TRANSFER OF WEALTH IN EAST TEXAS & MILLER COUNTY, ARKANSAS TECHNICAL REPORT

for the
East Texas Communities Foundation & Arkansas Community Foundation

by the
Center for Rural Entrepreneurship
Rural Policy Research Institute

July 2012

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We encourage the readers of this report to review the following notes prior to engaging in the body of the report.

For More Information:

East Texas Communities Foundation and Arkansas Community Foundation are interested in securing the future of our communities through the development of robust, dependable philanthropic resources that can be locally controlled.

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Important Notes in Using this Research

Electronic Library

Extensive research and analysis has been gathered and prepared in support of East Texas and Miller County, Arkansas TOW Study. There is considerable information on each county and the wealth focus areas. This information has been electronically gathered and organized into a Project Electronic Library that can be accessed at the following web link:

http://www.energizingentrepreneurs.org/site/index.php?option=com_content&view=article&id=120&Itemid=3

Methodology

We have a detailed methodology paper that explains how RUPRI prepares transfer of wealth scenarios. We have not included this methodology paper in this report to save space and paper. But this paper is available through the Electronic Library. We welcome your review and invite questions. Our methodology paper can be accessed at:

http://www.energizingentrepreneurs.net/site/images/research/towrochester/AC%20Methodology.pdf

Scenarios

There are two kinds of projections. The first type is predictions where a confidence of accuracy is provided. Prediction forecasts are typically short-term. The second type is scenarios. Scenarios are forecasts based on carefully researched assumptions and provide a visualization of a likely future. Scenarios are used to model longer time frames. Our CNW and TOW estimates are scenarios. We have worked hard to build conservative and reasonable assumptions. But it is important with a 50 year projection period, material changes in major assumptions can alter the end results of the TOW analysis.

Real Dollars

All the calculations in this Study are made in real or inflation-adjusted dollars benchmarked to the real value of the dollar in 2010. Using real dollars reduces the distortion of inflation so a dollar of TOW in 2010 has the same purchasing power as a dollar in 2060.

Acknowledgements

The East Texas Transfer of Wealth study was sponsored by East Texas Communities Foundation. This analysis could not have been completed without the assistance and council of numerous organizations and individuals.

We would like to recognize the leadership and active support of Kyle Penney, President, East Texas Communities Foundation and Kim Evans, VP Development & Client Services, Arkansas Community Foundation. Their interest in bringing this research to East Texas and Miller County, Arkansas and their commitment to encouraging homegrown philanthropy as a potential source of funding for economic renewal is a source of inspiration to many.

We owe special thanks to the members of the Technical Advisory Committee (TAC) who have helped us gain a deeper understanding of East Texas and Miller County, Arkansas and to produce more meaningful research. Members of this Committee include:

1- Kimberly Bozeman, Grants & Research Analyst, East Texas Council of Governments
2- David Cleveland, Executive Director, East Texas Council of Governments
3- Bryan Daniel, Chief Administrator, Trade & Business Development, Texas Department of Agriculture
4- Walter Diggles, Executive Director, Deep East Texas Council of Governments
5- Bob Dyer, Vice Chairman, Texas Bank & Trust
6- John Evans, Architect, ETCF Donor
7- Miguel Flores, Researcher, Office of the State Demographer
8- Barbara Holly, MPO & Transit Executive Director, City of Tyler
9- Roxanna Newton, Trade & Business Development Specialist, Texas Department of Agriculture
10- Gordon Northcutt, Vice President Trust Development, Citizens National Bank
11- Vivik Pandey, Associate Professor of Finance, University of Texas, Tyler
12- Steve Pinkston, Owner, Pinkston Energy
13- Vander Phelps, Director of Quality Assurance, Deep East Texas Council of Governments
14- Dr. Llyod Potter, Texas State Demographer, Office of the State Demographer
15- Todd Staples, Commissioner, Texas Department of Agriculture
16- Gary Traylor, President/CEO, Gary R. Traylor & Associates
17- Dr. Lila Valencia, Researcher and Legislation Liaison, Office of the State Demographer
18- Michael West, Finance Programs Coordinator, Texas Department of Agriculture
19- L. D. Williamson, Executive Director, Ark-Tex Council of Governments
20- Vicki Williamson, Economic Development Specialist, Ark-Tex Council of Governments

Why this Research?

Communities across America are caught in a squeeze play. On the one hand, they are facing important challenges and opportunities to invest in their communities including community economic development. On the other hand, communities are experiencing reduced grant assistance ranging from federal and state governments to foundation sources to reduced capacity to provide needed community betterment funding from local businesses and governments.

Communities are committed to their future so within this squeeze play they are searching for new sources of funding that is more robust, dependable and that can be locally controlled. This search is energizing community development philanthropy. TOW analysis helps communities better understand their unique potential and where wealth and donors might be rooted.

Donors get to decide where they transfer their life's work. Many, if not most, donors love their hometowns and with the right opportunity may be moved to giveback or giveback more. The starting point for growing community endowments that can support community betterment begins with understanding the genuine opportunity. Then comes the hard and rewarding work of putting the pieces together and energizing community philanthropy.

A fair question is to ask: Why invest in TOW research? The following provides an answer based on how communities, regions and states all across America are using their TOW research to advance community philanthropy:

Opportunity Awareness. The primary way this analysis is being used is to raise leader and community awareness of the TOW opportunity. Understanding the magnitude and potential for legacy giveback creates motivation to move to action. Focusing on the 5% giveback goal creates a real goal that board members and community leaders can understand and consequently focus energy towards giveback strategies.

Wealth in Poor Places. Many communities see themselves as poorer and perceive that there are few opportunities for giveback. Understanding the TOW opportunity generally demonstrates that even in the poorest communities there is opportunity for philanthropy and legacy giveback. This can move attitudes from the glass is half empty to the glass is half full.

Threat – Call to Action. Whether in a rural community, where depopulation is undermining community vitality, or a larger city where retirees with wealth are migrating to warmer climates, this research can be used to create a sense of threat and a call to action. Oftentimes financial advisors can be asked to share stories that verify and illustrate the need to act on this opportunity now.

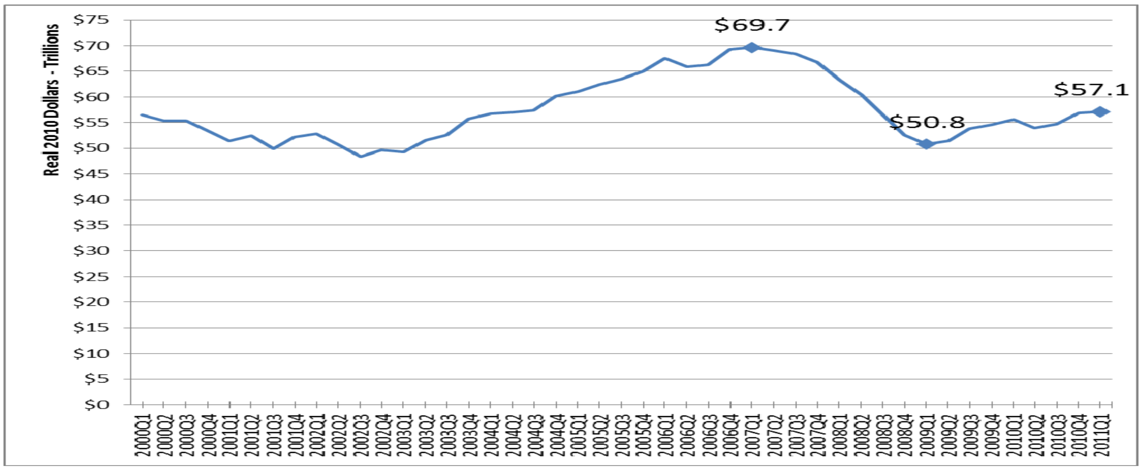
Donor Targeting. Finally and more recently, this research is now being used to identify specific legacy giveback pockets and refined donor targeting and development. Oftentimes this research is being used to reach new donor communities and create associated field of interest funds that will motivate new donors to gift to the community foundation.

Wealth in America

America is experiencing its most challenging economic downturn since the Great Depression. Challenges with government debt are rocking our national confidence. The Great Recession hit many American households hard and overall household related current net-worth declined from nearly $70 trillion prior to the crash to just over $51 trillion at the depth of the recession. Recovery has been slow but steady, and household wealth has grown by $6.3 trillion or 12.4%.

Recent Trends in U.S. Household Current Net-Worth

Source: Board of Governors of the Federal Reserve System & Center for Rural Entrepreneurship, 2011



Bottom line, America remains a nation with tremendous personal wealth. The potential for charitable giveback remains strong and is improving with each quarter. In 1999 Boston College, in their landmark report Millionaires in the Millennium, captivated the Nation with its estimates of $41 to $136 trillion in household wealth transfer (1998-2052). A decade has passed since this work was released and a lot has changed. Earlier this year the RUPRI Center for Rural Entrepreneurship created a new set of transfer of wealth (TOW) opportunity scenarios based on the most recent demographic forecasts by the U.S. Census Bureau. These forecasts are rooted in likely population growth based on a range of assumptions about international migration.

Our new scenarios for TOW opportunity for the United States for the period of 2010 through 2060 range from a high of $91 trillion to a low of $43 trillion. Our most likely scenario estimates the TOW opportunity at $75 trillion. Assuming we set a giveback goal of just 5%, over the next five decades nearly $3.8 trillion in new community endowments could be built. These endowments could generate, once fully capitalized, nearly $200 billion annually in new grant making! In this new age of challenged government spending, this investment could prove critically important to the future of America's communities.

RUPRI Center for Rural Entrepreneurship

Executive Summary

Transfer of Wealth (TOW) is the process whereby one generation transfers their assets to the next generation. This typically occurs at the time of death and represents the moment when legacy community giveback is the greatest. TOW most likely represents the single largest under-developed financial resource available to communities to support their development.

The Center's TOW team analyzed historical trends and current data to develop likely scenarios of how many assets currently exist in households across East Texas and Miller County, Arkansas. Using conservative estimates of economic growth, the team estimated the value of assets over the next 10 and 50 years - **the TOW opportunity**. Taking an industry-wide standard of 5%, the Center estimated how many of the transferable assets could conceivably be given at death to support investments in the community **– the TOW capture target**. This TOW analysis is specific to the residents of East Texas and Miller County, Arkansas and does not include corporate, non-profit or governmental assets.

Based on this analysis, East Texas counties and Miller County Arkansas are likely to face a significant TOW opportunity beginning as early as 2020.

- Current Net Worth in 2010 of all East Texas households is estimated to be $72.3 billion. For the same year, Current Net Worth for Miller County, Arkansas is estimated to be $2.1 billion
- Over the next 10 years (2011-2020), an estimated $20.8 billion will be available to transfer between generations in East Texas households – the TOW opportunity. During the same period an estimated $612.6 million will be available to transfer between generations in Miller County, Arkansas.
- If just 5% of the 10-year TOW opportunity were to be captured by local non-profit organizations, such as community foundations, for the betterment of East Texas communities, those organizations would realize almost $1.0 billion. This same 5% capture over 10 years is an estimated $30.7 million for Miller County, Arkansas.
- Using a conservative 5% annual rate of return on the endowments this TOW capture might build, approximately $52 million in sustainable annual charitable resources would be generated over the next 10 years to support community economic development and other charitable investments – the TOW capture target. Over the same time frame, approximately $1.5 million would be generated in Miller County, Arkansas.

Tables 1 and 2 summarize the total and per household current net worth, 10-year and 50-year TOW scenarios generated for each of the counties in East Texas and for Miller County, Arkansas.

Findings for the Region

Table 1 . 2010 Current Net Worth and 10-Year Transfer of Wealth Values

	2010 Current Net Worth		10-Year TOW		5% Capture		5% Payout	
County	*(millions)*	PHH*	*(millions)*	PHH	*(millions)*	PHH	*(millions)*	PHH
Anderson, TX	$1,958.15	$119,300	$583.38	$35,600	$29.17	$1,800	$1.46	$90
Angelina, TX	$3,831.21	$126,000	$984.94	$32,400	$49.25	$1,600	$2.46	$80
Bowie, TX	$4,914.56	$141,500	$1,326.26	$38,200	$66.31	$1,900	$3.32	$100
Camp, TX	$589.31	$121,800	$167.85	$34,700	$8.39	$1,700	$0.42	$90
Cass, TX	$1,397.57	$114,600	$395.86	$32,500	$19.79	$1,600	$0.99	$80
Cherokee, TX	$1,879.87	$107,800	$552.21	$31,700	$27.61	$1,600	$1.38	$80
Delta, TX	$268.38	$124,300	$76.27	$35,300	$3.81	$1,800	$0.19	$90
Franklin, TX	$707.79	$163,400	$221.84	$51,200	$11.09	$2,600	$0.55	$130
Freestone, TX	$1,066.15	$146,000	$312.23	$42,800	$15.61	$2,100	$0.78	$110
Gregg, TX	$6,677.25	$145,900	$1,730.80	$37,800	$86.54	$1,900	$4.33	$90
Harrison, TX	$3,184.11	$131,900	$869.78	$36,000	$43.49	$1,800	$2.17	$90
Henderson, TX	$5,032.06	$161,800	$1,507.33	$48,500	$75.37	$2,400	$3.77	$120
Hopkins, TX	$1,642.34	$124,300	$422.67	$32,000	$21.13	$1,600	$1.06	$80
Houston, TX	$1,085.38	$130,400	$313.08	$37,600	$15.65	$1,900	$0.78	$90
Lamar, TX	$2,279.30	$115,800	$651.62	$33,100	$32.58	$1,700	$1.63	$80
Leon, TX	$1,128.36	$163,200	$377.52	$54,600	$18.88	$2,700	$0.94	$140
Marion, TX	$575.58	$128,100	$211.85	$47,100	$10.59	$2,400	$0.53	$120
Morris, TX	$685.25	$130,200	$221.51	$42,100	$11.08	$2,100	$0.55	$110
Nacogdoches, TX	$2,788.76	$118,400	$755.30	$32,100	$37.77	$1,600	$1.89	$80
Panola, TX	$1,222.79	$135,000	$408.61	$45,100	$20.43	$2,300	$1.02	$110
Rains, TX	$634.84	$139,900	$170.43	$37,600	$8.52	$1,900	$0.43	$90
Red River, TX	$633.52	$116,300	$195.09	$35,800	$9.75	$1,800	$0.49	$90
Rusk, TX	$2,508.09	$138,200	$857.05	$47,200	$42.85	$2,400	$2.14	$120
Sabine, TX	$635.94	$141,00	$221.47	$49,100	$11.07	$2,500	$0.55	$120
San Augustine, TX	$432.85	$124,100	$141.80	$40,700	$7.09	$2,000	$0.35	$100
Shelby, TX	$1,150.01	$113,900	$399.28	$39,600	$19.96	$2,000	$1.00	$100
Smith, TX	$13,442.19	$177,600	$3,594.09	$47,500	$179.70	$2,400	$8.99	$120
Titus, TX	$1,333.20	$131,000	$403.43	$39,600	$20.17	$2,000	$1.01	$100
Trinity, TX	$747.00	$126,500	$283.60	$48,000	$14.18	$2,400	$0.71	$120
Upshur, TX	$1,878.51	$129,100	$548.13	$37,700	$27.41	$1,900	$1.37	$90
Van Zandt, TX	$3,025.06	$150,000	$830.33	$41,200	$41.52	$2,100	$2.08	$100
Wood, TX	$3,003.90	$171,600	$1,015.80	$58,000	$50.79	$2,900	$2.54	$150
East Texas	**$72,339.27**	**$141,400**	**$20,751.44**	**$40,600**	**$1,037.57**	**$2,000**	**$51.88**	**$100**
Miller, AR	$2,133.21	$123,400	$613.58	$35,500	$30.68	$1,800	$1.53	$90
Study Area	**$74,472.48**	**$140,800**	**$21,365.02**	**$40,400**	**$1,068.25**	**$2,000**	**$53.41**	**$100**

PHH stands for per household

Table 2 . 2010 Current Net Worth and 50-Year Transfer of Wealth Values

Community	2010 Current Net Worth		50-Year TOW		5% Capture		5% Payout	
County	*(millions)*	PHH	*(millions)*	PHH	*(millions)*	PHH	*(millions)*	PHH
Anderson, TX	$1,958.15	$119,300	$6,075.99	$370,300	$303.80	$18,500	$15.19	$930
Angelina, TX	$3,831.21	$126,000	$9,390.45	$308,900	$469.52	$15,400	$23.48	$770
Bowie, TX	$4,914.56	$141,500	$11,519.42	$331,600	$575.97	$16,600	$28.80	$830
Camp, TX	$589.31	$121,800	$1,468.55	$303,400	$73.43	$15,200	$3.67	$760
Cass, TX	$1,397.57	$114,600	$2,962.41	$242,900	$148.12	$12,100	$7.41	$610
Cherokee, TX	$1,879.87	$107,800	$5,056.86	$290,100	$252.84	$14,500	$12.64	$730
Delta, TX	$268.38	$124,300	$691.35	$320,100	$34.57	$16,000	$1.73	$800
Franklin, TX	$707.79	$163,400	$1,778.47	$410,500	$88.92	$20,500	$4.45	$1,030
Freestone, TX	$1,066.15	$146,000	$2,527.85	$346,200	$126.39	$17,300	$6.32	$870
Gregg, TX	$6,677.25	$145,900	$15,485.99	$338,400	$774.30	$16,900	$38.71	$850
Harrison, TX	$3,184.11	$131,900	$8,463.39	$350,700	$423.17	$17,500	$21.16	$880
Henderson, TX	$5,032.06	$161,800	$13,983.07	$449,700	$699.15	$22,500	$34.96	$1,120
Hopkins, TX	$1,642.34	$124,300	$3,553.52	$268,900	$177.68	$13,400	$8.88	$670
Houston, TX	$1,085.38	$130,400	$2,342.13	$281,500	$117.11	$14,100	$5.86	$700
Lamar, TX	$2,279.30	$115,800	$5,528.97	$280,900	$276.45	$14,000	$13.82	$700
Leon, TX	$1,128.36	$163,200	$3,320.88	$480,400	$166.04	$24,000	$8.30	$1,200
Marion, TX	$575.58	$128,100	$1,658.85	$369,100	$82.94	$18,500	$4.15	$920
Morris, TX	$685.25	$130,200	$1,560.83	$296,500	$78.04	$14,800	$3.90	$740
Nacogdoches, TX	$2,788.76	$118,400	$6,465.95	$274,600	$323.30	$13,700	$16.16	$690
Panola, TX	$1,222.79	$135,000	$3,421.20	$377,700	$171.06	$18,900	$8.55	$940
Rains, TX	$634.84	$139,900	$1,637.54	$360,900	$81.88	$18,000	$4.09	$900
Red River, TX	$633.52	$116,300	$1,407.53	$258,400	$70.38	$12,900	$3.52	$650
Rusk, TX	$2,508.09	$138,200	$7,366.48	$406,000	$368.32	$20,300	$18.42	$1,010
Sabine, TX	$635.94	$141,000	$1,404.15	$311,300	$70.21	$15,600	$3.51	$780
San Augustine, TX	$432.85	$124,100	$1,036.30	$297,200	$51.81	$14,900	$2.59	$740
Shelby, TX	$1,150.01	$113,900	$3,541.76	$350,900	$177.09	$17,500	$8.85	$880
Smith, TX	$13,442.19	$177,600	$31,639.35	$418,000	$1,581.97	$20,900	$79.10	$1,040
Titus, TX	$1,333.20	$131,000	$4,140.46	$406,900	$207.02	$20,300	$10.35	$1,020
Trinity, TX	$747.00	$126,500	$2,041.56	$345,800	$102.08	$17,300	$5.10	$860
Upshur, TX	$1,878.51	$129,100	$5,009.56	$344,200	$250.48	$17,200	$12.52	$860
Van Zandt, TX	$3,025.06	$150,000	$7,639.93	$378,800	$382.00	$18,900	$19.10	$950
Wood, TX	$3,003.90	$171,600	$8,459.32	$483,200	$422.97	$24,200	$21.15	$1,210
East Texas	**$72,339.27**	**$141,400**	**$182,580.08**	**$356,900**	**$9,129.00**	**$17,800**	**$456.45**	**$890**
Miller, AR	$2,133.21	$123,400	$6,147.45	$355,500	$307.37	$17,800	$15.37	$890
Study Area	**$74,472.48**	**$140,800**	**$188,727.53**	**$356,900**	**$9,436.38**	**$17,800**	**$471.82**	**$890**

Unique Donor Opportunities

Community Philanthropy

For many regions of the country where community philanthropy is a priority and active, there are two overarching giveback objectives:

1 – Number of Donors

2 – Value of Donor Gifts

Nearly every resident within a community has some capacity and motivation to give back to their hometown. The vast majority of residents may have more limited giveback capacity based on their own estate wealth and situations. In spite of this, engaging a wider share of residents in contributing to their hometown community foundation creates positive civic engagement and stronger community-focused philanthropy.

Overall potential impact from a community foundation becomes a dollars and cents issue. More and larger community endowments equate to greater capacity for strategic grant making and community betterment impact.

The combined strategies of increasing the number of donors, along with the value of giveback, positions community philanthropy to be a force for community building and betterment now and over time.

Our research and analysis on ***unique donor opportunities*** *can be helpful in the all-important process of donor identification and development that is essential to increasing philanthropy giveback and endowment building.*

Every region of the United States has unique donor opportunities. These donor opportunities are related to the historical and contemporary development of the region where household wealth is rooted in different kinds of assets. In the corn-belt, there is expansive wealth in agricultural real estate. In Rochester, Minnesota, there is deep wealth associated with the remarkable Mayo Clinic and the associated specialized health care economic cluster. We share this analysis to help the East Texas region better understand its TOW opportunities and enhance its communities' abilities to craft successful giveback strategies. We encourage this region to actively explore donors associated with East Texas' wealth opportunities.

East Texas is a physically large and rather complicated landscape. Our research and analysis has identified nine unique donor opportunities worthy of consideration and additional evaluation:

Old Wealth
Thrifty Retirees
Closely-Held Family Businesses
Highly Educated & Specialized Professionals
Agricultural Real Estate
Part-Time Residents
Energy Wealth
Growth Related Wealth
Timber Wealth

The table on the next page summarizes each of these unique donor opportunities. The following pages in this section provide more detailed insight on how each of these opportunities are at play within the counties addressed in this study.

Table 3 – Unique Donor Opportunities at Play in East Texas

Old Wealth	*The most important indicator of giveback capacity in our communities is those that have wealth often acquired by inheritance. Nearly every community has some families with old wealth.*
Closely-Held Family Businesses	*After old wealth, the strongest indicator of household giveback capacity is business ownership. Across America there is a tradition and pattern of closely-held family businesses.*
Thrifty Retirees	*Many Americans have strong traditions of working hard, spending less than one makes, saving and investing for the future. These values and habits create wealth and giveback opportunities associated with thrifty retirees.*
Higher-Income Professionals	*Highly educated and very specialized professionals such as doctors, attorneys and engineers typically make more income over their lives and invest well, creating wealth. Communities with higher concentrations of these professionals have greater giveback capacity.*
Agricultural Real Estate	*Like other natural resources, production agriculture can be a source of household wealth. Larger family-owned commercial farms and ranches have increasing wealth in agricultural real estate.*
Part-Time Residents	*Areas with amenities like mountains or lakes often attract part-time residents with vacation, retirement and second homes. Some of these part-time residents bond with their new homes and have giveback capacity.*
Energy Wealth	*Where energy is produced (e.g., oil, natural gas, etc.) those households owning mineral rights can acquire wealth through leases and royalty payments.*
Growth Wealth	*Areas experiencing rapid urbanization and growth can create rooted wealth through real estate and associated development (e.g., places like Orange County, California, home to Disneyland).*
Timber Wealth	*Parts of East Texas have extensive privately-owned forest lands and timber lots. Timber assets can create wealth for land owners particularly where there is active and higher value harvesting.*

The following analysis provides greater detail on each of these unique donor opportunities within the counties of the East Texas region. Communities are encouraged to spend time exploring this information and investigating how these assets, and the donors associated with them, can be identified and developed as strategy elements for community giveback and endowment building.

Statistical measures used to quantify each county's potential for community giveback associated with each of these donor opportunities are contained in the Project Electronic Library.

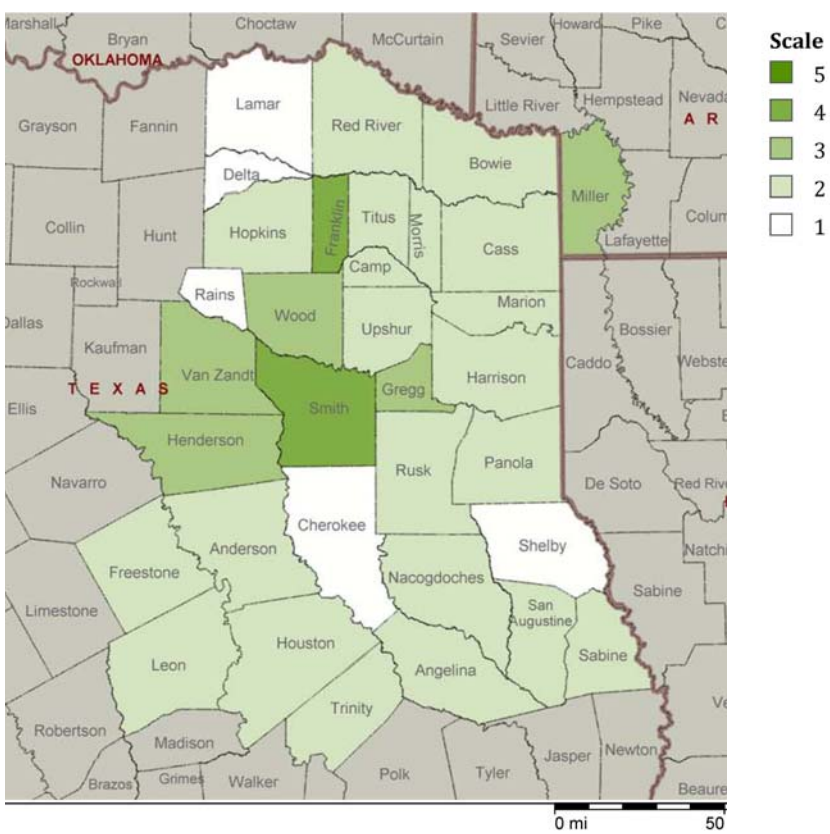
Old Wealth

East Texas has supported an active economy for over 150 years. Over this time, this economy has created opportunity and rooted household wealth. Some of this wealth has transferred from one generation to the next and has provided capacity for new investments and cycles of new wealth creation. There are many indicators of rooted, or old, wealth. This analysis has selected the incidence of millionaires in 2010. Nationally, nearly 8% of all American households were millionaires in 2010 according to ESRI. The incidence of millionaires in the East Texas region is lower, but there are certain counties with higher millionaire concentration rates, suggesting rooted, or old, wealth.

Smith and Franklin Counties in Texas have considerable old wealth potential. Henderson, Van Zandt, Wood and Gregg Counties (all in Texas) and Miller County in Arkansas, display moderate old wealth potential. Most of the balance of the counties in East Texas have some old wealth potential with the weakest potential being in Lamar, Delta, Rains, Cherokee and Shelby Counties. The following map ranks counties in East Texas based on their relative (to the U.S. averages) incidence of millionaires.

Figure 1 – Old Wealth

(The higher the potential the darker the shade of green)



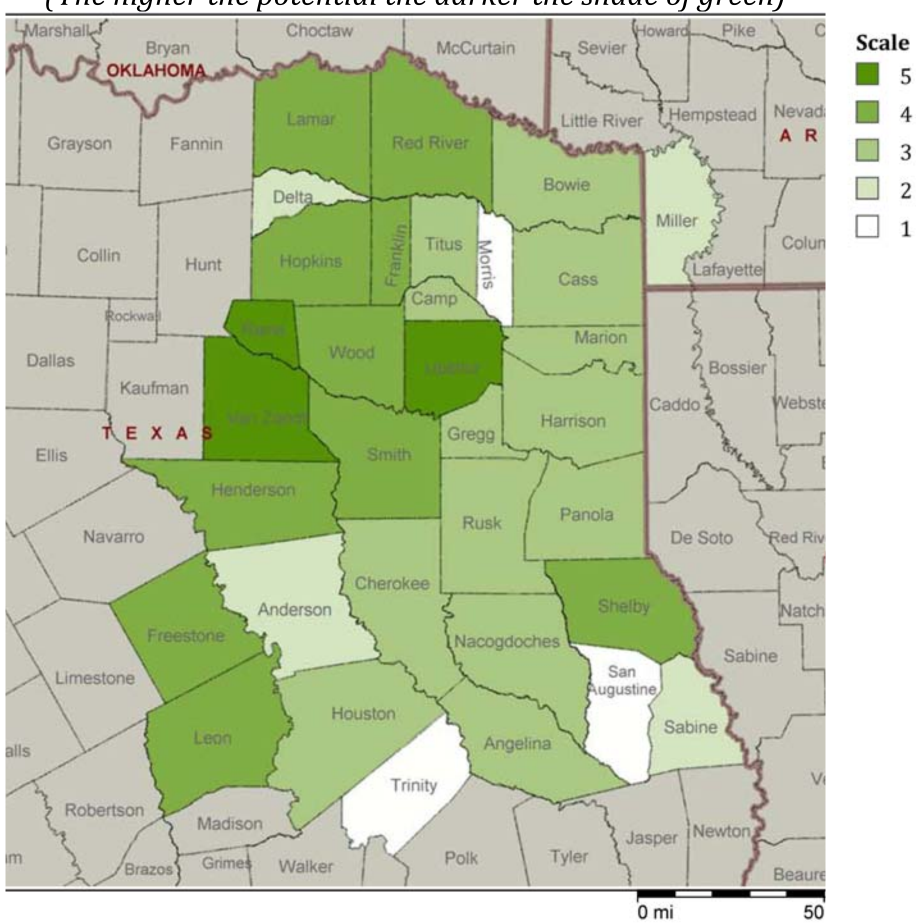
Closely-Held Family Businesses

Not every family owned business is successful and creates wealth for its owners. But for some, if not many, closely-held family businesses, this occupational choice can be a pathway to financial security and wealth formation. Whether the business is a community bank, a local plumbing shop, a main street hardware store or a family-owned manufacturing venture, these entrepreneurs have giveback capacity. Often they also have motivation to giveback to the very hometowns in which their businesses have operated.

This region has a very high incidence of closely-held family business ownership. This is typically the case in more rural regions of the United States. However, there is some diversity of opportunity from county to county. There are also a handful of counties within the region where the potential for giveback from closely-held family businesses is lower. As is often the case with any ranking system, a lower ranking does not mean there is not opportunity, only less opportunity when compared to the larger group. There are many ways to measure the relative importance of closely-held family businesses. The metric we elected to use was the percentage of workers employed by resident or in-state owned businesses.

Figure 2 - Closely-Held Family Businesses

(The higher the potential the darker the shade of green)



Thrifty Retirees

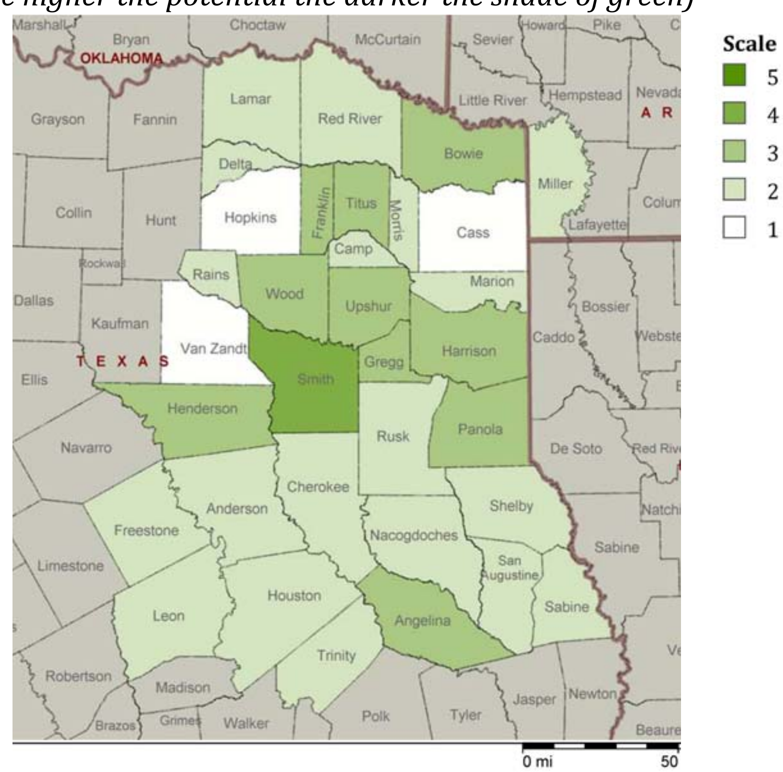
The living memory of the Great Depression is dying off. Experience with severe economic times and hardship create values of thrift and financial conservatism. These Great Depression impacts on household values and behavior are rooted in subsequent generations. Many Americans have worked very hard, spent less than they earned, saved and invested well. Most of these thrifty retirees are not rich, but they have wealth and capacity to giveback. Typically they have strong motivations to giveback to causes that have been important to their lives and success, such as colleges they attended, hospitals that took care of loved ones or churches that nurtured them.

The greatest potential for giveback from thrifty retirees is concentrated in Smith County with moderate impact in Henderson, Wood, Upshur, Gregg, Harrison, Panola, Franklin, Titus, Bowie and Angelina Counties. The weakest potential is located in Van Zandt, Hopkins and Cass Counties. It is important to note that these opportunity rankings are based on 2010 research and can and will change over time.

The statistic used to indicate the incidence of higher giveback capacity of thrifty retirees is average net-worth of 65 to 74 year old households. The following map ranks counties in East Texas on their relative (to U.S. averages) potential using 65-74 year old average net-worth in 2010:

Figure 3 – Thrifty Retirees

(The higher the potential the darker the shade of green)



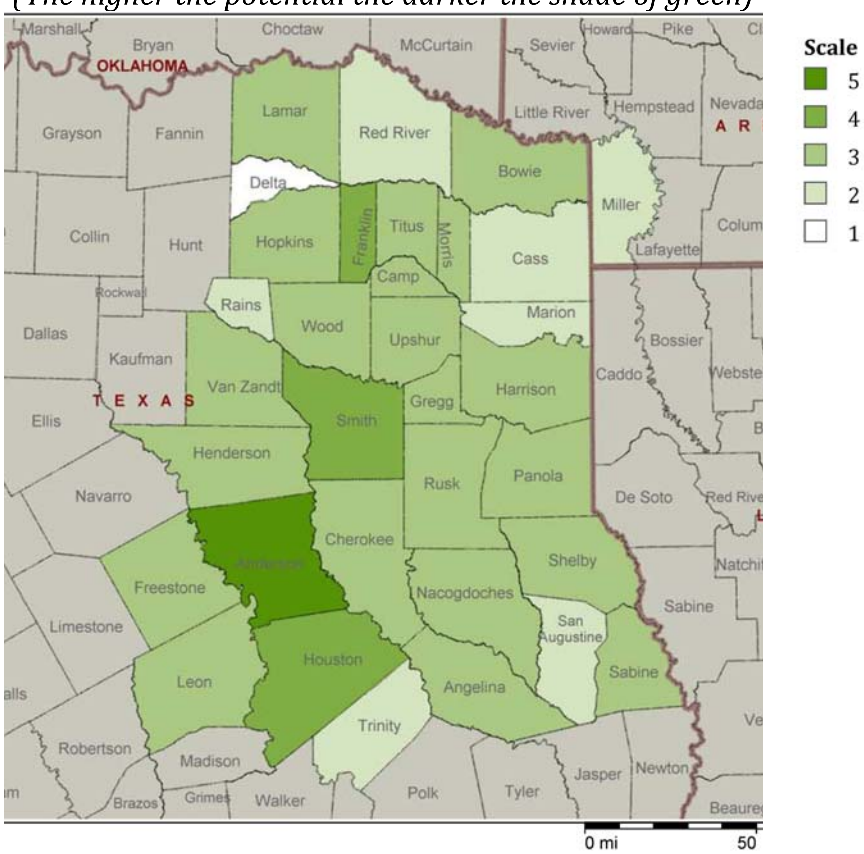
Highly Educated & Specialized Professionals

Nationally there is a very strong relationship between a person's education, profession, life-time earnings and estate size. For those East Texans who are highly educated and engaged in specialized professions there is a strong chance they also have significant giveback capacity. Individuals who are doctors, engineers, researchers, accountants and attorneys for example typically illustrate the kinds of professions where this pattern is most present. As is the case in all fields, simply being an attorney or a researcher does not guarantee that they will have wealth. For those highly educated and specialized professionals who also own their practice (business owners) the potential for more significant estate formation is greater.

Given the population density and geography of East Texas there is a strong presence of highly educated and specialized professionals in nearly all the counties within the region. Even with the relative location of some counties to larger metro areas like Dallas or Houston, there is great potential for giveback from this donor opportunity area. The metric we employed to rank the relative potential of this donor group was the 2010 average earnings for a group of specialized professions. As noted before, even in those counties with less potential in this area, there is still some potential and this donor group should be considered within local strategies for donor identification and development.

Figure 4 – Highly Educated & Specialized Professionals

(The higher the potential the darker the shade of green)



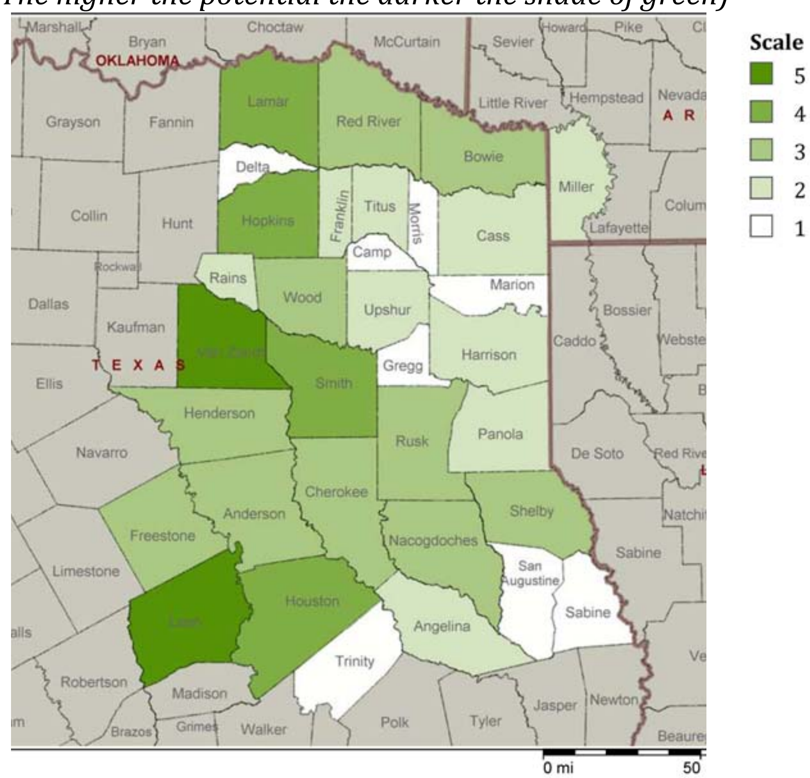
Agricultural Real Estate

Production agriculture has been an important part of the life and economy of many communities in East Texas over the decades. While production agriculture is important, it does not dominate the economies of most communities as is the case in parts of the corn, wheat or cattle production regions in the United States. Production agriculture has seen remarkable progress during the Great Recession and slow recovery. It has been a bright spot within the American economy. Many parts of the country are seeing record commodity prices, farm incomes and rising land values. These trends have fundamentally changed wealth levels in places like Nebraska, Iowa and Kern County, California. To a more moderate degree, these same trends have impacted the farms and ranches in East Texas.

The importance of agricultural real estate (ARE) is presented in the map below. There is clear diversity where ARE is more important from one county to the next. Based on adjusted Agricultural Census and land value data, there are billions of dollars of ARE wealth now rooted in East Texas. The owner-operators of these farms and ranches are often generational and have deep ties to the communities where they shop, educate their children and secure health care. For example, Leon County, Texas has $1.1 billion in ARE wealth based on the most recent data our TOW Team reviewed. The county with the lowest ARE wealth has $81 million in ARE wealth (Sabine County).

Figure 5 - Agricultural Real Estate

(The higher the potential the darker the shade of green)



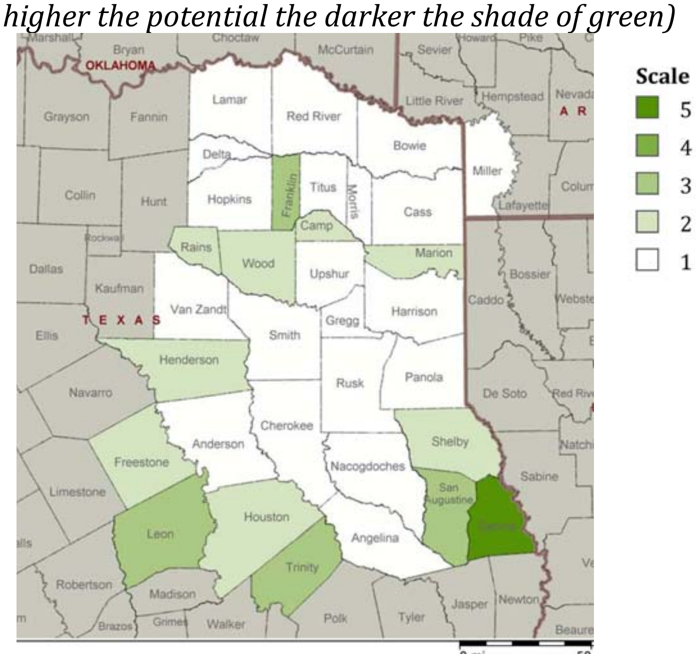
Part-Time Residents

Typically when we think of donors, we focus on current residents who have worked and spent their lives living in our communities. Clearly this is an important group of potential hometown donors, but there are also two other potential groups: former residents and part-time residents. Former residents often have strong affinity for their hometowns or the places where they spent summers with grandparents. Former residents should be considered as potential donors worth cultivating. The second group, part-time residents, may not be as obvious. Parts of East Texas have remarkable landscapes and attractive natural resource amenities. Additionally, this region is bounded by two of America's larger and more robust metropolitan regions – Dallas/Fort Worth and Houston.

Using the share of vacation homes to total housing units we can create insight into the presence of part-time residents who own or lease vacation, retirement or second homes. Some of these properties can be most humble and the association of their seasonal residents are very limited to the communities in the area. However, some of these part-time residents develop deeper affinity with their seasonal or weekend homes and communities. As the map below illustrates, there are two major concentrations of what the Census Bureau calls vacation homes (homes occupied only during part of the year). There is the northern corridor associated with remarkable lake resources running from Rains County in the west through Marion County on the state border. The second group includes the southern tier of counties within this region running from Henderson County all the way to Sabine County. Some of these part-time residents have a deep affinity for their part-time hometowns and have great capacity for giveback.

Figure 6 - Part-Time Residents

(The higher the potential the darker the shade of green)



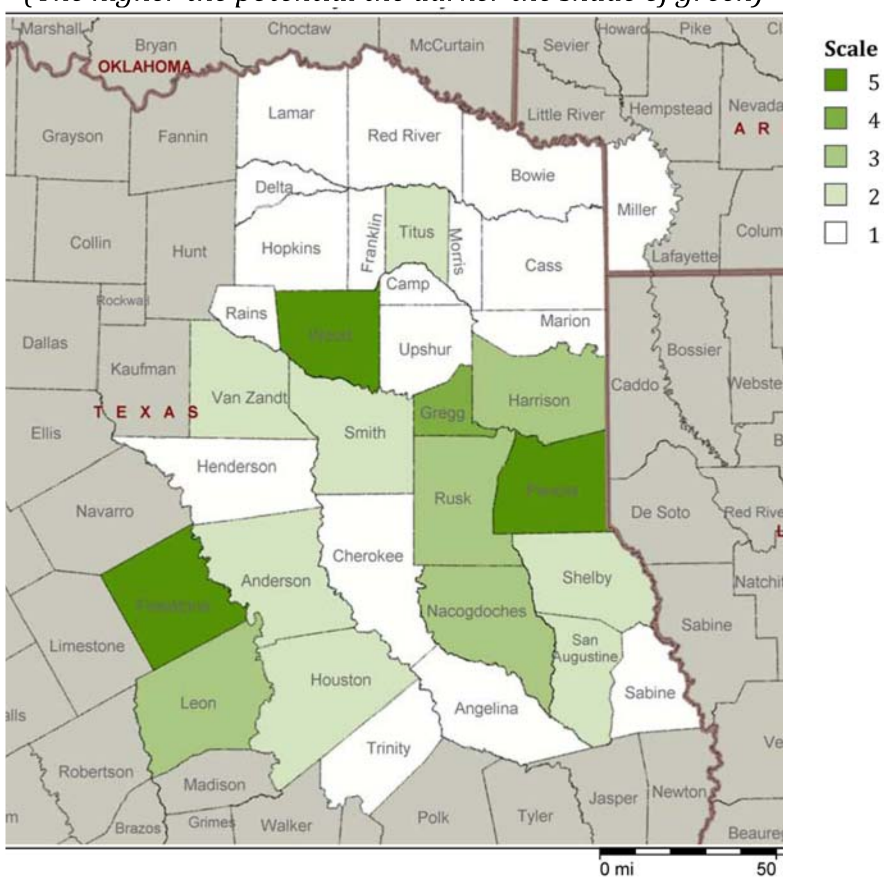
Energy Wealth

Energy development and production is a legacy of many parts of Texas including East Texas. Nearly all the counties in East Texas and Miller County in Arkansas have some oil and natural gas production. Counties with oil production exceeding one million barrels a year include Wood, Gregg, Rusk and Smith. There are a number of counties with more than a hundred million cubic feet of natural gas production. Where there are residents with retained mineral rights there will be wealth associated with lease and royalty payments associated with energy produced from their mineral rights. Given that energy production has been part of East Texas for a long time, this may be a source of old wealth (associated with the first unique donor opportunity area addressed in this report).

The new fracking technology that is being widely deployed across the world may result in some increased oil and natural gas drilling and production in the coming decades. While this development is unlikely to be on the scale now being experienced in Western North Dakota (oil production) or Pennsylvania (natural gas), it could be source a of new wealth for some potential donors in the coming decades.

Figure 7 – Energy Wealth

(The higher the potential the darker the shade of green)



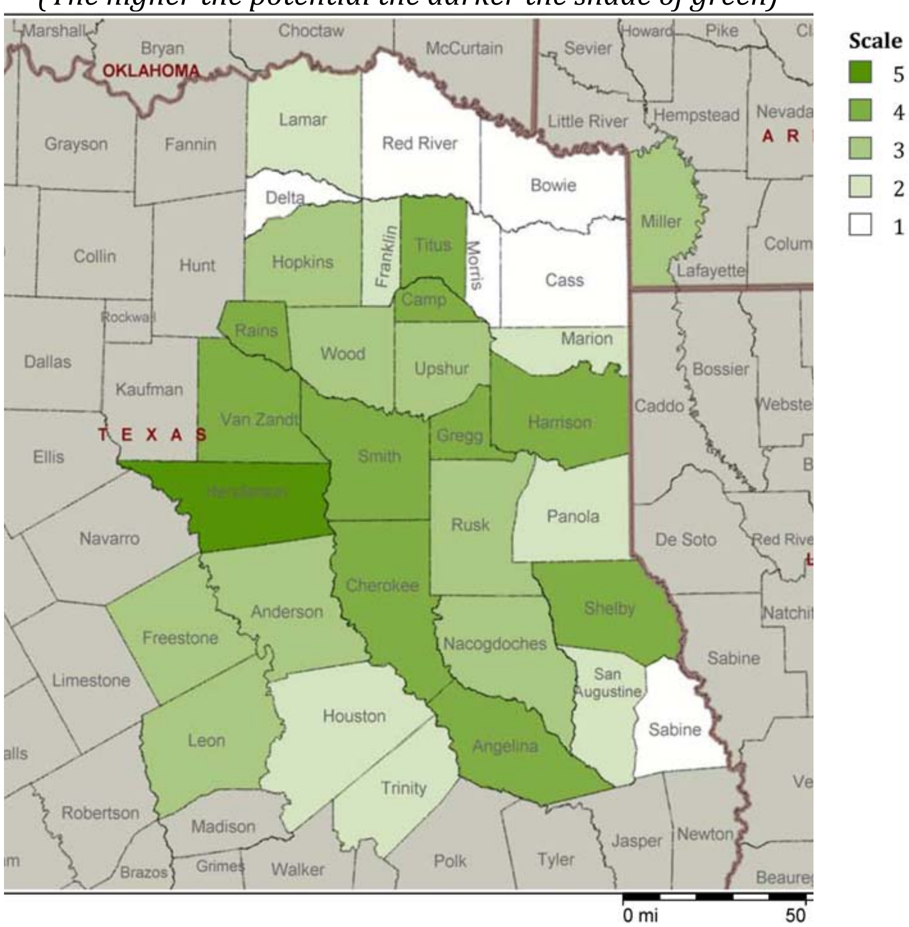
Growth Wealth

Economic growth has the potential to create wealth often associated with conversion of rural land to subdivisions, industrial tracts and commercial spaces. Land conversion, construction and real estate activities associated with acreage and particularly suburban development can generate significant wealth for land owners and developers. Additionally, where there is urbanization can come new opportunities for existing and new commercial ventures ranging from grocery stores to coffee shops.

The map below indicates where there are likely wealth opportunities associated with urbanization and growth. There are clear pockets of counties where growth is robust and growth related wealth opportunities are the greatest. Conversely, there are counties where there is negative growth (as measured by population change) where this particular opportunity may be minimal. Future growth generates new wealth and requires a special development approach where relationships are built with land owners seeing rural to urban land conversion, developers and new commercial interests.

Figure 8 – Growth Wealth

(The higher the potential the darker the shade of green)



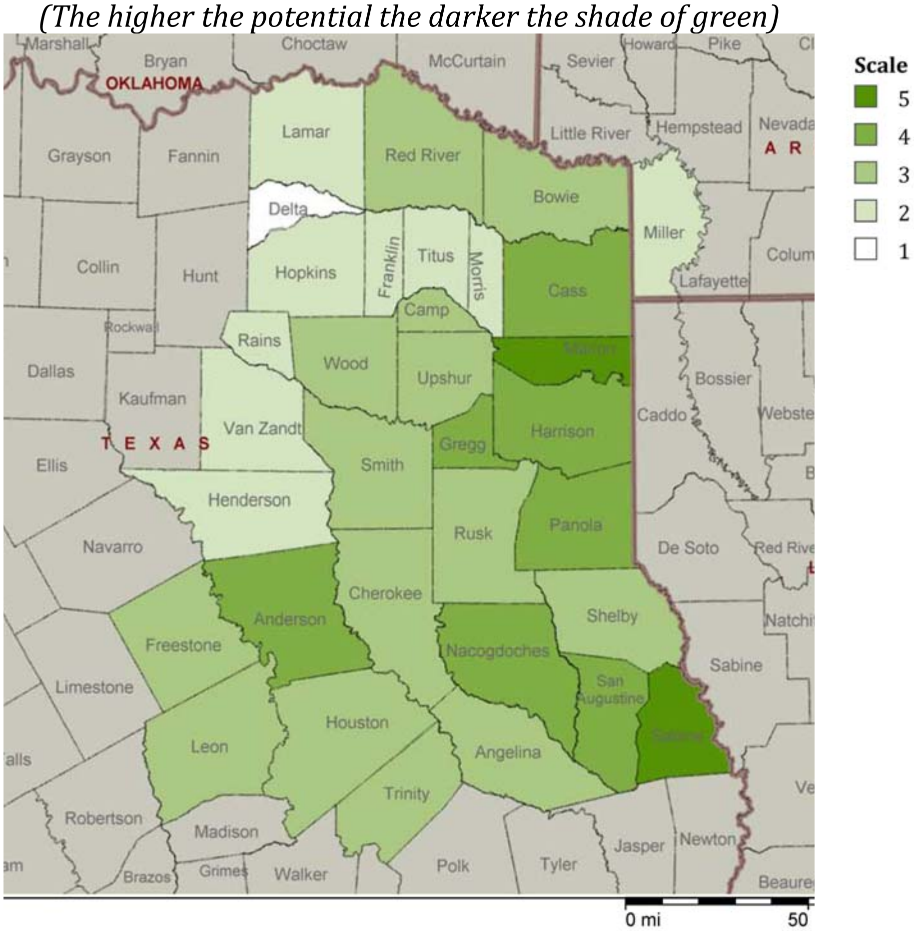
Timber Wealth

In our TOW work in Maine, parts of Michigan and Wisconsin and the forests of Kentucky, we have gained insight into wealth holdings related to privately owned timber resources. Clearly East Texas has significant timber resources. Some of these resources are associated with public lands, including the national forests (e.g., Davy Crocket, Angelina and Sabine National Forests) concentrated in the southern parts of the region. Other resources may have limited value and associated wealth, but we believe there may be some potential wealth associated with higher value private timber lots and acreages.

While this opportunity may be somewhat limited, it is worth exploring at the local level. We encourage communities with significant timber assets to explore whether there is associated private timber wealth and potential for donor giveback. In the Great Plains today a major giveback strategy are gifts of grain. Similar strategies have been used in other landscapes where timber resources are gifted, harvested and some or all of the proceeds donated back to the community foundation or charity.

Figure 9 – Timber Wealth

(The higher the potential the darker the shade of green)



Former Residents

We did not identify former residents as a unique donor opportunity because most communities, even fast growing places like Dallas or Houston, have former residents. America is one of the most mobile nations on the face of the earth. Smaller and more rural communities typically have a pattern of outmigration where both younger adults and older residents leave the community. In some parts of rural America up to 80 to 90 percent of graduating high school seniors leave their hometown never to return.

If we think about all those who have left our communities over the past decade, most rural communities have a relatively large ex-patriot community. For many of these former residents, there is still strong association with their former homes. There are ties to family and friends, school and church alumni associations and just positive memories of the places where they grew up.

Often there is strong affinity for the most immediate generation to leave and this affinity erodes with subsequent generations. Typically by the third generation there may not be lasting affinity. Strong affinity is important as it is foundational to potential giveback. The stronger the affinity or association with a former hometown -- the greater the potential for giveback.

Not all former residents are successful. But those who leave their hometowns often have "risk taker" personalities. These personalities can lead to educational and professional attainment or successful business entrepreneurship. Many former residents have significant giveback capacity and should be explored as a potential donor target for identification and development.

Donor Profiles

Profiling has taken on some negative connotations in recent years associated with racial or ethnic profiling. But from a marketing and market development standpoint, profiles are a useful research tool and a way to garner deeper understanding necessary to engage in smart action.

Donor profiles can be very helpful in assisting communities and regions better understand their opportunities for legacy donor development.

At the RUPRI Center we are developing **unique donor opportunities** that describe wealth holding and giveback potential. These include assets like agricultural real estate, closely-held family businesses, energy royalties, old wealth and high income specialized professionals.

This paper explores giveback capacity from a lifecycle perspective.

ESRI is one of America's leading market research firms. Large and small companies and organizations use their household **Tapestry Profile** research to make critical investment decisions. Appropriate research on where **opportunities** are located can lead to **smart strategies** that in turn, lead to greater success. In some ways community philanthropy is no different from placing a new store in the right location. For community philanthropy to be successful, it is critical that the right donors with both capacity and motivation to give-back are identified and developed.

There are some truths central to community development philanthropy, such as…

Every donor is important.
Most donors have limited giveback capacity.
Few donors have major giveback capacity.
We should cultivate all donors

… but cultivating higher capacity donors is foundational to growing community endowments with the potential to change our communities for the better!

Like our desire for the shade and fruit that a tree provides, we know that we must plant early in our lives and cultivate until a tree has the capacity to produce fruit and provide shade. The same is true with donors who are people that, in general, have a predictable lifecycle with respect to wealth creation, the potential for giveback and the motivation to be charitable with their wealth.

The following table provides a good overview of the various life stages of potential donors, their key donor attributes and their likely potential for giveback. Typical, or average, is just that – some generalization about a group of people. We realize that there are outliers and exceptions to every generalization. But the statistical research compiled in the Survey of Consumer Finance (Federal Reserve) provides a solid foundation that these characterizations are sound and do represent most households within these profile groups. This information can be a great starting point for your community as it explores its **transfer of wealth** opportunities held by potential **hometown donors**.

Table 4 - Donor Giveback Capacity Profiles

Profile Group	Donor Attributes	Giveback Potential
Getting Started	*Young Adults* *Often with Young Families* *Early Career & Lower Earnings* *Spending Exceeds Income – Debt* *Limited Wealth Assets*	*Limited Capacity* *Lots of Needs* *Personal Value Framing Period* *Giveback Ethic Formation* *Focus on Career & Family* *Community Affinity Development*
Mid-Career	*35 to 50 Year Olds* *Have Older Children* *Mid-Career* *Spending & Income Balancing* *Growing Rooted Assets*	*Limited to Modest Giveback Capacity* *Giveback Patterns are Rooting* *Paying for Kids College & Planning for* *Retirement Competing with* *Charity* *Need Financial Planning Help*
Later-Career	*50 to 65 Year Olds* *Peak Career* *Peak Earnings* *Peak Asset Accumulation* *Have Peers Who are Giving*	*Open to Thinking About Giveback* *Likely Doing Annual Giving* *Likely Doing Capital Campaign Giving* *Open to Legacy Giving Planning* *Motivated by Peer Behavior*
Early Retirement	*65 to 74 Year Olds* *Peak Wealth* *New Earnings are Flat Lining* *Concern Over Enough for* *Retirement* *Motivated to Giveback*	*Maximum Giveback Capacity* *Active Legacy Orientation* *Planned Giving Can Help Work* *through Competing Interests of* *Kids, Retirement and Health Care* *Peers Really Drive Giveback Attitude*
Late Retirement	*75+* *Assets are Being Spent Down* *Earnings are Really Eroded* *Having Enough Money is a Concern* *Becoming More Conservative*	*Very Strong Legacy Orientation* *Eroded Giveback Capacity* *But Giveback Capacity Remains* *Planned Giving is Key* *Heirs' Engagement is Helpful*

Source: Center for Rural Entrepreneurship, May 2012. ™ This work has been inspired by ESRI's Tapestry Profiles.

Transfer of Wealth Opportunity Timing

The following figures illustrate our scenarios of the TOW timing. These TOW charts are based on the number of estates coming into giveback play each year. This is important as it better illustrates the urgency for action in those counties experiencing net outmigration and depopulation. In these counties, the number of "estate events" diminishes over time as the population base narrows and more and more heirs live outside of the county.

Depending on demographic characteristics, compositional change and economic growth rates, transfer of wealth opportunity will change from county to county. In order to account for these differences, we adopted the 1990 Census-based NCHS Urban-Rural classification scheme. According to this classification, counties are categorized to account for differences in demographic, economic, physical, social and environmental characteristics. Using this Urban-Rural classification we identified 4 major categories within the region. These are **large fringe metro** (Delta), **small metro** (Bowie, Gregg, Rusk, Smith, Upshur and Miller, Arkansas), **micropolitan** (Anderson, Angelina, Cherokee, Harrison, Henderson, Hopkins, Lamar, Nacogdoches and Tutus) and **noncore** (Camp, Cass, Franklin, Freestone, Houston, Leon, Marion, Morris, Panola, Rains, Red River, Sabine, San Augustine, Shelby, Trinity, Van Zandt and Wood) counties.

Below we included transfer of wealth opportunity charts comparing East Texas and Miller County, Arkansas to the U.S. Furthermore, we included transfer of wealth opportunity timing charts for counties representing one of the four categories identified above; these counties are compared to both East Texas and the U.S.

Figure 10 - TOW Opportunity Timing Chart for East Texas and U.S.

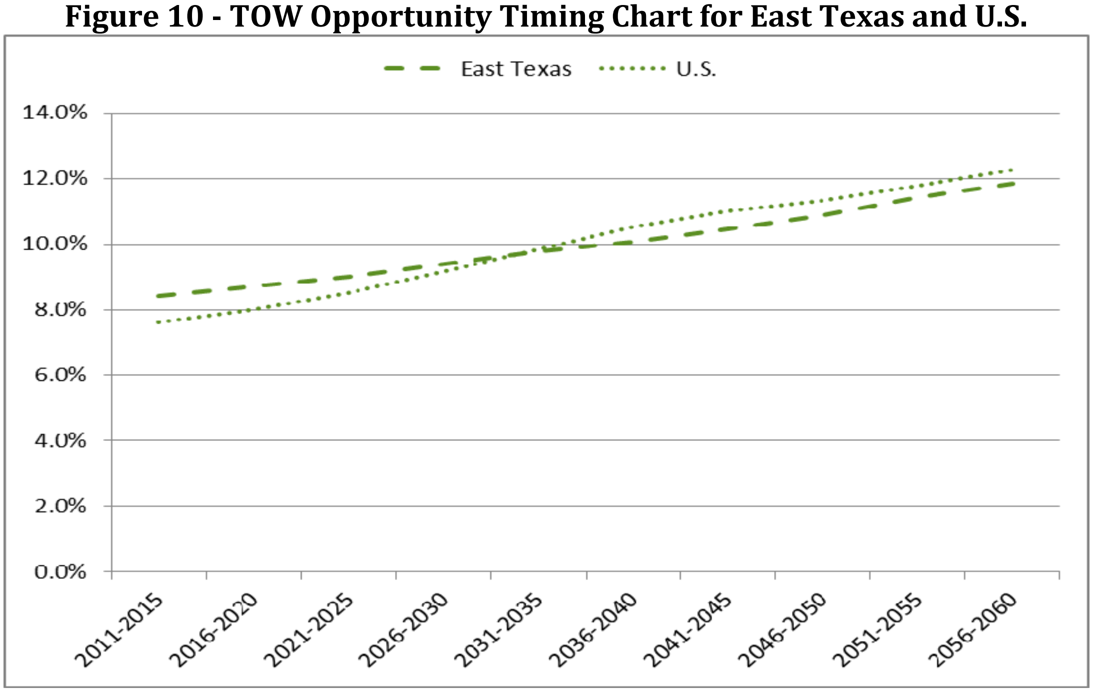


Figure 11 - TOW Opportunity Timing Chart for Angelina County and East Texas

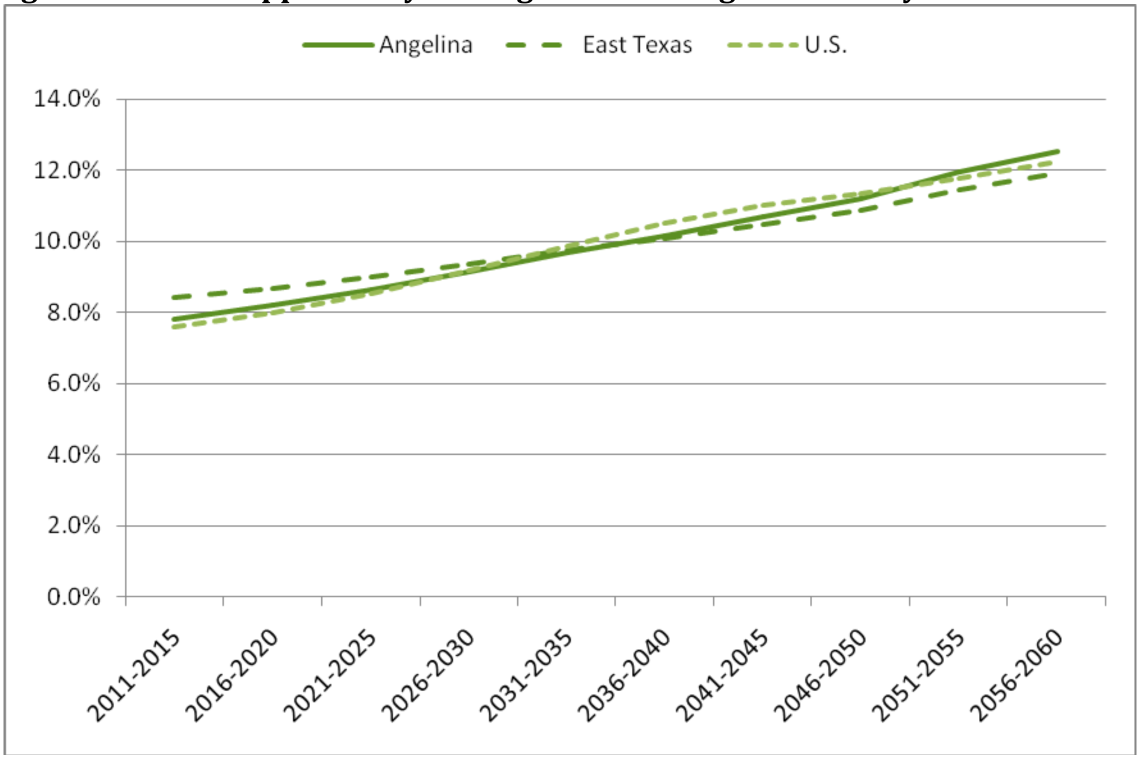


Figure 12 - TOW Opportunity Timing Chart for Delta County and East Texas

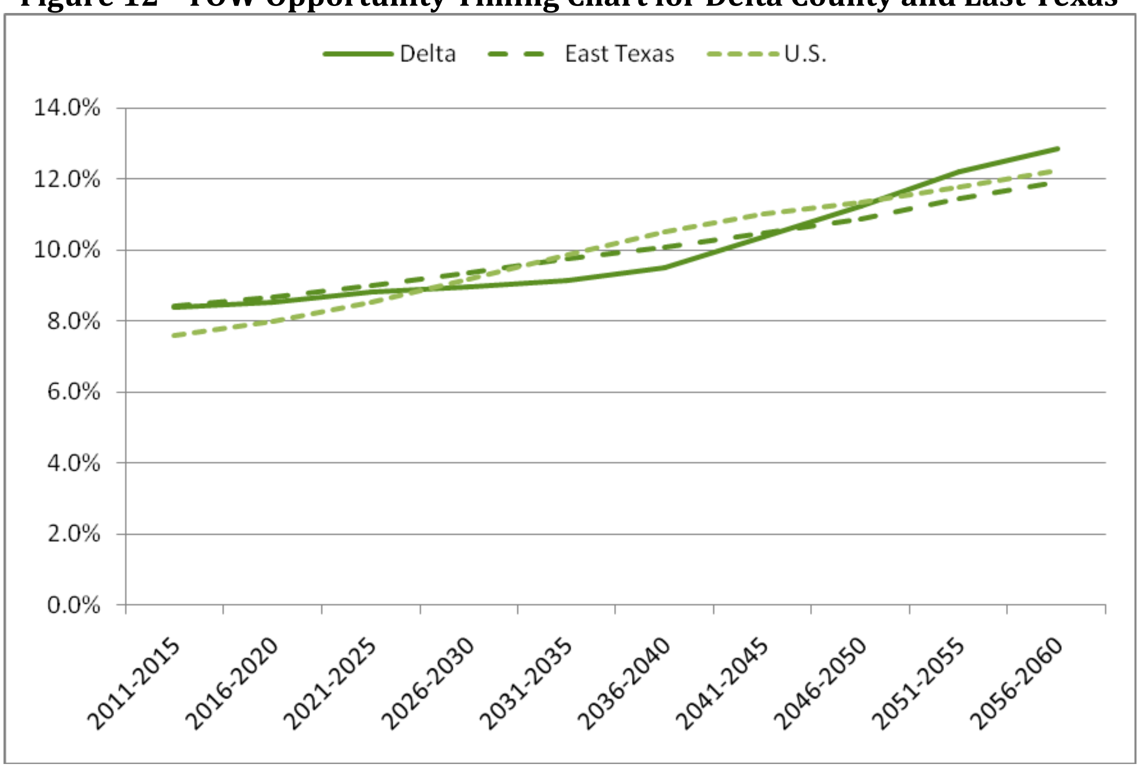


Figure 13 - TOW Opportunity Timing Chart for Smith County and East Texas

Figure 14 - TOW Opportunity Timing Chart for Sabine County and East Texas

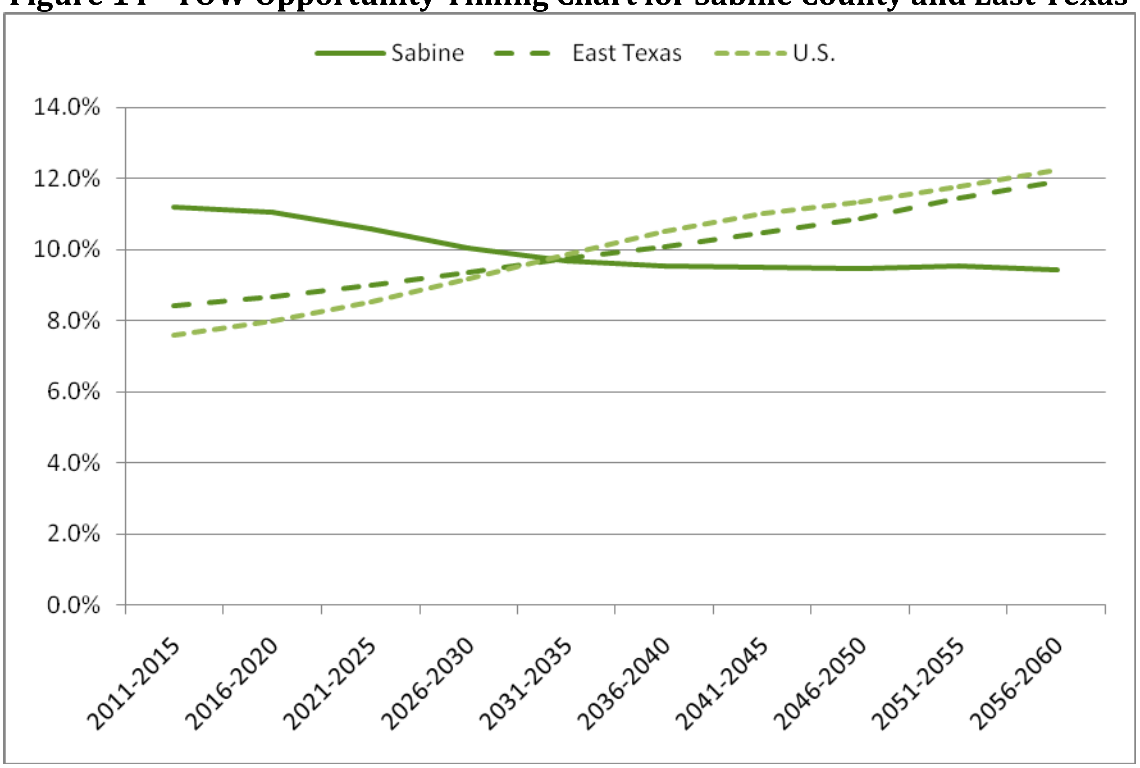
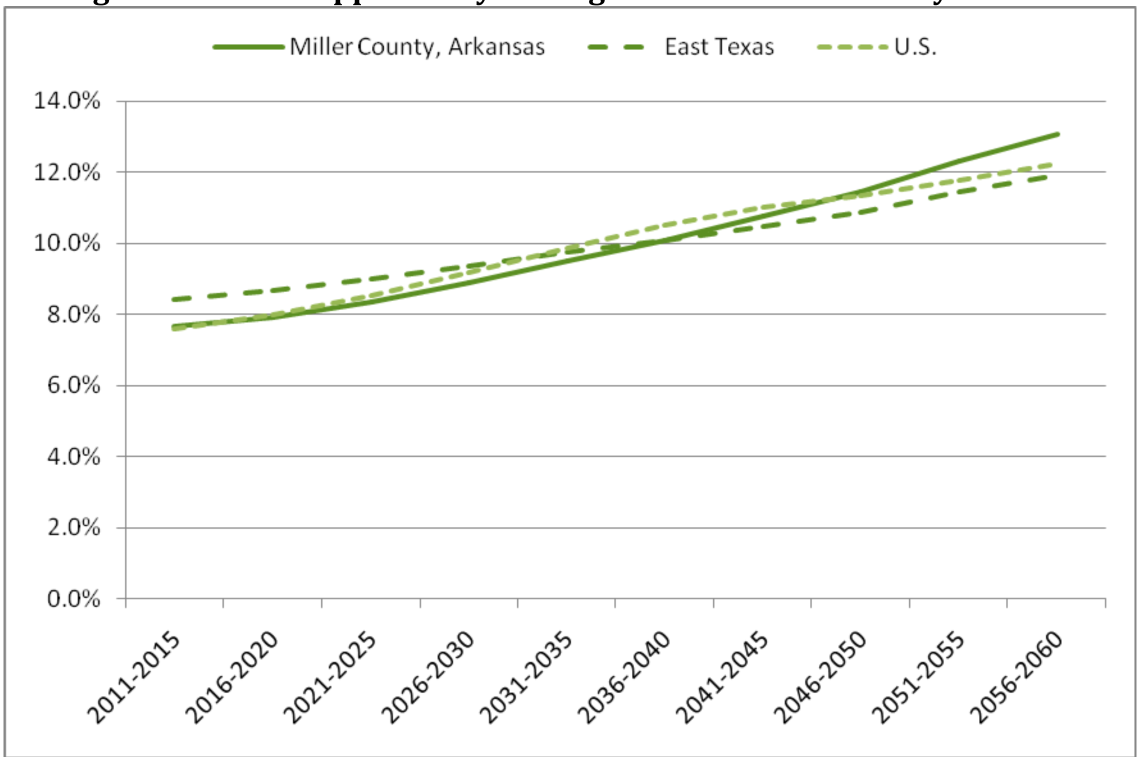


Figure 15 - TOW Opportunity Timing Chart for Miller County and U.S.



The Center for Rural Entrepreneurship is the focal point for energizing entrepreneurial communities where entrepreneurs can flourish. Created in 2001 with founding support from the Kauffman Foundation and the Rural Policy Research Institute (RUPRI), the Center is located jointly in Nebraska, North Carolina, and Missouri. The Center's work to date has been to develop the knowledge base of effective practices and to share that knowledge through training and strategic engagement across rural America. Working with economic development practitioners and researchers, the Center conducts practice-driven research and evaluation that serves as the basis for developing insights into model practices and other learning. The Center is committed to connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy. To learn more about the Center, visit www.energizingentrepreneurs.org.

*The Rural Policy Research Institute (RUPRI) functions as a national scientific research center, identifying and mobilizing teams of researchers and practitioners across the nation and internationally to investigate complex and emerging issues in rural and regional development. Since its founding in 1990, RUPRI's mission has been to provide independent analysis and information on the challenges, needs, and opportunities facing rural places and people. Its activities include research, policy analysis, outreach, and the development of decision support tools. These are conducted through a small core team in Missouri and Washington DC, and through three centers, **including the Center for Rural Entrepreneurship**, and a number of joint initiatives and panels located across the United States. To learn more about RUPRI, visit www.rupri.org.*

The Inter-Generational Transfer of Wealth (TOW) analysis is a service of the RUPRI Center for Rural Entrepreneurship. Original founding support to develop our TOW analysis was provided by the Nebraska Community Foundation (NCF). For more information about NCF, visit www.nebcommfound.org. Subsequent and ongoing support for the RUPRI Center for Rural Entrepreneurship and our TOW Analysis is being provided by RUPRI and regional funding partners. The authors of this study include Don Macke (Project Leader), Ahmet Binerer (Research Analyst), and Dr. Deborah Markley (Editor).