Understanding the Transfer of Wealth

Presented by

Don Macke & Ahmet Binerer

May 19, 2011
AGENDA ITEMS

1. Welcome and Introductions
2. About America’s Transfer of Wealth Opportunity
3. The Role of the Technical Advisory Committee
4. Methodology
5. Project Background
6. General Questions, Advise or Concerns
Welcome
About America’s Transfer of Wealth Opportunity

- Giveback
  - To support those in need
  - Help to improve quality of life

- Better understanding wealth holding and formation attributes and trends
  - More effective giveback strategies

- Potential for creating new, substantial and on-going financial resources in support of community betterment.
About America’s Transfer of Wealth Opportunity

- Millionaires in the Millennium (1999), Boston College
  - $41 Trillion TOW opportunity
  - 1998-2052 period

- Transfer of Wealth in Nebraska (2002), RUPRI Center
  - Completed over 38 studies in 1,100 communities
TOW Studies in the United States

About this Map
- Full State Studies We Have Completed
- Studies We Have Advised
- Possible Studies
- Partial Studies We Have Completed

Conducted by the West Central Initiative
U.S. Household Net Worth
1945-2009

Source: Board of Governors of the Federal Reserve System, Statistical Releases, Flow of Funds - Z.1
U.S. Household Net Worth
1990-2010 Q2

Source: Board of Governors of the Federal Reserve System, Statistical Releases, Flow of Funds - Z.1
## Preliminary National Scenarios

### Migration

<table>
<thead>
<tr>
<th></th>
<th>Zero</th>
<th>Constant</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>NW 2010</td>
<td>$28T</td>
<td>$28T</td>
<td>$28T</td>
<td>$28T</td>
</tr>
<tr>
<td>PHH</td>
<td>$237K</td>
<td>$235K</td>
<td>$235K</td>
<td>$234K</td>
</tr>
<tr>
<td>20 YR TOW</td>
<td>$13T</td>
<td>$14T</td>
<td>$15T</td>
<td>$16T</td>
</tr>
<tr>
<td>PHH</td>
<td>$109K</td>
<td>$121K</td>
<td>$129K</td>
<td>$136K</td>
</tr>
</tbody>
</table>
UNDERSTANDING THE NUMBERS

- Methodology
  - Scenarios
- Drivers
- Factors
Methodology

- Scenario Forecast **NOT** a Prediction Forecast
- Base year 2010
- Real **NOT** Constant Dollars
Estimating Net Worth

Step I

✓ **Survey of Consumer Finance, The Federal Reserve Board**
  ✓ Triennial
  ✓ Current Release: 2007

✓ **Flow of Funds, The Federal Reserve Board**
  ✓ Current Release: March 10, 2011
  ✓ Next Release: June 09, 2011
Estimating Net Worth
Step II

- Region
- Age Characteristics
- Market Valuation of Property by Class
- Employment & Occupation
- Dividends, Interest & Rent (DIR) Income
- Proprietors’ Employment & Income
Region

Household Net Worth by Region,
Survey of Consumer Finances, 2007

Thousands of 2007 dollars

West: $662.7 (Mean), $156.2 (Median)
Northeast: $652.7 (Mean), $159.4 (Median)
All families: $556.3 (Median), $96.0 (Mean)
South: $499.3 (Mean), $107.5 (Median)
Midwest: $467.5 (Mean), $652.7 (Median)

Median  Mean
Household Net Worth by Age,
Survey of Consumer Finances, 2007
## Education

### Household Net Worth by Education,
Survey of Consumer Finances, 2007

<table>
<thead>
<tr>
<th>Education</th>
<th>Median</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>No high school diploma</td>
<td>$33.2</td>
<td>$142.9</td>
</tr>
<tr>
<td>High school diploma</td>
<td>$80.3</td>
<td>$251.6</td>
</tr>
<tr>
<td>Some college</td>
<td>$84.7</td>
<td>$365.9</td>
</tr>
<tr>
<td>All families</td>
<td>$120.3</td>
<td>$556.3</td>
</tr>
<tr>
<td>College degree</td>
<td></td>
<td>$280.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,097.8</td>
</tr>
</tbody>
</table>

All values are in Thousands of 2007 dollars.
Employment

Household Net Worth by Employment,
Survey of Consumer Finances, 2007

Thousands of 2007 dollars

- Self-employed: $1,961.3
- All families: $556.3
- Retired: $543.1
- Working for someone else: $350.1
- Other not working: $124.1

Median and Mean

$0 $500 $1,000 $1,500 $2,000 $2,500

Self-employed  All families  Retired  Working for someone else  Other not working
Household Net Worth by Occupation, Survey of Consumer Finances, 2007

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Median</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial or professional</td>
<td>$245.8</td>
<td>$1,116.4</td>
</tr>
<tr>
<td>All families</td>
<td>$120.3</td>
<td>$556.3</td>
</tr>
<tr>
<td>Retired or other not working</td>
<td>$128.8</td>
<td>$477.6</td>
</tr>
<tr>
<td>Technical, sales, or services</td>
<td>$73.5</td>
<td>$310.4</td>
</tr>
<tr>
<td>Other occupation</td>
<td>$64.3</td>
<td>$191.7</td>
</tr>
</tbody>
</table>
Estimating Net Worth
Step III

- Discounting assets
- Immigrants
- Group quarters population
- High amenities, vacation homes, retirees
- Economic development projects
- Other special cases
Scenario Building

Step I
✓ Population projections
✓ Economic growth scenario

Step II
✓ Wealth Release

Step III
✓ Review & Verification
USING THE NUMBERS

- Not a Black Box
- The Numbers Can Change
- Change Assumptions Then Change Numbers
- **NOT** Forecasts of Giving
- Updating
Median Age, 2010

Herkimer: 41.8
Ulster: 40.8
Putnam: 40.7
Oneida: 40.7
Cayuga: 40.0
Madison: 38.6
Onondaga: 38.5
Dutchess: 38.4
New York: 37.7
Oswego: 37.2
U.S.: 37.0
Cortland: 35.3
Tompkins: 31.5
Percent of Group Quarters Population, 2010

- Tompkins: 12.9%
- Madison: 7.5%
- Cortland: 7.2%
- Oneida: 6.4%
- Ulster: 6.3%
- Dutchess: 6.3%
- Cayuga: 5.7%
- Oswego: 4.1%
- New York: 3.1%
- Onondaga: 3.0%
- U.S.: 2.7%
- Putnam: 2.2%
- Herkimer: 1.7%
Percent of Nonfarm Proprietors’ Income, 2009

- New York: 8.53%
- U.S.: 8.07%
- Cortland: 6.45%
- Onondaga: 5.31%
- Madison: 5.27%
- Cayuga: 5.03%
- Oneida: 4.54%
- Ulster: 4.47%
- Tompkins: 4.31%
- Dutchess: 4.08%
- Herkimer: 3.87%
- Putnam: 3.41%
- Oswego: 2.87%
Percent of Proprietors’ Employment, 2009

<table>
<thead>
<tr>
<th>County</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>34.6%</td>
</tr>
<tr>
<td>U.S.</td>
<td>29.2%</td>
</tr>
<tr>
<td>Cortland</td>
<td>27.7%</td>
</tr>
<tr>
<td>Onondaga</td>
<td>27.0%</td>
</tr>
<tr>
<td>Madison</td>
<td>26.7%</td>
</tr>
<tr>
<td>Cayuga</td>
<td>25.4%</td>
</tr>
<tr>
<td>Oneida</td>
<td>21.7%</td>
</tr>
<tr>
<td>Ulster</td>
<td>21.3%</td>
</tr>
<tr>
<td>Tompkins</td>
<td>21.1%</td>
</tr>
<tr>
<td>Dutchess</td>
<td>20.0%</td>
</tr>
<tr>
<td>Herkimer</td>
<td>15.5%</td>
</tr>
<tr>
<td>Putnam</td>
<td>15.4%</td>
</tr>
<tr>
<td>Oswego</td>
<td>15.0%</td>
</tr>
</tbody>
</table>
Percent of Dividends, Interest and Rent Income, 2009

- Tompkins: 20.08%
- U.S.: 18.02%
- Ulster: 17.99%
- New York: 17.81%
- Dutchess: 16.92%
- Madison: 16.18%
- Putnam: 16.17%
- Onondaga: 15.93%
- Oneida: 15.88%
- Cortland: 14.37%
- Cayuga: 14.03%
- Herkimer: 13.66%
- Oswego: 12.05%
### Percent of Creative Class Income, 2009

<table>
<thead>
<tr>
<th>County</th>
<th>Creative Class Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>21.12%</td>
</tr>
<tr>
<td>Onondaga</td>
<td>12.25%</td>
</tr>
<tr>
<td>U.S.</td>
<td>11.13%</td>
</tr>
<tr>
<td>Oneida</td>
<td>9.06%</td>
</tr>
<tr>
<td>Madison</td>
<td>6.95%</td>
</tr>
<tr>
<td>Dutchess</td>
<td>6.83%</td>
</tr>
<tr>
<td>Ulster</td>
<td>4.07%</td>
</tr>
<tr>
<td>Putnam</td>
<td>3.56%</td>
</tr>
<tr>
<td>Tompkins</td>
<td>3.54%</td>
</tr>
<tr>
<td>Cortland</td>
<td>3.03%</td>
</tr>
<tr>
<td>Cayuga</td>
<td>2.79%</td>
</tr>
<tr>
<td>Herkimer</td>
<td>1.86%</td>
</tr>
<tr>
<td>Oswego</td>
<td>1.49%</td>
</tr>
</tbody>
</table>
Percent of Vacation Housing, 2000

- Herkimer: 16.2%
- Cayuga: 8.4%
- Ulster: 7.8%
- Oswego: 7.7%
- Madison: 6.8%
- Putnam: 4.3%
- United States: 3.4%
- New York: 3.3%
- Cortland: 3.2%
- Oneida: 3.0%
- Dutchess: 2.4%
- Tompkins: 1.2%
- Onondaga: 1.1%
Population Growth
2000-2010 (Annual)

- U.S. 1.1%
- Tompkins 0.6%
- Dutchess 0.6%
- Putnam 0.5%
- Ulster 0.4%
- New York 0.3%
- Madison 0.1%
- Onondaga 0.0%
- Cortland -0.1%
- Oswego -0.1%
- Oneida -0.1%
- Herkimer -0.3%
- Cayuga -0.3%
Employment Growth 2000-2010 (Annual)

- U.S.: 0.5%
- New York: 0.3%
- Oneida: 0.2%
- Dutchess: 0.2%
- Madison: 0.2%
- Herkimer: 0.0%
- Cayuga: 0.0%
- Oswego: 0.0%
- Onondaga: 0.0%
- Ulster: 0.0%
- Tompkins: -0.2%
- Cortland: -0.5%
- Putnam: 0.6%
Per Capita Income Growth
2000-2010 (Annual)

- Putnam: 3.4%
- Tompkins: 3.3%
- Dutchess: 3.0%
- Ulster: 2.8%
- Onondaga: 2.7%
- Madison: 2.7%
- New York: 2.6%
- Cortland: 2.5%
- Herkimer: 2.5%
- Oneida: 2.4%
- U.S.: 2.4%
- Oswego: 2.4%
- Cayuga: 2.4%
General Questions
For More Information. . . .

Ahmet Binerer
Phone: (402) 323-7336
Email: abinerer@e2mail.org