

Trends

US Wealth Transfer Summary

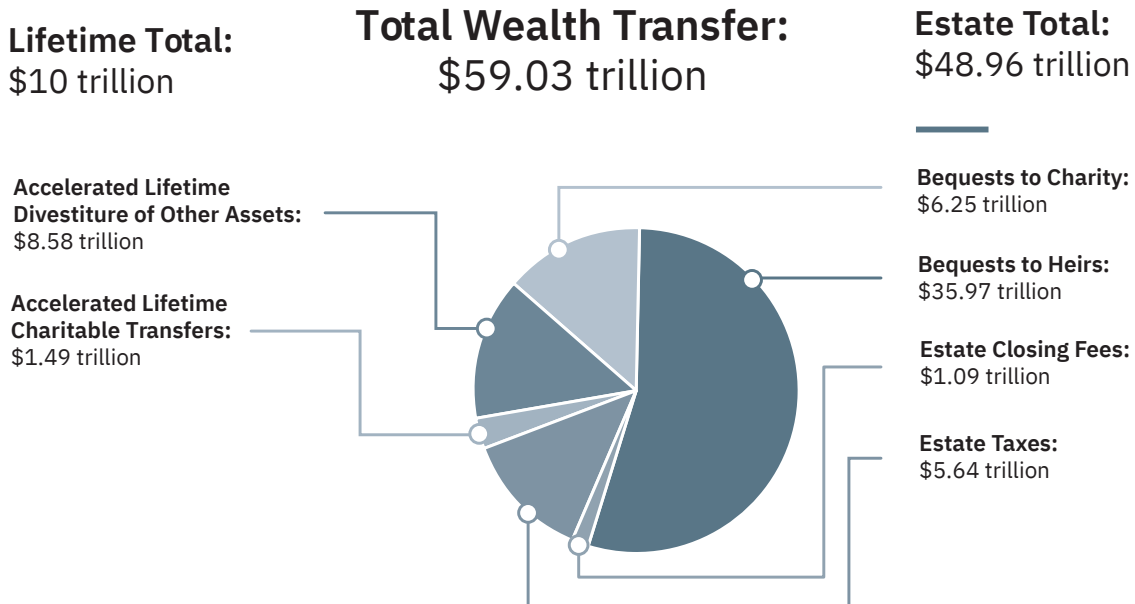
American households of all sizes continue to support charities driven by missions that align with their own values. By taking a “give while you live” approach to charitable contributions, individuals and families are taking private action to solve community problems in unprecedented numbers.

SCOTT HOLDMAN, PAT TRAYNOR, AND DAVID HUNNICUTT

An astonishing opportunity for philanthropic works and personal succession planning exists now and over the next 50-year period with the availability of abundant American wealth, even after the setback of the recent catastrophic recession and current sluggish growth. This wealth arose from the unique conditions of post-World War II economic growth, productivity gains from immigrants and women entering the workforce, and a mindset of saving and investing by those who vowed their families would never again experience hardship or hunger. Wealth also surged from the tremendous economic gains spurred by America’s entrepreneurial ethos. Household wealth per capita grew from \$61,000 (in 2007 dollars) in 1946 to \$173,000 in 2007.

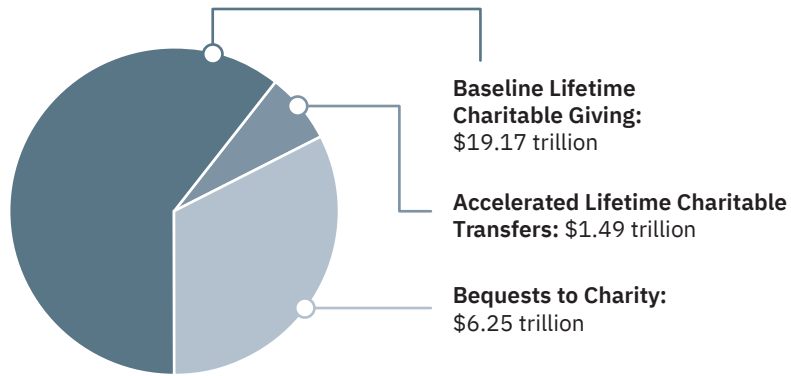
From 2007 to 2061, an estimated 93.6 million American estates with a value of \$59 trillion will be transferred – divided among heirs, charities, estate taxes and estate closing costs. Heirs will receive \$36 trillion. Federal estate taxes will claim \$5.6 trillion. The sum directed toward charity is estimated at \$6.3 trillion. These figures are included in the extensive data published in “A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy.” This landmark study conducted in 2011 by John J. Havens and Paul G. Schervish of the Center on Wealth and Philanthropy at Boston College updates research they conducted on the wealth transfer topic in 1999. Dakota Medical Foundation and Impact Foundation, Fargo, N.D., commissioned this new study to inspire greater philanthropy and provoke thought into new realms of gifting and legacy planning.

2007-2061 US WEALTH TRANSFER



2007-2061 US ESTIMATED CHARITABLE GIVING

Total Giving:
\$26.91 trillion



The study uncovers a strong growing trend of more lifetime charitable giving besides gifts distributed through final estates. Most charitable giving will take place during a donor's lifetime, the amount dependent upon the rate of growth in their wealth. The study reveals a 12% increase in this 'give while you live' trend relative to the survey conducted in 1999. After adding lifetime giving of \$20.67 trillion to expected estate transfers, the total potential wealth transfer to charity is \$26.9 trillion over 55 years. These estimates present a 'golden' opportunity to nonprofits today and in coming years.

It is both realistic and valuable for charities to remain encouraged about the potential and reality of bequests. There remains great opportunity for charities to benefit from purposeful dedication of resources to obtain bequests. During this golden age, donors will have the opportunity to make the greatest imprint that private citizens have ever made on America: taking private action to solve community problems. For

charitable organizations that understand, prepare for and wisely tap the \$26.9 trillion charity share in wealth transfer, it means that critical services for the elderly, bold health transformation initiatives, radical improvements in education, and exciting cultural productions need not be put on hold. Charities that act upon this golden opportunity will not be confined by a lack of resources, and will be able to think expansively around new programs to better serve people.

The Decline in Wealth Since the Start of the Recession is Significant:

2007 was the start of an abrupt transition from robust growth of wealth to a precipitous decline. The aggregate value of household wealth declined by 25%, and greater than 90% of households suffered a decline in net worth. Households with less than \$1 million net worth (approximately



92% of households) lost almost \$1 trillion in 2007. Households with over \$1 million net worth (approximately 8% of households) lost \$10 trillion in 2007. Half of households with a net worth of less than \$100,000 lost more than 81% of their wealth during the recession.

“Total charitable giving is estimated to be \$26.91 trillion for the 55-year period from 2007 to 2061.”

American Households of all Sizes Continue to Support Charities

Households with less than \$1 million in wealth make up 92% of the population and account for about 50% of all charitable donations. The 8% of households with over \$1 million in wealth account for the other 50%.

Approximately 90% of charitable bequests are estimated to come from households with more than \$1 million in wealth (8% of households).

The Wealth Transfer is “Top Heavy”

20% of affluent families account for approximately 88% of wealth transfer.

Lifetime transfer of wealth is a new, emerging trend. The ‘give while you live’ trend stems from a pattern among affluent households to begin transferring assets to charity as part of estate planning while still living. These transfers tend to be larger among very wealthy households approaching retirement age and for the decade thereafter. People aged 65-79 are forecast to transfer 17% of their wealth, almost \$10 trillion, during their lifetimes. This wealth will move into private foundations, various trusts and personal charitable giving funds. In growing numbers, people are attracted to charitable funds established with appreciated stock, cash or other assets for an immediate tax deduction and flexibility to recommend which charities receive grants – right away or in future years. These funds can be used over generations and become a means to model generosity to younger family members.

Total charitable giving is estimated to be \$26.91 trillion for the 55-year period from 2007 to 2061. Final estates with more than \$20 million will give the largest amount to charity.



Charities that are effectively prepared to inspire donors will realize a floodgate of opportunity during this golden age. Now is a time for nonprofit leaders and foundation directors to think about solving problems we face and master these six skills.

FUNDRAISING SKILL

01. _____

Create settings for donors to talk about their dreams, vision, values, hopes and aspirations to discover the personal meaning that is the basis for their giving. The ability to hold these conversations can be learned, practiced and improved upon.

FUNDRAISING SKILL

02. _____

Tell strong case stories about their organizations.

FUNDRAISING SKILL

03. _____

Show how charities are the means for donors to do good: remembering that donors give most when they identify with beneficiaries as being like themselves, their family or other loved ones.

FUNDRAISING SKILL

04. _____

Develop relationships with intermediaries like accountants and estate lawyers who can help encourage donors to say ‘yes’ to charity and ‘no’ to federal estate taxes – without one less cent going to heirs.

FUNDRAISING SKILL

05. _____

Thoughtfully thank donors with expressions of sincere gratitude for improving the lives of people in need.

FUNDRAISING SKILL

06. _____

Show donors their direct connection to the benefits charities provide.

Summary

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