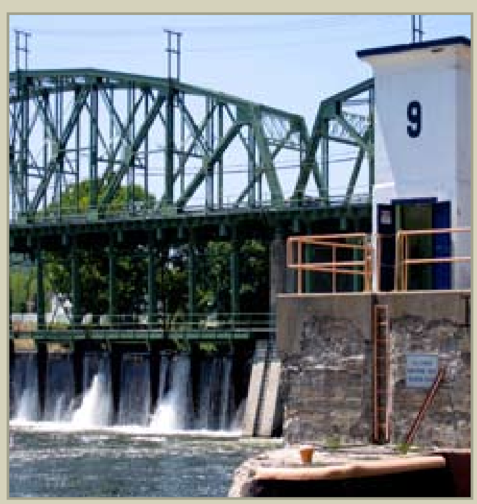
Wealth Transfer in Northeastern New York©

Final Report



Prepared for the Community Foundation for the Capital Region

October 2007

Executive Summary

-Northeastern New York Executive Summary-

Wealth Transfer in Northeastern New York was prepared by the RUPRI Center for Rural Entrepreneurship for the Community Foundation for the Capital Region.

Ten counties in Northeastern New York are included in this analysis: Albany, Columbia, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie and Washington. We also completed the Transfer of Wealth (TOW) analysis for the State of New York to provide reference values for these ten counties and the Northeastern New York Region.

We employed our mid-range estimate of current net worth (CNW) and our low scenario of transfer of TOW for the Northeastern New York Region, for each of the 10 counties within this region and for the State of New York. Our findings are as follows:

- CNW for Northeastern New York in 2005 is estimated at $80.25 billion (4.77% of State CNW).
- The 50-year TOW estimate for the region is $98.8 billion (4.77% of the State 50-year TOW).
- We estimate that during the current decade (2005 to 2015) the TOW will be $13.66 billion (4.56% of the State's 10-year TOW).
- If just five percent of the 10-year TOW were captured into community endowments, an estimated $682.9 million fund would be realized.
- Assuming a conservative 5% payout rate on the $682.9 million in endowed funds, an estimated $34.15 million would be available annually for community betterment investments.
- Per household values are provided to allow comparisons from one county to the next as well as with the state.

Specific findings can be found in Figure 8 on page 11 and a series of maps summarizing our finds follow.

Information on the methodology used in this analysis can be found on page 23 of this report. The RUPRI Center has completed TOW analysis for the following locations: Nebraska, Wyoming, South Dakota, Louisiana, Montana, Indiana and parts of North Dakota, and Kansas. We have advised studies in Iowa and Arizona. We are currently conducting studies for Ohio, Illinois, Michigan, Pennsylvania and Nevada.

-Northeastern New York Background-

Wealth in Northeastern New York was prepared by the RUPRI Center for Rural Entrepreneurship for the Community Foundation for the Capital Region. This report provides our initial scenarios of current net worth and transfer of wealth for the ten counties of Northeastern New York.

Review and Verification Process

We have undertaken a careful review and verification process to ensure our TOW scenarios reflect Northeastern New York's unique circumstances and realities. An advisory group organized by the Community Foundation for the Capital Region helped in this process.

Wealth in America

In looking back at our history over the last century, one can discern distinct longer-run cycles in economic growth, distribution, and wealth accumulation. Until 1929, The United States was the envy of the world, outpacing every other industrial nation. However, wealth was distributed very unevenly.

After World War II, the United States experienced continued economic growth and widespread prosperity. With the end of the 1960s, inflation and a drop in the growth of productivity per worker brought slower growth and ended the period of diminishing inequality. The 1980s saw a revival of interest in owning securities, fueled by stabilizing prices, though the prosperity that has dominated since then has been marked by increasing inequality. Nonetheless, if one includes wealth in the form of housing and a variety of retirement assets, most American families have substantial net worth.

With such a large generation, the Baby Boomers (born 1945-1964), passing on their wealth in the next half century, it is useful to look at reasonable scenarios of how this will play out, nationally and in our region. This study, therefore, looks at the likely transfer of wealth in Northeastern New York in the period 2005 to 2055 with a view to estimating the resources that might be tapped to meet community needs and enhance the quality of life in our region.

Various Estimates

A considerable amount of research has been done on wealth in America. We have worked consistently to review this research and all available writings on this topic. Our team has worked to incorporate the best current thinking on wealth holding and transfer as it relates to Northeastern New York.

Our early work was greatly informed by the research of Boston College and its ground breaking study, *Millionaires and the Millennium* (John Havens & Paul Schervish, October 1999). We are very appreciative for this pioneering research.

For purposes of wealth in Northeastern New York, we are employing a mid-range national estimate of current net worth and we are utilizing a low scenario of intergenerational wealth transfer for the period of 2005 through 2055. Our benchmark value for U.S. current networth in 2005 is $45 Trillion. These assumptions are conservative and we encourage the reader to view our scenario as a floor estimate. There is room to believe that the actual transfer of wealth here in Northeastern New York may well be higher.

Wealth Drivers

The following factors have a significant impact on our TOW scenarios and our projections at the state and county levels. Here is a sampling of the more important drivers:

• CNW or Current Net Worth is very important. The wealth that has been created over time is represented in Current Net Worth. States and counties with larger CNWs have a stronger starting point for future wealth creation.

• Demographics play a central role in a number of ways. Places with strong population growth tend to have stronger economic performance, which creates the opportunity for wealth formation.

  • A key demographic factor is education. On average, a person with a college degree, has an estate eight times larger than a person with no high school degree.

  • Another key demographic factor is age of households. On average, as we get older our estate grows. For example, someone in the 55-64 age group typically has an estate six times larger than someone in the 35 and under age group.

  • Most wealth transfers occur when the second spouse dies. This means that the actual transfer will take place somewhat later than the numbers in this study, based on individual life expectancies, predict.

  • Finally, and perhaps hardest to take into account, is the mobility of the population. While population movements are complex, some currents are predictable. There has been a general move away from the North and East toward the sunbelt, although we do not know whether this will continue at the rate of the last half century. Some households move to live out retirement while others divide their time between a winter and a summer residence, and still others who left earlier may return in their older years. We will try later to suggest some implications of such movements for the capture of wealth transfers.

• Economic performance is critically important. Above average and particularly strong performing economies create more and better employment, generate greater business performance and enable wealth to be created.

• Business ownership is a strong indicator of wealth status. Additionally, we would expect that someone who is not working will have lower net worth than a gainfully employed person.

• Behavior and customs also play a critical role. We all know the story of the high income household with corresponding high spending habits. They have very low net worth and limited wealth. On the other hand, there is the single farmer who does well, spends little and invests well. The farmer has significant wealth.

• Policy changes are also important. Many people believe that the current levels of social security and Medicare benefits cannot be sustained in the face of a big increase in the ratio of older Americans to those of working age. This could have a negative impact on the wealth remaining to be transferred as older people are forced to use up more of their wealth to meet living and health care costs.

Ultra Rich and New York
New York State is home to some of America's wealthiest households and individuals. For comparisons, New York State is home to about 6.4% (2005, U.S. Census Bureau) of all U.S. households.

Research complied by the U.S. Internal Revenue Service (IRS) completed in 2005 (2001 data) found there are 317,000 New York households with a net worth of $1 million or more. This represents 9% of all U.S. households with similar wealth levels. Benchmarked to New York's share of American households, it has 1.4 times more high net worth households than the National average. It is not possible to precisely identify the city or county location of these high net worth households within New York.

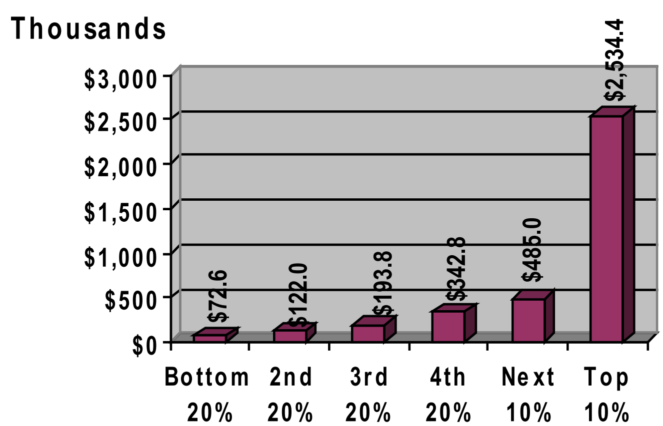
New York also has a larger share of Forbes 400 households (those largely with estates of $1 billion or more). Forbes does identify the primary home of these households. In New York's case, the vast majority of its Forbes households are located in New York City. However, as it the case with most high net worth households, they have multiple location affinities (e.g., second homes, vacation spots, childhood or household connections, business connections, etc.).

The Federal Reserve System of the United States conducts its Survey of Consumer Finances every three years. The most recent survey contains data for 2004. We have summarized some of the key findings in this report. Let us take a closer look at the relationships that determine (on average) wealth in America.

Figure 1 provides "net worth" or "current net wealth" by income group for 2004. Group 1 includes the bottom 20% of households by

Figure 1

Net Worth By Income Group, 2004

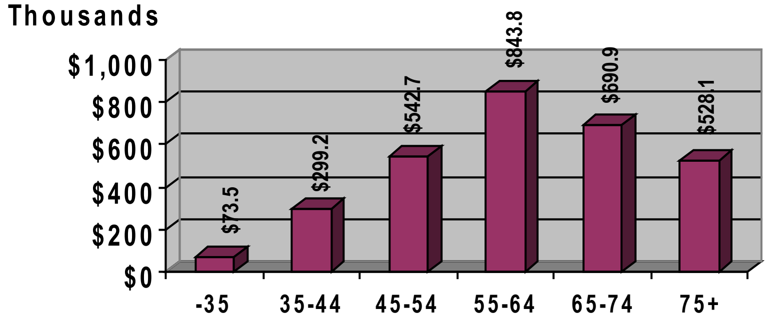


Source: US Federal Reserve System, 2006

income. Groups 2, 3 and 4 include the next 20% to 80% of all households by income. Groups 5 and 6 include subsequent increments of 10% of households. The differences are striking. The bottom 20% of households by income have an average net worth of just under $75,000. This compares with the top 10% of households by income, which have an average net worth of over $2.5 million or a difference of 33 times! Income does matter and it is a powerful predictor of asset holdings. As Figure 3 clearly shows, there is a dramatic increase in net worth between Groups 5 and 6 illustrating the linkage between high incomes and larger estates.

Age also matters. Clearly there are too many elders in America barely getting by and living on fixed incomes with very small estates. But on average, net worth rises with age. Figure 2 illustrates this pattern for all households in the United States. Net worth rises from a modest $74,000

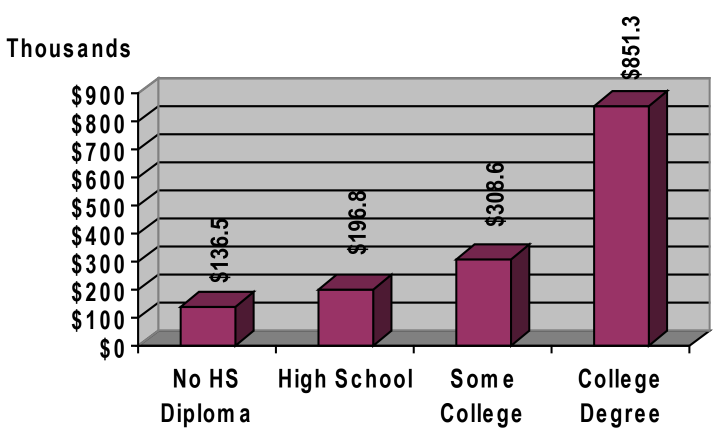
Figure 2
Net Worth by Age of Household, 2004



Source: US Federal Reserve System, 2006

for households 35 and younger (age of the household head) to over $800,000 as households reach their mid-50s into their early 60s. Then net worth begins to erode or decline as earning power drops and assets are used in retirement and for health care.

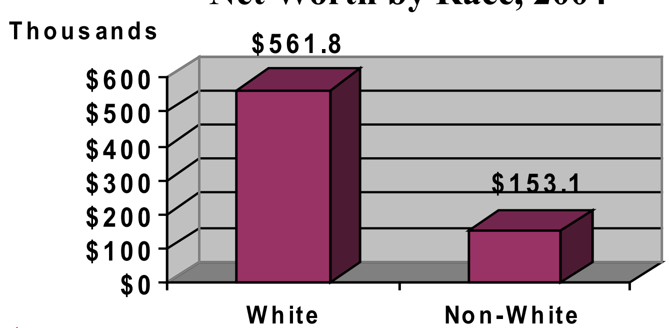
Figure 3
Net Worth by Education, 2004



Source: US Federal Reserve System, 2006

Education has always been a strong predictor of both income and wealth. Figure 3 provides a vivid picture of this relationship. On average in America someone with a college degree compared with someone without a high school diploma will have 6.2 times more net worth. Education pays and it contributes to spending, saving and investment habits that can lead to estate development. In our new knowledge -based global economy, education is becoming even more important. Research clearly shows that as we move into the next two decades and beyond, advanced and specialized education will become very important to earning power and the opportunity to build estate wealth. A college degree will not be enough, but specialized education that translates to unique knowledge needed in our economy and society will be essential. Conversely, outsourcing of low skill and even high skill jobs will erode the ability of less educated Americans to earn adequate incomes enabling them to save and build assets.

Figure 4
Net Worth by Race, 2004



Source: US Federal Reserve System, 2006

Figure 4 illustrates the tremendous divide of wealth held by race. A simple comparison of "white" households compared to all "non-white" households results in a 3.7 times difference. People of color continue to have weaker educations, lower earning power and less capacity to accumulate assets and wealth.

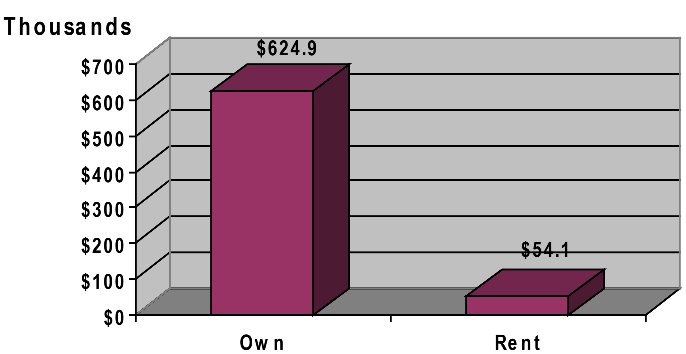
Figure 5
Net Worth by Work Status, 2004

Source: US Federal Reserve System, 2006

America is the land of opportunity where owning a business has always been a pathway for some to economic opportunity and greater financial security. In today's economy where good jobs are downsized by major corporate and government employers, self employment is becoming even more important. Figure 5 provides a striking picture of the important connection between business ownership and wealth holding. We know from the research that business ownership or self-employment offers no guarantee to success and wealth. Many struggle and fail at business. However on average in 2004, a self-employed person in America held 5.3 times more net worth than a wage and salary worker. While the difference is not as dramatic, self-employed persons hold more wealth than even retirees who are at the peak of their personal wealth accumulation process.

Erosion of good wage and salary jobs in America (greatly tied to globalization and outsourcing trends) is greatly stimulating movement of both poorly educated and very well educated persons towards self-employment. We anticipate that as the roads to prosperity narrow in the American economy over the next 20 to 30 years, self-employment and business ownership will become even more important routes to economic opportunity and security.

Net Worth by Housing Status, 2004
Figure 6



Source: US Federal Reserve System, 2006

Home ownership has always been important in America. Figure 6 highlights this on-going relationship between home ownership and wealth formation. On average for all American households, a household that owns a home versus being a renter has nearly 12 times more net worth!

We hope this review of key indicators of American wealth is helpful to you in better understanding our scenarios of current net worth and inter-generational transfer of wealth for Northeastern New York.

Now it is time for us to take a look at our scenarios of wealth for Northeastern New York.

United States Estimates

Research about the wealth holdings in the U.S. on current and projected transfers of wealth is richer and more reliable than the state and county research. There continues to be debate regarding the size and the nature of both current net worth in the United States and the TOW opportunity. We employ three benchmarks of U.S. current net worth ranging from a low of $35 trillion to a mid-range estimate of $45 trillion and a high estimate of $55 trillion. As the most recent research on current net worth holding in the United States have come in from the Federal Reserve System of the United States, we are now benchmarking our studies to the mid-range current net worth estimate of $45 trillion. We continue to employ a conservative and a low scenario of transfer of wealth over the 50 year period due to slowing economic growth rates, stagnating wealth formation rates (particularly among middle class and middle income households) and the rapid growth among the middle to rich class that is highly mobile.

Inflation Adjusted Dollars

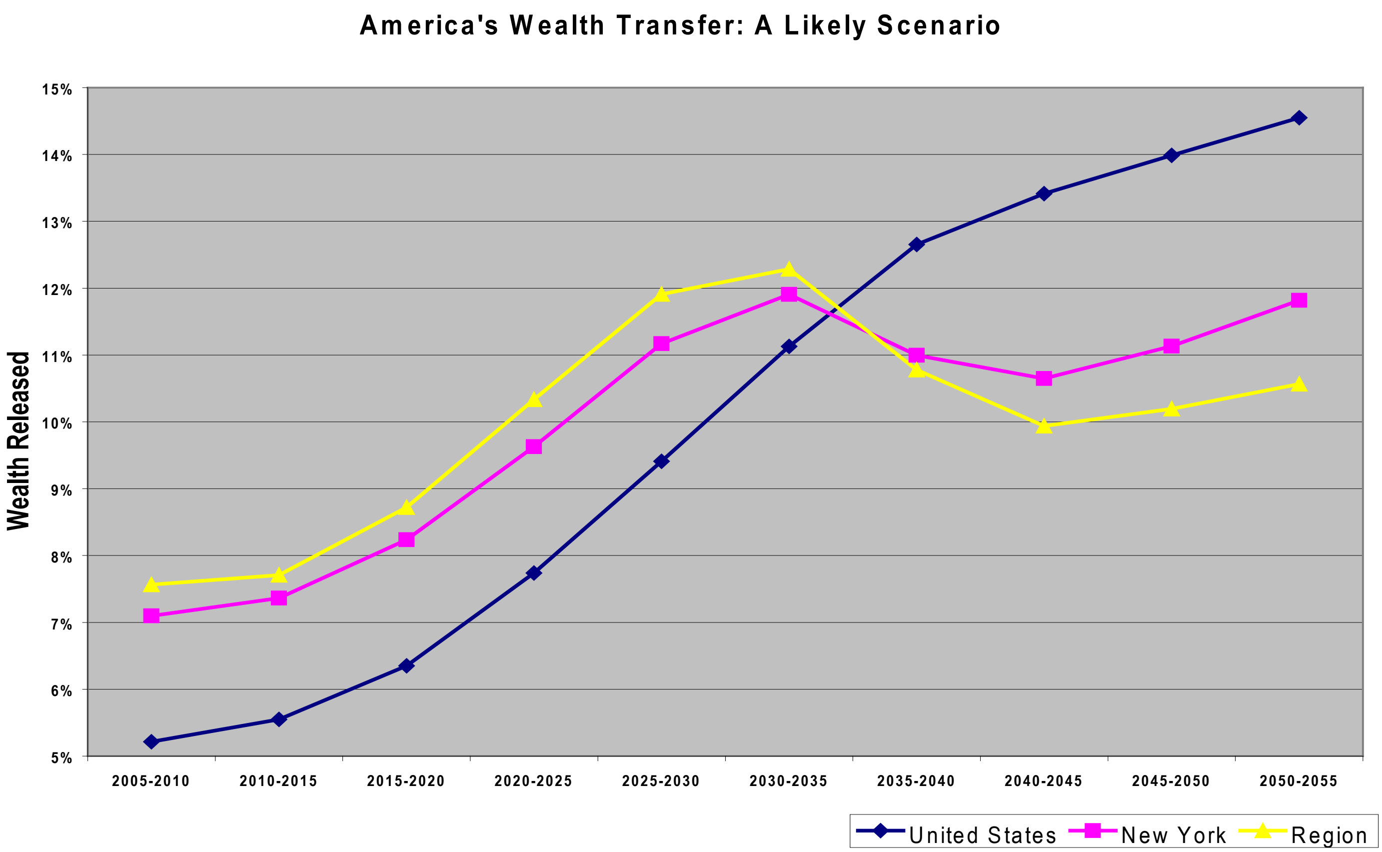
All of our analysis is done in "inflation adjusted dollars." In other words, these are real dollars in which inflation has been adjusted out. So a dollar in 2055 is worth the same as a dollar in 2005.

America's Ultra-Rich

Evolving research on wealth holding in the United States continues to document that wealth is concentrating within America's most wealthy households. Generally speaking, the top quarter of a percent of American households (roughly 250,000 households) now control about 25% of all American wealth. When we consider the top 1% and even the top 10% of Americans (based on wealth holdings) over 50% of all American wealth is concentrated in the top 10%. However, the opportunity for give back does not rest solely with high net worth households. America's middle class (particularly its upper middle class) have significant capacity to give. This segment of society (a majority of American households in most communities) contain roughly 35% of all American wealth.

-Northeastern New York Final Findings-

Figure 7
U.S. and New York TOW Transfer Timing



We ran multiple scenarios for Northeastern New York and its TOW opportunity. Based on our analysis, we believe the following estimates are most likely:

	NY State	Northeastern NY
Current Net Worth in 2005	$1.68 Trillion	$80.25 Billion
50 Year TOW Estimate	$2.07 Trillion	$98.81 Billion
10 Year TOW Estimate	$299.32 Billion	$13.66 Billion
5% Capture Rate Opportunity	$14.97 Billion	$682.92 Million
5% Payout Rate Opportunity	$748.29 Million	$34.15 Million

We are pleased to provide the following scenarios for Northeastern New York based on our recent TOW analysis. We have produced a series of tables and maps that summarize our work for your review and consideration. We hope this information stimulates an active dialogue around the TOW opportunity clearly present in Northeastern New York.

Final Findings

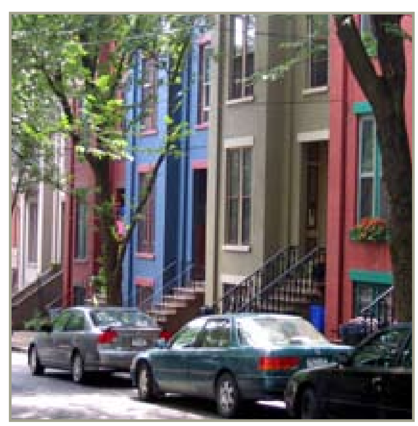
Figure 7 provides for the State of New York and the U.S. our most likely scenario of the timing of wealth transfer between 2005 and 2055. The trend line for the U.S. represents a modestly aggressive growth throughout the period. Continued demographic and economic growth will determine the shape of the U.S. trend line in wealth transfer. New York's TOW trend line reflects slower overall demographic growth and an aging population creating a trend line that displays rising transfer numbers to 2035 and then a drop off followed by a slight increase in the outer periods. The trend lines for the TOW for each of the 10 counties of Northeastern New York will display very similar patterns (reflecting similar conditions) to the overall New York trend line.

Based on our mid-range scenario, we are estimating current net worth (CNW) for the 10 counties of Northeastern New York at $80.25 billion in 2005. This value equates to $185,000 per household (PHH) compared to a PHH value for the entire State of New York of $235,000. Considering our 50-year transfer of wealth (TOW) estimate, the 10 counties of Northeastern New York have a combined TOW of $98.81 billion (PHH value = $227,000 compared to the State of New York of $289,000). Focusing on the current decade (2005-2015) alone, the regional TOW estimate is $13.66 billion (PHH value = $31,000 compared with NY PHH of $42,000). Please note that the 10-year TOW values benchmarked to households are very similar. This is reflective of the fact that Northeastern New York is aging somewhat faster than the State and the TOW will occur sooner in this region when compared to the State.

While Northeastern New York's TOW values are somewhat lower, the opportunity is still massive. If just 5% of the 10-year TOW were captured in community endowments, nearly $682.92 million could be permanently set aside for future community betterment projects. Assuming a very conservative 5% payout rate on the $682.92 million of endowments, over $34.15 million could be available annually (forever and in inflation-adjusted dollars) for community betterment projects throughout the 10 county region of New York!

Figure 8
U.S. and New York TOW Transfer Timing

Place	CNW		50 Year TOW		10 Year TOW		5% Capture	5% Payout
	(Billions)	PHH	(Billions)	PHH	(Billions)	PHH	(Millions)	(Millions)
New York	**$1,682.32**	**$235,000**	**$2,069.64**	**$289,000**	**$299.32**	**$42,000**	**$14,965.89**	**$748.29**
County								
Albanay	$23.63	$195,000	$29.09	$241,000	$4.10	$34,000	$204.78	$10.24
Columbia	$4.86	$198,000	$6.01	$245,000	$0.76	$31,000	$38.25	$1.91
Fulton	$3.50	$160,000	$4.27	$196,000	$0.63	$29,000	$31.27	$1.56
Greene	$3.24	$183,000	$4.00	$226,000	$0.53	$30,000	$26.53	$1.33
Montgomery	$3.02	$166,000	$3.71	$204,000	$0.54	$29,000	$26.78	$1.34
Rensselaer	$10.14	$172,000	$12.45	$211,000	$1.77	$30,000	$88.48	$4.42
Saratoga	$15.46	$191,000	$19.13	$237,000	$2.37	$29,000	$118.54	$5.93
Schenectady	$11.07	$190,000	$13.60	$233,000	$2.02	$35,000	$100.94	$5.05
Schoharie	$1.91	$162,000	$2.38	$201,000	$0.30	$25,000	$14.95	$0.75
Washington	$3.43	$158,000	$4.18	$193,000	$0.65	$30,000	$32.40	$1.62
Total	**$80.25**	**$185,000**	**$98.81**	**$227,000**	**$13.66**	**$31,000**	**$682.92**	**$34.15**
Total's % to NY	4.77%		4.77%		4.56%		4.56%	4.56%



Current Net Worth

Figure 9

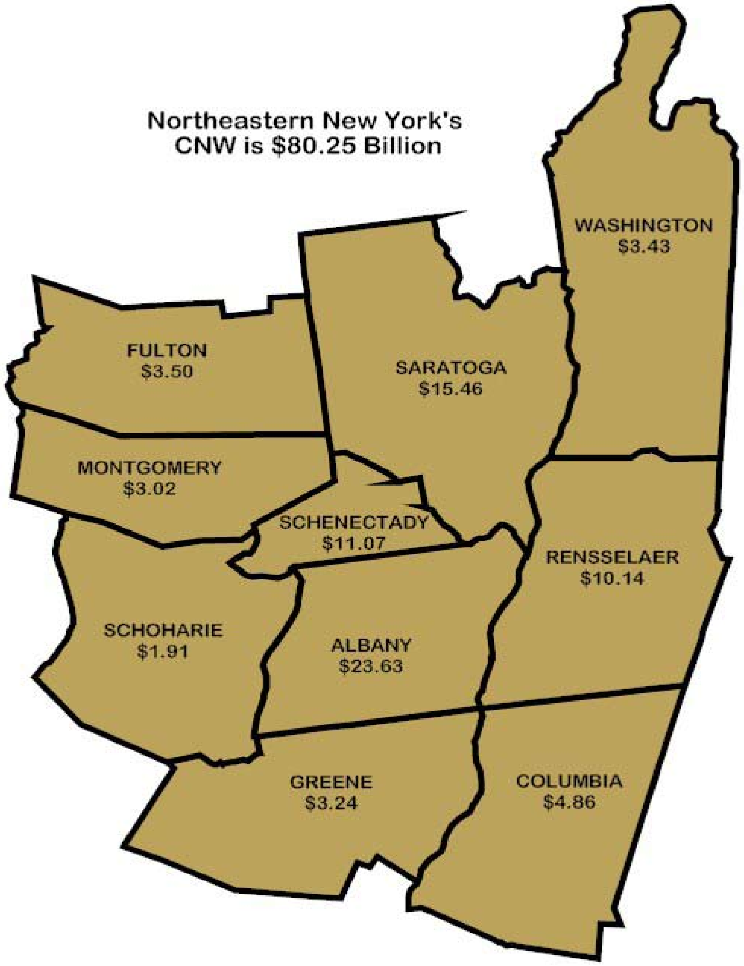
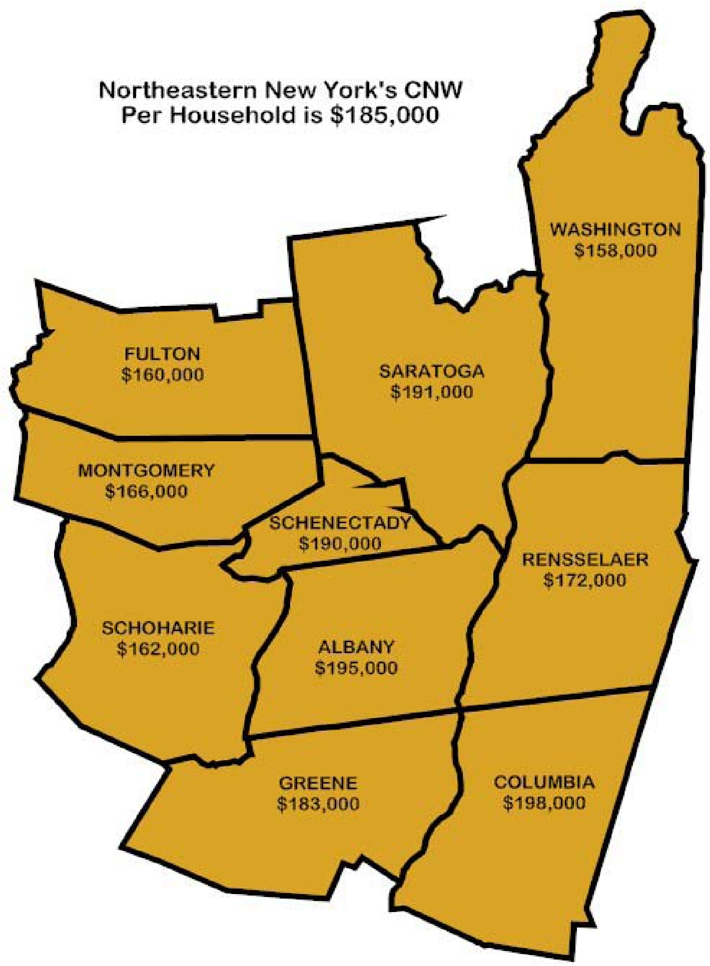


Figure 10



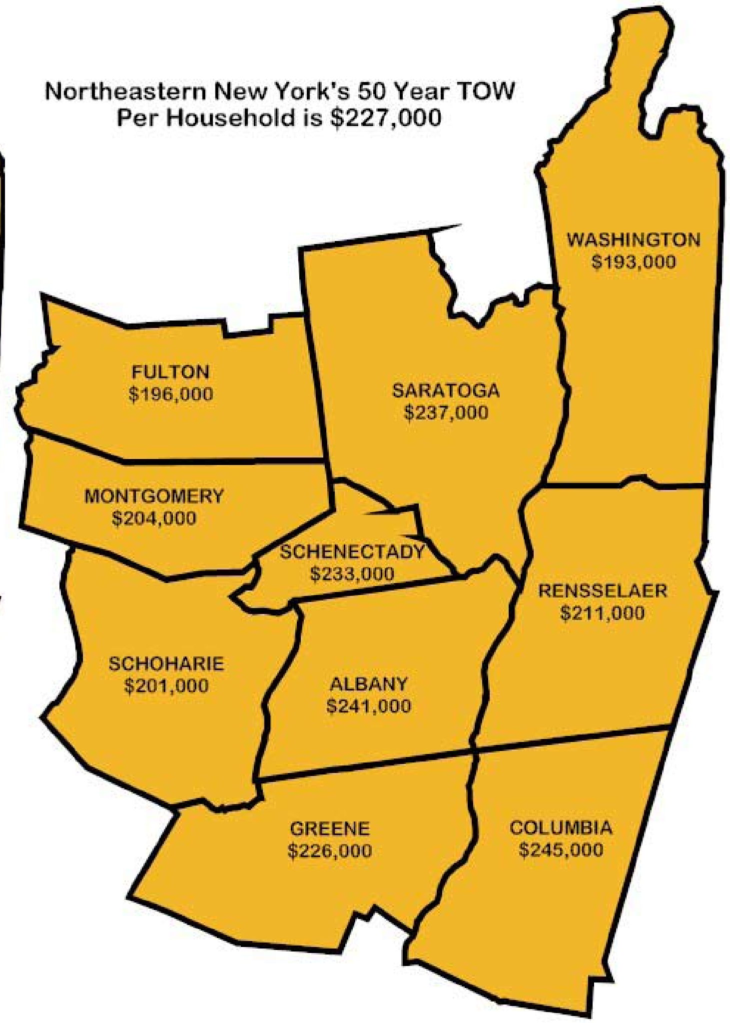
Current net worth in 2005 - our starting point for this TOW analysis - varies among the 10 counties of Northeastern New York. Albany County has the highest CNW at nearly $24 billion followed by Saratoga, Schenectady and Rensselaer Counties. Reflecting their more rural nature and their smaller population bases, the other six counties have smaller CNW values in 2005.

Referring to Figure 10, the range is somewhat less when we benchmark CNW totals to per household (PHH) values. Columbia County has the highest PHH value at nearly $198,000 CNW per household compared with Washington County at $158,000. CNW is very important in our TOW analysis. It is an important driver in determining future wealth creation and transfer over the 50-year study period.

50 Year TOW

Figure 11

Figure 12



Fifty years is a very long time. But for us to fully appreciate the TOW opportunity we need to look at a multi-decade period. Over the next 50 years we estimate that the TOW for Northeastern New York will equal an amazing $98.81 billion. The largest TOWs for this period are Albany, Saratoga, Schenectady and Rensselaer Counties. Smaller overall values are estimated for the balance of the Counties within this region.

On a per household basis, Columbia ($245,000), Albany ($241,000), and Saratoga ($237,000) have values near the State averages for 50-year TOW. There is a moderately significant range in PHH values. The size of the TOW opportunity is massive relative to the population of each county.

10 Year TOW

Figure 13

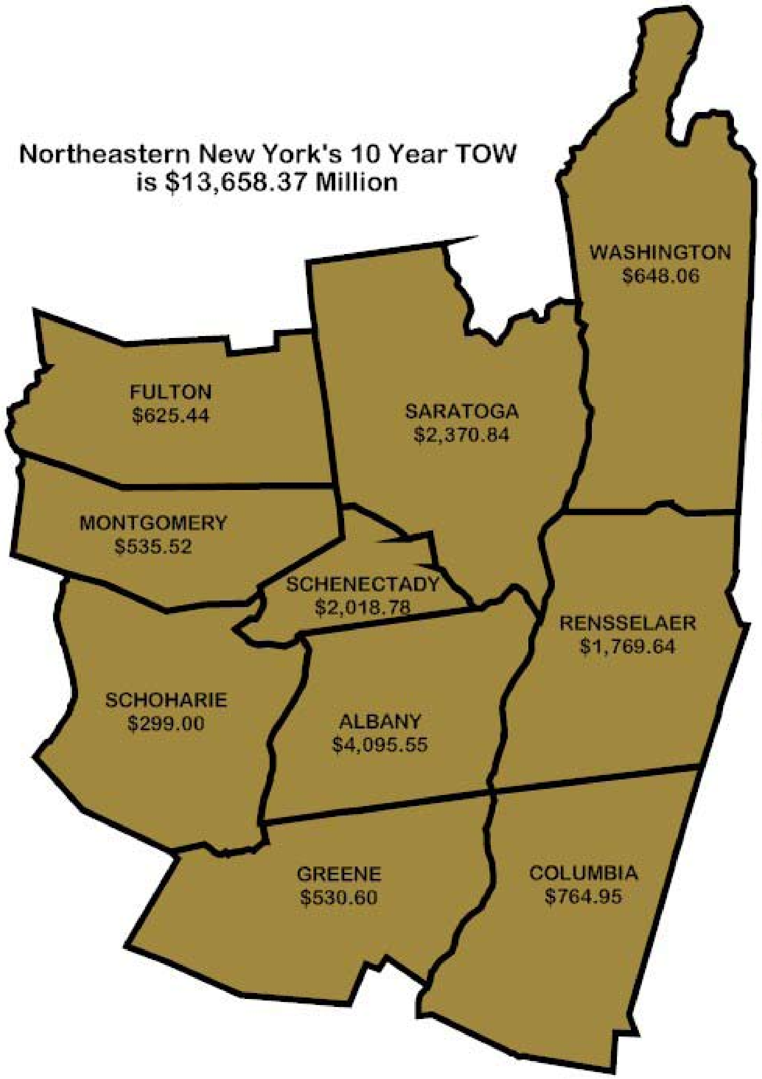
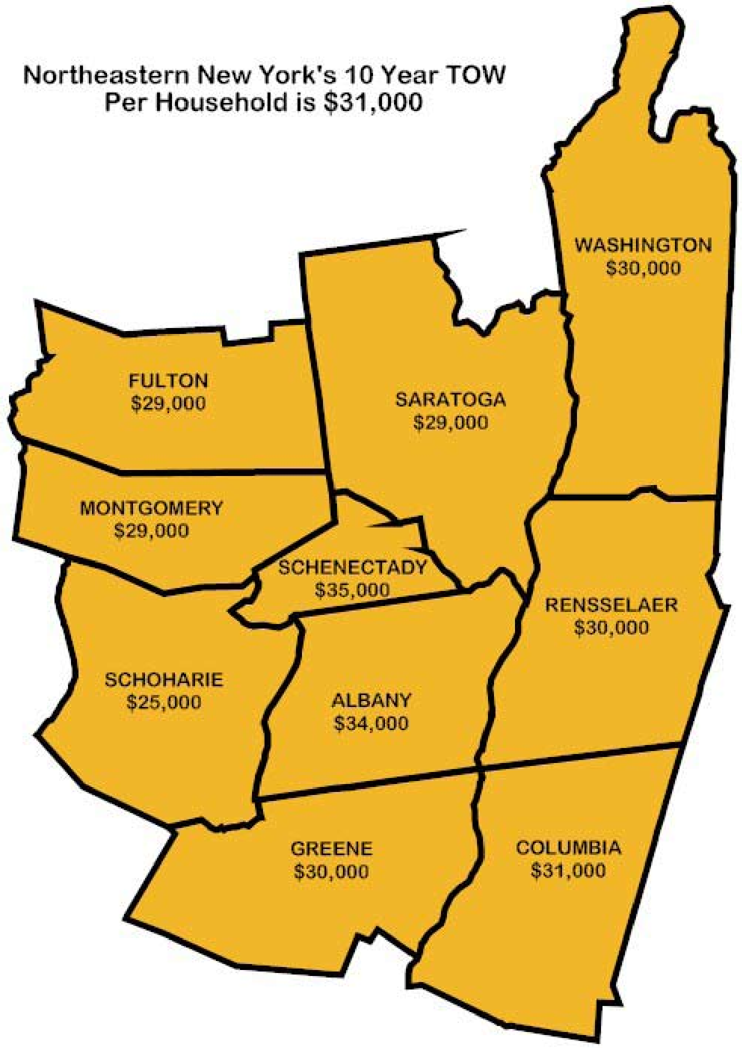


Figure 14



It is much easier for use to envision the next 10 years. In the current decade (2005 to 2015) we estimate that nearly $13.66 billion in TOW will occur within this Region. This represents a significant opportunity. The patterns among the counties are similar with CNW and the 50-year TOW. However, when we consider PHH values we begin to see some different patterns. Schenectady ($35,000), Albany ($34,000) and Columbia ($31,000) have the highest values. Because of a more rapidly aging population and slower overall growth, the transfer is coming more quickly to these counties when compared to Saratoga County or the Region.

Figure 15

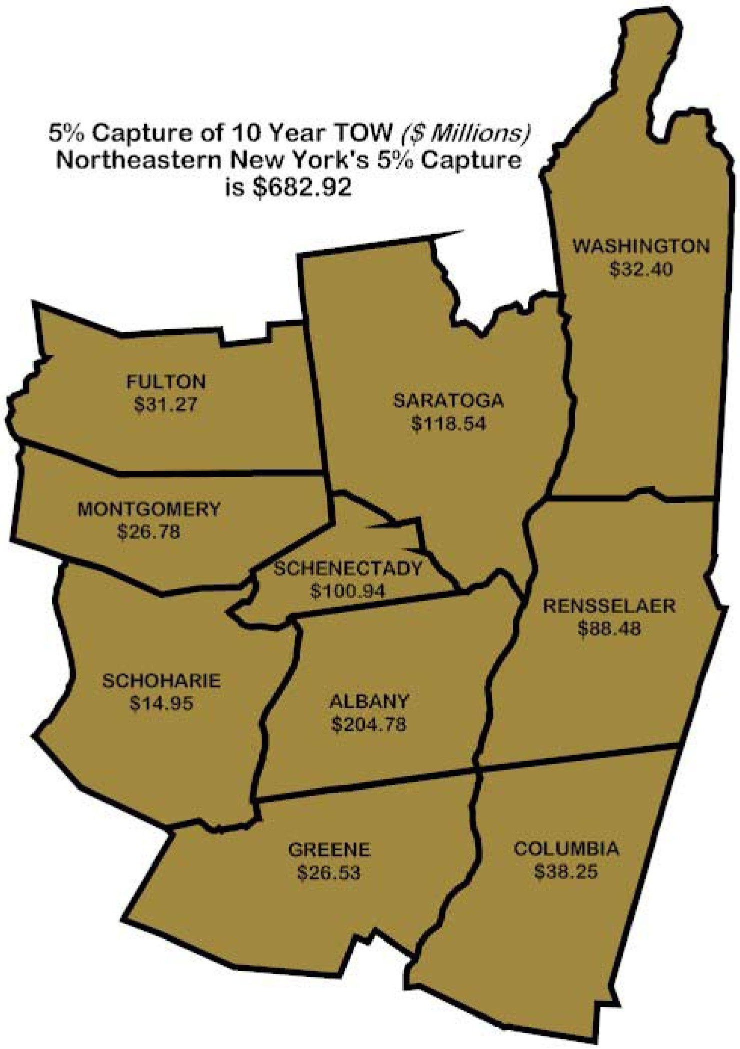
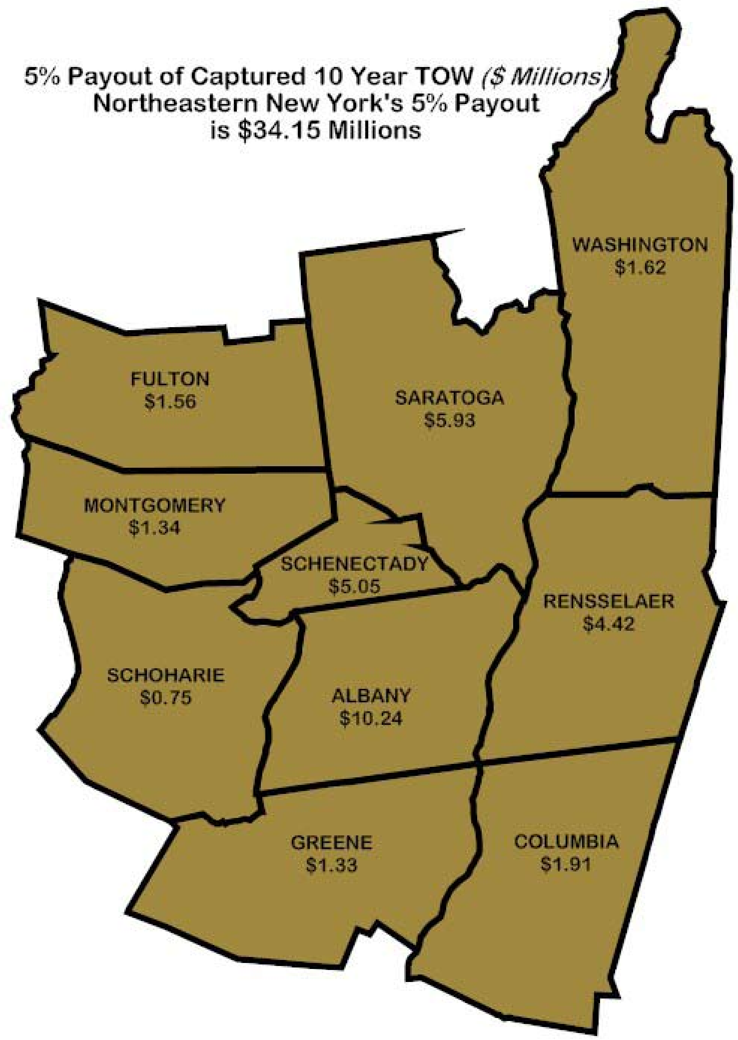


Figure 16



There is nothing magical about the "5%" capture rate. We simply proposed a "what if." What if your county could capture just 5% of its 10-year TOW opportunity? Most would agree this is a "conservative" and "doable" goal. For the region, realization of a 5% capture of 10-year TOW would equal nearly $682.92 million. This is a massive sum. While values range based on county size and growth patterns, significant capture opportunities exist among all 10 counties of Northeastern New York.

Assuming a 5% payout on the 5% capture of the 10-year TOW, nearly $34.15 million (annually) would be available for community betterment projects throughout the Region. In Albany County, nearly $10.24 million could be available. In smaller Schoharie County, the amount is just over $0.75 million annually. Imagine what these kinds of community betterment dollars could do to improve education, health care, social services, recreation, the environment and economic opportunity. We assume a very conservative 5% payout rate that will enable the endowment to grow faster than inflation, ensuring the purchasing power of these endowments over time.

Expatriates and Former Residents

America has always been a mobile society with massive waves of in and out migration. Rural areas and inner-cities have long exported their children to other communities. Our analysis does not attempt to estimate the TOW potential associated with expatriates. For some larger and more urban communities where 70 to 80% of all children eventually settle in the area, this may not be a major consideration. However, for communities like rural areas or inner-city neighborhoods, the pool of potential expatriate donors may be very large relative to these community's resident populations. Give back strategies should explore how to connect with these donors.

Figure 17

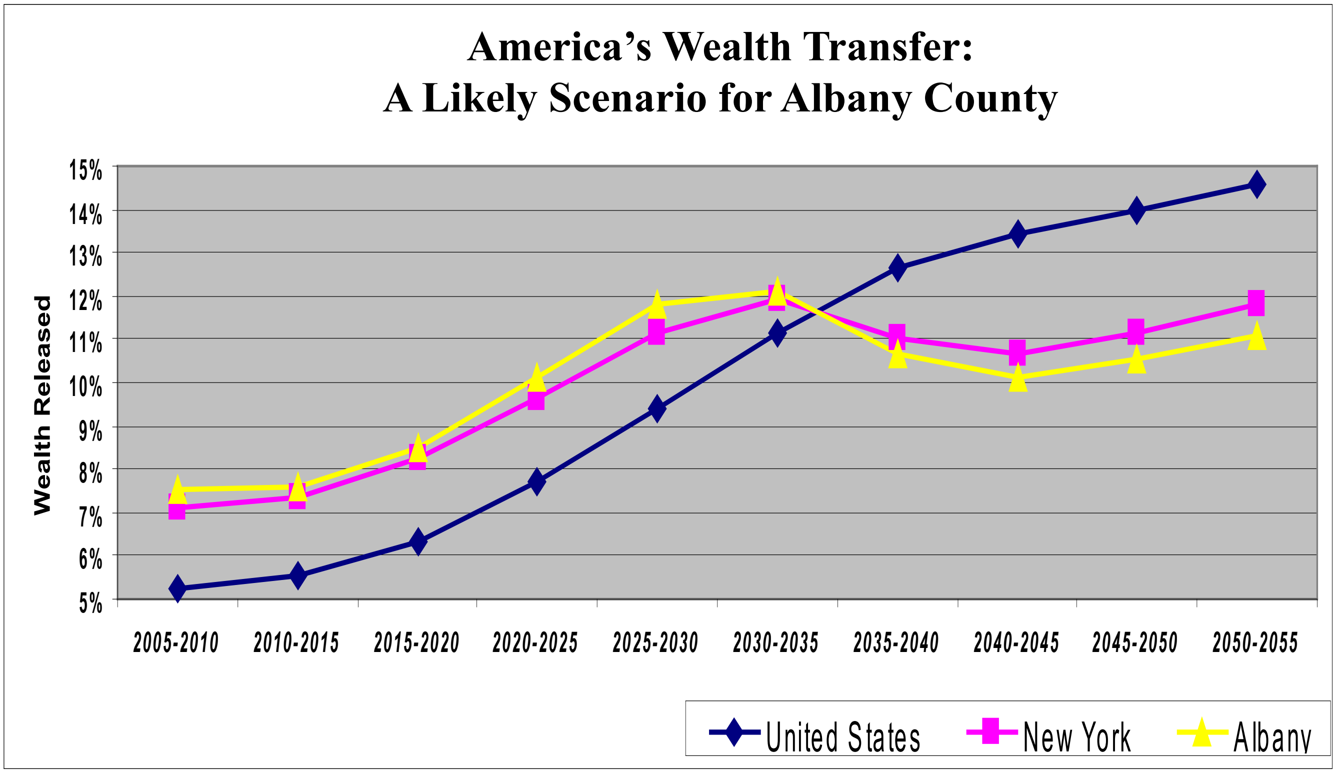


Figure 18

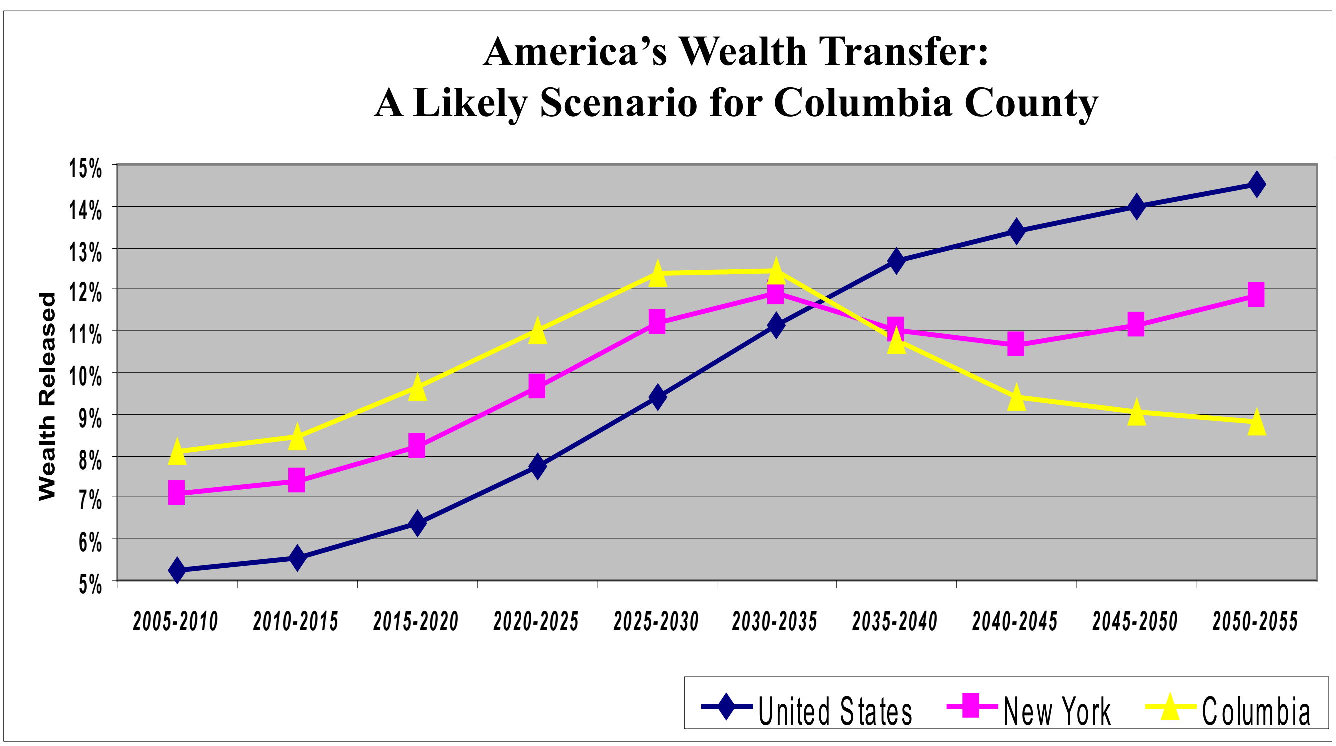


Figure 19

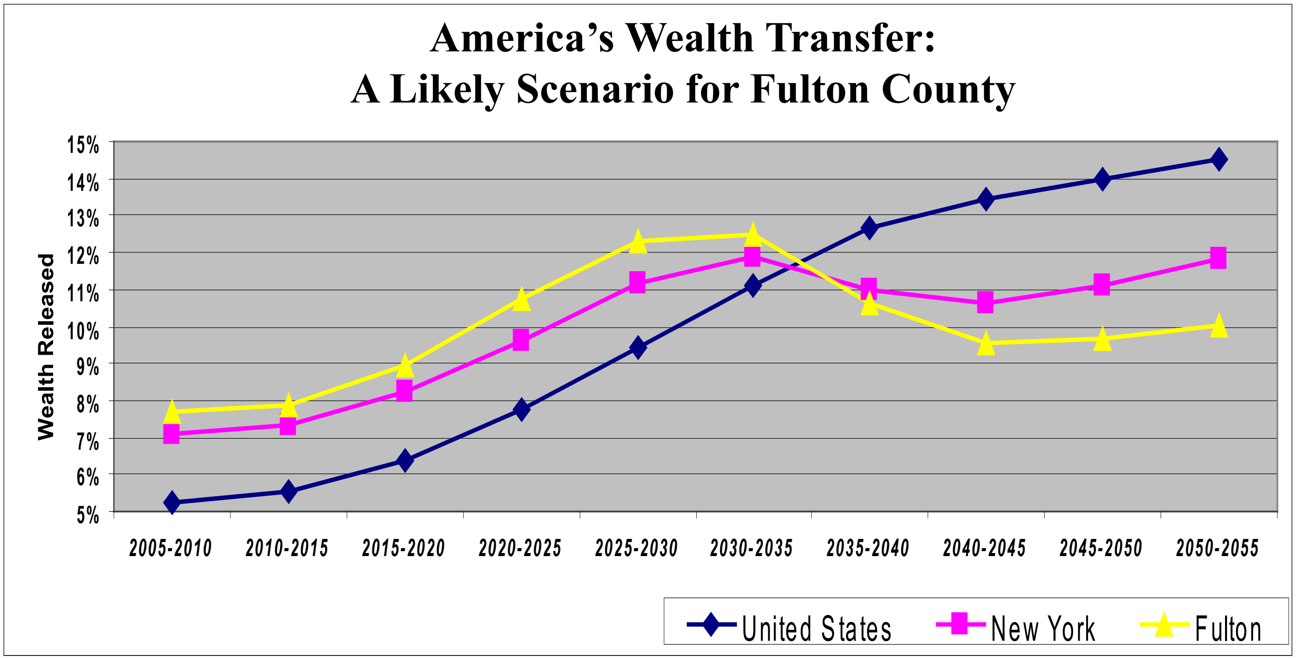


Figure 20

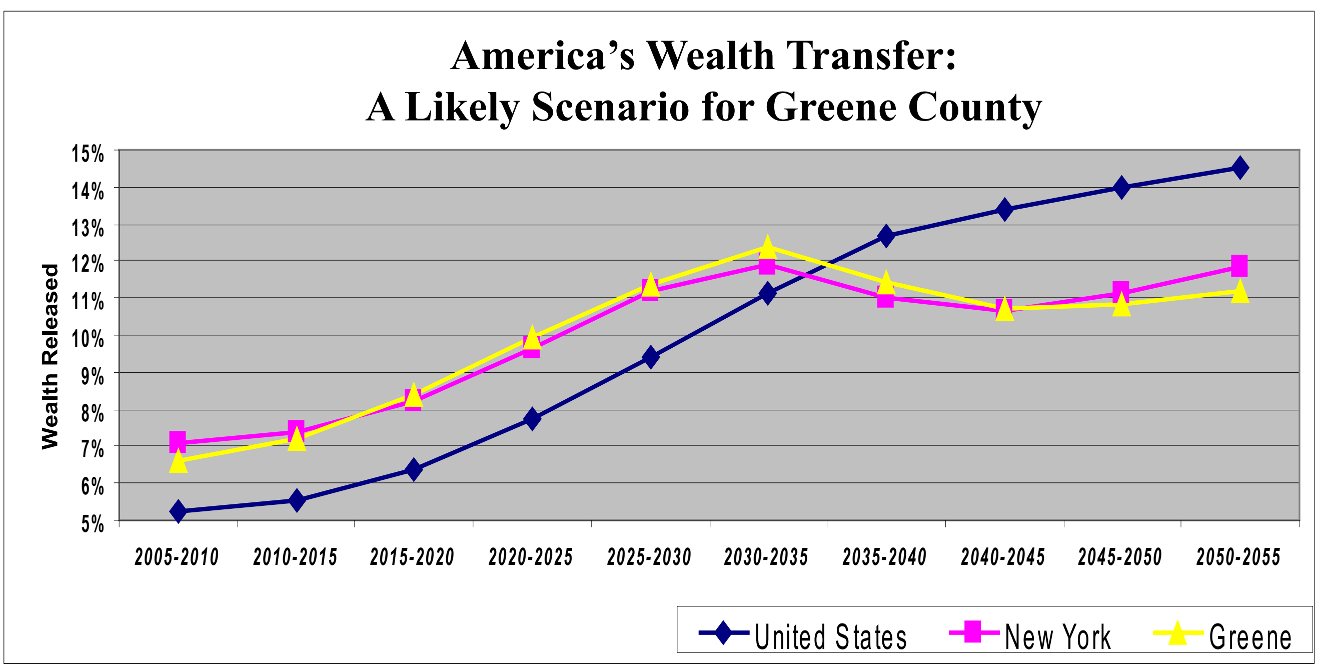


Figure 21

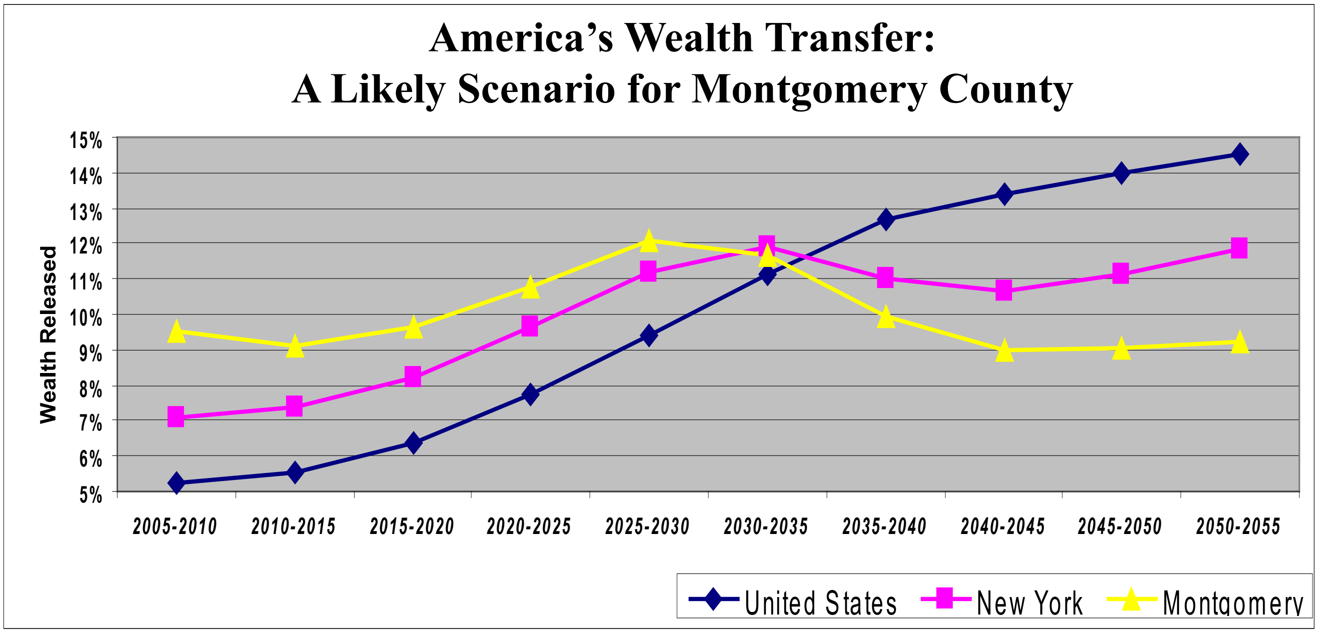


Figure 22

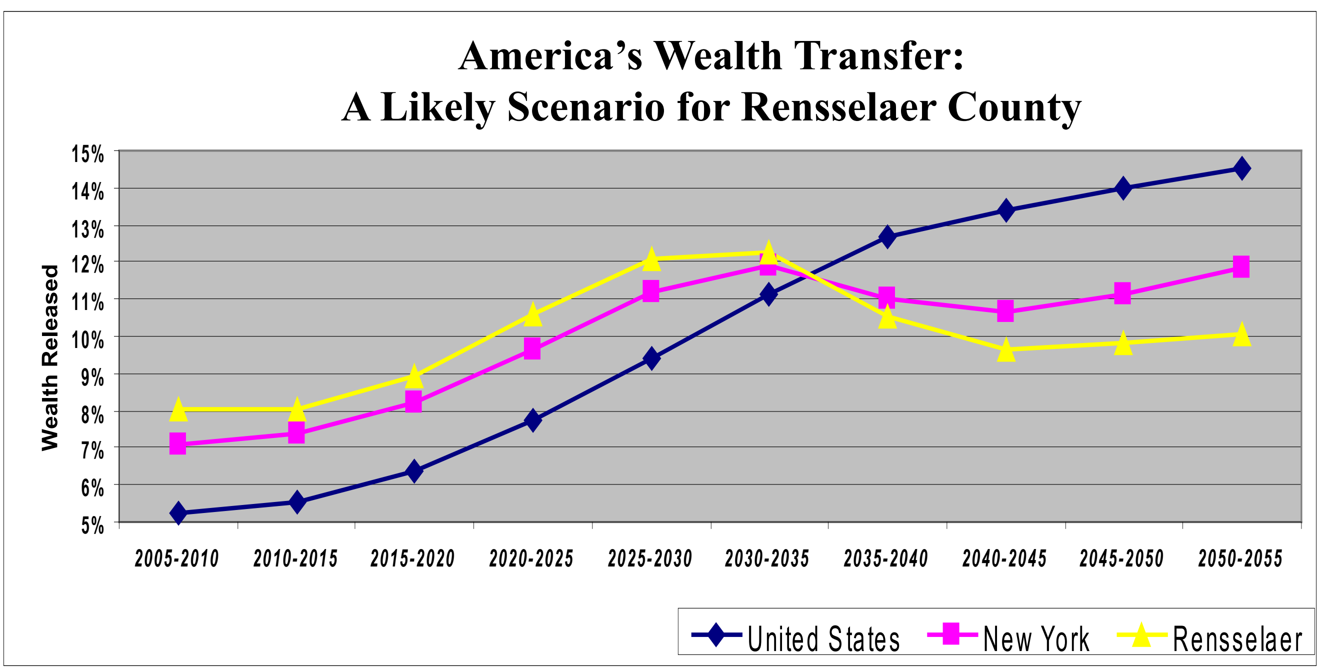


Figure 23

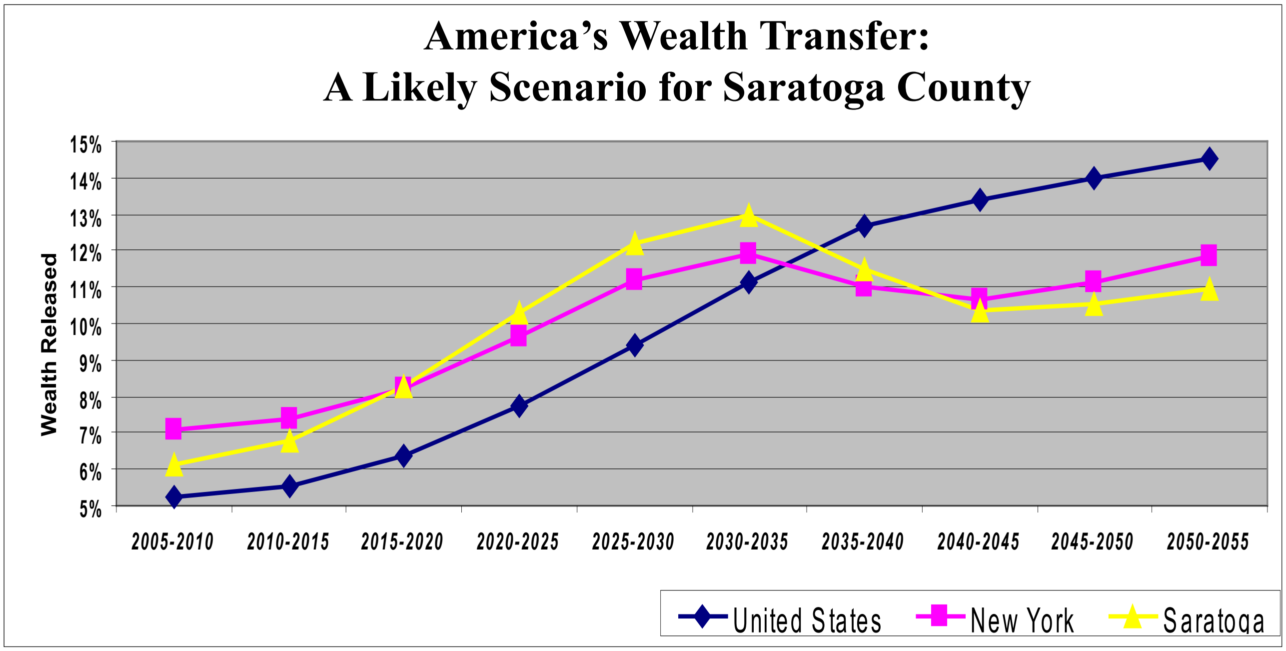


Figure 24

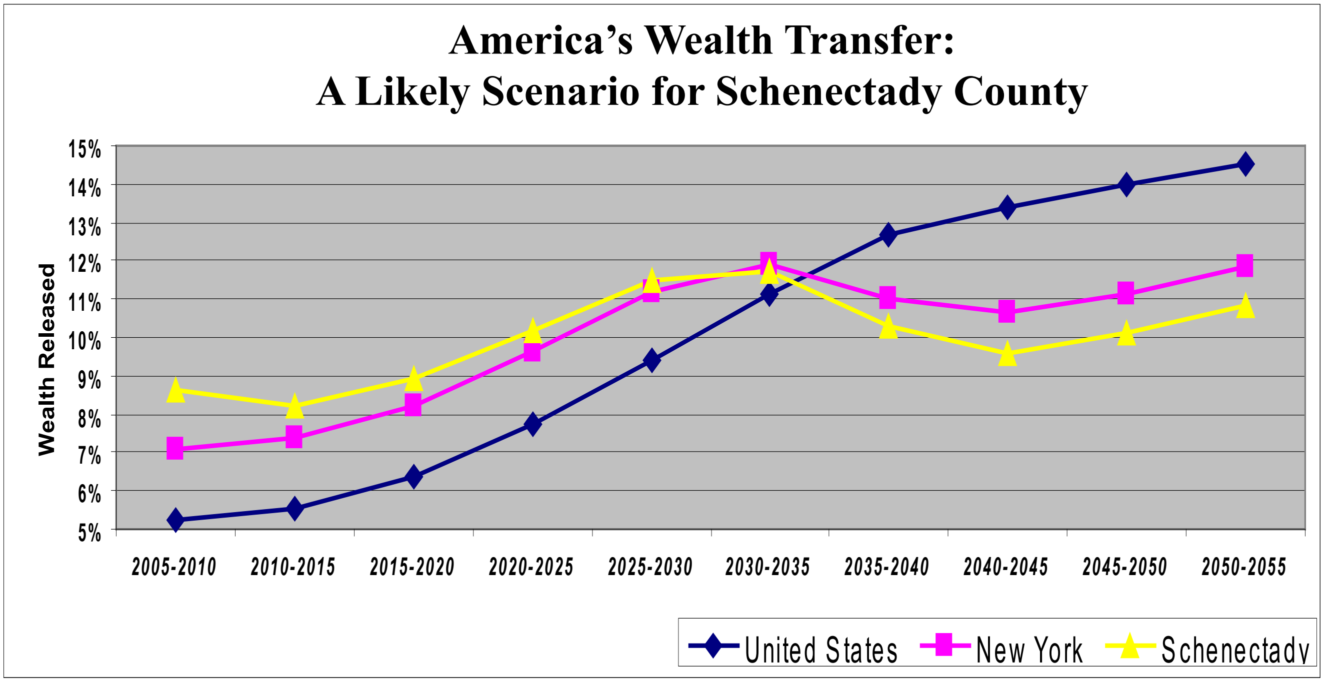


Figure 25

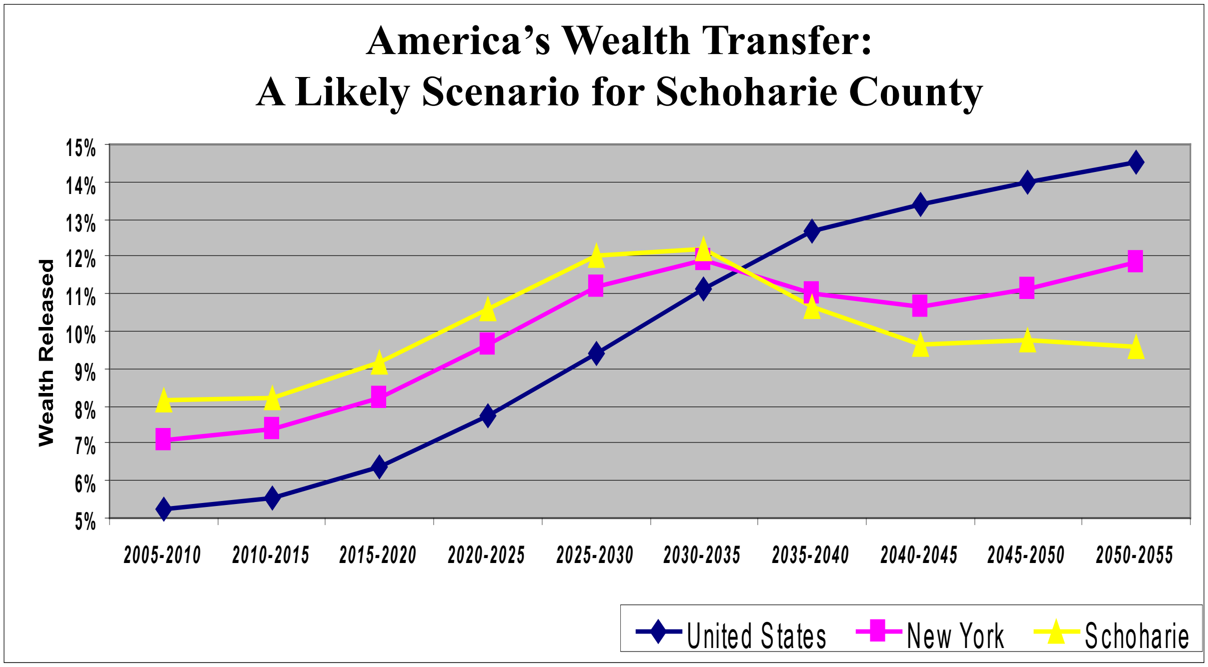
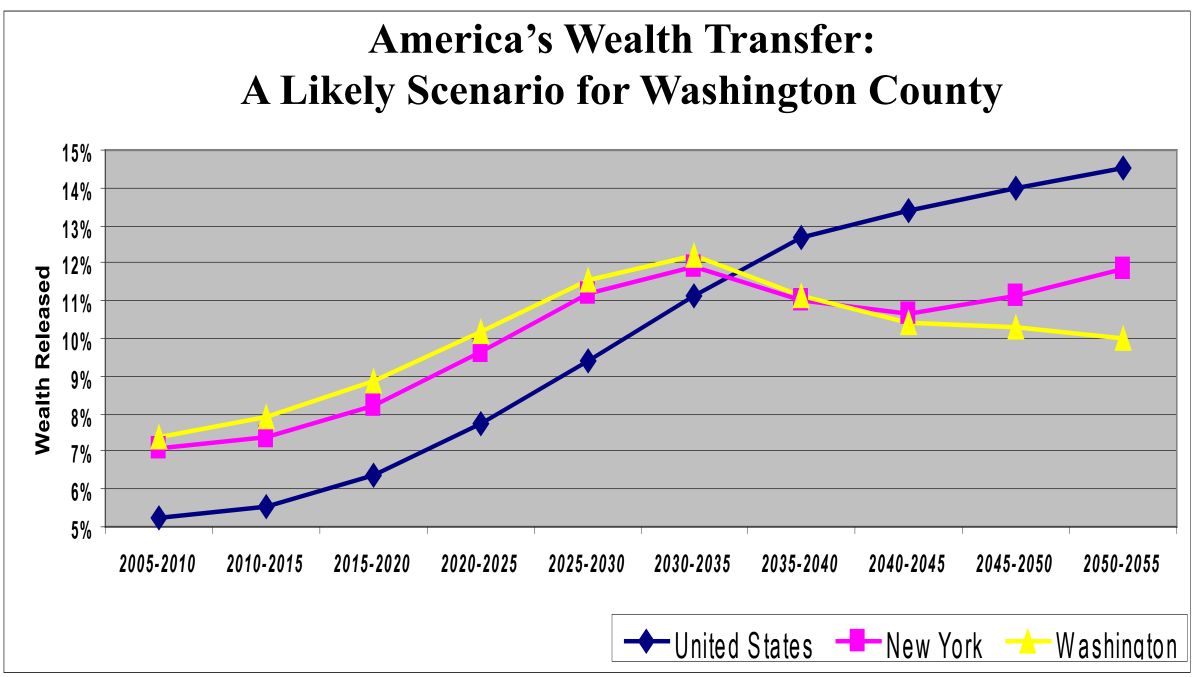


Figure 26



How to Use This Research

We all know it is important, but economics and finance can often be hard for many of us to get our heads around. This research by its very nature involves a lot of numbers and economic concepts. But the whole point of this research is to help individuals, communities, donors and organizations gain a grasp of this remarkable transfer of wealth opportunity. Goal setting is important in our culture and way of doing business. Individuals, communities and even nations can be mobilized in powerful ways when there are clear goals and opportunities for being part of the effort. The TOW estimates provide not only a good idea of the size of this opportunity, but the ability to set donor development goals that can translate to endowment building and strategic grant making.

Sometimes we are asked why we use the 5% TOW transfer number. Its origins are simple but powerful. When we were first exploring this work with the Nebraska Community Foundation, a group of board members were pulled together to identify a possible great target or goal for community wealth capture through endowments. Research was shared and options discussed. But in the final analysis, one board member said "what about 5%?" What if our communities could make the case to donors so that just 5% of the available TOW opportunity could be captured? All agreed that this goal was reasonable, achievable and the math was easy. As it turns out, they were right. The number 5% really did not matter -- it provides people who care with a reasonable target to work towards. Today in Nebraska and elsewhere, communities are working towards their 5% goals with passion and effectiveness.

At the request of places where we have completed TOW analysis, we are exploring offering practical "how-to" academies, technical assistance and mentoring. We believe that there is a growing body of experience from those who are using our TOW analysis that can be shared, helping others moving down this path. If you are interested in this kind of assistance, please contact Taina Radenslaben at taina@e2mail.org or 402.323.7336.

Thanks

This work would not have been possible without many contributions from numerous individuals and organizations. We would like to recognize some of these contributors and hopefully we have not missed anyone:

- Nancie Williams of the Community Foundation for the Capital Region.
- Elisabeth Guglin of the Community Foundation for the Capital Region helped to create and compile the photos for this report.

For More Information . . .

Nancie Williams of the Community Foundation for the Capital Region at 518-446-9638 or nwilliams@cfcr.org.

THE COMMUNITY FOUNDATION FOR THE CAPITAL REGION
The Regional Center for Philanthropy

http://www.cfcr.org

METHODOLOGY

America is in the midst of a remarkable time -- a time when wealth from one of our most prosperous periods in time is passing from one generation to the next. This inter-generational transfer of wealth trend offers significant opportunities for most American communities to create community foundations and endowments capable of supporting community improvement work over time.

Researchers at Boston College, in their landmark study *Millionaires and the Millennium*, created estimates for inter-generational wealth for the United States. We encourage you to visit the web site for the Center on Wealth and Philanthropy within Boston College at www.bc.edu/research/swri/ to learn more.

The RUPRI Center has developed a methodology for creating scenarios for inter-generational wealth transfer for states and counties. This section summarizes our basic methodology for creating these scenarios. We would be happy to personally explore our approach with other interested parties on a request basis.

The following components constitute the methodology we employed in conducting this analysis:

 Our methodology has been further informed and shaped by the work of the Federal Reserve System of the United States (FED). The FED, through its Survey of Consumer Finances (2001-2004), provides important understanding of the relationships between community household demographics and asset formation and wealth holding.

 Our starting point for this analysis is "current net worth" (CNW) estimates for the United States and for each of the 50 states. The U.S. Census Bureau estimates current net worth based on a sampling of U.S. households. Net worth includes typical assets like houses and stock portfolios, less debt. To localize CNW we employ four sets of asset indicators:

- Dividends, Interest and Rent Income.
- Asset Holdings by Household Age.
- Asset Holdings by Income Level.
- Real Property Asset Holdings.

Dividends, interest and rent income are estimated by the U.S. Bureau of Economic Analysis for each state and county. This indicator provides an estimate of certain kinds of asset holding including stocks, bonds, cash accounts and rental property.

CNW typically increases dramatically by age. As households get older they generally have higher CNW levels than younger households.

CNW typically increases with income levels. As income levels rise so do CNW levels. We employ national data for wealth holding by income level coupled with specific household income levels by state or county. Finally, we employ state-and-county specific information on real property to support our fourth indicator.

These indicators are used to adjust state CNW to a point estimate for the county.

 Once CNW values are estimated we explore historical population, income and economic trends. When possible we consider a 50-year history for each locality with particular reflection on the most recent 20-year period. Current net worth provides the base for beginning our analysis. Over time new wealth is created that expands this base. We consider population and economic trends to create estimates of gross wealth creation. Then we factor in information on the likely wealth formation rates. This step enables us to estimate wealth creation over the 50-year study period.

 Each year wealth becomes available primarily through the death of household heads. We employ information on the age structure of the population and death rates to estimate the likely wealth that is available for transfer over five year periods during the 50-year time frame. These values become our TOW estimates.

 An advisory group of state and regional experts are engaged through the sponsoring organization to help us test and refine our assumptions regarding future growth. Our baseline growth assumptions are stronger for the first 25 years of the period and become more conservative in the out years.

Time Period for Analysis

Our original analysis incorporated a 2000 to 2050 time frame. We have since adjusted this time frame to cover the period of 2005 through 2055. Creating scenarios reaching out 50 years is somewhat heroic. But this time frame provides a full generational picture of the transfer dynamic.

 The final step in our methodology is to estimate the timing of the transfer of inter-generational wealth over the 2005 to 2055 time frame. These estimates are based on our model estimating the number of deaths (therefore estates) triggered during each five-year period throughout the analysis time frame.

Acknowledgements

With Gratitude

To our underwriters

Matthew Bender IV
Fenimore Asset Management
Barbara L. Glaser/Nordlys Foundation

To our Friends in Nebraska for their guidance and professional expertise.

To the staff of the RUPRI Center for Rural Entrepreneurship for their willingness and ability to learn about and embrace the unique qualities that make Upstate New York and the Greater Capital Region such a wonderful place to live, work and invest in the community.

To KeyBank NA for their generosity in helping us make this report available to the community.

To our review committee for their considerable time and valuable input into the content of this report:

Wally Altes, Executive in Residence, Graduate College of Union University
Rocky Ferraro, Executive Director, Capital District Planning Commission
David Haviland, Former Vice President Emeritus for Institutional Advancement, RPI
Paul Hohenberg, Professor, Department of Economics, RPI
Neal Lane, Principal, OPConsulting
Michael Marvin, Chairman Emeritus, MapInfo
David Rooney, Senior Vice President, Center for Economic Growth
Maggie Vinciguerra, Community Volunteer

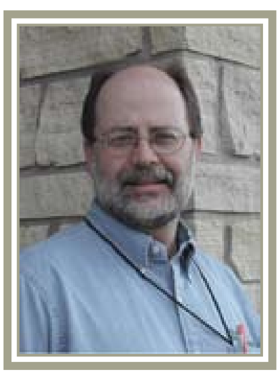
Our Inter-Generational Transfer of Wealth (TOW) analysis is a service of the RUPRI Center for Rural Entrepreneurship. The RUPRI Center for Rural Entrepreneurship strives to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. The Center is part of the Rural Policy Research Institute, an organization dedicated to providing unbiased analysis and information on the challenges, needs, and opportunities facing rural America.

Original founding support to develop our TOW analysis service was provided by the Nebraska Community Foundation (NCF). For more information about NCF visit its web site at www.nebcommfound.org. Subsequent and on going support for the RUPRI Center for Rural Entrepreneurship and our TOW Analysis is being provided by RUPRI (www.rupri.org).

Our TOW Initiative is led by Don Macke who serves as the Co-Director for Outreach with the RUPRI Center for Rural Entrepreneurship and Senior Advisor with the Nebraska Community Foundation. TOW analysis is supported by Ahmet Binerer (Senior Analyst), Taina Radenslaben (Project Manager) and Dick Gardner (Senior Fellow).

Report Authors

Don Macke



Primary Author and Project Manager

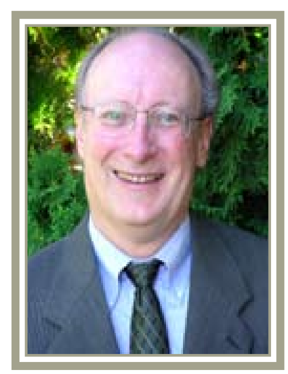
Taina Radenslaben

Report Preparation and Management

Ahmet Binerer

Senior Researcher and Analyst

Dick Gardner



Senior Fellow

For More Information Contact:

–Taina Radenslaben–
RUPRI Center for Rural Entrepreneurship
PO Box 83107– Lincoln, NE 68501
Voice 402.323.7336 – Fax 402.323.7349
E-mail taina@e2mail.org