



## ***Wealth in Wyoming***

# ***Final Report*** **WEALTH IN WYOMING**

### ***Abstract***

*This report – **Wealth in Wyoming** – provides initial estimates of the inter-generational wealth transfer occurring in the Cowboy State between 2000 and 2050. This is a draft report submitted to the Wyoming Community Foundation for review.*

### **Executive Summary**

Based on our preliminary analysis of Wyoming and its counties, we have reached the following insights regarding the inter-generational wealth transfer trend for the Cowboy State. This report is submitted to the Wyoming Community Foundation for review and comment. Following this period of review -- a final report will be prepared and released.

- o According to Boston College in their landmark study – ***Millionaires and the Millennium*** - the United States is in the midst of the largest inter-generational wealth transfer in American history. The Boston College researchers conservatively estimate that during the first half of the 21<sup>st</sup> Century \$41 trillion of wealth will pass from the current generation to the next.
- o On average, per capita wealth to be transferred in the United States is \$145,000 (in current dollars). Because the United States is growing demographically and is likely to continue creating new wealth faster than old wealth is transferred, the trend line for U.S. wealth transfer is projected to expand over time. *(2000 through 2050)*

### ***Inter-Generational Wealth?***

*Inter-generational wealth transfer is not a common concept discussed nightly at our dinner tables. So what do we mean by this term? Simply put, we are referring to primarily household estate wealth that is transferring from the current generation to the next. Typically a death is the trigger that puts into motion this transfer.*

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- Wyoming is part of this trend. We estimate that during the next 50 years Wyoming will experience nearly \$60 billion in inter-generational wealth transfer. This is a remarkable legacy and reflects on the hard work, prudence and enterprise of the current generation over their lifetimes.
- On average, each year during this five decade long period, Wyoming will see \$1.2 billion transferring from the current generation to the next. The actual inter-generational transfer levels will vary by year driven by the timing of current wealth holders transferring their estates.

### ***Transferred to Whom?***

*Generations come and go – it is a fact of nature. Wealth created in Wyoming over the current generation and stored in the estates of families will transition over the next 50 years. The question is where will this wealth transition? Typically the wealth is gifted to heirs, churches and other causes close to the hearts of the people who earned this wealth. Because of low financial planning rates – too much of this wealth may be unnecessarily lost to taxes. Communities in Wyoming have the opportunity to ask donors to give back to the communities that have supported them.*

- It is difficult for the average person to grasp the implications of such large numbers. What does \$60 billion over 50 years or \$1.2 billion per year mean for Wyoming and its citizens? It is also hard to anticipate what Wyoming will look like in 2050. So if we focus on the next ten years what does this trend mean for Wyoming? We estimate that in the coming decade \$11.9 billion will be transferred. This trend represents a significant opportunity for Wyoming and its ability to build a brighter future for itself.
- If just five percent of the wealth being transferred over the next 10 years were pledged to community-based endowments, a cumulative endowment of \$597 million could be created. These endowments could mean new resources essential to building stronger communities throughout the Cowboy State.
- Typically a conservative payout rate is five percent of the endowment value. At this rate, the endowment will continue to grow and remain inflation proof. Under such a scenario the endowments built in Wyoming would be able to support community betterment throughout

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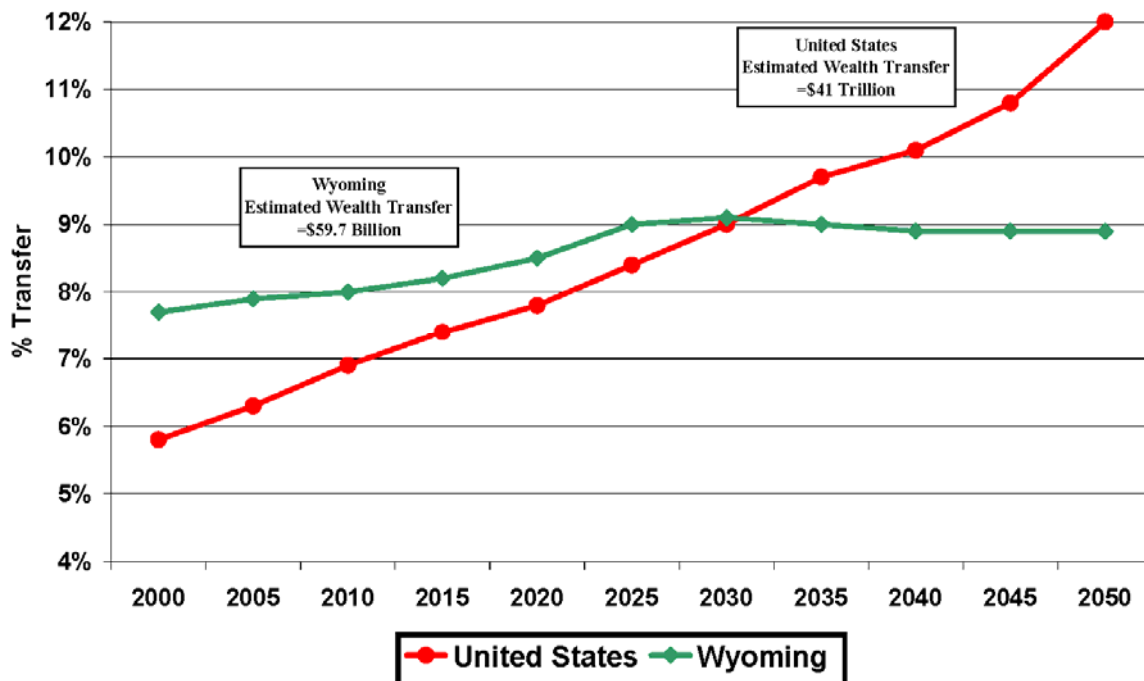
time. At this rate, Wyoming's communities would have nearly \$30 million annually for betterment projects. This is a remarkable opportunity for strengthening communities, economies and families in Wyoming year in and year out.

### ***\$30 Million Per Year Forever!***

*Think of what \$30 million per year of new resources could mean for Wyoming's communities. Within a decade it could mean hundreds of new libraries, athletic fields, programs to help entrepreneurs, upgraded swimming pools, needed health care facilities and so much more.*

- o The level of inter-generational wealth transfer in Wyoming is projected to be somewhat lower when compared to the U.S. averages. For example, the per capita Wyoming wealth transfer average is \$120,000 compared with the U.S. average at \$145,000 (83% of the U.S. level). This is due to many factors including; lower historical income levels, lower asset holdings and external ownership of key assets (such as public lands, mineral and energy holdings by outside concerns).

**Figure 1 – Wyoming's Wealth Transfer**  
A Likely Scenario



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- o Given the demographics of Wyoming (e.g., migration, age, growth & death rates) compared to the U.S., we expect that the transfer of wealth will occur sooner in Wyoming with some counties seeking peak wealth transfer occurring in this decade.
- o Many factors may affect the actual wealth transfer rates and opportunities on a county-by-county basis. Factors such as the presence of natural resources, public lands, amenities, second home development, Native American communities, new immigrant communities and mining/energy jobs will assert variation in county levels and rates. This analysis has attempted to reflect these influences.

***Figure 2 –Wealth Indicators by County in Wyoming***

*B = Billions & M = Millions of Dollars*

<b>County</b>	<b>50 Year Transfer</b>	<b>Average Annual Transfer</b>	<b>Average Ten Year Transfer</b>	<b>5% Endowment Capture*</b>	<b>5% Giveback Rate**</b>
<i>Wyoming</i>	<i>\$59.70 B</i>	<i>\$1.19 B</i>	<i>\$11.94 B</i>	<i>\$597.03 M</i>	<i>\$29.85 M</i>
<i>Albany</i>	<i>\$3.34 B</i>	<i>\$66.88 M</i>	<i>\$668.79 M</i>	<i>\$33.44M</i>	<i>\$1.67M</i>
<i>Big Horn</i>	<i>\$993.98 M</i>	<i>\$19.88 M</i>	<i>\$198.80 M</i>	<i>\$9.94 M</i>	<i>\$496,988</i>
<i>Campbell</i>	<i>\$3.98 B</i>	<i>\$79.52 M</i>	<i>\$795.23 M</i>	<i>\$39.76 M</i>	<i>\$1.99 M</i>
<i>Carbon</i>	<i>\$1.56 B</i>	<i>\$31.19 M</i>	<i>\$311.86 M</i>	<i>\$15.59 M</i>	<i>\$779,650</i>
<i>Converse</i>	<i>\$1.20 B</i>	<i>\$23.97 M</i>	<i>\$239.66 M</i>	<i>\$11.98 M</i>	<i>\$599,148</i>
<i>Crook</i>	<i>\$624.87 M</i>	<i>\$12.497 M</i>	<i>\$124.97 M</i>	<i>\$6.25 M</i>	<i>\$312,435</i>
<i>Fremont</i>	<i>\$3.23B</i>	<i>\$64.52 M</i>	<i>\$645.25 M</i>	<i>\$32.26 M</i>	<i>\$1.61 M</i>
<i>Goshen</i>	<i>\$1.18 B</i>	<i>\$23.60 M</i>	<i>\$235.98 M</i>	<i>\$11.80 M</i>	<i>\$589,944</i>
<i>Hot Springs</i>	<i>\$467.04 M</i>	<i>\$9.34 M</i>	<i>\$93.41 M</i>	<i>\$4.67 M</i>	<i>\$233,520</i>
<i>Johnson</i>	<i>\$732.12 M</i>	<i>\$14.64 M</i>	<i>\$146.42 M</i>	<i>\$7.32 M</i>	<i>\$366,062</i>
<i>Laramie</i>	<i>\$10.79 B</i>	<i>\$215.71 M</i>	<i>\$2.16 B</i>	<i>\$107.86 M</i>	<i>\$5.39 M</i>
<i>Lincoln</i>	<i>\$1.43 B</i>	<i>\$28.69 M</i>	<i>\$286.87 M</i>	<i>\$14.34 M</i>	<i>\$717,164</i>
<i>Natrona</i>	<i>\$8.65 B</i>	<i>\$173.03 M</i>	<i>\$1.73 B</i>	<i>\$86.52 M</i>	<i>\$4.33 M</i>
<i>Niobrara</i>	<i>\$224.66 M</i>	<i>\$4.49 M</i>	<i>\$44.93 M</i>	<i>\$2.25 M</i>	<i>\$112,330</i>
<i>Park</i>	<i>\$3.15 B</i>	<i>\$62.98 M</i>	<i>\$629.81 M</i>	<i>\$31.49 M</i>	<i>\$1.57M</i>
<i>Platte</i>	<i>\$910.73 M</i>	<i>\$18.21 M</i>	<i>\$182.15 M</i>	<i>\$9.11 M</i>	<i>\$455,364</i>
<i>Sheridan</i>	<i>\$3.57 B</i>	<i>\$71.31 M</i>	<i>\$713.09 M</i>	<i>\$35.65 M</i>	<i>\$1.78 M</i>
<i>Sublette</i>	<i>\$773.76 M</i>	<i>\$15.48 M</i>	<i>\$154.75 M</i>	<i>\$7.74 M</i>	<i>\$386,880</i>
<i>Sweetwater</i>	<i>\$4.76 B</i>	<i>\$95.21 M</i>	<i>\$952.09 M</i>	<i>\$47.60 M</i>	<i>2.38 M</i>
<i>Teton</i>	<i>\$4.77 B</i>	<i>\$95.45 M</i>	<i>\$954.46 M</i>	<i>\$47.72 M</i>	<i>\$2.39 M</i>
<i>Uinta</i>	<i>\$1.81 B</i>	<i>\$36.26 M</i>	<i>\$362.59 M</i>	<i>\$18.13 M</i>	<i>\$906,476</i>
<i>Washakie</i>	<i>\$875.88 M</i>	<i>\$17.52 M</i>	<i>\$175.18 M</i>	<i>\$8.76 M</i>	<i>\$437,939</i>
<i>Weston</i>	<i>\$684.13 M</i>	<i>\$13.68 M</i>	<i>\$136.83 M</i>	<i>\$6.84 M</i>	<i>\$342,063</i>

\* At the end of 10 years.

\*\* Giveback rate is based on the endowment level after 10 years.

- o Wealth transfer levels and rates will vary from one corner of the Cowboy State to the next. Simply put, some Wyoming landscapes have more wealth than others. Additionally, some landscapes will see the transfer trend come sooner and others later (with respect to peak

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transfer times). The following is a sampling of overall per capita wealth levels for selected places:

- |                   |           |
|-------------------|-----------|
| ○ Teton County    | \$260,000 |
| ○ U.S. Average    | \$145,000 |
| ○ Sheridan County | \$134,000 |
| ○ Laramie County  | \$132,000 |
| ○ State Average   | \$120,000 |
| ○ Carbon County   | \$100,000 |
| ○ Big Horn County | \$ 87,000 |
- Teton County, as one might expect, has nearly twice the estimated inter-generational wealth when compared to the U.S. average and nearly three times the wealth of Wyoming's lowest wealth county. Laramie County for example – home to Cheyenne and the state's greatest population – has a wealth level moderately higher than the state average.

### ***Caution...***

*This analysis generates estimates we believe are factually based and reasonable. However, they are still just estimates. Only further community level work can more precisely document the actual wealth transfer opportunity.*

*Additionally, 50 years is a long time and great change is likely to occur during this period. Changing conditions in Wyoming will likely alter the accuracy of these estimates over time.*

- Our estimates do not attempt to identify who controls Wyoming's wealth. We have made adjustments to exclude wealth that is unlikely to be available for community gifting (such as public lands or externally owned energy reserves). In many cases, wealth will be controlled by local families with deep roots in area communities. In other cases, the wealth may be externally owned with a range of community attachment.

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### **Interpretation Considerations**

Our analysis is interested in estimating rooted Wyoming wealth. By rooted we are referring to assets that hold the potential for being gifted by the current generation owners to others, including heirs, hometowns and other purposes. The following considerations have been identified that will likely impact the overall wealth transfer opportunity, the timing of the wealth transfer over the next five decades and influence the potential for capturing charitable gifts from this wealth transfer flow for community endowments and betterment.

*Note – A number of reference statistics are employed in this analysis. These numbers are derived largely from federal sources and the U.S. Census in particular. All numbers are benchmarked to 2000.*

### **Types of Assets Held in Wyoming**

When we talk about rooted wealth, we are typically referring to assets held by individuals with strong ties to Wyoming and one or more communities\*. These assets come in many forms, but are generally tied to one of three types – real property, investments and insurance. Real property is a significant form of wealth in America. One's home, business, farm, second home, motor vehicles and personal possessions all represent the first type of wealth holding. The second type of wealth holding includes investments such as bank accounts, retirement accounts (e.g., 401ks, IRAs, etc.) and the like. The third type of asset is insurance. Americans generally believe in life insurance and the benefits from these policies often represent a modest to significant cash value upon one's death.

*\* By community we are not only talking about places – but also communities of interest. For example persons with strong ties to the University of Wyoming or the state's park system.*

### **Wyoming Demographics**

Key demographics also impact wealth levels and the timing of transfers. Family type and size, new versus old residents, presence of divorce, income levels, home ownership and age of households are all important. For example, Wyoming is slightly younger than the U.S. when the percentage of persons 65 years of age and older are considered (11.7% in WY & 12.4% in the U.S.) Wyoming has somewhat lower incomes when compared to the U.S. It has more households in lower income categories and fewer in the higher income categories benchmarked with the U.S. averages.

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These demographics vary widely from one corner of Wyoming to the next. The differences between Teton County and Niobrara County are striking. Varying demographics from place to place will directly influence our wealth estimates and wealth transfer timing projections accordingly.

### **Ownership of Assets**

Ownership of assets is a key factor influencing Wyoming's absolute wealth estimates. Our conservative estimates suggest that wealth levels in Wyoming are considerably lower than U.S. averages. We base this adjustment on three factors. First, home and land ownership rates in Wyoming are lower. The presence of significant public lands removes significant assets from the pool when compared with states like Nebraska and Kansas. Second, while there are significant mineral/energy assets in Wyoming – the ownership of these assets are not necessarily tied to residents. For example, over one-half of the state's real property is tied to minerals/energy that is largely externally owned. It is unlikely that these assets will find their way to community based endowments. Third, income levels in Wyoming are lower (e.g., WY per capita income = 94% of the U.S. average). Some counties are higher and many are significantly lower.

### **Natural Resource Assets**

In the previous section we talked a great deal about Wyoming's remarkable natural resource assets. The Cowboy State is blessed with minerals, energy, timber, water, rangelands and striking mountain ranges. The ownership of most of these natural resource assets is either public or largely externally owned. This reality largely removes these assets from the transfer equation.

### **Areas with High Amenities**

Wyoming holds remarkable amenities that are attractive to both residents and newcomers. A number of counties are experiencing significant development due to the attraction of these amenities. Second and even first home development creates opportunities to retain existing and attract new wealth to the state. This pattern comes in many ways from the high-end development in Jackson Hole to more modest second home and cabin development in other corners of the state.

### **Historic Income Levels in Wyoming**

We believe there is connection between the historic income levels in Wyoming and the build up of wealth. Areas like Sheridan illustrate that wealth has been created over time and became rooted resulting in a greater wealth transfer opportunity when compared to lower income places or more transient populations.

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### **Historic Asset Management Patterns in Wyoming**

Higher incomes create the opportunity for wealth creation, but do not guarantee it. How income is managed is key. Persons with modest life long incomes but with strong saving/investment patterns can build substantial estates over time. Conversely, persons with high incomes coupled with expensive lifestyles may conclude life with minimal estates. The scope of our work has not enabled us to address these lifestyle issues that could significantly change overall wealth patterns.

### **Presence of Mining/Energy Jobs**

Wyoming knows well the boom and bust cycles associated with mining and energy production. In boom times, there are lots of workers and considerable incomes flowing through local economies. These boom times create the opportunity for wealth creation particularly among those rooted residents who indirectly benefit from the boom cycle. We have made adjustments to account for this pattern both in places that are declining as well as those that are expanding.

### **Areas with Native American Communities**

The Wind River Reservation located in portions of Fremont and Hot Springs Counties is home to a significant Native American community. Given historic poverty levels within these communities, we have made adjustments lowering the per capita wealth estimates for Fremont County where the majority of the Native American population resides.

### **Areas with New Immigrant Communities**

New residents come in many forms ranging from wealthy families seeking Wyoming's beauty to new immigrants seeking a start for a better life. One family has considerable wealth and the other family has little. Clearly new residents moving to Teton County represent an expanding wealth opportunity and we have made adjustments for these trends. We have not found significant concentrations of low-income new residents.

*The scope of our work is modest. We hope to provide general estimates of the wealth transfer opportunity in Wyoming. It will take hard work based in Wyoming's many communities to better determine the nature and magnitude of this opportunity. We hope local leaders and the Wyoming Community Foundation will gain a deeper understanding of this remarkable opportunity and can use these considerations.*



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### **Special Thanks...**

This work would not be possible without the Groundbreaking research of two efforts. First, there is the work of Boston College and their landmark study *Millionaires and the Millennium*. Second, there is the work of the Nebraska Community Foundation that underwrote the development of the methodology which enables the wealth in Wyoming analysis.

### **County Reports**

Individual county wealth transfer reports are available separately for all 23 Wyoming counties. These reports are available through the Wyoming Community Foundation.

### **Methodology**

The following methodology was employed to estimate state and county level intergenerational wealth in Wyoming.

#### **Step 1 - Boston College Study**

We begin with Boston College's estimated titled Millionaires and the Millennium (October 19, 1999) (This report was assessed and validated within the past year). This study estimates inter-generational wealth transfer between 1998 and 2052 or over a 55-year period. They recommend their low estimate pegged at \$41 trillion. Their high estimate is pegged at \$136 trillion or 3.3 times greater than the low estimate. We used Boston College's low estimate of \$41 trillion in our analysis.

#### **Step 2 - Wyoming Estimation**

We employed the most basic of extrapolation techniques. We converted the \$41 trillion value to per capita wealth. This value was used with Wyoming's population to estimate our initial value. *Caution – This method does not take into account either wealth differences, population changes, or differentials in growth rates. But it is a simple and direct place to start.*

#### **Step 3 - Adjustments to Wyoming Estimation**

We did make the following adjustments to the initial Wyoming estimation.

- ❑ First, we converted the period from 1998 to 2052 (55 years) to 2000 to 2050 or 50 years.

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- ❑ Second, we took into account the basic demographics of Wyoming in comparison to the U.S. key demographic indicators (e.g., income, age, etc.).

While Wyoming is somewhat younger than the nation – we believe the low growth rates and the high outmigration rates will result in the transfer of wealth occurring sooner during this 50-year period in Wyoming when compared to the United States.

- ❑ Third, we made an adjustment for income differences. Income is not necessarily a good indicator of wealth, but we assumed that it was a reasonable way to make a downward adjustment for Wyoming being slightly poorer than the nation.

Also, we did not adjust for growth rate differentials. This factor is hard to capture and could create great variability in the over estimates given the rather long time horizon. A lot can change over 50 years. Hot growing economies are assumed to create wealth more rapidly than slower growing economies. Wyoming is a state with significant boom and bust cycles tied to energy/mineral production/values, shifts in tourism and federal policies (e.g., land management policies, base closings, etc.).

### **Step 4 - County Level Estimates**

We employed the “per capita” approach to disaggregate the state value to a county level (Wyoming has 23 counties). State per capita wealth times the county population is the basic calculation.

At this point we made several additional adjustments:

- ❑ First, we adjusted overall wealth share by income using per household income levels (county median household income/state median household income) = % x Wyoming Wealth Estimation Value = County Wealth Estimation Value).
- ❑ Second, we made an adjustment for population change employing the 2000 to 2020 projections from the University of Nebraska. For rural counties this adjusted the value generally downward and upward for growing urban counties. This is crude indicator and the rationale is that growing places are generating new wealth while declining places have static or eroding wealth (every time a retiree leaves a rural community, that retiree takes certain wealth with them).

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- ❑ Third, we made adjustments for the age structure to estimate allocation of wealth over the 50-year period. This was more an art form than science. We played with several formulas and finally developed a number of typical counties for which we used the allocation curve to estimate the other counties.
- ❑ Fourth, there is considerable diversity among Wyoming's counties. Population growth rates and wealth creation trends vary greatly from the sparsely populated eastern range counties to the high amenity counties like Teton County with Jackson Hole. With the help of the Wyoming Community Foundation we reviewed each of the 23 counties for key trends (e.g., population changes, wealth creation rates, industry changes, etc.) Based on this information we made adjustments to the wealth transfer estimates.

### **Step 5 - Distribution Over Time Analysis**

Estimating the timing of the intergenerational wealth transfer is a challenging task. However, the primary drivers in this equation are age demographics, death rates and migration patterns. For example, an eastern range county with an aging population, heavy outmigration rates and rising death rates will see peak transfers early in the century. This would compare to a high amenity county with growing populations and a dropping death rate. Peak transfers in this type of county will come later in the period, if at all. Based on a set of typical counties tied to these key indicators, estimates of wealth transfer over time were made for each of the Wyoming counties.

### **Step 6 - Wyoming Reaggregation**

Once all Wyoming counties were completed, we aggregated the values to generate a new state value.

### **Step 7 - Validation**

Validation is critically important. Again it is important to understand that these are only estimates. Field review by persons working with estate wealth is necessary to refine these estimates and gain a clearer picture of the intergenerational wealth transfer opportunity. This process of review has begun by the Wyoming Community Foundation, but will need to be continued as these estimates are employed in awareness campaigns throughout the Cowboy State.



## ***Wealth in Wyoming***

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