



# Putting Transfer of Wealth Into Practice



**Montana Policy Review**  
*Extended Conversation*

**October 24, 2012 Webinar**



# Your Expectations?

*Share with me...*

*Who you are?*

*Where you are from?*

*1 thing you hope to learn?*



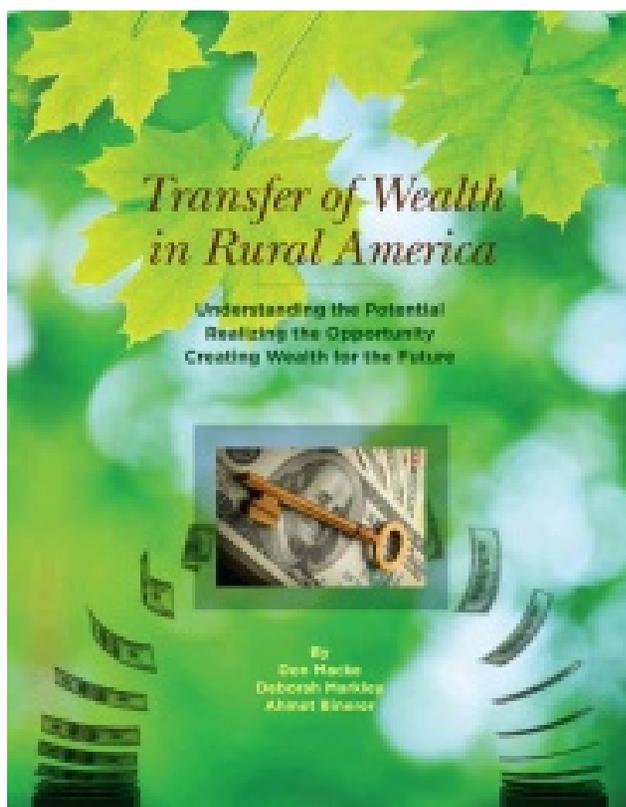
# Today's Presentation

- A. Community Development Philanthropy**
- B. Your Transfer of Wealth Opportunity**
- C. Our 5-Point Strategy**

*This presentation is based on a May 2012 workshop held at MSU in Bozeman.*



# Research & Resources



<http://bit.ly/IEQXL4>



## Let's Dream a Bit!

*Budget cutting and too few resources seem like a plague challenging the very future of our community. But, let's dream a bit !*

*Assume you're successful in increasing community philanthropy and that beginning next year, you have \$X available annually for strategic grant making – how would you invest these funds?*



## Our Community's Capacity

*A starting point for embracing community development philanthropy is to explore our capacity to support desired and necessary strategic investments in community economic development. Let's begin by having you reflect on some key questions:*

- *As a community, do we take the time to vision and dream?*
- *Have we translated our dreams into a long-range development plan?*
- *Is there adequate funding available to realize these dreams?*
- *Does the foundation have strategically focused field of interest funds that support the community's vision and plan?*



# Community Development Philanthropy

*Rick Foster formerly with the Kellogg Foundation and now MSU advanced the idea of Community Development Philanthropy. CDP has three core elements:*

- 1 – Intentional marriage of community development investments funded by philanthropy.*
- 2 – Foundation supported community visioning and planning to identify those investments central to the community's future.*
- 3 – The creation of field of interest, organization and community endowments to support these investments.*



## Power of Locally Controlled Assets

A community-led approach that creates locally controlled assets and invests them to strengthen rural places. It builds a community's ability to shape a better future and promote the well-being of all community members. It unites the tools of community, economic and resource development, engaging all people to come together with their ideas, strategies, talents, and giving.

Source: Rural Development Philanthropy Collaborative



## South Wood County Wisconsin

- 2000-2004 – 40% Employment Decline
- Cranberries & Loss of a Paper Mill
- CPI or Community Progress Initiative
- Heart of Wisconsin Business & Economic Alliance / 3-Year Initiative
- Community Foundation of South Wood County
- Progress Funds in 7 Communities
- Resource Network of 3,500 Individuals
- 30 Businesses Created or Diversified
- \$2 million Workforce Development Fund
- 322 Jobs Saved or Created



# The TOW Opportunity

*Over the next 20 years, a remarkable \$15.4 trillion could be passed from one generation to the next across America.*

**Montana:**

**2010 Net Worth = \$52.2 Billion**

**10-Year TOW = \$6.2 Billion**

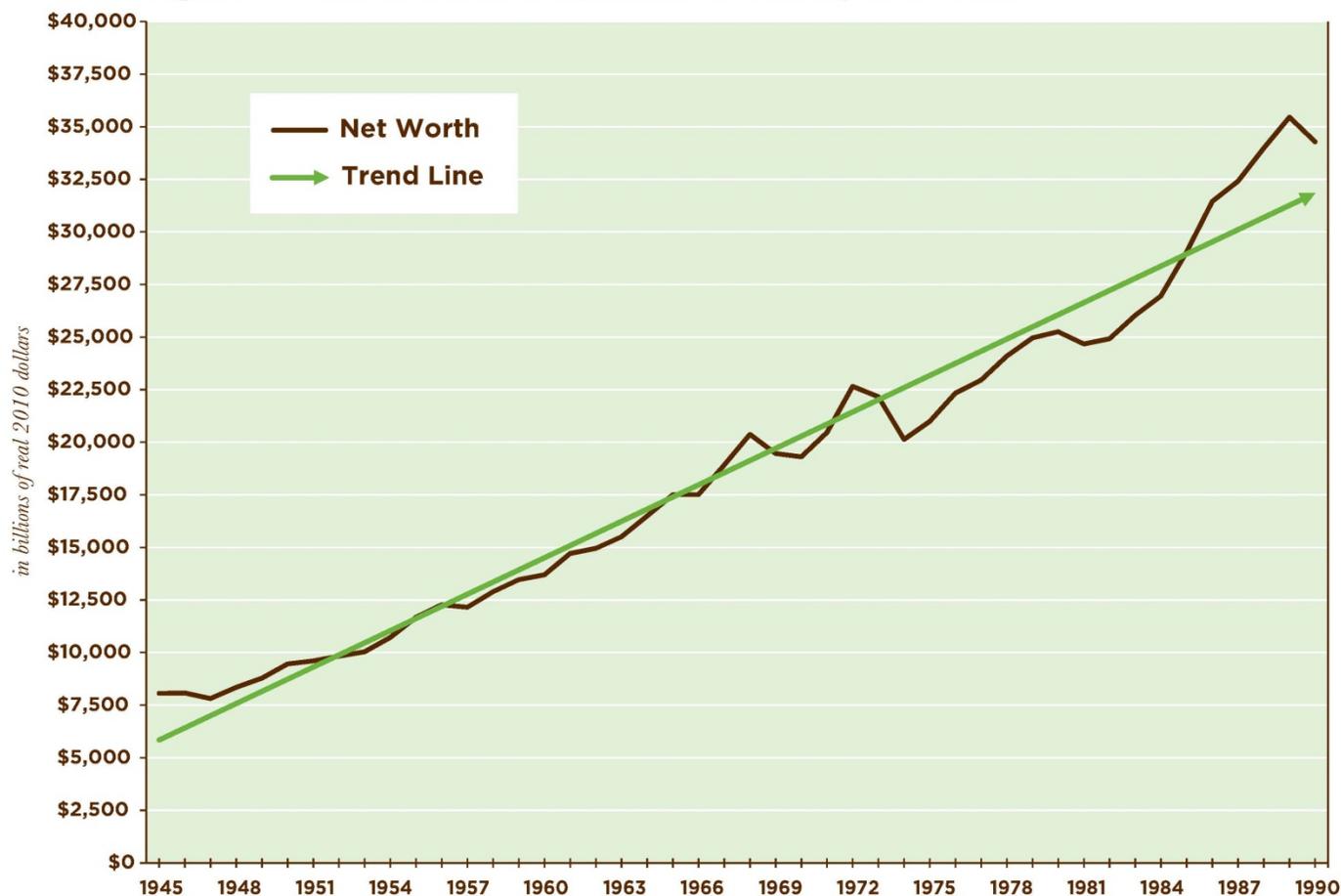
**5% Capture Goal = \$310 Million**

**5% Annual Payout = \$15.5 Million**

***50-Year TOW Opportunity = \$123 Billion!***

# American Wealth – The Long View

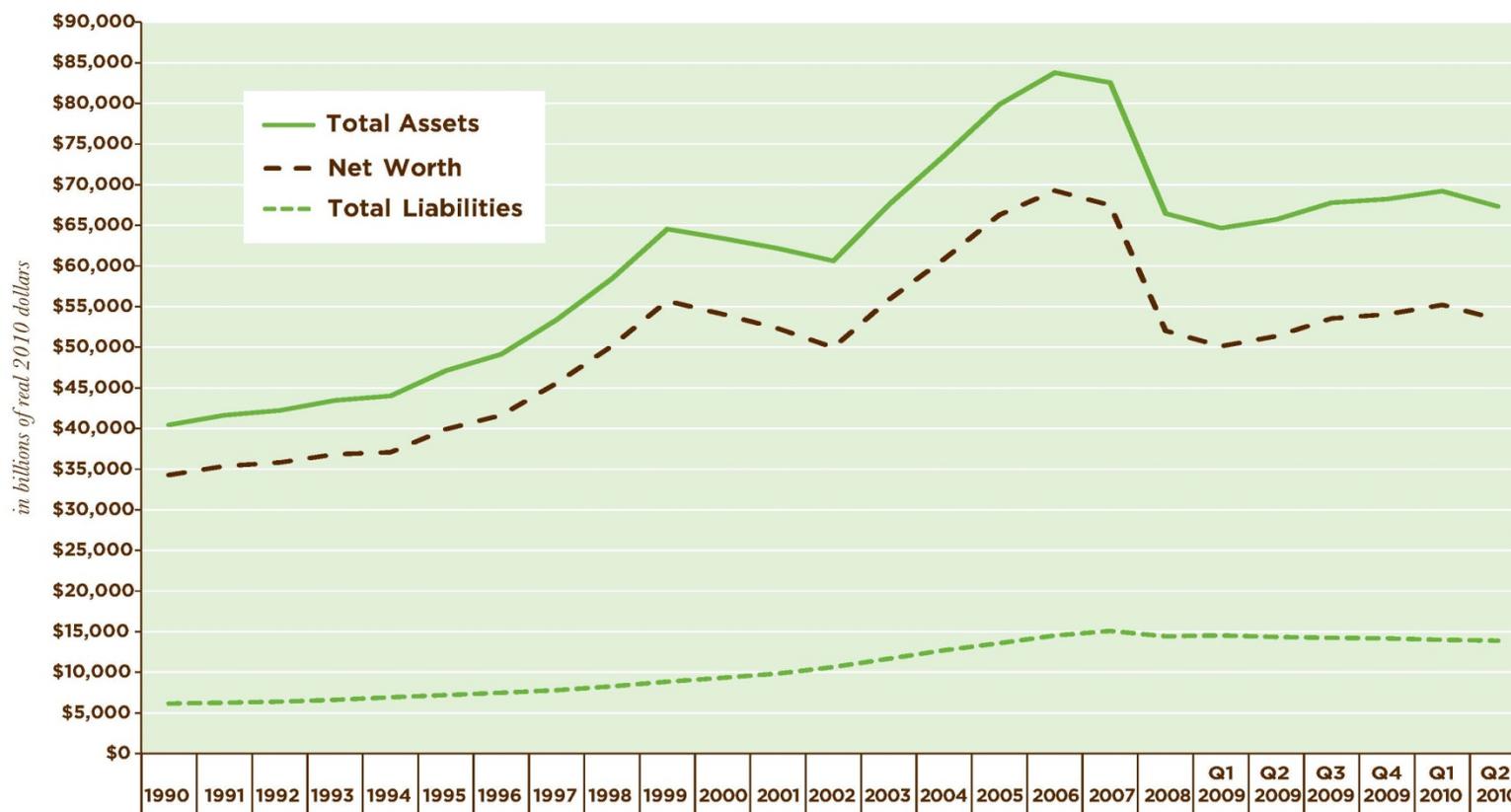
**Figure 1 - U.S. Household Current Net Worth, 1945-1990**



Source: Board of Governors of the Federal Reserve System, Statistical Releases, Flow of Funds - Z.1 and Center for Rural Entrepreneurship December 2010

# American Wealth – Current Period

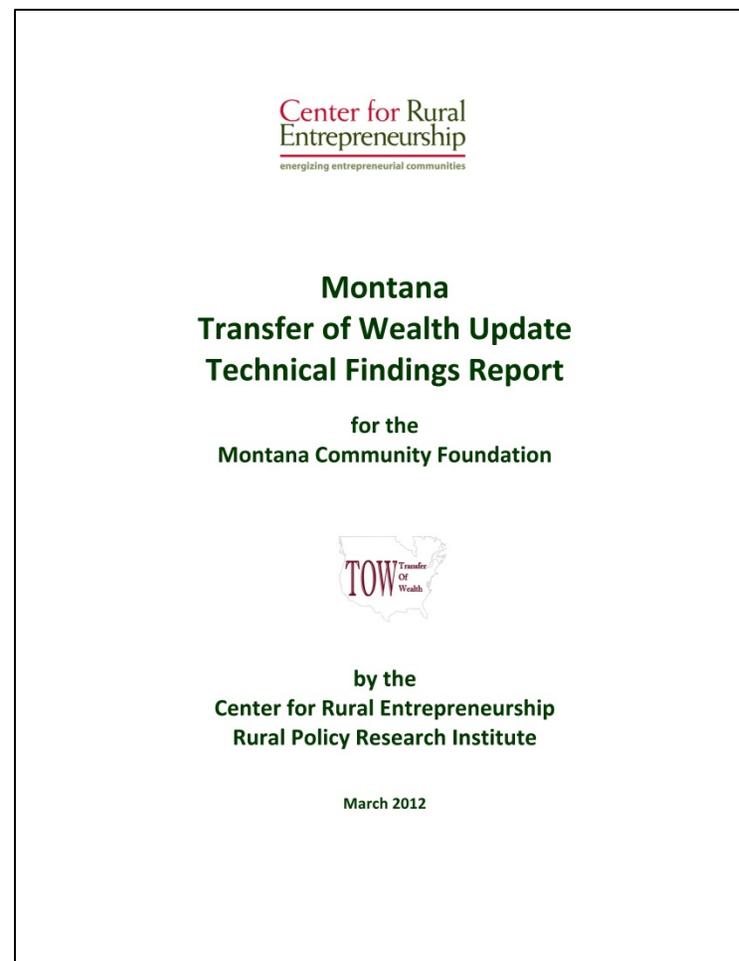
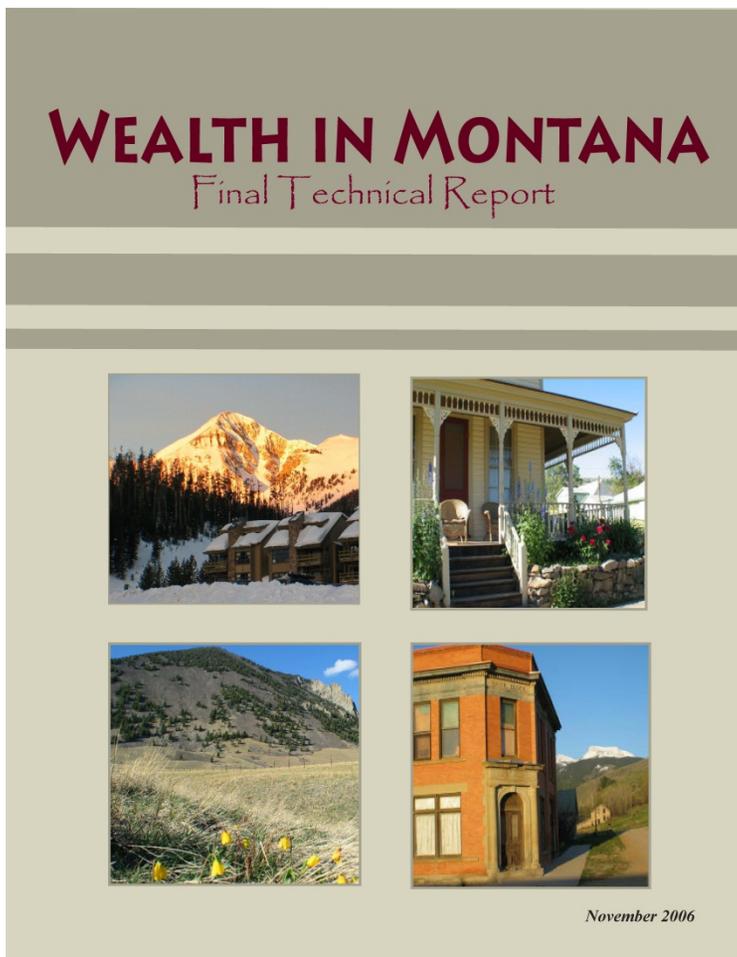
**Figure 2 - Assets, Liabilities & Net Worth, 1990-2010 Q1**



Source: Board of Governors of the Federal Reserve System, Statistical Releases, Flow of Funds - Z.1



# Montana's TOW Studies





## Gallatin County & Bozeman

**2010 Net Worth = \$6.1 Billion**

**10-Year TOW = \$1.3 Billion**

**5% Capture Goal = \$64 Million**

**5% Annual Payout = \$3.2 Million**

***50-Year TOW = \$16.4 Billion***



## Eastern Plains – Carter County

**2010 Net Worth = \$34 Million**

**10-Year TOW = \$8.1 Million**

**5% Capture Goal = \$410,000**

**5% Annual Payout = \$20,000**

***50-Year TOW = \$56.2 Million***



## **Mountains – Ravalli County**

**2010 Net Worth = \$2.3 Billion**

**10-Year TOW = \$545 Million**

**5% Capture Goal = \$27 Million**

**5% Annual Payout = \$1.4 Million**

***50-Year TOW = \$5.2 Billion***



## **Donor Opportunity Areas**

**Thrifty Retirees**

**Closely-Held Family Business Owners**

**Professionals**

**Farmers & Ranchers**

**Energy & Mineral Royalty Holders**

**Part-Time Residents**

**Former Residents**

**Private Timber Lot Owners**

**Entrepreneurs**



# Donor Lifecycle

Profile Group	Donor Attributes	Giveback Potential
<b>Getting Started</b>	<ul style="list-style-type: none"> <li>Young Adults</li> <li>Often with Young Families</li> <li>Early Career &amp; Lower Earnings</li> <li>Spending Exceeds Income – Debt</li> <li>There are Limited Wealth Assets</li> </ul>	<ul style="list-style-type: none"> <li>Limited Capacity</li> <li>Lots of Needs</li> <li>Personal Value Framing Period</li> <li>Giveback</li> <li>Ethic Formation</li> <li>Focus on Career &amp; Family</li> <li>Community Affinity Development</li> </ul>
<b>Mid-Career</b>	<ul style="list-style-type: none"> <li>35 to 50 Year Olds</li> <li>They have Older Children</li> <li>Mid-Career</li> <li>Spending &amp; Income Balancing</li> <li>There are Growing Rooted Assets</li> </ul>	<ul style="list-style-type: none"> <li>Limited to Modest Giveback Capacity</li> <li>Giveback Patterns are Rooting</li> <li>Paying for Kids College &amp; Planning for Retirement</li> <li>Competing with Charity</li> <li>They Need Financial Planning Help</li> </ul>
<b>Later-Career</b>	<ul style="list-style-type: none"> <li>50 to 65 Year Olds</li> <li>Peak Career</li> <li>Peak Earnings</li> <li>Peak Asset Accumulation</li> <li>Have Peer Who are Giving</li> </ul>	<ul style="list-style-type: none"> <li>Open to Thinking About Giveback</li> <li>Likely Doing Annual Giving</li> <li>Likely Doing Capital Campaign Giving</li> <li>Open to Legacy Giving Planning</li> <li>Motivated by Peer Behavior</li> </ul>
<b>Early Retirement</b>	<ul style="list-style-type: none"> <li>65 to 74 Year Olds</li> <li>Peak Wealth</li> <li>New Earnings are Flat Lining</li> <li>Concern Over Enough for Retirement</li> <li>Motivated to Giveback</li> </ul>	<ul style="list-style-type: none"> <li>Maximum Giveback Capacity</li> <li>Active Legacy Orientation</li> <li>Planned Giving Can Help Work through Competing Interests of Kids, Retirement and Health Care</li> <li>Peers Really Drive Giveback Attitude</li> </ul>
<b>Late Retirement</b>	<ul style="list-style-type: none"> <li>75+</li> <li>Assets are Being Spent Down</li> <li>Earnings are Really Eroded</li> <li>Having Enough Money is a Concern</li> <li>Becoming More Conservative</li> </ul>	<ul style="list-style-type: none"> <li>Very Strong Legacy Orientation</li> <li>Eroded Giveback Capacity</li> <li>But Giveback Capacity Remains</li> <li>Planned Giving is Key</li> <li>Heirs' Engagement is Helpful</li> </ul>



# TOW & Give Back

## *How TOW is Being Used?*

### **Opportunity Awareness**

*Amount of Wealth*

*Kinds of Wealth*

*Sources of Wealth*

### **Wealth in Poor Places**

*There is Wealth*

*Potential for Give Back*

*Asset Based Development*

### **Threat – Call to Action**

*Depopulation*

*Outmigration*

*Timing of Wealth Transfer*

### **Donor Targeting**

*High Net Worth Households*

*Types of Wealth*

*Messaging Strategies*



# Opportunity to Action & Impact

Redwood Coast, California

Tupelo, Mississippi

Barry County, Michigan

Rawlins County, Kansas

Foundation for Appalachian Ohio

Holt County, Nebraska



# The Center's 5-Point Process





# Strategic Grant Making

*How can supporting community-rooted entrepreneurs enable greater economic fairness, diversity, resilience and prosperity, and new cycles of community wealth creation?*

*The E To E Connection!*



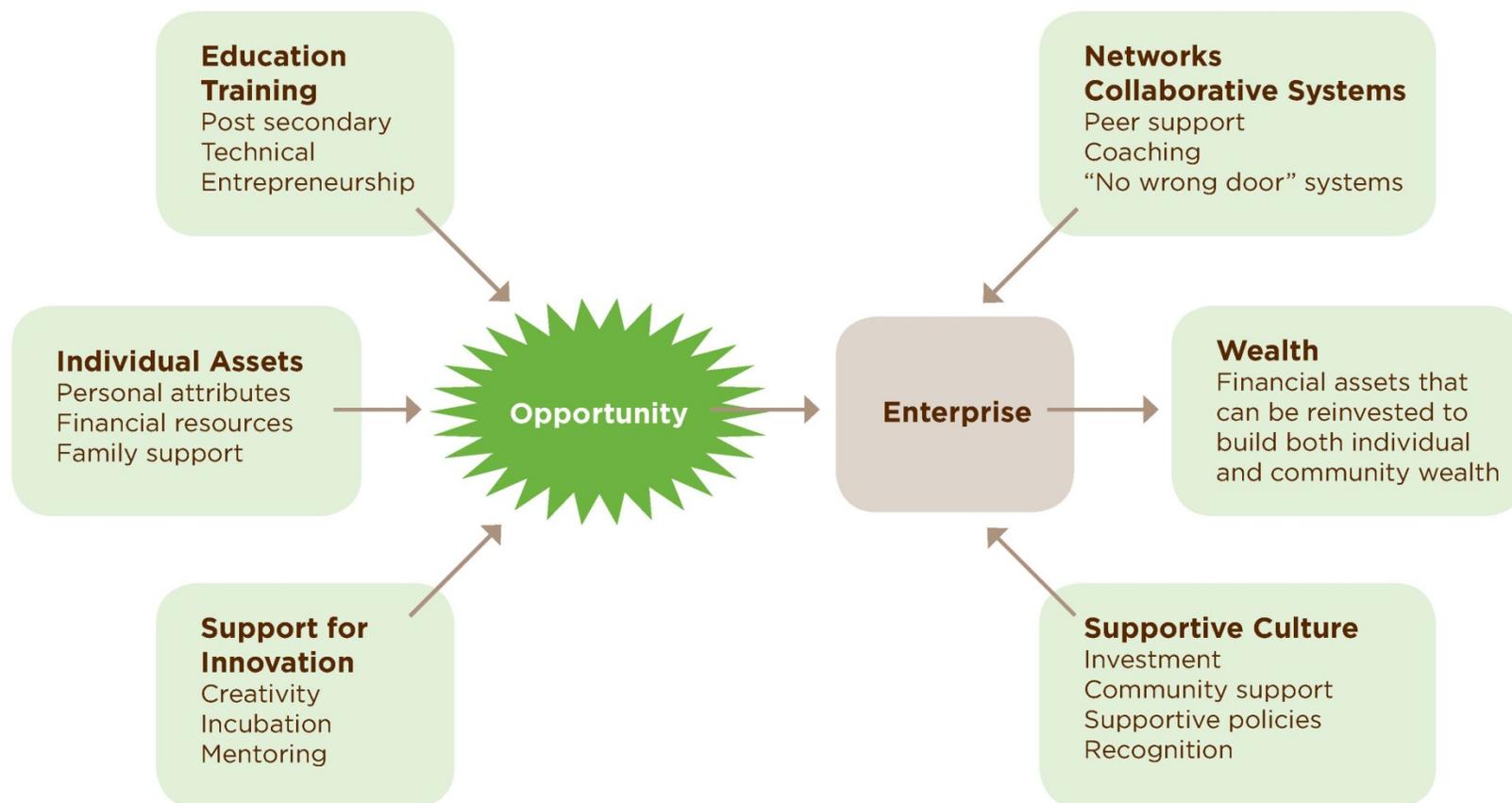
## Old Wealth Creating Wealth

**Renewal** is important to every community. Communities must continuously reinvent themselves if they are to be vital and prosperous.

Increasing community giveback through the TOW opportunity can create community controlled funds that can provide the new capital to create and support renewal initiatives.

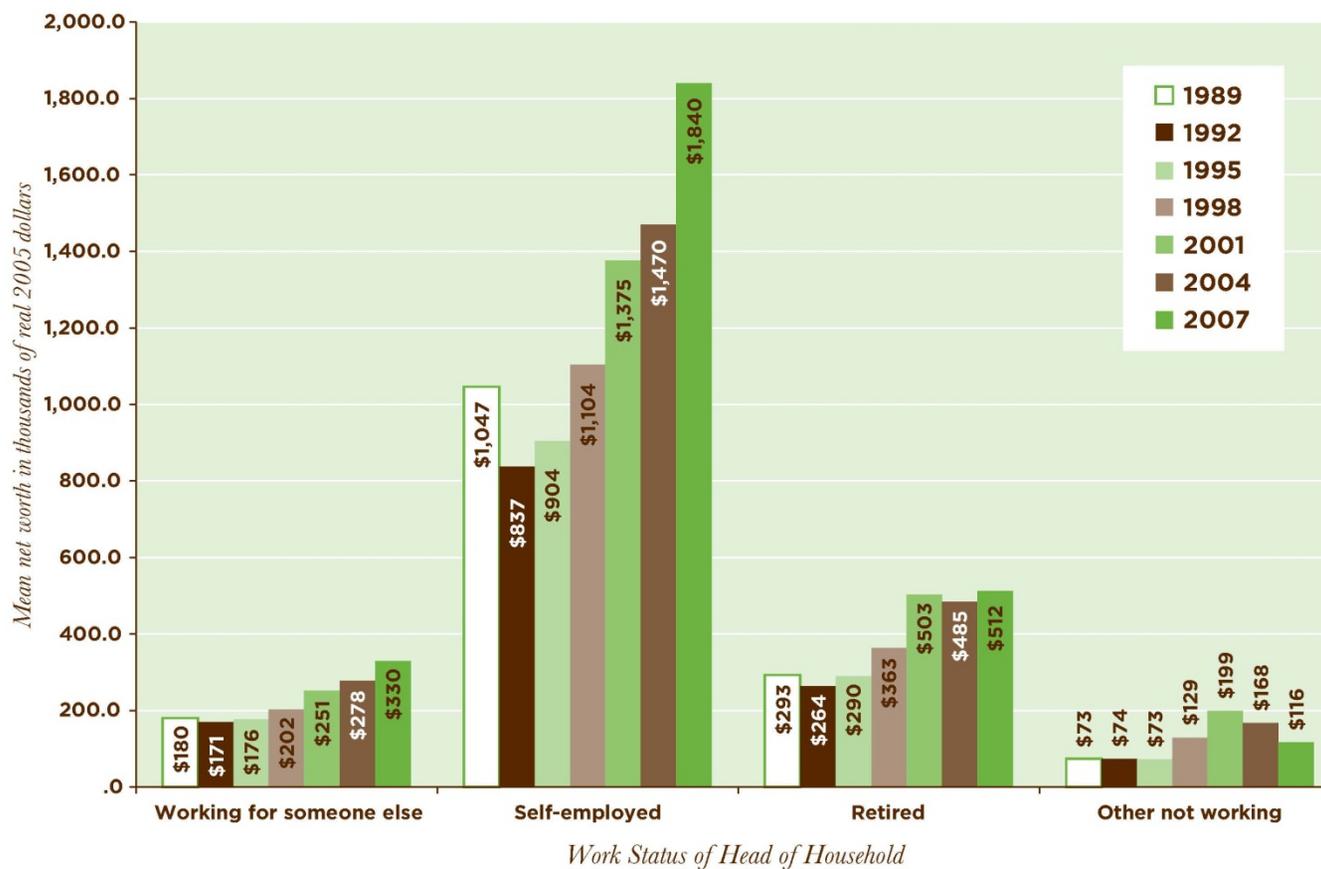
# Creating Wealth through Enterprise Development

**Figure 26 - Creating Wealth through Enterprise Development**



# Entrepreneurs as Donors and New Wealth Creators

**Figure 27 - Average U.S. Net Worth by Work Status**



Source: Board of Governors of the Federal Reserve System, *The Survey of Consumer Finances*, 2007



# The Rising Importance of Entrepreneurs

As Thomas L. Friedman noted in a 2011 editorial, “what is most striking when you talk to employers today is how many of them have used the pressure of the recession to become even more productive by deploying more automation technologies, software, outsourcing, robotics – anything they can use to make better products with reduced head count and health care and pension liabilities. That is not going to change.”

Source: The New York Times



# Nurturing an Entrepreneurial Community

- Grow an entrepreneurial development system
- Engage successful entrepreneurs
- Create opportunities for youth engagement and entrepreneurship
- Build community foundations and field of interest funds



## Remember the Civic & Social Entrepreneurs

When we think of entrepreneurs we typically envision for-profit focused ventures. But entrepreneurship is increasingly important in our growing civic and non-profit worlds.

A key role community foundations can play is supporting entrepreneurial development within our civic and non-profit sectors.



## Question & Discussion

**Questions?**

**Take Aways?**

**Insights?**

*Please use the chat function to share your questions, take aways and insights.*



## Additional Assistance

[www.energizingentrepreneurs.org](http://www.energizingentrepreneurs.org)

Don Macke – [don@e2mail.org](mailto:don@e2mail.org)

Center E Newsletters...

*Energizing Entrepreneurs*

*Youth*

*Community Development Philanthropy*

*Entrepreneurial Communities*