BOSTON COLLEGE
Center on Wealth and Philanthropy

DAKOTA MEDICAL FOUNDATION

impact foundation

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New Report Predicts U.S. Wealth Transfer of $59 Trillion, With $6.3 Trillion in Charitable Bequests, from 2007-2061

Additional Lifetime Giving of $20.6 Trillion, Say Boston College Researchers

CHESTNUT HILL, Mass. (May-28-2014) —An estimated $59 trillion —divided among heirs, charities, estate taxes and estate closing costs—will be transferred from 93.6 million American estates from 2007 to 2061, in the greatest wealth transfer in U.S. history, according to a new report issued by researchers at the Center on Wealth and Philanthropy (CWP) at Boston College.

The study estimates results for scenarios with 1% to 4% growth and for sunset estate tax provisions as well as extension of the current (2012) estate tax provisions with the $5 million exemption with all estimates expressed in 2007 purchasing power. The $59 trillion value corresponds to 2% growth and the extension of tax provisions current as of the date the research was finalized, and equals $67.5 trillion in current purchasing dollars.

Highlights:

- Through estates, heirs will receive $36 trillion.
- Federal estate taxes will claim $5.6 trillion.
- The sum directed from final estates (for which there is no surviving spouse) toward charity is estimated at $6.3 trillion.
- Total gifts to charity during the study period are vastly greater, according to the study, which estimates that lifetime giving will yield an additional $20.6 trillion for charity from 2007-2061.

All figures come from the extensive findings published in *A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy,* a just-released landmark study by CWP researchers John J. Havens and Paul G. Schervish which updates research they conducted on wealth transfer in 1999. The Dakota Medical Foundation and Impact Foundation of Fargo, N.D., commissioned this new study to inspire greater philanthropy and to elevate the importance of planning to help families and individuals direct more of their wealth to causes about which they are most passionate.

Household wealth per capita grew from $61,000 in 1946 (in 2007 dollars) to $173,000 in 2007, the baseline year for the study. “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. Wealth also surged from the tremendous economic gains from America’s entrepreneurial ethos,” said Havens, senior research associate at CWP and chief architect of the simulation model that produced the study's predictions.

The study documents the amount of charitable dollars that will be distributed through final estates—those estates from widows, widowers, separated, and single individuals for whom there is no surviving spouse—and the far larger amount that results from the strong trend toward more lifetime giving. The study reveals a 12% increase in this "give while you live" trend since the authors' 1999 study. Over 55 years nearly $27 trillion will be given to charity, $20.6 trillion through lifetime giving and $6.3 trillion though estates and various estate planning approaches.

The study also highlights the importance of the rate of growth on charitable giving. If the growth rate were 3% instead of 2%, individuals and families would give more than $40 trillion to charity over 55 years – a 56% increase from the $27 trillion if growth remained at 2%.

Growth in GDP and growth in the wealth of all households not only promotes new jobs and higher real incomes, but it also promotes large increases in charitable donations and allows all households more choice in both the amount and the scope of charities to which they donate, the researchers said. Estate tax policy would also affect charitable giving but the stark dichotomy in tax policy the study examined only affected charitable giving by less than 5% in comparison to the 56% increase associated with a 1% higher growth rate.

"These estimates present an extraordinary opportunity for nonprofits today and in coming years," said CWP Director Paul Schervish, a professor of sociology at Boston College. "Despite the trend toward lifetime giving, it is both realistic and valuable for charities to remain encouraged about the potential for bequests. Charities should take whatever steps possible to obtain their share of the projected bequests and to expand the amount of bequests and, for that matter, all giving beyond our predictions," he said.

"One way we found that works," explained Pat Traynor, president and CEO of Dakota Medical and Impact Foundations that funded the research, "is to train charities about the most effective ways to motivate their current donors to shift more of their income and estate tax liabilities and more of their financial growth to charitable giving." Charitable organizations that understand, prepare for, and wisely tap the forecasted $26.9 trillion in total charitable giving, added Traynor, "will not need to put on hold their goals such as providing critical services for the elderly, bold health transformation initiatives, tremendous improvements in education, and enriching cultural offerings."

The researchers note that the decline in wealth due to the recession is significant and is likely to reduce the level of wealth transfer well into the future. The end of 2007 was the start of an abrupt transition from a robust growth of wealth to a precipitous decline. From then until the bottom of the recession in the first quarter of 2009, the aggregate household wealth declined by 25%, with greater than 90% of households suffering a decline. Households at the lower end lost fewer dollars but a dramatically greater percentage of their wealth. Households with less than $100,000 in net worth (approximately 50% of households) lost a little under $1 trillion, or on average 81% of their wealth. Households with over $1 million net worth (approximately 8% of households) lost $10 trillion or on average 21% of their net worth.

Despite declines in wealth, American households, foundations, and corporations of all sizes continue to support charities. "Even now in the wake of the recession $300 billion is given annually; an average of over $820 million is donated to charity each day in America," said Schervish.

Households with less than $1 million in wealth make up 92% of the population and account for about 50% of all lifetime 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.

A new element of the current study is tracking what the report calls "accelerated wealth transfer" — the trend for a portion of wealth transfer that previously took place in estates to occur during lifetime. High net-worth households are increasingly allocating greater amounts of their wealth to trusts, foundations, charity, family limited partnerships, and other vehicles as part of estate planning during their lifetime. This new trend reduces what otherwise and previously would have shown up as wealth transfer via final estates including estate taxes, transfers to heirs, and charitable bequests.

These transfers tend to occur among very wealthy individuals as they approach retirement age, and continue for the decade thereafter. People aged 65-79 are forecast to transfer $10 trillion or 17% of the total wealth transfer to charity and family in the form of accelerated transfers. At least $1.5 trillion of the accelerated transfer is clearly earmarked for private foundations, various trusts and personal charitable giving funds. As to the remaining $8.5 trillion, the bulk will flow to heirs. Anecdotal evidence suggests a portion of this amount will go to charity, but until there is sufficient data to indicate how much, the study does not include any in its projection of total charitable giving.

"This non charitable accelerated transfer is another one of those fertile fields for growth in giving beyond our estimates," Havens said. "The more that charities and financial planners help people discover and fulfill their charitable aspirations, the more people will shift non charitable accelerated transfers to charity, especially when doing so helps bring the next generations into the life of charity,"

"For us to gain the fullest benefit of the growth in wealth and philanthropy, families must act now to plan their wealth transfer, and nonprofit leaders must develop and sharpen their fundraising skills to gain the passionate support of sustaining donors," added Traynor.

The report emphasizes that lifetime giving, accelerated giving, and charitable bequests are interconnected forms of giving, all of which charities should invite donors to use. Bequests tie a donor closer to a charity, open the way for more lifetime giving, lead to wiser charitable planning, and may ultimately lead to bequests greater than initially planned. At the same time, greater lifetime giving can spur charitable bequests.

"The estimates of wealth and philanthropy we highlight in the report are conservative and probably represent the floor rather than the ceiling of what is in store for philanthropic giving," says Schervish. "The most important finding in the study is the continued, abundant, and growing financial capacity for philanthropy. However, the most important implication of the study is that channeling these resources into effective outcomes will allow us to make the greatest inroads in history on solving and --not just attending to-- our nation's and our world's most pressing problems and prospects."

The Center on Wealth and Philanthropy at Boston College is a multidisciplinary research center specializing in the study of spirituality, wealth, wealth transfer, philanthropy, and other aspects of cultural life in an age of affluence. Founded in 1970, CWP is a recognized authority on the relation between economic wherewithal and philanthropy, the nationally cited wealth transfer estimates, the motivations for charitable involvement, and the underlying meaning and practice of care. For more information, visit www.bc.edu/cwp or call 617-552-4070.

Impact Foundation provides professional development to help nonprofit leaders more effectively raise funds and produce superior results for the people and communities they serve. More than 3,100 leaders from 350 nonprofits have taken part in Impact training programs. In 2013, Impact Foundation will open a world-class fundraising school in Fargo, N.D. with the completion of a high-tech conference center for training, consulting and other services that build charity and donor impact. For more information: www.impactgiveback.org.

Dakota Medical Foundation leads initiatives to measurably improve health and access to care, and invests in the brightest new health improvement ideas -- working collaboratively with and through others to achieve the complex, multifaceted changes needed for widespread health improvement. DMF builds nonprofit leaders to reach their highest potential so they manage their organizations for superior results for the communities they serve. DMF and Impact Foundation jointly host Giving Hearts Day and the www.impactgiveback.org website that has processed more than $5.4 million for charities since 2008. DMF's vision is a region of the healthiest people able to access exceptional healthcare and lead vibrantly healthy lives. For more information: www.dakmed.org.

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