

Transfer of Wealth in Rural America

**Understanding the Potential
Realizing the Opportunity
Creating Wealth for the Future**



**By
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The Center for Rural Entrepreneurship is the focal point for energizing entrepreneurial communities where entrepreneurs can flourish. Created in 2001 with founding support from the Kauffman Founda-

tion and the Rural Policy Research Institute (RUPRI), the Center is located jointly in Nebraska and North Carolina. The Center's work to date has been to develop the knowledge base of effective practices and to share that knowledge through training and strategic engagement across rural America. Working with economic development practitioners and researchers, the Center conducts practice-driven research and evaluation that serves as the basis for developing insights into model practices and other learning. The Center is committed to connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy. To learn more about the Center, visit www.energizingentrepreneurs.org.



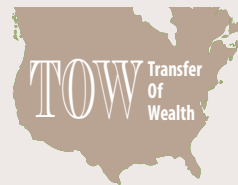
The Rural Policy Research Institute (RUPRI), founded in 1990, provides objective analysis and facilitates public dialogue concerning the impacts of public policy on rural

people and places. RUPRI's research infrastructure includes diverse teams of researchers and practitioners, both across the U.S. and internationally, investigating the complex challenges and emerging opportunities in rural and regional development. This portfolio includes policy analysis and decision support, research and outreach, coordinated through a core team in Missouri and Washington, D.C., who support the work of national initiatives, panels and centers, **including the Center for Rural Entrepreneurship**. To learn more about RUPRI, visit www.rupri.org.



The Inter-Generational Transfer of Wealth (TOW) analysis is a service of the RUPRI Center for Rural Entrepreneurship. Original founding support to develop the TOW analysis was provided by the Nebraska Community

Foundation (NCF). For more information about NCF, visit www.nebcommfound.org. Subsequent support was provided by RUPRI and regional funding partners. The TOW analysis is designed to help rural communities understand the potential behind the inter-generational transfer of wealth so that they can become more strategic about realizing this potential and reinvesting in ways that create greater wealth in rural America in the future.



CHAPTER 4

Review of 10 Years of Transfer of Wealth Studies



Past as Prologue?

Updated scenarios of the transfer of wealth opportunity in the U.S., shared in Chapter 3, suggest that in 2060 – over 50 years – \$75 trillion will be passed from one generation to the next. This figure, like the earlier Boston College estimates, represents *potential wealth transfer*, wealth that might be used to capitalize the next generation of entrepreneurs, to finance a new generation of farmers, to ensure the education of grandchildren, to build a stronger financial future for churches, alma maters, and favored charities. But, what does it mean for communities and regions across the country, especially rural places? How can the *transfer of wealth opportunity* translate into a *development resource opportunity* for these places?

Over the past 10 years, the Center has conducted or contributed to transfer of wealth studies in 32 different geographies, over 1,000 parishes and counties, ranging from select parishes in Louisiana to the borough of Brooklyn, New York to the state of Maine.¹ In each case, the research was done in partnership with a place-based organization, most often a community foundation or philanthropic alliance. The scenarios developed show that all counties – even the poorest counties in Appalachia – have wealth that will be transferred over the next 50 years. The size of this transfer of wealth opportunity ranges from about \$10 million in a sparsely populated western county (2009 population estimate = 612) to \$202 billion in a large urbanized county in the mid-west (2009 population estimate = 721,000). Table 2 presents summary data from these studies to demonstrate the wealth transfer and wealth capture *potential* across these different geographies.

Several observations based on these summary data stand out. One, the size of the wealth transfer opportunity generally increases as you move from less populous and more rural states to those with larger populations and important urban centers (e.g., Chicago, Philadelphia, Cleveland/Columbus, and Detroit). But, there are exceptions. Kentucky's 50 year TOW is well above the median for the states included here yet over 40% of its population is considered rural and eastern Kentucky contains some of the most persistently poor counties in the country.

Two, even in states with more limited TOW potential, the implications of capturing just 5% of the anticipated transfer are significant. South Dakota counties, for example, could generate an additional \$281 million dollars in philanthropic support for community economic development by capturing 5% of the anticipated 10 year transfer of wealth. These are

locally grown resources that will likely play an increasingly important role in development funding given the significant and long term challenges that federal and state governments are facing.

While the data are interesting, what really matters is how organizations use the TOW analysis as a strategic decision making tool. The rest of this chapter will highlight ways in which a sampling of our place-based partners have, among other activities, created new statewide campaigns and donor development strategies using the TOW analysis.

Table 2 - Summary of TOW Study Results²

Geography	50 Year TOW	10 Year TOW	5% Capture (10 Year TOW)
	<i>\$ Billions</i>	<i>\$ Billions</i>	<i>\$ Millions</i>
STATE STUDIES			
South Dakota (66 counties)	\$38	\$6	\$281
Wyoming (23 counties)	\$60	\$12	\$597
Montana (56 counties)	\$63	\$9	\$442
Vermont (statewide)	\$67	\$9	\$465
Maine (16 counties)	\$252	\$26	\$1,300
Nebraska (93 counties)	\$258	\$52	\$2,580
Nevada (17 counties)	\$383	\$32	\$1,623
Indiana (92 counties)	\$415	\$66	\$3,281
Wisconsin (72 counties)	\$687	\$105	\$5,300
Kentucky (120 counties)	\$707	\$72	\$3,596
Michigan (83 counties)	\$972	\$141	\$7,031
Ohio (88 counties)	\$1,073	\$161	\$8,027
Pennsylvania (67 counties)	\$1,165	\$193	\$9,669
Illinois (102 counties)	\$1,357	\$182	\$9,115
SUB-STATE REGIONS			
Western North Dakota (16 counties)	\$3**	NA	NA
San Luis Valley (6 counties)	\$4	\$0.5	\$23
Northern California/Oregon (4 counties)	\$16	\$2	\$83
Louisiana Region (13 parishes)	\$81	\$7	\$371
Northeastern New York (10 counties)	\$99	\$14	\$683
Rochester New York Area (9 counties)	\$135	\$14	\$695
North Carolina (85 rural counties)	\$903	\$78	\$3,905
URBAN AREAS			
Brooklyn, New York	\$61*	\$28	\$1,383
Los Angeles, California	***	***	***
San Luis Obispo, California	\$62	\$7	\$344
San Diego, California	\$202**	\$62	\$3,099

^{*20 year TOW} ^{**25 year TOW} ^{***This study was completed but not released at the time this book was written.}

Roots in the Heartland

The 2001 transfer of wealth study in Nebraska marked the first attempt to apply the Boston College methodology to the state and county levels. The results were both alarming and encouraging (Figure 25). What was encouraging was the \$258 billion in wealth that was expected to pass from one generation to the next in Nebraska counties by 2050. Even the rural counties in Nebraska had a wealth transfer scenario of \$94 billion. What was alarming was the relatively short time horizon before peak wealth transfer would be seen in Nebraska and, most importantly, her rural counties. Rural wealth transfer was expected to peak 15-20 years before the peak for the state as a whole. What these data showed was a moment of opportunity that, if not effectively seized, would soon be gone.



The Nebraska Community Foundation (NCF), sponsor of the wealth transfer research, used the TOW analysis as a tool to help local leaders set goals for endowment building. According to Jeff Yost, President of NCF, they aim for simplicity:

[W]e encourage affiliated fund leaders to set an initial endowment goal of five percent of the projected 10-year transfer of wealth for their community or county . . . By breaking down this macroeconomic analysis into smaller, more understandable terms, community leaders, donors and their financial planners can all better conceptualize, and therefore embrace, the transfer of wealth opportunity.³

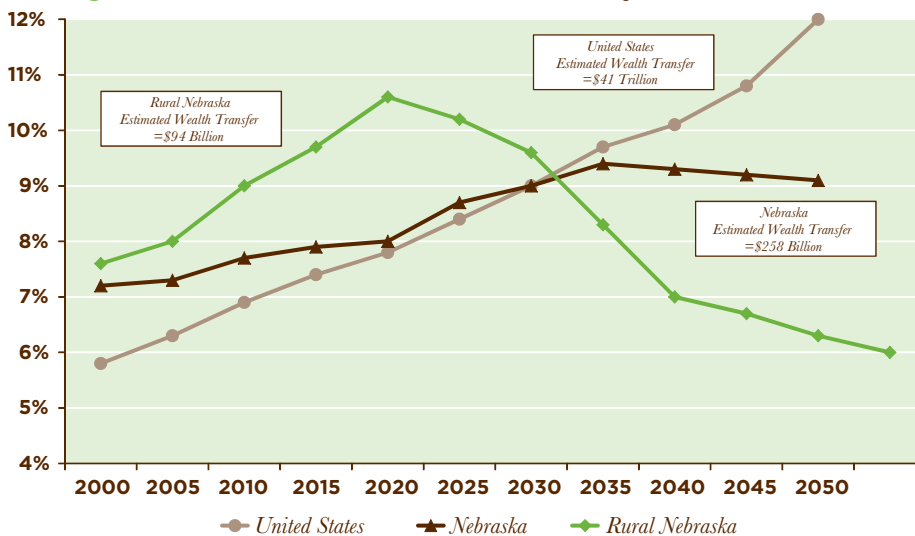
In 2008, six of NCF's affiliated funds had met their initial goal of capturing 5% of the transfer of wealth projected for their local areas and another seven funds were half-way home. As recently as 2003, only one fund had met its goal.⁴

NCF was a pioneer in seeing the power of TOW scenarios as a case statement for local philanthropy and donor development. TOW provided a tool for visioning the future – a time when wealth grown in the heartland would flow away from these rural roots unless local residents were given the encouragement, estate planning tools, and opportunity to give back to their hometowns. (To learn more about NCF, go to www.nebcommfound.org.)

One place that achieved its 5% capture goal is Valley County Nebraska and its county seat of Ord. To help achieve this goal, Ord and Valley County created a Founders' Club. The idea was to encourage as many

residents as possible to give to the community foundation by setting a relatively low minimum donation of \$1,000. When the Founders' Club was established, community leaders set a goal of attracting 47 local residents to the Club; there were 65 members in 2007.⁵ As important as these numbers, however, is what the county is doing with these resources – investing in community and economic development projects and providing relocation assistance to attract young professionals. Community philanthropy is a core pillar of Valley County's HomeTown Competitiveness approach to community economic development.⁶

Figure 25 - America's Wealth Transfer: A Likely Scenario



Source: Data are from the Nebraska transfer of wealth study; *Wealth in Nebraska*, Nebraska Community Foundation, July 1, 2002

TOW on the Great Plains

For more than 20 years, the South Dakota Community Foundation has been supporting and encouraging philanthropic investments across the state. The Foundation's mission is "to promote philanthropy; receive and administer charitable gifts; invest in a wide range of programs promoting the social and economic well-being of the people of South Dakota."⁷ The transfer of wealth analysis is one tool the Foundation uses to help local residents understand the resource potential behind this anticipated transfer and encourage local community initiatives to capture and deploy this important resource. County-level TOW data are made available online so

that local communities can easily access information for their own strategic planning and decision making discussions.⁸



Perhaps more important, however, is the way the Foundation uses the TOW data as a tool to strategically engage partners in communities and across the state. According to Foundation president, Bob Sutton, they use the TOW results in regional presentations to estate planners, attorneys, CPAs and other professional advisors as a way to help them understand local giving opportunities as an important option for their clients.⁹ Similarly, working with financial planners has been a key part of the Nebraska Community Foundation’s strategy for building the infrastructure to support local endowment building.

South Dakota has also used TOW as a strategic targeting tool. While TOW does not permit the targeting of individual donors, it can be used to point to counties where the giving potential is high. Sutton uses this information as the basis for strategic discussions with professional advisors at the local level. His objective always is to help local residents “realize their philanthropic dreams”¹⁰ including introducing them to the benefits of giving locally to support their hometown communities. The TOW analysis provides an entry point for these strategic conversations.

A Regional Foundation’s Approach

The Community Foundation of the Quincy, Illinois area “connects people who care with causes that matter in the tri-states.”¹¹ In support of this mission, this regional foundation uses the county results from the statewide TOW study, completed by the Center in 2007 for the Donors Forum and the Midwest Community Foundations’ Ventures, on its website. A dedicated transfer of wealth page lays out the wealth transfer opportunity, with links to summary results for each of the four counties in its service area. The site also describes the “one-time opportunity to create permanent benefits for our counties” if the 5% TOW capture targets can be met. Specific ways to give and next steps for community residents are provided. Access to this research, and ideas for helping to realize TOW potential, are just part of the message that this community foundation is sending to people in its region: “Secure Your Community’s Future: Live Here. Give Here.”

Beginning Statewide Conversations

Two recent studies, in Kentucky and Maine, demonstrate how the TOW analysis can be an important tool for initiating statewide conversations about community philanthropy. While the approach used in each state varies, both are using TOW in unique ways to elevate the conversation about community philanthropy across their respective states.

Maine. Working with Maine Rural Partners, a statewide rural development organization, and the Maine Community Foundation, the Center completed transfer of wealth analysis for the state in 2009. Maine Rural Partners had launched a capacity building program – Harness the Wealth! – in three pilot communities and saw the TOW scenarios as a “missing piece” in moving this work forward.¹² These statewide partners used the TOW results to launch a statewide conversation about creating a community legacy:



Maine Rural Partners
Strengthening our rural community



Over the next ten years, Mainers are likely to transfer \$29 billion to the next generation. If all Mainers choose to invest 5% of their estates in community endowment funds, and if those funds' investments generated 5% returns to benefit the community, then by 2020 these funds would supply an additional \$74 million every year to achieve community economic development priorities. **That's a big difference for just 5%. And it's a substantial legacy that we could easily provide for the people that will inherit the communities we call home.**

In beginning this conversation, these partners made three very important connections. One, they used four compelling stories to demonstrate the power and opportunities that can come from “investing together”:

- The organization of cooperatives to help preserve the fishing industry in coastal Maine
- The creation of community endowment funds to benefit the people in Aroostook County, and others
- The role of community development financial institutions in supporting local enterprise development and other community initiatives in Lewiston, Isle au Haut, Whiting and beyond

- The revitalization of a community theatre at the heart of the Dover-Foxcroft region

These stories helped to answer a very important question at the heart of community philanthropy – create endowments to invest in *what*? By providing compelling examples of the kind of community building investments going on in the state already, Maine Rural Partners and the Maine Community Foundation helped to make the abstract concept of creating a community legacy real for people in the state.

Two, another part of the conversation was to connect the 5% capture targets to real investment opportunities being considered in communities across the state. For example, Washington County’s desired \$3.1 million investment in the Eastport Renewable Energy Center could be fully supported with two years of county endowment funding *if 5% capture targets were met*. By making specific connections between investments that communities had already defined as strategic and the endowment building potential behind the transfer of wealth, community leaders could see the benefits of community philanthropy in a very real way.

Three, Maine Rural Partners connected the message of “it’s just 5%” to demonstration projects in three pilot communities engaged in strategic endowment building as part of their efforts. Translating this for the state as a whole would, as described in the report, supply \$74 million a year to fund these types of community priorities.

Maine’s efforts to use the TOW results as fuel to begin a statewide conversation demonstrate the importance of grounding discussion about the transfer of wealth potential in the specific realities of a state or region.

Kentucky. Working with the Kentucky Philanthropy Initiative (KPI) and other partners, the Center completed transfer of wealth analysis for the state in 2010.¹³ Under the auspices of KPI, the TOW results were shared as part of a statewide Summit on Philanthropy in September 2010. Another important topic at the summit was recently passed state legislation (SB 227) to provide tax incentives for the creation of community endowments, the Endow Kentucky program. KPI was an active advocate for the passage of this legislation and used the public report on the TOW work to highlight Montana’s legislative leadership to encourage community philanthropy.¹⁴ The report references the Montana Charitable Endowment Tax Credit legislation that was enacted in 1997 and provided credits against state income taxes for planned gifts to qualified Montana charitable endowments.¹⁵

The Kentucky

Philanthropy
Initiative

Over the 10 year history of the tax credit, it is estimated that \$100 million has been gifted to Montana charitable endowments.¹⁶

Although Endow Kentucky legislation was passed prior to the completion of the TOW study, KPI's leadership provided a connection between these two efforts. In the press release to announce the signing of the legislation, Governor Beshear stated, "Community-based philanthropy is a critical piece of community and economic development . . . Under the current economic conditions, government has a decreasing ability to meet the demand for all services required by the people of Kentucky. We need communities to find ways to be more responsive to Kentucky families for the greater good of the Commonwealth."¹⁷

In Kentucky, TOW results are one tool in the broader statewide public policy conversation that the Kentucky Philanthropy Initiative and its partners are having from individual communities to the statehouse. Gerry Roll, Executive Director of the Community Foundation of Hazard and Perry County made this connection explicit in a quote in the Governor's press release: "Over the next ten years, Kentuckians will experience huge wealth transfers from one generation to the next . . . This legislation creates a way to capture that wealth before it leaves the communities in which it was generated."

Final Thoughts

Over the past 10 years, the transfer of wealth analysis has been a valuable tool for local, state and regional leaders across the country. Our state and local partners have used the analysis in unique ways based on the strategic needs and opportunities they face. Across these studies, however, several themes emerge. One theme is the power of the TOW tool to help communities imagine a future where they are able to capture some small component of wealth transfer – "just 5%" – for community betterment. Communities in Nebraska, with the support of the Nebraska Community Foundation, have been successful in turning this TOW potential into endowment building. Another theme relates to the use of TOW to help people in communities understand the potential for give back – to recognize that there is wealth in their communities across the generations. The challenge is making the case for this give back and creating the vehicles for capturing and investing donations.

One theme that was powerfully demonstrated by the work in Maine is

the use of TOW to frame giving and investment strategies – to equate the potential behind wealth transfer with real development needs and opportunities in communities across a region. This approach helps to answer the “so what” question – what difference will capturing 5% of the transfer of wealth make in our communities? The answer, as demonstrated in Maine is, “A lot.” And, finally, a theme that emerges, particularly from the more recent studies, is the importance of harnessing homegrown resources for community economic development in light of the challenging public sector funding environment. When local communities are able to build endowments and create development resources that they control, a change in mindset can occur. People who have focused for too long on their deficits instead focus on their assets. People move from thinking about scarcity to considering abundance. They begin to take control of their investments and their futures.

Our focus so far has been on *understanding* the American wealth opportunity and the transfer of wealth potential that arises from that opportunity. We move now to a focus on *realizing* the wealth creation opportunity. We will explore in greater depth the importance of local philanthropy to the economic development futures of communities and regions across the country.

- 1 A detailed listing of these studies, with links to the relevant reports, can be found at www.energizingentrepreneurs.org/site/index.php?option=com_content&view=article&id=30&Itemid=3.
- 2 We are beginning to respond to requests from our partners to update past TOW studies to reflect new data and changing economic circumstances.
- 3 Jeff Yost, *Involve Everyone to Grow Philanthropy in Rural America*, *Philanthropy & Rural America*, Council on Foundations, 2008, p. 68.
- 4 Jeff Yost, p. 68.
- 5 Will Lambe, *Ord Nebraska Case Study*, *Small Towns, Big Ideas: Case Studies in Small Town Community Economic Development*, The University of North Carolina at Chapel Hill School of Government and the North Carolina Rural Economic Development Center, December 2008, <http://www.sog.unc.edu/programs/cednc/stbi/>.
- 6 To learn more about the HomeTown Competitiveness framework, go to www.htcommunity.org.
- 7 South Dakota Community Foundation website, www.sdcommunityfoundation.org.
- 8 <http://www.sdcommunityfoundation.org/wealthanalysis.htm>.
- 9 Bob Sutton, Communication, May 2010.
- 10 Bob Sutton, Communication, May 2010.
- 11 <http://www.mycommunityfoundation.org/transferofwealth.asp>.

- 12 Material in this section is drawn from *Realizing Maine's Worth*, Maine Rural Partners, 2010. The report was prepared to share the TOW results and legacy building strategy throughout the state and is available at <http://www.mainerural.org/legacy/Realizing-Maine-Worth.pdf>.
- 13 The Kentucky Philanthropy Initiative is a non-profit organization with a mission to promote and support philanthropy and strategic grant making in Kentucky (<http://kyphilanthropy.org>).
- 14 *Transfer of Wealth Kentucky*, Kentucky Philanthropy Initiative, September 2010, <http://kyphilanthropy.org/images/stories/reports/KSOP-ToW.pdf>.
- 15 To learn more, go to www.mtcf.org/tax.html.
- 16 <http://www.endowmontana.org/legislation.html#>.
- 17 Kentucky Governor's Office, Press Release, May 25, 2010.

About the Authors

Don Macke is a co-founder of the RUPRI Center for Rural Entrepreneurship. He pioneered the first state and county level transfer of wealth study for the Nebraska Community Foundation in 2001 and 2002. Since then Don has been part of the TOW Research Team evolving a robust and ever expanding collection of TOW and community development philanthropy related work. Don has over 35 years of community economic development experience working throughout North America.



Dr. Deborah Markley is a co-founder of the RUPRI Center for Rural Entrepreneurship where she serves as the Managing Director and research team leader. Deb has served as the editor for this book and contributed to the writing of numerous chapters. Deb has extensive experience in rural community economic development leading a team that has conducted extensive documentation and evaluation work focusing on successful development strategies.



Ahmet Binerer joined the RUPRI Center for Rural Entrepreneurship shortly after graduating from the University of Nebraska with a degree in information management. Ahmet is a core member of the TOW Research Team. He leads research and scenario modeling efforts. Ahmet's talents have greatly enhanced the Center's ability to expand the quality and breadth of our TOW and community development philanthropy work. Ahmet is currently working on a Masters degree in economics and is a new first time father.



Questions & Additional Information

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Thoughts from our Partners

The Nebraska Community Foundation uses an asset-based approach in its community building work. We're interested in helping local leaders transform their communities. To change and evolve, community leaders must first believe. NCF uses the transfer of wealth opportunity to help community leaders better understand the indigenous assets that exist in their community and to motivate them to reach out and ask their friends and neighbors to invest in the future of their hometown. Then, once the philanthropic assets are endowed, NCF works with community leaders to make impact grants that generate greater opportunities for everyone to live and work in their hometown. This book shares lessons learned from the genesis of rural Transfer of Wealth in Nebraska to ongoing initiatives in other regions as motivation for leaders in rural communities to embrace community development philanthropy.

Jeff Yost
President and CEO
Nebraska Community Foundation

After members of our local community foundation Board and other community leaders visited the Nebraska Community Foundation in September 2006, we came back to Pickaway County Ohio with new enthusiasm. While in Nebraska, we learned about HomeTown Competitiveness (HTC) and the Transfer of Wealth (TOW). Through a process of visioning and community focus, we developed a community agenda targeting philanthropy in support of education, leadership and agriculture. As part of an ongoing process, we continue to learn about, develop, and adapt the TOW resources to the unique perspectives of our community.

Shirley Dunlap Bowser
Founding member
Pickaway County Community
Foundation (Ohio)

In rural America, there are many who believe population loss and economic decline are foregone conclusions. While a global answer may be difficult to find, there are opportunities to reverse these trends at the local level. The Transfer of Wealth analysis provides an opportunity to pinpoint the areas where assets are leaving communities most rapidly, and to communicate a strategy to capture some of those assets before they are gone. Ultimately, these assets are used to address the issues that brought a particular rural place to the brink in the first place. This tool is the starting point for re-investment into rural areas.

Bob Sutton
President
South Dakota Community Foundation

The extraordinary changes facing this nation leave an uncertain picture of our future. Don Macke and his colleagues at the RUPRI Center for Rural Entrepreneurship have given states and local communities insights into one powerful way to prepare for whatever lies ahead. They demonstrate that, collectively, we have tremendous wealth and that if we all set aside even a small amount of that wealth in community endowments, we can assure that our communities prosper and are positioned to take advantage of the opportunities that change will offer.

Mike Hammons
Executive Director
Kentucky Philanthropy Initiative

Transfer of Wealth in Rural America demystifies the community foundation's role in Community Development Philanthropy. This book is a must for community foundations engaged in rural economic development that are looking for a guide to tie wealth transfer, regional leadership, civic democracy and social justice to their missions and visions.

Donnell Snite Mersereau
Vice President, Community Foundations
Council on Michigan Foundations

