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Retiree Giving Becomes a Force of Philanthropy
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When Carol Nash retired four years ago from Dimensions Healthcare System in Maryland after a long career in nursing, she had no inkling that she would soon be working harder than she ever did before.

But Ms. Nash, 70, is fine with that. “I burn with a passion for what I am doing,” she said. “If I can make the difference in the life of one child, then I believe I have fulfilled a purpose here.”

In 2012, Ms. Nash founded a small nonprofit, Bernadette’s House, based in Laurel, Md. The organization provides early intervention and prevention services through an after-school mentoring program for girls 10 to 17 at risk of teenage pregnancy, drug addiction or failing in school.

“Helping people is what I’ve done my entire life,” she said. “I guess I’m not really retiring.”

She represents a growing and potentially historic force in philanthropy: the retiree giving boom. A new Merrill Lynch study conducted with Age Wave, which does research on the aging population, projects a potential giving surge in the United States over the next two decades of some $8 trillion, a sum swelled by the baby boom generation and increasing life expectancy.

Carol Nash presenting Morgyn and Jordyn Qualls with a birthday cake at Bernadette’s House in Laurel, Md. CreditGabriella Demczuk for The New York Times

Many are devoting their retirement to volunteering or, like Ms. Nash, starting small charities. Some are increasing donations to causes they care about through planned giving strategies.

This huge transfer of wealth is happening during a much larger transfer of wealth as the older generation dies off. According to a report from researchers at the Center on Wealth and Philanthropy at Boston College, from 2007 to 2061 an estimated $59 trillion will pass to younger generations from estates. Heirs will get the most, some $36 trillion, but charities stand to receive trillions from bequests, the report says.

“The majority will pass down to the next generation, though more than $6 trillion is expected to flow to charitable organizations, contributing to what some have referred to as the golden age of philanthropy,” said David Wright, a wealth adviser with Merrill Lynch’s Private Banking and Investment Group.

“This significant influx of potential philanthropic funding excludes additional giving over one’s lifetime, as well as the value of volunteer time and talent boomers will contribute to causes they care about,” Mr. Wright said.

Americans over 65 are more likely to donate money or goods than any other age group, and on average they give the most — more than double what adults 25 to 34 give, says the new Merrill study, "Giving in Retirement: America's Longevity Bonus."

Of course, people over 65 are wealthier on average, notwithstanding the meager retirement savings of many. Last year, the median net worth of a household headed by someone over 65 was $216,100, compared with $165,900 for the 55-to-64 age range and $10,400 for those under 35, according to the report. The average amount given to charities over the previous 12 months was $1,672 for someone over 65, compared with $1,462 for those 55 to 64 and $555 for somebody age 25 to 34.

Older donors could enjoy a dividend in health and well-being. Seventy percent of the retirees surveyed said being generous was an important source of happiness in their retirement years. And compared with those who did not volunteer or donate, retirees who gave said they were both happier (66 percent vs. 52 percent) and healthier (50 percent vs. 43 percent) than those who did not contribute.

As clients become older and approach retirement, the way they think about philanthropy changes, Mr. Wright said.

"They have all these life experiences and skills to share and suddenly are not applying them professionally like they used to, so they redirect those energies to philanthropy," he said.

Research from Encore.org, a nonprofit, shows that interest in starting a nonprofit between the ages of 50 and 70 has nearly doubled over the last three years, said Marc Freedman, founder and chief executive of Encore.org and author of "The Big Shift."

"It's the combination of an upsurge in encore careers — second acts focused on the greater good — and the rise in boomers embracing entrepreneurship," he said.

Another popular way for retirees to give is a planned charitable giving vehicle, like a donor-advised fund. There are around 217,000 donor-advised funds, up from 161,941 in 2007, according to a 2014 report by the National Philanthropic Trust.

Donors create a charitable account, say $5,000 to $25,000, usually through a financial services firm. Administrative fees are typically 0.6 percent or less, though some donor-advised funds have balance-based fee schedules that can be 1 percent or higher.

The three big players in this field are Fidelity Charitable, Vanguard Charitable and Schwab Charitable. Donors take an immediate tax deduction for each donation, whether in cash other assets. Later, the donors — using an umbrella name, like the Miller Family Fund — allot grants to a recognized 501(c)3 public charity.

"It's simple. You take the deduction without having to make the decision right away about how to allocate, and that gives a donor more time and flexibility," said Mr. Wright of Merrill Lynch.

Donors allocate their giving in their high-income years when they can take advantage of the tax benefits. Then, in retirement, they can draw on the funds for giving.

“A donor-advised fund helps retirees plan their giving over time starting before they retire,” said Eileen R. Heisman, chief executive of the National Philanthropic Trust, which administers donor-advised funds, and a lecturer on philanthropy at the University of Pennsylvania.

That early philanthropic planning is evident at Fidelity Charitable. “The average age of our donors is 62,” said Amy N. Danforth, president ofFidelity Charitable, “but the average age of opening an account is early 50s.” Her organization sponsors a donor-advised program with around 119,000 donors and more than 72,000 accounts.

The median account size at Fidelity Charitable is $16,000, and over 60 percent of the accounts hold less than $25,000.

For Steve Sternheimer, a retired government international affairs specialist in Columbia, Md., and his wife, Sue, a former high school teacher, giving has become a new “career” at this stage of their lives, he said. “Volunteerism consumes much of our time — at least 20 hours a week,” he said.

The donor-advised fund they opened three years ago via Fidelity Charitable is the linchpin of their philanthropy, however. From that account they annually give $10,000 to $15,000. “We all have enough stuff, so we make charitable gifts instead,” he said.

Then there are those with a singular focus, like Ms. Nash, who are spurred by personal life experience.

She was raised from age 3 in the convent of the Franciscan Handmaids of Mary in Harlem after the death of her mother. Her guardian there was Sister Maria Bernadette, a member of the Handmaids, an order of African-American nuns. “I attribute my early development of self-esteem and confidence to her,” Ms. Nash said.

Later, as a registered nurse, she came into contact with “young women caught in an endless cycle of teen pregnancy and illiteracy.” So when she retired, she knew she had a calling to nurture young girls.

“I didn’t know where the money was coming from, but I stepped out in faith, found a building close to home, started advertising, and kids started coming,” she said.

She has withdrawn about $25,000 in retirement savings to set up the program. Donors helped provide furniture, fix a leaky roof and paint the leased space. Volunteer mentors are professional women who make a one-year, one-hour-a-week minimum commitment to working with a child. “I believe these kids can really thrive if someone pays attention to them,” Ms Nash said. “I greet every girl each day with, ‘Hello beautiful’ — and then give her a big hug.”