

**Capacity for Care:
Today, Yesterday, and Tomorrow**

John J. Havens
Paul G. Schervish
Center on Wealth and Philanthropy
Boston College
paul.schervish@bc.edu
www.bc.edu/cwp

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Empirical Generalizations

Today

Before we look at the post-boomers, we need to know that the boomers will keep fundraisers busy at least three more decades. They are wealthier in total and per household than any previous generation and are just now coming into prime giving ages. For now and for several decades, these boomers will increasingly become the prime prospects for charitable giving (both inter vivos and testamentary). They will receive the greatest wealth transfer in history. But a substantially larger transfer wealth will be given by them than was given to them.

Yesterday

The pre boomers (ages 65 and above) are going to transfer the greatest amount in history to heirs and philanthropy (inter-vivos) and testamentary. It would be a serious error if we did not consider them prime prospects for charitable giving over the next two decades.

Tomorrow

The post boomers (ages 45-28) are as large a group as the boomers, have a greater level of wealth than boomers did at same age, but currently give less than boomers did at the same age. They may be delaying giving somewhat because they envision a longer life span and have faced the forces of financial insecurity since the 1999 recession, bursting of high tech bubble in 2000, and the attacks and aftermath of 2001.

Specific Findings

Data mainly from the 2007 Survey of Consumer Finances, Sponsored by the Board of the Federal Reserve.

1. Boomers are currently aged 46-64, which is prime time for financial planning in light of retirement and in light of death; it is also prime earning years. Households headed by boomers constitute 37.7% of all households in the U.S.
2. In 2007 the households headed by boomers owned total assets of \$36.4 trillion (2007 dollars) - 48.1% of all household assets in the U.S. These boomer households owned \$31.0 trillion in net worth -- also 48.1% of all household net worth.
3. The wealth of the pre-boomer generation increased (in real terms) by 90% during the 18 years since their generation was age 46-64. There is every reason to believe that the wealth of the boomer generation will also continue to increase in real terms as the economy resumes its trajectory of growth during the next 18 years. As a generation, the boomer's financial capacity to give will thus continue to increase.
4. In 2007 the number of boomer households with at least \$1 million in total assets was already 6.51 million out of 43.7 million total boomer households. In percentage terms 14.8% of boomer households owned at least \$1 million in total assets.
5. When the pre-boomer generation was the same age as the current boomer generation, the dollar was worth more in terms of purchasing power. At that time \$598 thousand could buy what it takes \$1 million to purchase today. At that time there were 2.68 million households with at least \$598 thousand in assets out of 25.98 million households in the pre-boomer generation. In proportional terms that amounts to 10.2% of the pre-boomer households at that time. Measured both in numbers and percentage of the generation, there are more boomer millionaires today than there were among the pre-boomer generation when they were the same age.
6. In 2007 there were 4.28 million pre-boomer households with at least \$1 million in assets out of a total of 23.41 million pre-boomer households - in proportional terms this amounts to 18.3%. In 18 years the proportion of pre-boomer households with a million dollars in assets has increased by 79%. Over the next 18 years the percentage of boomer households with at least \$1 million in total assets (in 2007 purchasing power) could well approach 25%. That is quite a good prospect pool.

7. In 2007 boomers gave \$112.2 billion to charitable causes from their household assets, an average of \$2,566 per boomer household. The \$112.2 billion constituted 50.3% of all household charitable contributions. So boomers constitute 37.7% of all households but contribute 50.3% of all contributions. As a group, therefore, they are therefore already charitably inclined.

8. When the pre-boomer generation was the same age as the boomer generation was in 2007 they gave \$48.5 billion (2007 dollars) to charitable causes, an average of \$1,869 per household. In 2007 they gave \$62.5 billion to charity - an average of \$2,670 per household. Real aggregate giving by pre-boomer households grew by 28.8% and average giving per household by 42.9% during those 18 years -- all from household assets. Giving by boomers has the potential to increase to \$144 billion per year (in 2007 dollars) during the next 18 years if those advocating on behalf of others continue to focus on pre-boomer fundraising.

9. The pattern portrayed above pertains only to assets currently owned by members of households. It does not count assets owned by foundations and trusts, nor does it count donations made by foundations and trusts. In 2007 boomer households had 196 thousand family foundations/trusts with assets valued at \$68.2 billion. This amounted to 33.4% of all family foundations/trusts and 20.9% of all family foundation/trust assets. Pre-boomer households have 219 thousand family foundations/trusts with assets valued at \$110 billion. This amounts to 37.4% of all family foundations/trusts and 33.7% of all family foundation/trust assets. There is no historical data on which to base projections.

10. The post-boomer generation is almost identical in size now (39.3 million households) as the current boomer generation was (39.5 million households) when it was the same age. The post-boomer generation has more income and more net worth than the boomer generation had. However it contributes only 80% as much to charitable causes as compared with what the boomer generation gave with it was the same age. The challenge for AFP members is to apply the invitational approach to engage this younger generation more fully in charitable giving which should also lead to more charitable bequests.

11. Also relevant to this discussion are some findings from our current, not-yet published findings that we discovered during our work to update and expand sources of information for our new wealth transfer model.

- For instance, as heads of affluent/wealthy households age through their 60's and 70's into their 80's, they are moving from owning business and real estate equity to divesting themselves of more of these types of assets and transitioning toward succession plans for their transfer while they are still alive. This is a shift in the past 20 years when more of these types of assets tended to be held until death. There are thus smaller numbers and smaller values of business and real estate assets in portfolios of older households and thus smaller amounts to be included in estates.

- Some evidence indicates that over the past decade the down turn in the growth of charitable bequests has coincided with an increase in the inter-vivos establishment and transfer of assets to private foundations.
- Financial assets among high-net-worth households will continue to grow (and not decrease) at older ages just as they have in the past.
- Thus there is more opportunity for charitable gifts among older householders as they divest themselves of real and business assets during their lifetimes.
- There is also the likelihood of lower growth in the value of estates in the future (whether this translates into larger or smaller charitable bequests is an open question) but there are still a large amount of financial assets and fewer succession issues, which may make people more amenable to charitable bequests.
- There has been a dramatic shift for boomers in their distribution of wealth from 1989 to 2007. There has been a complete reversal with the majority in the past having little wealth and few with higher wealth. Today the majority has higher wealth and a minority has lower wealth.

Getting a Handle on Trends in Planned Giving for Universities and Colleges

On a practical level, the propensity and size of charitable bequests relative to life-time giving (including giving from one's foundation) is likely to continue to decline—as it has since the mid-1990s. Anecdotal and some statistical evidence confirm that giving by higher net worth individuals for foundation formation and augmentation has grown steadily since that time. This does not mean that bequests do not remain a major, if not the major form of planned giving that tends to be neglected in practice (if not in words) especially when charities get beyond their “usual suspects.” A wonderful piece of research would be to document (even for one sector such as higher education for which longitudinal data is available) whether and in what way there is a disproportionate growth in forms of giving, other than bequests, that are triggered by death—such as charitable annuities, charitable remainder trusts, insurance policies, retirement fund contributions, etc.

“Bequests” from Foundations?

None of this implies that current planned giving approaches will evaporate. But I wonder whether new planned giving strategies that purposefully combine lifetime and after-life giving might better serve boomers and post boomers as they “come of age” philanthropically. One example that comes to mind is a cousin to the tradition of family mourners designating gifts to charity in memory of the deceased. It might be fruitful for charities and meaningful for donors if we begin to encourage foundation principals to schedule foundation gifts of gratitude *in memoriam* of both their own life and the life of those they revere.