

THE BIG IDEA

The transfer of wealth

**THOMAS B. MURPHY**  
**What I've done with my money**

**A**s a result of being in the right place at the right time, I realized in the early 1980s that I had not only reached my lifetime financial goals, I had exceeded them. Now, the challenge was, "What should I do with the excess?"

Two options quickly ruled themselves out: Endless accumulation seemed purposeless; increased consumption was wasteful. After making some rough calculations, I determined that a portion of my earnings would go to my children and their families, the rest I would give away. Exploring exactly how I would do that has been my most recent occupation.

My first priority — providing for the needs of my children, their spouses, and my grandchildren — was very straightforward. My objective was to empower them now and not at some future time. I wanted my money to give them choices: They could change careers, be stay-at-home moms, send their children to private schools. But I didn't want to control their decisions; the dollars came with no strings attached. While this had to be done within the constraints of the tax code, it was relatively easy to accomplish.

Determining the amounts to be allocated for philanthropic purposes was also easy. Deciding how to use that money was not. Most of what I knew and had been taught about money was how to make it. I knew little or nothing about how to give it away effectively. Nor was there a ready source to go to find out how to do it.

Giving money away is a little like picking an investment. But with an investment, the return becomes known sooner or later. With a gift of money, the results are less clear. But if I wanted to be an effective giver I had to know what impact my gifts would have. Thus, if I wanted to spend my philanthropic dollars wisely, I had to become familiar with the beneficiary's needs and discover how my money could match them.

Here's what I've done with my money:

- Fund research. In order that I might become a more effective giver (and help develop data that would help others improve their giving), I became involved as both a participant and a funding source in a research project that analyzes giving patterns and motivations of wealthy individuals. This project has continued for nearly 20 years, with the research being available to academics, wealth-holders, and the public.
- Support Volunteers in Prison, Probation, and Prevention, a program that pairs volunteers with first-time offenders. In lieu of spending time with their probation officers, offenders agree to spend one hour a week for 52 weeks with a volunteer whose sole interest is in helping him stay straight.



CHRISTOPHE VOLET ILLUSTRATION

Now a word from the next generation

**Q.** How has the money your father has given you over the years affected your life?  
**A.** I'm the middle of five siblings, four boys and one girl. I don't think it's a coincidence that three of my siblings are entrepreneurs. The money we've received has allowed all of us to take risks and make choices, knowing at the end of the day that we'd be able to provide for our families. Also, knowing that my father was able to build wealth over his career has given me the incentive to do the same.

**Q.** Some children who inherit wealth might see it as a burden. Do you?  
**A.** Absolutely not. I think my generation sees wealth as an opportunity. First, to take risks in our own lives and, once we've provided for our family's needs, to help effect change. I grew up in Detroit, a city with a plenty of problems, and there are all sorts of ways I want to help.

**Q.** Does philanthropy have the same appeal for you?  
**A.** You know the expression, "To whom much is given, much is expected?" Well, I think that's a fair motto. I also think my father has enjoyed giving his money away just as much as he's enjoyed making it.

**Q.** Do you think your generation has a different relationship to its money than the previous one? Do we take it more for granted? And might this affect how we spend it, save it, or give it away?  
**A.** My father, like many in his generation, came from very humble beginnings. I, on the other hand, grew up in an upper middle class environment and was afforded the opportunity to pursue athletic and academic objectives without many constraints. Although I was encouraged to work and earn a wage in my late teens and early 20s, the money earned was typically used as discretionary income primarily for friends and fun. Perhaps not until I was married with a mortgage and children (early 30s) did it really begin to sink in — the need to have a more disciplined approach toward managing my financial resources.

The downturn in the market this past year, coupled with 9/11 and the reduction in my net worth as a result of a portfolio weighted too heavily in technology, has afforded me perhaps a glimpse of the uncertainty enjoyed by my parents' generation. That being said, I remain committed toward providing a not insignificant percentage of my total income and my time to causes and organizations aligned with my core values. I know that the actions of my father and mother in how they have managed their wealth and, more important, how they have interacted with my siblings, friends, coworkers, and the broader community, have rooted in me the deep conviction that we have a responsibility to make a positive difference in our world by serving others through the gifts, resources, and talents provided to us.

**Robert L. Murphy, 35, the son of Thomas B. Murphy, is a managing partner of Hart Media Group, a marketing and advertising company in Ann Arbor, Mich.**

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The children wear uniforms. Their parents sign a contract in which they agree to limit TV time and attend parent-teacher meetings. Costs are \$5,000 per pupil, most of which is paid by donations. Having recently celebrated its 10th anniversary, the school has expanded to four campuses and has enrolled 700 students. My involvement with this project has confirmed to me what

I already knew — that money doesn't equal happiness. Money expands alternatives, but it provides no guidance on making choices. Happiness, as Aristotle told us, comes from making the right or wise choices.

For me, giving my money away wisely has been a happy experience.

**Thomas B. Murphy was the principal owner and is a former chairman of the board of Spring Arbor Distribution Co. He grew up in Brooklyn and has homes in Michigan and Florida.**

**PAUL SCHERVISH**  
**The new philanthropists**

**I**t is no surprise that there has been a dramatic growth in American wealth over the past 50 years. We've all read about the vast fortunes of billion-dollar celebrities and experienced the standard of living. But the happy truth is that most of this new wealth has been earned by a post-World War II generation of hard-working families.

These are the friends and neighbors who invested in moderately priced homes that have skyrocketed in value; people who put their money into a stock market that — despite several downturns (including the present one) — has gone steadily up; men and women who have grown family businesses or into financial empires.

Now, as this generation passes on, and as their children begin to grow new fortunes out of their own work and inheritance, this nation will witness an unprecedented transfer of wealth — to heirs, government, and charity — over the next 50 years.

According to a wealth simulation model I developed with John Havens, my Boston College colleague, an astounding \$40.6 trillion dollars will change hands from 1998 to 2052.

This is, in fact, a low estimate, based on a meager 2 percent growth rate and a very low savings rate. If we base our estimates on historical levels of savings and on the average real growth rate of 3 percent over the past two decades, the wealth transfer rises to \$73 trillion.

If the growth rate were to average a still reasonable 4 percent and people saved just a little more, the projected transfer would increase to \$136 trillion. And this is just the tip of the iceberg. For the transfer figures represent only what is left over after a lifetime of spending, including large gifts to family and charities.

With so much wealth in play, more and more individuals come to recognize at an earlier age that their financial resources exceed the material needs of themselves and their family. Our studies reveal that these wealth-holders are joining their older peers as the new philanthropists. They seek out other than their greater charitable involvement. They approach their philanthropy in the same entrepreneurial spirit with which they made their fortunes. And they are making philanthropy a key element in the financial morality they pass on to their children.

Even now, before a generous nation. Even now, the average American household donates over \$1,100 a year to charity. But it's small potatoes when compared to our 50-year projections of future giving, which will range from be-

tween \$19.4 trillion and \$50.8 trillion in combined lifetime giving and charitable bequests. To get a feel for how much this is, know that the entire annual federal budget is currently \$2 trillion, with discretionary spending totaling just \$800 billion.

Contrary to popular belief, many of today's wealth-holders are not greedy, self-indulgent, or uncaring. The richest 5 percent of households (those with an adjusted gross income of \$146,000 or more) contribute 60 percent or \$71 billion of the \$122 billion a year given by individuals. Similarly, the 2 percent of estates valued at \$3 million or more made 78 percent or \$12 billion of the \$16 billion in charitable bequests.

In fact, based on our interviews with more than 200 individuals, wealth-holders are eager to use their money wisely. Most realize that deeper dimensions of happiness and effectiveness await them in giving their money away. But they want to do it actively, by personally creating new and better results in philanthropy just as they did in business. Thus a billionaire like Bill Gates will see the ravages of poverty and disease in Africa and develop a child-based plan to combat them.

What is new about the so-called new philanthropists is how widespread the capacity and desire to improve the fate of others has become. Twenty years ago, so many people, with so much wealth, energy, and entrepreneurial instinct concluded that applying finances to meet the needs of others is a path of self-indulgence.

This kind of proactive charity suggests a new relationship between donors and charities. Donors are looking for ways to express their gratitude for good fortune and to help those people and causes that capture their hearts. It behooves charities to work with rather than against such constructive energy. Why? Once fund-raising is made to serve the mutual needs of donors and charities, giving will be more wholeheartedly pursued and sustained.

Philanthropy is not, of course, the only or even most noble way many people exercise their morality of money. Conscientious consumption, productive investment, just pay packages, and financial assistance for relatives and friends are of equal importance. But as more people achieve financial security and wish to positively affect the world around them, philanthropy will provide an increasingly important aspect of individuality in an age of affluence.

**Paul G. Schervish is a professor of sociology and director of the Social Welfare Research Institute at Boston College.**

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CONSIDER THIS...

BY THE NUMBERS



RESOURCES

[www.bc.edu/swri](http://www.bc.edu/swri)

Home page for the Social Welfare Research Institute at Boston College, a multidisciplinary research center specializing in the study of spirituality, wealth, philanthropy, and other aspects of cultural life in an age of affluence.

[www.inheritance-project.com](http://www.inheritance-project.com)

The Inheritance Project explores the emotional and social impact of inherited wealth. There are a variety of publications listed.

BOOK GROUP

**"The Gospel of Wealth (Little Books of Wisdom)"**  
 By Andrew Carnegie

This classic essay by Andrew Carnegie about responsibilities of the wealthy to use their money for the good of society first appeared in 1889. It's said to have inspired Bill Gates.

**"Beyond the Grave: The Right Way and the Wrong Way of Leaving Money to Your Children (And Others)"**  
 By Gerald M. Condon, Jeffrey L. Condon

With good sense, humor, and authority, the authors provide a thorough look at inheritance planning with an eye toward maintaining family relations well after the estate has been settled.

**"Don't Just Give It Away: How to Make the Most of Your Charitable Giving"**  
 By Renato J. Raglino, introduction by Paul Newman

Author shows readers how to tune out fund-raising hype and make their donations to charity really count.

NOTES: All figures are in constant 1998 dollars and assume a 2 percent growth in the 1998 value of wealth held in the US. \* Excludes value outside the US and is 100% of net worth because they are assumed. SOURCES: Boston College Social Welfare Research Institute; GLOBE STAFF GRAPHIC/LESTER HORNBLUM, DAVID BULLER

## THE BIG IDEA

# The transfer of wealth

### CONSIDER THIS . . .

#### BY THE NUMBERS

Wealth projected by Havens and Schervish to be transferred from the year 1998 through 2052

76.6 million estates valued between **\$1 and \$0.9 million** are worth ...

**\$13.9 trillion**

5.3 million estates valued from **\$1 million to \$4.9 million** are worth ...

**\$11.4 trillion**

736,000 estates valued from **\$5 million to \$19.9 million** are worth ...

**\$6.7 trillion**

203,000 estates valued at **\$20 million or more** are worth ...

**\$8.7 trillion**

Total value of all estates\*:

**\$40.6 trillion**

Estate fees:

**\$1.6 trillion**

Estate taxes:

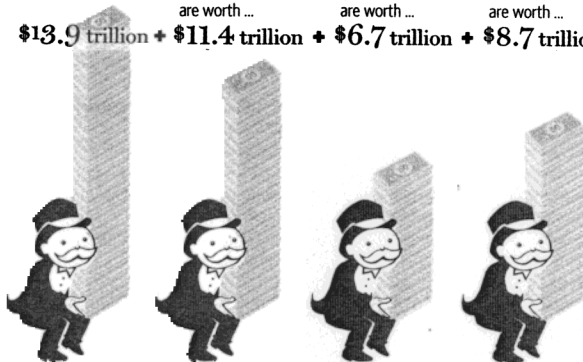
**\$8.5 trillion**

Bequests to heirs:

**\$24.6 trillion**

Bequests to charities:

**\$6 trillion**



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\* Estate value subtotals do not add to \$40.6 trillion because they are rounded.

SOURCES: Boston College Social Welfare Research Institute

GLOBE STAFF GRAPHIC/KATHLEEN HENNIKUS, DAVID BUTLER

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These are the friends and neighbors who invested in moderately priced homes that have skyrocketed in value; people who put their money into a stock market that — despite several downturns (including the present one) — has gone steadily up; men and women who have grown family businesses into financial empires.

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THOMAS  
B. MURPHY

# What I've done with my money

As a result of being in the right place at the right time, I realized in the early 1980s that I had not only reached my lifetime financial goals, I had exceeded them. Now, the challenge was, "What should I do with the excess?"

Two options quickly ruled themselves out: Endless accumulation seemed purposeless; increased consumption was wasteful. After making some rough calculations, I determined that a portion of my earnings would go to my children and their families, the rest I would give away. Exploring exactly how I would do that has been my most recent occupation.

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Giving money away is a little like picking an investment. But with an investment, the return becomes known sooner or later. With a gift of money, the results are less clear. But if I wanted to be an effective giver I had to know what impact my gifts would have. Thus, if I wanted to spend my philanthropic dollars wisely, I had to become familiar with the beneficiary's needs and discover how my money could match them.

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■ Support Volunteers in Pris-

on, Probation, and Prevention, a program that pairs volunteers with first-time offenders. In lieu of spending time with their probation officers, offenders agree to spend one hour a week for 52 weeks with a volunteer whose sole interest is in helping him stay straight.

The object of the program is to reduce recidivism, and it is working. In Detroit, where the program is based, there's been a 25 percent decrease in prison returns.

■ Assisted in the early development of the Cornerstone Schools

in Detroit. This program provides funds for inner-city children from mostly single-parent families to attend a safe school that emphasizes Christian values.

The children wear uniforms. Their parents sign a contract in which they agree to limit TV time and attend parent-teacher meetings. Costs are \$5,000 per pupil, most of which is paid by donations. Having recently celebrated its 10th anniversary, the school has expanded to four campuses and has enrolled 700 students.

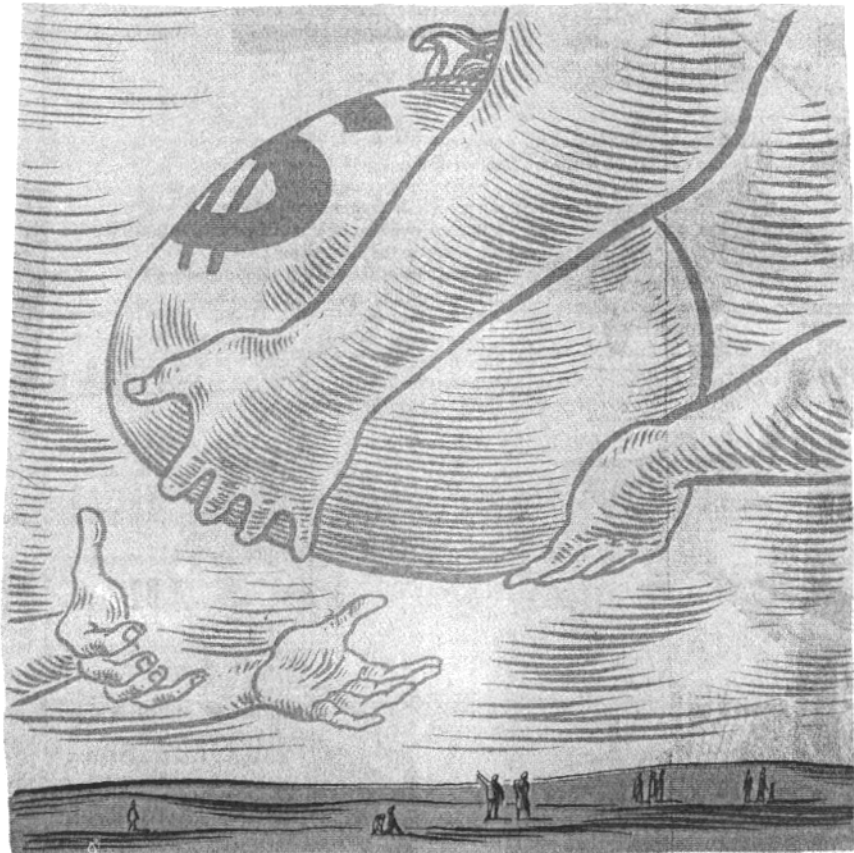
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CHRISTOPHE VORLET ILLUSTRATION

## Now a word from the next generation

**Q. How has the money your father has given you over the years affected your life?**

**A.** I'm the middle of five siblings, four boys and one girl. I don't think it's a coincidence that three of my siblings are entrepreneurs. The money we've received has allowed all of us to take risks and make choices, knowing at the end of the day that we'd be able to provide for our families. Also, knowing that my father was able to build wealth over his career has given me the incentive to do the same.

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