

The hidden code of end-of-life decisions

What legacy fundraising can learn from decision-making in life insurance, annuities, estate planning, and healthcare



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1. Significance
2. Theory & predictions
3. Evidence & communication strategies
 - a) General experimental evidence
 - b) Life insurance
 - c) Annuities
 - d) Estate planning
 - e) End-of-life medical planning
 - f) Health promotion
 - g) Other death-related topics

A summary of James, R. N., III (2016). An economic model of mortality salience in personal financial decision making: Applications to annuities, life insurance, charitable gifts, estate planning, conspicuous consumption, and healthcare. *The Journal of Financial Therapy*. 7(2), 62-82. Open access at <http://newprairiepress.org/jft/vol17/iss2/5/>

Personal mortality salience:
It's kind of a big deal



Mortality reminders are inherent in a variety of decisions with major financial planning implications



What you see



Seminar Tonight:
Estate Planning

What the client's
subconscious sees



Seminar Tonight:
**Your Upcoming
Death**



What you see



Seminar Tonight:
Life Insurance

What the client's
subconscious sees



Seminar Tonight:
**Your Upcoming
Death**



What you see



Seminar Tonight:
**Long-Term Care
Insurance**

What the client's
subconscious sees



Seminar Tonight:
**Your Upcoming
Death**



What you see



Seminar Tonight:

Annuities

What the client's
subconscious sees



Seminar Tonight:

**Your Upcoming
Death**



What you see



Seminar Tonight:

Spending Down Your Retirement Assets



What the client's subconscious sees



Seminar Tonight:

Your Upcoming Death



What you see



Seminar Tonight:

Advance Healthcare Directives

What the client's subconscious sees



Seminar Tonight:

Your Upcoming Death



What you see



Seminar Tonight:
**Become an Organ
Donor**

What the client's
subconscious sees



Seminar Tonight:
**Your Upcoming
Death**



- Regardless of terminology or packaging, these topics involve consciously planning for one's own death.
- These are strong reminders of the reality of one's own mortality.
- Theory and experimental research have identified consistent reactions to such mortality reminders.



THEORY

AND

PREDICTION

People respond differently to personal mortality reminders than to other types of objective information



Both economic and psychological approaches predict that mortality reminders can lead to



1. Avoidance
(initial and induced)



2. Pursuit of lasting social impact ("symbolic immortality")



The economic model

As personal mortality awareness grows, the desire for investing in lasting future social impact, R_2 , becomes relatively more attractive.

$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2)$$

current *anticipated* *future*



Pursuit of symbolic immortality: something reflecting the person's life story (community and values) will live beyond them



Experimental examples

1. Avoidance
2. Pursuit of lasting social impact (“symbolic immortality”)



Initial avoidance

People often express an aversion to focusing on their own death. In a standard work on the psychology of death, Kastenbaum (2000, p. 98) explains that there is “general agreement that most of us prefer to minimize even our cognitive encounters with death.”

Induced avoidance



Technical note: Diminishing marginal utility of anticipated experience predicts increasing desire for death denial following its exogenous reduction

Beyond this general tendency towards avoidance, experimentally-induced mortality reminders actually increase subsequent tendencies to suppress death-related interactions (Arndt et al., 1997; Greenberg et al., 2000).

For example, experimentally-induced mortality reminders lead to increased denial of personal characteristics said to result in early death (Greenberg et al., 2000).

Forms of avoidance



Distract: I'm too busy to think about that right now

Differentiate: It doesn't apply to me now because I (exercise, have good cholesterol, don't smoke...)

Deny: These worries are overstated

Delay: I definitely plan to think about this... later

Depart: I am going to stay away from that reminder

Pursuit of lasting social impact ("Symbolic Immortality")

What will survive is the community, **R**. Thus, the community becomes relatively more important, including the community's lasting **well-being** and **approval**. As a result, people become more supportive of their surviving community and its values.



$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2)$$

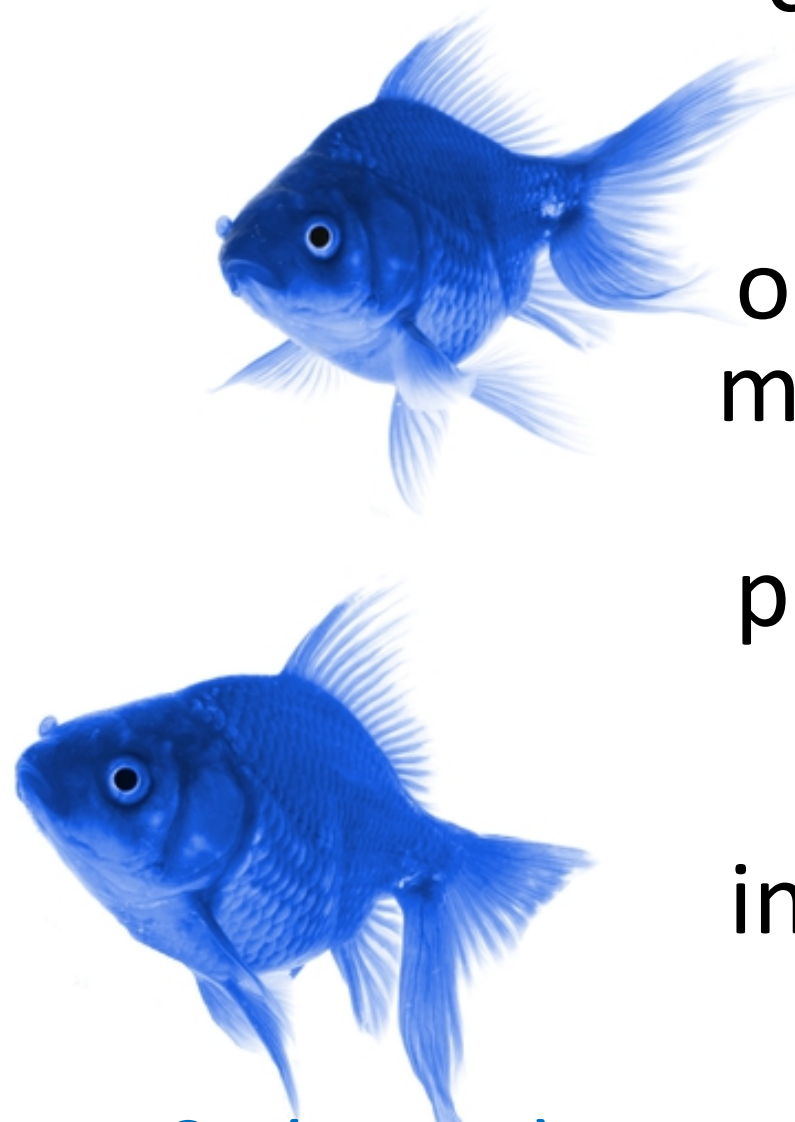


Death reminders increase support for one's surviving community ("in-group")

Death reminders increase ...

- Giving among Americans to U.S. charities but not to foreign charities (Jonas, Schimel, Greenberg, et al., 2002)
- Negative ratings by Americans of anti-US essays (many)
- Predicted number of local NFL football team wins (Dechesne, Greenberg, Arndt, et al., 2000)
- Ethnic identity among Hong Kong Chinese (Hong, Wong & Liu, 2001)
- Willingness of English participants to die or self-sacrifice for England (Routledge, et al, 2008)
- German preference for German mark v. euro (Jonas, Fritsche, & Greenberg, 2005)



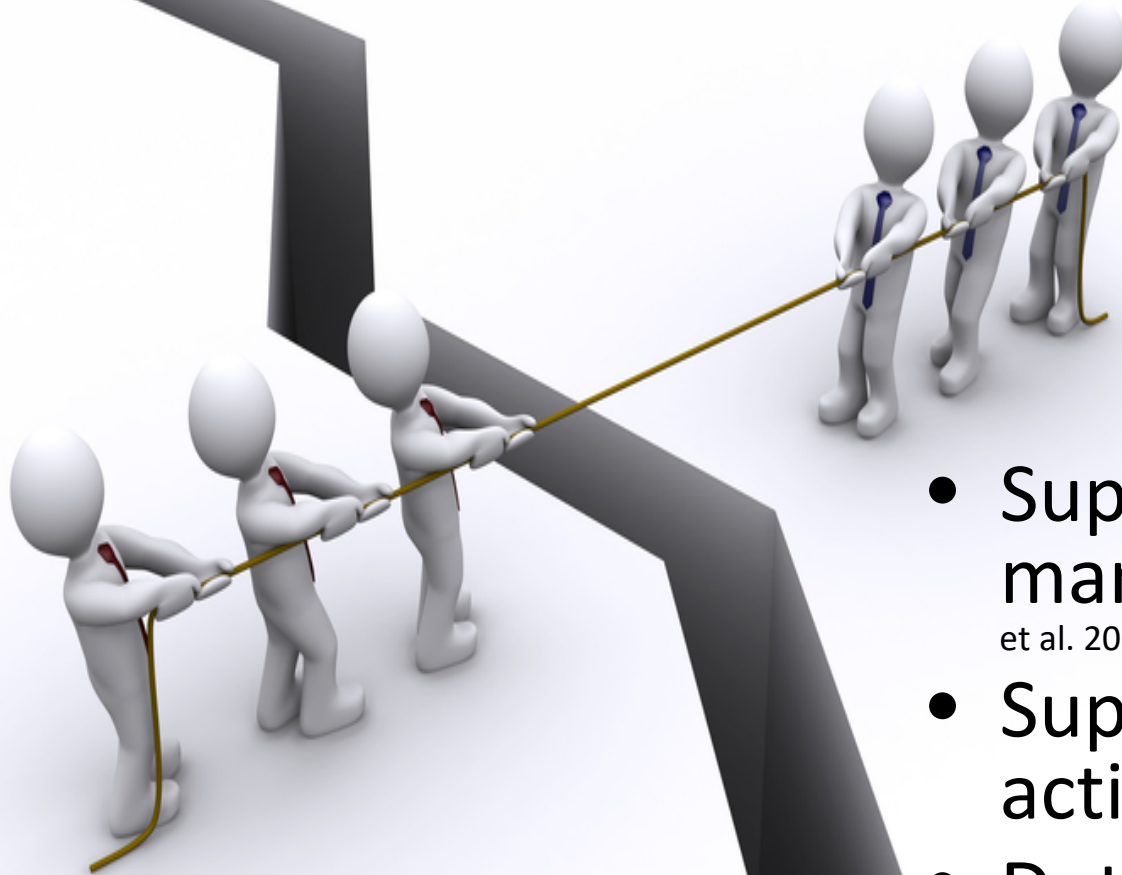


Support for the community can include opposition to outsiders. In the model, **R** includes others with positive (friends) or negative (enemies) interdependence

$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2)$$

Death reminders increase support for community through resistance to outsiders, such as by increasing...

- Negative ratings of foreign soft drinks (Friese & Hoffmann, 2008)
- Acceptance of negative stereotypes of residents of other cities (Renkema, et al., 2008), or nations (Schimmel, et al. 1999)
- Support by Iranian students for martyrdom attacks against the U.S. (Pyszczynski, et al. 2006)
- Support by Israeli participants of military action against Iran (Hirschberger, Pyszczynski & Ein-Dor, 2009)
- Dutch agreement (disagreement) with art opinions given by Dutch (Japanese) critics (Renkema, et al., 2008)



Social approval by the community becomes more important in spending



In consumer purchases, “when mortality is salient, people are more willing to act in concert with the opinions of others”

(Maheswaran and Agrawal, 2004, p. 214).

Mortality salience increases desire for luxury products – Lexus car, Jaguar car, Rolex watch, famously expensive sweets – but not for economy car, potato chips, or non-luxury brands

(Heine, Harihara, & Niiya, 2002; Mandel & Heine, 1999; van Bommel, O'Dwyer, Zuidgeest, & Poletiek, 2015).

Mortality salience plus pro-environmental social norm reminders increase desire for Toyota Prius or environmentally-friendly reusable cup while decreasing the desire for Ford Expedition, or disposable cup

(Fritsche, Jonas, Kayser, & Koranyi, 2010).

Death reminders increase attraction to positive remembrance

- Desire for fame (Greenberg, Kosloff, Solomon, et al., 2010)
- Interest in naming a star after one's self (ibid)
- Perception of one's past significance (Landau, Greenberg, & Sullivan, 2009)
- Likelihood of describing positive improvements when writing an autobiographical essay (Landau, Greenberg, Sullivan, et al, 2009)
- Perceived accuracy of a positive personality profile of one's self (Dechesne, Pyszczynski, Janssen, et al., 2003)



Death reminders increase attraction to personal heroism

1. Death reminders after delay increase self-reported similarity with a hero
2. After a death reminder, describing one's own hero (but not another's) reduces death-related thoughts
3. After a death reminder, reading of a heroic act reduces death-related thoughts only when the hero is reported to share the participant's birthdate



McCabe, S., Carpenter, R. W., & Arndt, J. (2016). The role of mortality awareness in hero identification. *Self and Identity*, 15(6), 707-726.

Pursuit of symbolic immortality: something reflecting the person's life story (community and values) will live beyond them

Joseph Campbell's "monomyth" universal hero story

1. The hero goes forth
2. Struggles with a gatekeeper, enters a horrible place, undergoes an ordeal
3. Then gains reward
4. And returns to his place of beginning
5. With a gift to improve his world

*Ex: a successful entrepreneur
giving to her alma mater, a cancer
survivor giving to cancer research*



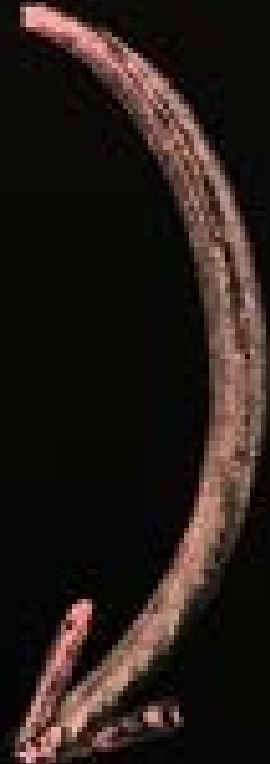
**Practical
Applications
for Financial
Decision
Making and
Marketing**

T

I

P

*Theory
Into
Practice*



Life insurance



Life insurance is a death reminder

Showing people a life insurance company logo increased their mortality salience.

(Fransen, M. L., Fennis, B. M., Pruyn, A. T. H., & Das, E. (2008). Rest in peace? Brand-induced mortality salience and consumer behavior. *Journal of Business Research*, 61(10), 1053-1061)

Asking a question about owning life insurance triggers mortality salience.

Rockloff, M. J., Browne, M., Li, E., & O'Shea, T. (2014). It's a sure bet you're going to die: Existential terror promotes gambling urges in problem players. *Gambling Research*, 26(1), 33.



Life insurance:

Waiting too long, holding too long

1. **Avoidance** will cause uninsureds to postpone purchase contemplation
2. **Avoidance** will cause insureds to postpone cancellation contemplation



Waiting too long

A study of life insurance holdings found that among secondary earners in their 20s and 30s, only one-in-five “held sufficient life insurance to avert significant or severe financial consequences”

Bernheim, B. D., Carman, K. G., Gokhale, J., & Kotlikoff, L. J. (2003). Are life insurance holdings related to financial vulnerabilities? Economic Inquiry, 41(4), 531-554.



Holding too long

Another study of life insurance holdings by those in their 50s and early 60s, found nearly half of married people “were protected by life insurance even though they faced no underlying vulnerabilities”

Bernheim, B. D., Forni, L., Gokhale, J., & Kotlikoff, L. J. (2003). The mismatch between life insurance holdings and financial vulnerabilities: evidence from the Health and Retirement Study. American Economic Review, 93(1), 354-365.



Relative to their risk exposure, older adults tend to be over-insured, while younger families tend to be under-insured. Based on standard consumption smoothing models, the peak value for life insurance arises at age 30, yet the propensity to own life insurance actually peaks in the late 60s.

Chambers, M., Schlagenhauf, D., & Young, E. (2011). Why Aren't More Families Buying Life Insurance? Center for Retirement Research at Boston College Working Paper, (2011-7)

Life insurance: Sold, not bought



Consumers will tend to avoid mortality salience, such as contemplating life insurance purchases.

However, if a salesperson were able to induce mortality salience – by forcing contemplation of life insurance or otherwise – then the consumer’s attraction to the bequest benefit, R_2 , of the product would increase.

This results in a product that could be “sold” even if, without a salesperson, it would not be “bought.”

Strategies

If you want a larger audience, don't lead with death

Reduces avoidance response, thus increasing general audience willingness to engage with initial, preparatory, lead-in topics



Strategies

If you want a larger audience, don't lead with death

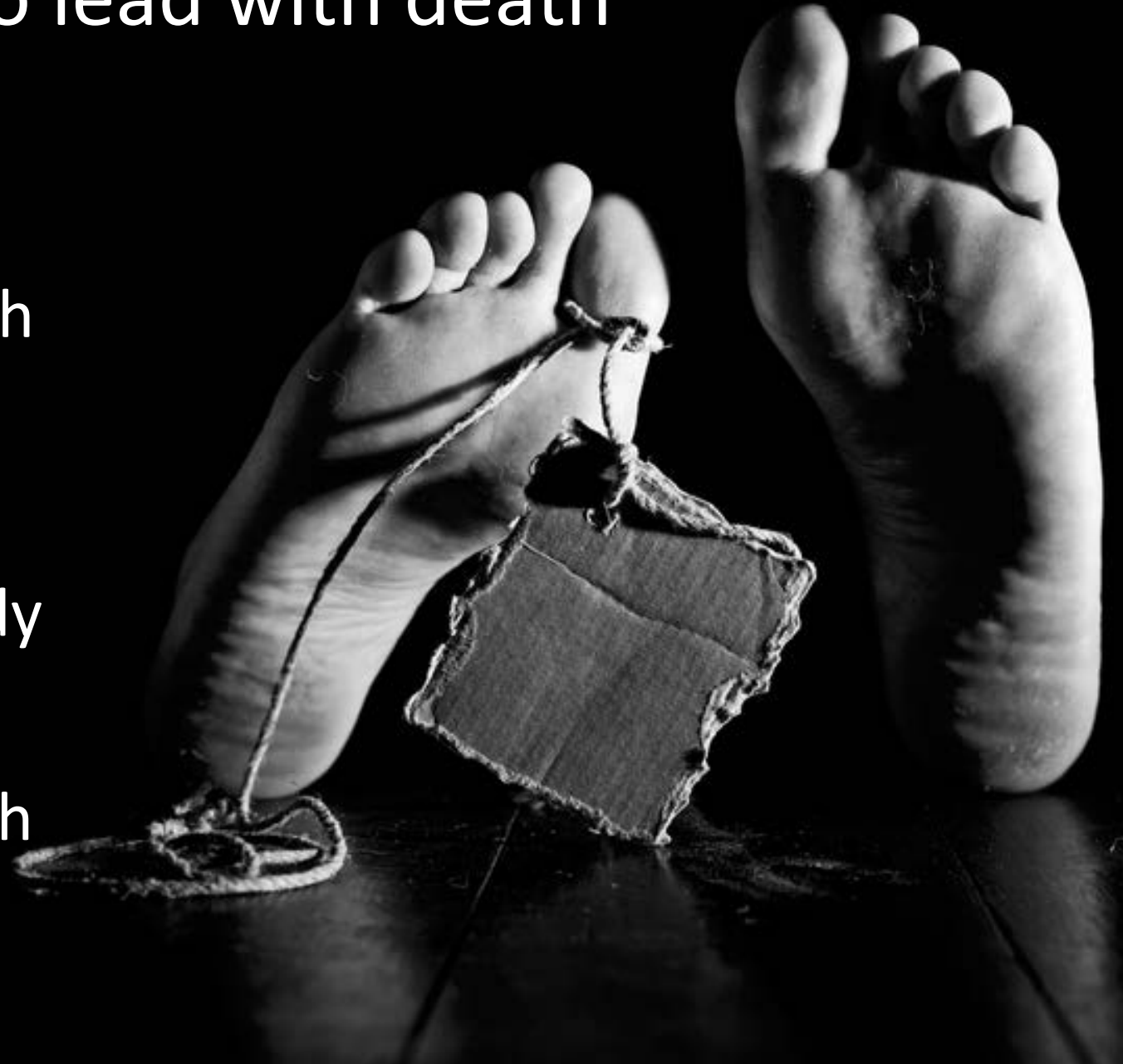
- It's "life" insurance, not "death" insurance
- This explains the tendency for life insurance agents to adopt substitute titles such as financial advisor Rosh, R. M. (2015). *Death of a salesman: The rise & unfortunate potential demise of the fulltime life insurance salesman*. *St. John's Law Review*, 88(4), 3
- Explains the attraction of whole life products that allow for initial discussion of non-death-related savings goals, albeit with an ancillary death-related component, as compared with the pure death planning of term life insurance



Strategies

When to lead with death

- 1. Captive audience:**
Increase mortality salience to heighten interest in lasting social impact through bequest
- 2. Low-hanging fruit:**
Intentionally limiting audience only to those ready for death planning (often related to some other external shock such as death of a loved one, negative diagnosis, estate planning)



Strategies:
Emphasize **lasting**
social impact



Something reflecting the person's life story
(community and values) will live beyond them

Strategies: Emphasize **lasting** social impact

No: Big pile of money for heirs to throw a party or take a trip.



Yes: Education for heirs.
Retirement for spouse. Funding a family dynasty trust or private family foundation.



Strategies: Present a social norm default

- Pursuit of lasting social impact suggests that once mortality salience is induced, social approval becomes more important.
- Induced avoidance suggests increased resistance to contemplation after death reminders. A simple default limits contemplation effort.



“Many of our customers like to...”



Annuities



Annuities are a death reminder



An annuity involves an explicit bet on one's own longevity.

When asked to list their thoughts, 1% of those contemplating an IRA mentioned death-related thoughts, as compared with 40% of those contemplating an annuity.

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. Journal of Consumer Psychology, 26(3), 417-425.

Initial avoidance suggests resistance to contemplation



Changing annuity description from “each year you live” to “each year you live until you die”, and “if the annuity holder lives up to different ages” with “depending on the age when the annuity holder dies” increased death-related thoughts and consequently lowered interest in purchasing annuities. The reduction in interest was fully mediated by the change in death-related thoughts.

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. Journal of Consumer Psychology, 26(3), 417-425.

Induced avoidance suggests increased resistance to contemplation after death reminders



Participants were randomly assigned to write an essay about either dental pain or their own death before indicating their interest in purchasing an annuity at age 65. Among those who first wrote about their own death, only 23% expressed interest in purchasing an annuity at age 65, while 41% of the comparison group did so.



Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. Journal of Consumer Psychology, 26(3), 417-425.



Pursuit of lasting social impact suggests that once mortality salience is induced, a bequest benefit will become more attractive

Both increasing death wording and writing a death essay increased preference for an annuity with a bequest benefit instead of a standard annuities (Williams & James, 2017)

Three-fourths of all annuities owned by recent retirees actually contain survivor benefits (Lockwood, 2012).

Strategies

If you want a larger audience, don't lead with death

Reduces avoidance response, thus increasing general audience willingness to engage with initial, preparatory, lead-in topics



Strategies

If you want a larger audience, don't lead with death

- It's "each year you live" not "each year you live until you die"
- It's "if the annuity holder lives up to different ages" not "depending on the age when the annuity holder dies"

Salisbury, L. C., & Nenkov, G. Y. (2016). Solving the annuity puzzle: The role of mortality salience in retirement savings decumulation decisions. Journal of Consumer Psychology, 26(3), 417-425.



Strategies: Emphasize **lasting** social impact

- Consider annuities with survivor benefits
- Reframe a standard annuity as protecting a bequest benefit from other assets. Without an annuity, excessive longevity will eat through all assets leaving no bequest for future generations.



Something reflecting the person's life story (community and values) will live beyond them

Strategies: Present a social norm default

- Pursuit of lasting social impact suggests that once mortality salience is induced, social approval becomes more important.
- Induced avoidance suggests increased resistance to contemplation after death reminders. A simple default limits contemplation effort.



“Many of our customers like to...”



intestacy
death
charities
plan
testament
survivorship
contest
accountant
durable
protection
will
finances
heir
assets
laws
special needs
taxes
financial planner
executor
lawyer
courts
real estate
legal
attorney
life insurance
gift
beneficiary
designations
tenancy
financial
estate planner
conservatorship
guardian
probate
medical power of attorney
money

ESTATE

PLANNING

Estate planning is a death reminder



Because, duh



Estate planning **avoidance**

- In the U.S., half of adults age 55+ have no estate planning documents (James, 2015).
- Poterba (2001) and Kopczuk and Slemrod (2003) demonstrated that those with taxable estates substantially underutilize gifts to family. Kopczuk and Slemrod (2005) attributed this to “the refusal to face up to one’s mortality” (p. 19)

Examples of avoidance

Distract: I'm too busy to think about that right now

Differentiate: It doesn't apply to me now because I (exercise, have good cholesterol, don't smoke...)

Deny: These worries are overstated

Delay: I definitely plan to think about this... later

Depart: I am going to stay away from that reminder



Pursuit of lasting social impact

- There are tax advantages to current gifting in estate planning, but this generates immediate impact, R_1 , rather than the desired lasting impact, R_2 .
- In practice, taxpayers gift to an ILIT or dynasty trust that will not benefit the recipient until well after the donor's death (Willms, 2000).

$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2)$$

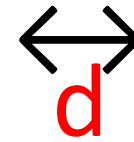
current *anticipated* *future*



Pursuit of lasting social impact

A poverty relief charity was described as an organization that focused on either ...

Normal Average Gift



Death Reminded Average Gift



“meeting the immediate needs of people” or

R_1



\$257.77

\$80.97

“creating lasting improvements that would benefit people in the future”

R_2



\$100.00

\$235.71

$$W = u(c_1, R_1) + \delta u(\hat{c}_2, R_2) + s\beta u(c_2, R_2); \quad \hat{c}_2 = \hat{s} * c_2; \hat{s} = s + d * (1-s)$$

$$\downarrow d \Rightarrow \downarrow \hat{s} \Rightarrow \downarrow \hat{c}_2 \Rightarrow \downarrow \delta u(\hat{c}_2, R_2) \Rightarrow \uparrow u'(R_2)$$

*participants giving share of potential \$1,000 award
K. A., Tost, L. P., Hernandez, M., & Larrick, R. P. (2012). It's Only a Matter of Time Death, Legacies, and Intergenerational Decisions. *Psychological Science*, 23(7), 704-709.

Strategies

If you want a larger audience, don't lead with death

Reduces avoidance response, thus increasing general audience willingness to engage with initial, preparatory, lead-in topics



Strategies

If you want a larger audience, don't lead with death

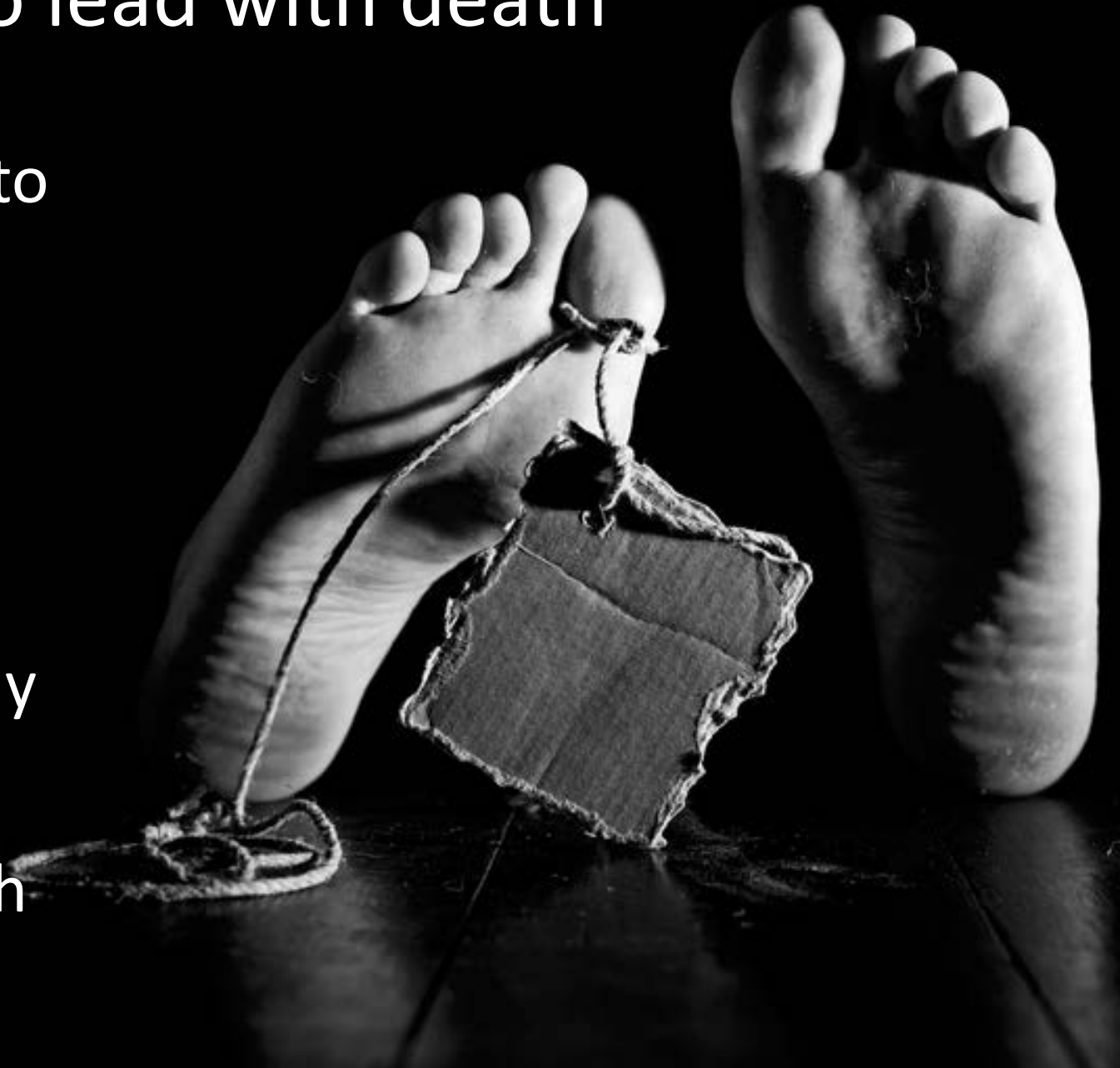
- Removing extraneous death-related terms (“that will take effect at my death”) when describing a charitable gift in a will significantly increased interest in making such gifts (James 2016).
- Consider non-death related descriptions, motivations or lead-in topics: Asset protection, saving taxes, key legal issues, important senior concerns.



Strategies

When to lead with death

- 1. Captive audience:**
Increase mortality salience to heighten interest in lasting social impact through thoughtful planning (e.g., dynasty planning)
- 2. Low-hanging fruit:**
Intentionally limiting audience only to those ready for death planning (often related to some other external shock such as death of a loved one or negative diagnosis)



Strategies: Emphasize **lasting** social impact

- Dynasty trusts, private foundations, and other long term plans become attractive
- Without planning: Big pile of money for heirs to quickly blow, violating client values.
- With planning: Lasting impact expressing client values, e.g., education for offspring, retirement for spouse, wage matching trust payments.



Something reflecting the person's life story (community and values) will live beyond them

Strategies: Present a social norm default

- Inclusion of a charitable bequest increased more than three-fold when the drafting professional mentioned, **“Many of our customers like to leave money to charity in their will”** (p. 22). Sanders, Halpern, and Service (2013)
- James ⁽²⁰¹⁶⁾ reported a similar effect for a social norm (**“Many people like to”**) statement in the charitable bequest context.



Medical end-of-life planning



Initial avoidance suggests resistance to contemplation

Despite the importance for fulfillment of patient desires and for financial outcomes, even with free availability from medical care providers, only about 8% to 17% of adults over age 65 have advance directives

(Musa, Seymour, Narayanasamy, Wada, & Conroy, 2015).



Pursuit of lasting social impact suggests that once subjective, **d**, or objective, **s**, longevity is reduced, social impact will become more attractive.

- A terminal diagnosis can lead to a rapid shift in attitudes to become more other-centered (Vail et al., 2012; Yalom, 2015).
- Generativity or “the concern in establishing and guiding the next generation” is a particularly important focus at older ages (Schoklitsch and



Strategies: If you want a larger audience, don't lead with death

Payne, Prentice-Dunn, and Allen (2009) found that a more death-focused, threatening intervention was less successful in generating completed advance directives than a positive intervention encouraging healthy aging.



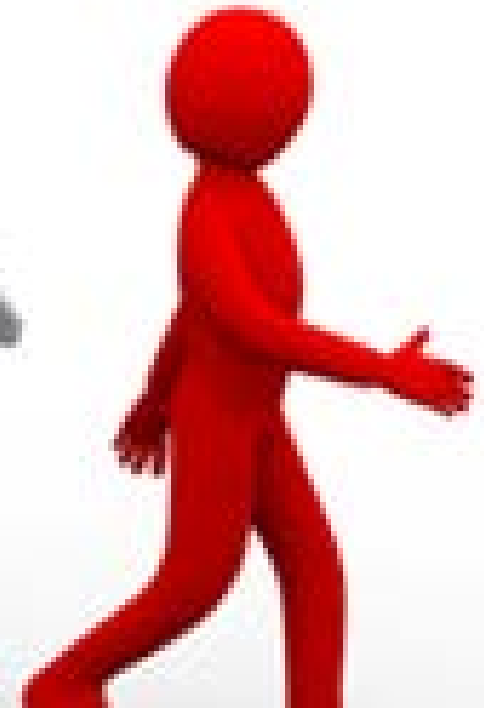
Strategies: Emphasize lasting social impact



- A “pioneer” setting an example that inspires loved ones
- Communicating important values to others by the act
- Helping others by relieving the burden of painful decisions
- How (or in what condition) do I want to be remembered?

Strategies:

Presenting a social norm default
in end-of-life medical decisions



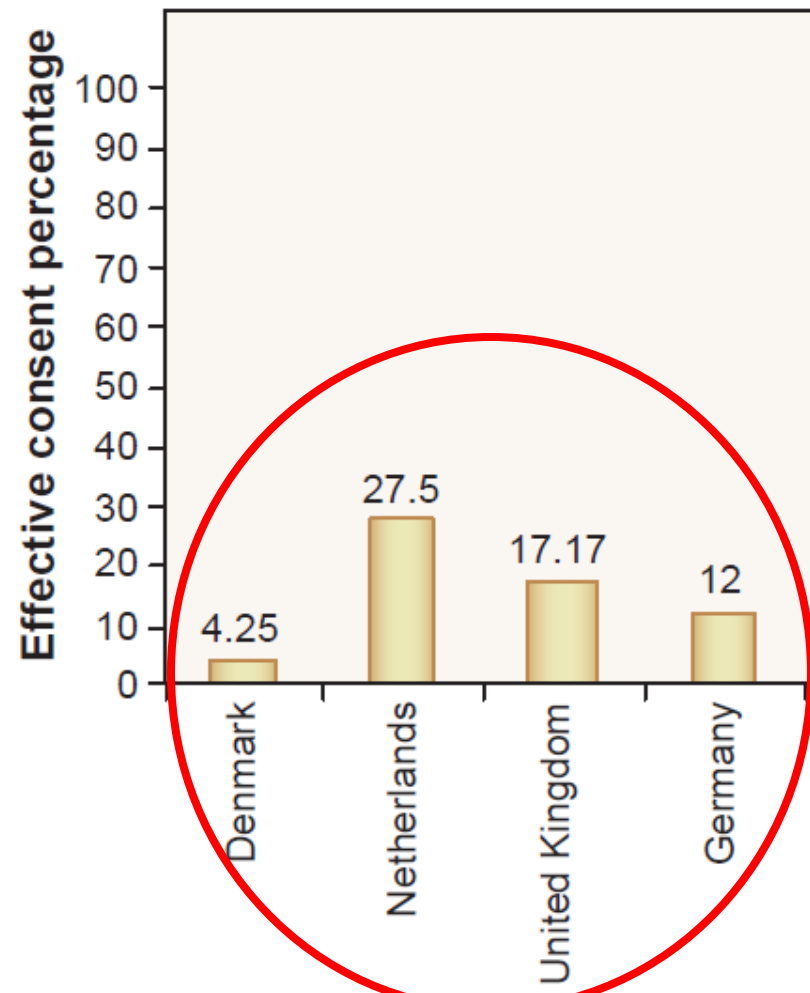
What is the most common response to an organ donation request?

YES

NO

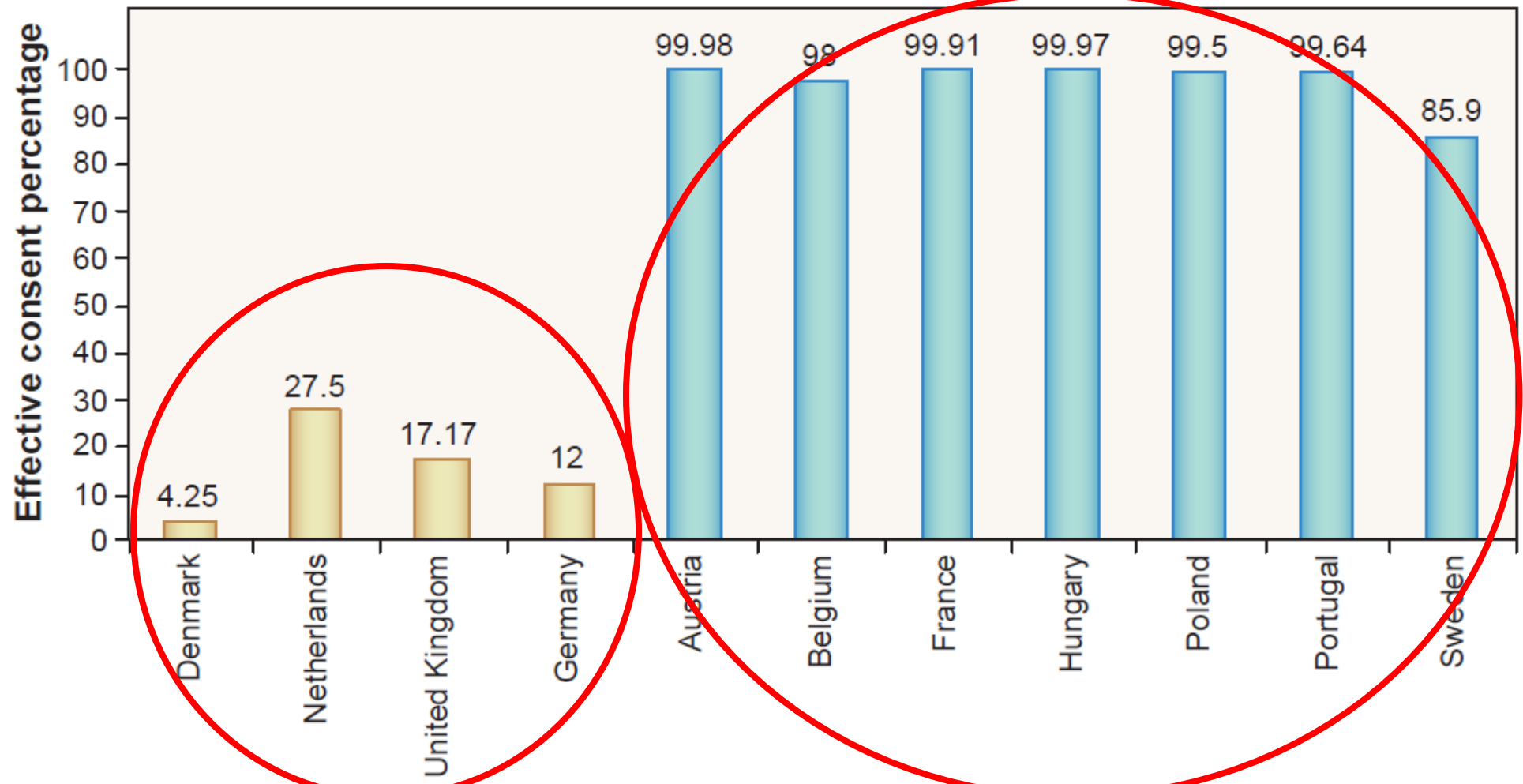
I don't want to think about it





Effective consent rates by country

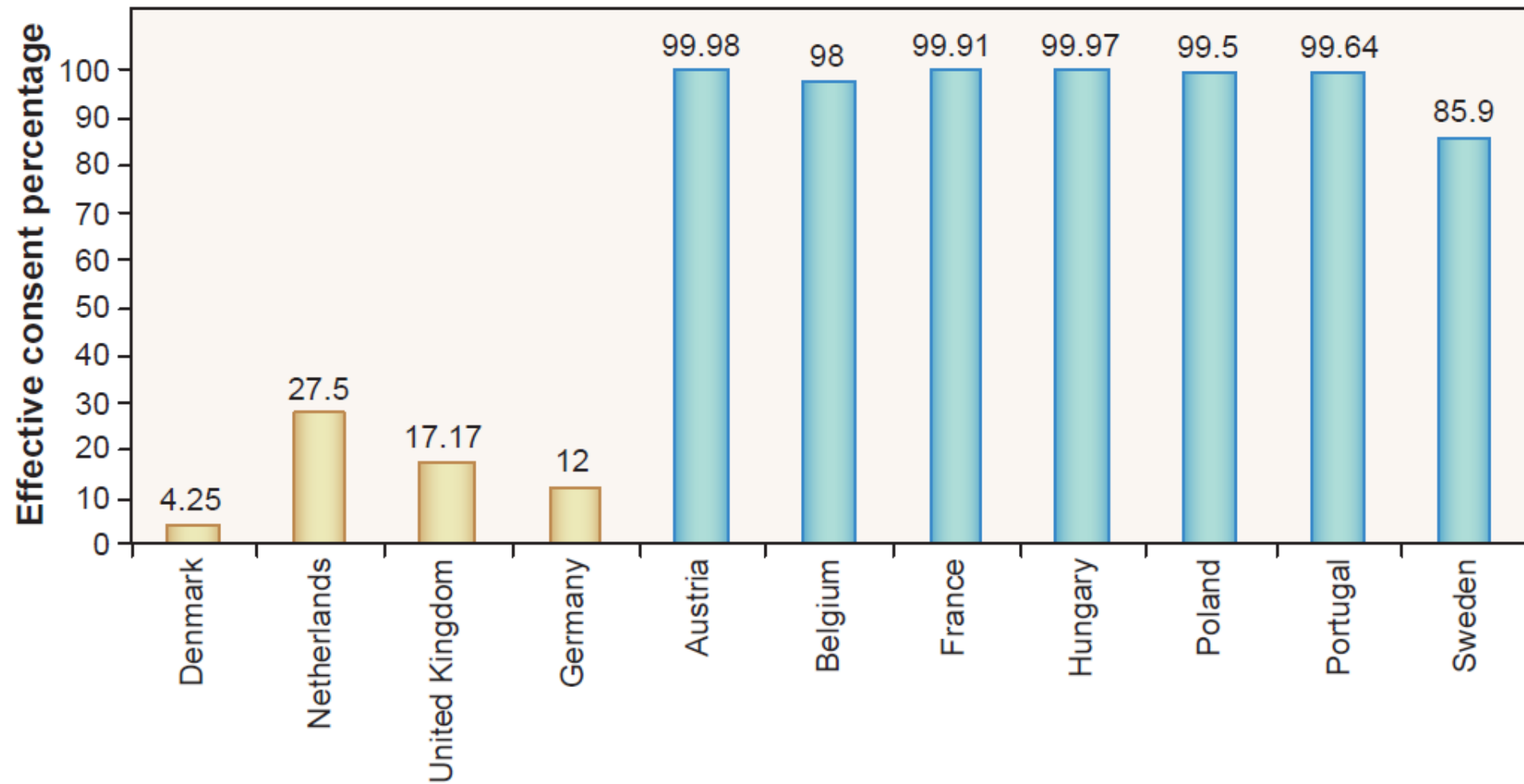
**No, people
don't want to
donate organs**



Effective consent rates by country.

No, people don't want to donate organs

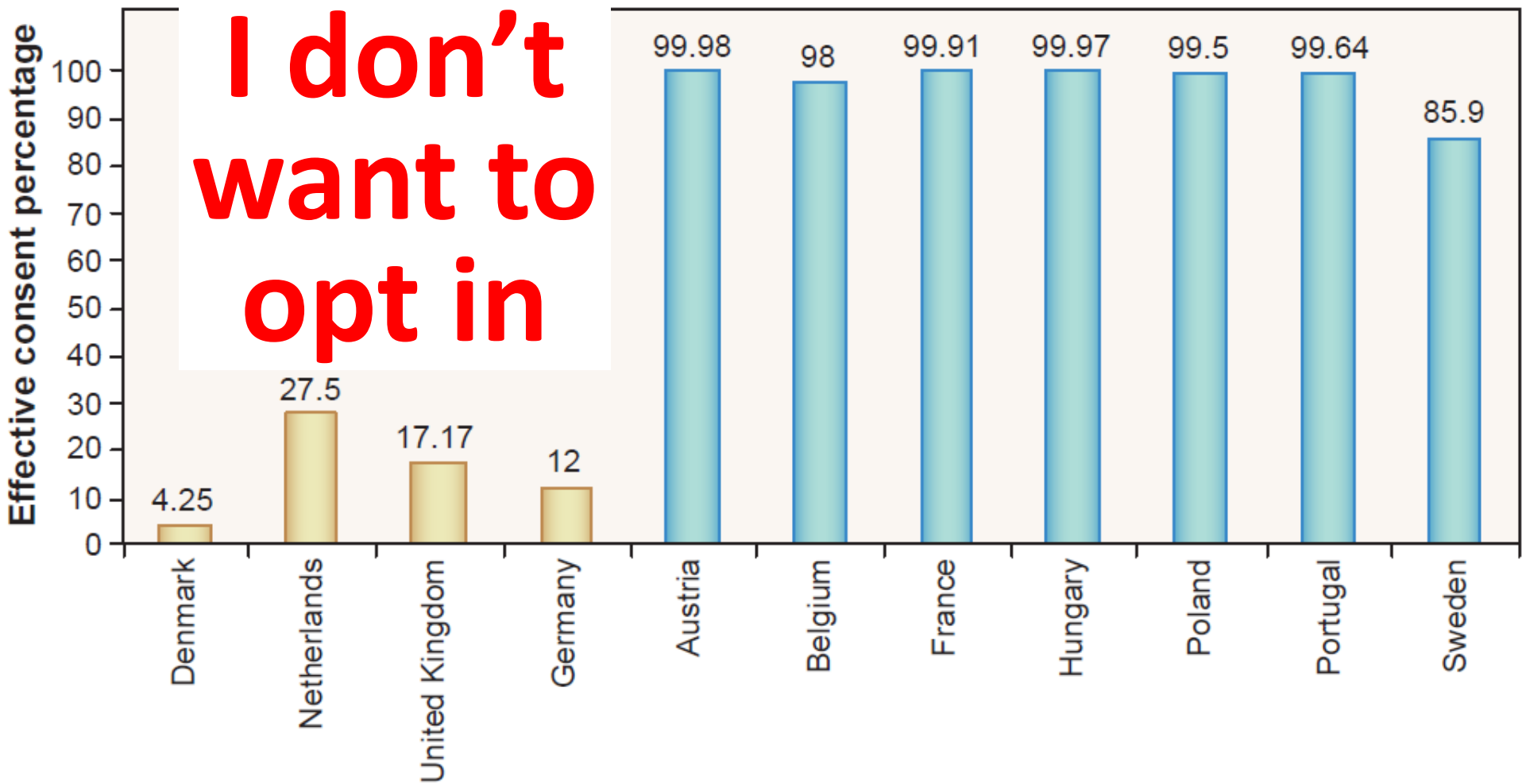
Yes, people do want to donate organs



Effective consent rates, by country.

“Opt-in”
systems in Gold

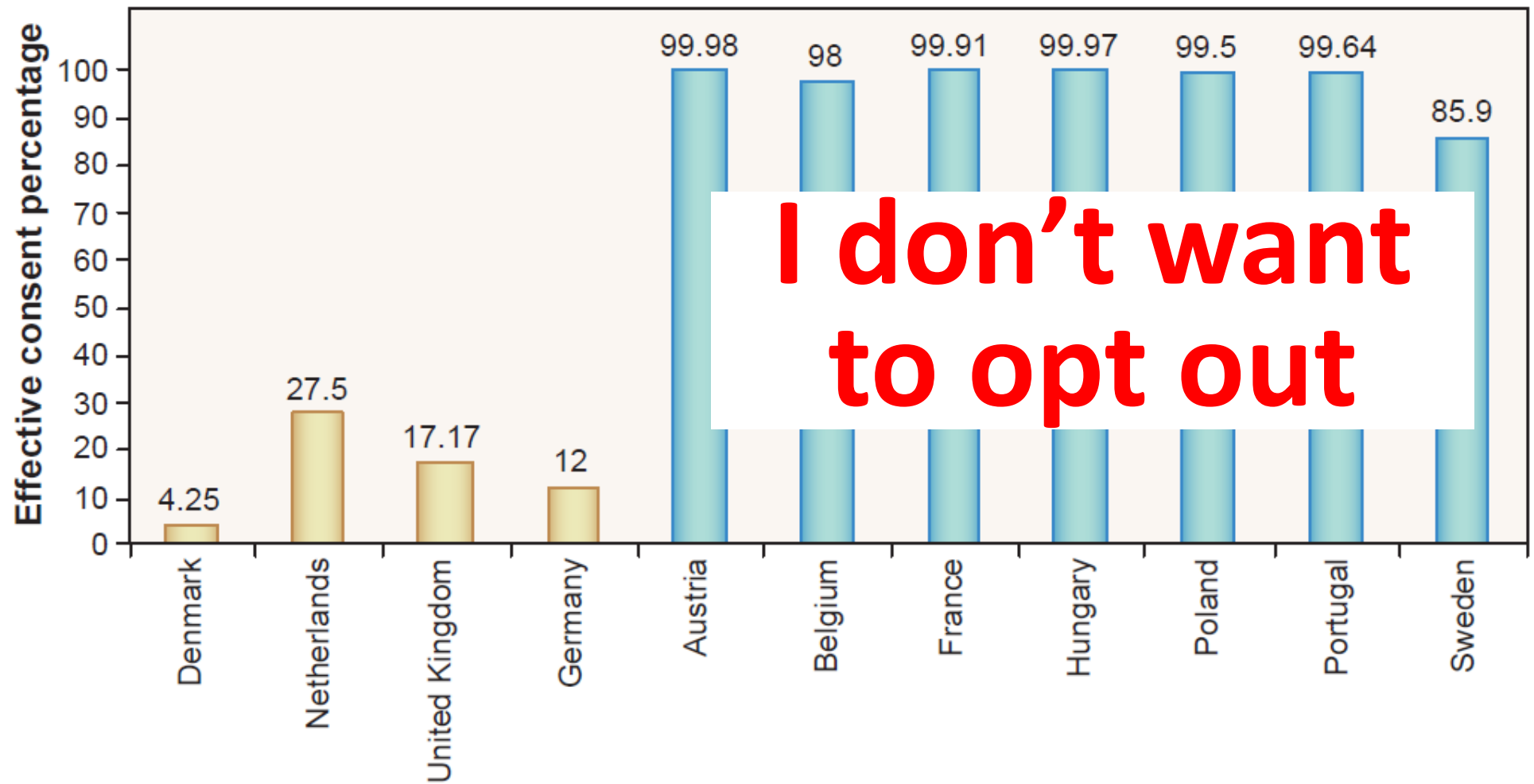
“Opt-out”
systems in Blue



Effective consent rates, by country.

“Opt-in”
systems in Gold

“Opt-out”
systems in Blue

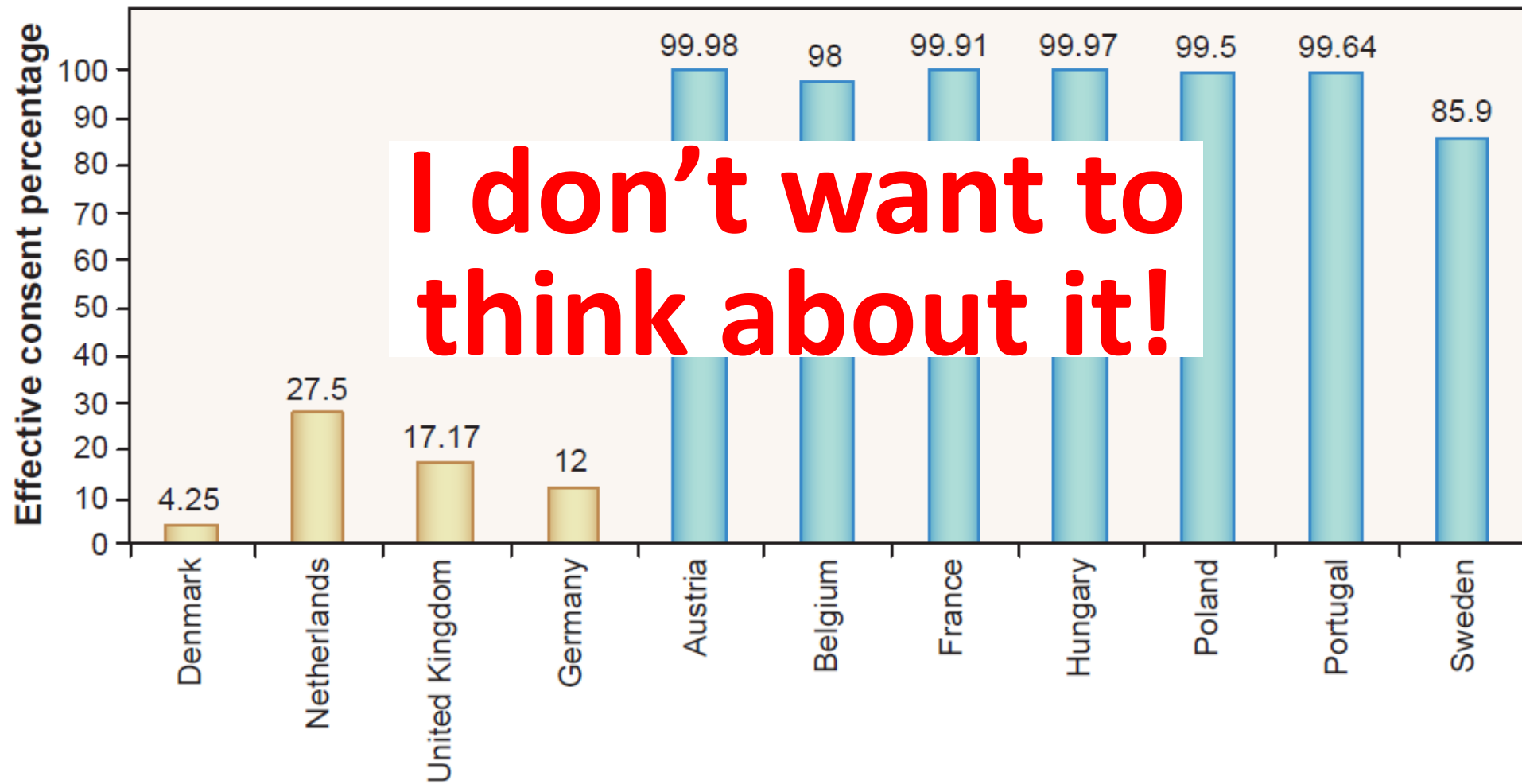


I don't want to opt out

Effective consent rates, by country.

“Opt-in”
systems in Gold

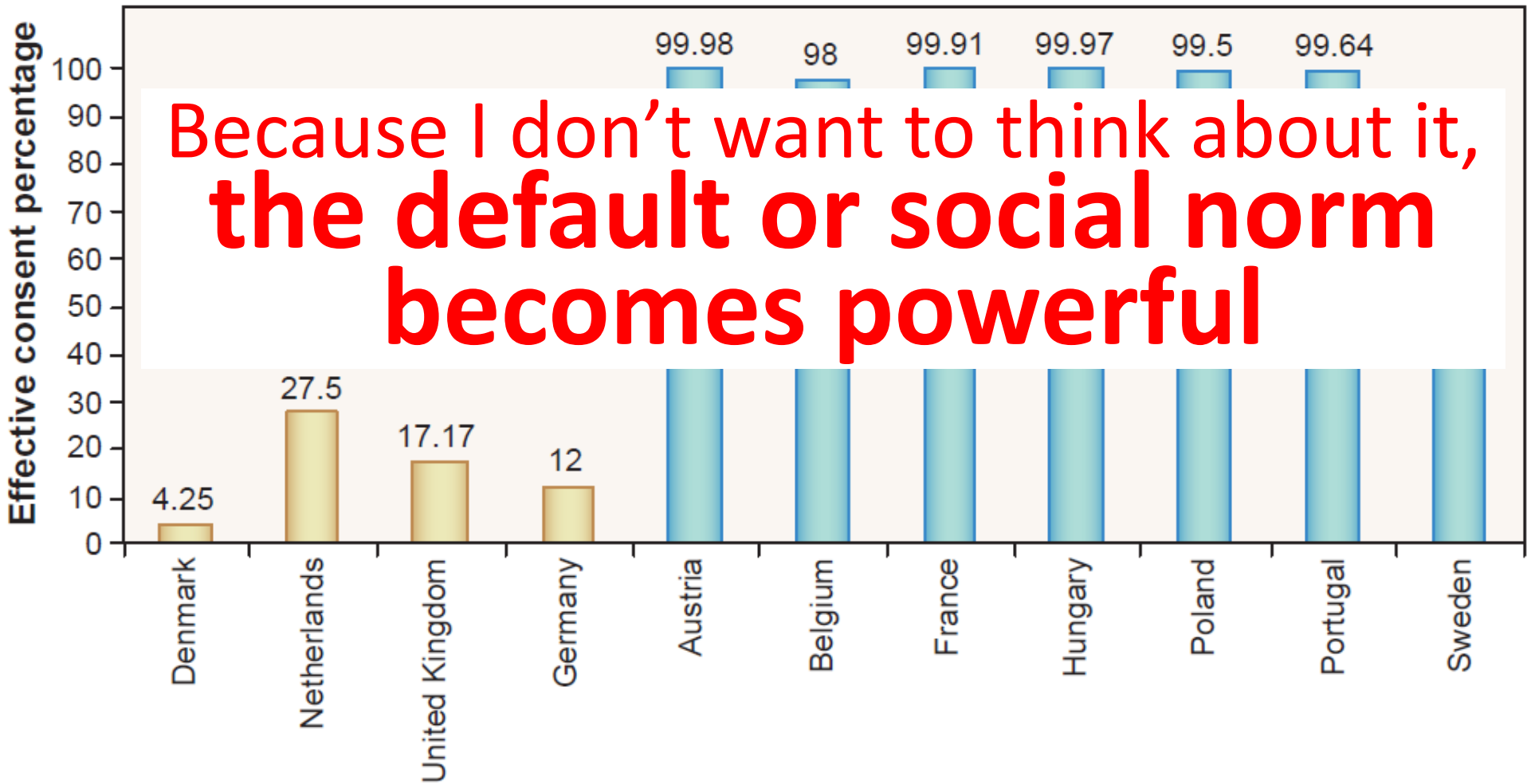
“Opt-out”
systems in Blue



Effective consent rates, by country.

“Opt-in”
systems in Gold

“Opt-out”
systems in Blue



Effective consent rates, by country.

“Opt-in”
 systems in Gold

“Opt-out”
 systems in Blue

Johnson, E. J., & Goldstein, D. (2003). Do Defaults Save Lives? *Science*, 302, 1338-1339.

Examples of other financial issues



Ameriks and associates ⁽²⁰¹⁵⁾ identified a “long-term care insurance puzzle” where people hold far less insurance than is economically justified.

Similarly, the relatively low level of participation in prepaid funeral plans ^(Hickey & Quinn, 2012) is unsurprising.

In retirement, spending no more than current income (from assets or otherwise), is the highest level of spending that does not require contemplation of the timing of one’s own death.



Strategy summary

1. If you want a larger audience, don't lead with death
2. Leading with death is OK for “low hanging fruit” strategy or captive audience.
3. Advance the client hero story
4. Emphasize LASTING social impact
5. Present a social norm default