

Philanthropic Opportunity Profile

Jackson County, Arkansas



Getting Started Tool
February 2016 edition

Introduction

The Center for Rural Entrepreneurship believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community. This **Philanthropic Opportunity Profile** is one of our **Getting Started Tools**. This example profile was prepared for Jackson County, Arkansas, by the Center, for our partner, Communities Unlimited (www.communitiesu.org). Other **Getting Started Tools** include our **Development Opportunity Profile** and our **Generational Diversity Profile**.

America's Transfer of Wealth Opportunity

In 1999, Boston College catalyzed an ongoing conversation about philanthropic opportunity in America with the release of [Millionaires in the Millennium](#). The Boston College study estimated that over a 50-year period, \$41 trillion in household wealth would pass from one generation to the next. The report highlighted the opportunity for increased philanthropic giving that this massive transfer of wealth could support. Since 2001, the Center for Rural Entrepreneurship has completed over 60 [Transfer of Wealth Opportunity Studies](#) (TOW), ranging from our first study of rural Nebraska to Los Angeles, Brooklyn and a wide range of communities across the U.S. Since Boston College did not update the 1999 study, in 2011 the Center for Rural Entrepreneurship updated U.S. Transfer of Wealth opportunity scenarios for our [book](#). We estimated that between 2010 and 2060 a remarkable \$75 trillion in household wealth will transfer from one generation to the next. If just 5% of this potential was gifted for philanthropic purposes, an amazing \$3.75 trillion in new endowments could be created – the equivalent of nearly 100 new Gates Foundations.

Your Philanthropic Opportunity Profile

This **Philanthropic Opportunity Profile** draws on research unique to your community to help you better understand your specific opportunity for increasing philanthropy in support of sustainable community betterment. While the Center continues to prepare comprehensive [Transfer of Wealth Opportunity Analysis](#) for states and regions as requested, this Profile provides a more readily accessible alternative for estimating TOW potential that could be used as a way to update an earlier TOW analysis or to provide initial insights for communities or regions that do not have the resources to invest in a comprehensive TOW analysis.

Why Philanthropy?

For your community to thrive, you must continually invest in education, health care, economic development and other community amenities. Traditional sources of funding (e.g., local taxes, federal and state funding, and support from local businesses) have been under increasing pressure, particularly since the Great Recession. The

Center's experience suggests that the greatest underdeveloped financial resource you can mobilize to support community building is philanthropic giving. Community-based philanthropy is a way for the community to invest and have some "skin" in the economic development game. It is also a community engagement tool, providing opportunities for **all** community members to give back according to their means. Across the U.S., there are examples of the power of community-based philanthropy to drive community betterment, including young parents creating an endowment to support quality pre-school education and successful entrepreneurs endowing programs to encourage and support up-and-coming entrepreneurs, including youth. To encourage community philanthropy, however, you need to begin by helping the community recognize that they have wealth to give and to dream about the community they could create by using that philanthropic capacity wisely.

Estimating Philanthropic Potential

The starting point for understanding philanthropic potential is to understand wealth holding in your community. Since the 1980s, the U.S. Federal Reserve Board has commissioned an extensive research effort, *Survey of Consumer Finances*, to gain insights into household income and net worth. Based on the data series produced by this research, we have identified relationships between several household characteristics and household net worth. The key wealth drivers in any community include:

- **Age.** Wealth accumulation follows a pretty standard pattern over time, increasing gradually as we build skills and a career, peaking at retirement and then declining as we drawn down accumulated wealth in retirement.
- **Educational attainment.** Your level of education matters in terms of accumulating wealth over time. Average net worth of households with a college degree is twice as much as the national average.
- **Income.** There is a strong positive correlation between household income and average net worth. Average net worth increases rapidly once household income reaches \$100,000, based on 2010 research.
- **Share of dividends, interest and rent (DIR) income in total.** Passive income, from dividends, interest and rent, is used as a proxy for wealth holding. As the share of income from dividends and interest increases, so does average net worth.
- **Work status (Self-employment).** On average, those who are self-employed or in a partnership tend to have higher average wealth holdings than those working for someone else – another reason why entrepreneurship is an important development strategy.
- **Occupation type.** Households headed by a person with a managerial occupation tend to have higher average net worth than other households – on average, twice the net worth of the average household.
- **Housing value.** As housing values increase – an important component of wealth holding – so does the average net worth of the household.

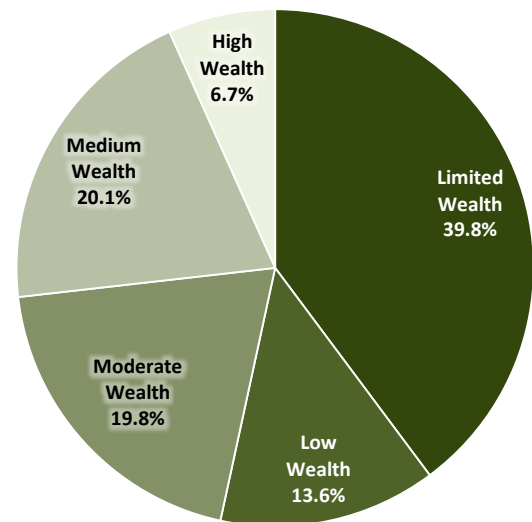
The next section provides insights into these wealth drivers for your community.

Jackson County's Household Wealth Profile

Every community has a unique household wealth profile. Using 2015 information from [Esri](#), we created the following **Household Wealth Profile** for Jackson County, Arkansas.

Wealth Status. The pie chart (Figure 1) illustrates the household distribution of wealth for Jackson County in 2015. Over **half** of Jackson County's households have limited or low wealth, suggesting limited capacity for giving back. This finding suggests that developing a robust philanthropic engagement strategy may be a challenge for your community. At the same time, **1 in 4** households have medium or high wealth, a potential asset for your community. Based on our work across the U.S., we believe that every community has some untapped potential for increased philanthropy. Developing this potential can create sustainable resources to help your community create a more prosperous future for present and future generations.

Figure 1. 2015 Distribution of Wealth by Households, Jackson County, AR



Household Wealth and Age. As described earlier in this profile, households tend to go through a wealth creation cycle over time. Early on, we have little wealth as we are learning and growing into work and career. Often, we are spending more than we are making as we buy that first car or first home and begin to have children. However, once our children are raised, we tend to earn more as our careers advance. This transformation allows us to accumulate assets and build an estate (i.e., household current net worth = assets minus liabilities). Retirement years, for most of us, represent the peak of our wealth, and as we age, we spend down or give away our estate.

Figure 2 shows average household current net worth (CNW) by age cohort for Jackson County. As you would expect, wealth is concentrated among retirement age households (over 65 years old). However, there is significant wealth in the middle-age cohorts (45-64 years old), suggesting the need to engage residents in a conversation about philanthropy well before they reach retirement. In fact, residents in these age groups may be highly motivated to make a difference in your community and have a passion, such as entrepreneurship or youth engagement, they would be willing to support.

Figure 2. 2015 Average Household Current Net Worth by Age Cohort, Jackson County, AR

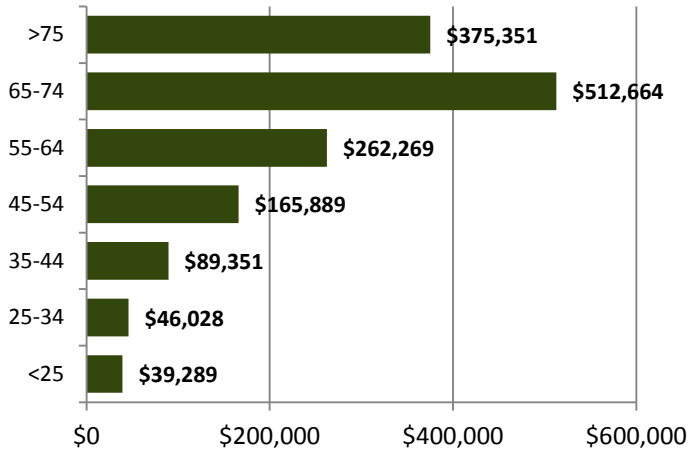
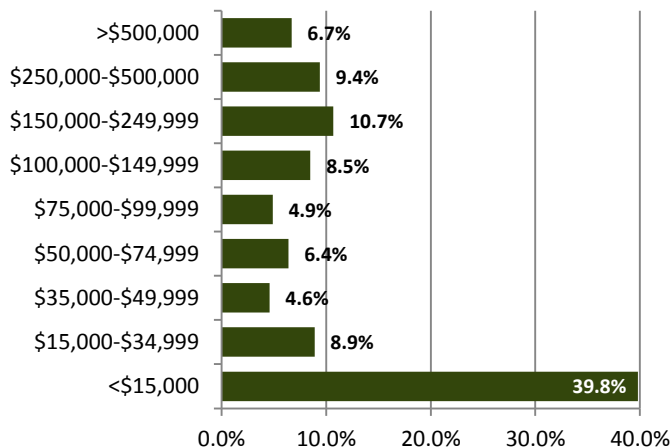


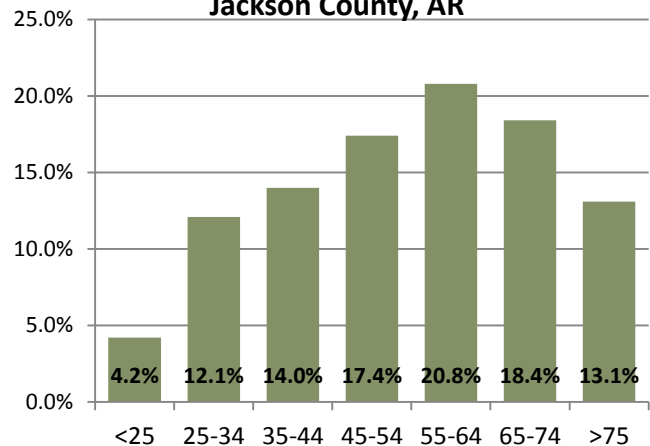
Figure 3 shows Jackson County's current profile of households by age cohort. Like many rural communities, Jackson County's population is older, with more than half the households headed by someone over the age of 55. About a quarter of the households are younger, in the early stages of wealth formation (25-44). Both these groups should be engaged in a discussion about philanthropy and its ability to influence the future prospects of Jackson County.

Figure 4. 2015 Households by Average Current Net Worth, Jackson County, AR



Households by Age. Every community has a unique profile in terms of the number of households by age cohort. Your community's demographic profile can have an important impact on the community's wealth profile. For example, many rural communities struggle to retain younger adults (20 to 35 year olds) who are just beginning to create wealth **and** older wealthier residents (65 and older) who are moving to communities with more appropriate senior amenities (e.g., housing, health care) or following children and grandchildren who have left their hometowns. When a community loses older residents, their accumulated wealth typically leaves with them, a leakage of critical community philanthropic potential.

Figure 3. 2015 Age Profile for Jackson County, AR



Households by Average Current Net Worth. Every community has a distribution of household wealth holding, based on many of the wealth drivers discussed above. In Jackson County, nearly 40% of households have limited wealth. At the other end of the wealth spectrum, 6.7% of your community's households have more than \$500,000 in current net worth, with an average estate for this group of over \$2 million. Imagine if this group of Jackson County residents gave just 1% of their wealth holdings to the community; over \$11 million could be placed into endowments that would be able to generate \$500,000 annually for community betterment grant making.

Jackson County's Philanthropic Potential

Our comprehensive TOW analysis provides much more detailed and accurate estimates of a community's philanthropic potential. This **Philanthropic Opportunity Profile** provides a reasonable estimate of your philanthropic potential in Jackson County, Arkansas, based on available secondary data. With this information, you can begin conversations in your community around the "why" and "how" of growing a stronger philanthropic strategy.

Based on your community's unique characteristics in 2015 and using proprietary research from [Esri](#), Table 1 describes Jackson County's **Transfer of Wealth Opportunity**:

Table 1. Jackson County, AR 10-Year Transfer of Wealth Opportunity

2015 Household Current Net Worth	=	\$1.68 billion
1% Gifted Back to the Community	=	\$16.8 million in Community Endowments
4.5% Annual Payout	=	\$755,000 annually for Community Betterment
A Decade of Giving	=	\$7.5 million for Community Betterment!!!

It is important to note that with accepted and sound endowment management practices, these funds would be inflation protected to ensure annual purchasing power.

Imagine how \$7.5 million over the next 10 years could improve your community. You could use this enhanced capacity to leverage other funding (e.g., government or other grants), support improvements in recreational facilities, increase strategic investments in economic development initiatives, improve public facilities, expand programs for youth, and increase amenities and services for your community's elders. The beauty of creating a community endowment is that YOUR Community decides how these funds are spent to improve the quality of life and prosperity within your hometown.

The Power of Endowments

Across the U.S., there is a growing [Community Development Philanthropy](#) movement. Communities large and small – rural and urban – are establishing foundations, working with legacy donors and growing community endowments capable of supporting community betterment projects and economic prosperity strategies over time. Creating permanent community endowments is a powerful community building resource. It is a way to achieve a community's dreams.

What could happen in Jackson County if you are successful in making the case to donors and achieving a 1% giveback goal? Table 2 provides an **endowment illustration** based on Jackson County's unique transfer of wealth opportunity. Recognizing that such an aggressive goal is not achievable in a single year, we assume for the purposes of this example that 1% of the TOW Opportunity, **\$16.78 million**, was gifted in 2015. Over 20 years, these gifts would grow to over **\$30 million** and over **\$21 million** would be granted to support community betterment and prosperity. This example demonstrates the power of compound interest and permanent endowments, assuming a fairly standard 7.5% annual investment return and a 4.5% average annual payout rate.

Table 2. Endowment Building Example for Jackson County, AR

Year	Beginning Endowment Principal	Annual Earnings	Annual Grants	Ending Endowment Principal
2015	\$16,280,000	\$1,221,000	\$732,600	\$16,768,400
2016	\$16,768,400	\$1,257,630	\$754,578	\$17,271,452
2017	\$17,271,452	\$1,295,359	\$777,215	\$17,789,596
2018	\$17,789,596	\$1,334,220	\$800,532	\$18,323,283
2019	\$18,323,283	\$1,374,246	\$824,548	\$18,872,982
2020	\$18,872,982	\$1,415,474	\$849,284	\$19,439,171
2021	\$19,439,171	\$1,457,938	\$874,763	\$20,022,347
2022	\$20,022,347	\$1,501,676	\$901,006	\$20,623,017
2023	\$20,623,017	\$1,546,726	\$928,036	\$21,241,707
2024	\$21,241,707	\$1,593,128	\$955,877	\$21,878,959
2025	\$21,878,959	\$1,640,922	\$984,553	\$22,535,327
2026	\$22,535,327	\$1,690,150	\$1,014,090	\$23,211,387
2027	\$23,211,387	\$1,740,854	\$1,044,512	\$23,907,729
2028	\$23,907,729	\$1,793,080	\$1,075,848	\$24,624,961
2029	\$24,624,961	\$1,846,872	\$1,108,123	\$25,363,710
2030	\$25,363,710	\$1,902,278	\$1,141,367	\$26,124,621
2031	\$26,124,621	\$1,959,347	\$1,175,608	\$26,908,359
2032	\$26,908,359	\$2,018,127	\$1,210,876	\$27,715,610
2033	\$27,715,610	\$2,078,671	\$1,247,202	\$28,547,079
2034	\$28,547,079	\$2,141,031	\$1,284,619	\$29,403,491
2035	\$29,403,491	\$2,205,262	\$1,323,157	\$30,285,596
Total Grants			\$21,008,393	

Using this Philanthropic Opportunity Profile

The information in this **Philanthropic Opportunity Profile** is designed to be used as a conversation starter in your community. We encourage you to share this profile with a diverse group of community stakeholders and residents. One way to bring this information home for the people in your community is to use the **Dream Exercise** (see instructions in the box below). The numbers shared in Table 1 are big numbers. It is sometimes difficult to imagine that level of financial resources, especially in a community that has been struggling for some time. The dream exercise helps people move into more creative, appreciative space – to consider what **might be possible**, given these new resources.

The **Philanthropic Opportunity Profile** can be used by community leaders as a call to action. But, remember that this is just the beginning. These numbers are drawn from secondary data. You should dig deeper and use your own knowledge of the community to help create a deeper understanding of the potential for community philanthropy. Consider creating a community philanthropy team that could work with a local foundation, financial advisors, bankers and others in the community to better understand wealth holding. Remember that there is giving potential at all levels so you should also bring a broad group of community residents together to begin to talk about the potential for community philanthropy. And, continue to connect philanthropic potential to the dreams and development opportunities in your community. Our experience tells us that people will give back to the community – with their time, talent **and** treasure – when they see an opportunity to connect their passions with the community's pathway to prosperity.

Dream Exercise

There never seems to be enough money to do the things we want to do to build a stronger community. But, let's dream a bit! Assume we're successful in capturing the philanthropic opportunity in our community. Over the next decade, we will have \$755,000 **annually** for strategic grant making in Jackson County. How would you suggest we invest these funds? Take some time to think on your own and then we'll share back as a group.

Reading Library

We have selected a number of resources that we recommend in our Reading Library related to your **Philanthropic Opportunity Profile**:

- [*Transfer of Wealth in Rural America – Understanding the Potential, Realizing the Opportunity and Creating Wealth for the Future*](#) (Don Macke, Deborah Markley and Ahmet Binerer, Center for Rural Entrepreneurship, 2011.)
- [*A Different Vision of Rural Philanthropy from Nebraska’s Jeff Yost*](#) (Rick Cohen, Non-Profit Quarterly, March 12, 2015.)
- [*Community Capitalism – Lessons from Kalamazoo and Beyond*](#) (Ron Kitchens with Daniel Gross and Heather Smith, AuthorHouse, 2008.
- [*Why Philanthropy Matters*](#) (Zoltan J. Acs, Princeton University Press, 2013.)
- [*Here for Good – Community Foundations and the Challenges of the 21st Century*](#) (Terry Mazany and David Perry, Editors, M. E. Sharpe, Inc., 2014.)
- [*Give a Little – How Your Small Donations Can Transform Our World*](#) (Wendy Smith, Hyperion, 2009.)
- [*Mapping the New World of American Philanthropy – Causes and Consequences of the Transfer of Wealth*](#) (Susan U. Raymond and Mary Beth Martin, John Wiley & Sons, Inc., 2007.)
- [*Relationship Shift – Revolutionary Fundraising*](#) (Michael Bassoff and Steve Chandler, Robert E. Reed Publishers, 2001.)

Other Center Resources

These additional [Empowering Research](#) tools can help you better understand your community and economy, the first step toward creating a vision and optimal prosperity plan.

More Philanthropic Opportunity Resources

- [Donor Opportunity analysis](#)
- [Transfer of Wealth Opportunity analysis](#)
- Philanthropic Sector analysis
- Charitable Giving analysis

Development Opportunity Profile brings together a range of secondary data so that you understand the regional context and the population, employment and income trends for your community. We also identify the primary drivers of your community's economic success so you'll be in a better position to focus in on your community's genuine development opportunities.

More Development Opportunity Resources

- Economic Diversity report
- Economic Cluster report
- Manufacturing sector report
- Tourism sector report
- Agriculture sector report
- Community conversation report

Generational Diversity Profile will help you understand generational change, some of the differences across the generations and potential impacts on community leadership, philanthropy and development.

More Generational Diversity Resources

- [Generational Diversity analysis](#)
- Generational Scenario analysis

We can also help you share this research with key stakeholders in your community through webinars, workshops and other types of engagements.

- Consultations
- Webinars
- Toolkits
- Keynotes
- Customized workshops and training institutes
- Coaching support
- Community-based projects and initiatives

To learn more, go to the [Get Started](#) page on our [website](#).

About the Center

The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity.

Our **Solution Area Teams** – [Entrepreneurial Communities](#); [Community Development Philanthropy](#); [New Generation Partnerships](#) – empower community leaders to find their own answers to the economic development challenges and opportunities they face.

To learn more about the Center, go to www.energizingentrepreneurs.org.

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Our Team



Don Macke is Co-Founder and Director of the Entrepreneurial Communities solution area. Through this work, Don helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with a

group of strategic partners across the country to deliver customized economic development solutions.



Deborah Markley is Co-Founder and Managing Director of the Center. Deb guides the Center's measurement and research agendas, including development and implementation of tools for measuring success, practice-driven research, and evaluation of model entrepreneurship

development systems and initiatives in rural places.

Ann Chaffin is Senior Associate for Marketing Communications with the Center. Ann heads the Center's Communications team and is responsible for overseeing and branding all content the Center distributes and keeping communications current and professional for each of our solution areas.



Dana Williams is Project Associate with the Center. Dana provides management assistance and operational support across the Center, including providing executive assistance to each of the Center's solution areas and has been actively engaged in product development, supporting the creation of a number of online toolkits.



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