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Boston Foundation forum explores local impact of trillion-dollar wealth transfer

Experts foresee a 'Golden Age' of philanthropy in Greater Boston

Boston – In the next 50 years, approximately \$1.25 trillion is expected to pass from one generation to the next in Greater Boston. Of that amount, \$297 billion will go to the government in the form of taxes, \$739 billion will go to heirs, \$47 billion will be spent on estate fees and \$172 billion will be donated to charity. An additional \$187 billion is expected to be given as charitable gifts during the lifetimes of members of this generation. That unprecedented scale of giving—almost \$360 billion in total—will transform philanthropy in the region, according to research by Paul S. Schervish and John J. Havens of the Center for Wealth and Philanthropy at Boston College, commissioned by the Boston Foundation.

Their findings are contained in a report entitled *A Golden Age of Philanthropy?: The Impact of the Great Wealth Transfer on Greater Boston*, which was released today at an Understanding Boston forum at the foundation.

This report follows on the work of the groundbreaking study published by Schervish and Havens in 1999 which established that an unprecedented amount of money—they predicted more than \$40 trillion in total—will be passed from one generation to the next at the national level in the years between 2001 and 2050. Following the publication of that report, the Boston Foundation asked Schervish and Havens to examine Greater Boston as a case study in the greater wealth transfer at the national level.

“It is impossible to exaggerate the significance of this wealth transfer and the impact it will have on our community—and our culture,” said Paul S. Grogan, President and CEO of the Boston Foundation. “For nonprofit organizations and the communities they serve, this transfer is particularly important because it represents the resources we need to address the critical issues that will shape our region well into the future. The question for all of us is: Are we prepared?”

In response to the Boston Foundation's request, Schervish and Havens have developed a methodology that makes it possible for them to hold a single, specific metropolitan area up to scrutiny. The case of Greater Boston is of particular significance because wealth holders here are older than elsewhere in the country. As a result, Boston will begin to experience the wealth transfer earlier, and will have the opportunity to create a model that can influence the way other parts of the country respond to the challenge.

Wealth distribution

According to Schervish and Havens, the total wealth of households in Greater Boston was almost \$1 trillion in 2001. That amounts to an average of \$498,000 per household, about 25 percent more than the national average of just under \$400,000. The median household wealth in Greater Boston is almost twice as much as the national median—\$172,000 here compared to \$89,000 nationally. Not surprisingly, given those numbers, there are more millionaires in Greater Boston than in the United States as a whole, although at the very highest level of personal wealth, Greater Boston lags slightly behind the national average.

In that highest tier, according to Forbes magazine's 2005 listing of the 400 richest individuals in the country, Greater Boston includes 11 people with a collective net wealth of \$35.2 billion—a small fraction of the aggregate personal wealth in the region. The concentration of wealthy individuals has important implications for philanthropy, because they tend to give a larger part of their personal wealth to charity

The significance of age is evident in the concentration of wealth in households whose heads are between the ages of 69 and 79. In Greater Boston, such households had an average net worth of \$875,000 in 2001, compared to the national average of \$638,000.

The amount of money in the generational transfer is based on the expected value of final estates—in which there is no surviving spouse—as well as historical patterns in the distribution of estates.

Fully 52 percent of the potential charitable giving will come from 0.5 percent of these final estates, which will have assets of at least \$20 million. That reflects the fact that, historically, estates of \$20 million or more give the most to charity—38 percent of their value, compared to 8 percent for estates that are worth less than \$20 million. These larger estates are also more likely to belong to older residents, which also accelerates the pace of giving.

“This makes certain what we already knew intuitively—individuals and families have a historic opportunity to use their means in a deep and purposeful way,” said Paul Schervish. “The decisions we make will affect the world we live in and shape the way our children think about money. What we are talking about ultimately is writing the moral biography of our age.”

Lifetime giving

In addition to the sum of \$172 billion expected to be given to charity by bequests, an additional \$187 billion is expected to be given to charity by Greater Boston households before death, for an aggregate giving of approximately \$359 billion. During the first part of the time covered by the research in this report, lifetime giving will exceed bequests. However, that will change over time as bequests become an increasingly important part of the region's charitable giving.

Because of the scale of the wealth transfer and the historic sense of opportunity it is expected to generate, how the culture of philanthropy will change in the next five decades will be strongly influenced by the ways that key nonprofit institutions, foundations (including community foundations) and financial institutions prepare to serve the residents of the region.

The 'demand' side of giving and the new philanthropy

In the past generation, philanthropy has become significantly more sophisticated than was previously the case, as a whole industry of wealth advisors developed and nonprofit foundations worked more intentionally with donors and prospective donors to make the most of their philanthropic giving. Recent changes add up to what Paul Schervish calls the "new physics of philanthropy," incorporating not just money but also motives and the decision-making process on the part of donors.

He sees the field increasingly including more commitment on the part of donors, to cultural goals and the nonprofits that shape and achieve them. The result is a more entrepreneurial kind of giving, which in turn taps into a long history of innovation, change and institutional transformation that has defined the culture of Greater Boston for centuries.

"When the facts contained in this report are added to Boston's traditional role as a model for innovative ideas for the nation, it quickly becomes clear just how important it is for all of us here to take part in this conversation about what we aspire to accomplish," said John J. Havens. "We are talking about creating an enduring legacy."

Second in a series

This forum is the second in a series of reports on philanthropy in the region commissioned by the Boston Foundation and researched by Schervish and Havens. The previous forum, *Geography and Generosity: Boston and Beyond* in November, 2005, debunked the so-called Generosity Index which purported to rank the states by their relative generosity, earning national coverage for conclusively dismissing as a myth the assertion that Massachusetts is one of the stingiest states in the nation.

Today the focus is on the small fraction of the population that has accrued a vast reservoir of wealth during the past fifty years—an amount far beyond what they will need to secure their wellbeing and that of their children, amounting to an invitation to give philanthropically on a scale previously reserved for industrial magnates whose names still evoke a sense of power and social impact: Carnegie, Rockefeller, Morgan and Ford.

However, the local tradition has always been for a culture of giving that is more discreet. More personal, yet less self-aggrandizing. Now as a generation comes to terms with its unprecedented wealth and the potential for impact that represents, a new, more intentional, more strategic culture of philanthropy can be created.

The series was developed in response to the increasing importance of philanthropy within the Greater Boston Community and across the country. As one of the oldest and largest community foundations in the country, the Boston Foundation has a commitment to serve as a wellspring of new ideas about philanthropy and community building—and to create a public conversation about issues that have a significant impact on the region.

The current Boston Foundation forum was designed to explore the components of the epochal event represented by the generational transfer of wealth, including estimates of wealth held in the region, how it is distributed, how initial distribution is expected to be shaped and what the impact is expected to be on the culture of philanthropy.

John J. Havens is Senior Research Associate and Associate Director of the Center on Wealth and Philanthropy at Boston College. He was trained in mathematics, economics and physics at Yale University and MIT.

Paul S. Schervish is a Professor of Sociology and Director of the Center on Wealth and Philanthropy at Boston College. He is National Research Scholar at the Indiana University Center on Philanthropy and a Senior Advisor to the John Templeton Foundation.

The Boston Foundation, Greater Boston's community foundation, is one of the oldest and largest community foundations in the nation, with an endowment of over \$730 million. In 2005, the Foundation and its donors made more than \$60 million in grants to nonprofit organizations and received gifts of more than \$70 million. The Foundation is made up of some 850 separate charitable funds established by donors either for the general benefit of the community or for special purposes. The Boston Foundation also serves as a major civic leader, provider of information, convener, and sponsor of special initiatives designed to address the community's and region's most pressing challenges. For more information about the Boston Foundation, visit www.tbf.org or call 617-338-1700.

The Boston College Center on Wealth and Philanthropy is a multidisciplinary research center specializing in the study of spirituality, wealth, philanthropy and other aspects of cultural life in an age of affluence. Founded in 1970, the Center is a recognized authority on the relation between economic wherewithal and philanthropy, the motivations for charitable involvement and the underlying meaning of practice of care.