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Report: Impact of Great Recession will be felt for decades, but prospects strong for philanthropy

Lifetime giving will drive charitable donations in coming half-century, Boston College researchers report

Boston – The Great Recession of 2007-2011 will resonate through the philanthropic sector over the next half-century, according to a new report commissioned by the Boston Foundation, but even so, Greater Boston households and estates could give \$600 billion to well over \$1 trillion to charities between now and 2061. The estimates were included in the findings of **The Transfer of Wealth in Greater Boston: The Toll of the Recession and Prospects for the Future**, which was released today at an *Understanding Boston* forum.

The report, based on research by John J. Havens and Paul G. Schervish of the Center on Wealth and Philanthropy at Boston College, is a follow up to a 2006 study on the Great Wealth Transfer and its impact on Greater Boston. The original report, also commissioned by the Boston Foundation, found that an estimated \$381 billion (in 2007 dollars) in Greater Boston household wealth would be donated to charities by 2055 in lifetime donations and charitable bequests, as part of a wealth transfer of \$1.25 trillion dollars over that time period.

In the follow-up report, Havens and Schervish found that the recession erased an estimated \$350 billion of the anticipated wealth transfer, reducing it from an estimated \$1.86 trillion transferred in Greater Boston by 2061 to \$1.51 trillion. Even so, charities could collect an estimated \$627 billion (in 2007 dollars) in donations between 2007 and 2061. The increase in the charitable impact is largely driven by a major shift in the amount donors are expected to give to charity during their own lifetimes.

“This report shows that Greater Boston’s commitment to philanthropy will only rise in the coming decades,” said Paul S. Grogan, President and CEO of the Boston Foundation. “High-wealth households who were able to get through the recession with much of their assets still intact are already giving generously, but we must be smart to ensure that our policies and strategies maximize the power of that philanthropy in the coming decades.”

Lifetime giving, which now accounts for 13 to 17 percent of wealth transfer (the remainder is distributed through bequests), is expected to eclipse bequests by 2061. The model predicts that in the short term (2007-2026), 47 percent of all potential gifts to charity (or \$92.42 billion) will be made during a donor’s lifetime and the remainder will come from charitable bequests. In the long-term scenario, that percentage rises dramatically to 64 percent (or \$399.72 billion),

exceeding the amount of bequests. Bequests account for the remaining \$227.58 billion in estimated giving.

The most immediate impact of this lifetime giving trend is among those between 65 and 79 years of age, who are transferring assets out of their portfolios into trust, family foundations, donor advised funds and other vehicles at higher rates. While the overall value of final estates distributed 2007-2061 will change only slightly from the estimate for 2001-2055 – this and other increases in lifetime gifts will drive higher overall potential giving.

Impact of the Recession

The researchers found that while Massachusetts has proven relatively resilient in its recovery from the Recession, 91 percent of Greater Boston's 1.7 million households saw their net worth decline in 2008-2009. Households under \$100,000 net worth, who often carried substantial debt alongside their assets, fared especially poorly, losing 76 percent of their net wealth. Even higher-income households took a hit, though. The number of households with \$1 million or more in net worth dropped by 24 percent from 2007 to 2009.

Not surprisingly, older households control the lion's share of wealth in Greater Boston, with households headed by 50-to-59 year-olds holding greater net worth than all households headed by those under 50 combined. Researchers found overall that households headed by individuals over the age of 50 hold more than three times the wealth of households headed by those younger than 50.

The Value of a Healthy Economy

“While the models used by researchers assumed an average economic growth rate of 2 percent over the forecast period,” explained Havens, associate director of the BC center and the study's major architect, “an economy that grows more quickly (or slowly) will have a major impact on potential charitable giving. A growth rate of 4 percent, instead of 2 percent, would drive potential charitable giving from \$195 billion to \$240 billion in 2007-2026, and from \$627 billion to \$1.629 trillion in 2007-2061.”

The Future of Giving

The authors highlight some of the implications of the changes in philanthropy since the Great Recession, as well – ranging from the lingering uncertainty in the future of the economy and tax laws governing charitable donations, income and estates, to the opportunities for charities and non-profits to engage with donors who are becoming more engaged and strategic with their philanthropy. It notes the greater prevalence of donor advised funds as an option for higher-income families and individuals to play a larger role in their own philanthropy without the need to operate and administer a separate foundation, and raise the possibility of strategic partnerships as a way for smaller foundations and nonprofits to offer donors more sophisticated vehicles for lifetime and bequest gifts.

“It is important to remember that none of the projections is written in stone,” said Center Director Schervish, a professor of sociology at Boston College and the center's director. “Not only will higher rates of economic growth provide for greater charitable giving. More giving also will be spurred by the ways charities act to deepen the engagement and self fulfillment of their donors as they enhance the well being of their beneficiaries.”

The Boston Foundation, Greater Boston's community foundation, is one of the oldest and largest community foundations in the nation, with net assets of more than \$800 million. In 2012, the Foundation and its donors made \$88 million in grants to nonprofit organizations and received gifts of close to \$60 million. The Foundation is a partner in philanthropy, with some 900 separate charitable funds established by donors either for the general benefit of the community or for special purposes. The Boston Foundation also serves as a major civic leader, provider of information, convener and sponsor of special initiatives that address the region's most pressing challenges. The Philanthropic Initiative (TPI), an operating unit of the Foundation, offers special consulting services to philanthropists. Through its services and its work to advance the broader field of strategic philanthropy, TPI has influenced billions of dollars of giving worldwide. For more information about the Boston Foundation and TPI, visit www.tbf.org or call 617-338-1700.

The Center on Wealth and Philanthropy at Boston College is a multidisciplinary research center specializing in the study of spirituality, wealth, wealth transfer, philanthropy, and other aspects of biographical and cultural life in an age of affluence. Founded in 1984, CWP is a recognized authority on the relation between economic wherewithal and philanthropy, the nationally cited wealth transfer estimates, the motivations for charitable involvement, and the underlying meaning and practice of care. The staff at CWP counsels and makes presentations to individuals and organizations of wealth holders, financial advisors, estate planners, foundations, and development professionals. For more information, visit www.bc.edu/cwp or call 617-552-4070.