

Legacy Market Review

Public briefing

05 NOVEMBER 2024



In a relative sense, the most recent year has been more stable and more positive for legacy income than the ones before – we had only one prime minister and chancellor (until the general election), inflation has stabilised, interest rates have (just) started to reduce and house prices haven't fallen as much as was feared. But at the same time, there is still much change and uncertainty – in the UK, we have a new government and a new budget, which may impact legacy giving in the longer term. On a global level, the war in Ukraine and the conflict in Gaza continue and the US has elected a new president. While these local and global events influence many other aspects of life in a bigger way than they do legacies, they indirectly drive legacy income through their impact on macro-economic factors that affect average bequest values. In addition to these factors, we are still grappling with the more direct impact of problems in the probate administration process, which have been delaying notifications to charities. This has impacted bequest numbers in 2023/24, but things have improved considerably since then and the future is more optimistic.

Despite these challenges, legacy income has once again remained resilient with record income of over £4.1b in 2023/24. The outlook for the next few years is subdued but better than we were reporting this time last year and the outlook for the longer term remains very positive.

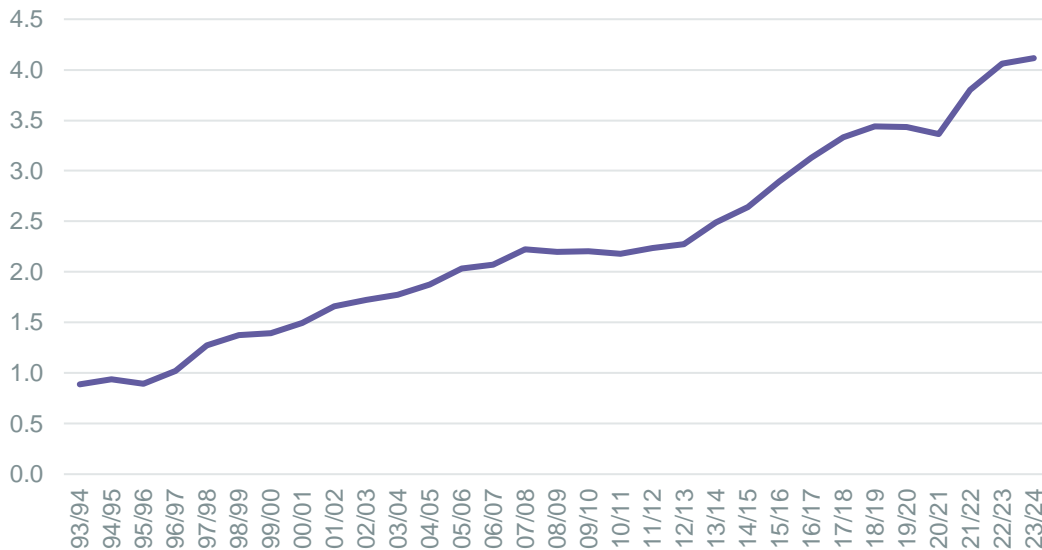
This document summarises the performance of the key legacy drivers over the past year and shares our projection for the future of the legacy market. We also share some of our key facts and figures of the dynamics of the legacy market.

Much of this data and insight is taken from our Legacy Monitor benchmarking programme so a big 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

Once again, legacy income has remained a resilient source of funds to charities, although growth has not been as high as seen in previous years. In 2023/24, legacy income was £4.1b, just a 1.3% increase on the previous year but still remaining above the £4b level. This is lower growth than we have seen over the long-term history of legacy income, but in the backdrop of a challenging external environment, this is still a huge boost to charities.

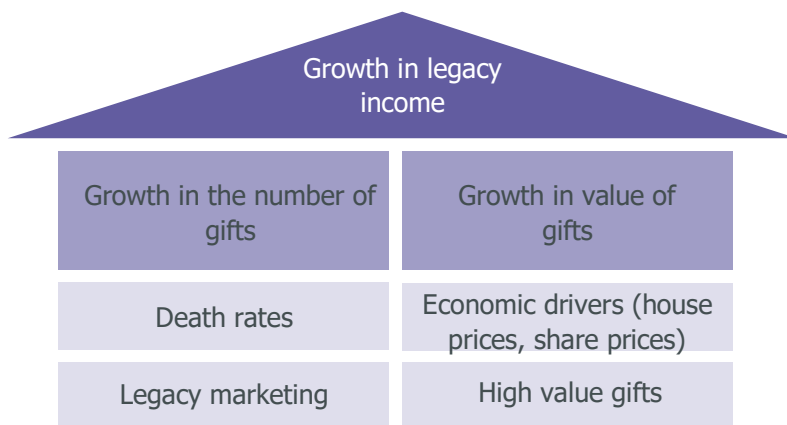
UK legacy income, £b



Source: Legacy Foresight, September 2024

Legacy income growth is driven by numbers of bequests and values of those bequests and these are driven by several mostly external factors.

Drivers of legacy income



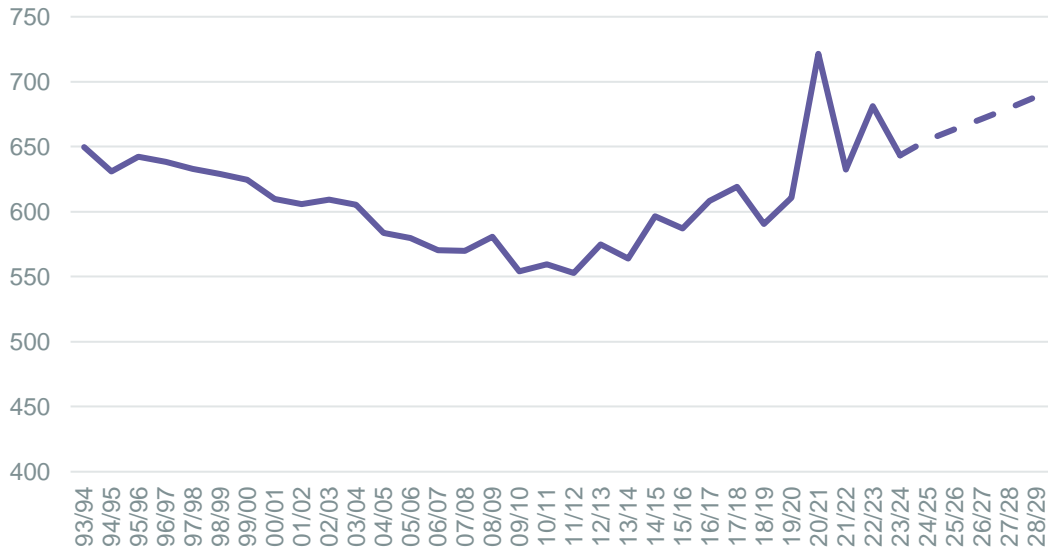
Legacy income growth in the most recent year has been hampered in terms of both bequest numbers and average values:

- Bequests decreased slightly in 2023/24 partly due to lower deaths and partly due to further delays in the probate administration system.
- Average values showed slow growth in 2023/24, mostly as a result of subdued house prices.

Deaths in 2023/24 lower than in recent years

The number of deaths in 2023/24 was lower than that seen in the harsh winter year of 2022/23 and the peak Covid year of 2020/21, and reflects a reversion to the expected trend of death rates.

UK deaths, 000



Source: Office for National Statistics

This has had a knock-on effect of reduced numbers of bequests in 2023/24, but we expect a reversion to growth in the next few years, although deaths in 2024/25 are projected to be only slightly higher than this year.

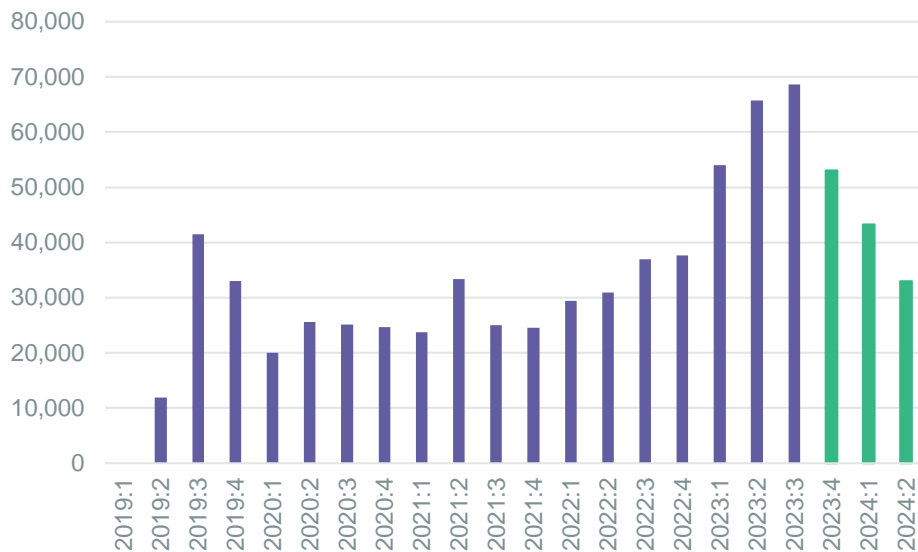
Delays at probate remain, although significant improvements

Typically, the number of bequests in any given year will be closely linked to the number of deaths so we are able to predict how many bequests we would expect to see based on the number of deaths (with an allowance for a time lag between the two). Bequests in the most recent year were 142k, which is lower than we would have expected based on deaths in the 3-12 months prior to this. The main reason for this shortfall in bequests is due to continued issues in the probate administration process, especially at His Majesty Courts and Tribunals Services (HMCTS). It should be noted that HMCTS isn't the only place where delays have been occurring, we have also seen other delays in the various stages between death and charities receiving legacy income, but the primary problem has been at HMCTS.

Problems began at HMCTS in 2019 when there was a restructuring and a change of computer system. This change led to a large backlog of cases, which persisted throughout 2021 and 2022 at around 25,000 cases – to put this into context, this is equivalent to £330m in legacy income, a not insubstantial sum that has been sorely needed by charities over the last three years. In response to the backlog, HMCTS recruited an additional 100 people in late 2022, but the impact of this was not immediately seen – in fact, during 2023 the backlog increased further, mostly as a result of a surge in applications due to high death rates in 2022 and 2023. In August 2023, the backlog peaked at almost 70,000 bequests, more than double what we'd seen in 2019, and this has hit bequest numbers and income this year...and means further frustration for charities trying desperately to make ends meet amidst a cost-of-living crisis.

However, there is potentially light at the end of the tunnel. For the most recent three quarters, HMCTS has processed more grants than it has had applications so they are managing to reduce the backlog. In the most recent quarter, the estimated backlog was down to 33,000 cases.

Estimated backlog of cases at HMCTS



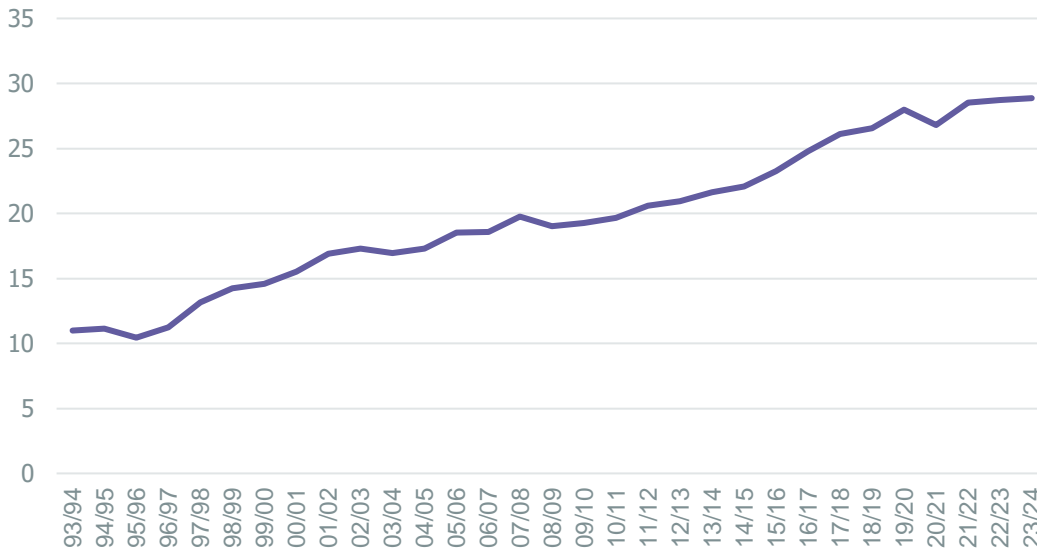
Source: Legacy Foresight analysis of HMCTS data

The good news is that we are seeing charities receiving a higher number of bequests, so there is evidence that the backlog is unwinding. However, the numbers charities are receiving is lower than we would have expected based on the amount of backlog that has cleared, and it is unclear at present why that might be. It is possible that this is caused by delays at earlier stages of the administrative process (e.g. submissions to HMRC before HMCTS), or that more complex cases, perhaps more likely to include a bequest, are taking longer at probate while simpler cases have been processed more quickly. We will continue to watch the progress on the backlog and adjust our models accordingly.

Average value growth is slow

UK market average values have seen limited growth in the last two years, since they peaked at £28.5k in 2021/22. Since then, average values have grown only slightly to £28.9k in the most recent year, growth of just 0.4% p.a., compared to a long-term average growth of 3.1% p.a.

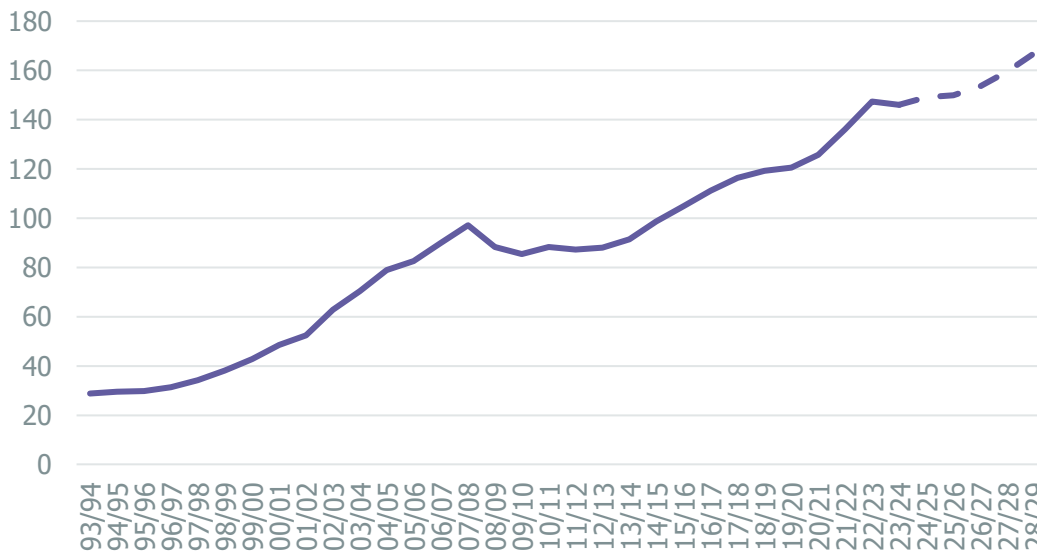
UK market average values, £k



Source: Legacy Foresight market model, Sept 2024. Note average values include failed bequests

The main reason for this slow-down has been the housing market not being as buoyant as previous years. However, things have not been as bad as originally feared - this time last year, house prices were expected to decline in 2023/24 and 2024/25, and not recover to 2022/23 levels until 2027. The latest forecast from Oxford Economics suggests 2024/25 will now see growth, albeit relatively small. This growth continues and accelerates over the following 4 years meaning a much more positive picture for legacy values.

UK house price index

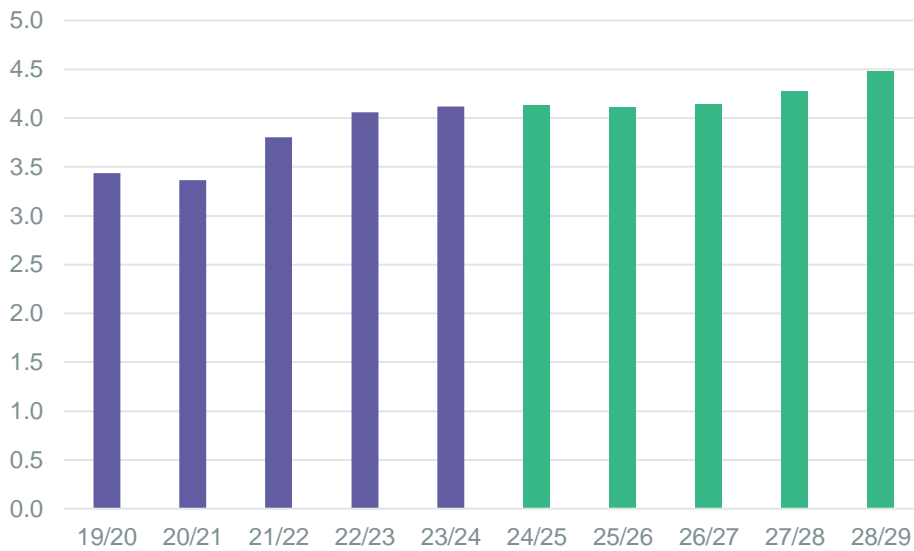


Source: Oxford Economics and Legacy Foresight

Short term forecast subdued

The smaller increase in deaths and the subdued housing market means that our central forecast predicts legacy incomes to remain broadly static at just over £4.1bn per year over the next 3 years, before returning to growth in 2027/28.

UK legacy income forecast, £b



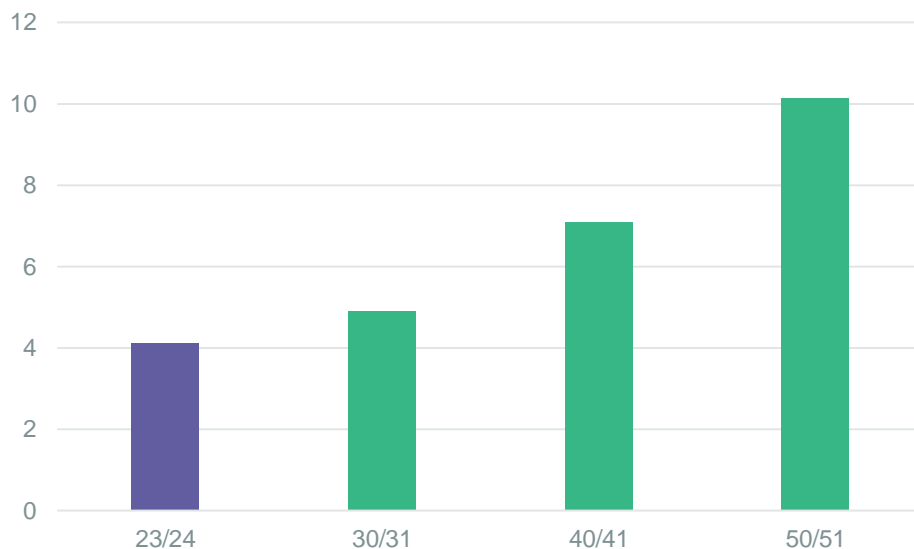
Source: Legacy Foresight, September 2024

While the cost-of-living challenges have eased versus the height of the crisis, inflation is still higher than the long term average and costs are still increasing. Therefore, charities will find the volume of services or charity activities they are able to support with the same money declines. When we removed the impact of inflation from our central case, we see the real value of legacy incomes fall by over 6% between 2023/24 and 2026/27, putting further pressures on charity budgets.

Longer term forecast still very strong

Longer term, the forecast is still very positive as we start to see the large numbers of affluent baby boomers becoming the majority of legators. This group is a great opportunity not just because of its large size, but also because they are strong legacy prospects – they are more affluent than their predecessors, more likely to be child-free and more likely to leave a charitable bequest. We project legacy income to reach over £10b by 2050.

UK legacy income forecast, £b



Source: Legacy Foresight, September 2024

So what should charities be thinking about

The long-term future of legacy income is as bright as it has ever been, but challenges remain in the short term. While legacy income isn't forecast to fall, inflation means that the spending power that charities have could well reduce, putting pressure on budgets and cash flow. 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 to deal with any shortfall issues.

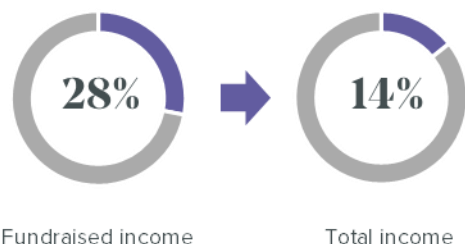
But, it is also important to keep an eye on the longer term future as we know that the boomer generation is set to boost the legacy market as we see one of the largest intergenerational wealth transfers in history. Given the time lags involved in legacy marketing, the time to act is now, to try and influence these potential supporters and turn them into future legators. Investing in legacy marketing now will enable charities to create a secure and solid income stream to support them for multiple decades and help smooth over any future external shocks like we have seen over recent years.

Some key facts and figures

The data below is also available on our data dashboard at <https://legacyfutures.com/data-dashboard> and is updated annually.

Importance of legacy income

For the top 1,000 legacy charities in England and Wales, legacies represent 28% of fundraised income and 14% of total income.



Types of bequest

Residual bequests (share of estate) account for 84% of legacy income, while pecuniary bequests (cash) account for 8%



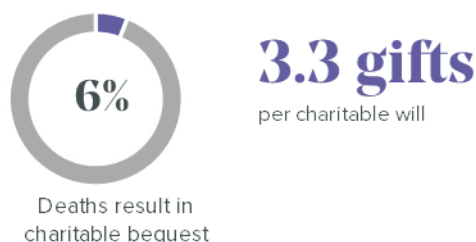
Importance of large bequests

59% of income comes from just 9% of bequests worth over £100k and 35% of income comes from just 3% of gifts worth over £250k. These large gifts are a very important source of income to charities, but can cause high volatility



Legacy donors

Only 6% of deaths result in a charitable bequest but there are an average of 3.3 gifts per charitable will



Time lags

Unlike other forms of giving, there can be a long time lag between someone writing a gift into their will and the charity receiving the money. For residuary gifts, it takes an average of 6.8 years from last will to death and another 2.6 years to receive all the income from the estate

6.8 years

from last will to death

Data dashboard

For more information and the most up to date data please visit

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

Get in touch

If you have any questions or would like to hear more about our Legacy Monitor benchmarking programme, please get in touch with Caroline Waters on c.waters@legacyforesight.co.uk

Legacy Futures

Legacy Futures is a specialist group of gifts in wills and in-memory giving consultancies, helping over 325 charities worldwide to harness the transformative power of legacy giving.

legacyfutures.com | [LinkedIn](#)

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.

legacyfutures.com/foresight

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.

legacyfutures.com/voice

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.

legacyfutures.com/link

