INTERGENERATIONAL TRANSFER OF WEALTH

February 2021

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
BLONDIE DEAN YOUNG AND JOHN MARSHALL

A while back I had to deal with hiring kids from Generation X...

And then Generation Y... How about Generation Z?

I've had enough Z's to last a lifetime!

Zzzzz
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
## 2016 Generational Giving Trends

<table>
<thead>
<tr>
<th>Generations</th>
<th>Years</th>
<th>% Of Total Giving</th>
<th>% Of Donor Population</th>
<th>% Of US Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greatest Generation</td>
<td>1900-1927</td>
<td>6.7%</td>
<td>4.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Silent Generation</td>
<td>1928-1945</td>
<td>30.5%</td>
<td>28.1%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>1946-1964</td>
<td>41.6%</td>
<td>41.6%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Gen X</td>
<td>1965-1980</td>
<td>15.7%</td>
<td>19.0%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Gen Y</td>
<td>1981-1997</td>
<td>5.4%</td>
<td>7.1%</td>
<td>30.4%</td>
</tr>
</tbody>
</table>
Donate to Charity

- Matures-88%
- Boomers-72%

2015

- Caucasians 73%
- Hispanic 11%
- African American 9%
- Asian 5%

2030

- Caucasians 55%
- Hispanic 22%
- African American 13%
- Asian 6%

- Gen X-59%
- Gen Y-60%
Giving by Generation

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

- Matures 26% 88% Give $1367.00
- Gen X 20% 59% Give $732
- Millennials 11% 60% Give $481
- Boomers 43% 72% Give $1212.00
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.
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
Boston College Researchers

- New report predicts U.S. wealth transfer of $59 trillion, with $6.3 trillion in charitable bequests, form 2007-2061
- Additional lifetime giving of $20.6 trillion
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
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
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
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
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
**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
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
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.
   -- Average planned gift in U.S. is $35,000 - $70,000
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
Greater effort in planned giving

- Over the next 15 years- $24 trillion will be transferred in bequests.
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.
Traditionalists Fundraising Tips

- Offer them conservative planned giving and financial management tools.
- Have one-on-one meetings and ask their advice.
- No email fundraising here. The more personal the better.
- Older generations (include Boomers) may be more interested in planned giving and financial management tools. They will respond better to traditional solicitation strategies like personal letters and face to face meetings.
90% of the GIFTS come from 10% of the PEOPLE
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
Christian Giving

- 37% of people who attend church every week and identify themselves as Evangelical don’t give any money to the church.
- People are more likely to tithe if they begin the practice in their teens.
Millennials

- Millennials will peak in number in 2036 at 76.2 million.
- Gen X will peak in number in 2018 at 65.8 million.
- Baby Boomers reached their peak in 1999 at 78.8 million.
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.
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 & 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.
Characteristics of Major Donors

CHRONICLE OF PHILANTHROPY

- “Most mega-gifts happen close to home.”
- “We give our money where we give our time.”
- 89% of high net worth individuals volunteer their time and talents.
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.
### Study Of Wealthy Donors

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<td>Over age of 70 years</td>
<td>Give to an average of 11 organizations.</td>
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<tr>
<td>Under age of 50</td>
<td>Give to an average of 5 nonprofits.</td>
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- Wealthy donors give to the place they volunteer their time.
Reasons the Baby Boomers gained wealth

- Post WW2
- Economic growth- productivity
- Women entering the workforce
- U.S entrepreneurial spirit
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%)
- Estimate 19 states will have more than 1 million people over 65 years of age.
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
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.
Observation

- Hard work was once the reason for financial success. Now I believe hard work plus rich parents equals success.
2019 Charitable Giving

$438 Billion

- Individuals: 69%
- Foundations: 16%
- Bequests: 9%
- Corporations: 6%

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
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 control more than 50% of the private wealth in the U.S.
- 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.
Gender Differences in Giving

- Research shows:
  - Men giving is motivated by EGOTISTIC, rather than altruistic motives.
  - Women giving is motivated by obtaining personal recognition. Women are more altruistic and more caring which affects their giving.
Make the Ask

- No reason to spend more than 12 months in conversation
- Worst they can say is “no”
- First gift will not be their largest
  - Think about 2\textsuperscript{nd} and 3\textsuperscript{rd} gifts
A Successful Ask

- 55% based on appearance
- 38% based on elevated voice
- Present an opportunity
  - Panas says 7 minutes.
- Volunteer shares what they are giving
INDICATORS TO DETERMINE WHAT AMOUNT TO ASK FOR
Direct Mail

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

- Millennials dislike flyers and direct mail but like videos.
- Millennials respond best to text message and social media. Rarely respond to personal email or voice calls.
Top 5 Motivators for Routine Giving

- A friend or family member has been personally affected by the cause they support
- I have been personally affected by the cause they support
- I know someone who works for the nonprofit
- Monthly reminders via email
- My account is setup to automatically donate (don’t have to think about it)
QUESTIONS

Terry Munday