Flight of the wealthy paints dismal portrait for N.J. nonprofits
By João-Pierre Ruth
2/4/2010

Boston College’s Center on Wealth and Philanthropy released a study Thursday showing some $70 billion in wealth fled New Jersey from 2004 through 2008.

The study, "Migration of Wealth in New Jersey and the Impact on Wealth and Philanthropy," measured wealth, rather than income, because of the impact the wealthy have on charitable giving. The state lost some $1.13 billion in charitable capacity during the five-year period, according to the report.

The Community Foundation of New Jersey and the New Jersey State Chamber of Commerce’s Enterprise Trust commissioned the study.

Hans Dekker, president of the Community Foundation of New Jersey, said the migration of the wealthy out of New Jersey became prominent about five years ago. “We started hearing from tax and estate attorneys, accountants, and investment managers increasingly about families that were moving out of the state,” he said.

Nonprofit leaders and others across the state are treating the study as a call to renew support for charitable organizations.

“We need leaders from both parties to come together and solve this problem,” former Gov. James Florio said in an e-mail. “The nonprofit organizations that serve so many people throughout the state must be equipped with the means to carry out their mission.”

“A vibrant social sector depends on a strong donor community,” said Carlos Lejnieks, president of Big Brothers Big Sisters of Essex, Hudson and Union counties.

Those leaving the state are no longer being replaced by high-net-worth individuals, either, Dekker said. “We’ve always had people moving to Florida,” he said. “Now we’re not replacing them anywhere near the rate we need to sustain the charitable giving level.”

John Havens, senior research associate at the Center on Wealth and Philanthropy, said the study showed an outflow from the Northeast to the southern parts of the country. Still, “in New Jersey, the net outflow was larger than you’d expect from the general pattern, in comparison to Connecticut and New York,” he said.

Havens said the wealthy from New York are also shifting their relocations to take up residence in Connecticut, rather than New Jersey.

Dekker said the study did not look at specific causes for the migration, but the preponderance of evidence speaks to Distaste For Certain Tax Policies.

“We don’t have a deduction on state taxes for charitable giving,” he said. “Our exemption level is $675,000, whereas the federal level is $3.5 million,” he said. “Wealthy families are looking at another 10 [percent] to 15 percent tax hit if they die here.”

Nationwide, Havens said, people with a net worth of more than $1 million before the recession gave 52 percent of all the charitable giving across the United States.

Dekker said the economy’s woes had the biggest impact on declines in charitable giving, but the loss of wealth in the state could have lasting effects. “Over the long run, losing this segment of the population has scary prospects for charitable giving,” he said.

He said the exit from New Jersey also takes leaders away from nonprofits. “At a time in your life when you are going to be the most charitable and civically active, we’re losing folks,” Dekker said. “Those folks were the role models for the next generation.”

The loss of wealth in New Jersey contrasts with a $98 billion influx of wealth from 1999 to 2003. The study
said émigrés from Pennsylvania, New York and abroad to New Jersey brought most of the incoming wealth during the 1999 to 2003 period, and showed the charitable capacity in the state increased by $881 million for the five-year period starting in 1999.

The study used data from such sources as the Current Population Survey and the American Community Survey Bureau of Census by the Bureau, and the Annual State-to-State Migration File of the Statistics of Income Division of the Internal Revenue Service.

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