The Future of Giving in Brooklyn:

a transfer of wealth study

Prepared for Brooklyn Community Foundation
by the RUPRI Center for Rural Entrepreneurship

September 2009

BROOKLYN COMMUNITY FOUNDATION
DO GOOD RIGHT HERE

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Great Recession of 2008-2009 has taken a heavy toll on all Americans. These are difficult times with too many unemployed people, foreclosed homes, depleted resources and harmful pessimism. But in crisis comes opportunity.

In a bold and imaginative move, the Independence Community Foundation, a private foundation with deep and historical roots in Brooklyn, chose to turn its extensive local knowledge and all of its invested assets into creating Brooklyn's first Community Foundation. The new Brooklyn Community Foundation is dedicated to improving the lives of people in Brooklyn by strengthening local giving, grantmaking and community service.

To help launch, Brooklyn Community Foundation commissioned the first-ever transfer of wealth study for the borough, conducted by the RUPRI Center in Lincoln, Nebraska. RUPRI analyzes historical trends and current data and develops likely scenarios of how many assets currently exist in local households. Using conservative estimates of economic growth, RUPRI estimates how many assets will exist over the next 20 years and, then, taking an industry-wide standard of 5%, how many of the transferable assets could conceivably be given at death to the nonprofit sector. This transfer of wealth is specific to the residents of Brooklyn and does not include corporate, non-profit or governmental assets.

What are the findings for Brooklyn?

- Projected 2010 net worth of all Brooklyn households is $153.6 billion.

- Over the next 20 years $61.3 billion will be available for transfer. These funds include investments, homes, insurance and some discounted percentage of family businesses. Transferable assets do not include art, jewelry, automobiles and other similar assets.

- If just five percent (5%) of those available assets were captured by local nonprofit organizations those organizations would realize $3.1 billion.

- Using a 5% annual rate of return, approximately $153 million would be generated each year for the next 20 years from that total.

Figure 1 - Findings of the Brooklyn Transfer of Wealth Study

Findings	Preliminary Estimates	Per Household Values
2010 Current Net Worth	$153.6 billion	$175,000
2010 to 2030 Transfer of Wealth	$61.3 billion	$70,000
5% Capture Target	$3.1 billion	$3,500
5% Payout Potential	$153 million/year	$175

EXECUTIVE SUMMARY

What is wealth?

In transfer of wealth studies, “wealth” is defined as the current net worth of households including individuals and families that are residents within a community. The primary components of household current net worth include residences, vacation homes, family businesses, investments, savings and life insurance. Jewelry, art, motor vehicles, boats, recreational vehicles and other assets that depreciate quickly or are difficult to value are not included. We also discount closely-held family businesses from current net worth as only part of these assets is typically available for giveback.

What determines future wealth?

The most important drivers of future wealth are:

- The current wealth of a place and its people.
- The population growth of a place.
- The education level of the people.
- The current average age of the households and the aging trends.
- The development of new businesses.
- The relative play between these factors.

Which of these factors does Brooklyn have?

Brooklyn has them all:

- Brooklyn has been gaining population since 1986.
- Brooklyn is “younger” than the US median and will probably stay younger than many other places for a long time.
- Almost 22% of its population are college graduates, compared to 14.5% nationwide.
- Brooklyn has a large and diverse economy with fewer government employees than the national median and a growing creative class producing jobs.
- Immigrants play a powerful and renewing role in communities and Brooklyn is a borough of immigrants, both from far and near.
- More of these groups are staying and aging in Brooklyn when compared to the past.

Has anyone else done this kind of study before in New York City?

We do not believe so although transfer of wealth studies have been done in Chicago, San Diego, Philadelphia, Cleveland, Detroit and other places around the nation.

EXECUTIVE SUMMARY

Why a TOW study now?

The Brooklyn Community Foundation believes that a dynamic and imaginative civic organization can increase a commitment to giving back at the community level. Brooklyn Community Foundation has high aspirations for itself and the people of Brooklyn and wanted to see how great the transfer of wealth opportunity is for Brooklyn.

In spite of these hard economic times these numbers reflect optimism about the future and Brooklyn's potential to solve some of its own problems if it works together. This report can help the Foundation plan and help people imagine what could be done with $3 billion over the next 20 years.

What are Scenarios?

The TOW figures presented in this study are not predictions, nor an economic forecast, nor explicit projections, such as a city's population ten years in the future. Instead, the figures portray a plausible scenario of the future. The figures tell a story about a likely tomorrow, based on a conservative set of assumptions reviewed by resident experts and adjusted to reflect their knowledge of local conditions.

Scenarios are a way to frame the future to make better decisions today. As Arie de Geus said in The Living Company, "Scenarios are stories. They are works of art, rather than scientific analyses. The reliability of actual numbers is less important than the types of conversations and decisions they spark."

We hope this study sparks conversations about the magnitude of the assets present in Brooklyn and the opportunity to invest a small portion of those assets towards a stronger community.

What was the methodology used here?

RUPRI develops these scenarios using key assumptions about the future, based on historic and current trends. It establishes current net worth projections, using conservative growth numbers, and benchmarks its analysis with the Federal Reserve data including the Survey of Consumer Finances. The Center customizes each study to the unique qualities of the area including rent data, income characteristics, age, concentrations of creative classes, market valuation of property, and population trends. It considers land use conditions, pockets of the ultra rich, effects of public lands, if any, new businesses, effects of new investment trends, etc. (For a full review of the methodology please see page 14.)

The Brooklyn research was enriched by the participation of a Technical Advisory Committee that included Gretchen Maneval, Director of the Center for the Study of Brooklyn at Brooklyn College; John Mollenkopf, Director, Center for Urban Research at City University of New York; Richard Moore of Meaders Duckworth and Moore; Rae Rosen, Assistant Vice President, Federal Reserve of New York; Joseph Salvo, Director, Population Division, New York City Department of City Planning, and Rosemary Scanlon, Consultant in Urban and Regional Economics, Associate Professor of Economics, NYU Schack Institute of Real Estate.

BACKGROUND ON WEALTH FACTORS

Wealth in America

Forget the numbers for a moment and think about our history over the past 100 years. Not that long ago, America departed prosperity and good times and entered into two of our greatest challenges -- the Great Depression and World War II. But what followed World War II was remarkable. The post World War II period ushered in the "baby boom generation," rapid economic progress and unrivaled prosperity right into the 1970s. The middle class in America boomed, incomes soared and wealth accumulated throughout the country.

Economic times began to fundamentally change in the 1970s and the broadly held progress among American households lessened, although a legacy of great wealth among some has been created.

Two Great Traditions

America, like other nations around the world, is rich in traditions. As we consider wealth in America, there are two great American traditions worth noting:

First, America's economic system has demonstrated its capacity to create new wealth for a broad segment of American households over time. Our traditions of personal property rights, intellectual property protection and entrepreneurship have all combined to create remarkable affluence. While this affluence is not universal and unacceptable levels of poverty exist in America, household wealth nevertheless represents a key asset for our communities.

Second, America has a deep and strong culture of giving. Public policy encourages charitable giving through powerful and long-standing incentives incorporated into our estate and tax laws. The vast majority of Americans share a strong value of giving, beginning with their family members, extending to their religious organizations and schools, and often including local charities.

The Impact of the 2008 - 2009 Recession

We are in one of America's most severe financial crises and economic recessions since the Great Depression. The combined effects of the melt-down in the housing market and the financial sector are now creating an economic downturn in most sectors of the economy.

Our TOW scenario (covering the period of 2010 through 2030) assume economic downturns and growth periods consistent with our most recent 50 years of history. But, given the size of this current situation, we have reworked our national model to account for the 2008-2009 recession and estimate a 5% drop in TOW over the short-term (2005 through 2015). We have not further adjusted our estimates for the long term. It is important to note that our TOW scenarios are already conservative and represent a floor, highlighting our belief that wealth creation in the next 20 years will be lower than was the case in the last 50 years.

BACKGROUND ON WEALTH FACTORS

Wealth Drivers

The following “wealth drivers” determine our TOW scenarios for different communities:

- CNW or current net worth is foundational to differences among various scenarios. Communities with larger current net worth values have a stronger starting point for future wealth creation.

- Growing communities typically experience greater wealth formation. After declining population in the 1970s and early 1980s, Brooklyn is now seeing both population and economic growth.

- Education is a key wealth driver. On average, a person with a college degree has an estate six times larger than a person with no high school degree. Compared to the U.S. median values, Brooklyn has a larger population with college degrees (21.8% vs. 14.5% in 2006) although it also a larger population without high school diplomas (31.2% vs. 21.0% in 2006).

- As we age, our personal estates on average grow until about age 75. 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. While Brooklyn is younger when compared to the U.S. (median age of 33.1 vs. 37.3 years in 2006) there is emerging evidence that younger adults are “rooting” in Brooklyn and therefore increase the potential for wealth formation in Brooklyn.

- Economic performance is critically important. Above average and strong economies create more and better employment, generate greater business performance and enable wealth to be created. Emerging evidence suggests that Brooklyn is now creating a more diversified and stronger economy than before with greater potential to generate personal income and wealth.

- Business ownership is a strong indicator of wealth status. Brooklyn has a large, dynamic and rapidly growing entrepreneurial sector with significant potential for wealth generation and transfer.

- Occupations are important. Individuals in professional occupations generate larger estates when compared to limited skilled workers. Brooklyn has a rich mix of both, creating counter trends with respect to wealth formation.

(The analysis presented in this report is in “inflation adjusted dollars.” In other words, these are real dollars for which inflation has been adjusted out. So a dollar in 2030 is worth the same as a dollar in 2005.)

WEALTH IN BROOKLYN

Big, Diverse & Complex

Gretchen Maneval, Director of the Center for the Study of Brooklyn (Brooklyn College and member of the Brooklyn TOW Technical Advisory Committee) made a comment that captures Brooklyn

"... it is big, complex and diverse."

While most major cities are big, complex and diverse, we believe Brooklyn is more complex and diverse than our other TOW study sites with the exception of Chicago which shares many characteristics with Brooklyn. Both cities have undergone profound change beginning with serious decline and more recent renewal. Consequently, we have drawn deeply from our Chicago work as we have discovered Brooklyn and developed our preliminary TOW scenarios.

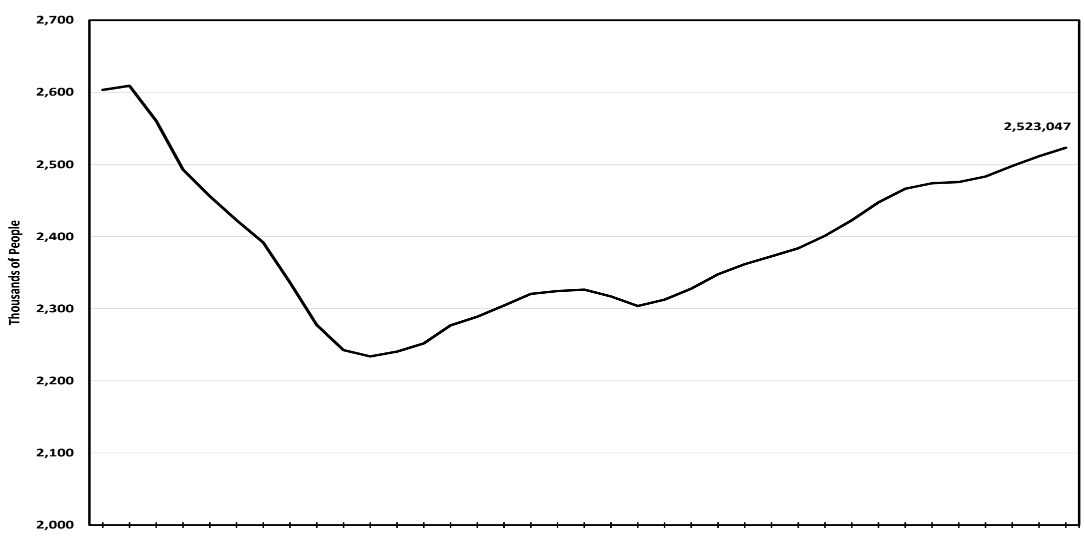
Each community has a "wealth footprint." By wealth footprint we refer to historical trend lines, current conditions and future trends that shape a community's current wealth holding patterns and determine the likely transfer of wealth opportunity over time. Following are the key considerations that contribute to Brooklyn's ***wealth footprint.***

Please note that these characteristics relate to current and future residents only. This analysis does not attempt to estimate the TOW potential associated with former residents. However, our TOW advisors believe that with the current resurgence of Brooklyn, many former residents, taking even more pride in their former home, might well participate in helping to maintain that momentum.

Population

Between 1970 and present, Brooklyn has gone from a community losing population to a growing city. Figure 2 illustrates the rather dramatic population decline between 1970 and 1980 and the upswing in population growth into this new decade. At over 2.5 million residents, Brooklyn would be America's fourth largest city. Population size and growth contribute to greater community wealth and wealth growth potential. These forces are present and at work in Brooklyn.

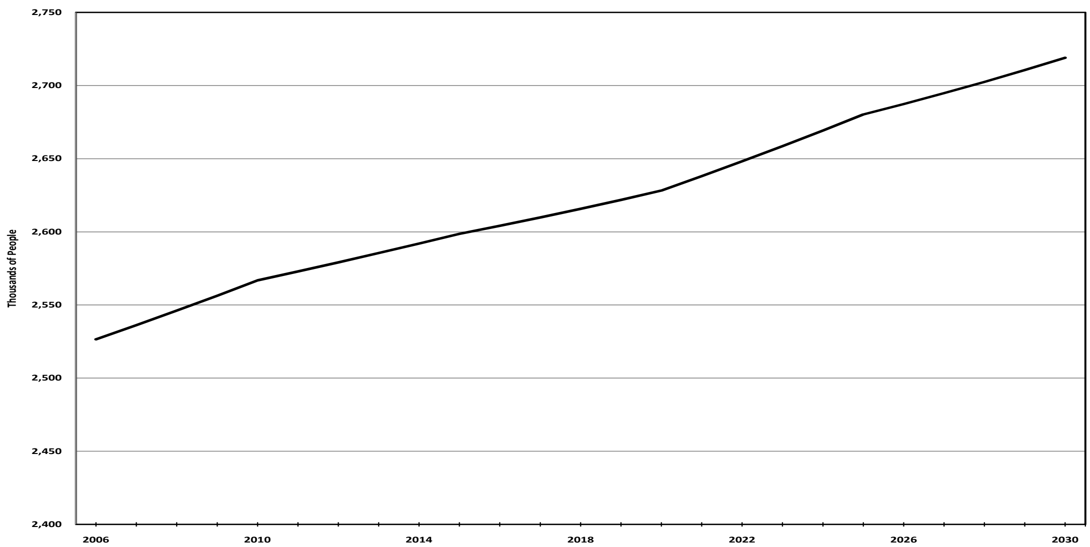
Figure 2 – Population Trends 1970 to 2006



Source: Headwaters Economics, Economic Profile System

Figure 3 provides the most likely population projections for Brooklyn through 2030 as estimated by the Population Division of the Department of City Planning. Strong population growth helps drive future wealth creation and expand the overall opportunity for community giveback.

Figure 3 - Brooklyn's Population Projection, 2006 to 2030



Source: The New York City, Department of Planning

Population Structure

Population size is a key determinate impacting TOW opportunity, but population structure is also very important. By population structure we are referring to the number of households by age group (e.g., 20 to 30 year olds, for example). A young and growing population will create longer-term wealth as it matures in the community. An older population will generate more TOW opportunity shorter-term as their estates transition from one generation to the next.

Brooklyn is aging like the rest of America, but we have assumed in our scenario that Brooklyn will tend to be somewhat more youthful when compared to the nation, largely due to the higher relative immigration of younger persons. The 2000 U.S. Census pegged Brooklyn's median age at 33.1 years compared to a U.S. median age of 37.3 years.

We have relied heavily here on the community knowledge of the TOW Technical Advisory Committee which believes that the traditional pattern of people coming to and then leaving Brooklyn ("the escalator effect") is weakening and that more residents will be rooting during the scenario period. We have incorporated this insight into our scenario assumptions.

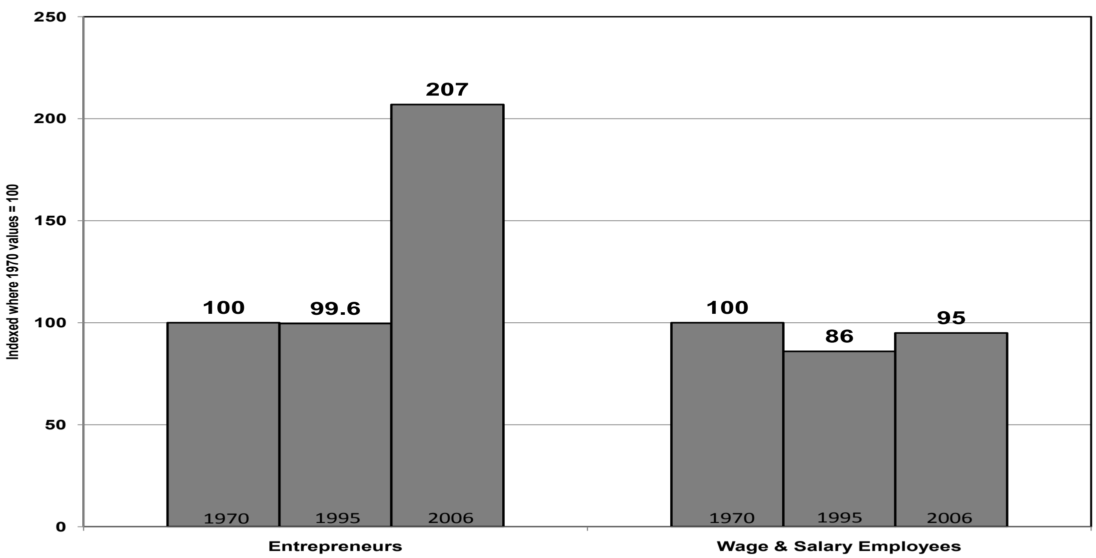
Our scenario assumes a somewhat lower TOW over the next 20 years, but an increased TOW opportunity longer term. The change in population growth between the 1970s and the two most recent decades supports that assumption.

Entrepreneurs

How people make a living is also important to both wealth formation and TOW opportunity. According to the Federal Reserve for 2007, a self-employed head of household has an estate nearly 5.6 times greater than a head of household working for someone else (see Appendix A Wealth in America on page 16 for details). Local business ownership is a primary pathway to asset formation and wealth creation within most communities. Corresponding to the population losses of the 1970s, both wage and salary employment and entrepreneurs lost ground in Brooklyn at that time.

Over the past decade (1995 - 2006) wage and salary employment, which measures the the average annual number of full-time and part-time jobs by place of work, grew by a modest 49,000 positions, but entrepreneurial growth was up over 105,000, growing from 98,226 in 1995 to 203,348 in 2006, according to the U.S. Bureau of Economic Analysis 2009. This rather dramatic growth in self-employment or entrepreneurship is projected to positively impact both economic growth and wealth formation in the coming decades.

Figure 4 - Comparative Changes in Entrepreneurs and Employees



Source: U.S. Bureau of Economic Analysis for Kings County, NY, 2009

Economic Growth

As the past 20 years illustrate, it is challenging to exactly predict where the Brooklyn economy is headed. But, based on our research and a review of key economic trend lines, we believe it is reasonable to assume that economic growth is increasing and will be relatively strong during the coming two decades. Key trends supporting our assumptions on economic growth include population growth, expanding entrepreneurship and changing occupations (from lower skill to a richer mix of higher skills) among wage and salary employees. Size and diversity of economies are important and contribute to greater resiliency and more consistent growth in this era of relatively volatile global economic change.

We assume in our scenario that population, economic and personal income growth will result in greater household wealth formation on average in Brooklyn during the next 20 years when compared to the past 20 years. While the transfer of wealth scenario assumes overall positive growth, there will remain significant pockets of poverty and working low income households as well, where wealth formation will be limited and challenging.

In addition to Brooklyn's population growth is the economic structure of Brooklyn's economy. Presently there is strong alignment within Brooklyn's economic sectors and the areas that the Federal Reserve forecasts as sectors of national economic growth. Figure 5 highlights those higher growth economic sectors and Brooklyn's relative employment dependency on them when compared to the U.S. This alignment will create more wealth in Brooklyn over time.

Figure 5 - Brooklyn's Economic Growth Sectors

Health Care 17 vs. 11%	Finance and Insurance 8 vs. 5%	Information 4vs. 3%
Services 6 vs. 5%	Professional & Technical 7 vs. 6%	Real Estate 3 vs. 2%

Source: U.S. Bureau of Economic Analysis, 2009 (2006 data).

Immigrants

If America is one of the most diverse nations in the world, Brooklyn must be one the most diverse cities in America. Immigrants play a powerful renewing and diversifying role in communities and new immigrants are a clear and dynamic force in Brooklyn.

Many immigrants initially require help with education, health care, housing and getting started economically, but, longer-term, immigrants often lay the foundation for a more dynamic, prosperous and wealthier community. Within Brooklyn there are many immigrant communities each with a unique set of characteristics. Short-term immigrants will lower Brooklyn's TOW opportunity when compared to older and more economically established communities. Longer-term immigrants (assuming they root and prosper) will contribute to a wealthier Brooklyn in both financial and cultural terms. Our scenario reflects the impact of immigrants on Brooklyn's TOW opportunity.

Gentrification

Location is important. The location of Brooklyn, and particularly certain neighborhoods in Brooklyn, with respect to Manhattan is a powerful change agent. Brooklyn is both a city with its own economic dynamics and a suburb of Manhattan. Both the research and the Technical Advisory Committee provided important insight on the role of gentrification in certain areas of Brooklyn. While gentrification has many implications, gentrification can change the overall wealth profile of a community. The introduction of new residents with significant wealth and earning power can create pockets of high net worth households with significant community giveback potential. Our scenario has been adjusted to reflect this trend line.

The Escalator Effects

Brooklyn has a tradition and history as a "pass through" community where people land and get started, and then leave as they become established and succeed economically. Members of the Brooklyn TOW Technical Advisory Committee refer to this as the Brooklyn "escalator effect." Many communities and/or neighborhoods in larger cities play this role and this trend has implications for rooted wealth creation.

There is little wealth accumulation for those starting out. Wealth formation comes later as households become established, grow their incomes and begin acquiring assets. The Technical Advisory Committee agreed that the escalator effect is still at work in Brooklyn and will continue to be an important trend line into the future, but they also agreed that there is growing field evidence of more permanent rooting among new residents. We have taken these Committee observations and assumed within our TOW scenario that the escalator effect continues to be the dominate trend over the next 20 years, but that there is a growing counter trend of more rooting, resulting in greater household wealth creation over the study period. The net effect of these two trend lines within our scenario implies somewhat stronger wealth creation and TOW opportunity in the future when com-pared to the past.

Creative Class

Significant new personal and community wealth is often created on the margins of our economy where creativity, innovation and commercialization merge. New technology in the broadest sense (from the arts to computer programs) is a driver of new wealth creation. New York, in general, and Brooklyn, specifically, claim strong creative talent. No one knows for sure how creativity and innovation will be commercialized thereby creating wealth, but the potential for significant new wealth creation tied to Brooklyn's growing creative communities is likely. Our scenario of Brooklyn's TOW has been adjusted to reflect this probability.

> ***"Richard Florida, the author of "The Rise of the Creative Class," ranked San Francisco No. 1 on his "creative index" and New York City No. 9. Although Mr. Florida did not break out data for Brooklyn, "anectodally it has large concentration of creative people who have moved from Manhattan and elsewhere, "he wrote in an e-mail message. "I am confident if such data existed, Brooklyn would do very well."***

Source: www.creativeclass.com, Sanfrooklyn Blog Entry

Recap of TOW Findings for Brooklyn

Accounting for the impacts of the Great Recession (2008-2010) and assuming gradual economic recovery in late 2009 and continuing into 2010, we estimate that the most likely household current net worth for Brooklyn is nearly $154 billion.

We estimate the TOW opportunity for Brooklyn will be $61 billion between 2010 and 2030 and if just 5% of Brooklyn's TOW opportunity is captured through community giveback over $3 billion could be realized by Brooklyn nonprofits.

Assuming a reasonable 5% annual payout, a collection of $3 billion in community endowments could provide over $150 million annual over time for community betterment work.

METHODOLOGY

We would like to recognize the contributions of Boston College and their landmark transfer of wealth study Millionaires and the Millennium (1999). This research stimulated expansive discussion within the United States and was a primary motivation and influence in our Transfer of Wealth work.

1. Our scenarios are projections of likely futures, but are not predictions of what the future actually will become. Scenarios are driven by key assumptions about the future, based on historical trends. In all cases, we work to create conservative scenarios, ensuring our projections represent realistic estimates of TOW opportunities.

2. We first establish a base year for analysis. For this study we have selected 2007 because it affords us considerable adjusted indicators necessary to establish the Current Net Worth (CNW). We consider 50 years of historical indicators (extending back to the post-World War II period) and project estimates 20 years into the future (to 2030).

Two types of assets are excluded from our CNW estimates. One is the value of personal assets like furniture, vehicles, art and collectibles and defined-benefit pensions, which according to the U.S. Federal Reserve provide lifetime income to 57% of Americans, but may have no transferable value in an estate. Both exclusions mean our CNW estimates are conservative.

3. We begin by benchmarking our analysis to the U.S. Federal Reserve's Flow of Funds Accounts of the United States (http://www.federalreserve.gov/releases/z1/). The Flow of Funds Report is the definitive national accounting of household Current Net Worth in the United States on a year-to-year basis. All of our subsequent analysis is benchmarked to this national value.

4. We next employ national findings from the U.S. Federal Reserve's Survey of Consumer Finances research. Since the 1980s, every three years the U.S. Federal Reserve has commissioned an extensive survey of household finances in the United States. The most current report covers 2007. This report provides detailed U.S. asset and liability holdings by key demographic characteristics (e.g., age of household, income of household, race, employment type, region, housing type, etc.) We match demographic characteristics with key indicators from the Survey of Consumer Finances Report to estimate likely CNW.

5. Once we have established final current net worth estimates for the base year, we employ key indicators to customize these estimates to the unique characteristics of each study area. Our primary customizing indicators include: (a) Dividend, interest and rent income; (b) Income characteristics; (c) Age characteristics; (d) Concentrations of creative class employment; (e) Concentrations of business ownership; and (f) Market valuation of real property by class. We also adjust our estimates to eliminate institutional populations (e.g., prisons, military, mental, colleges, etc.)

6. We then consider a number of additional customizing considerations to further refine our CNW estimates, including:

- Adjacency to high amenity areas, second home development and retirees.
- Pockets of the ultra-rich (locals or newcomers).
- Effects of public lands - federal, state and local.
- Pockets of high corporate stock ownership.
- Pockets of the creative economy.

- Specific new economic developments projects.
- Effects of the gaming industry, if any.
- Behavioral patterns of savings and investing.
- Effects of new immigrants and repatriation of earnings.
- Areas of future population boom, bust, or plateau.
- Public housing impacts.
- Institutionalized populations (e.g., prisons, care homes, etc.).

Many of these factors are also key considerations in building assumptions for our TOW projections. The Technical Advisory Committees help us identify other unique circumstances that would impact our estimates of either CNW or TOW.

7. For each landscape we build (a) a population model for the scenario period and (b) an economic forecasting model. We employ existing and available population forecasts and then, if not available, build out our population forecasts through the scenario period.

There is a strong and historic relationship between population, personal income change, and change in household current net worth. We employ these relationships along with our demographic and economic forecasts to project household CNW over time. Again, we generate relatively conservative projections benchmarked to the low-range CNW for the U.S. and the low TOW projection for the United States.

8. Not all assets are equal with respect to TOW opportunity. Many assets will not be available for give back either to heirs, charities or communities. We employ a discounting methodology to reduce the value of our CNW projections so we can generate a TOW estimate that more closely represents the likely TOW opportunity for each area. Here are some examples of where we might discount CNW:

- Assets that depreciate quickly such as automobiles or household goods.
- Assets where future value is hard to estimate like collections, art and jewelry.
- Future income associated with defined benefits with no cash value.
- Closely held assets including farms, ranches and family businesses.
- The assets of lower income households which are likely to be consumed during retirement leaving limited estates available for give back.

This discounting can reduce gross CNW by 50% to 75% depending upon the demographics of households in a particular place. Again, the discounting allows us to estimate TOW which is truly available for potential give back.

9. Our next step is to estimate the timing of TOW release. We employ projected deaths as our primary indicator of TOW release. Our demographic projections estimate the number of deaths throughout the analysis time frame and these percentages are used to estimate TOW release.

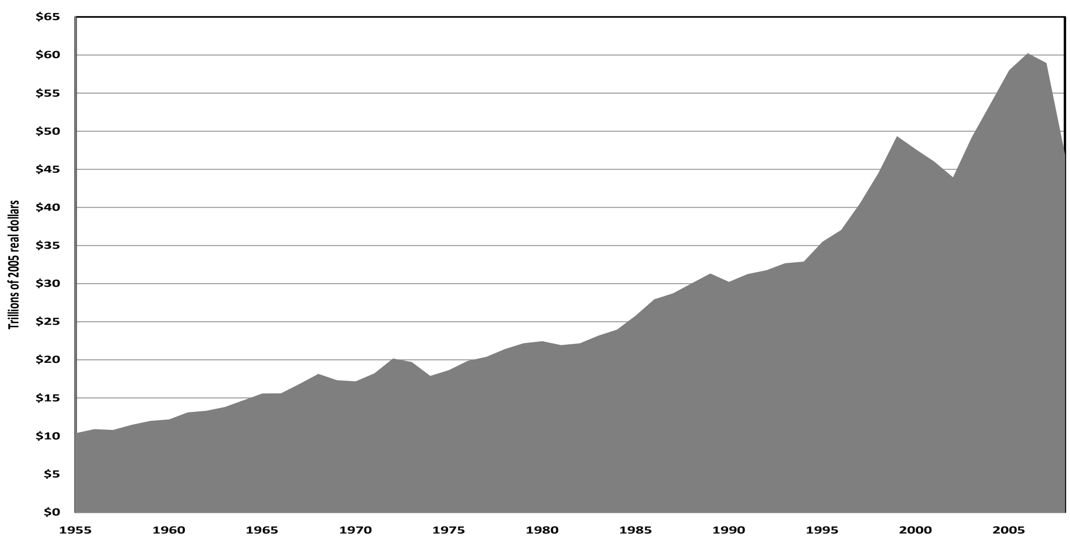
10. To ensure that we have captured all material considerations, we worked with the staff and advisors of the Brooklyn Community Foundation to review and finalize this analysis.

APPENDIX A: WEALTH IN AMERICA

RUPRI's "transfer of wealth" scenarios are greatly informed by research provided by the Federal Reserve of the United States. The following information summarizes some of the key insights derived from this research and its implications for the Brooklyn TOW scenario.

Since 1955 the Federal Reserve publishes every quarter estimates of household wealth. Figure 6 below summarizes the change in household current net worth beginning in 1955 and continuing through the most recent quarter of available data in 2009. This image clearly shows the constant growth in household wealth over this five decade plus long period. There are peaks and valleys coinciding with economic recessions and recoveries.

Figure 6 – U.S. Household Current Net Worth

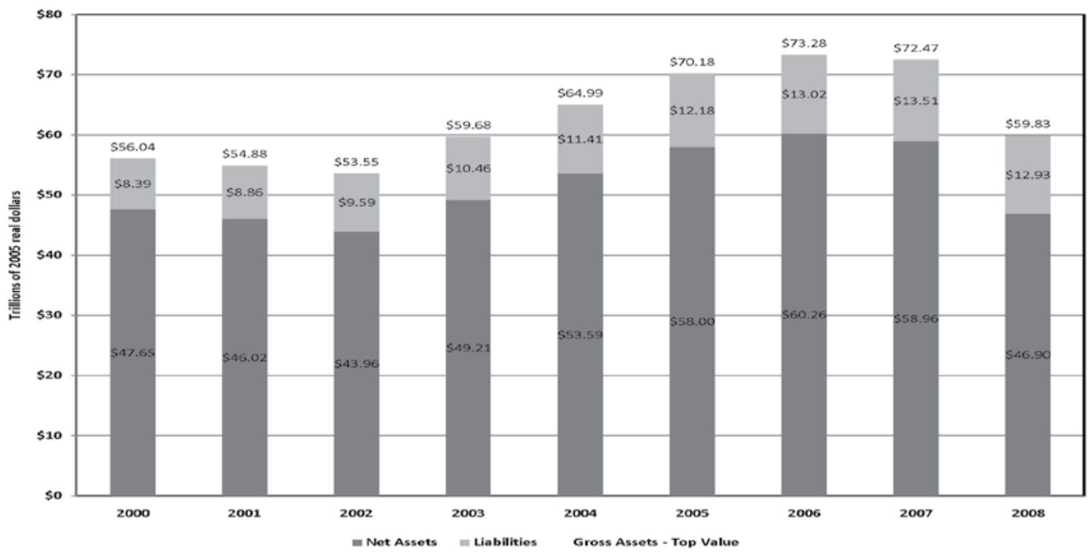


Source: Board of Government of the Federal Reserve System,
Flow of Funds - Z.1, not seasonally adjusted

APPENDIX A: WEALTH IN AMERICA

Figures 7 and 8 below provide additional insight on U.S. household wealth formation and accumulation rates. Figure 7 provides information beginning in 2000 continuing through 2008 on gross household assets, liabilities and net assets. During this period gross asset formation rates slowed and liabilities grew more rapidly thereby accounting for the overall stagnation and decline in current net worth among America's household.

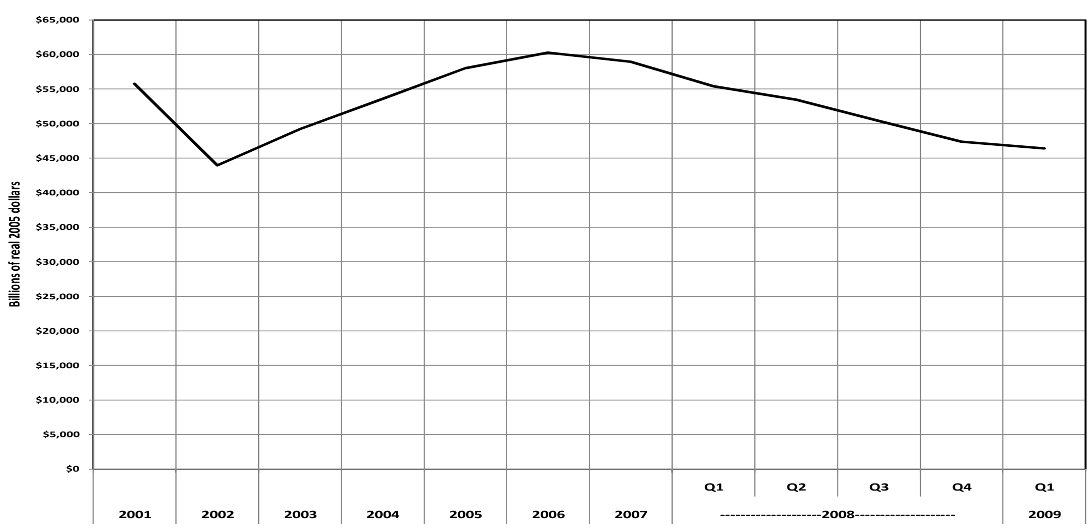
Figure 7 – U.S. Household Current Net Worth



Source: Board of Government of the Federal Reserve System,
Flow of Funds – Z.1, not seasonally adjusted

Figure 8 provides a clear representation of the peak in America's household net worth in 2006 as the growth in debt (consumer and mortgage) grew rapidly during this decade. As debt grew faster than incomes, average and overall net worth slowed, peaked and are now declining as the fallout of the Great Recession peaks.

Figure 8 – U.S. Household Current New Worth



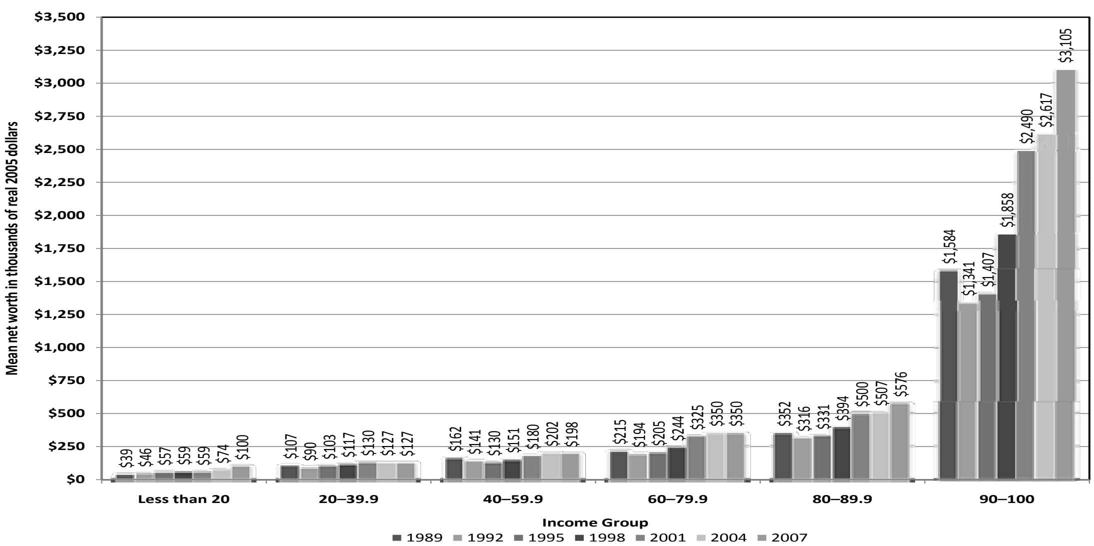
Source: Board of Government of the Federal Reserve System,
Flow of Funds – Z.1, not seasonally adjusted

APPENDIX A: WEALTH IN AMERICA

Every three years the Federal Reserve publishes its ***Survey of Consumer Finances***, the most comprehensive and detailed exploration of American household finances available. Unfortunately, the sample size for this Survey does not allow local, state or even significant regional detail. Nevertheless, the Survey provides a powerful window on household finances in America dating back to the first survey in 1989. The following figures show some of the findings and trend lines generated from the ***Survey of Consumer Finance***. This information is used to help us generate local and state TOW scenarios.

As one might expect there is a strong connection between household income and wealth accumulation. Figure 9 shows information on the relationship between household income and current net worth (CNW). In 2007 (latest year for the Survey) Americans in the top 10% of income earnings averaged $3.1 million in CNW compared to $100,000 for households in the bottom 20% of earnings. These averages are just that - averages. There are ample stories of modest income families that saved, invested well and were able to give a sizeable estate back to their church, school or community. At the same time, there are those Americans who make fantastic incomes, but are challenged to make ends meet due to fantastic and expensive lifestyles.

Figure 9 – U.S. Average Net Worth by Income Group

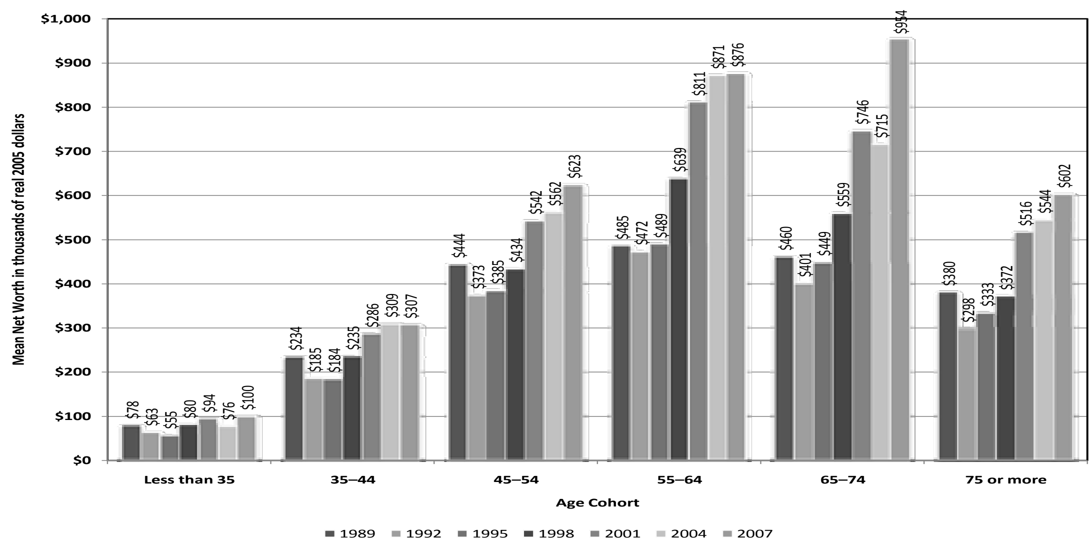


Source: U.S. Federal Reserve, 2007

Age of household is also a strong predictor of wealth accumulation. On average, as we grow older we accumulate assets in the form of homes, retirement funds, investments, businesses and the like. Figure 10 displays the relationship between age of household and CNW. In general little wealth accumulation occurs in our early years as we work to pay for school, start a family and establish a career. By the time most households reach their 40s wealth accumulation takes root and grows through their 50s and even 60s.

An interesting change occurred between the 2004 and 2007 surveys. For the first time in the history of the survey peak wealth holding is now achieved in the 65 to 74 year old group versus the 55 to 64 age cohort. As we age further, wealth holdings diminish as incomes drop, savings are spent down or given away.

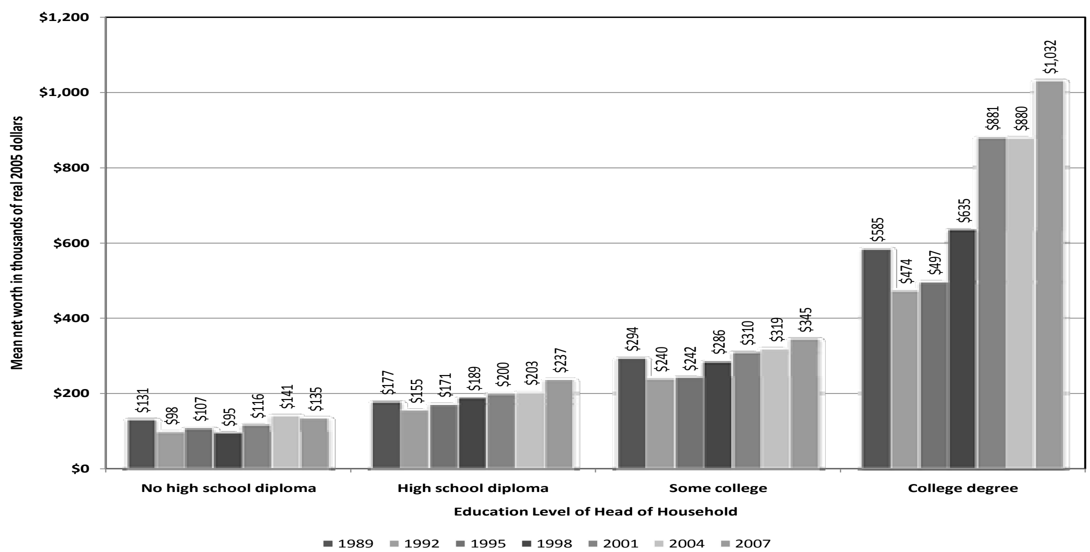
Figure 10 – U.S. Average Net Worth by Age of Head of Household



Source: U.S. Federal Reserve, 2007

There is broad agreement that education is key to the ability of households to get ahead financially. Figure 11 below illustrates the relationship between education and CNW. The difference is profound. In America in 2007, a head of household with a college degree has over $1 million in CNW compared to a head of household without a high school diploma with $135,000 in CNW. Over time, the gap between "educated" and "less educated" persons has grown. Other research suggests an even greater gap when advanced or specialized education is compared. There are exceptions and Figure 12 later in this report shows the important role of business ownership as a pathway to wealth formation and accumulation. Many entrepreneurs are exceptionally bright, but may not have advanced formal education.

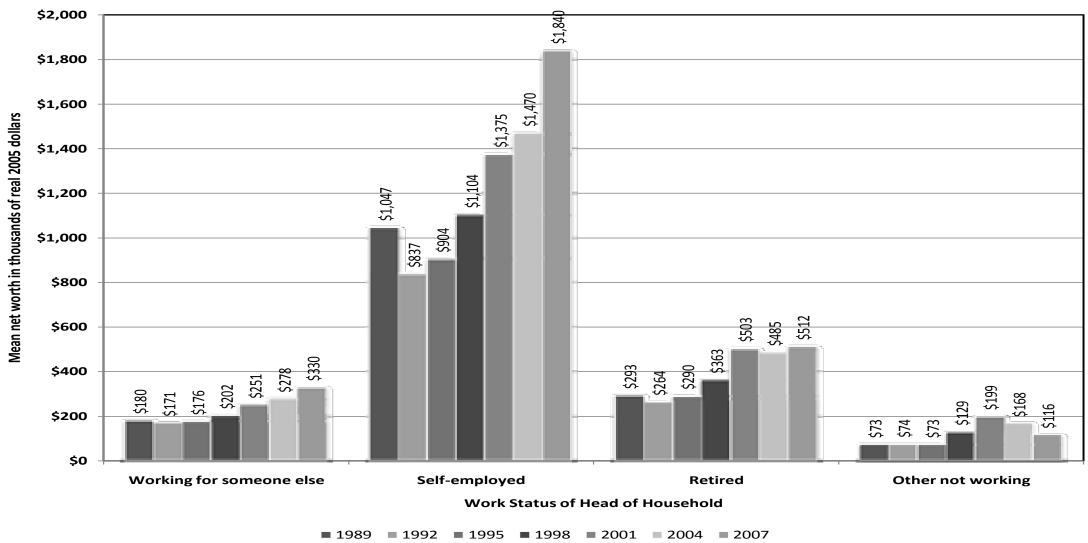
Figure 11 – U.S. Average Net Worth by Education Level of Head of Household



Source: U.S. Federal Reserve, 2007

Entrepreneurship or business ownership is part of America's tradition. From our earliest history, a good pathway to economic success and security was through self-employment or business ownership. For many immigrants unable to obtain good jobs, business ownership is the primary route to economic success and wealth formation. Business ownership is full of challenges and risks as most new businesses fail. Despite this reality, on average, self-employed heads of households have 5.6 times more CNW when compared to those who work for someone else. Figure 12 provides both comparative and trend line information for wealth status by work status.

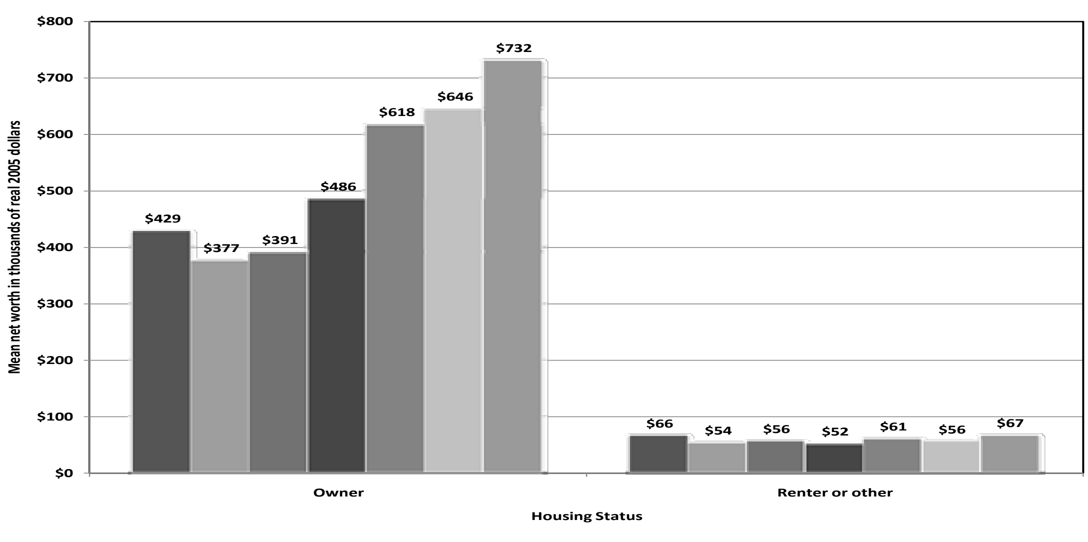
Figure 12 - U.S. Average Net Worth by Work Status of head of Household



Source: U.S. Federal Reserve, 2007

Another American tradition is home ownership. Federal and state policies strongly encourage home ownership. For many American households, home ownership is the first step in asset accumulation and wealth formation. Figure 13 provides a striking contrast between wealth holding by housing status. On average, a home owner has nearly 11 times more CNW when compared to renters.

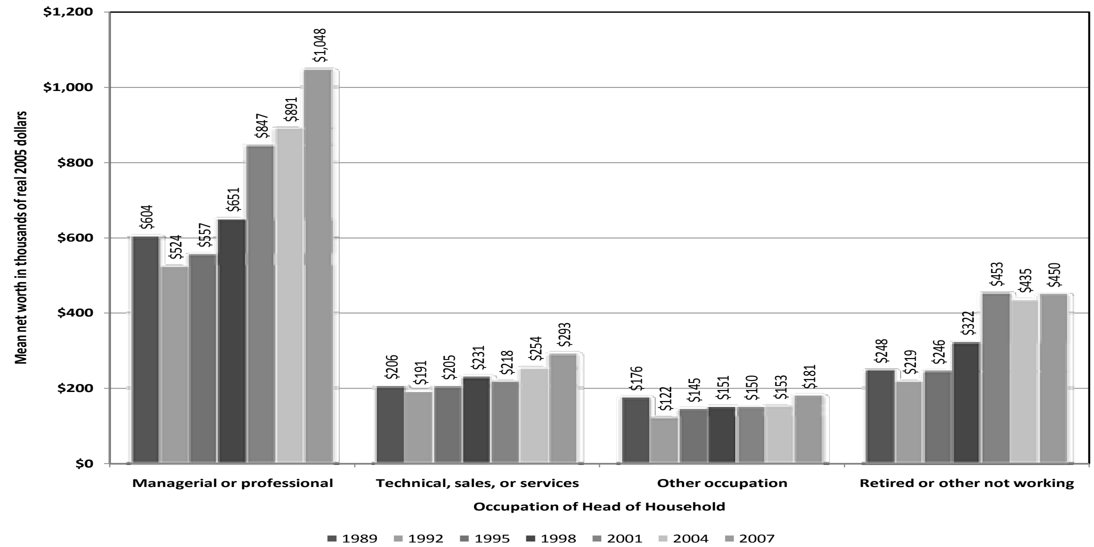
Figure 13 - U.S. Average Net Worth by Housing Status



Source: U.S. Federal Reserve, 2007

Finally, occupation matters a great deal. Heads of households who are in "managerial or professional" occupations have significantly higher wealth when compared to other occupations. Figure 14 provides a sampling of this research.

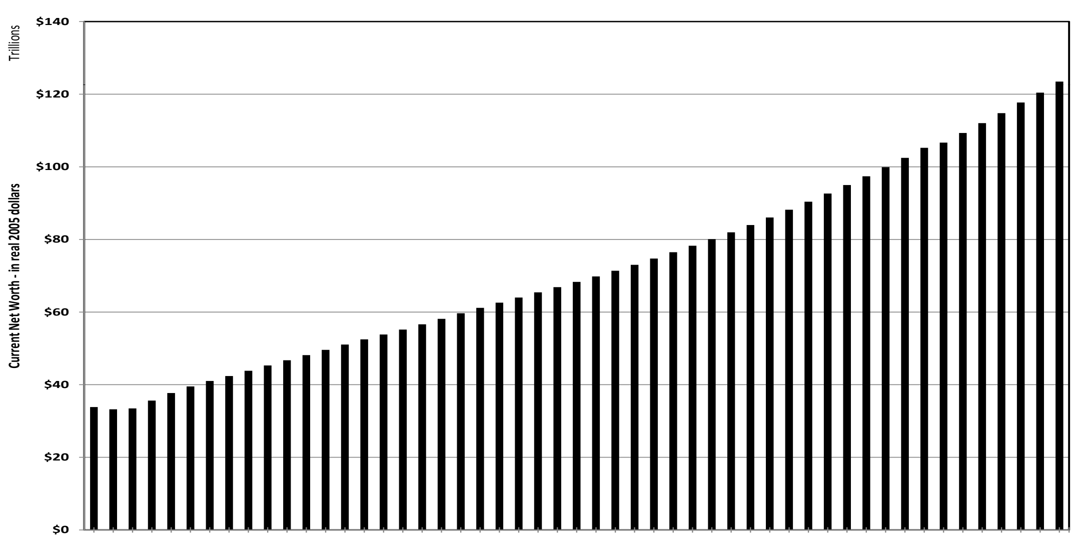
Figure 14 - U.S. Average Net Worth by Occupation of Head of Household



Source: U.S. Federal Reserve, 2007

Figure 15 provides our latest scenario of household current net worth growth 2057. The trend line is relatively steep and reflects our belief that there will be continued wealth formation over this time frame, but the growth rate is lower when compared to historical trend lines. America is aging, our economy is slowing down and the ability of many families to accumulate assets and create wealth is more challenged. Nevertheless, America is a remarkable society. Following each economic downturn, the American economy is more competitive, productive and innovative. This attribute would suggest reasonable hope that our future can and will be bright.

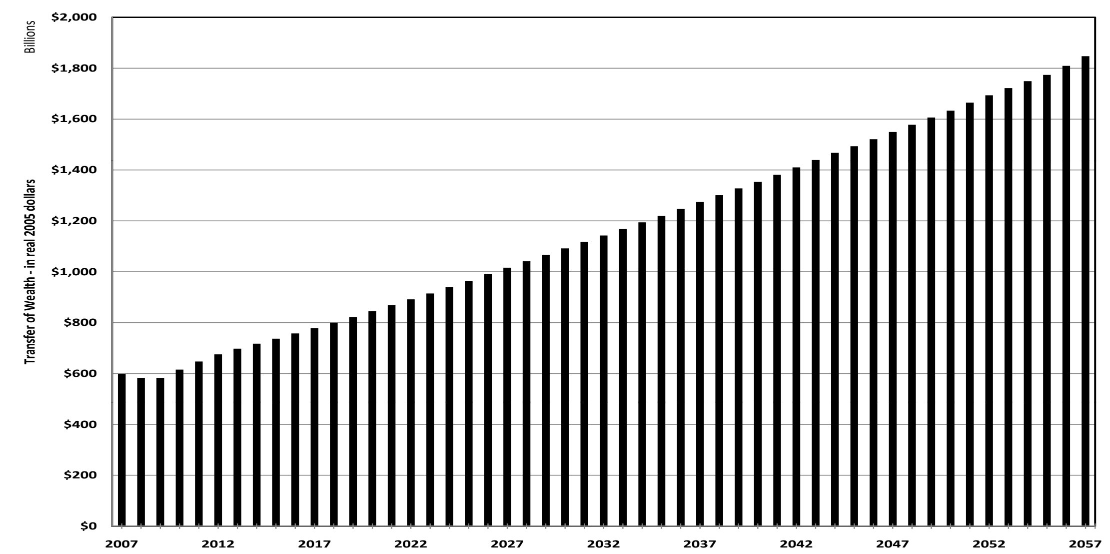
Figure 15 - America's Current Net Worth



APPENDIX A: WEALTH IN AMERICA

Figure 16 provides our most current scenario of America's TOW opportunity. It largely mirrors Figure 6 and the trend line with CNW. But the TOW trend line is slightly steeper reflecting an aging population where the transfer rate is accelerating. We are estimating that over this period America's TOW opportunity is $59 trillion (real dollars)! In other words, America's household wealth is turning over at a higher rate and this represents a huge opportunity for community giveback. As household estates transition these moments in time offer the greatest chance for community giveback.

Figure 16 - America's Transfer of Wealth



The "Performance Comparisons" on the next page provide a handy reference that compares key economic and social performance indicators for Brooklyn (using King County, NY) and the median (midpoint) county values for the United States. This information can help the users of this research to gain quick insight on how Brooklyn compares to the United States. Care should be taken in that any indicator presents only a slice of reality and further research and comparison may be needed before major conclusions can be reached.

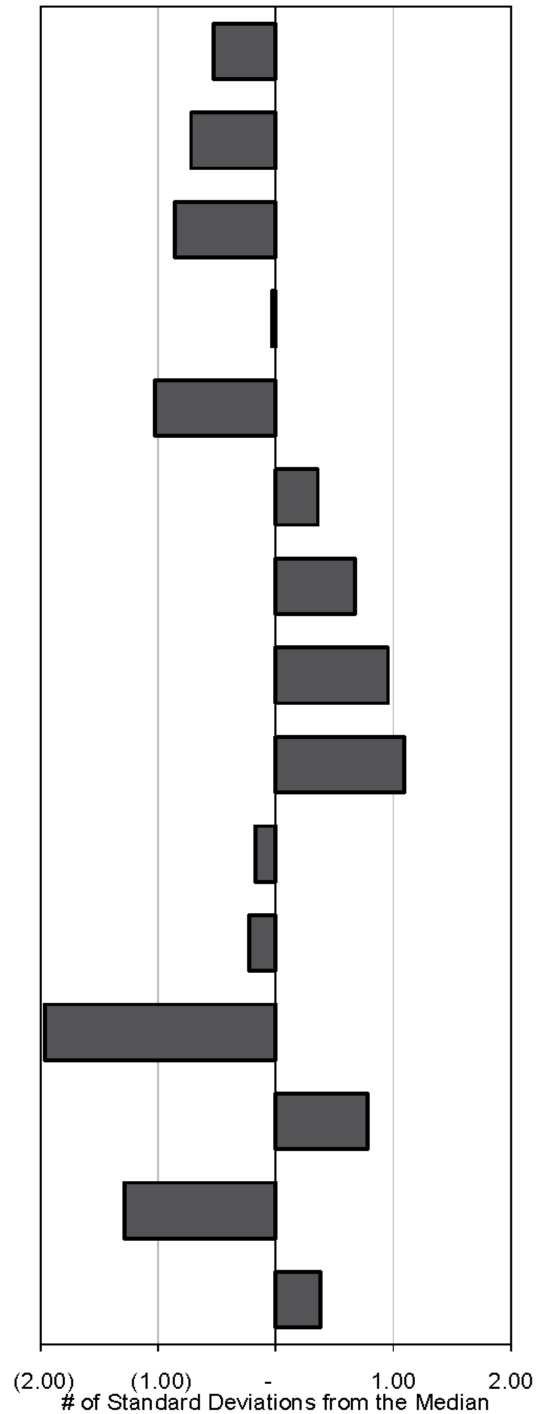
Kings County, New York

Performance Comparisons

Benchmark = Median of all Counties in U.S.***

Compared to benchmark area, the county has:
Less Than | More Than

	Kings County, New York	US Median
Population Growth (Annualized rate, 1970-2006)	-0.1%	0.6%
Employment Growth (Annualized rate, 1970-2006)	0.3%	1.4%
Personal Income Growth (Adjusted for Inflation, Annualized rate, 1970-2006)	0.9%	2.2%
Non-labor Income Share of Total in 2006	37.1%	37.4%
Median Age*	33.1	37.3
Per Capita Income (2006)	$ 30,023	$ 27,413
Average Earnings Per Job (2006)	$ 37,003	$ 30,604
Education Rate* (% of population 25 and over who have a college degree)	21.8%	14.5%
Education Rate* (% of population 25 and over who have less than a high school diploma)	31.2%	21.0%
Employment Specialization*	108	155
Rich-Poor Ratio* (for each household that made over $100K, how many households made less than $30K)	5.0	8.7
Housing Affordability in 2000 (100 or above means that the median family can afford the median house)*	57	186
Change in Housing Affordability* (% Change in index from 1990 to 2000) Positive means the area is getting more affordable.	24.9%	10.3%
Government share of Total employment	6%	15%
Unemployment Rate in 2007**	5.5%	4.7%



All data are from REIS except * are from 2000 US Census and ** is from Bureau of Labor Statistics.

***Median is the middle value of a list of numbers. This is different from mean (average), which is the sum of all the numbers in a list divided by the number of numbers in the list.

Source: Headwaters Economics, Economic Profile System

<u>Brooklyn's Future of Giving: Transfer of Wealth Study</u> was prepared by the RURPI Center for Rural Entrepreneurship (www.energizingentrepreneurs.org). The RUPRI Center grew out of two experiences: Community development in rural areas where the population was aging and young people were leaving and a landmark study done in 1999 by Boston College on wealth transfer. RURPI has now prepared "transfer of wealth" (TOW) analysis for communities throughout the United States ranging from rural South Dakota and Western Kentucky to cities like Chicago and San Diego. America's transfer of wealth opportunity represents one of the greatest opportunities for community giveback and funding of critical commu-nity needs.

The authors of this study include Don Macke (Project Leader), Ahmet Binerer (Researcher) and Dr. Deborah Markley (Report Editor). Contributors to this TOW research include Dr. Eric Thompson (Economist & Demographer), Dr. Dick Gardner (Analysis Contributor) and Tim Murphy (Geographer).

This analysis and report could not have been completed without the help and counsel of numerous organizations and individuals. Recognition is extended to the following:

First, we would like to thank the Brooklyn Community Foundation for sponsoring this research.

Second, we would like to recognize the leadership and active support of Marilyn Gelber, President of Brooklyn Community Foundation and Gretchen Dykstra, consultant to the Brooklyn Community Foundation.

Finally, we owe special thanks to the members of the Project Technical Advisory Committee who have helped us gain a deeper understanding of this region and produce more meaningful research. Members of this Committee include: Gretchen Maneval, Director of the Center for the Study of Brooklyn at Brooklyn College; John Mollenkopf, Director, Center for Urban Research at City University of New York; Richard Moore of Meaders Duckworth and Moore; Rae Rosen, Assistant Vice President, Federal Reserve of New York; Joseph Salvo, Director, Population Division, New York City Department of City Planning, and Rosemary Scanlon, Consultant in Urban and Regional Economics, Associate Professor of Economics, NYU Schack Institute of Real Estate.

FOR MORE INFORMATION...

Brooklyn Community Foundation

718-722-2300

45 Main Street Suite #409, Brooklyn, New York 11201

http://www.BrooklynCommunityFoundation.org