Kentucky philanthropists seek to capture predicted 'transfer of wealth'

By Chris Kenning • ckenning@courier-journal.com • September 6, 2010

Kentucky could get $3.6 billion for charitable community projects if state philanthropies succeed in capturing just 5 percent of the wealth expected to be shifted to the state's next generation by 2020, a new study says.

The Kentucky Philanthropy Initiative's “transfer of wealth” study, conducted by the Nebraska-based Center for Rural Entrepreneurship using Federal Reserve reports, estimates that as much as $72 billion could be transferred to Kentucky heirs over the next 10 years.

It's part of a $41 trillion “transfer of wealth” predicted to occur nationwide by 2053 as the post-World War II generation passes on its assets to heirs — and it is viewed by some as a golden opportunity for philanthropic giving.

According to the study, 5 percent of Kentucky's estimated wealth transfer over 10 years could generate endowments producing $180 million a year to support economic development, educational attainment or job-creation programs across the state.

Those are particularly in need in rural areas, where charities and foundations are less common, said Judy Clabes, president of the initiative, which held a Philanthropy Summit in Lexington last week.

“We'd like to keep the money in local communities to improve quality of life,” Clabes said.

Philanthropy leaders this year plan to begin statewide marketing campaigns to establish more rural community foundations.

They also hope to spark more public policy initiatives to encourage giving, similar to the General Assembly's passage this year of a tax credit for giving to community foundations.

Some rural states have had success in boosting charitable giving efforts. In Montana, a task force helped enact tax credits that generated $100 million in endowment gifts by businesses and individuals, according to the Rural Policy Research Institute, which operates the Center for Rural Entrepreneurship.

“We think of ourselves as a poor state, but there's extraordinary wealth in Kentucky,” said Mike Hammons, executive director of the philanthropy group. He said the study is designed to help charitable groups tailor fundraising in different areas of the state.

While the study shows 65 percent of the state's current wealth is in the urban areas of Louisville, Lexington and Northern Kentucky, there is still plenty of wealth to be passed on in rural regions in the next 10 years, including $3 billion in the Green River area and $3.6 billion in the Purchase area.

Groups in 25 states have done similar studies, many spurred on by a 1999 Boston College study.
that estimated that over a 55-year period at least $41 trillion would change hands, said Craig Schroeder, a center analyst.

While the economic downturn has dampened expectations, with household giving dropping 5 percent nationally in 2009 to $217 billion, John Havens of Boston College's Center on Wealth and Philanthropy said he still expects the transfer to be significant.

And Kentucky philanthropy leaders say they want to be ready.

"When people pass on, a lot of time the money goes out of state because the heirs have moved," Clabes said. "But people care about the places they grew up, or made their money ... (and the initiative is) advocating for leaving some of that wealth here."

Reporter Chris Kenning can be reached at (502) 582-4697.