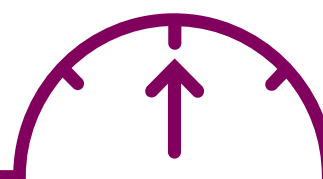




# Legacy Market Outlook

October 2018



This report draws on headline findings from the 2018 Legacy Market Review, produced by Legacy Foresight for the Legacy Monitor Consortium. We are grateful to our Consortium members for sharing this summary.

Gifts in wills are a vital source of income for British charities, representing 15% of all the fundraised income received by UK charities, and 6% of total income<sup>i</sup>. Legacy Foresight has been tracking legacy giving for over two decades now, with data stretching back to the late 1980s. Our analysis shows that over this 30-year period overall legacy income has increased in every year except four, rising from £0.5bn in 1988 to £2.96bn today.

## Market outlook - the next five years

Over the next five years the British legacy market will be dominated by two storylines: rising deaths and economic uncertainty. These two critical trends will affect both the number and the value of legacies received by UK charities.

### Rising deaths

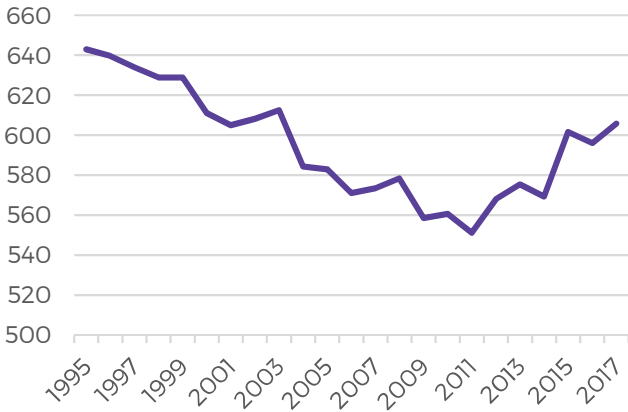
After decades of gradual decline, UK deaths are now climbing – up from the low of 551,00 in 2011 to 606,000 in 2017. A rise in the number of deaths leads to a corresponding rise in the number of legacy notifications to charities around 6 months later. In turn, a rise in the number of bequests feeds through to higher legacy incomes over the following 18 months.

While the ONS had long been predicting an upturn in deaths, it seemed to come sooner and faster than they expected. According to their latest figures, annual UK deaths will top 600,000 a year from 2020 onwards, climbing rapidly to reach 628,000 in 2026 and 708,000 in 2036.

Based on this new data, we have adjusted our own forecasts of legacy bequests upwards, rising from 118,000 in 2017 to 124,000 in 2022.

### UK annual deaths

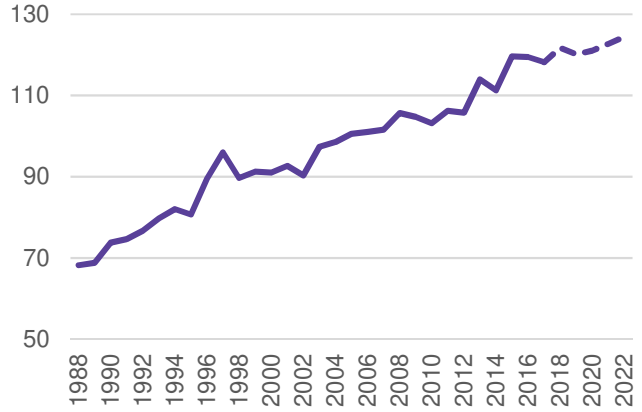
1995 - 2017, 000's



ONS

### Total number of charitable bequests

1988 - 2022, 000s



Legacy Foresight

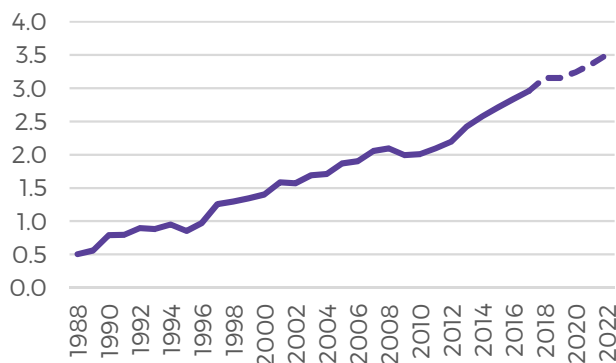
## Economic uncertainty

More than two years since the Brexit referendum, the exact shape of our new trading relationships with the EU and beyond is still unclear. This is creating considerable uncertainty in the short term, with businesses and consumers deferring investment decisions until our position becomes more clear-cut. There are now many signs of a slowdown in the UK economy, with GDP growth decelerating sharply, dampened share price growth and house prices slowing and, in some places falling. The consensus view among commentators is that the economy will slow further over the next two years, at least until Brexit is 'resolved'.

Our central legacy market forecast assumes that a Brexit deal can be reached by the March 2019 deadline. In this case, the outlook for the UK legacy market over the next five years is for fairly modest growth of 2.4% p.a. (or less than 1% p.a. after inflation). That's not as strong as the post-recession period, when growth rates averaged 5.6% p.a. but far better than the doldrums experienced in the years following the global financial crisis in 2007.

### Total UK legacy income

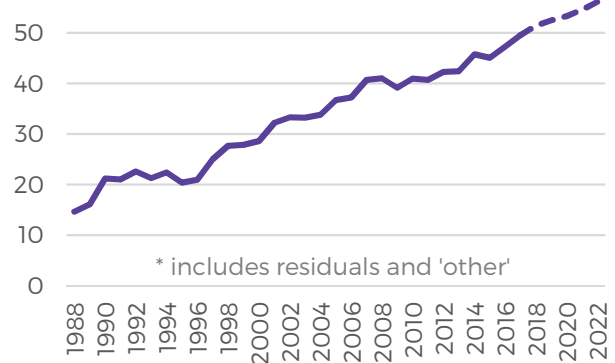
1988 - 2022, £bn



Legacy Foresight

### Average value of residual bequests\*

All charities, 1988 - 2022, £000s



Legacy Foresight

Based on our latest central forecast, the UK legacy market will reach £3.4bn by 2022; cumulatively over the next five years the sector will receive £15.8bn in legacy income from a total of 610,000 bequests.

If we were to end up with a 'hard' Brexit, or no deal at all, then the short to medium-term economic outlook is likely to be far gloomier. Most importantly for the legacy market, UK equity and property prices are then likely to drop significantly, impacting on the value of estates and hence residual values. If this were the case we estimate that legacy incomes over the next five years will total £14.6bn; £1.2bn less than our central forecast. We will continue to monitor the situation closely over the coming months and issue new forecasts if required.

### Key statistics at a glance

- In 2017 there were 606,000 UK deaths<sup>ii</sup>, and 291,000 grants of probate issued<sup>iii</sup> – the difference between these numbers represents small estates or where the surviving spouse inherited the entire estate
- 248,000 grants of probate included a will<sup>iii</sup> the remainder (15%) were intestate. Intestacy has fallen over time, due to better awareness and access to will-making services, as well as greater affluence and more complex family structures
- 89% of those wills were from England & Wales, 9% from Scotland and 2% from N Ireland
- 15% of wills at probate were charitable, averaging 3.4 charitable gifts per will<sup>iv</sup>
- Overall, 6% of deaths result in a charitable will read at probate
- Between 1988 and 2017 the number of charitable legacies rose from 68,000 to 118,000 – a growth rate of 1.7% p.a.<sup>v</sup>
- In 2017 the total UK legacy market was worth £2.96bn<sup>v</sup>. That represents around 3.5% of all the money left in estates<sup>vi</sup> - up from around 3% a few years ago
- Legacies account for 15% of all fundraised income and 6% of all income received by charities<sup>i</sup>
- The top 1,000 legacy charities account for 77% of all legacy income<sup>vii</sup>. For these charities, legacies represent 28% of fundraised income and 13% of total income
- Health is the largest legacy sector, accounting for 38% of the total. Other important sectors are animal charities (15%), conservation (8%), disability (8%) and international development (7%).
- Charities founded in Victorian times or earlier now account for 31% of the legacy market; those founded in the first half of the twentieth century represent 33%; while post-war charities account for the remaining 37%

### Sources

<sup>i</sup> UK Civil Society Almanac 2018, NCVO

<sup>ii</sup> Office for National Statistics

<sup>iii</sup> Judicial Statistics for England & Wales, Northern Ireland Judicial Statistics, Scottish Sheriff's Office

<sup>iv</sup> Smee & Ford

<sup>v</sup> Legacy Foresight

<sup>vi</sup> Inland Revenue based on estates passing on death in 2015/16

<sup>vii</sup> Based on the top 1,000 legacy charities 2016/17, Charity Commission Register of Charities

### More about Legacy Monitor

Legacy Monitor is a consortium research programme to analyse, benchmark and debate trends in the legacy sector. Set up in 2008, it incorporates an annual review of trends in legacy giving, and a quarterly benchmarking service. This year's programme benchmarks 83 of the UK's leading charities who have agreed to share this information for the benefit of the wider sector. If you would like to join the 2019 programme, contact Richard Hill: [r.hill@legacyforesight.co.uk](mailto:r.hill@legacyforesight.co.uk)