INTERGENERATIONAL TRANSFER OF WEALTH

February 2019                          Terry Munday

New Tax Law Impacts

► 25% of household itemized in 2017.
► Estimate 5% of households will itemize going forward.
► 2018- $11.2 million estate tax exemption
► 2025- $10 million
► 2026- Suspect exemption will go to $1,000,000
► Observation: Most people who give to churches are not as motivated by tax benefit, motivated more by Biblical teachings.
► People giving $15,000 to $18,000 to the church will not be effected.
► May be better to give appreciated stock rather than cash.
“The almighty dollar bequeathed to a child is an almighty curse. No man has the right to handicap his son with such a burden as great wealth. Will my fortune be safe with my boy and will my boy be safe with my fortune.”

Carnegie

“Inherited wealth is a certain death to ambition as cocaine is to morality.”

Vanderbilt

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**Wealth Screening**

- Willie Sutton, famous bank robber, was asked, “Why do you rob banks?”
  - He replied, “Because that’s where the money is.”
- We must look for prospects with wealth

- 11-19 Millionaires
- 30 Millionaire households
Time Line

- Greatest
- Boomers
- Gen X
- Millennials
- Gen Y

Donate to Charity

- Matures-88%
- Boomers-72%

2015
Caucasians 73%
- Hispanic 11%
- African American 9%

2030
Caucasians 55%
- Hispanic 22%
- African American 13%
Giving by Generation

- **Boomers:** 43% give, 72% give, $1212.00
- **Gen X:** 20% give, 59% give, $732
- **Millennials:** 11% give, 60% give, $481
- **Matures:** 26% give, 88% give, $1367.00

**Generation Populations**
- Matures: 50 million
- Boomers: 76 million
- Gen X: 49 million

** Millennials**

- Millennials will peak in number in 2036 at 76.2 million.
- Gen X peaked in number in 2018 at 65.8 million.
- Baby Boomers reached their peak in 1999 at 78.8 million.
The Numbers are staggering:

- $12 Trillion in assets has already changed hands in the form of inheritances from the Silent Generation (1928-1945) to Baby Boomers.
- Between 2011 and 2048, Baby Boomers are expected to transfer another $30 to $41 trillion to Generation X (1965-1980) and Millennials (1981-2000).
- $59 Trillion - with at least $39 trillion going to heirs - is the amount projected to change hands if we expand time frame from 2007-2061.

Boston College Researchers

- 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
Religious Faiths

- Millennials - 64% identify with a religious faith
- Gen X - 70% identify with a religious faith
- Baby Boomers - 78% identify with a religious faith

Millennials (Y Gen) Born after 1981

- Leaps in Technology
  - Google/ Cell Phones
  - Video Games
  - Waco Massacre
  - Columbine
  - Oklahoma Bombing
- Environmental Awareness
- 9/11
- Corporate Scandals
- Internet
- Self-Expression
- Create New Rule
- Balanced Lifestyle

- Relaxed Flex Work Environment
- Least Religious
- Meaningful Work
- Action-Oriented
- Resiliency
- Instant Delivery of Everything
- Positive Reinforcement
- Social Responsibility
- Global Mindset
- Impatient
- Multi-Taskers
- Short Attention Span
Millennials Giving
Future Areas of Giving

- Climate Change
- LGBT Rights
- 1 in 3 adults are depending on inheritance to achieve financial security.
- They like to give to smaller organizations. They don’t like big institutions because no matter how big their contribution, it is still in some ways a drop in the bucket.

Observation

- Hard work was once the reason for financial success. Now I believe hard work plus rich parents equals success.
Millennial Trends

- Millennials engage with cause to help other people, not institutions
- Millennials support issues rather than organizations
- Millennials prefer to perform smaller actions before fully committing to a cause
- Millennials are influenced by decisions and behaviors of their peers
- Millennials treat all their assets (time, money, network, etc.) as having equal value
- Millennials need to experience an organization’s work without having to be on site

Millennials

- Younger generations want transparency.
- They tend to give through workplace.
- 53% have given through workplace walks, runs, and cycling.
The New Rule of Engagement for Millennials

- Donors are more interested in what is going on inside the building as opposed to having their names on the building.
- They want to be inside working on problems, solving their problems, giving their talents, not just their treasures.
- We will need to find ways to get them engaged in real problem solving, hands on.

Observation & Key Findings

- Payment speed, security, and flexibility will impact how and when people choose to donate to charities.
- Millennials will make up 75% of the workforce by 2025, not for profits will need to harness the talent and skills of this generation for future success.
- 84% Millennials- helping make a positive difference in the world is more important than professional recognition.
X Generation: Appreciate Diversity

- Fall of Berlin Wall
- Women’s Liberation
- Watergate
- Energy Crisis
- Techno- Literacy
- Fun and Informality
- “Work to Live”
- Latch Key Generation
- Self Reliance/ Independence
- Entrepreneurial
- Expect immediate communication
- Positive toward social causes
- “Slackers”
- Change rules to suit the new reality
- Change jobs frequently

Generation X Fundraising Tips

- Use humor in appeals.
- Allow them to work independently for your agency and on their own terms—can’t stand infinite committee meetings. Social entrepreneurs—“micro loans”.
- Creative use of new technologies.
- Understand their primary focus is their family.
- Lone ranger philanthropy and volunteerism.
- Younger generations have shorter attention spans. The trick is to engage them quickly (often with humor) let them see how they can make a difference, and connect things they care about like their families and environment. Messages can be delivered by technology but need to be short and to the point.
Boomers: Generation of Workaholics

- Woodstock
- Civil Rights
- Space Travel
- Vietnam War
- Cold War
- Sexual Revolution
- Political Assassination
- Value Optimism
- Idealistic

- Teamwork - Collegial Leadership Style
- Challenge Rules and Status Quo
- Work Ethic - “Live to Work”
- Personal Gratification
- Growth and Success
- Love attending board and committee meetings

Reasons the Baby Boomers gained wealth

- Post WW2
- Economic growth - productivity
- Women entering the workforce
- U.S entrepreneurial spirit
Baby Boomers

- Will be a dominant source of income for a decade, maybe a little longer.
- Control of 70% of all financial wealth in U.S.
- They have $46 Trillion-Richest Generation in History
- 2007-2061 will transfer $30-$59 trillion through wills and estate plans.
- Spend 78% of all dollars spent on-line
- They give nearly 50% of all philanthropic giving.
- They are 30% more generous than older donors at the same stage.

Baby Boomers

- As we get older we tend to experience an increase in right brain. More emotional and intuitive, less interested in details. More interested in total picture. Relationships left brain sees things in terms of categories.
Baby Boomers Fundraising Tips

- Put them out front and in the spotlight.
- Get them involved, allow them to find self-fulfillment through work with your organization.
- Offer them more aggressive planned giving and financial management tools.
- Appeal to their idealism.

Silent Generation: Value Hard Work

- Golden Age of Radio
- WWII
- Great Depression
- Korean War
- Atomic Bomb
- Growth of Corp America
- Loyal Dedication
- Patriotic Sacrifice
- Save Money
- Fiscal Conservatism
- Respect for Authority
- Formal Rules- Follow the Rules
- Follow Traditions
- Education
Direct Mail

- Direct mail is embraced by older generations.
- Personal phone calls - 15% of baby boomers and matures still give over telephone.

Study: Reasons given for not passing money on to their children.

- 24% of children would become lazy
- 20% of children would make poor decisions
- 20% would squander money
- 13% would be taken advantage of by other people
Why are parents so tight-lipped about their money?

- Taught not to discuss wealth with anyone
- Don’t want to deprive their children of work ethic

Reasons Why We Shouldn’t Expect The Wealth Transfer

- Baby Boomers have a “you only live once” mindset.
  - Trying new experiences
  - They may dip into retirement money while still working
- Baby Boomers are weary to take risks.
- Baby Boomers spend $400 Billion annually on consumer goods (clothing and entertainment).
  - $120 Billion on leisure travel
  - Compounded by Traditional costs of aging-doctors-nursing homes-loss of steady income.
- Support their Families
  - Children and Grandchildren
  - School Tuition and College Tuition
**MAJOR GIFT DEFINED**

Is the donor making the gift from:

- **INCOME** (9%)
- **ASSETS** (91%)

Income = Entry Level = Low Emotion

Asset = More Mature Level = High Emotions

Brooks Fortune
Art Hodson

**ALMOST EVERYONE IS A PROSPECT FOR A PLANNED GIFT**

7 years to cultivate a planned gift
Basically Same Process as Annual Fund

1. Identify prospect
2. Cultivate
3. Ask for the gift

Shows Two Things

1. Importance of annual fund-DATABASE
   Important of development person

Success based on:
1. Level of experience
2. Length of service with the organization
3. Portfolio potential
MYTH: PLANNED GIVING IS VERY COMPLICATED

Three Categories: Bequests, Gift Annuities, Gifts of Stock

Bequests - Wills and Trusts

- 90% of planned gifts
- 58% of people do not have wills
- Major gift of middle class
- Average $35,000 - $75,000
- Average age of someone making 1st charitable bequest 40-50 years of age
Wealth and Planned Giving

<table>
<thead>
<tr>
<th>% Leaving Charitable Bequests</th>
<th>Size of Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-5%</td>
<td>All Americans</td>
</tr>
<tr>
<td>20%</td>
<td>$3.5 - $10 Million</td>
</tr>
<tr>
<td>28%</td>
<td>$10 - $20 Million</td>
</tr>
<tr>
<td>40%</td>
<td>$20 Million +</td>
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</tbody>
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Bequests - Wills and Trusts

- People without children are more likely to make a planned gift
- Only 5.3% over 50 have made a charitable bequest
- Of Americans who have wills (42%), 9% have included charity
- 70%-90% of all bequests are unknown until after donor's death
- Average age when donors make a will is 44 years of age
Planned Giving

Bequests

1. Ties a donor closer to charity
2. Opens the way for more lifetime giving
3. Leads to wiser charitable planning
4. Bequests that are larger than initially planned

Ken and Marceil Bostic
Jett Sisters

Greater effort in planned giving

- Over the next 15 years- $24 trillion will be transferred in bequests.
Donors Who Should Receive SPECIAL Attention

1. Have notified your college of planned gift
2. Donor of stocks
3. Donor having a gift annuity
4. Board member, professional staff, employee of 10 years or longer
5. Donors who have made gifts for 10 years or more
   (25 cumulative gifts)
6. Top 250 planned giving prospects that have been identified by research.
7. Donors who have given $10,000 in a year.
   This group also has the greatest potential for an estate gift.

MOVE LIST - Assigned to each member of Advancement Staff

BEST “PLANNED GIVING” PROSPECTS “Loyal Donors”

- 10-20% of organization’s donor population make up about 90% of planned gifts
- 41% have made 10 years of consecutive giving to annual fund
- 50% have given 9 or more times but not consecutive years
- 77% have made 15 or more gifts to annual fund in their lifetime

- Key is not size of gift but consistency in giving.
- Most planned gifts are now known by charity until death.
Once a Donor Names a Charity in Their Will

97% Never Revoked
75% Never Changed

Predictors of a Planned Gift

1. Loyal to nonprofit
2. Age of prospect
3. Frequency of gift
4. Annual fund donors
5. Educational attainment
Fundraisers Must Overcome Obstacles
“DEATH”

- Planned Giving is uncomfortable to talk about
- Talking about end of someone’s life
- Difficult to report a planned gift because they are not informed of a future bequest

Wealth Transfer

- The wealth transfer is top heavy with 20% of affluent families with 88% of wealth transfer.
Study Of Wealthy Donors

<table>
<thead>
<tr>
<th>Over age of 70 years</th>
<th>Give to an average of 11 organizations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under age of 50</td>
<td>Give to an average of 5 nonprofits.</td>
</tr>
</tbody>
</table>

- Wealthy donors give to the place they volunteer their time.

65+ Populations

- Florida has the highest percentage of population 65+ (19.1%)
- Maine (18.3%)
- Alaska is the lowest percentage of population 65+ (9.4%)
- Utah (10%)
- 2030-Predict 46 states will have 17% of citizens over the age of 65
Older Donor Characteristics

- Higher average donation
- Higher second gift rate
- Higher retention (especially in monthly giving)
- Higher amounts raised (in events)
- Higher chance of supporting an event again
- Higher lifetime value
- Higher chance of putting you in their will... and a higher chance of realizing that sooner
- Higher chance of becoming a major donor
- Higher chance of responding to most of your communications

Older Donor Recommendation:

- Priority given to older donors over younger donors
- Segmentation of database
Age Factor

<table>
<thead>
<tr>
<th>Percent</th>
<th>Age</th>
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<tbody>
<tr>
<td>3%</td>
<td>25 Year Olds</td>
</tr>
<tr>
<td>2%</td>
<td>26-35 Year Olds</td>
</tr>
<tr>
<td>2%</td>
<td>36-45 Year Olds</td>
</tr>
<tr>
<td>4%</td>
<td>46-60 Year Olds</td>
</tr>
<tr>
<td>5%</td>
<td>61-75 Year Olds</td>
</tr>
<tr>
<td>12%</td>
<td>76+ Year Olds</td>
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2017 Charitable Giving

$410.2 Billion

- 70% Individuals
- 16% Foundations
- 9% Bequests
- 5% Corp.

Religious- 31%
Education- 12%
Foundations- 11%
Giving Based on Percent of Income

**5 States - Most Giving**
1. Utah 10.6%
2. Mississippi 7.2%
3. Alabama 7.1%
4. Tennessee 6.6%
5. South Carolina 6.4%

**5 States - Least Giving**
1. Rhode Island 3.1%
2. Massachusetts 2.8%
3. Vermont 2.8%
4. Maine 2.8%
5. New Hampshire 2.5%

**Giving by Corporations**
- Kroger - gave 10% of previous year’s profits - $64 million
- WalMart - gave largest by amount - $319.5 million

Democrats Stronghold

- Republican-leaning states raise more funds for non-profits.
- Northeast states do not fair well in giving.
- New Hampshire has lowest percentage of church going residents.
- The south are all in the top 15 in giving.
Giving By Women

- Women give more than men at all income levels.
- Women tend to be more altruistic and empathetic than men.
- Women view money in terms of personal security, freedom and a way to achieve goals.
  - U.S. Trust - Found that “women are nearly twice as likely as men to say that giving to charity is the most satisfying aspect of having wealth.”
- 64% of donations are made by women.
- Average age of widowhood in the U.S. is 55.
- Widows outnumber widowers 4 to 1.
- Women make 80% of all purchases.
- Women will inherit 70% of the $41 trillion in intergenerational wealth transfer, expected in the next 40 years.
- Women give 3.5% of wealth to charity while men give 1.8% to charity.

Women play a BIGGER role in giving today

**Women** control 58% of the money.
67% are college graduates.
26% working wives make more than their husbands.

Women – more altruistic
**wealth is a means to fund their deepest values**

Men - wealth is a demonstration of success in their lives
Make the Ask

- No reason to spend more than 12 months in cultivation
- Worst they can say is “no”
- First gift will not be their largest
  - Think about 2nd and 3rd gifts

A Successful Ask

- 55% based on appearance
- 38% based on elevated voice
- Present an opportunity
  - Panas says 7 minutes.
**INDICATORS TO DETERMINE WHAT AMOUNT TO ASK FOR**

- Past Giving: 54.50%
- Capacity to Give: 28%
- A Formula: 12.10%
- Peer Giving: 5.30%

**QUESTIONS**

Terry Munday