

The Transfer of Wealth in Greater Boston

The Toll of the Recession and Prospects for the Future

Based on Research by

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Prepared for:

The Boston Foundation

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The Boston Foundation

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The Researchers

John J. Havens is a Senior Research Associate and Associate Director of the Center of Wealth and Philanthropy (CWP) at Boston College. He received his training in mathematics, economics, and physics at Yale University and his graduate training in economics at the Massachusetts Institute of Technology. Mr. Havens is perhaps best known for the Wealth Transfer Microsimulation Model (WTMM), which estimates intergenerational wealth transfer during the next half century. Along with Paul G. Schervish, he has authored many research reports on wealth and philanthropy and has received several research awards, including the Virginia A. Hodgkinson Prize and the John Grenzebach Award for Outstanding Published Scholarship. He has been named twice to the *NonProfit Times's* "Power and Influence Top 50" list.

Paul G. Schervish, Ph.D., is Professor of Sociology and Director of the Center on Wealth and Philanthropy at Boston College. He has served as Distinguished Visiting Professor at the Indiana University Center on Philanthropy and as Fulbright Professor of Philanthropy at University College, Cork, Ireland. He is a founding faculty member of Boston Legacy Associates' Wealth Coach Network, a training forum for financial and fundraising professionals, and is a consultant to fundraisers, financial advisors and families on issues of wealth and philanthropy. Author of *Gospels of Wealth: How the Rich Portray Their Lives* (Praeger) and co-author of *Wealth and the Will of God* (recently published by Indiana University Press), Professor Schervish has been named five times to the *NonProfit Times's* "Power and Influence Top 50" list.

UNDERSTANDING BOSTON is a series of forums, educational events and research sponsored by the Boston Foundation to provide information and insight into issues affecting Boston, its neighborhoods and the region. By working in collaboration with a wide range of partners, the Boston Foundation provides opportunities for people to come together to explore challenges facing our constantly changing community and to develop an informed civic agenda. Visit www.tbf.org to learn more about Understanding Boston and the Boston Foundation.

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To read the entire technical report, please see www.bc.edu/cwp

Dear Friends,

A community foundation's lifeblood is the passion and the resources that donors bring to the cause of a better city and region. This is especially true for the Boston Foundation. By giving millions of dollars each year to more than 900 Donor Advised Funds and to our Permanent Fund for Boston and Civic Leadership Fund, our donors are making a profound difference each and every day.

Seven years ago, we commissioned research that documented a potential "Golden Age of Philanthropy"—the half century leading up to 2055 when households in the Greater Boston area would transfer some \$1.25 trillion to subsequent generations. The implications for philanthropy were enormous, as it was estimated that some \$359 billion of that wealth would probably be given to charity, either as donations during life or as bequests.

How did the Great Recession—the most serious economic downturn since the Great Depression—affect those earlier predictions of plenty? What are the implications for philanthropy?

We asked the authors of the 2006 report, Paul G. Schervish and John J. Havens of Boston College's Center for Wealth and Philanthropy, to find out. Using an expanded and refined version of their microsimulation model, they were able to calculate—household by household—the changes in family fortunes during 2007, 2008, 2009 and 2010, and then aggregate those findings to estimate what the future might hold.

The authors discovered that, in many ways, our area was more fortunate than most. Our housing values didn't fall as dramatically as elsewhere, our unemployment rate didn't climb as high, and the Commonwealth's real annual growth rate for the period including the recession was more impressive than the national average. In 2010, two years after the financial crisis, the average net worth of Greater Boston area households was 62 percent higher than those of the nation at large.

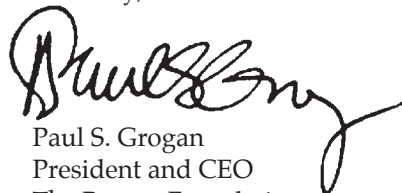
Despite the wealth that was lost, the authors predict that \$950 billion to \$3.9 trillion will still change hands in the Greater Boston area during the 55 years leading up to 2061. These numbers are impressive, but if the recession had not occurred, they could be 15 to 31 percent—or \$190 billion to \$1.8 trillion—higher. While most of the wealth will be passed down to heirs, a significant portion is expected to flow to philanthropy.

Between 2007 and 2061, Boston-area charities may receive between \$419 to \$1.6 trillion in lifetime gifts and bequests, depending on estate taxes and how much the economy grows. This money will come from people ages 50 and older, who account for just under half of our area's households but 75 percent of their total wealth.

The message for philanthropy is clear: While the recession hurt, the wealthiest households suffered much less than those with fewer means. Families with high net worth may already be giving generously or may be motivated by effective outreach from charities whose missions they value.

We hope this report will stimulate conversations about how this coming transfer of wealth can be used for innovative philanthropy that will have a lasting impact on Greater Boston. As always, we at the Boston Foundation stand ready to assist potential donors with information about Donor Advised Funds, planned and legacy gifts and the hundreds of worthy nonprofits whose missions and finances can be researched through our online giving resource, The Giving Common. Together, we can build a better future.

Sincerely,



Paul S. Grogan
President and CEO
The Boston Foundation

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I. Executive Summary

In 2006, the Boston Foundation released a report titled “A Golden Age of Philanthropy?” that documented Americans’ growing wealth and predicted a massive transfer of \$43.5 trillion¹ in assets from one generation to the next by 2055. The report estimated, conservatively, that \$6.4 trillion of those dollars would go to charity, with \$381 billion of them coming from Greater Boston households.

Then came the Great Recession. The financial crisis of 2008 triggered a frightening new paradigm: plummeting assets, soaring unemployment and significant declines in both earned and unearned income.

Although Massachusetts fared slightly better than much of the country, its residents also lost jobs and saw the value of their homes and investments plunge. What effect did the recession have on the net worth of Americans? How did Greater Boston fare? What are the implications for wealth transfer and philanthropy in the coming decades?

To answer these questions, the Boston Foundation once again commissioned research by the authors of the previous report, John J. Havens and Paul G. Schervish at Boston College’s Center on Wealth and Philanthropy. This time, Mr. Havens and Mr. Schervish adapted and expanded their proprietary Wealth Transfer Microsimulation Model (WTMM) to more accurately estimate wealth transfer and lifetime charitable giving for households in the Greater Boston region, which for the purposes of this report is defined as the seven Massachusetts counties: Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk and Worcester. There are 1.723 million households in the region.

The authors prepared estimates for four different growth scenarios ranging from 1 to 4 percent annual growth in the Massachusetts Gross Domestic Product (GDP), which tracks closely with household wealth. This narrative assumes a 2 percent annual growth rate and

What are constant dollars?

This report uses constant 2007 dollars, or 2007 dollars adjusted for inflation. This allows the reader to make accurate comparisons between years. In constant dollars, \$1.11 in 2012 would purchase the same amount of goods or services as \$1 in 2007.

reports all dollar values in 2007 constant dollars, that is, 2007 dollars adjusted for inflation. The use of constant dollars allows one to see, for example, that because of inflation, a \$1 million bequest in 2012 would have had the same purchasing power as a \$902,224 bequest made in 2007. Throughout this report, household wealth is defined as household net worth, or the market value of all assets owned by members of the household minus any debt owed.

The authors also calculated the effect on wealth transfer of two possible estate-tax scenarios. This report focuses on only one—the \$5 million estate-tax exemption in effect in 2011. Since then, the American Taxpayer Relief Act, signed on January 2, 2013, retained the \$5 million exemption and indexed it to inflation. Outcomes for the various scenarios may be viewed in the tables at the end of this report.

Wealth Transfer Estimates

While the recession had a pervasive negative impact on wealth—discussed in detail later in this report—vast sums will still be handed down or otherwise transferred in Massachusetts and across the country. Total aggregate wealth in 2010 was \$48 trillion for the nation and \$1.16 trillion for the seven counties in and around Boston—roughly 9.4 percent more than in 2001.

¹ The original estimates are shown here in 2007 inflation-adjusted, or constant, dollars to be consistent with the rest of this report.

Highlights

Greater Boston Findings

- Its households comprise 1.5 percent of the nation's total but hold 2.4 percent of the country's wealth.
- Ninety-one percent of its 1.732 million households suffered a decline in net worth during the Great Recession of 2008-2009.
- The 41 percent of households with a net worth under \$100,000 (including those with zero or negative net worth) lost 76 percent of their wealth.
- The number of "millionaire" households—those with a net worth of \$1 million or more—fell 24 percent between 2007 and 2009.
- Households headed by people 50-59 years old have the most aggregate wealth: \$308 billion.
- In 2010, mean net worth per household was 62 percent higher than the national average (\$676,922 v. \$417,963).
- Wealthy people ages 65-79 are accelerating the rate at which they give away assets. By 2061, the value of lifetime giving will exceed that of bequests.
- Assuming 2 percent growth, more than \$400 billion in wealth will be transferred via final estates (no surviving spouse) between 2007 and 2026. More than half of that will come from the 3,575 estates worth \$20 million or more.
- During the following 35 years, an estimated \$1.29 trillion will be transferred via final estates (assuming 2 percent growth).

Depending on whether the economy grows at 1, 2, 3 or 4 percent, the authors estimate that in Greater Boston:

- \$407 billion to \$603 billion in wealth will change hands between 2007 and 2027
- \$950 billion to \$3.9 trillion will be transferred between 2007 and 2061

Lifetime gifts to charity could total:

- \$86 billion to \$109 billion between 2007 and 2026
- \$297 billion to \$759 billion between 2007 and 2061

Charitable bequests could be:

- \$82 billion to \$132 billion between 2007 and 2026
- \$122 billion to \$870 billion between 2007 and 2061

The value of final estates (those with no surviving spouse) could amount to:

- \$366 billion to \$515 billion between 2007 and 2026
- \$829 billion to \$3.32 trillion between 2007 and 2061

As impressive as these numbers sound, they would have been 11 to 15 percent higher (\$53 billion to \$202 billion) in the short term and 15 to 31 percent higher (\$165 billion to \$1.79 trillion) over the long term if the Great Recession had not occurred.

Conclusion

What does the future hold? While it's impossible to predict how the economy will fare, this report makes clear that there will be plenty of dollars available to charities in the coming decades and great opportunities for nonprofits that improve their fundraising capacity.

Wealth advisors and community foundations have the chance to introduce high-net-worth individuals to giving vehicles most appropriate for their circumstances and educate them about how the recent changes in tax law affect charitable giving. Donors and potential donors, as they age, can be increasingly mindful of their beliefs and aspirations and they can reflect those beliefs and aspirations in the world through philanthropy. Community foundations and other nonprofits can continue to do the work that enhances lives, strengthens civic society and provides a ladder to success for those who need help and opportunity to reach their full potential.

II. Findings

What Happened to Household Wealth During the Recession?

Ninety-one percent of households in Greater Boston saw their net worth decline between 2007 and 2009.

The hardest hit were the 41 percent of households with a net worth of less than \$100,000 (including those with zero or negative net worth), according to calculations based on data from the Federal Reserve, the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. These almost 700,000 households had \$14.2 billion in aggregate wealth in 2007, but it plummeted more than 76 percent to just \$3.3 billion by 2009. These families were heavily leveraged, and while the value of their assets plunged, their debt did not. As a result, Boston area households with zero or negative net worth swelled by 48 percent—from 165,236 in 2007 to 244,043 in 2010. Nationally, the number grew from 12.1 million to 17.1 million, or 41 percent.

In contrast, the 14 percent of Greater Boston households worth \$1 million or more (238,887 households) lost only about 15.9 percent of their wealth from 2007-09. However, the average loss per household for this group was substantial at \$689,000, and in the aggregate, these millionaire households lost more than \$164 billion. Indeed, the number of millionaire households fell 24 percent from 238,887 in 2007 to 182,064 in 2009, to recover 10 percent to 200,896 in 2010.

Because households with more than \$1 million in wealth account for 81-94 percent of the total wealth transfer in Greater Boston and nationwide, the implications for charitable giving in the coming decades are significant.

What is Net Worth?

Household Net Worth is the market value of all assets owned by members of a household minus all debt.

The amount of wealth that will be handed down over the short term (between 2007 and 2026) will be 11 to 25 percent less than it otherwise would have been and, over the long term (2007-2061) will be reduced by 15 to 31 percent.

How is Wealth Distributed?

As noted earlier, the total wealth of the 1.723 million households in the Greater Boston area in 2010 amounted to \$1.16 trillion (9.4 percent higher than in 2001, when it was \$1.06 trillion) out of a total \$48 trillion held by the nation's 116 million households. While Greater Boston households made up only 1.5 percent of the nation's total in 2010 (the most recent year covered in this report), they held 2.4 percent of the country's wealth. On average, the net worth of Greater Boston residents two years after the onset of the financial crisis was almost 62 percent higher than the nation as a whole, with \$676,922 per household compared to \$417,963 nationwide.

There are several explanations for this, including a robust state economy with a real average annual growth rate of 2.4 percent—higher than the national average—from 1997-2011. In addition, Massachusetts residents had significantly more unearned income per capita (20 percent) than the national average during this period, along with lower unemployment. These factors undoubtedly contributed to the region's higher percentage of so-called millionaire households, or those with a net worth of \$1 million or more. In 2010, 7.82 percent of all households (almost 201,000) in the Greater Boston area were millionaire households, compared to 5.12 percent nationally.

The implications of this for the philanthropic community are positive, because 81-94 percent of all wealth transferred from generation to generation comes from these affluent households. It is also well established that wealthy individuals tend to distribute much larger portions of their estates through charitable bequests. On a per household basis, the truly wealthy—those whose final estates (estates with no surviving spouse) are

valued at \$20 million or more—are the biggest donors to charity, both during their lifetimes and through bequests after death. There are 5,643 such households in the Greater Boston area.

How is Wealth Distributed by Age?

Wealth distribution in the Greater Boston area is weighted toward older households. This is partly because these families have had more years in which to build wealth, but also because young people were particularly hard hit by the Great Recession. In 2009, for example, the average wealth per household fell 45 percent among households headed by people 30 or younger compared to a decline of 14 percent in families headed by someone 80 or older. The more than 500,000 households headed by people under 40 often have significant debt in the form of car loans, student loans, and/or home mortgages.

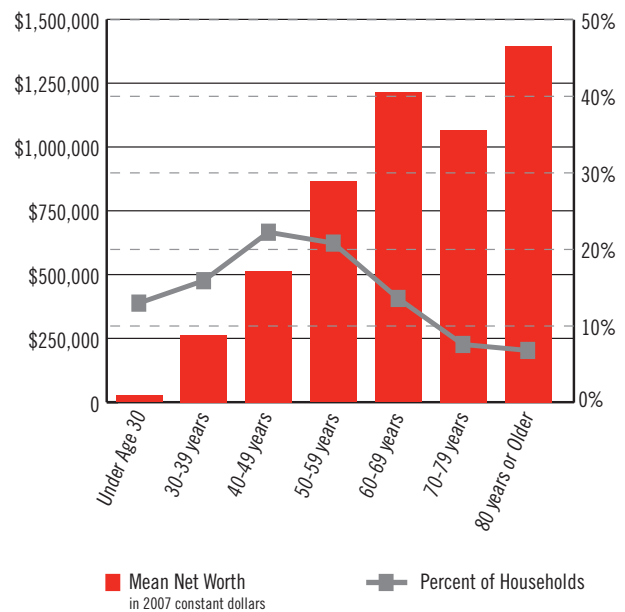
The greatest aggregate wealth in the Greater Boston area is held by the 357,035 households headed by people 50-59 years old, or 20.8 percent of households. The total wealth of this group in 2010 was \$308 billion, or an average of \$864,699 per household. Nationally, households headed by 50-59 year-olds make up 18.9 percent of the population and have an aggregate wealth of about \$14 trillion, or an average of \$627,245. See **Table 5** on page 17.

These numbers are particularly significant in light of a new trend in which wealthy people ages 65-79 are transferring increasing numbers of assets before they die. This trend, which wasn't notable before 2000, is discussed in more detail on page 9.

Other findings pertaining to the distribution of wealth by age in Greater Boston (2010, in aggregate) were:

- Head of household under age 30: \$5.3 billion in total net worth (210,942 households)
- Ages 30-39: \$79.3 billion (300,153 households)
- Ages 40-49: \$197 billion (383,910 households)
- Ages 60-69: \$265 billion (218,460 households)
- Ages 70-79: \$135.5 billion (127,045 households)
- 80 and older \$175.4 billion (125,664 households)

FIGURE 1
Mean Household Net Worth by Age of Head, 2010
Greater Boston Area



Greatest Wealth Transfer Comes Later

Older households will be transferring wealth in the near term, and their aggregate wealth has declined less than average. However, the Boston area has a smaller proportion of households headed by people 70 and older than the rest of the country (15 percent v. 20 percent), so the greatest wealth transfer in this region is still a few decades away.

Meanwhile, the young households that lost so much wealth during the recession may be able to make up for their losses by saving more, consuming less, and working harder during the coming years. Some of these will also receive inheritances, gifts and other transfers.

The rate of growth in GDP is the single most important determinant of the amount of wealth that will be transferred and the potential for charitable giving. While provisions in estate-tax laws will have some effect, the growth rate is paramount because it affects the capacity of households—especially wealthy ones—to give to charity. If the economy grows sufficiently, charitable giving will also increase. In all scenarios, wealth transfer will be concentrated among households at the top end.

The Trend toward Lifetime Giving

Before the millennium, most wealth was transferred via final estates. However, there has been a pronounced shift since then. Lifetime giving, which now accounts for 13 to 17 percent of wealth transfer (the remainder is distributed through bequests), is expected to eclipse bequests by 2061. The model predicts that in the short term (2007-2026), 47 percent of all potential gifts to charity (or \$92.42 billion) will be made during a donor's lifetime and the remainder will come from charitable bequests. In the long-term scenario, that percentage rises dramatically to 64 percent (or \$399.72 billion), exceeding the amount of bequests. See **Figures 2** and **3**.

In addition, affluent and wealthy individuals who are between 65 and 79 years of age are showing an increasing tendency to transfer assets out of their portfolios. Wealth advisors and financial planners report that more assets are being passed along via trusts, partnerships, family foundations, donor advised funds, direct gifts and other vehicles than was the case 10-15 years ago. Statistics from the U.S. Internal Revenue Service show a major increase in the asset values of private foundations, donor advised funds, split-interest trusts, and living trusts from 1997-2007.

"Additional lifetime giving," or the potential amount that people 65 to 79 years old may donate to charity over and above their usual lifetime gifts, could amount to \$9.04 billion, and in the long-term, a staggering \$46.15 billion.

Final Estate Value and Distribution

Estimates for the anticipated wealth transfer, nationally and in metropolitan Boston, include the predicted value of final estates. In the seven counties in the Greater Boston area, the model predicts that there will be:

- 1.42 million final estates between 2007 and 2061 with a total value of \$1.3 trillion
 - 12,124 will be worth \$10 million to \$19 million, or \$165 billion in aggregate
 - 6,585 will be worth \$20 million or more, or \$354 billion in aggregate

FIGURE 2
Potential Charitable Giving, 2007-2026
Greater Boston Area

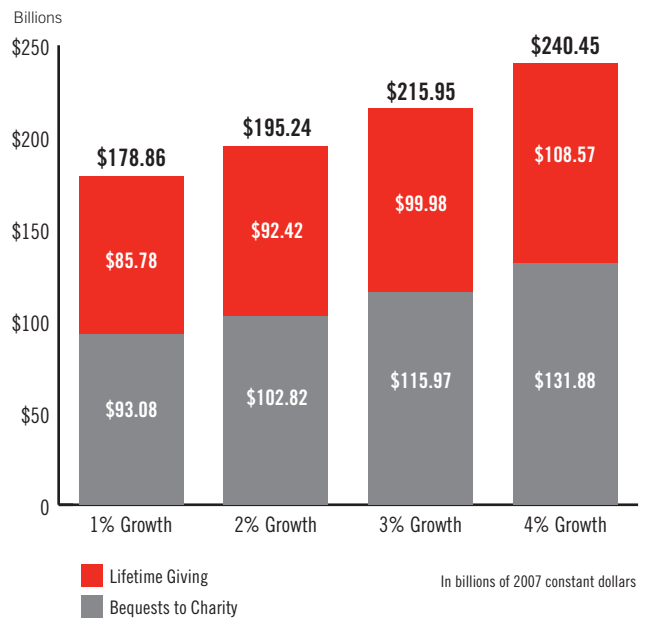
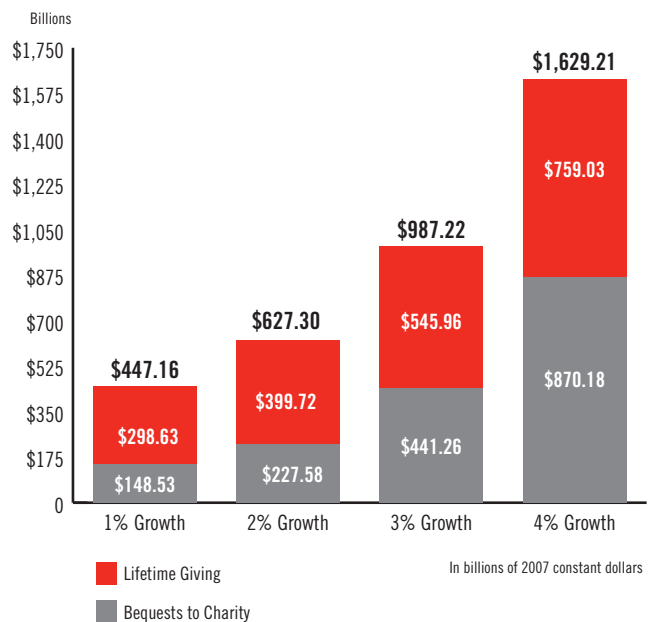


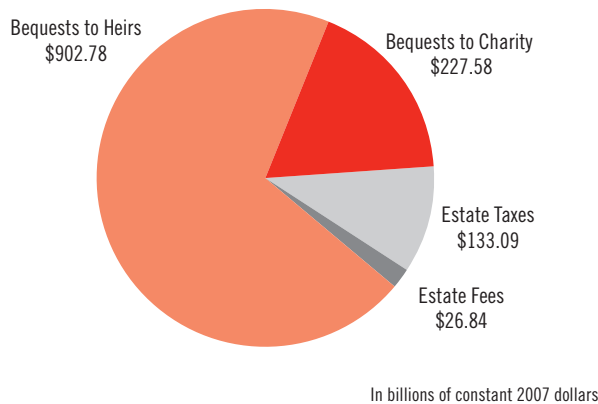
FIGURE 3
Potential Charitable Giving, 2007-2061
Greater Boston Area



- 359,577 final estates between 2007 and 2026 with a total value of \$411 billion
 - 998 will be worth \$10 million to \$19 million, or \$12.9 billion in aggregate
 - 3,575 will be worth \$20 million or more, or \$234 billion in aggregate.

Final estates are generally distributed four ways: to state and federal governments in the form of estate taxes, to charities, to heirs and to estate closing costs. See **Figure 4** for a representation of how the \$1.3 trillion in final estates in the long-term scenario may be divided. For a detailed accounting of the number and value of final estates in the short- and long-term scenarios, please see **Table 1**.

FIGURE 4
Distribution of Final Estates, 2007-2061
 Assuming 2% Growth and a \$5 Million Estate-Tax Exemption



Fundraising: The Importance of Lifetime Giving

Increased levels of lifetime giving by people ages 65-79 move a portion of the total wealth transfer 15 to 20 years closer to current time. This is important because some charitable transfers will take place sooner than they otherwise would have.

With regard to bequests, the percentage of an estate that is allocated to charity grows as the net worth of the estate increases—to 30% for estates of \$20 million or more. This means that the distribution of the value

TABLE 1

Greater Boston Area Final Estates by Net Worth, Two Percent Growth Scenario and \$5 Million Estate-Tax Exemption

2007-2026	Number of Estates		Aggregate Value of Estates (millions)	
Neg or Zero	16,519	4.59%	\$(311)	-0.08%
\$1 to \$9M	296,119	82.35%	\$68,697	16.72%
\$1M to \$4.9M	38,848	10.80%	\$71,160	17.32%
\$5M to \$9.9M	3,518	0.98%	\$24,185	5.88%
\$10M to \$19.9M	998	0.28%	\$12,859	3.13%
\$20M or more	3,575	0.99%	\$234,042	56.95%
Total	359,577	100.00%	\$410,961*	100.00%

2007-2061	Number of Estates		Aggregate Value of Estates (millions)	
Neg or Zero	96,996	6.82%	\$(3,733)	-0.29%
\$1 to \$9M	1,104,882	77.72%	\$224,764	17.42%
\$1M to \$4.9M	176,813	12.44%	\$378,399	29.33%
\$5M to \$9.9M	24,198	1.70%	\$167,777	13.00%
\$10M to \$19.9M	12,124	0.85%	\$165,237	12.81%
\$20M or more	6,585	0.46%	\$354,036	27.44%
Total	1,421,598	100.00%	\$1,290,290*	100.00%

In 2007 constant dollars, adjusted for the recession. Calculated at the Center on Wealth and Philanthropy at Boston College using the authors' Wealth Transfer Microsimulation Model (WTMM).

*Total value of estates with positive net worth and the cost of legal fees for estates with zero or negative net worth.

of charitable bequests is even more top heavy than the value of final estates.

This report assumes that charities continue their current level of effort to obtain donations and bequests. If they are able to raise funds more effectively, they can substantially increase the amount that goes to philanthropy. In any case, it is clear there will be plenty of resources available in the coming decades.

The Value of a Healthy Economy

Compared to the rest of the country, the Massachusetts economy has been robust for most of the past 15 years, during which time the Commonwealth had a real annual growth rate of 2.4 percent. This was sustained even through the dot-com recession and the Great Recession. In fact, the growth in state GDP was greater

than the national average of 2.1 percent during those years. Economic growth is important to wealth transfer because the rate of growth in household wealth tends to parallel the growth in GDP. People with at least \$1 million account for more than half of all gifts to charity in Massachusetts.

In recent years, the Commonwealth's economy slowly shifted away from traditional manufacturing and toward the research, technical, scientific and financial sectors. The higher education and health-care sectors grew proportionately larger, while high technology manufacturing has boomed since 2009. This is important because employees in these sectors tend to contribute more to charity than employees of other private-sector industries.

Those with Unearned Income Give More

High-value charitable contributions and bequests, as noted earlier, come from households with substantial net worth. While earned income is important in the accumulation of wealth, the unearned portion (interest, dividends, rents, royalties and capital gains) is more strongly related to the magnitude of charitable giving. Therefore, it is important to note that the real aggregate unearned income in Massachusetts grew at an average annual rate of .5 percent from \$62 billion (\$9,961 per capita) in 1997 to \$66 billion (\$10,035 per capita) in 2011, compared to a national rate of .2 percent, even though the rate of growth in real personal income was less than the national average (1.7 percent v. 2 percent) during the same period.

III.

Analysis

What are the Implications for Charities?

This report has made clear the effect of the Great Recession on wealth in the Greater Boston area and the potential for charitable giving in the coming decades. There is a great deal of unease among people at all levels of wealth about what the future holds. Will the economy recover and grow? Will elected officials act wisely with regard to taxes, spending and the federal deficit? Other research by the authors has shown that when people have confidence in their family's financial future, they give more generously to charity. That confidence has not yet been restored, but families at the high end of the wealth distribution are more likely to feel financially secure and therefore may continue to give a large percentage of their wealth to causes they believe in.

The uncertainty surrounding tax rates on income, unearned income and estates and a potential cap on deductions for charitable gifts spurred a flood of philanthropy at the end of 2012. The Boston Foundation, for example, took in a record \$93 million—three times more than usual—during the second half of 2012; other philanthropies and charitable funds in the Greater Boston area also reported huge increases as donors scrambled to take advantage of existing tax law. This torrent of dollars saved the nation's top charities from the 1 percent growth they had forecast for 2012, but there is no clarity about what might happen in 2013 and beyond.

There is still vast wealth in the Greater Boston area. But nonprofit organizations will have to adapt to the "new normal" and make an even greater effort to show donors that they are innovative, responsible stewards of the gifts entrusted to them. Charities that develop more sophisticated and dynamic approaches to fundraising, cultivate closer relationships with donors and work with financial advisors to help wealthy individuals maximize their potential impact could discover that the amount of wealth transferred to philanthropy is even greater than predicted here.

Strategies for the Future

While there are mixed findings about the extent to which taxes affect philanthropy, charities may want to communicate with donors in some detail about the changes encoded in the American Taxpayer Relief Act of 2012. High-income individuals will now pay higher taxes on income and capital gains, making giving appreciated stock or other assets a more attractive prospect. Itemized deductions will be reduced for those whose income exceeds a certain threshold. The higher rates also may provide incentive to fund charitable gift annuities, Donor Advised Funds and charitable remainder trusts. Even so, growth in GDP is a far greater determinant of charitable giving. If the economy can flourish, the amount of money available for charity will grow with it.

Given the increasing tendency of people to give away many of their assets late in life rather than after death, charities that develop relationships with people who are in their fifties could eventually see tremendous results. Wealthy people in this age group are thinking about how and when to distribute their assets, so educating them and their financial advisors about how to maximize their giving could be beneficial.

Hands-On Philanthropy and Donor Advised Funds

Some donors take an entrepreneurial approach to their philanthropy, making it not only a key ingredient in their financial planning but also central to their entire approach to living. This often takes the form of serving on a board or even the staff of a nonprofit organization.

Donor Advised Funds, which are offered by community foundations and some investment firms, allow high-net-worth individuals and their families to run what amounts to their own private foundations without the administrative expense, hassle or paperwork. These funds provide a way for wealthy people to transfer money in a tax-advantaged way and to give it away, on their own timetable, to the causes they believe in. A form of philanthropy once reserved for tycoons and

magnates is now available to anyone with a fair amount of wealth. Parents can pass their values and interests along to the next generation and encourage their children to develop charitable interests of their own.

Planned and Legacy Giving

Large community foundations and nonprofits with development staffs have a distinct advantage in encouraging charitable bequests through sophisticated approaches to gift planning. These may include charitable lead and remainder trusts, charitable gift annuities and pooled income funds. In addition, they can encourage donors to name the charity as a beneficiary of a retirement fund or other account.

The smallest nonprofits are at a disadvantage in this area, as their chief fundraiser is also typically the executive director in charge of running the day-to-day activities of the organization. These nonprofits might consider joining forces with others when it comes to strategic fundraising or making the leap to hiring a full-time fundraiser. Another way charities of any size can maximize gifts is through a passionate, engaged and active board that can play an active role in fundraising.

A Better World for All

The potential for charitable giving over the next five decades is enormous, offering much promise for the Greater Boston region and the nation as a whole. Americans at every income level tend to identify with the needs of others and help in ways appropriate to their circumstances. They know that philanthropy enhances lives, strengthens civic society, and provides a ladder to success for those who need some help to reach their full potential. If the economy can grow at a reasonable rate, new wealth will be created and more households will be able to contribute to a better world for all.

Guide to Tables

Tables 2 and 3

These tables illustrate the downward shift in the distribution of wealth in the Greater Boston area and the nation as a result of the Great Recession. Locally, almost 80,000 households slid from positive to zero or negative net worth; nationally the number grew by about 5 million. These tables show aggregate wealth for each level of net worth as well as the mean, or average, net worth per household.

Tables 4 and 5

These tables show household wealth in the Greater Boston area and the nation by the age of the head of household. One can see the total amount of wealth for each age group, as well as the mean, or average, net worth per household.

Tables 6 and 7

Here the reader can see 20- and 55-year estimates for wealth transfer in the Greater Boston area in eight scenarios: With 1, 2, 3 or 4 percent growth in Massachusetts GDP and with a \$1 million or \$5 million federal estate-tax exemption.

TABLE 2

Distribution of Household Net Worth in 2007 Greater Boston Area and the Nation

Household Net Worth	Boston				Nation			
	Households	Percent of HH	Net Worth (millions)	Mean Net Worth/HH	Households	Percent of HH	Net Worth (billions)	Mean Net Worth/HH
Negative or Zero	165,236	9.59%	-\$2,594	-\$15,699	12,187,577	10.50%	-\$172	-\$14,078
\$1 to \$199,999	750,797	43.57%	\$48,423	\$64,495	58,814,621	50.64%	\$3,670	\$62,397
\$200,000 to \$499,999	339,585	19.71%	\$106,924	\$314,866	23,144,901	19.93%	\$7,293	\$315,089
\$500,000 to \$999,999	228,704	13.27%	\$160,478	\$701,684	12,618,865	10.87%	\$8,766	\$694,659
\$1,000,000 to \$4,999,999	201,074	11.67%	\$392,841	\$1,953,719	7,631,104	6.57%	\$14,982	\$1,963,233
\$5,000,000 to \$9,999,999	21,248	1.23%	\$149,471	\$7,034,595	1,026,352	0.88%	\$7,340	\$7,151,414
\$10,000,000 to \$19,999,999	9,865	0.57%	\$134,857	\$13,669,637	483,492	0.42%	\$6,427	\$13,293,840
\$20,000,000 or More	6,700	0.39%	\$360,627	\$53,826,275	215,216	0.19%	\$9,819	\$45,624,369
ALL	1,723,209	100.00%	\$1,351,027	\$784,018	116,122,126	100.00%	\$58,125	\$500,549

In 2007 constant dollars. Calculated at the Center on Wealth and Philanthropy at Boston College with data from the Federal Reserve, U.S. Bureau of Labour Statistics and U.S. Census Bureau.

TABLE 3

Distribution of Household Net Worth in 2010 Greater Boston Area and the Nation

Household Net Worth	Boston				Nation			
	Households	Percent of HH	Net Worth (millions)	Mean Net Worth/HH	Households	Percent of HH	Net Worth (billions)	Mean Net Worth/HH
Negative or Zero	244,043	13.60%	-\$5,821	-\$23,853	17,152,469	14.77%	-\$371	-\$21,630
\$1 to \$199,999	738,037	47.08%	\$45,605	\$61,792	60,106,144	51.76%	\$3,594	\$59,799
\$200,000 to \$499,999	323,503	19.06%	\$102,962	\$318,272	20,804,540	17.92%	\$6,628	\$318,571
\$500,000 to \$999,999	216,730	10.29%	\$152,622	\$704,202	10,623,306	9.15%	\$7,425	\$698,904
\$1,000,000 to \$4,999,999	167,555	7.82%	\$332,042	\$1,981,695	5,943,694	5.12%	\$12,156	\$2,045,164
\$5,000,000 to \$9,999,999	19,745	1.37%	\$138,821	\$7,030,545	968,865	0.83%	\$6,850	\$7,070,417
\$10,000,000 to \$19,999,999	7,953	0.62%	\$110,504	\$13,893,804	366,362	0.32%	\$4,985	\$46,366,004
\$20,000,000 or More	5,643	0.15%	\$289,745	\$51,349,209	156,747	0.13%	\$7,268	\$46,187,354
ALL	1,723,209	100.00%	\$1,166,479	\$676,922	116,122,126	100.00%	\$48,535	\$417,963

In 2007 constant dollars. Calculated at the Center on Wealth and Philanthropy at Boston College with data from the Federal Reserve, U.S. Bureau of Labour Statistics and U.S. Census Bureau.

TABLE 4
Distribution of Net Worth by Age of Head of Household in 2007
 Greater Boston Area and the Nation

Age of Head of Household	Boston				Nation			
	Households	Percent of HH	Aggregate NW (millions)	Mean NW	Households	Percent of HH	Aggregate NW (millions)	Average NW
Under Age 30	210,942	12.24%	\$8,244	\$39,082	15,164,575	13.06%	\$998,806	\$65,864
30 to 39 years	300,153	17.42%	\$101,030	\$336,596	21,031,067	18.11%	\$3,945,442	\$187,601
40 to 49 years	383,910	22.28%	\$232,107	\$604,588	25,005,248	21.53%	\$10,638,303	\$425,443
50 to 59 years	357,035	20.72%	\$355,037	\$994,403	22,022,510	18.96%	\$16,444,816	\$746,728
60 to 69 years	218,460	12.68%	\$301,617	\$1,380,651	15,247,839	13.13%	\$14,475,832	\$949,369
70 to 79 years	127,045	7.37%	\$159,241	\$1,253,425	9,685,828	8.34%	\$7,172,514	\$740,516
80 years or Older	125,664	7.29%	\$193,750	\$1,541,814	7,965,062	6.86%	\$4,449,156	\$558,584
ALL	1,723,209	100.00%	\$1,351,027	\$784,018	116,122,126	100.00%	\$58,124,869	\$500,549

In 2007 constant dollars. Calculated at the Center on Wealth and Philanthropy at Boston College with data from the Federal Reserve, U.S. Bureau of Labour Statistics and U.S. Census Bureau.

TABLE 5
Distribution of Net Worth by Age of Head of Household in 2010
 Greater Boston Area and the Nation

Age of Head of Household	Boston				Nation			
	Households	Percent of HH	Aggregate NW (millions)	Mean NW	Households	Percent of HH	Aggregate NW (millions)	Average NW
Under Age 30	210,942	12.99%	\$5,325	\$25,243	15,164,575	13.06%	\$726,847	\$47,931
30 to 39 years	300,153	15.92%	\$79,264	\$264,077	21,031,067	18.11%	\$2,833,661	\$134,737
40 to 49 years	383,910	22.25%	\$197,140	\$513,506	25,005,248	21.53%	\$8,663,805	\$346,479
50 to 59 years	357,035	20.83%	\$308,728	\$864,699	22,022,510	18.96%	\$13,813,503	\$627,245
60 to 69 years	218,460	13.60%	\$265,130	\$1,213,633	15,247,839	13.13%	\$12,407,713	\$813,736
70 to 79 years	127,045	7.59%	\$135,465	\$1,066,275	9,685,828	8.34%	\$6,176,493	\$637,684
80 years or Older	125,664	6.81%	\$175,427	\$1,396,004	7,965,062	6.86%	\$3,912,736	\$491,237
ALL	1,723,209	100.00%	\$1,166,479	\$676,922	116,122,126	100.00%	\$48,534,756	\$417,963

In 2007 constant dollars. Calculated at the Center on Wealth and Philanthropy at Boston College with data from the Federal Reserve, U.S. Bureau of Labour Statistics and U.S. Census Bureau.

TABLE 6

Estimated Wealth Transfer in the Greater Boston Area, 2007-2026 (20 Years)

In billions of constant 2007 dollars

	1% Growth Scenario		2% Growth Scenario		3% Growth Scenario		4% Growth Scenario	
	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012
Total Wealth Transfer (Unadjusted for Recession)	\$459.84	\$461.19	\$546.92	\$548.68	\$663.25	\$665.89	\$801.02	\$804.59
Total Wealth Transfer (Adjusted for Recession)	\$407.19	\$408.22	\$461.51	\$463.04	\$527.91	\$529.82	\$600.13	\$602.57
Additional Lifetime Giving (ages 65-79)	\$7.14	\$7.21	\$8.94	\$9.04	\$11.23	\$11.36	\$14.04	\$14.23
Other Lifetime Transfers	\$33.98	\$34.29	\$42.45	\$43.03	\$56.53	\$57.22	\$72.68	\$73.55
Value of Final Estates	\$366.07	\$366.73	\$410.12	\$410.96	\$460.15	\$461.25	\$513.40	\$514.78
Distribution of Final Estates								
Massachusetts Estate Tax Liability	\$21.16	\$21.20	\$23.76	\$23.81	\$27.39	\$27.47	\$31.78	\$31.89
Federal Estate Tax Liability	\$73.10	\$40.84	\$84.02	\$44.58	\$98.29	\$50.50	\$114.89	\$58.03
Charitable Bequests	\$82.24	\$93.08	\$89.99	\$102.82	\$100.55	\$115.97	\$113.37	\$131.88
Bequests to Heirs	\$182.55	\$204.43	\$204.45	\$231.69	\$225.12	\$258.35	\$243.70	\$283.16
Estate Closing Fees	\$7.03	\$7.17	\$7.91	\$8.06	\$8.80	\$8.96	\$9.66	\$9.82
Potential for Charity								
Baseline Lifetime Giving Trend	\$78.57	\$78.57	\$83.38	\$83.38	\$88.62	\$88.62	\$94.34	\$94.34
Additional Lifetime Giving (ages 65-79)	\$7.14	\$7.21	\$8.94	\$9.04	\$11.23	\$11.36	\$14.04	\$14.23
Total Lifetime Giving	\$85.72	\$85.78	\$92.32	\$92.42	\$99.85	\$99.98	\$108.39	\$108.57
Charitable Bequests	\$82.24	\$93.08	\$89.99	\$102.82	\$100.55	\$115.97	\$113.37	\$131.88
Potential Total to Charity	\$167.95	\$178.86	\$182.31	\$195.25	\$200.40	\$215.94	\$221.76	\$240.45

“Exemption” refers to the federal estate-tax exemption. All dollar values have been adjusted for the recession.

Source: Calculated at the Center on Wealth and Philanthropy at Boston College with the authors’ Wealth Transfer, Microstimulation Model (WTMM). Data sources include the U.S. Centers for Disease Control, the U.S. Internal Revenue Service, the Massachusetts Department of Revenue, the Federal Reserve, the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.

TABLE 7

Estimated Wealth Transfer in the Greater Boston Area, 2007-2061 (55 Years)
 In billions of constant 2007 dollars

	1% Growth Scenario			2% Growth Scenario			3% Growth Scenario			4% Growth Scenario		
	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012	\$1 M Exemption after 2012	\$1 M Exemption after 2012	\$5 M Exemption after 2012	
Total Wealth Transfer (Unadjusted for Recession)	\$1,114.86	\$1,142.54	\$1,808.00	\$1,865.04	\$3,142.99	\$3,259.32	\$5,559.89	\$5,789.95				
Total Wealth Transfer (Adjusted for Recession)	\$949.77	\$972.90	\$1,467.31	\$1,515.79	\$2,348.58	\$2,441.30	\$3,825.86	\$3,993.84				
Additional Lifetime Giving (ages 65-79)	\$24.47	\$25.83	\$43.57	\$46.15	\$74.20	\$79.07	\$124.13	\$132.04				
Other Lifetime Transfers	\$97.79	\$104.44	\$165.27	\$179.35	\$290.92	\$314.65	\$495.25	\$541.66				
Value of Final Estates	\$827.50	\$842.63	\$1,258.46	\$1,290.29	\$1,983.46	\$2,047.58	\$3,206.48	\$3,320.14				
Distribution of Final Estates												
Massachusetts Estate Tax Liability	\$36.09	\$36.88	\$58.91	\$60.94	\$106.37	\$111.06	\$200.39	\$209.72				
Federal Estate Tax Liability	\$165.66	\$50.50	\$288.90	\$72.15	\$523.85	\$130.66	\$933.66	\$269.78				
Charitable Bequests	\$121.62	\$148.53	\$175.18	\$227.58	\$321.99	\$441.26	\$629.20	\$870.18				
Bequests to Heirs	\$486.59	\$588.77	\$709.35	\$902.78	\$992.59	\$1,324.73	\$1,384.85	\$1,910.11				
Estate Closing Fees	\$17.53	\$17.96	\$26.13	\$26.84	\$38.67	\$39.87	\$58.37	\$60.36				
Potential for Charity												
Baseline Lifetime Giving Trend	\$272.80	\$272.80	\$353.58	\$353.58	\$466.89	\$466.89	\$626.99	\$626.99				
Additional Lifetime Giving (ages 65-79)	\$24.47	\$25.83	\$43.57	\$46.15	\$74.20	\$79.07	\$124.13	\$132.04				
Total Lifetime Giving	\$297.27	\$298.63	\$397.15	\$399.72	\$541.09	\$545.96	\$751.12	\$759.03				
Charitable Bequests	\$121.62	\$148.53	\$175.18	\$227.58	\$321.99	\$441.26	\$629.20	\$870.18				
Potential Total to Charity	\$418.89	\$447.15	\$572.33	\$627.30	\$863.07	\$987.22	\$1,380.33	\$1,629.22				

"Exemption" refers to the federal estate-tax exemption. All dollar values have been adjusted for the recession.

Source: Calculated at the Center on Wealth and Philanthropy at Boston College with the authors' Wealth Transfer, Microstimulation Model (WTMM).

Data sources include the U.S. Centers for Disease Control, the U.S. Internal Revenue Service, the Massachusetts Department of Revenue, the Federal Reserve, the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.

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