“The New Philanthropists”

Paul G. Schervish

*Boston Sunday Globe*

The Big Idea Page, Focus Section

March 3, 2002
The transfer of wealth

THOMAS B. MURPHY

What I've done with my money

A result of being in the middle of things during the years, I realized that the middle of life is not my middle anymore. I should have done more of what I wanted to do before I got caught up in the routine of life. It's too late to backtrack. I was not a great writer, but I was a good reader. I read a lot of books, but I never really got into the habit of writing. I wanted my money for the things that I enjoyed. Today, I'm not sure if I have enough money to do all the things I want to do. I'm not sure if I have enough time to do all the things I want to do. I'm not sure if I have enough money to do all the things I want to do.

NOW a word from the next generation

Paul Schervish
The new philanthropists

I'm sure that there has been a lot of interest in the topic of wealth, especially in the last few years. The amount of wealth in the United States has increased dramatically, and so has the amount of wealth in the world. It's easy to see that the gap between the rich and the poor is getting wider and wider. It's easy to see that the gap between the rich and the poor is getting wider and wider. It's easy to see that the gap between the rich and the poor is getting wider and wider. It's easy to see that the gap between the rich and the poor is getting wider and wider. It's easy to see that the gap between the rich and the poor is getting wider and wider.

Now, as this generation passes on, and as their children begin to rise and to rise and to rise, their wealth becomes a new generation of wealth. This is a new generation of wealth. This is a new generation of wealth. This is a new generation of wealth. This is a new generation of wealth. This is a new generation of wealth.

In the next 50 years, an estimated $5.5 trillion dollars will change hands.

If the growth curve were to continue, and if the current trends were to continue, the generation of wealthy people will increase to 65 million. And this generation of wealthy people will increase to 65 million. And this generation of wealthy people will increase to 65 million. And this generation of wealthy people will increase to 65 million. And this generation of wealthy people will increase to 65 million.

The old generation, which includes just a few, billionaire philanthropists, will give billions to the new generation. For the transfer figures represent what is likely to happen after a lifetime of spending, it is not because the new generation was given billions of dollars. It is because the old generation was given billions of dollars. It is because the old generation was given billions of dollars. It is because the old generation was given billions of dollars. It is because the old generation was given billions of dollars.

Wealth is not a given. It is earned. The old generation earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication.

Wealth is not a given. It is earned. The old generation earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication.

Wealth is not a given. It is earned. The old generation earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication.

Wealth is not a given. It is earned. The old generation earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication. They earned their wealth through hard work and dedication.
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

<table>
<thead>
<tr>
<th>Estates</th>
<th>Value</th>
<th>Estates</th>
<th>Value</th>
<th>Estates</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>76.6 million</td>
<td>$1 million</td>
<td>736,000</td>
<td>$5 million</td>
<td>201,000</td>
<td>$19.9 million</td>
</tr>
<tr>
<td>and $0.9 million</td>
<td>are worth...</td>
<td>and $0.9 million</td>
<td>are worth...</td>
<td>and $0.9 million</td>
<td>are worth...</td>
</tr>
<tr>
<td>$13.9 trillion</td>
<td>$11.4 trillion</td>
<td>$6.7 trillion</td>
<td>$8.7 trillion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

RESOURCES

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

GOT A BIG IDEA?
Have any feedback on this one?
E-mail us at bigidea@globe.com

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 1898. 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 Renata J. Rafferty, 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 2 percent growth in the 1998 value of all wealth held in the US.
* Estate value subtotals do not add to $40.6 trillion because they are rounded.

GLOBE STAFF GRAPHIC/KATHLEEN HENNRIKUS, DAVID BUTLER
The new philanthropists

It 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 enormous jumps in value at the stock market. 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 lived through the Depression, became breadwinners, and earned their way into the middle class.

Now, as this generation passes on, and as their children begin to grow new fortunes out of their own investments, we are beginning to see this nation witness an unprecedented transfer of wealth—to heirs, government, and charity—over the next 50 years. As in a wealth simulation model I worked with John Havens, my Boston College colleague, an astonishing $40.6 trillion dollars will change hands from 1997 to 2052. This is, in fact, a low estimate, based on a meager 2 percent growth rate and low savings rate. If we base our estimates on historical levels of savings and on the average recent rate of growth, 5 percent over the past two decades, the wealth transfer rises to $73 trillion.

If this rough estimate were to average a still reasonable 4 percent and people saved just a little more, the projected transfer would still be $67 trillion. And just this 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 they have the resources to meet 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 think more about charity, and the need to step up to a higher moral standard. And because they are making philanthropy a key element in the financial morality they pass on to their children.

We have always been a generous nation. Even now, the average American household spends 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 between $10-4 trillion and $50.6 trillion in combined lifetime giving and charitable bequests. To get a feel for how much this is, know that the entire national federal budget is currently $2 trillion, with nondefense increasing by an amount totaling just $300 billion.

Contrary to popular belief, many of today's wealth-holders are not only responsible but also very unselfish. The richest 5 percent of households (those with an adjusted gross income of $140,000 or more) contribute 40 percent and 61 percent of the $125 billion a year given by individuals. Similarly, the 2 percent of estates valued at $3 million or more made 75 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 the 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 enriched opportunities just as they did in business. Thus a billionaire like Bill Gates will see the ravages of poverty and disease in Africa and design a three-part plan to combat them.

What is new about the so-called new philanthropists is how comfortably they combine charity and desire to improve the fate of others that has become. Never before have so many people had the wealth, energy, and entrepreneurial instinct that applies to fund raising to meet the needs of others in a path of self fulfillment.

This kind of proactive charity suggests a new relationship between businesspersons and philanthropy. Donors are looking for ways to express their gratitude for good fortune and to help those people and causes that capture their hearts. In fact, we predict that the new philanthropy will attract and be more wholeheartedly pursued and sustained.

Philanthropy, not of course, the only or even most noble way, may be the most natural form of morality of charity. Conscientious consumption, productive investment, just pay packages, and financial assistance for relatives and friends are among the many ways, and for more people achieve financial security and wish to positively affect the world around them, philanthropy will likely become an increasingly important aspect of spirituality in an age of affluence.

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

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 Pris-
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 that has 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 reality 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 recession in my net worth as a result of a portfolio weighted too heavily in technology, has made 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 appreciation 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, 39, the son of Thomas B. Murphy, is a managing partner of Hart Media Group, a marketing and advertising company in Ann Arbor, Mich.