

Legacy Market Review 2023

13 November 2023



Yet again, we have witnessed an extraordinary year in terms of local and global events, and in terms of the key drivers of legacy income. We are still in the midst of a cost-of-living crisis which has driven interest rates up and made mortgages more expensive. This has meant that house prices have started to fall and legacy income is being impacted in terms of its value and delays. In addition, we are still seeing problems in the probate administration process, which is delaying notifications for many charities.

With such movement in the external drivers of legacy income, it is becoming harder than ever for charities to separate out their own performance from that of the market, and the data gathered from our Legacy Monitor is instrumental in enabling us and our member charities to do this.

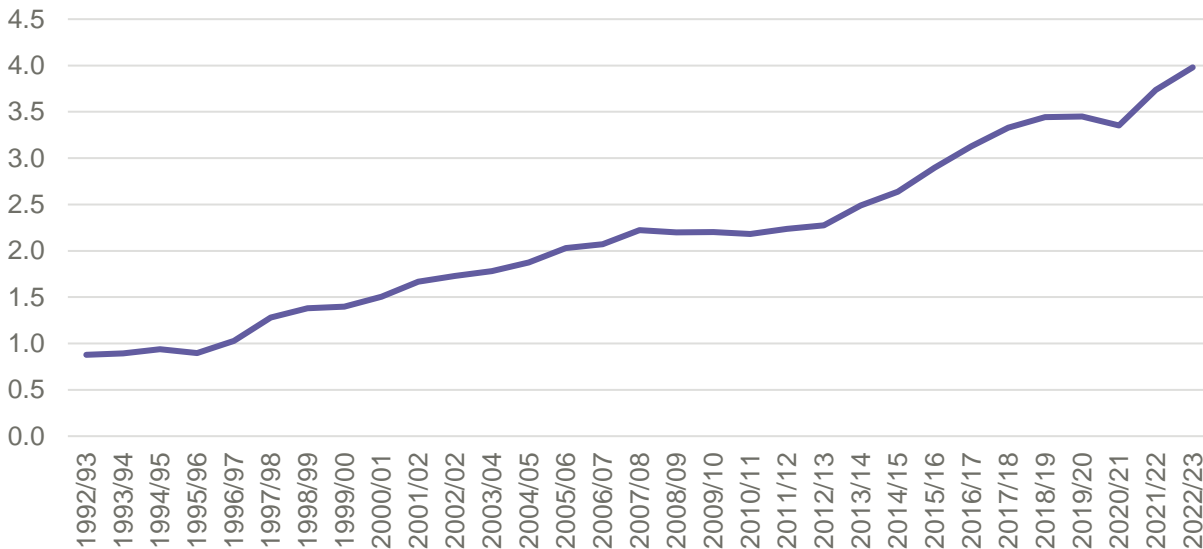
This document summarises the performance of the key legacy drivers over the past year to the end of March 2023 and shares our projection for the future of the legacy market. We will discuss what charities need to be thinking about over the short and the long term and share some of our key facts and figures of the legacy market.

Thank you to our Legacy Monitor members for agreeing to share the highlights of this year's data.

Legacy income has remained resilient once again

As we reported last year, legacy income has once again remained resilient and 2022/23 has been another record-breaking year in terms of both legacy income and bequest numbers. Legacy income reached £4b and bequests reached almost 140k. This represents annual income growth of 6.5%, faster than the long-term average growth of 4.5% p.a., an impressive feat when we consider the extraordinary external environment of the last year.

UK legacy income, £b



Source: Legacy Foresight market model

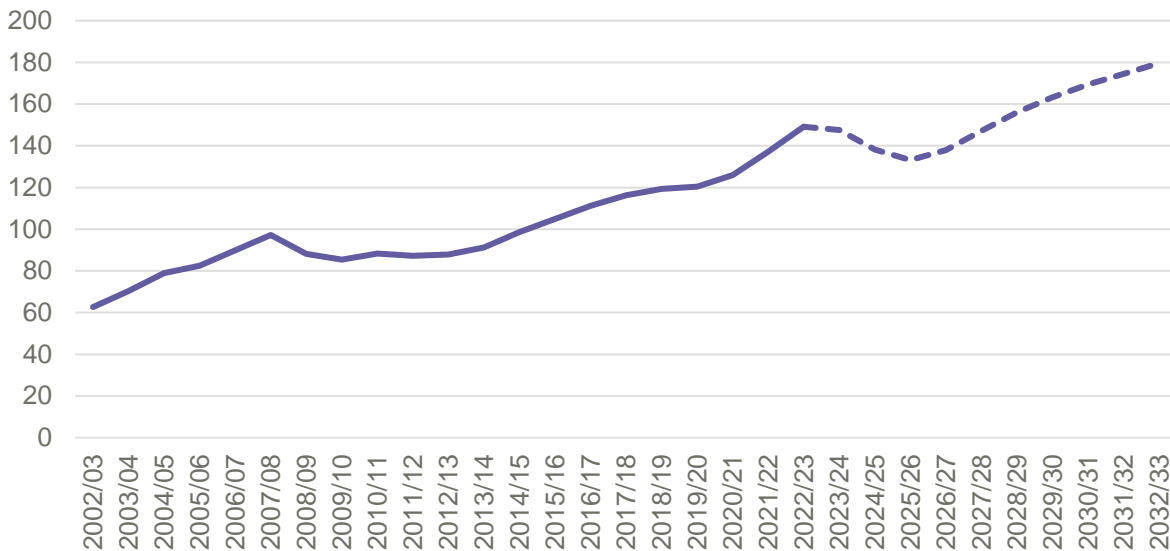
However, when we dig under the surface of the growth in this most recent year, it is not such a straightforward story.

The key components of legacy income growth are the value of legacy gifts (primarily driven by house prices and share prices) and the number of legacy gifts (primarily driven by death rates and legacy marketing). In the year to March 2023, the majority of the growth in legacy income has come from an increase in average values and not bequest numbers.

Residual values supported by house price growth but the future is less optimistic

The growth in average residual values has been primarily driven by a very buoyant housing market in the post-Covid years of 2021 and 2022. This has provided a welcome boost to legacy income, but it is likely to be a short-lived one as house prices have already started to fall and we expect to see this start having an impact on average values over the next year – some charities are already reporting evidence of falling values. While house prices are notoriously difficult to predict, the consensus is that they will fall for the next two to three years before they return to growth around 2025/26.

UK House price index



Source: Oxford Economics

Falling house prices not only impacts average gift values but can also impact the time taken between notification and money being received by a charity, as houses take longer to sell while people hold out for higher sale prices. This is also something we are starting to see evidence of: in 2021/22, 26% of our consortium charities saw residual bequests taking longer than 24 months between notification and income but in 2022/23, this number rose to 46%. While this doesn't change income over the long run, it does create a challenge for charities in terms of cash flow and budgeting.

Numbers of gifts have been subdued this year due to probate administration issues

Typically, the number of bequests in any given year will be closely linked to the number of deaths – in a year with high deaths, we would expect to see equivalent high bequest numbers. In the year to March 2023 we did see high numbers of deaths – there were 681k deaths in 2022/23 vs. 631k deaths in 2021/22. This increase was driven by the knock-on effects on health and the healthcare system of the Covid pandemic.

However, we didn't see the expected increase in bequests follow and this is again because of issues in the probate administration service at HMCTS. As many are well aware, this is not a new story – delays at HMCTS started in 2019, due to a new IT system, and a backlog of cases started to build up. HMCTS took various actions to address this but the number of cases on their books never returned to its pre-2019 level. Unfortunately, 2023 has seen this backlog grown again – driven in part by the increase in deaths (and hence applications for probate) but also by a lack of a much-needed increase in capacity. Our latest estimates suggest that there are 70,000 cases 'stuck' in probate at HMCTS, which could account for around £900m of legacy income that has not been passed through to charities.

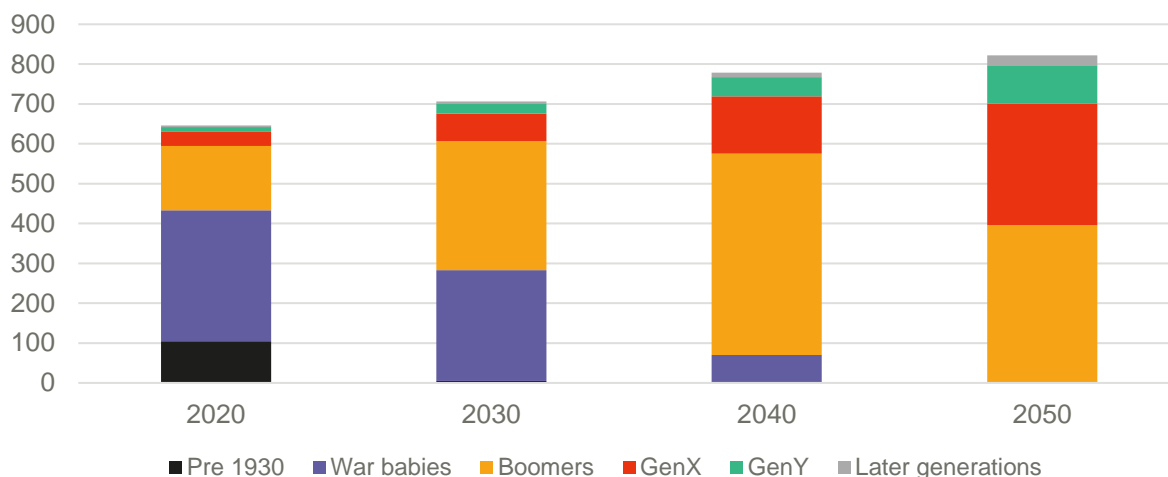
What will happen to this backlog in the future is almost impossible to predict – HMCTS are well aware of the issues and are trying to take steps to address it, but they are fighting against the tide of increasing deaths and increasing applications for probate. There will have to be significant improvements just to keep up with the rising applications, never mind clearing the backlog already there.

Rising deaths will increase numbers of gifts in the longer term

While rising deaths may create a challenge for the probate administration service, they will be the biggest driver of bequest numbers growth over the longer term. Deaths are projected to reach 700k by

2030, almost as high as we saw in the worst year of the pandemic, and by 2050, there will be more than 800k deaths.

UK deaths by year, 000s



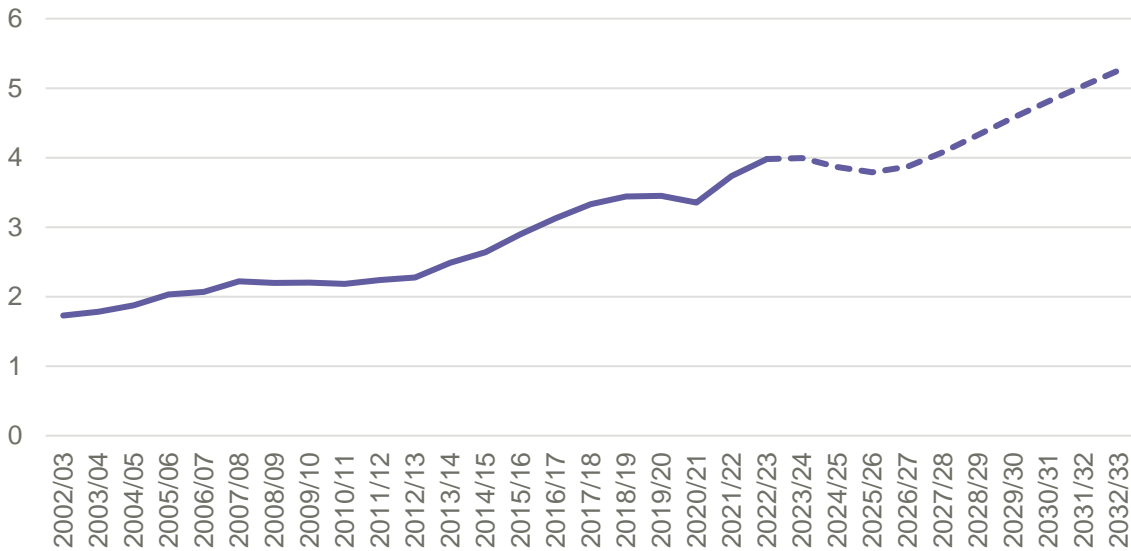
Source: ONS

This increase in deaths is driven by the very large baby boomer generation (in yellow on the chart above) coming to the ends of their lives and this generation is very different to the earlier war baby cohort, who provide most of the bequests received today. The boomer generation are more affluent, more charitably minded and more likely to be child-free than their predecessors which means not only an increase in the number of gifts but also an increase in the value of those gifts.

Outlook for the legacy market is subdued in the short term but positive in the longer term

The projected fall in house prices means that our medium-term forecast for legacy income is relatively subdued. Over the next four years we expect legacy income to fall slightly, to just under £3.9b in 2025/26 - a relatively minor reduction in income. However, we are living in world of high inflation and this needs to be taken into account when considering future income so we can understand the actual spending power of income received. If we look at our legacy income in real terms, taking out the impact of inflation, we expect the real value of legacy income to fall by around 9%. While it's not good news that legacy income is likely to fall over the next few years, it is worth noting that the reduction in income is relatively small and comes at a time when other forms of fundraised income are under even more pressure due to people feeling the squeeze in the cost-of-living crisis. Given this, it is likely that legacy income will retain its position as a key resilient source of income in the challenging next few years.

UK Legacy income, £b



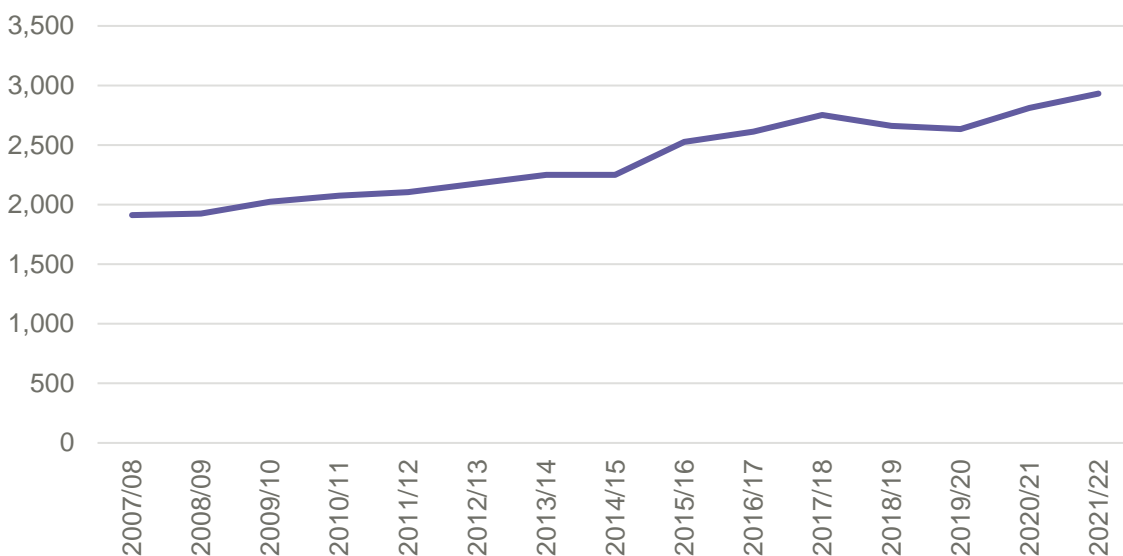
Source: Legacy Foresight market model

Looking beyond 2026, things look a lot more positive and we expect the legacy market to return to growth, and legacy income to accelerate rapidly. We forecast legacy income to reach over £6b in real terms by 2050.

The legacy market is getting more competitive

While it is excellent news that we are expecting to see significant growth in legacy income, charities need to be aware that the market is becoming more crowded. More and more charities are investing in legacy marketing, so it is getting harder to maintain (or grow) share in this evolving environment. Data from the Charity Commission shows the number of charities that are receiving legacy income each year is growing, so legacy income is being shared across a higher number of charities.

Number of charities reporting legacy income (from all charities receiving >£500k of total income)



Source: Charity Commission

As digital marketing for legacies becomes more mainstream, smaller charities with smaller budgets are finding it easier to build their brands and get their legacy messages across to a larger range of potential

legators so we are seeing smaller charities growing their legacy programmes and taking share from larger more established ones.

Part of this shifting behaviour can be seen if we look at the changing popularity of different sectors within the legacy market. The smaller, newer charities are often in niche sectors so we see sectors like air ambulances, mental health and wildlife trusts growing faster than the more traditional sectors of children and the elderly.

Sector 10-year legacy income growth rates to 2021/22

Slow				Fast
Older people	Domestic poverty relief	NHS/Hospital Trusts	Art & Education	Air Ambulances
Children	Deafness and blindness	Armed Services	Overseas development	Mental Health
Learning difficulties	Heritage	Hospices	Medical conditions	Wildlife Trusts

Source: Legacy Foresight analysis of Charity Commission data

Charities need to think about both the short and the long-term time horizons

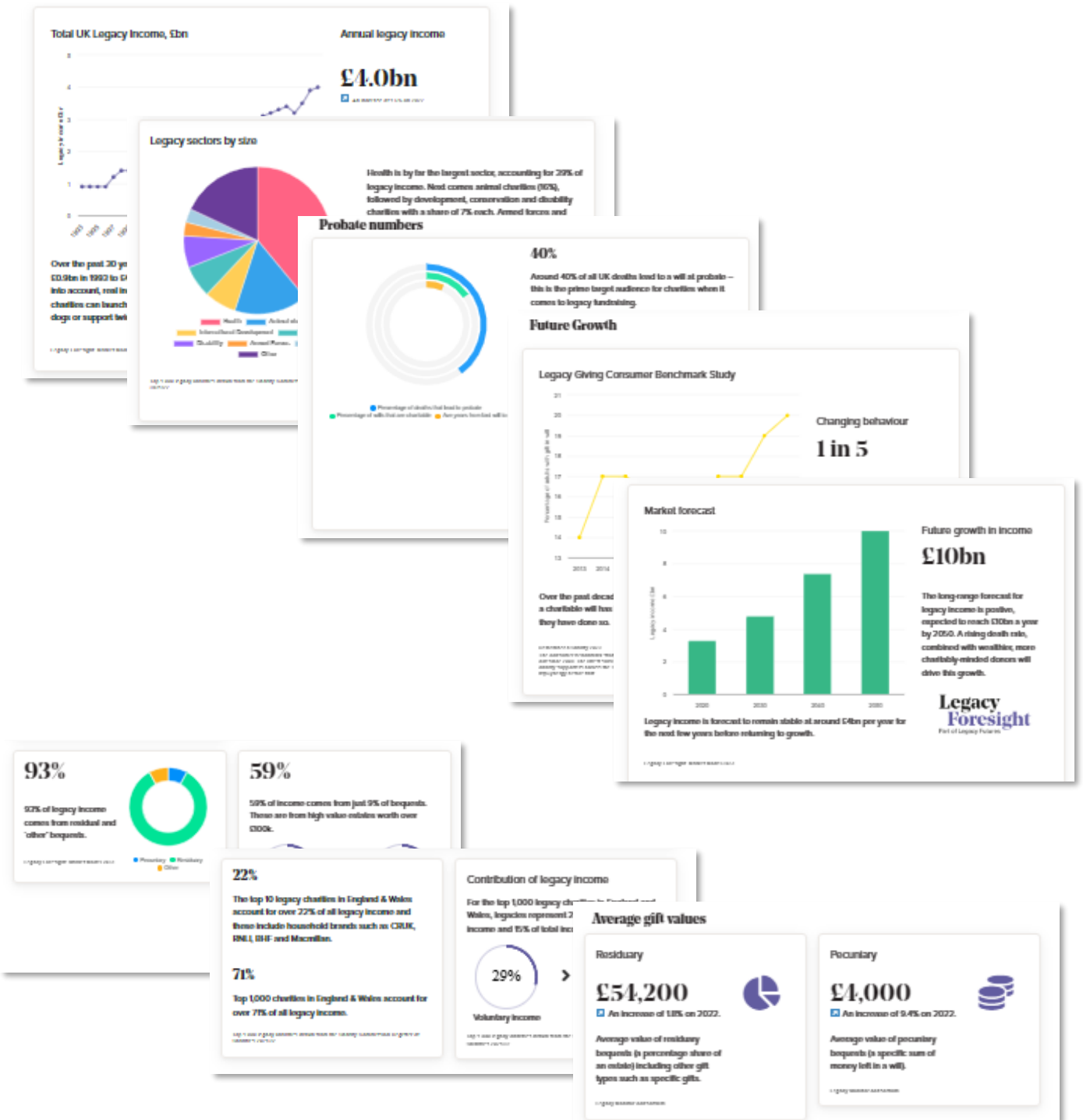
In the short term, charities need to understand how they are faring compared to the market. It is obviously important to keep track of your legacy income and bequest numbers, but it is getting harder and harder to interpret these in a market that is changing so much. Charities need to stay aware and informed as to what is happening to the external drivers of legacy income so they can separate market trends from their own trends. Charities will then be better able to understand their underlying performance and set budgets and strategies for the future. Many charities may also be finding themselves under increased pressure to predict when income is actually going to arrive, as cash flow becomes increasingly important in a world of rising costs and other sources of income come under pressure. Understanding how delays are changing will help manage expectations and communication between legacy and finance teams.

Looking at the longer term, charities need to be preparing the ground so they are able to take a share of the growing market, and thrive in the increasingly competitive landscape. And that almost certainly means investing in legacy marketing. While legacy marketing investment takes a long time to pay back, it tends to pay back at much higher rates than other forms of fundraising investment. Most charities that have successfully invested in legacies start to see a return within five years and this return will keep going and growing for 20 years or more - creating a secure and solid income stream to support the charity for many years and helping smooth over any future external shocks like we have seen over the past few years. Pressures on budgets are clearly high now, so charities need to build the business case that supports the return on legacy marketing investment and demonstrates why now is the time to act.

Data Dashboard

In this report, we usually share some of the key legacy facts and figures about the size and shape of the legacy market from our Consortium and from other publicly available data sources. To make these numbers as accessible as possible, we have moved them onto a new Data Dashboard that is available on our website. This provides numbers on a range of legacy metrics and will be updated once a year.

<https://legacyfutures.com/data-dashboard>



More about Legacy Monitor

Legacy Monitor is a consortium programme to benchmark, analyse and forecast trends in legacy giving. Performance data drawn quarterly from our members are combined with big picture economic and social trends to create an in-depth analysis of the British legacy sector.

Since our first benchmarking project in 2002, the Legacy Monitor Consortium has grown to 83 charities, representing almost half of all UK legacy income. This year, our members received £1.8bn in legacy income and 59,000 bequests.

The wide range of members ensures that all sectors, ages and sizes of charity are well represented. From super-brands to rising stars, our Consortium covers over half of all UK legacy income.

Legacy Monitor will help you to:

- Keep up to speed with the latest trends
- Assess your performance against the market and your closest peers
- Develop your legacy fundraising strategy and plans
- Produce income forecasts and targets
- Raise internal awareness of the drivers of legacy giving
- Network with fellow legacy professionals
- Shape collaborations with other charities

“The legacy monitor is a valuable source of insight and information that helps us with forecasting our future legacy income. It also helps us understand what impact wider trends happening in the legacy market place will have on Brookes’ future income and pipeline”

Sarah Squire, Legacy and in-memory marketing manager, Brooke

Legacy Monitor operates on an annual cycle, January – December. New members are invited to join each autumn. If you’d like to find out more, please get in touch with Caroline Waters

c.waters@legacyforesight.co.uk

Legacy Futures

Legacy Futures is a specialist group of gifts in wills and in-memory giving consultancies, helping over 200 charities worldwide to harness the transformative power of legacy giving.

[Legacyfutures.com](https://legacyfutures.com) | [@talkinglegacies](https://twitter.com/talkinglegacies)

Legacy Foresight

Legacy Foresight are legacy and in memory insight specialists. Best known for their market forecasts and research projects, often working with consortiums of charities who join forces to gain greater insight into specific areas of the Legacy and In-Memory markets.

legacyforesight.co.uk

Legacy Voice

Legacy Voice is a consultancy that helps charities improve their legacy marketing strategies and develop effective communications. Legacy Voice works with charities large and small, UK and international; turning research and insight into deliverable solutions.

legacyvoice.co.uk

Legacy Link

Legacy Link works with over 100 charities each month, supporting them through the whole estate administration process. With a bank of over 30 expert consultants Legacy Link helps to maximise the gifts left to a charity, adding value each step of the way.

legacy-link.co.uk
