns

The impact of UoB research on thinking and practice on the use of behavioural insights is best exemplified by the work of Remember a Charity (RaC), an umbrella organisation for over 200 UK charities, who promote legacy giving, a vital source of income for charities generating more than GBP3 billion a year [S2]. UoB's findings on the impact of nudges on legacy giving formed the basis for successful campaigns by RaC which have increased the proportion of will-writers who talk about charitable bequests and the amount of money left to charities.

The UoB research showed the power of simple prompts to increase charitable bequests. This led to RaC writing a joint letter with Nick Hurd, then Minister for Civil Society, in September 2013 to 6,502 solicitors in the UK asking them to talk to their clients about charitable giving [S4]. In line with the research findings, the letter to solicitors said: "*You can help increase the likelihood of a gift being left by simply asking the question.*" [S4]. In May 2014, this campaign was announced to have already generated GBP12 million in pledges and was awarded a Third Sector Business Charity Award [S7]. The exercise was repeated in 2015 when the subsequent Minister for Civil Society, Rob Wilson, wrote to 8,000 solicitors encouraging them to highlight the opportunity of leaving a gift to charity in their clients' wills. This government campaign, in

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partnership with RaC and the Law Society, drew on the research findings to ask solicitors to “*help make considering legacy giving an integral part of the will writing process*” [S4].

RaC and the Law Society have since continued to promote UoB research findings to encourage will-writers to remind people to make a charitable bequest. For example, the findings were applied again in 2019 when RaC partnered with Countrywide Trust & Tax, a UK legal firm, to create a new charitable giving message which was incorporated into their will-writing software. Countrywide Trust & Tax write nearly 60,000 wills a year through this software [S2, S3].

Reflecting on the role of UoB’s research in these campaigns, RaC’s Director comments: “*The research into the effects of ‘nudges’ on charitable giving has been hugely valuable to us in helping us to achieve our goals by providing us with the insights and evidence needed to boost the number of donations made in wills.*” [S2].

Analysis conducted on behalf of RaC by the research consultancy Future Thinking, published 2019, shows that there are now record levels of solicitors who raise the charitable option with clients. This is “*without doubt, thanks to the significant role [of UoB’s] research*” (RaC) [S2]. The analysis for RaC [S5] shows that the proportion of UK will-writers who always/sometimes mention charitable giving has increased from 58% in 2012 to 68% in 2019. Over the same period, the share of wills that include a charitable bequest increased from 15% to 19%, i.e. a four percentage point increase [S5].

The research has “*undoubtedly helped to generate millions more for good causes*” (RaC) [S2]. It is possible to make a very crude estimate of the direct effect of the increase in bequests on charity income. The annual number of deaths in the UK is approximately 600,000, of which an estimated 37% have a will (=222,000 wills)¹. A four percentage point increase in wills which include a charitable bequest would translate into an additional 8,880 wills (=0.04x222,000). Applying the average value of charitable bequests from the Co-operative Legal Society study (GBP12,000) would imply a figure of roughly **GBP107 million a year** (=8,880x12,000).

Legacy giving has taken on an even more vital role under recent challenging circumstances for charities. RaC’s Director explains that the COVID-19 pandemic has “*made legacies become even more important to charities ... due to the huge drop in other forms of income, with many good causes only being able to continue their work thanks to gifts in Wills.*” [S2].

2. Shaping inheritance tax policy

RaC also drew on findings from UoB’s research to campaign to keep the exemption of charitable bequests from inheritance tax at the time of the Office for Tax Simplification’s (OTS) 2018 enquiry into inheritance tax (IHT) simplification. UoB’s finding of a strong uplift at the tax threshold and the interpretation that the exemption provided an opportunity to discuss bequests [R5] were included in RaC’s submission to the enquiry: “*Drawing on the research, we were able to provide clear evidence that the tax threshold acted as a key trigger for solicitors to talk about leaving money to charity which in turn led to a significant increase in charitable bequest-making.*” [S2].

The OTS concluded that the general charity exemption should remain, citing RaC’s submission in their 2019 report: “*responses [to the enquiry] suggested that the existence of this relief encourages legacy giving. The OTS has heard that a major effect of charitable exemptions is that they present opportunities for professional advisors to discuss legacy giving with their clients... Research suggests that when will writers ask the question “would you like to leave any money to charity in your will?” the number of legacy gifts can double*” [S6]. RaC consider UoB research to have been “*instrumental*” in making their case [S2].

Preserving the inheritance tax exemption for charitable bequests has a potentially sizeable effect on income for charities: “*Had the exemption been removed, the effects on charities and the causes they support would have been devastating... Based on current giving levels, over the next five years more than 10,000 estates will likely benefit from this reduced rate of tax,*

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generating millions in additional legacy income" (RaC) [S2]. The UoB research indicated that approximately one-third of the 30% of estates above the threshold that include a bequest might be attributable to the IHT exemption. According to HMRC statistics, the total value of bequests from these estates is GBP1,770 million. Hence, a one-third reduction would imply an estimated loss of income to the charity sector in the UK of more than **GBP500 million a year**.

5. Sources to corroborate the impact

- [S1] The Cognition Company (2020) Supporting statement - former deputy director of BIT (2010 – 2014)
 BIT (2018) [From Intentions to Action: The Science Behind Giving Behaviours](#) (Rideau Foundation report)
 BIT (2018) [Using behavioural science to put charities on a surer footing](#) (Charity Futures report)
- [S2] Remember a Charity (2020) Supporting statement – Director
 Remember a Charity (2020) Email correspondence – Director
- [S3] Remember a Charity (2019) [New legacy prompt could be game-changer for charities](#) (Countrywide Trust & Tax evidence)
- [S4] Third Sector (2013) [Nick Hurd urges thousands of solicitors to talk to clients about legacy giving](#)
 Civil Society News (2016) [Rob Wilson writes to over 8,000 solicitors calling for more legacies in wills](#)
- [S5] Remember a Charity (2019) [Annual impact report](#) 2019
 Remember a Charity (2019) [Record levels of solicitors raise the topic of legacies with clients](#)
- [S6] Office of Tax Simplification (2019) [Inheritance Tax Review – second report: Simplifying the design of Inheritance Tax](#) (See paragraphs 12.4, 12.5, 12.6, 12.7).
- [S7] Third Sector (2014) [Business Charity Awards: Charity Partnership - Financial and Professional - Winner: Remember A Charity with Co-operative Legal Services](#)
- [S8] Behavioural Insights Team (2013) [Applying Behavioural Insights to Charitable Giving](#)