



# Rural Maryland Foundation

*Daniel Rider, President*

*Charlotte Davis, Secretary*

## **Transfer of Wealth Study Request for Proposals**

### **Summary:**

The Rural Maryland Foundation is requesting proposals to conduct a Transfer of Wealth (TOW) Study to determine the potential economic impacts of transferred wealth from rural communities to urban counterparts. The information gathered from the study will assist with creating solutions that will help to mitigate the financial burden transferred wealth has on rural communities, and will seek ways to encourage and strengthen rural philanthropy and investment.

Maryland's rural population is increasingly aging as the younger generation moves into urban settings and retirees choose to move into rural communities. For example, in Worcester County Maryland, approximately one-third of its population will be 65 or older by 2030. When this older generation passes on, the accumulated wealth is transferred to the next; however, this intergenerational transfer usually means that the accumulated wealth moves from the rural community in which it was held to a suburban or urban one. Community investment is lost if heirs live elsewhere and take the money with them.

### **Program Impact:**

Several states have completed transfer of wealth studies. Maine Rural Partners conducted a transfer of wealth initiative in 2010. Over the next ten years, Mainers are likely to transfer \$29 billion to the next generation. If all Mainers choose to invest 5% of their estates in community endowment funds, and if those funds' investments generated 5% returns to benefit the community, then by 2020 these funds would supply an additional \$74 million every year to achieve community economic development priorities. (<http://www.mainerural.org/wp-content/uploads/2012/08/Realizing-Maine-Worth.pdf>)

In 2011, the Nebraska Community Foundation completed an update of its 2002 analysis. The updated study found that over the next 50 years, more than \$600 million will transfer from one generation to the next. Capturing just 5% of that transfer will result in endowments that could generate \$1.5 Billion per year for community reinvestment.

([http://www.nebcommfound.org/media/docs/2011\\_Transfer\\_of\\_Wealth\\_Report\\_2012-March.pdf](http://www.nebcommfound.org/media/docs/2011_Transfer_of_Wealth_Report_2012-March.pdf))

### **Study Methodology:**

For both of the above studies, the local organizations contracted the Rural Policy Research Institute with the University of Iowa and the Center for Rural Entrepreneurship for data analysis. RUPRI refined the work of John Havens and Paul Schervish in "Millionaires and the Millennium", a landmark study out of Boston College which included a projection that a wealth transfer of at least \$41 trillion will take place in the United States by the year 2052.

#### **1) Step One: Estimating Current Net Worth**

RUPRI selected 2005 as the base year for the study because it afforded adjusted indicators necessary to establish current net worth (CNW) statewide and in each county. RUPRI began by benchmarking its analysis to the U.S. Federal Reserve's "Flow of Funds Accounts of the United States". The Flow of Funds report is the definitive national accounting of current net worth for American households on an annual basis. The next step was to employ the Federal Reserve's



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“Survey of Consumer Finances” research. Since the 1980s, the Federal Reserve has commissioned an extensive survey of household finances in the United States every three years. RUPRI then matched Maine’s state and county demographics with key indicators from the “Survey of Consumer Finances Report” to estimate the likely household net worth for Maine and its counties in 2005, the study’s base year.

Two types of assets were excluded from the net worth estimates:

- Personal assets, including furniture, vehicles, art and collectibles.
- Defined-benefit pensions, which provide income to 57% of Americans

## 2) Step Two: Demographic/Economic Models

For each county and state, RUPRI built a population model for 2005 to 2055 and an economic forecasting model.

## 3) Step Three: Discounting Asset Classes

Accordingly, RUPRI reduced the CNW estimates to account for certain asset types:

- Assets that depreciate quickly (motor homes, automobiles, durable household goods).
- Assets whose market value is difficult to determine (collections, art and jewelry).
- Assets that generate income but are unlikely to retain significant value in an estate, including defined benefit retirement programs and annuities.
- Closely held assets (farms, ranches and family businesses).
- Assets of lower income households whose wealth is likely to be spent during retirement.

This process can reduce gross CNW by 50% to 75% depending upon the demographics of households in a particular county. Discounting allows RUPRI’s TOW estimates to reflect the amount truly available for giving.

## 4) Step Four: Timing of Release

The next step was to estimate the timing of TOW release. RUPRI employs projected deaths as the primary indicator of TOW release. The population model estimates the number of deaths in each year and these percentages are used to estimate TOW release.

## 5) Step Five: Recompile and Review

New state CNW and TOW estimates were generated by aggregating the findings for all the counties within the state. These values were once again benchmarked to the U.S. and to other states to ensure comparability.

### **Final Results:**

The final transfer of wealth results can be a valuable tool by helping communities capture a small component of wealth transfer and help build endowments. Local philanthropic organizations can create giving and investment strategies. It also promotes the importance of harnessing local resources for community economic development in light of the current challenges in the public sector.



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The Nebraska Community Foundation updated study created the following chart of wealth transfer:

*Transfer of Wealth Scenarios for Endowment Building*

Place	10-YEAR TRANSFER		50-YEAR TRANSFER	
	Total (Billions)	If 5% Endowed (Millions)	Total (Billions)	If 5% Endowed (Millions)
Nebraska	\$58.7	\$2,935	\$603	\$30,130
Central	\$4.3	\$215	\$40	\$1,993
East	\$5.1	\$256	\$47	\$2,361
Metro	\$32.6	\$1,632	\$373	\$18,643
North	\$1.2	\$60	\$10	\$507
Northeast	\$3.6	\$178	\$31	\$1,572
Panhandle	\$3.0	\$148	\$23	\$1,143
South	\$2.4	\$120	\$21	\$1,027
Southeast	\$4.3	\$213	\$39	\$1,940
Southwest	\$2.3	\$114	\$19	\$944

[http://www.nebcommfound.org/media/docs/2011\\_Transfer\\_of\\_Wealth\\_Report\\_\\_2012-March.pdf](http://www.nebcommfound.org/media/docs/2011_Transfer_of_Wealth_Report__2012-March.pdf)

## Proposal:

The Rural Maryland Foundation is seeking interested applications to conduct a similar study of Maryland's 18 rural counties. The Foundation proposes to begin the study in the Fall 2016 and receive the results in Spring 2017. The Foundation, in partnership with the Rural Maryland Council, would be available to help conduct outreach to other potential partners and to help promote the study results and giving campaigns.

## Eligibility:

Priority will be given to rural-based Maryland organizations. Rural areas are defined as communities located in the following counties: Allegany, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Kent, St. Mary's, Somerset, Talbot, Queen Anne's, Washington, Wicomico, and Worcester.



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## **Instructions:**

Proposals will be accepted until September 2, 2016. Applications submitted by email are encouraged; an email confirmation will be provided once the application has been received. Please note: If you do not receive an email confirmation we have not received your application. Applications must be emailed to [rmc.mda@maryland.gov](mailto:rmc.mda@maryland.gov); No faxed applications will be accepted.

## **Proposal contents:**

Please include a cover sheet with your organizational letterhead and all relevant contact information for your organization, including but not limited to, the name of the contact person and their phone and email address, and a brief, concise summary of your organization.

Proposal (no more than ten (10) one-side, single-spaced pages) that includes the following:

- Project cost. (Amount of your request to perform the services)
- Project activities (describe in detail how your organization will achieve the objectives of the proposal).
- Staff responsible for your proposed project.
- Your organization's qualifications, including your organization's background, primary mission, and history.
- Detailed budget for your service.

Letters of commitment from current or previous clientele may be included; maximum of three letters of support are allowed.

## **About the Foundation:**

The Rural Maryland Foundation, a recognized 501(c)(3), was created in 2001. Our purpose is to support efforts of citizens and governments to meet the economic and social needs of rural Maryland. We support the efforts of the Rural Maryland Council, an independent state agency. For more information about the Foundation, visit [ruralmdfoundation.org](http://ruralmdfoundation.org). For more information about the Council, visit: [rural.maryland.gov](http://rural.maryland.gov).

## **Contact:**

If you have any questions or would like additional information, please contact Charlotte Davis, Secretary, Rural Maryland Foundation, and Executive Director, Rural Maryland Council, at 410.841.5774 or [charlotte.davis@maryland.gov](mailto:charlotte.davis@maryland.gov).