

TOW ISSUE PAPER #6

FAMILY STATUS AND WEALTH

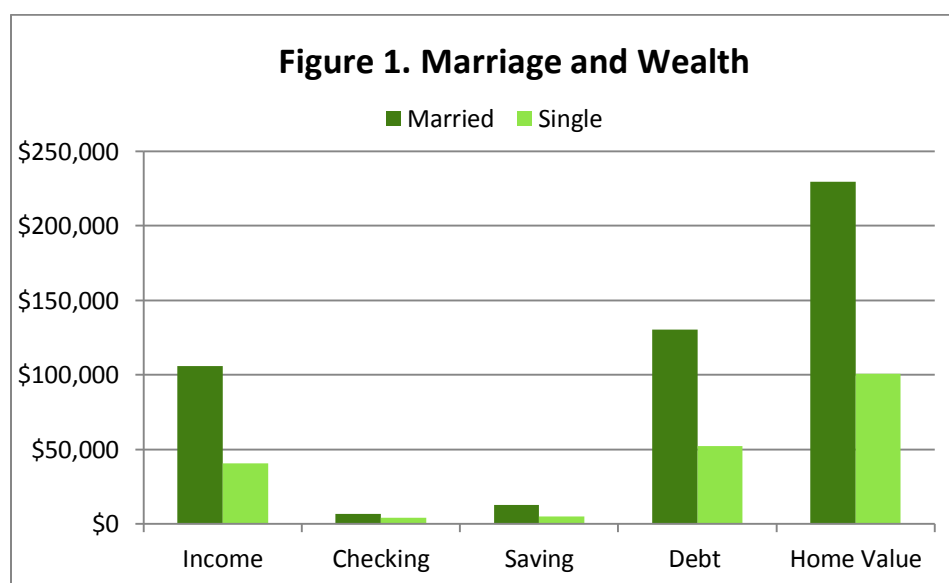
*Over the next 20 years (2010-2030), the Center estimates that current net worth – wealth – of America’s households will rise from \$28.1 trillion to \$65.2 trillion. The corresponding transfer of wealth opportunity (TOW) – the amount that could be passed on from one generation to the next – is a remarkable \$15.4 trillion over this same period. If just 5% of the 20 year TOW opportunity were captured into community endowments across America, \$770 billion could be added to our nation’s philanthropic coffers. This level of capitalization in endowments could support a 5% annual payout rate over time, generating over \$38 billion for community betterment. This level of resource in the hands of community leaders across America holds the promise of changing lives and strengthening communities from tiny Mullen, Nebraska to Brooklyn, New York. (Macke, Markley, Binerer, *Transfer of Wealth in Rural America – Understanding the Potential, Realizing the Opportunity, Creating Wealth for the Future*, 2011)*

*Across the country, TOW research is being used to raise awareness among foundation and community leaders of the TOW opportunity; to help even the poorest regions in the country understand the magnitude and potential for legacy giveback; as a call to action in the face of threats to economic vitality and resilience; and as a tool for donor targeting and development. The Center’s **TOW Issue Papers** are designed to provide complementary insights for foundation and community leaders to more effectively understand the TOW opportunity and use this research as a tool for transformative change across rural and urban America.*

Marriage is often thought of romantically by people, but the institution of marriage comes with so many other benefits and costs that people may not normally associate with it. While some may draw a line between their financial and private lives; the two often affect each other in observable and unobservable ways. Marriage creates one household but divides the tasks necessary to run the household between two people. There is more time and more income. People live longer and even have access to tax breaks that are not available to single households. It goes without saying that married life and bachelor/bachelorette life are different, but can they really be that different economically and how does that affect transfer of wealth opportunities in the future for community foundations and non-profit organizations?

To investigate this, we took a look at the Survey of Consumer Finance data released by the Federal Reserve, which asked people to report their marital status, age, number of children along with a wide range of financial information. Using measures such as income, net worth, debt, financial assets and non-financial assets we can examine whether or not marriage can be an indicator of wealth and its relevance to transfer of wealth research.

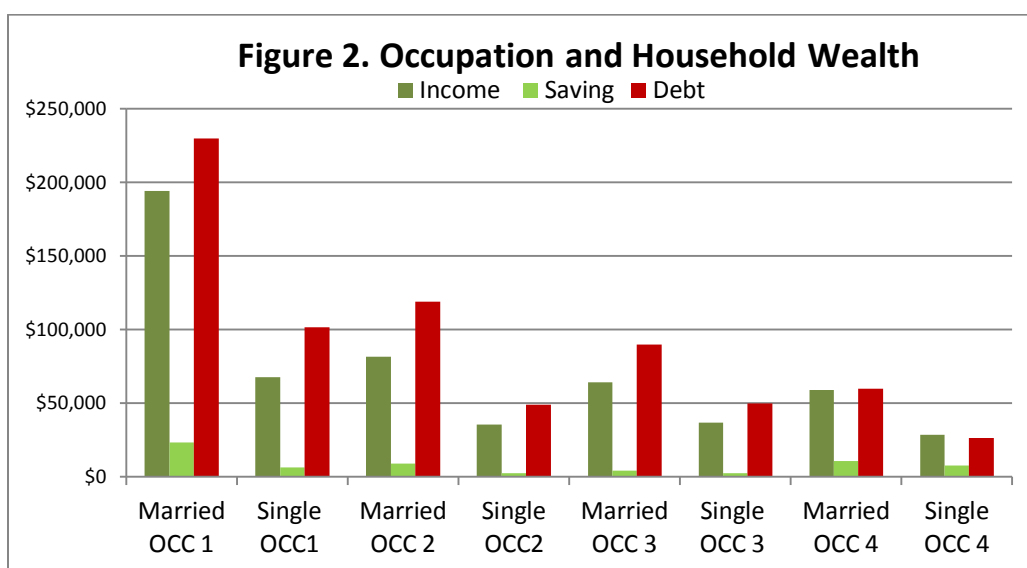
As shown below in Figure 1, simply dividing households into married and single categories we observe large differences in our measures of wealth. The graph displays the averages for those values and the advantage married life holds over single households. In the six categories: net worth, income, checking account amount, saving account amount, debt and home values, the married households were all greater than their single household counterparts. Initially we included net worth in Figure 1, but with a married household value of nearly seven hundred thousand dollars and a single household value of a little over two hundred thousand, net worth severely changed the scale of the graph. Even without presenting actual net worth numbers, the large gap between married and single net worth is evident. The story is not all positive for marriage, though, considering not only do married households take on much more debt in absolute terms, but the debt they bring in is a larger portion of their income. This is an effect of the high home value of married households, as people generally buy houses with respect to their income and the debt people take on is often largely comprised of their mortgage.



There are some factors within the Survey data which somewhat mitigate married households' advantage over single households. Primarily, the indicators of wealth used are measured on a household basis and there is an advantage in having two potential wage earners instead of one. So, it might not necessarily be marriage itself which induces higher incomes or home values than a single people, but rather a bias inherit in measuring based by household rather than by

individual. This is something that the Federal Reserve itself addressed when it released its data and admitted that the higher incomes can partially be accounted for by the greater potential wage earners. Even partially may be overstating, though, because there is only one extra potential wage earner per married household. So assuming in every married household sampled that both spouses worked, which is incredibly unlikely, average income should be at best twice as much for married households compared to single households. But married households seemingly have more effect in the data set than that. Incomes for married households are almost three times as large, indicating marriage and the benefits that come with it may positively affect income.

The disparity between married and single households we observed above could be attributed to differences of employment between married and single people. But even when we look at the same measures by different occupation categories: (1) managerial, (2) sales/technical, (3) laborers/workers, and (4) not working, marriage maintains its premium on wages. As illustrated by Figure 2, even when we divide the data by occupation categories (as listed earlier), married households advantage over single households is clear with married households garnering greater income, savings, and debt (tied heavily to home value) in the same occupation than their single counterparts. What about kids? Even when we compare married households with children against single households without children, the married household's net worth, income, checking, savings, home value and debt still surpassed single households easily.



So why is this important? Understanding what demographic elements can serve as indicators for wealth is critical because community foundations and non-profits have limited ability to target and pursue possible donors and in order to maximize donations, philanthropic organizations must be able to focus on likely donors. Wealth is an excellent indicator of a household's propensity to donate to charity and since we have determined marriage to be an

indicator of higher wealth, community foundations can more effectively target households for donations. Besides higher overall wealth holdings, married households offer another advantage to community foundations and non-profits when engaged for philanthropy. Cross-disciplinary research ranging from 1990 to 2007 has found a strong positive correlation between marriage and the propensity to give to charity for both tax and altruistic reasons. Not only that, but married households donate a much higher sum than single households on average. Marriage seems to not only lend itself as an indicator of wealth but it also works well as an indicator of tendency to donate. For non-profits and community foundations this means that engaging married households might give them both a greater chance of getting a donation and obtaining a larger donation.

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The Center for Rural Entrepreneurship's vision for rural America is one of vibrant communities and regions that embrace entrepreneurship, that find new sources of competitive advantage in their inherent assets, and that invest in a new more sustainable future for both present and future generations. The Center's mission is to help our local, regional and state partners achieve this future by connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy.

These development efforts require financial resources. Most traditional sources of funding are challenged as governments, businesses and foundations struggle to meet rising community needs. A core program area for the Center is Community Development Philanthropy, where our team helps your community, region or state build a community wealth road map. Our Transfer of Wealth (TOW) research offers insight into possibly the greatest opportunity to tap new, significant and sustainable funding streams in support of growing better and stronger communities. For many communities and regions, TOW research can help jump start important conversations leading to greater community giveback.

The Center has conducted TOW studies for clients around the nation for more than 10 years, and has published a book titled, *Transfer of Wealth in Rural America: Understanding the Potential, Realizing the Opportunity, Creating Wealth for the Future*. More product offerings are planned under our Community Development Philanthropy area.

To learn more about the Center's history and program areas, go to www.energizingentrepreneurs.org.

The Rural Policy Research Institute (RUPRI) provided founding support to create the Center for Rural Entrepreneurship in 2001. RUPRI's mission is to provide independent analysis and information on the challenges, needs, and opportunities facing rural people and places. The work of the Center for Rural Entrepreneurship, along with other centers and collaborations, helps RUPRI achieve this mission. To learn more about RUPRI, visit www.rupri.org.

