

# HOW TO USE THIS RESEARCH

We all know it is important, but economics and finance can often be hard for many of us to get our heads around. This research by its very nature involves a lot of numbers and economic concepts. But the whole point of this research is to help individuals, communities, donors and organizations gain a grasp of this remarkable transfer of wealth opportunity. Goal setting is important in our culture and way of doing business. Individuals, communities and even nations can be mobilized in powerful ways when there are clear goals and opportunities for being part of the effort. The TOW estimates provide not only a good idea of the size of this opportunity, but the ability to set donor development goals that can translate to endowment building and strategic grant making.

Sometimes we are asked why we use the 5% TOW transfer number. Its origins are simple but powerful. When we were first exploring this work with the Nebraska Community Foundation, a group of board members were pulled together to identify a possible great target or

goal for community wealth capture through endowments. Research was shared and options discussed. But in the final analysis, one board member said “what about 5%?” What if our communities could make the case to donors so that just 5% of the available TOW opportunity could be captured? All agreed that this goal was reasonable, achievable and the math was easy. As it turns out, they were right. The number 5% really did not matter -- it provides people who care with a reasonable target to work towards. Today in Nebraska and elsewhere, communities are working towards their 5% goals with passion and effectiveness.

At the request of places where we have completed TOW analysis, we are exploring offering practical “how-to” academies, technical assistance and mentoring. We believe that there is a growing body of experience from those who are using our TOW analysis that can be shared, helping others moving down this path. If you are interested in this kind of assistance, please contact Taina Radenslaben at [taina@e2mail.org](mailto:taina@e2mail.org) or 402.323.7336.

## Thanks

We would like to first thank Dona Watterson and the Ohio Grantmak-

ers Forum for their support and hard work.

Additionally, we would like to recognize members of the Ohio TOW Technical Advisory Committee who contributed their time and knowledge to making this Project stronger. Members included: Barry Bennett, Ohio Department of Development; Jill Clark, The Ohio State University; Elena Irwin, The Ohio State University; Stu Davis, State of Ohio; Hazel Morrow-Jones, Ohio State University; Shelly Wilson, The Ohio Department of Taxation; Dick Hoffman, Appraisal Research Corporation; Marlene Casini, Community Foundation of Delaware County; Terry Frazier, Pickaway County Planning & Development; Jeff Smith, State of Ohio; Kim Cutlip, The Scioto Foundation; Tim Murphy, L&M Associates; Shirley Dunlpa Bowser, Pickaway County Community Foundation; Kent Irwin, Galena; Leslie Lilly, Foundation for Appalachian Ohio; David Mitzel, Muskingum County Community Foundation; Keith Burwell, Toledo Community Foundation; Barbara Deerhake, The Findlay-Hancock County Community Foundation; Joseph Baldasare, The Dayton Foundation.

A special thanks to Jason Divozzo and the marketing committee for their work around report design and communication.

Finally, we would like to thank Rob Collier and Donnell Mersereau with Midwest Community Foundations’ Ventures for sponsoring this Project.



## For More Information . . .

Dona Watterson of the Ohio Grantmakers Forum at 614-224-1344 or [dwatterson@ohio-grantmakers.org](mailto:d watterson@ohio-grantmakers.org).

<http://www.ohiograntmakers.org>

# METHODOLOGY

America is in the midst of a remarkable time -- a time when wealth from one of our most prosperous periods in time is passing from one generation to the next. This inter-generational transfer of wealth trend offers significant opportunities for most American communities to create community foundations and endowments capable of supporting community improvement work over time.

Researchers at Boston College, in their landmark study *Millionaires and the Millennium*, created estimates for inter-generational wealth for the United States. We encourage you to visit the web site for the Center on Wealth and Philanthropy within Boston College at [www.bc.edu/research/swri/](http://www.bc.edu/research/swri/) to learn more.

The RUPRI Center has developed a methodology for creating scenarios for inter-generational wealth transfer for states and counties. This section summarizes our basic methodology for creating these scenarios. We would be happy to personally explore our approach with other interested parties on a request basis.

The following components constitute the methodology we employed in conducting this analysis:

1. Our methodology has been further informed and shaped by the work of the Federal Reserve Bank of the United States (FED). The FED, through its Survey of Consumer Finances (2001 and 2004), provides

important understanding of the relationships between community household demographics and asset formation and wealth holding.

2. Our starting point for this analysis is “current net worth” (CNW) estimates for the United States and for each of the 50 states. The U.S. Census Bureau estimates current net worth based on a sampling of U.S. households. Net worth includes typical assets like houses and investments, less debt. To localize CNW we employ four sets of asset indicators:

- Dividends, Interest and Rent Income.
- Asset Holdings by Household Age.
- Asset Holdings by Income Level.
- Real Property Asset Holdings.

Dividends, interest and rent income are estimated by the U.S. Bureau of Economic Analysis for each state and county. This indicator provides an estimate of certain kinds of asset holdings including stocks, bonds, cash accounts and rental property.

CNW typically increases dramatically by age. As households get older they generally have higher CNW levels than younger households.

CNW typically increases with income levels. As income levels rise so do CNW levels. We employ national data for wealth holding by income level coupled with specific household income levels by state or county.

Finally, we employ state-and-county specific information on real property to support our fourth indicator.

These indicators are used to adjust state CNW to a point estimate for the county.

Two types of assets are excluded from our CNW estimates. One is the value of personal assets like furniture, vehicles, art and collectibles. The second type of assets excluded are defined-benefit pensions which according to the FED provide lifetime income to 57% of Americans, but may have no transferable value in an estate. Both exclusions mean our CNW estimates are conservative.



# METHODOLOGY

3. Once CNW values are estimated we explore historical population, income and economic trends. When possible we consider a 50-year history for each locality with particular reflection on the most recent 20-year period. Current net worth provides the base for beginning our analysis. Over time new wealth is created that expands this base. We consider population and economic trends to provide estimates of gross wealth creation. Then we factor in information on the likely wealth formation rates. This step enables us to estimate wealth creation over the 50-year study period.

4. Each year wealth becomes available primarily through the death of household heads. We employ information on the age structure of the population and death rates to estimate the likely wealth that is available for transfer over five year periods during the 50-year time frame. These values become our TOW estimates.

5. An advisory group of state and regional experts is engaged through the sponsoring organization to help us test and refine our assumptions regarding future growth. Our baseline growth assumptions are stronger for the first 25 years of the period and become more conservative in the out years.

## Time Period for Analysis

Our original analysis incorporated a 2000 to 2050 time frame. We have since adjusted this time frame to cover the period of 2005 through 2055. Creating scenarios reaching out 50 years is somewhat heroic. But this time frame provides a full generational picture of the transfer dynamic.

6. The final step in our methodology is to estimate the timing of the transfer of inter-generational wealth over the 2005 to 2055 time frame. These estimates are based on our model estimating the number of deaths (therefore estates) triggered during each five-year period throughout the analysis time frame.





Our Inter-Generational Transfer of Wealth (TOW) analysis is a service of the RUPRI Center for Rural Entrepreneurship. The RUPRI Center for Rural Entrepreneurship strives to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. The Center is part of the Rural Policy Research Institute, an organization dedicated to providing unbiased analysis and information on the challenges, needs, and opportunities facing rural America.

Original founding support to develop our TOW analysis service was provided by the Nebraska Community Foundation (NCF). For more information about NCF visit its web site at [www.nebcommfound.org](http://www.nebcommfound.org). Subsequent and on going support for the RUPRI Center for Rural Entrepreneurship and our TOW Analysis is being provided by RUPRI ([www.rupri.org](http://www.rupri.org)).

Our TOW Initiative is led by Don Macke who serves as the Co-Director for Outreach with the RUPRI Center for Rural Entrepreneurship and Senior Advisor with the Nebraska Community Foundation. TOW analysis is supported by Ahmet Binerer (Senior Analyst), Taina Radenslaben (Project Manager) and Dick Gardner (Senior Fellow).

## Report Authors

Don Macke



Primary Author and  
Project Manager

Taina Radenslaben



Report Preparation  
and Management

Ahmet Binerer



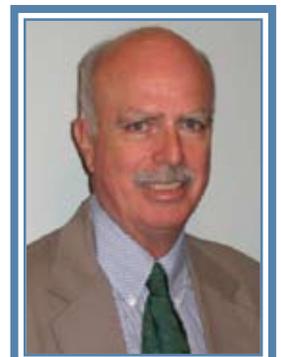
Senior Researcher  
and Analyst

Dick Gardner



Senior Fellow and  
Project Coordinator

Tim Murphy



Geographer

### For More Information Contact:

–Taina Radenslaben–  
RUPRI Center for Rural Entrepreneurship  
PO Box 83107– Lincoln, NE 68501  
Voice 402.323.7336 – Fax 402.323.7349  
Email [taina@e2mail.org](mailto:taina@e2mail.org)