

**Wealth Transfer Estimates: 2001 to 2055**  
Washington D.C. Metropolitan Area

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**Executive Summary**

The 2005 Forbes 400 list of the wealthiest Americans cites Mr. John Franklin Mars of Arlington, Virginia and Mr. Forrest Edward Mars, Jr. of McLean, Virginia as the two wealthiest individuals living in the Washington metropolitan area. Their combined wealth of approximately \$20 billion is only a small fraction of the total personal wealth owned by households in the greater Washington metropolitan area. Overall there are about 200 thousand households in the area having net worth in excess of \$1 million and the combined net worth of all households in the metropolitan area exceeds \$1 trillion.

The distribution of wealth in the Washington area differs in several important respects from the national pattern. The average wealth of households in the Washington metropolitan area is substantially greater than the national average. This alone implies that average charitable giving will be higher now and in the foreseeable future in the metropolitan area as compared with the nation. Moreover, the households in the area have substantial financial capacity to support even higher levels of potential giving in the future.

A second fact is that persons older than age 60 own a smaller proportion of the wealth and persons age 40-59 own a greater proportion as compared with the national distribution. The wealthiest households in the area tend to have younger heads, on average, as compared with their national counterparts. This fact implies that that much of their charitable giving in the near term will be through inter vivos gifts rather than through charitable bequests and other vehicles of giving triggered by the death of a wealth holder. In the long term, however, the wealth of persons age 40-59 will grow to much larger amounts than the national pattern and the transfer of their wealth will tend to occur longer than 15 years from now. There is thus a great deal of time for most of them to become more highly engaged in lifetime financial planning and in philanthropy and much greater capacity for charitable transfers at their death.

A third fact concerning the wealth of local households focuses on the large African American population in the metropolitan area. This population earns higher than average incomes and possesses higher than average wealth as compared with African American households nationally. In particular, a larger proportion (57% in the metropolitan area in 2001 as compared with 47% nationally) owns their own home, most with sizeable

mortgages in addition to other debt. However, in spite of this debt, their wealth should grow, through appreciation in real estate values alone, over the next 55 years and will contribute to both the wealth transfer and charitable transfers during that time.

The current research study, conducted by the Center on Wealth and Philanthropy at Boston College for Chevy Chase Trust, has used a version of its Wealth Transfer Microsimulation Model (WTMM) specially calibrated to the Washington, D.C. metropolitan area to derive the following findings concerning the level and distribution of household wealth, the amount and distribution of wealth transfer, and the amount and distribution of charitable giving in the metropolitan area.

In this report we describe some of the wealth transfer as charitable bequest. This amount should be interpreted as including traditional amounts bequeathed to nonprofit organizations via a will, as well as the value of assets transferred to nonprofits through other means triggered by death. These other means can include, for example, life insurance, beneficiary status on an IRA accounts, charitable remainder trusts, and charitable distributions from other types of trusts.

### **I. Wealth and Its Distribution in the Washington D.C. Metropolitan Area**

In 2001 the total wealth (net worth) of the 1.935 million households in the Washington, D.C. metropolitan area amounted to just over \$1 trillion (in 2005 constant dollars). Net worth is the market value of all assets minus the value of all debt. Based on national data, financial assets, retirement accounts, and residential property constituted large components of the assets, although there are not precise estimates of these components for households in the metropolitan area.

The distribution of household wealth in the metropolitan area occurs at higher levels of wealth as compared with the national distribution of household wealth. As measured by the average and median wealth per household, the center of the distribution is substantially higher than that of the nation. In 2001, households in the Washington, D.C. metropolitan area were \$129 thousand per household (33%) wealthier, on average, than households in the nation. Averaged over all households, the average net worth per metropolitan area household was \$520 thousand as compared with \$391 thousand per household for the nation. Also in 2001, the wealth of the median household (the household where 50% of households are more wealthy and 50% less wealthy) in the Washington D.C. metropolitan area was \$107 thousand, which is about 19% higher than the wealth of the median household in the nation (\$90 thousand). Although the mean and median are higher than the corresponding national measures, the average net worth of the wealthiest households (defined as those greater than \$20 million in net worth) in the metropolitan area is slightly lower than the national average for the wealthiest households.

The higher distribution of wealth in the metropolitan area as compared with the nation is manifest in the frequency of households in various wealth groups. Only 7.1% of households in the metropolitan area have debt in excess of their assets, as compared with 10.4% nationally. Moreover, about 39% of households in the metropolitan area have net

worth of \$200 thousand or more, as compared with 33% nationally. About 200 thousand metropolitan households (10%) have net worth of at least \$1 million, which is proportionally more than the 7% national figure.

Although there are a smaller percentage of households with negative net worth in the metropolitan area as compared with the nation, the average value of the negative net worth is slightly larger in magnitude (\$10 thousand) as compared with the national average (\$9 thousand). At the upper end of the distribution, wealth holders with \$20 million or greater net worth have average wealth of \$37 million in the Washington metropolitan area, as compared with \$40 million for corresponding households in the nation. In aggregate the Washington metropolitan area contains 1.8% of the nation's households but 2.4% of its wealth and 2.7% of the nation's millionaires.

The distribution of wealth by age of head of household is important because it is correlated with when wealth will be transferred. In the Washington D.C. metropolitan area the wealthiest households are, on average, headed by people who are younger than their national counterparts. Their wealth will therefore be transferred later rather than sooner, and this is especially the case for households whose wealth is \$20 million or more. In every age group, however, average wealth per household is higher in the metropolitan area as compared with national averages. The largest difference occurs among households whose head was age 40 to 59 in 2001: \$722 thousand per household in the metropolitan area as compared with \$481 thousand per household nationally. This age group (40 to 59) owns a larger share of wealth in the metropolitan area (57% of metropolitan area wealth) as compared with the share of wealth owned by similarly aged households nationally (49% of national wealth). In summary, in the Washington D.C. metropolitan area, wealthy households tend to have younger heads and the generation under age 60 owns most of the wealth. This implies that wealth transfer in the metropolitan area will start out at a lower level and peak at a later time than the national transfer. But, again, it will be larger than the national average.

## **II. Wealth Transfer and Its Distribution in the Washington D.C. Metropolitan Area**

Wealth transfer refers to the disposition of a household's wealth at the death of the householders. In the case of an unmarried householder, the wealth is transferred when the householder dies. In the case of a married couple, the wealth is transferred when both of the householders have died. We use the umbrella term "final estate" to refer to the estate of the final householder decedent or equivalently the estate of a household without a surviving spouse.

A final estate has a net worth value (market value of assets owned by decedent minus debts owed by decedents at time of death). From the initial distribution of wealth, we determine the value of a final estate principally by applying assumed secular growth rates of 2%, 3%, and 4% to initial wealth of each household in the distribution. For the period from 2001 (the base year of our data) through 2020 the aggregate value of final estates will be \$216 billion in the 2% secular growth scenario, \$260 billion in the 3% secular growth scenario, and \$305 billion in the 4% secular growth scenario. In the 55 year

period from 2001 through 2055, the value of final estates will be \$1.26 trillion in the 2% secular growth scenario, \$2.39 trillion in the 3% secular growth scenario, and \$4.67 trillion in the 4% secular growth scenario. In summary there will be between \$1.26 trillion to \$4.67 trillion in wealth transfer from households currently in the Washington D.C. metropolitan area from 2001 through 2055 – depending on the secular rate of growth.

The wealth transfer will be highly concentrated among a relatively small number of final estates valued at \$1 million or more at the death of the decedent. In terms of percentages, 80% of the wealth transfer will occur from the 14% of final estates valued at \$1 million or more in the 2% scenario; 88% will occur from the 19% of final estates with net worth valued at \$1 million or more in the 3% scenario; 94% will occur from the 26% of similarly valued final estates in the 4% scenario. The heirs of most metropolitan households will not suddenly become wealthy when their parents pass.

The value of a final estate is distributed among estate settlement fees, taxes, charitable bequests, and bequests to heirs. If the distribution follows national historical patterns, potential charitable bequests will range from \$23 billion to \$43 billion depending on secular growth in the period from 2001 through 2020. In this period estate fees will range from \$8 billion to \$11 billion, estate taxes will range from \$39 billion to \$67 billion, and bequests to heirs will range from \$146 billion to \$184 billion again depending on secular growth.

In the entire period from 2001 through 2055, potential charitable bequests will range from \$169 billion to \$1,175 billion depending on secular growth rates. During this same period estate fees will range from \$47 billion to \$157 billion, estate taxes will range from \$321 billion to \$1,550 billion, and bequests to heirs will range from \$723 billion to \$1,785 billion depending once more on secular growth.

### **III. Inter Vivos Charitable Giving, Charitable Bequests, and Their Distribution in the Washington D.C. Metropolitan Area**

Charitable giving is divided into two categories: (1) inter vivos giving, that is giving while the donor is still living, and (2) charitable bequests, that is giving from the estate of a deceased donor. The potential value of charitable bequests has been presented in the previous section. Inter vivos giving is estimated by projecting base year inter vivos giving at the same secular rates (2%, 3%, and 4%, respectively) as used to estimate wealth transfer. This projection, it should be noted, is a simple percentage extension of current giving and is not derived from using the Wealth Transfer Microsimulation Model.

In the 2% growth scenario, aggregate inter vivos giving amounts to \$94 billion from metropolitan area residents in the 20 years from 2001 through 2020 and \$207 billion in the 55 years from 2001 through 2055. Combined with charitable bequests of \$23 billion in 20 years and \$169 billion in 55 years, total household giving will amount to \$117 billion in the 20 year period and \$376 billion in the 55 year period. About 73% of total

giving in the 55 year period will be from households whose net worth is \$1 million or more when the gift or bequest is made.

In the 3% growth scenario, aggregate inter vivos giving amounts to \$103 billion from Washington D.C. metropolitan area residents in the 20 years from 2001 through 2020 and \$261 billion in the 55 years from 2001 through 2055. Combined with charitable bequests of \$32 billion in the 20 years and \$460 billion in the 55 years, total household giving will amount to \$135 billion in the 20 year period and \$721 billion in the 55 year period. About 84% of total giving in the 55 year period will be from households whose net worth is \$1 million or more when the gift or bequest is made.

In the 4% growth scenario, aggregate inter vivos giving amounts to \$114 billion from metropolitan area residents in the 20 years from 2001 through 2020 and \$334 billion in the 55 years from 2001 through 2055. Combined with charitable bequests of \$43 billion in the 20 years and \$1,175 billion in the 55 years, total household giving will amount to \$156 billion in the 20 year period and \$1,508 billion in the 55 year period. Approximately 92% of total giving in the 55 year period will be from households whose net worth is \$1 million or more when the gift or bequest is made.

## **Introduction to Technical Report**

In 1999 the Center on Wealth and Philanthropy (then the Social Welfare Research Institute) at Boston College released “Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy.” [Havens and Schervish, 1999] The Millionaires and the Millennium report contained estimates of the potential transfer of wealth from the 1998 population of households to government, heirs, charity, and estate costs in the period from 1998 through 2052. The unique Wealth Transfer Microsimulation Model (WTMM) developed and housed at the Center on Wealth and Philanthropy (CWP) generated the estimates in three growth scenarios. The scenarios were defined in terms of assumed levels of secular growth in household wealth. The low (2%) secular growth scenario implied \$41 trillion of wealth transfer (\$8 trillion to government, \$25 trillion to heirs, \$6 trillion to charity, and \$2 trillion to estate fees); the middle (3%) secular growth scenario implied \$73 trillion of wealth transfer (\$18 trillion to government, \$40 trillion to heirs, \$12 trillion to charity, and \$3 trillion to estate fees); and the high (4%) secular growth scenario implied \$136 trillion of wealth transfer (\$41 trillion to government, \$65 trillion to heirs, \$25 trillion to charity, and \$6 trillion to estate fees).

The low secular growth estimate of \$41 trillion (1998 dollars) has been widely cited since 1999. After reviewing the estimation model, the downturn in financial markets, and challenges to the \$41 trillion estimate, we released “Why the \$41 Trillion Wealth Transfer is Still Valid: A Review of Challenges and Questions” in January 2003 [Havens and Schervish, 2003]. The report reviewed the estimates and answered nine questions and challenges about the estimates. As the title implied, the report concluded that the \$41

trillion wealth transfer estimate was still valid, and re-emphasized that the bulk of the forthcoming transfer would occur in the last 25 years of the 55-year period and would be concentrated among households at the upper end of the wealth distribution.

Since 1999, various groups have periodically expressed interest in estimates of wealth transfer at the state level. The principal impediment to developing these estimates is lack of data on the general distribution of household wealth and its specific distribution by age of head of household for geographic areas smaller than the nation. In 2004 we developed and tested a proprietary procedure to estimate these distributions for states and large metropolitan areas. Application of the procedure now allows us to apply the WTMM to produce wealth transfer estimates for states and large metropolitan areas as well as for the nation.

At the invitation of the Chevy Chase Trust we applied a recently updated and expanded version of the WTMM to the households residing in the Washington D.C. metropolitan area in 2001 in order to estimate the transfer of wealth from these households during the period from 2001 through 2055. For the purposes of this report the Washington D.C. metropolitan area is defined as comprising the District of Columbia, five counties in Maryland (Calvert, Charles, Frederick, Montgomery, and Prince George's), eleven counties in Virginia (Arlington, Clarke, Culpepper, Fairfax, Fauquier, King George, Loudoun, Prince William, Spotsylvania, Stafford, and Warren) plus the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park. This is the Primary Metropolitan Statistical Area as defined by the U.S. Census Bureau and approved by the Office of Management and Budget in 2001.

Prior to applying the WTMM, it is necessary to first estimate the distributions of wealth and wealth by age of head of household. The procedure to estimate these distributions is based on data from the Survey of Consumer Finances (SCF) sponsored by the Board of Governors of the Federal Reserve and the demographic supplement of the Current Population Survey (CPS), jointly conducted by the Bureau of Census and the Bureau of Labor Statistics. The procedure requires that both databases share a common year. The demographic supplement of the CPS is collected in March, annually; when we started this analysis, the most recent survey data from the SCF was for 2001. Consequently 2001 is the base year of this analysis.

This report presents and documents the wealth distributions and the estimates of wealth transfer for the Washington D.C. metropolitan area for three scenarios of secular rates of growth in household wealth: 2%, 3%, and 4% real (inflation adjusted) secular rates of growth. The estimates and all dollar figures in this report have been adjusted for inflation, which means that they are reported in terms of their purchasing power in 2005. For example, \$100,000 of household wealth in 2001 could purchase \$100,000 worth of goods and services in 2001 were the wealth liquidated and used for consumption expenditure. Due to inflation it would take \$109,091, on average, to purchase those same goods and services in 2005. The \$100,000 in 2001 dollars becomes \$109,091 in 2005 inflation adjusted dollars, which is the amount of money needed in 2005 to purchase what \$100,000 would have purchased in 2001.

The wealth distributions and wealth transfer estimates for the Washington D.C. metropolitan area are presented in the findings section of this report. How these estimates were derived is documented in the methodological appendix to this report.

## **Findings**

This report provides three sets of estimates for households residing in the Washington D.C. metropolitan area in 2001: a baseline distribution of their current wealth, the projected wealth transfer, and a projection of their inter vivos giving during the same period from 2001 through 2055. The first set consists of the estimated distribution of household wealth and its distribution by age of head of household in 2001. This is the starting point for the simulation. The second set consists of the estimates of wealth transfer and the potential distribution of this transfer among government, heirs, charity, and estate settlement costs. The third set consists of a simple projection along trend of household inter vivos giving.

Throughout this document, household wealth is defined as household net worth, that is, the market value of all assets owned by members of the household less the value of all debt owed by members of the household. Inter vivos giving includes gifts of cash, assets, and other in-kind gifts to charitable organizations. All dollars are measured in 2005 constant (inflation adjusted) dollars. This means that all dollar values in the report represent 2005 buying power. For instance, a transfer of \$200,000 to an heir in 2055 will have the same 2005 buying power as a transfer of \$200,000 in 2005, although by 2055 the \$200,000 will have a nominal value closer to \$1,000,000 if we assume a 3% average annual inflation rate from 2005 through 2055.

### Wealth Distributions

The first set of findings involves the amount and distribution of household wealth. The distribution of wealth among Washington D.C. metropolitan households is higher than that for the nation. In 2001, the 1.935 million households in the Washington D.C. metropolitan area (1.81% of all households in the nation) owned an aggregate amount of \$1.005 trillion in wealth (2.41% of all household wealth in the nation). The average and median household wealth for the Washington D.C. metropolitan area was \$520 thousand and \$107 thousand, which respectively represented 33% and 19% higher than the average (\$391 thousand) and median (\$90 thousand) household wealth in the nation, respectively.

Table 1 presents the distribution of household wealth for the Washington D.C. metropolitan area in 2001. As is the case across the nation, it shows a highly skewed distribution of wealth. At the lower end of the distribution in 2001 there were 1.173 million households (61% of all metropolitan area households) with wealth of less than \$200 thousand. In aggregate they owned \$62 billion of wealth (6% of all household wealth in the metropolitan area). In contrast, at the upper end of the distribution there



were 198 thousand households (10.3% of all metropolitan area households) that owned wealth of \$1 million or more. In aggregate these households owned \$690 billion in wealth (69% of all household wealth in the Washington D.C. metropolitan area). Even more dramatically, the 0.5% of households with wealth of \$10 million or more owned 20% of all household wealth in the metropolitan area.

Table 1 indicates that for the nation there are 70,932 thousand households (67% of all U.S. households) with wealth of less than \$200 thousand. Their wealth averaged \$51,443 per household – comparable to \$51,917 per household in the metropolitan area. At the other end of the spectrum, there were 7,213 thousand households nationally (6.8% of all U.S. households) with wealth of \$1 million or more. On average, their wealth was \$3.53 million as contrasted with \$3.47 million for similar households in the metropolitan area. Therefore, there are proportionately more households with at least \$1 million in wealth in the metropolitan area than in the nation but their average wealth is comparable. The result is that millionaires in the Washington D.C. metropolitan area own a larger share of the metropolitan wealth pie, 69% of the metropolitan wealth, as contrasted with millionaires in the nation who own 61% of the national wealth.

The last two columns of Table 1 contain the average ages of the heads of household within each net worth category for households in the Washington D.C. metropolitan area and for the nation. The average ages in each net worth category are lower in the metropolitan area than in the nation. Households with \$20 million or more net worth have notably younger heads of household (54 years) in the metropolitan area as compared with the nation (61 years). This implies that the transfer of wealth from these high end households will occur later than for the nation, and in general the wealth transfer process will be more concentrated in later years than in the near future.

Table 2 presents information about the distribution of wealth among households in the Washington D.C. metropolitan area, but only for households with positive net worth. It indicates that 1.798 million households had positive net worth, which in aggregate amounted to slightly more than \$1 trillion. Within each wealth category the average and aggregate household wealth are the same as presented in Table 1. The last four columns of this table contain the cumulative percentage distributions for the number of households and their aggregate net worth for the metropolitan area and the nation. The percentages in these columns are cumulated from high to low wealth categories. The table indicates that about 42% of the households in the metropolitan area with positive net worth have net worth of \$200 thousand or more as compared with slightly more than a third (37%) for the nation. In every wealth category above \$200 thousand and under \$20 million there is a larger percentage of households in the metropolitan area with wealth in that category or higher as compared with the nation. Although the percentage is small, there is, however, the same percentage of households with wealth of \$20 million or more in Washington, D.C. metropolitan area as in the nation. The cumulative distribution again confirms that the distribution of household wealth in metropolitan area is generally shifted to a higher level relative to the nation.

With respect to wealth transfer, the distribution of wealth is important for two reasons.

First, combined with rates of growth in household wealth, it determines the amount of wealth to be transferred at the death of the householders. Second, wealthy individuals tend to distribute a disproportionately large portion of their estates to charitable bequests. The distribution of wealth in the Washington D.C. metropolitan area implies that wealthy households will generate a larger value of charitable bequests relative to the rest of the nation during the period from 2001 through 2055, because the area has a greater proportion of wealthy households and they own a greater proportion of the area's household wealth.

Table 3 presents the aggregate and average amount of household wealth in the Washington D.C. metropolitan area by the age of head of household in 2001. The table shows that in 2001 there were slightly smaller fractions of households age 59 or younger and slightly larger fractions of households age 60 or older as compared with the nation. In every age group the average wealth per household is greater than in the nation – the greatest difference is among households age 40 to 59, in which group the average wealth is \$722 thousand per household as compared with \$481 thousand per household nationally.

Households whose head is under age 40 own about 12% of the area's household wealth. Most of the wealth of these households will not be transferred until late in or after the 55 year horizon of the wealth transfer analysis. Households age 60 or older own 31% of the wealth as compared with 41% nationally. Moreover, we found in Table 1 that the average age of heads of households with \$5 million or more net worth are on average younger than in the nation. Both these facts imply that in the Washington D.C. metropolitan area this wealth is likely to be transferred later in the 55 year period than it is nationally. One implication of the age distribution of wealth for wealth transfer is that a smaller percentage of the area's transfer of wealth in contrast to the national pattern will occur in the first 15 years and a larger percentage in the last 15 years of the 55 year period.

### Wealth Transfer Estimates

The Wealth Transfer Microsimulation Model (WTMM) estimates the number, value, and destiny (taxes, heirs, charity, and fees) of final estates in three secular growth scenarios: low (2%) secular growth, middle (3%) secular growth, and high (4%) secular growth. Before presenting these findings, we briefly summarize how the model works. (We detail the workings of the model in the Methodological Appendix.) The estimates of wealth transfer generated by the WTMM are derived from compiling the value of final estates. A final estate is an estate without a surviving spouse. The WTMM first calculates the number and value of final estates. When an unmarried person dies, the WTMM generates a final estate and transfers the wealth of the decedent to the final estate. When a married person dies, the WTMM transfers the wealth of the decedent to the decedent's spouse but does not generate a final estate; when that surviving spouse subsequently dies the WTMM generates a final estate and transfers the remaining household wealth to the final estate. After the number and value of final estates are estimated, the WTMM uses

historical patterns to distribute the estate's value to government (in the form of federal and state estate taxes), heirs, charitable bequests, and estate fees (outstanding debt, burial costs, and legal/probate fees).

#### Low (2%) Secular Growth Scenario

Table 4 presents the detailed results of the low (2%) secular growth scenario for the Washington D.C. metropolitan area. Panel 1 presents the estimates for the 20 year period from 2001 through 2020. Panel 2 presents the corresponding estimates for the entire 55 year period from 2001 through 2055. Within each panel the columns define the value of the final estate, which is categorized by the net worth of the household when the final householder dies. The rows of the table define the number of final estates, the value in terms of net worth of final estates, estate fees, federal and state estate taxes, bequests to charity, and bequests to heirs. The total transfer and its distribution are located in the total column, which is the rightmost column in each panel.

For the Washington D.C. metropolitan area we estimate that 1.604 million final estates will occur during the 55 year period from 2001 through 2055. These final estates will be valued at \$1.260 trillion (2005 dollars) at the time of death if wealth grows in the area at an average annual secular rate of 2%. If historical patterns hold, \$47 billion will be distributed to estate fees, \$321 billion to government, \$169 billion to charity, and \$723 billion to heirs. The \$169 billion of potential charitable bequests constitutes 13% of the \$1.260 trillion value of final estates.

Almost half the potential charitable bequests (47%) are generated by the 0.4% of final estates with value of \$20 million or more. This proportion (47%) is large for two reasons: (1) final estates valued at \$20 million or more account for 18% of the \$1.260 trillion in total wealth transfer in the metropolitan area; and (2) on average, estates of \$20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

In the Washington D.C. metropolitan area, as in the nation, the transfer of wealth is concentrated among wealthy final estates. Most (80%) of the \$1.260 trillion of wealth transfer in the low growth scenario occurs among the 10% of final estates with value of \$1 million or more. These estates pay 81% of the aggregate estate fees, nearly 100% of the aggregate estate taxes, 97% of the aggregate charitable bequests, but only 68% of the aggregate bequests to heirs.

Panel 1 of Table 4 indicates that slightly more than 17% (\$216 billion out of the 55 year total \$1.260 trillion) of wealth transfer in the Washington D.C. metropolitan area will occur before 2021. During the first 20 years from 2001 to 2020, 403 thousand final estates are projected. These 403 thousand final estates amount to 25% of the number of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is \$216 billion (17% of the aggregate value during the entire 55 year period) with potential aggregate charitable bequests of \$23 billion (14% of the

aggregate amount during the entire period). As in the national estimates the bulk of the wealth transfer in the metropolitan area will occur later than 2020, and a disproportionately smaller fraction of the charitable bequest potential (as compared with national estimates) will occur before 2021.

We have seen in Table 1 that in 2001 there were 199 thousand households in the Washington D.C. metropolitan area with at least \$1 million in net worth. During the 55 years of the low growth scenario, another 119 thousand households will become millionaires, for a total of 318 thousand households with net worth of at least a million dollars. However, the wealth of 48 thousand of these households will decline before their deaths as they draw down their assets through a combination of consumption, gifts, and health care costs after age 60. Of the 270 thousand households (318 minus 48) whose wealth remains above \$1 million before their final estates or before the year 2055, 223 thousand have final estates of \$1 million or more and 47 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

Of the 1.604 million final estates, 1.026 million of the final decedents will be women, 556 thousand will be men, and 22 thousand will involve two spouses who die in the same year.

#### Middle (3%) Secular Growth Scenario

Table 5 presents the detailed results of the middle (3%) secular growth scenario for the Washington D.C. metropolitan area. It is formatted the same as Table 4. As in Table 4, the total transfer and its distribution are located in the total column, which is the rightmost column in each panel.

In the middle growth scenario for the Washington D.C. metropolitan area we again estimate that 1.604 million final estates will occur among the 2001 population of households during the 55 year period from 2001 through 2055. These final estates will be valued at \$2.394 trillion at the time of death if wealth grows in the metropolitan area at an average annual secular rate of 3%. Based on historical patterns, \$86 billion will be distributed to estate fees, \$724 billion to government, \$460 billion to charity, and \$1.124 trillion to heirs. The \$460 billion of potential charitable bequests constitutes 19% of the \$2.394 trillion value of final estates – an additional 6% as compared with the low growth scenario.

Most of the potential charitable bequests (67%) are generated by the 1% of final estates valued at \$20 million or more. This proportion (67%) is large for two reasons: (1) final estates with values of \$20 million or more account for 36% of the \$2.394 trillion in total wealth transfer in the metropolitan area; and (2) on average, estates of \$20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

As in the nation, the transfer of wealth in the Washington D.C. metropolitan area is

concentrated among wealthy final estates. Most (88%) of the \$2.394 trillion of wealth transfer in the middle (3%) growth scenario occurs among the 19% of final estates with value of \$1 million or more. These estates pay 88% of the aggregate estate fees, 99% of the aggregate estate taxes, 98% of the aggregate charitable bequests, and contribute 76% of the aggregate bequests to heirs.

From Panel 1 of Table 5 we find that approximately 11% (\$260 billion out of the 55 year total \$2.394 trillion) of wealth transfer in the Washington D.C. metropolitan area will occur by the end of 2020. During the first 20 years from 2001 to 2020, we again estimate that 403 thousand final estates will occur. These 403 thousand final estates amount to 25% of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is \$260 billion (11% of the aggregate value during the entire period) with potential aggregate charitable bequests of \$32 billion (7% of the aggregate amount of charitable bequests during the entire period). Most of the wealth transfer will occur later than 2020 – a greater percentage in the middle (3%) secular growth scenario than in the low (2%) secular growth scenario.

In 2001 there were 199 thousand households in the Washington D.C. metropolitan area with at least \$1 million in net worth. During the 55 years of the middle growth scenario, another 223 thousand households will become millionaires, for a total of 422 thousand millionaire households. However, the wealth of 33 thousand of these households will decline before their deaths as they draw down their assets through a combination of consumption, gifts, and health care costs after age 60. Of the 389 thousand households (422 minus 33) whose wealth remains above \$1 million before their final estates or before the year 2055, 305 thousand have final estates with net worth of \$1 million or more at their deaths and 84 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

Of the 1.604 million final estates, 1.026 million of the final decedents will be women, 556 thousand will be men, and 22 thousand will involve two spouses who die in the same year.

#### High (4%) Secular Growth Scenario

Table 6 presents the detailed results of the high (4%) secular growth scenario for the Washington D.C. metropolitan area. Table 6 is formatted the same as Table 4 and Table 5. Once again, the total transfer and its distribution are located in the total column, which is the rightmost column in each panel.

As is the case in all three scenarios, there are still 1.604 million final estates in the metropolitan area generated by the 2001 population of households during the 55 year period from 2001 through 2055. These final estates will be valued at \$4.665 trillion at the time of death if wealth grows in the area at an average annual secular rate of 4%. If historical patterns hold, \$157 billion will be distributed to estate fees, \$1.550 trillion to government, \$1.175 trillion to charity, and \$1.785 trillion to heirs. The \$1.175 trillion of

potential charitable bequests constitutes 25% of the \$4.665 trillion value of final estates.

Most of the potential charitable bequests (81%) are generated by the 3% of final estates with values of \$20 million or more. This proportion is large for two reasons: (1) final estates valued at \$20 million or more account for 56% of the \$4.665 trillion in total wealth transfer in the metropolitan area; and (2) on average, estates of \$20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

As household wealth grows at higher rates, the transfer of wealth in the Washington D.C. metropolitan area, as in the nation, is concentrated among wealthy final estates. Most (94%) of the \$4.665 trillion of wealth transfer in the high growth scenario occurs among the 26% of final estates whose value is \$1 million or more. These estates pay 94% of aggregate estate fees, nearly 100% of aggregate estate taxes, 99% of the aggregate charitable bequests, and 86% of aggregate bequests to heirs.

Panel 1 of Table 5 shows that less than 7% (\$304 billion out of the 55 year total \$4.665 trillion) of wealth transfer in the Washington D.C. metropolitan area will occur on or before 2020. During the first 20 years from 2001 to 2020, we again estimate that 403 thousand final estates will occur. These 403 thousand final estates amount to 25% of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is \$304 billion (6.5% of the aggregate value during the entire period) with potential aggregate charitable bequests of \$43 billion (4% of the aggregate amount during the entire period). Just as the 4% growth rate produces more wealth transfer than the other scenarios in the first 20 years, it also results in dramatically greater growth in the next 35 years. As a result, the great majority (93%) of the wealth transfer will occur later than 2020.

In 2001 there were 199 thousand households in the Washington D.C. metropolitan area with at least \$1 million in net worth. During the 55 years of the high growth scenario, another 352 thousand households will become millionaires, for a total of 551 thousand millionaire households. However, the wealth of 21 thousand of these households will decline before their deaths as they draw down their assets through a combination of consumption, gifts, and health care costs after age 60. Of the 530 thousand households (551 minus 21) whose wealth remains above \$1 million before their final estates or before the year 2055, 411 thousand have final estates of \$1 million or more and 119 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

In all three scenarios, there are 1.604 million final estates, 1.026 million of the final decedents will be women, 556 thousand will be men, and 22 thousand will involve two spouses who die in the same year.

#### Inter Vivos Giving and Wealth Transfer by Initial Household Wealth

Tables 7, 8, and 9 present data for each of the three growth scenarios on wealth transfer and inter vivos charitable donations categorized by the initial wealth of the households in 2001. In each table the first column contains the category of wealth for the Washington D.C. metropolitan area households at the beginning of the simulation period in 2001. This first column defines the rows of the table. The second column lists the number of households in each wealth category in 2001; the third column lists the aggregate wealth of these households in 2001; the fourth column presents the number of final estates generated by these households during the 55 years of the simulation; the fifth column presents the aggregate value of the final estates presented in column four; the sixth column lists the number of the initial households in 2001 that survive the 55 years and still exist in 2055; the seventh column lists the aggregate wealth of these surviving households in 2055; the eighth column lists a simple projection of inter vivos contributions along trend (at the same percentage as secular growth in wealth) during the 55 year period of the simulation; the ninth column lists the estimates of potential aggregate charitable bequests projected by the WTMM during the 55 year period of the simulation; the tenth column sums the inter vivos and charitable bequests from columns eight and nine; the last two columns present the cumulative distributions of charitable giving and of households, respectively.

Table 7 presents the data for the low (2%) growth scenario. The last row indicates that there were 1.935 million households in the Washington D.C. metropolitan area in 2001 and their aggregate wealth amounted to just over \$1 trillion. These households produced 1.604 million final estates whose aggregate value was \$1.260 trillion. Of the 1.935 million households in 2001, 331 thousand survive in 2055 and their aggregate wealth amounts to \$247 billion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.935 million households in the metropolitan area in 2001 will contribute \$207 billion to charitable causes before their deaths and \$169 billion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos charitable donations and charitable bequests is estimated to be \$376 billion during the 55 year period. The cumulative percentages indicate that the 10.3% of households in the Washington D.C. metropolitan area that have wealth of \$1 million or more in 2001 account for 67% of the charitable giving during the 55 years of the simulation. Even more dramatically, the 0.5% of metropolitan area households with wealth of \$10 million or more in 2001 account for 30% of the charitable giving during the 55 year period.

Table 8 presents the data for the middle (3%) growth scenario. The last row again indicates that there were 1.935 million households in the Washington D.C. metropolitan area in 2001 and their aggregate wealth amounted to slightly more than \$1 trillion. These households produced 1.604 million final estates whose aggregate value was \$2.394 trillion. Of the 1.935 million households in 2001, 331 thousand survive in 2055 and their aggregate wealth amounts to \$677 billion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.935 million households in the metropolitan area in 2001 will contribute \$261 billion to charitable causes before their deaths and \$460 billion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos

charitable donations and charitable bequests is estimated to be \$721 billion during the 55 year period. The cumulative percentages indicate that the 10.3% of households in the metropolitan area that have wealth of \$1 million or more in 2001 account for 73% of the charitable giving during the 55 years of the simulation. Even more dramatically, the 0.5% of the metropolitan area households with wealth of \$10 million or more in 2001 account for 32% of the charitable giving during the 55 year period.

Table 9 presents the data for the high (4%) growth scenario. From the last row we find that the 1.935 million households in the Washington D.C. metropolitan area in 2001 owned approximately \$1 trillion in aggregate wealth. These households produced 1.604 million final estates whose aggregate value amounts to \$4.665 trillion. Of the 1.935 million households in 2001, 331 thousand survive in 2055 and their aggregate wealth amounts to \$1.810 trillion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.935 million households in the metropolitan area in 2001 will contribute \$333 billion to charitable causes before their deaths and \$1.175 trillion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos charitable donations and charitable bequests is estimated to be \$1.508 trillion during the 55 year period. The cumulative percentages indicate that the 10.3% of households in metropolitan area that have wealth of \$1 million or more in 2001 account for 76% of the charitable giving during the 55 years of the simulation. The 0.5% of metropolitan area households with wealth of \$10 million or more in 2001 account for 30% of the charitable giving during the 55 year period.

### Summary of Inter Vivos Giving and Wealth Transfer Results

The major findings for each of the three secular growth scenarios are summarized in Table 10. The upper panel of this table summarizes the findings for the 20 year period from 2001 through 2055. The lower panel summarizes the corresponding findings for the 55 year period from 2001 through 2055.

The first row of the upper panel indicates that the 20 year estimate of total wealth transfer in the Washington D.C. metropolitan area ranges from \$216 billion in the 2% secular growth scenario to \$305 billion in the 4% secular growth scenario – an increase of 41%. The second row indicates a 20 year total of charitable bequests ranging from \$23 billion in the low growth scenario to \$43 billion in the high growth scenario. The third row predicts that the 20 year total of additional inter vivos giving will range from \$94 billion to \$114 billion. The fourth row of this panel indicates that the 20 year estimate of total charitable contributions rises from \$117 billion in the 2% secular growth scenario to \$156 billion in the 4% secular growth scenario – an increase of 33%. The fifth row of this table indicates the percentage of aggregate contributions made by households with \$1 million or more in wealth at the time of the contribution. As can be seen, the percentage of contributions made by millionaires rises from 64% in the 2% secular to 72% in the 4% secular growth scenario.



The lower panel indicates that during the 55 year period, the estimates of total wealth transfer range from \$1.260 trillion in the 2% secular growth scenario to \$4.665 trillion in the 4% growth scenario – an increase of 270%. The 55 year estimate of charitable bequests ranges from \$169 billion in the low growth scenario to \$1.175 trillion in the high growth scenario – an increase of 595%. The 55 year estimate of inter vivos giving ranges from \$207 billion to \$334 billion – an increase of 61%. Combining inter vivos and bequest giving, the 55 year estimate of total charitable donations ranges from \$376 billion to \$1.508 trillion – an increase of 301%. During the 55 year period of the simulation, the percentage of total contributions made by millionaires ranges from 73% to 92%. It is clear that millionaire households as a group possess the greatest capacity for charitable giving and based on historical patterns and projections will contribute the greatest amount of charitable giving during the next 55 years.

One theme, then, is that higher secular rates of growth in wealth increase the potential for charitable giving for these millionaires faster than for less wealthy households, and in the Washington D.C. metropolitan area the proportion of charitable giving by millionaires increases substantially as the rate of secular growth increases over the 55 year period.

There is another theme in this table: In the 20 year period inter vivos contributions predominate over charitable bequests in each of the three scenarios, but in the 55 year period charitable bequests predominate over inter vivos giving in the 3% and 4% growth scenarios. The shift in predominance reflects three trends in the data. First, although household inter vivos giving grows along trend at the same secular rate as household wealth, over time householders die and no longer make inter vivos gifts at all. Second, it is precisely when householders die that final estates are formed and charitable bequests are made. Most of these estates in the metropolitan area will occur after 2020, especially among wealth holders.

Third, over the decades household wealth grows and there are more wealthy households. The estates of wealthy households account for the largest charitable bequests -- on average, the wealthier the estate the larger the fraction of the estate that is allocated to charity.

## **Discussion**

In 2001 the Washington D.C. metropolitan area contained almost 2 million households. These households constituted 1.8% of all households in the nation, and their aggregate net worth of slightly more than \$1 trillion constituted 2.5% of the aggregate net worth of the nation. About 89.7% of the households in the metropolitan area had net worth less than \$1 million in 2001, but the approximately 10.3% of households with net worth of \$1 million or more owned 69% of the aggregate wealth in the metropolitan area. The wealthiest householders (with \$1 million or more in net worth) were relatively younger than their counterparts nationally.

During the 55 years from 2001 through 2055, we estimate that households in the metropolitan area will transfer \$1.260 trillion and will contribute a potential \$376 billion in combined inter vivos donations and charitable bequests, if secular growth is 2%. These households will transfer \$2.394 trillion and will contribute a potential \$721 billion in combined inter vivos donations and charitable bequests, if secular growth is 3%. They will transfer \$4.665 trillion and will contribute a potential \$1.508 trillion in combined inter vivos donations and charitable bequests, if secular growth is 4%.

The data in Table 3 indicate that there are a greater proportion of younger households that are wealthy as compared with the national distribution of wealth by age of head of household. The greater proportion of younger households yields a smaller proportion of wealth transfer in the near term 20 year period. Moreover, we find that households in the 40 to 59 age group are substantially wealthier than their national counterparts. Over time, however, the wealth of this age group will grow even larger as their substantial assets grow and as some of them come into an inheritance. This younger group, however, will not transfer their wealth until late in the 55 year period, but their wealth will have grown substantially in the interim. Overall, the wealth transfer in the metropolitan area is proportionally lower in the near term 20 year period as compared with the national estimates.

In the metropolitan area wealth transfer in the first 20 years ranges from 7% to 17% of the 55 year total, depending on the scenario. In our 1999 national analysis the corresponding percentages were 13% to 29%, depending on the scenario. In terms of dollars, the estimate of wealth transfer in the Washington D.C. metropolitan area during the first 20 years amounts to \$216 billion, and the estimate of combined inter vivos donations and charitable bequests amounts to \$117 billion, if secular growth is 2%. During these 20 years the wealth transfer estimate amounts to \$260 billion, and the estimate of combined inter vivos donations and charitable bequests amounts to \$135 billion, if secular growth is 3%. If secular growth is 4%, we estimate that during the first 20 years there will be \$305 billion in wealth transfer, and combined inter vivos donations and charitable bequests will amount to \$156 billion. In the 20 year period the combination of inter vivos donations and charitable bequests amounts to roughly half the value of wealth transfer in each of the scenarios. The inter vivos charitable contributions, of course, are made independently of the estate while charitable bequests in the narrow sense of bequests included in a will are made from the corpus of the estate. As mentioned in the introduction, however, in a broader sense the charitable bequests could be made through other vehicles triggered by death in addition to explicit bequests in a will. These other vehicles include (1) life insurance policies gifted to nonprofits by the decedent during his lifetime, (2) trusts including charitable remainder trusts held as an entity independent of the decedent, and (3) IRA accounts of the decedent in which a nonprofit is a beneficiary.

It is important to note that the foregoing wealth transfer findings were derived from a wealth transfer simulation analysis specifically designed for the Washington D.C. metropolitan area using the WTMM specifically calibrated for the metropolitan area. We find that tailored estimates for states and large metropolitan areas are more accurate than

interpolation based on national estimates because such tailored estimates take account of the local demographic and income characteristics of the area. Because these estimates have been produced by working directly with the WTMM, the projection that aggregate wealth transfer for the Washington D.C. metropolitan area will be at least \$1.260 trillion and as much as \$4.665 trillion can be reported and used with greater confidence.

The findings for the Washington D.C. metropolitan area that we have documented should offer this region and its citizens a deeper hope and confidence about its philanthropic prospects. But an even more favorable outcome may be in store for the Washington D.C. metropolitan area than what our estimates already suggest. First, the estimates reported here are conservative. Second, our projections do not take into account the new and renewed efforts of charities and others, such as Chevy Chase Trust, to encourage and facilitate greater charitable giving.

The growth rates of 2%, 3%, and 4% modeled in the wealth transfer simulation as well as the estimated growth of 2%, 3%, and 4% in inter vivos giving are both reasonable, if not conservative, by historical standards. For instance, the real annual growth in household wealth from 1950 through the first quarter of 2004 has averaged 3.37%. Moreover, this average rate of growth has endured despite the occurrence of 9 recessions over this period. From this we can conclude that the results from the 2% wealth transfer scenario—the one we tend to emphasize in our writings and presentations—is clearly conservative, that the results from the 3% scenario are historically low, and that the results from the 4% scenario are reasonable. In regard to the growth of inter vivos giving, the 2%, 3%, and 4% projections of annual average real growth also turn out to be historically low. From 1985 to 2004, data from Giving USA (Center on Philanthropy at Indiana University, 2004) indicates that average real growth in individual lifetime giving has grown at an average annual rate of 3.34%. From 1995 through 2004, the average annual real rate of growth in such giving has been 5.29%. Our estimates of projected inter vivos giving, we believe, are even more conservative than our projections of wealth transfer and charitable bequests.

Because our projected rates of growth in wealth, charitable bequests, and inter vivos giving are so conservative, it is reasonable to expect that total charitable giving over the next five decades will be equal to if not higher than our current estimates. But in addition to our conservative estimation strategy, there is a more important reason why charitable giving in the Washington D.C. metropolitan area may turn out to be even more abundant.

In all scenarios, the WTMM assumes that household wealth grows in accordance with historical patterns that reflect patterns of charitable bequests and inter vivos giving. Specifically, the wealth transfer estimates assume that the relationship between household wealth, charitable bequests, and inter vivos gifts to persons and to charity do not change, on average, during the 55 year period of the simulation. In other words, all we have said so far does *not* assume that people become more charitably inclined than they have been in the past.

This could all change as charities step up the quantity and, especially, the quality of their fundraising efforts, and as national and regional efforts to advance philanthropy encourage philanthropy through programs that better communicate the technical tools, effective consequences, spiritual meaning, and personal satisfaction of charitable giving. What we have in the past referred to as the prospects for a golden age of philanthropy will arise not just because of the growth in wealth. It will emerge even more profoundly and abundantly to the extent there is a growth in a dedicated and fulfilling philanthropic identity among those for whom allocating financial resources for the care of others is a high priority. It will also grow in the Washington D.C. metropolitan area as the community leadership and local financial infrastructure advances the wealth in the metropolitan area, its standard of living, and its quality of life.

## Methodological Appendix

This appendix documents the details of how the estimates were determined. It describes how the microdata file was derived, even without a reliable source of household wealth for the Washington D.C. metropolitan area. It then continues with a description of the model and how it works.

The research objective of this project is to estimate the wealth transfer from households residing in the Washington D.C. metropolitan area in 2001 during the period from 2001 through 2055. Our basic research strategy was to apply the currently updated and expanded WTMM to a microdata file for the Washington D.C. metropolitan area. This strategy required the development of an appropriate microdata file for the Washington D.C. metropolitan area and calibration of the data file for use by the WTMM. Once these tasks were completed, the WTMM could be run for each of the three scenarios and results tabulated.

### Survey of Consumer Finances

The WTMM was designed to use a subset of data from the Survey of Consumer Finances (SCF) as its national microdata file. The SCF is conducted every three years for the Board of Governors of the Federal Reserve [National Opinion Research Center, 1992, 1995, 1998, and 2001]. The most recent available survey when we began this project was conducted in 2001. The 2004 survey was just released in March 2006. However, it will be several additional months before the data from the new release can be processed into a form used by the WTMM and in the interest of completing the estimates by the end of April, 2006 we relied on the 2001 survey.

There are approximately 4,500 households in the 2001 survey sample: 3,000 households selected in a representative sample and 1,500 in an oversample of wealthy households, selected from IRS income tax returns. The staff of the Federal Reserve calculates weights that permit the two samples to be combined to represent the population of all households. With respect to content, the SCF contains very detailed information concerning assets owned, income earned, debt owed, inheritance expected or received, employment history, and demographic characteristics. The SCF also contains a question concerning inter vivos giving of cash and in-kind charitable donations<sup>1</sup>. The two most important characteristics of the SCF with respect to wealth transfer are: (1) it contains sufficient detail about the full portfolio of each household to support a reliable estimate of net worth at the household level, and (2) unlike most other surveys it includes a large group of wealthy households that supports reliable estimates for this group, which gives disproportionately large amounts to charity.

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<sup>1</sup> The SCF ignores annual donations of less than \$500 per household. At CWP we developed a method to approximate the value of contributions of less than \$500 based on data from the General Social Survey conducted by the National Opinion Research Center.

### Imputation of Wealth

The key limitation to applying the WTMM to states and metropolitan areas is the lack of data concerning the distribution of net worth of households in these areas. There is partial data on state and metropolitan area assets from a variety of sources but there is no sufficiently large representative sample of households for states and metropolitan areas with a reliable comprehensive distribution of household net worth.

Early in 2004, we began to explore the possibility of using relationships among variables on the SCF to impute net worth to households in the Current Population Survey (CPS) based primarily on components of income, home ownership, and demographic characteristics. The 2001 March Supplement of the CPS is based on a sample of approximately 70,000 households, representative by state and large metropolitan areas. It contains detailed information on income, household structure, employment, and demographic characteristics, but very sparse information on wealth.

In our exploration of the feasibility of imputing wealth to households in the CPS sample, we had the ambitious objective of estimating the distribution of household wealth within states and large metropolitan areas. At the national level the goal was to estimate the national distribution of household wealth based on the imputed measure in the CPS sample. The SCF provides an independent estimate of this distribution. Using the SCF distribution as a criterion, therefore, we wanted to develop, for each household on the CPS, an imputed measure of wealth whose distribution matched the distribution of wealth from the SCF.

We began our development efforts by adapting an approach used by the Federal Reserve to predict household wealth based on components of income [Frankel and Kennickell, 1995; Kennickell, 1993, 1999, and 2001] which the Fed uses to select its high wealth oversample based on income information from IRS income tax filings. The results were promising but not sufficiently reliable, especially at very high, lower middle, and low levels of wealth. We modified some of the variables we had been using (e.g. replaced median value of housing with average value of housing), added a number of demographic characteristics (e.g., marital status, age, education, race) and developed our own proprietary procedure to impute household wealth to households in the Current Population Survey. In the process we gave more emphasis to macro level accuracy of the distribution than to micro level household accuracy of imputed wealth.

### Assessment of Imputation Measure

The goal of the imputation procedure was to estimate the distribution of wealth within states and large metropolitan areas. We succeeded in the sense that the national distribution of household wealth based on the imputed measure on the CPS sample has the same mean and nearly the same standard deviation as the national distribution based on the SCF; the median and quartiles of the imputed distribution are also within a percent of their counterparts in the wealth distribution from the SCF. Moreover, the age distribution of imputed wealth is within 3 percent of the age distribution of household

wealth on the SCF. The means of the imputed wealth measure from the CPS are usually within 5 percent of the means of wealth on the SCF within categories of demographic characteristics not included in the imputation procedure. On a national basis for 2001, the imputed measure appears to have good national distributional properties in the base year.

Without going into the analytic details here, we found that the properties of the imputation degraded when applied to the 1998 CPS using the relationships among variables in the 2001 SCF. However, when using relationships among variables in the 1998 SCF the imputation regained its levels of distributional accuracy. We conclude that it is necessary that the SCF and the CPS be for the same year, since some of the relationships used in the imputation are more associational than behavioral or causal. This is the reason that the base year of the imputation and the base year of the wealth transfer analysis is 2001, the most recent vintage of SCF data when we began the analysis for the Washington D.C. metropolitan area.

Although the imputation reproduces the distribution of wealth nationally, there was no guarantee that it would do so for states and metropolitan areas. Clearly, since the imputed measure is derived from the income, home ownership, and demographic characteristics specific to each state and metropolitan area, a case can be made that it should be a good estimate of the wealth of these states and metropolitan areas. We looked at work on the distribution of wealth by states conducted by Barry Johnson and his colleagues at the Statistics of Income (SOI) Division of the IRS [Johnson and Schreiber, 1998]. This work used the value of estates from federal estate filings together with mortality rates and state demographic profiles from the Bureau of Census to estimate wealth in the state of filing. The rank order correlation for state wealth generated by the SOI technique and our imputed measure was near zero – the two measures were uncorrelated. However, in 1996 Robert and Jon Haveman estimated wealth at the state level based on asset and debt information collected as part of the Survey of Income and Program Participation (SIPP) [Haveman and Haveman, 1996]. The rank order correlation between the Haveman measure from 1996 and our imputed measure for 2001 was 0.67 – a fairly close relationship given the intervening years and the fact that SIPP has oversamples of low income households but no oversample of high wealth households. The Haveman measure also had near zero rank order correlation with states ranked by the SOI measure of wealth. We concluded that the SOI measure may not be an effective measure for generating the entire distribution of wealth for the entire population of a state and that our imputed measure was superior at least with respect to generating state distributions.

As a final assessment of the imputed measure we applied it to states and metropolitan areas in New England. It agreed with our perceptions of wealth in these states and metropolitan areas. This constituted a minimal criterion rather than strong evidence of regional accuracy of the measure. However, the measure passed this minimal test.

In summary our imputed measure replicates the national distribution of household wealth very closely, is based on population and household characteristics measured in the CPS

for states and metropolitan areas, and closely agrees with the only other study we found based on household survey data. We conclude the imputed measure appears to be a good measure for generating the distribution of household wealth for states and large metropolitan areas.

#### Calibrating the Microdata File to the Washington D.C. Metropolitan Area

The process of developing the microdata file for the Washington D.C. metropolitan area involves marrying the information from three sources: (1) the national relationships among wealth and inheritance variables from the 2001 SCF, (2) the wealth and demographic distributions for the Washington D.C. metropolitan area from the CPS, and (3) the aggregate national wealth totals from the Flow of Funds Accounts published by the Federal Reserve.

In our estimates of wealth transfer we have reconciled the aggregate amount of household wealth derived from the SCF with an independent, more comprehensive estimate from the Flow of Funds Accounts. We assume that the Flow of Funds estimate is more accurate at the aggregate level than the survey estimate due to variations of sampling. Since very high wealth holders (households with more than \$50 million in wealth) are relatively rare, the proportion included in the sample varies from year to year, and their wealth is so large that even modest variations in the proportions of high wealth holders in the sample has an effect on the estimate of aggregate wealth derived from the survey. In 2001 we adjusted the shape of the extreme tails of the SCF wealth distribution to a weighted average shape of the distributions in 1992, 1995, 1998, and 2001 (counted twice). After this adjustment, the estimate of aggregate household wealth based on the survey estimate was within 2 percent of the estimate based on the Flow of Funds Accounts.

The imputed measure of wealth allowed us to estimate the overall distribution of household wealth for the Washington D.C. metropolitan area and breakdowns of this distribution by demographic characteristics important to the estimation of wealth transfer (i.e., age, marital status, race, and gender of not married). The imputed measure, however, is less accurate at the household level (since we had emphasized distributional accuracy over household accuracy when developing the imputation measure). In contrast, the SCF measures household wealth and household demographic characteristics at a national level, but its distributions of both household wealth and demographic characteristics do not match those for the Washington D.C. metropolitan area. We wanted to calibrate the microdata file for the Washington D.C. metropolitan area in such a manner that it would combine the Washington D.C. metropolitan area distributional properties with the household accuracy of the SCF. Since the SCF and CPS were both describing the population in 2001, we married the data from both files by mapping the SCF into the Washington D.C. metropolitan area distributions as derived from the CPS (with the imputed measure of wealth). The resulting file, adjusted for different sample sizes, constitutes the Washington D.C. metropolitan area microdata file, which was used by the WTMM to produce the estimates of wealth transfer for the Washington D.C. metropolitan area. This method of marrying the two sets of data has three beneficial



properties: (1) it reestablished the accuracy of wealth in relation to demographic characteristics at the household level; (2) it maintained the distributions based on the CPS; (3) it contained all the variables (in addition to wealth) that are required by the WTMM to estimate wealth transfer.

### Assessment of Calibration

The two most important distributions for the estimate of wealth transfer in the Washington D.C. metropolitan area are (1) the distribution of household wealth in the Washington D.C. metropolitan area, and (2) the distribution of average household wealth by age of head. These distributions were presented in the findings section. A comparison of these distributions for the Washington D.C. metropolitan area reveals that the distributions based on the remapped file (used to produce the wealth transfer estimates) differ by less than 0.2% from the corresponding distributions based on the CPS data for the Washington D.C. metropolitan area. The remapped data faithfully reproduced the distributions of household wealth based on the imputed wealth measures for the Washington D.C. metropolitan area households in the CPS sample.

### The WTMM

The Wealth Transfer Microsimulation Model (WTMM) was designed and developed at CWP (then known as the Social Welfare Research Institute) at Boston College. Updated and expanded in the past six months, the model simulates the number and value of final estates for households that existed in 2001 during a 55 year period, which in this analysis is 2001 through 2055. The model was further adapted to estimate wealth transfer in the Washington D.C. metropolitan area through the development and calibration of its microdata file and some relatively minor modifications for the smaller number of households in the Washington D.C. metropolitan area as compared with the nation.

The WTMM incorporates the concept of final estate. A final estate is an estate without a surviving spouse – that is, the estate of a widowed, divorced, or never married decedent. When one of two spouses die the WTMM assumes that the wealth of the decedent is transferred to the surviving spouse. In this case a final estate occurs only when the surviving spouse dies. A final estate also occurs at the death of all other heads of household (i.e., never married, divorced, or widowed heads of household)

The WTMM assumes that household wealth grows along secular trends consistent with growth in the gross domestic product of the economy. The rates of growth define each of three scenarios (2%, 3%, and 4% rates of secular growth, respectively). A major assumption of the analysis is that there will be no sustained period of major economic downturn or upturn in the Washington D.C. metropolitan area during the 55 year period of the analysis (2001 through 2055). There will, of course, be economic cycles in the Washington D.C. metropolitan area during this period. The WTMM assumes only that none of these cycles will result in a long period (5 years or more) of sustained economic depression or booming economic growth.

The WTMM does not generate births, marriages, or divorces nor does it develop new household businesses nor divest the household of old businesses in the course of the simulation. It does, of course, assume that people in the Washington D.C. metropolitan area die at the 2001 national rates (by age, gender, and race) published by the National Center for Health Statistics based on data from the Center of Disease Control and Prevention.

The WTMM does assume that there are variations in the rate of growth in household wealth, depending on the age of head. These life cycle variations are due to periods of accelerated rates of accumulation, periods of distribution, variations in savings rates, variations in consumption rates, draw down of assets at the end of their lifecycle for households of modest means, and gifting of assets predominantly among affluent and wealthy households. The WTMM assumes that for the next 55 years the pattern of life cycle variations in the rate of growth in household wealth is represented by the current pattern estimated from data from the 1992, 1995, 1998, and 2001 SCF. In particular, it assumes there will be no major increase or decrease in the amounts or prevalence of inter vivos gifts (such as charitable remainder trusts) during the period.

The WTMM applies the mortality rates, secular growth rates, and life cycle variations to each household to estimate the number and value of final estates. For each final estate, its value is distributed to government, charity, heirs, and estate costs based on historical patterns. These patterns depend on the asset value of the estate. They are based primarily on data from federal estate tax filings for 1992 through 2001. The pattern indicates that as asset levels of estates increase, the proportion of the value of the estate bequeathed to charity increases substantially to an average of 38% for estates with assets of \$20 million or more. The WTMM assumes that the national historical pattern, adjusted for changes in the estate tax law, holds for the Washington D.C. metropolitan area during the period of the simulation.

The expanded version of the WTMM modifies the historical proportions of the value of estates distributed to government by an adjustment based on changed estate tax liability based on current estate tax law as reflected in The Economic Growth and Tax Relief Reconciliation Act of 2001. Specifically the WTMM estimates the government share of the estate based on its asset value and the historical proportion paid in estate taxes. The WTMM then calculates the estate tax liability under estate tax provisions in effect prior to 2001 and estate tax provisions in effect for the year being simulated. The proportion of new to old tax liability is applied to the historical estimate of estate taxes paid (which reduces this amount for estates that paid estate taxes). The resulting reduction in estate taxes paid is allocated as increases to charity and heirs, proportional to the historical percentages distributed to charity and heirs for the given household. This allocation is consistent with the proposition that reductions in the estate tax will increase charitable giving [Schervish, 2001].

The expanded WTMM projects inter vivos charitable giving along secular trend. The secular trend is the same as that used for growth in household wealth in the scenario. In each year of the analysis, households that have survived in that year are assumed to make

inter vivos contributions equal to their prior year contributions times the secular growth rate for the scenario.

The WTMM runs in constant (inflation adjusted) dollars for 2001. All internal calculations and all estimates are calculated in 2001 dollars. These values have been transformed to constant (inflation adjusted) 2003 dollars prior to presentation in this report. All dollar amounts in this report are constant 2003 dollars.

The WTMM for the Washington D.C. metropolitan area estimates the amount of wealth transferred during the 55 year period by households residing in the Washington D.C. metropolitan area in 2001. It needs to be interpreted with respect to this group of households. We note that not all of this wealth will necessarily be transferred to charities and heirs located in the Washington D.C. metropolitan area, some will be transferred to charities and heirs located outside the Washington D.C. metropolitan area. Moreover, some households residing in the Washington D.C. metropolitan area in 2001 may move out of the metropolitan area prior to the deaths of the heads of household and consequently prior to the transfer of wealth. The wealth transfer model assesses the capacity of the 2001 population of the Washington D.C. metropolitan area to transfer wealth and its potential capacity for charitable giving.

#### Data and Parameters

Via its microdata file, WTMM uses the relevant demographic characteristics for the Washington D.C. metropolitan area households derived from the CPS. It uses distribution of wealth derived from the imputed measure of wealth, which in turn depends on the detailed income components and demographic characteristics of the Washington D.C. metropolitan area households as contained in the CPS. The construction of the microdata file has been described previously in this report.

In addition to the Washington D.C. metropolitan area microdata file, the WTMM uses parameters based on national statistics. It uses the final mortality rates for 2001 published by the National Center for Health Statistics based on data from the Center of Disease Control and Prevention. It uses historical data from the Statistics of Income Division of the Internal Revenue Service. This data consists of average patterns (1992-2001) of distribution of estates, net of surviving spouse deductions, where the distributions are defined in terms of the percentage of the net value distributed to estate fees, charitable deductions, estate taxes, and heirs. The WTMM also uses life cycle variations in the growth of wealth calculated from the 1992, 1995, 1998, and 2001 SCF.

#### Scenarios

The estimates of wealth transfer and its potential for charitable giving have been calculated for three scenarios, differentiated by the rate of secular growth in household wealth. The low growth scenario assumes a 2% real (inflation adjusted) rate of secular growth and lower than average rates of life cycle savings. The middle growth scenario assumes a 3% real rate of secular growth and average rates of life cycle savings. The

high growth scenario assumes a 4% real rate of secular growth and above average rates of life cycle savings

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TABLES

WASHINGTON D.C. METROPOLITAN AREA

**Table 1**  
**Distribution of Household Wealth**  
**Washington, D.C. Metropolitan Area and Nation**

Household Net Worth	Number of Households (thousands)		Percent of Households		Average HH Net Worth (thousands)		Aggregate HH Net Worth (millions)		Percent HH Net Worth		Average Age of Head (years)	
	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation
Negative or Zero	137	11,058	7.05%	10.38%	(\$10.3)	(\$8.7)	(\$1,407.3)	(\$96,529.6)	-	-	34.8	37.9
\$1 to \$199,999	1,037	59,875	53.57%	56.23%	\$60.1	\$62.6	\$62,306.1	\$3,745,470.6	6.2%	9.0%	45.7	46.8
\$200,000 to \$499,999	371	19,095	19.17%	17.93%	\$316.6	\$322.0	\$117,481.8	\$6,148,488.3	11.7%	14.7%	53.2	54.2
\$500,000 to \$999,999	192	9,245	9.94%	8.68%	\$713.4	\$695.1	\$137,246.0	\$6,426,086.2	13.6%	15.4%	54.6	56.6
\$1,000,000 to \$4,999,999	165	6,139	8.53%	5.77%	\$1,966.9	\$1,915.1	\$324,524.8	\$11,756,740.4	32.2%	28.1%	55.2	57.5
\$5,000,000 to \$9,999,999	23	654	1.19%	0.61%	\$7,085.6	\$7,153.2	\$163,066.8	\$4,676,013.7	16.2%	11.2%	55.9	56.5
\$10,000,000 to \$19,999,999	8	292	0.42%	0.27%	\$14,022.9	\$13,484.9	\$114,498.0	\$3,931,231.8	11.4%	9.4%	57.4	58.1
\$20,000,000 or More	2	128	0.12%	0.12%	\$36,521.2	\$39,579.0	\$87,755.1	\$5,083,514.0	8.7%	12.2%	53.6	60.5
ALL	1,935	106,486	100.00%	100.00%	\$519.6	\$391.3	\$1,005,471.3	\$41,671,015.4	100.0%	100.0%	48.2	48.8

All dollar values are in 2005 dollars.

Calculated at the Center on Wealth and Philanthropy at Boston College.



**Table 2**  
**Distribution of Household Wealth Among Households with Positive Net Worth**  
**Washington, D.C. Metropolitan Area and Nation**

Household Net Worth	Number of Households (thousands)	Percent of Households	Average HH Net Worth (thousands)	Aggregate HH Net Worth	Percent of HH Net Worth	Cumulative Percent of HHs		Cumulative Percent of Net Worth	
	Washington, DC	Washington, DC	Washington, DC	Washington, DC	Washington, DC	Washington, DC	Nation	Washington, DC	Nation
\$1 to \$199,999	1,037	57.64%	\$60.1	\$62,306.1	6.2%	100.0%	100.0%	100.0%	100.0%
\$200,000 to \$499,999	371	20.63%	\$316.6	\$117,481.8	11.7%	42.4%	37.3%	93.8%	91.0%
\$500,000 to \$999,999	192	10.70%	\$713.4	\$137,246.0	13.6%	21.7%	17.2%	82.1%	76.3%
\$1,000,000 to \$4,999,999	165	9.17%	\$1,966.9	\$324,524.8	32.2%	11.0%	7.6%	68.5%	60.9%
\$5,000,000 to \$9,999,999	23	1.28%	\$7,085.6	\$163,066.8	16.2%	1.9%	1.1%	36.3%	32.8%
\$10,000,000 to \$19,999,999	8	0.45%	\$14,022.9	\$114,498.0	11.4%	0.6%	0.4%	20.1%	21.6%
\$20,000,000 or More	2	0.13%	\$36,521.2	\$87,755.1	8.7%	0.1%	0.1%	8.7%	12.2%
ALL	1,799	100%	\$559.8	\$1,006,878.6	100.0%	-	-	-	-

All dollar values are in 2005 dollars.

Calculated at the Center on Wealth and Philanthropy at Boston College.

**Table 3**  
**Distribution of Household Wealth by Age**  
**Washington, D.C. Metropolitan Area and Nation**

Age of Head	Number of Households (thousands)		Percent of Households		Average HH Net Worth (thousands)		Aggregate HH Net Worth (millions)		Percent of HH Net Worth		Average Age of Head (years)	
	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation	Washington, D.C.	Nation
Under Age 40	670	35,521	34.64%	33.36%	\$185.8	\$118.9	\$124,549.8	\$4,224,670.9	12.4%	10.1%	30.9	30.7
40 to 59 Years	787	42,667	40.67%	40.07%	\$722.4	\$480.9	\$568,554.6	\$20,516,916.9	56.5%	49.2%	48.5	48.4
60 to 79 Years	392	22,987	20.25%	21.59%	\$691.2	\$644.8	\$270,850.4	\$14,821,442.8	26.9%	35.6%	69.2	69.3
80 Years or Older	86	5,312	4.44%	4.99%	\$483.1	\$396.8	\$41,516.5	\$2,107,984.8	4.1%	5.1%	84.8	84.4
ALL	1,935	106,486	100.00%	100%	\$519.6	\$391.3	\$1,005,471.3	\$41,671,015.4	100.0%	100.0%	48.2	48.8

All dollar values are in 2005 dollars.

Calculated at the Center on Wealth and Philanthropy at Boston College.

**Table 4**  
**LOW (2%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

**Panel 1**  
**2001-2020**

	Neg or Zero	\$1 to \$999,999	\$1 M to \$4.9 M	\$5 M to \$9.9 M	\$10 M to \$19.9 M	\$20 M or More	Total
<b>Number of Estates</b>	10,397 2.58%	354,063 87.81%	31,440 7.80%	4,414 1.09%	2,212 0.55%	687 0.17%	403,213 100.00%
<b>Value of Estates</b>	(\$94) - -	\$68,653 31.80% 100.00%	\$64,258 29.76% 100.00%	\$32,096 14.87% 100.00%	\$28,948 13.41% 100.00%	\$22,048 10.21% 100.00%	\$215,908 100.00% 100.00%
<b>Estate Fees</b>	\$5 0.07% -	\$2,421 29.62% 3.53%	\$2,621 32.07% 4.08%	\$1,320 16.15% 4.11%	\$1,136 13.90% 3.93%	\$669 8.19% 3.04%	\$8,174 100.00% 3.79%
<b>Estate Taxes</b>	\$0.00 0.00% -	\$217 0.56% 0.32%	\$10,946 27.99% 17.03%	\$10,523 26.91% 32.79%	\$10,430 26.67% 36.03%	\$6,994 17.88% 31.72%	\$39,109 100.00% 18.11%
<b>Bequests to Charity</b>	\$0.00 0.00% -	\$1,462 6.35% 2.13%	\$4,723 20.51% 7.35%	\$4,116 17.87% 564.48%	\$4,933 21.42% 17.04%	\$7,795 33.85% 35.35%	\$23,028 100.00% 10.67%
<b>Bequests to Heirs</b>	\$0.00 0.00% -	\$64,553 44.31% 94.03%	\$45,967 31.55% 71.54%	\$16,136 11.08% 2142.19%	\$12,449 8.54% 43.01%	\$6,590 4.52% 29.89%	\$145,696 100.00% 67.48%

**Panel 2**  
**2001-2055**

	Neg or Zero	\$1 to \$999,999	\$1 M to \$4.9 M	\$5 M to \$9.9 M	\$10 M to \$19.9 M	\$20 M or More	Total
<b>Number of Estates</b>	43,779 2.73%	1,337,954 83.39%	171,948 10.72%	32,345 2.02%	12,168 0.76%	6,260 0.39%	1,604,454 100.00%
<b>Value of Estates</b>	(\$731) - -	\$248,026 19.69% 100.00%	\$388,774 30.86% 100.00%	\$230,510 18.30% 100.00%	\$165,652 13.15% 100.00%	\$227,708 18.07% 100.00%	\$1,259,938 100.00% 100.00%
<b>Estate Fees</b>	\$15 0.03% -	\$8,775 18.52% 3.54%	\$15,920 33.61% 4.09%	\$9,473 20.00% 4.11%	\$6,477 13.67% 3.91%	\$6,707 14.16% 2.95%	\$47,367 100.00% 3.76%
<b>Estate Taxes</b>	\$0 0.00% -	\$1,197 0.37% 0.48%	\$85,498 26.60% 21.99%	\$86,335 26.86% 37.45%	\$68,031 21.17% 41.07%	\$80,313 24.99% 35.27%	\$321,374 100.00% 25.51%
<b>Bequests to Charity</b>	\$0 0.00% -	\$5,672 3.37% 2.29%	\$28,514 16.92% 7.33%	\$27,832 16.51% 12.07%	\$26,492 15.72% 15.99%	\$80,054 47.49% 35.16%	\$168,564 100.00% 13.38%
<b>Bequests to Heirs</b>	\$0 0.00% -	\$232,383 32.12% 93.69%	\$258,842 35.78% 66.58%	\$106,871 14.77% 46.36%	\$64,652 8.94% 39.03%	\$60,633 8.38% 26.63%	\$723,380 100.00% 57.41%

All dollar values are in millions of 2005 dollars.  
 Estimated at the Center on Wealth and Philanthropy at Boston College.

**Table 5**  
**MIDDLE (3%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

**Panel 1**  
**2001-2020**

	Neg or Zero	\$1 to \$999,999	\$1 M to \$4.9 M	\$5 M to \$9.9 M	\$10 M to \$19.9 M	\$20 M or More	Total
<b>Number of Estates</b>	9,554 2.37%	350,535 86.94%	34,050 8.44%	5,189 1.29%	2,782 0.69%	1,104 0.27%	403,213 100.00%
<b>Value of Estates</b>	(\$68.95) - -	\$73,793 28.41% 100.00%	\$74,675 28.75% 100.00%	\$37,159 14.30% 100.00%	\$37,180 14.31% 100.00%	\$37,027 14.25% 100.00%	\$259,765 100.00% 100.00%
<b>Estate Fees</b>	\$5.01 0.05% -	\$2,605 26.73% 3.53%	\$3,046 31.24% 4.08%	\$1,528 15.68% 4.11%	\$1,458 14.96% 3.92%	\$1,106 11.35% 2.99%	\$9,748 100.00% 3.75%
<b>Estate Taxes</b>	\$0.00 0.00% -	\$360 0.70% 0.49%	\$13,123 25.43% 17.57%	\$12,725 24.66% 34.24%	\$13,427 26.02% 36.11%	\$11,974 23.20% 32.34%	\$51,609 100.00% 19.87%
<b>Bequests to Charity</b>	\$0.00 0.00% -	\$1,666 5.26% 2.26%	\$5,534 17.49% 7.41%	\$4,700 14.85% 12.65%	\$6,380 20.16% 17.16%	\$13,369 42.24% 36.11%	\$31,649 100.00% 12.18%
<b>Bequests to Heirs</b>	\$0.00 0.00% -	\$69,162 41.46% 93.72%	\$52,972 31.75% 70.94%	\$18,206 10.91% 49.00%	\$15,915 9.54% 42.81%	\$10,578 6.34% 28.57%	\$166,834 100.00% 64.22%

**Panel 2**  
**2001-2055**

	Neg or Zero	\$1 to \$999,999	\$1 M to \$4.9 M	\$5 M to \$9.9 M	\$10 M to \$19.9 M	\$20 M or More	Total
<b>Number of Estates</b>	34,349 2.14%	1,264,905 78.84%	209,595 13.06%	50,340 3.14%	25,726 1.60%	19,539 1.22%	1,604,454 100.00%
<b>Value of Estates</b>	(\$387) - -	\$289,244 12.08% 100.00%	\$540,430 22.57% 100.00%	\$349,055 14.58% 100.00%	\$357,746 14.94% 100.00%	\$857,914 35.84% 100.00%	\$2,394,003 100.00% 100.02%
<b>Estate Fees</b>	\$16 0.02% -	\$10,325 12.04% 3.57%	\$22,274 25.97% 4.12%	\$14,334 16.71% 4.11%	\$13,940 16.26% 3.90%	\$24,870 29.00% 2.90%	\$85,758 100.00% 3.58%
<b>Estate Taxes</b>	\$0 0.00% -	\$3,880 0.54% 1.34%	\$137,205 18.94% 25.39%	\$132,285 18.26% 37.90%	\$148,743 20.54% 41.58%	\$302,168 41.72% 35.22%	\$724,281 100.00% 30.25%
<b>Bequests to Charity</b>	\$0 0.00% -	\$7,955 1.73% 2.75%	\$43,536 9.47% 8.06%	\$42,216 9.18% 12.09%	\$57,714 12.55% 16.13%	\$308,531 67.08% 35.96%	\$459,953 100.00% 19.21%
<b>Bequests to Heirs</b>	\$0 0.00% -	\$267,085 23.75% 92.34%	\$337,414 30.01% 62.43%	\$160,220 14.25% 45.90%	\$137,349 12.22% 38.39%	\$222,346 19.77% 25.92%	\$1,124,414 100.00% 46.97%

All dollar values are in millions of 2005 dollars.  
 Estimated at the Center on Wealth and Philanthropy at Boston College.

**Table 6**  
**HIGH(4%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

**Panel 1**  
**2001-2020**

	<b>Neg or Zero</b>	<b>\$1 to \$999,999</b>	<b>\$1 M to \$4.9 M</b>	<b>\$5 M to \$9.9 M</b>	<b>\$10 M to \$19.9 M</b>	<b>\$20 M or More</b>	<b>Total</b>
<b>Number of Estates</b>	7,120 1.77%	348,051 86.32%	36,941 9.16%	6,026 1.49%	3,431 0.85%	1,643 0.41%	403,213 100.00%
<b>Value of Estates</b>	(\$48) - -	\$73,037 23.98% 100.00%	\$83,560 27.44% 100.00%	\$42,781 14.05% 100.00%	\$46,354 15.22% 100.00%	\$58,835 19.32% 100.00%	\$304,519 100.00% 100.00%
<b>Estate Fees</b>	\$3 0.03% -	\$2,580 22.83% 3.53%	\$3,412 30.18% 4.08%	\$1,759 15.56% 4.11%	\$1,816 16.06% 3.92%	\$1,734 15.34% 2.95%	\$11,305 100.00% 3.71%
<b>Estate Taxes</b>	\$0 0.00% -	\$378 0.57% 0.52%	\$15,401 23.01% 18.43%	\$14,839 22.17% 34.68%	\$16,891 25.24% 36.44%	\$19,419 29.01% 33.01%	\$66,929 100.00% 21.98%
<b>Bequests to Charity</b>	\$0 0.00% -	\$1,651 3.86% 2.26%	\$6,349 14.84% 7.60%	\$5,357 12.52% 12.52%	\$7,976 18.64% 17.21%	\$21,453 50.14% 36.46%	\$42,787 100.00% 14.05%
<b>Bequests to Heirs</b>	\$0 0.00% -	\$68,427 37.28% 93.69%	\$58,398 31.82% 69.89%	\$20,826 11.35% 48.68%	\$19,671 10.72% 42.44%	\$16,228 8.84% 27.58%	\$183,550 100.00% 60.28%

**Panel 2**  
**2001-2055**

	<b>Neg or Zero</b>	<b>\$1 to \$999,999</b>	<b>\$1 M to \$4.9 M</b>	<b>\$5 M to \$9.9 M</b>	<b>\$10 M to \$19.9 M</b>	<b>\$20 M or More</b>	<b>Total</b>
<b>Number of Estates</b>	22,986 1.43%	1,170,159 72.93%	244,208 15.22%	83,357 5.20%	40,486 2.52%	43,259 2.70%	1,604,454 100.00%
<b>Value of Estates</b>	(\$158) - -	\$266,825 5.72% 100.00%	\$652,177 13.98% 100.00%	\$582,888 12.49% 100.00%	\$553,267 11.86% 100.00%	\$2,610,376 55.95% 100.00%	\$4,665,376 100.00% 100.00%
<b>Estate Fees</b>	\$5 0.00% -	\$9,551 6.09% 3.58%	\$26,898 17.15% 4.12%	\$23,867 15.22% 4.09%	\$21,440 13.67% 3.88%	\$75,102 47.88% 2.88%	\$156,863 100.00% 3.36%
<b>Estate Taxes</b>	\$0 0.00% -	\$3,230 0.21% 1.21%	\$174,444 11.26% 26.75%	\$223,514 14.42% 38.35%	\$230,540 14.88% 41.67%	\$917,805 59.23% 35.16%	\$1,549,533 100.00% 33.21%
<b>Bequests to Charity</b>	\$0 0.00% -	\$7,563 0.64% 2.83%	\$55,056 4.69% 8.44%	\$71,685 6.10% 12.30%	\$91,396 7.78% 16.52%	\$948,810 80.78% 36.35%	\$1,174,511 100.00% 25.18%
<b>Bequests to Heirs</b>	\$0 0.00% -	\$246,482 13.81% 92.38%	\$395,778 22.18% 60.69%	\$263,822 14.78% 45.26%	\$209,892 11.76% 37.94%	\$668,659 37.47% 25.62%	\$1,784,633 100.00% 38.25%

All dollar values are in millions of 2005 dollars.  
 Estimated at the Center on Wealth and Philanthropy at Boston College.

**Table 7**  
**Wealth Transfer and Inter Vivos Giving by Household Wealth Category in 2001**  
**LOW (2%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
2001	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	136,514	(\$1,407)	89,820	\$3,787	46,694	\$3,113	\$3,417	\$285	\$3,701	1.0%	100.0%	100.0%
\$1 to \$199,999	1,036,718	\$62,306	819,445	\$92,285	217,273	\$62,222	\$46,320	\$7,836	\$54,156	14.4%	99.0%	92.9%
\$200,000 to \$499,999	371,023	\$117,482	333,830	\$135,193	37,193	\$41,284	\$31,950	\$5,717	\$37,667	10.0%	84.6%	39.4%
\$500,000 to \$999,999	192,387	\$137,246	175,978	\$142,471	16,409	\$40,084	\$23,141	\$6,781	\$29,922	8.0%	74.6%	20.2%
\$1,000,000 to \$4,999,999	164,989	\$324,525	153,360	\$417,891	11,629	\$54,237	\$48,667	\$39,871	\$88,538	23.6%	66.6%	10.3%
\$5,000,000 to \$9,999,999	23,014	\$163,067	21,913	\$200,931	1,101	\$15,286	\$19,901	\$27,994	\$47,896	12.7%	43.1%	1.7%
\$10,000,000 or More	10,568	\$202,253	10,108	\$267,380	460	\$30,383	\$33,783	\$80,080	\$113,863	30.3%	30.3%	0.5%
Total	1,935,212	\$1,005,471	1,604,454	\$1,259,938	330,759	\$246,610	\$207,180	\$168,564	\$375,744	100%	-	-

All dollar values are in millions of 2005 dollars.

Calculated at the Center on Wealth and Philanthropy at Boston College.

**Table 8**  
**Wealth Transfer and Inter Vivos Giving by Household Wealth Category in 2001**  
**MIDDLE (3%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	136,514	(\$1,407)	89,820	\$7,821	46,694	\$7,491	\$4,500	\$709	\$5,209	0.7%	100.0%	100.0%
\$1 to \$199,999	1,036,718	\$62,306	819,445	\$175,131	217,273	\$170,443	\$60,379	\$19,780	\$80,160	11.1%	99.3%	92.9%
\$200,000 to \$499,999	371,023	\$117,482	333,830	\$249,038	37,193	\$109,355	\$40,663	\$19,142	\$59,805	8.3%	88.2%	39.4%
\$500,000 to \$999,999	192,387	\$137,246	175,978	\$266,884	16,409	\$107,438	\$28,928	\$22,112	\$51,040	7.1%	79.9%	20.2%
\$1,000,000 to \$4,999,999	164,989	\$324,525	153,360	\$773,261	11,629	\$145,843	\$60,740	\$107,749	\$168,490	23.4%	72.8%	10.3%
\$5,000,000 to \$9,999,999	23,014	\$163,067	21,913	\$392,113	1,101	\$45,097	\$24,558	\$101,595	\$126,153	17.5%	49.4%	1.7%
\$10,000,000 or More	10,568	\$202,253	10,108	\$529,754	460	\$91,087	\$40,881	\$188,865	\$229,746	31.9%	31.9%	0.5%
Total	1,935,212	\$1,005,471	1,604,454	\$2,394,003	330,759	\$676,755	\$260,649	\$459,953	\$720,602	100%		

All dollar values are in millions of 2005 dollars.

Calculated at the Center on Wealth and Philanthropy at Boston College.

**Table 9**  
**Wealth Transfer and Inter Vivos Giving by Household Wealth Category in 2001**  
**HIGH (4%) Secular Growth Scenario**  
**Washington, D.C. Metropolitan Area**

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
2001	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	136,514	(\$1,407)	89,820	\$14,233	46,694	\$16,867	\$6,034	\$1,846	\$7,881	0.5%	100.0%	100.0%
\$1 to \$199,999	1,036,718	\$62,306	819,445	\$352,816	217,273	\$470,315	\$80,133	\$58,417	\$138,550	9.2%	99.5%	92.9%
\$200,000 to \$499,999	371,023	\$117,482	333,830	\$461,367	37,193	\$269,096	\$52,678	\$60,374	\$113,052	7.5%	90.3%	39.4%
\$500,000 to \$999,999	192,387	\$137,246	175,978	\$514,490	16,409	\$274,842	\$36,738	\$68,175	\$104,913	7.0%	82.8%	20.2%
\$1,000,000 to \$4,999,999	164,989	\$324,525	153,360	\$1,431,617	11,629	\$385,631	\$77,013	\$317,934	\$394,947	26.2%	75.8%	10.3%
\$5,000,000 to \$9,999,999	23,014	\$163,067	21,913	\$796,134	1,101	\$127,143	\$30,825	\$268,962	\$299,788	19.9%	49.6%	1.7%
\$10,000,000 or More	10,568	\$202,253	10,108	\$1,094,719	460	\$266,217	\$50,158	\$398,801	\$448,960	29.8%	29.8%	0.5%
Total	1,935,212	\$1,005,471	1,604,454	\$4,665,376	330,759	\$1,810,110	\$333,580	\$1,174,511	\$1,508,091	100%	-	-

All dollar values are in millions of 2005 dollars.  
 Calculated at the Center on Wealth and Philanthropy at Boston College.



**Table 10**  
**Projections for Wealth Transfer and Charitable Contributions**  
**Washington, D.C. Metropolitan Area**

**20-Year Period from 2001-2020 (2005 Purchasing Power)**

	Low Estimate (2% Secular Growth)* (\$2005 in Billions)	Middle Estimate (3% Secular Growth)* (\$2005 in Billions)	High Estimate (4% Secular Growth) (\$2005 in Billions)
Total Wealth Transfer	\$215.9	\$259.8	\$304.5
Bequests to Charity	\$23.0	\$31.6	\$42.8
Inter-Vivos Giving by Individuals**	\$93.9	\$103.2	\$113.6
Total Charitable Contributions	\$116.9	\$134.8	\$156.4
% of Total Contributed by Millionaires	63.8%	68.2%	72.0%

**55-Year Period from 2001-2055 (2005 Purchasing Power)**

	Low Estimate (2% Secular Growth)* (\$2005 in Billions)	Middle Estimate (3% Secular Growth)* (\$2005 in Billions)	High Estimate (4% Secular Growth) (\$2005 in Billions)
Total Wealth Transfer	\$1,259.9	\$2,394.0	\$4,665.4
Bequests to Charity	\$168.6	\$460.0	\$1,174.5
Inter-Vivos Giving by Individuals**	\$207.2	\$260.6	\$333.6
Total Charitable Contributions	\$375.7	\$720.6	\$1,508.1
% of Total Contributed by Millionaires	72.7%	84.0%	92.3%

\*Note: This table is calculated for secular trends of 2%, 3%, and 4% in growth rates of both real personal wealth and real inter-vivos giving. The actual real growth rate in inter-vivos giving was 1.61% in the 10 years from 1985 through 1995; 8.08% in the 5 years from 1995 through 2000; and 3.54% in the 18.25 years from 1985 through the first quarter of 2004.

\*\*Calculated by the Center on Wealth and Philanthropy based on data from the 2001 Survey of Consumer Finances.