Center for Rural Entrepreneurship

energizing entrepreneurial communities

WEALTH IN COMMUNITY FOUNDATION OF NORTH CENTRAL WASHINGTON AREA

Sponsored by: Community Foundation of North Central Washington

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COMMUNITY™ DEVELOPMENT PHILANTHROPY

Transfer of Wealth

Center for Rural Entrepreneurship

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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

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Important notes in using this research

Electronic Library. Extensive research and analysis has been gathered and prepared in support of Wealth in Community Foundation of North Central Washington Area study. There is considerable information on this region 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=136&Itemid=37

Methodology. We have a detailed methodology paper that explains how the Center prepares Transfer of Wealth (TOW) 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.org/site/index.php?option=com_content&view=article&id=136&Itemid=37

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 Current Net Worth (CNW) and TOW estimates are scenarios. We have worked hard to build conservative and reasonable assumptions. But 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 Wealth in Community Foundation of North Central Washington Area study was sponsored by the Community Foundation of North Central Washington. 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 Beth Stipe, Executive Director, of the Community Foundation of North Central Washington. Her interest in bringing this research to the region and her commitment to encouraging homegrown philanthropy as a potential source of funding for economic renewal is a source of inspiration to many.

We would like to extend our thanks to the Technical Advisory Committee members for helping us to gain a deeper understanding of the region and to produce more meaningful research.

Why this research?

A fair question to ask is: 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 toward 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 an attitude 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 the 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.

The Great Reset

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, foundation sources, and 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 are 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 where wealth and donors might be rooted.

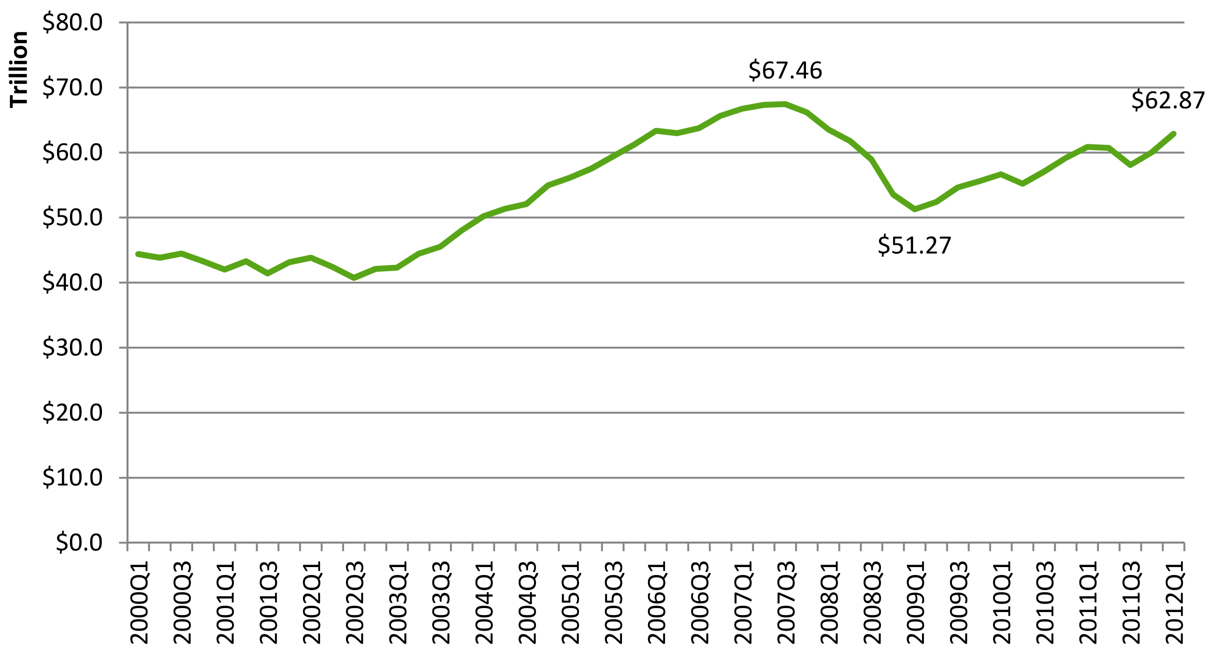
Donors get to decide where they transfer their life's work. Many, if not most, donors love their hometowns and with the right opportunity may be moved to giveback or giveback more. The starting point for growing community endowments that can support community betterment begins with understanding the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

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 give 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 $11.6 trillion or 22.6%.

Figure 1. Recent Trends in U.S. Household Current Net Worth



Source: Z.1 Flow of Funds Accounts of the United States, Board of Governors of the Federal Reserve System

Bottom line, America remains a nation with tremendous personal wealth. The potential for charitable giveback remains strong and is improving with each quarter. In their 1999 landmark report, *Millionaires in the Millennium*, Boston College 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 Center for Rural Entrepreneurship created a new set 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 from 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.

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 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 Community Foundation of North Central Washington area. 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% TOW opportunity giveback, 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 Community Foundation of North Central Washington area and does not include corporate, non-profit or governmental assets.

Based on this analysis, the region is likely to face a significant TOW opportunity beginning as early as 2020.

- Current Net Worth in 2010 of all the counties in the region's households is estimated to be $14.46 billion (or $148,000 per household).
- Over the next 10 years (2011-2020), an estimated $3.71 billion ($38,000 per household) will be available to transfer between generations within the region's households – **the TOW opportunity**.
- If just 5% of the 10-year TOW opportunity were to be captured by local nonprofit organizations such as community foundations, those organizations would realize almost $186 million (or $1,900 per household) – **the TOW capture target**.
- Using a conservative 5% annual payout rate on the endowments this TOW capture might build, approximately $9.3 million ($95 per household) in sustainable annual charitable resources would be generated over the next 10 years to support community economic development and other charitable investments.

Figures 2 and 3 on the following page summarizes the total and per household current net worth (CNW), and the 10-year and 50-year transfer of wealth (TOW) values generated for each of the counties in the study region.

Figure 2. Summary Findings: Current Net Worth and 10-Year TOW Opportunity

	2010 Current Net Worth		10-Year TOW		5% Capture of 10-Year TOW		5% Payout of 5% Capture	
	Value	**PHH**	**Value**	**PHH**	**Value**	**PHH**	**Value**	**PHH**
Place	*Billions*	*Thousands*	*Billions*	*Thousands*	*Millions*		*Millions*	
Chelan	$5.99	$156.1	$1.39	$36.1	$69.31	$1,800	$3.47	$90
Douglas	$3.64	$155.1	$1.02	$43.4	$51.00	$2,200	$2.55	$110
Grant	$3.02	$158.4	$0.82	$42.8	$40.81	$2,100	$2.04	$110
Okanogan	$1.79	$107.7	$0.49	$29.4	$24.47	$1,500	$1.22	$70
Region	**$14.46**	**$148.0**	**$3.71**	**$38.0**	**$185.59**	**$1,900**	**$9.28**	**$95**

Figure 3. Summary Findings: Current Net Worth and 50-Year TOW Opportunity

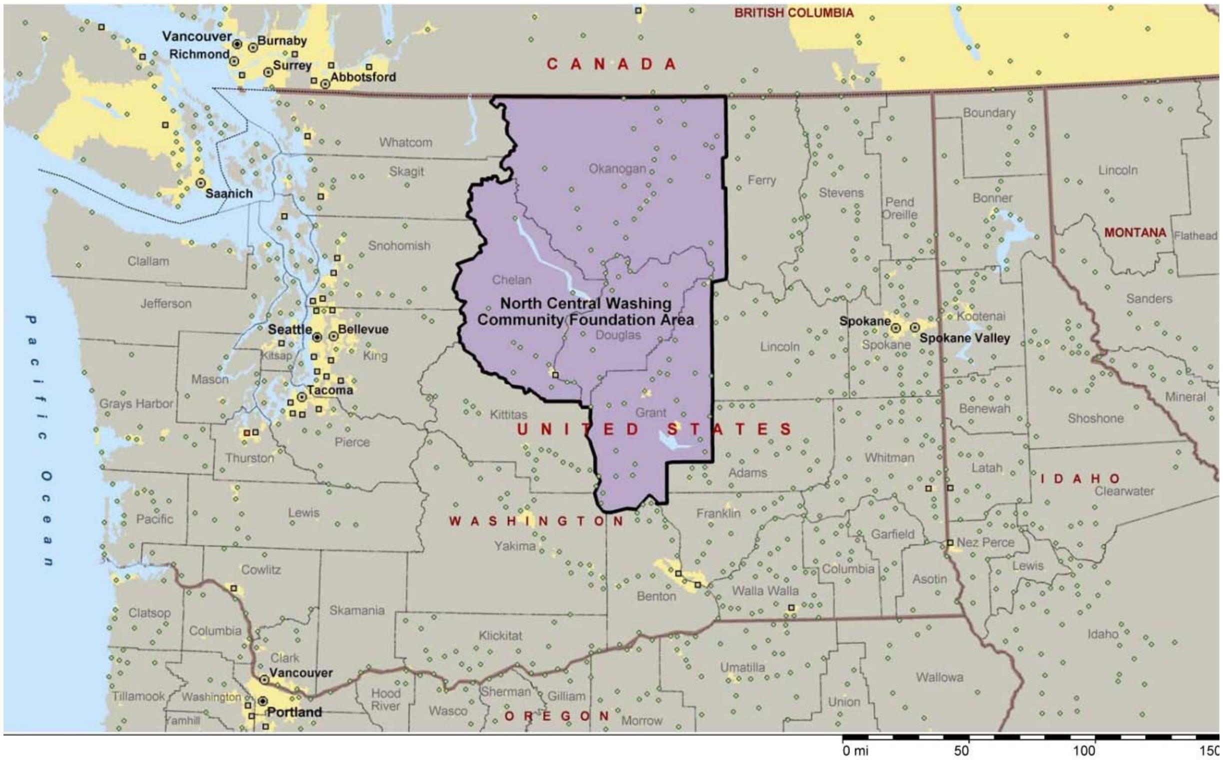
	2010 Current Net Worth		50-Year TOW		5% Capture of 50-Year TOW		5% Payout of 5% Capture	
	Value	**PHH**	**Value**	**PHH**	**Value**	**PHH**	**Value**	**PHH**
Place	*Billions*	*Thousands*	*Billions*	*Thousands*	*Millions*	*Thousands*	*Millions*	
Chelan	$5.99	$156.1	$13.83	$360.0	$691.27	$18.0	$34.56	$900
Douglas	$3.64	$155.1	$11.59	$493.3	$579.39	$24.7	$28.97	$1,200
Grant	$3.02	$158.4	$9.79	$511.0	$487.76	$25.6	$24.39	$1,300
Okanogan	$1.79	$107.7	$4.16	$249.7	$208.00	$12.5	$10.40	$600
Region	**$14.46**	**$148.0**	**$39.33**	**$402.8**	**$1,966.43**	**$20.1**	**$98.32**	**$1,000**

Understanding the TOW Findings

Many factors shape household wealth. Wealth is accumulated over time. The potential for household asset formation is rooted in two very important realities. The first reality is rooted in the household itself and its ability to create and acquire wealth over a lifetime. The second reality is a bit more abstract and relates to the opportunities that are afforded within specific communities, regions and countries. The United States has succeeded where so many countries have come up short economically; i.e., in its ability to afford opportunities to individuals and families. Bottom line, it is much easier to achieve personal economic success in an environment where there is abundance of economic opportunities. In this section of the report we share some insight on the historical factors and trends that have helped shape CNW in this region. These historical issues and trends have footprints that are likely to shape wealth creation into the future. A later section of this report (Scenario Changers) addresses key factors and trends that could change this region's TOW opportunities over time.

Location Matters. The following is a map of the service area of the Community Foundation of North Central Washington.

Figure 4. Map of North Central Washington Community Foundation Area



Location matters with respect to economic development and associated household wealth formation and transfer. This region is located between the metro areas of Puget Sound (Seattle) in the west and Spokane in the east. This region is part of the inter-mountain basin bordered by the Cascades and the Rocky Mountains. Inter-mountain basin regions that are predominately rural in character have clear patterns of development and wealth creation and transfer. This is a remarkable, geographically large and diverse collection of landscapes and communities. Other considerations have shaped and will shape this region's future prosperity including the Hanford Energy Site, development in the Cascades and other forested and mountain areas, the I-90 interstate highway corridor and natural amenities like the Columbia River. This area has considerable assets for future development, but it is not adjacent to larger urban populations.

Development Trends. The following chart provides macro-economic indicators for this region and its counties with comparative indicators for the U.S. and Washington. These indicators include population, employment and personal income trends for the historical period of 1970 through 2010. Population forms the foundation for wealth creation and transfer. Employment is a primary indicator of an economy's ability to empower household wealth creation. Personal income is the starting point for asset accumulation and wealth formation. There are strong correlations between population, employment, personal income, household wealth and transfer drivers and outcomes.

Figure 5. Development trends between 1970 and 2010			
Place	**Population**	**Employment**	**Personal Income**
U.S.	1.29	2.26	4.10
Washington	2.43	3.86	6.42
Region	**2.30**	**2.77**	**4.99**
Chelan	1.93	3.10	4.78
Douglas	3.23	2.85	5.66
Grant	2.81	3.10	5.44
Okanogan	1.48	1.74	4.17
Values represent annual rate of change.			
Source: A Profile of Socioeconomic Measures, Headwaters Economics, Inc.			

During the last 40 year period, population within this region nearly doubled, employment more than doubled and personal income (in real and inflation adjusted values) increased threefold. Within the region there is considerable variability between counties and among the three indicators. For example, Grant County had somewhat slower population growth, but stronger employment and personal income growth. This speaks to the unique character of overall growth. Historical development trends are a foundational point for our analysis, but we must also consider how things are likely to change in the future.

The 2000s – A Lost Decade. Some analysts are now referring to the 2000s as a lost decade. A great deal has been written about Japan's lost decade, and the 2000s in many ways has comparable characteristics. During the depths of the Great Recession, Richard Florida (the author of books and writings on the Creative Class) published his book The Great Reset, How New Ways of Living and Working Drive Post-Crash Prosperity. In this book Florida argues that the Great Recession is more like a depression with respect to its depth and duration of impact. He argues that when there is a *recession* there is a recovery or a return to a pre-recession normal, but with a *depression*, there is no recovery, instead there is a reset. A reset suggests a fundamental change or tipping point that leads to a new trend and reality.

The following chart provides comparable annualized rates of change for the three macro indicators for the 2000 to 2010 timeframe for the region and its counties and compares those values to the U.S. and Washington. What is clear is that in all three indicators growth has slowed dramatically suggesting fundamental changes in the trend line. It is in large part because of this data that the demographic forecasts are more conservative when compared to historical rates.

Figure 6. Macro indicators between 2000 and 2010			
Place	**Population**	**Employment**	**Personal Income**
U.S.	1.0%	0.5%	1.4%
Washington	1.4%	0.8%	1.8%
Region	**1.3%**	**1.1%**	**3.1%**
Chelan	0.9%	1.1%	2.4%
Douglas	1.8%	1.7%	3.0%
Grant	2.0%	1.1%	3.7%
Okanogan	0.4%	0.9%	3.6%
Values represent annual rate of change			
Source: A Profile of Socioeconomic Measures, Headwaters Economics, Inc.			

Now let's move on to a quick review of the underlying economy.

The Region's Economy. This region is rural in character and economy. As a general rule, rural economies grow slower, create somewhat less wealth per household and have more wealth concentrated in fixed assets like land (versus stocks or more liquid assets). This region has seen more volatile growth historically. For example, population change rate by period (5-year increments) for the Region illustrates this volatility:

1970-1975 = 2.3% per year
1975-1980 = 13.9% or dramatically up
1980-1990 = 6.5% & 6.8% or strong growth
1990-1995 = 19.6% or boomtown growth
1995-2010 = average of 6.5% growth

Over this historical period the economy (like most economies in the U.S.) has matured, aged and slowed. One measure of a dynamic economy is the share of personal income associated with labor earnings (current workers) and non-labor earnings. In 1970 the respective shares between labor and non-labor earnings was a very healthy 74% to 26%. In 2010 this ratio was 56% to 44% with just over half of all personal income coming from active workers. This suggests an aging population- rising retiree demographics and more households dependent on safety net programs (transfer payments). This pattern is not unique to this area, but it does suggest a pronounced slowdown in the renewing qualities of the economy directly impacting wealth creation and transfer. Unemployment has been historically high as benchmarked to 1990 (8.5 vs. 5.1% for Washington), 2000 (7.1% vs. 5.0%) and 2008 (7% range vs. 5% range). Unemployment during the Great Recession hit a high of 13% in 2010 and 2011 and remains at or near 10%.

Part of this shift relates to the underlying economic base of the region which is tied to older economic sectors, e.g., farming and ranching, manufacturing, real estate development, government and tourism. These sectors will not go away and are not necessarily antiquated. But they are all undergoing profound retooling. This makes smart economic development very important assuming it is focused on (1) helping existing sectors to reposition for the future and (2) diversifying the economy into new growth areas. A key consideration for philanthropic endowment building could be supporting more robust development investments to enhance economic competitiveness and the ability of the economy to create economic opportunities and wealth.

Assumptions about Demographic Growth. Demographic growth and structure (distribution of age cohorts with the population) are the foundations of our TOW scenarios. This is one of the most important building blocks impacting wealth formation and transfer. Our scenarios include two generations of time; so we are modeling two emergent generational lifecycles. Following this introduction and analysis there are five charts including one for the region and each county's chart. These charts provide annualized population growth rates from 1960 through 2060 by 5-year increments. These charts are color-coded. The brown bars include historical or actual growth rates, the green bars are associated with the Washington State Demographer's forecasts and the red bars are our assumed growth rates for the outer years (beyond the State Demographer's projections).

Three key insights become clear with these graphics. First, a comparison of each graphic illustrates the respective annualized growth rates for the region and counties. Grant County is projected to grow more than Okanogan County. Second, we see the effects of the recessions and slow recoveries. Growth slows following the Great Recession and then rebounds in the back half of the current decade. Finally, we assume more conservative growth over time. Clearly, should growth become more robust our TOW estimates would increase moderately. So the reader can view our current TOW scenarios as conservative or base estimates. A case could be made that there will be stronger growth and TOW potential based on historical patterns.

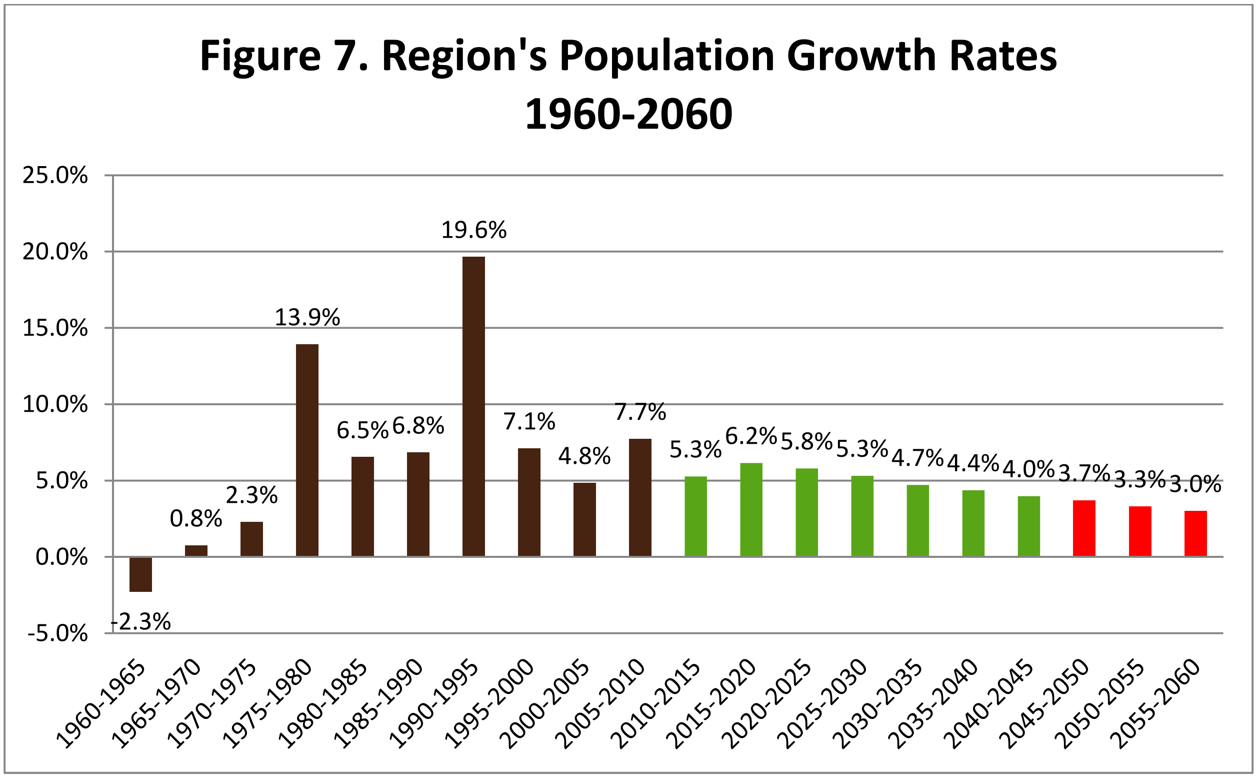


Figure 7. Region's Population Growth Rates
1960-2060
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-2.3%
0.8%
2.3%
13.9%
6.5%
6.8%
19.6%
7.1%
4.8%
7.7%
5.3%
6.2%
5.8%
5.3%
4.7%
4.4%
4.0%
3.7%
3.3%
3.0%
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2055-2060

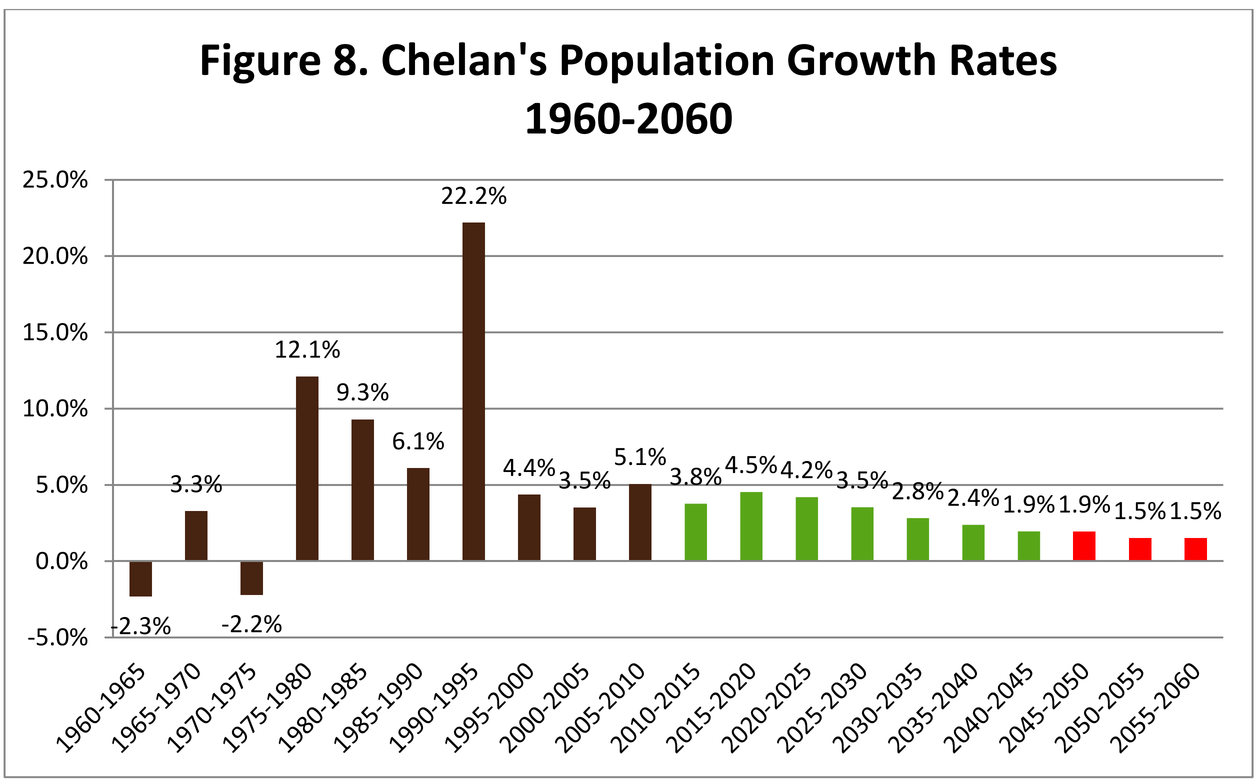
Figure 8. Chelan's Population Growth Rates
1960-2060
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-2.3%
3.3%
-2.2%
12.1%
9.3%
6.1%
22.2%
4.4%
3.5%
5.1%
3.8%
4.5%
4.2%
3.5%
2.8%
2.4%
1.9%
1.9%
1.5%
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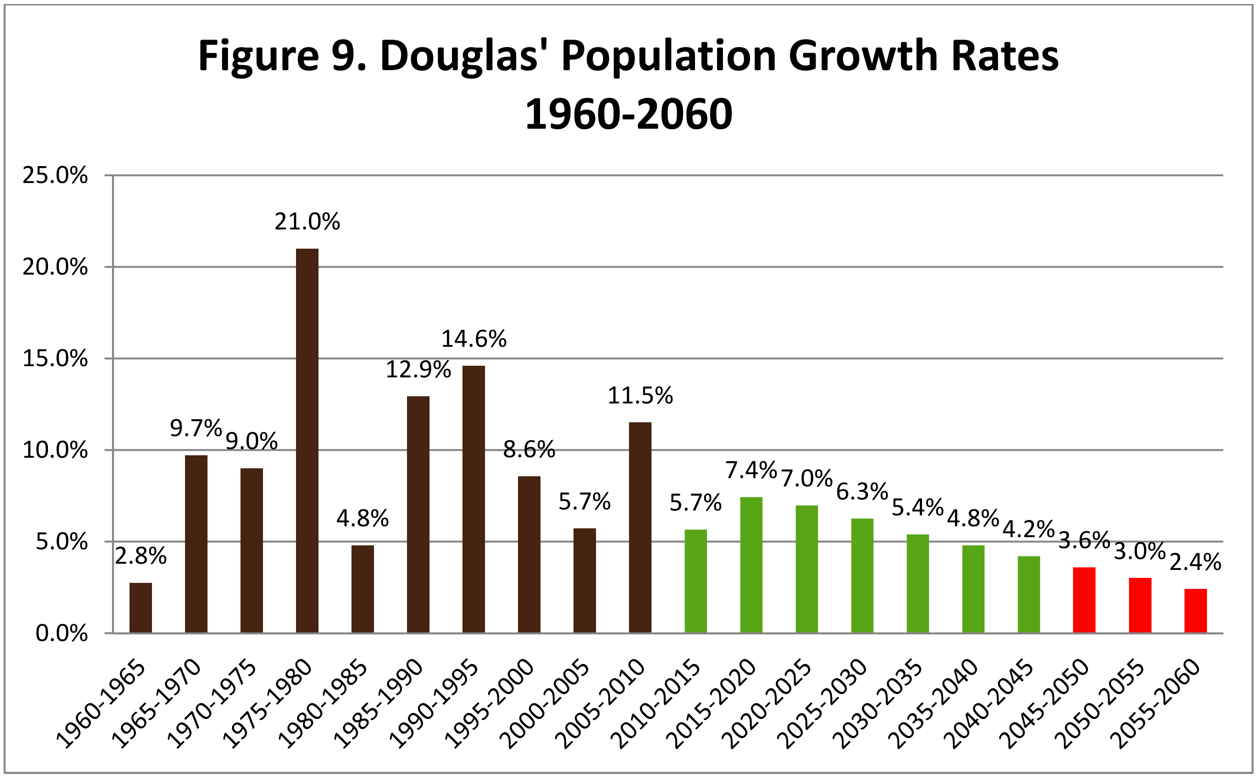
Figure 9. Douglas' Population Growth Rates
1960-2060
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2.8%
9.7%
9.0%
21.0%
4.8%
12.9%
14.6%
8.6%
5.7%
11.5%
5.7%
7.4%
7.0%
6.3%
5.4%
4.8%
4.2%
3.6%
3.0%
2.4%
1960-1965
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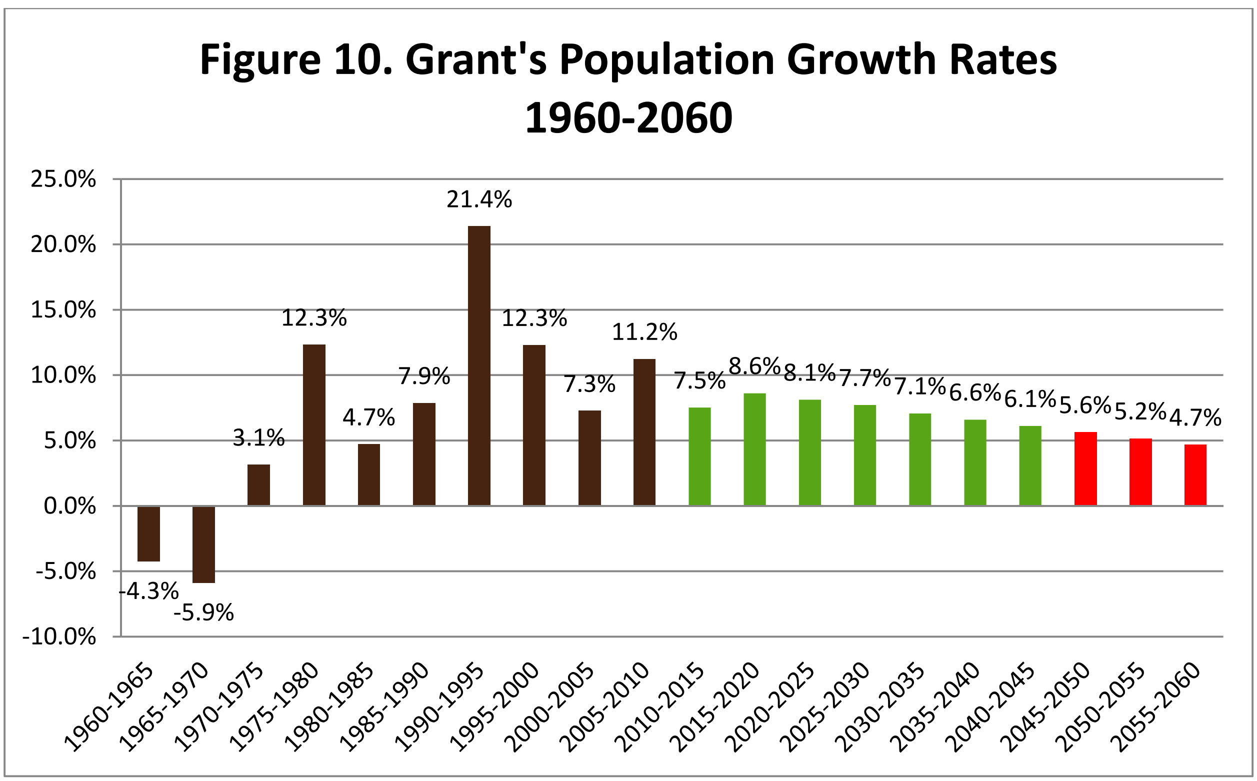
Figure 10. Grant's Population Growth Rates
1960-2060
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-4.3%
-5.9%
3.1%
12.3%
4.7%
7.9%
21.4%
12.3%
7.3%
11.2%
7.5%
8.6%
8.1%
7.7%
7.1%
6.6%
6.1%
5.6%
5.2%
4.7%
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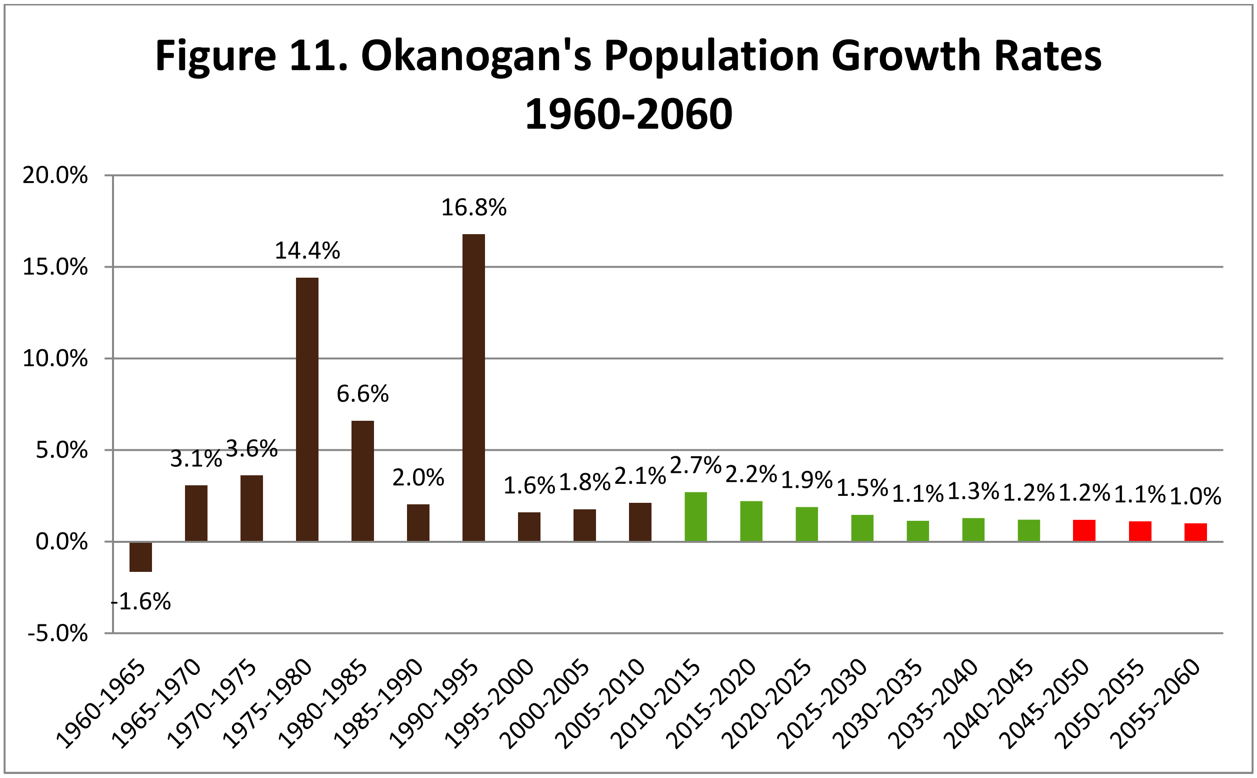


These are ESRI estimates household current net worth for 2010. Detailed U.S., Washington State, regional and county ESRI reports can be found in the Project Electronic Library. There are two specific related reports; Net Worth Profile and Financial Expenditures. The following table provides summary information from this research source. The indicators of current household wealth include:

Median Current Net Worth. The median value is the mid-point value within the net worth range. This means there are an equal number of households with less wealth and households with more wealth.

Mean Current Net Worth. The mean value is the average or the total of all wealth divided by the number of households. This value times the number of households will create an estimate of total household current net worth in 2010.

Median/Mean Ratio. This ratio is the mean CNW divided by the median CNW, which provides an indicator of wealth distribution. The higher the ratio value the greater the wealth disparity within a community.

Millionaires. This value indicates the percent of households within a community that have estates with one million or more in value.

Average Stock, Bonds & Mutual Funds Holdings. This indicator provides the average or mean value of stock, bond and mutual fund holdings. This value times the number of households in a community can estimate total holdings of these kinds of assets.

Figure 12. Summary Indicators in 2010

Place	Median Net Worth	Mean Net Worth	Ratio (Mean/Median)	Share of Households with $1Million+ in Wealth	Average Investment
U.S.	$93,000	$419,000	4.51	7.6%	$37,800
Washington	$112,000	$459,000	4.10	7.8%	$40,500
Region	**$67,000**	**$269,000**	**4.01**	**3.5%**	**$31,200**
Chelan	$79,000	$334,000	4.23	5.0%	$37,300
Douglas	$89,000	$287,000	3.22	3.3%	$33,300
Grant	$60,000	$237,000	3.95	2.7%	$28,200
Okanogan	$47,000	$199,000	4.23	2.2%	$25,500

Average investment includes stocks, bonds and mutual funds.

Source: ESRI, Inc.

The region and its counties have lower CNW, millionaires and investment (stock, bond and mutual fund holding) when compared to both Washington and the Nation. Nevertheless, for a primarily rural region these are relatively positive values. There are two important considerations that must be shared with respect to this slice of wealth in North Central Washington.

The first consideration is that these values are estimates based on the kinds of households present within each community. These estimates include all types of assets (as defined by the Federal Reserve's accounting system). Our CNW and TOW estimates have been discounted to reflect assets that are unlikely to come into play for charitable giving. These assets include highly depreciable assets like motor vehicles, assets that are hard to value like art and jewelry and closely-held family businesses farms or hardware stores (where only a portion of the asset is likely to become available for giveback under normal estate conditions).

The second consideration is that these ESRI estimates likely under-estimate certain kinds of wealth. In rural areas we find a higher percentage of households that are cash poor and asset rich. Farmers and ranchers can often be characterized this way. They have significant wealth associated with their land holdings. But this wealth comes into play when the land is sold. The same is true for most closely-held non-farm businesses whether that is a local grocery store, community bank or regional telephone company. The rooted wealth in rural North Central Washington is likely to be greater than the ESRI estimates indicate.

Donor Opportunity Areas

Fifteen Tapestry household segments account for nearly 91% of all household types in this region of Washington. Eight (13.2% of all households) of these segments are related to senior citizens. Other 10 segments (52% of all households) are associated with rural and small town rooted households types. The first table on the next page provides a summary of ESRI's household groups for the region. Detailed profiles can be found in the associated report in the Project Electronic Library.

With the ESRI household types as background, we have identified the following Donor Opportunity Areas for this region. We cannot quantify the extent of these donors based on our current scope of work. Based on our detailed analysis we believe there are strong indications that these groups are present in significant numbers. Other groups may be present and we encourage the reader to spend time with our National Profiles (the fuller menu of donors) which can be found in the Project Electronic Library.

We hope this information can be useful to the Foundation and its partners in the all-important work of donor identification and development. This list can be used to begin conversations around the kinds of donors likely present within each community within the region.

Figure 13. Tapestry segmentation by lifestyle in 2010			
Tapestry Number	**Household Tapestry Segment**	**Household Share**	**Cumulative Share**
26	Midland Crowd	14.2%	
31	Rural Resort Dwellers	11.9%	
17	Green Acres	8.0%	
33	Midlife Junction	6.6%	
41	Crossroads	5.9%	**46.6%**
24	Main Street, USA	5.7%	
7	Exurbanites	4.9%	
47	La Casas	4.7%	
38	Industrious Urban Fringe	4.0%	
46	Rooted Rural	3.7%	**69.5%**
49	Senior Sun Seekers	3.6%	
28	Aspiring Young families	3.0%	
57	Simple Living	2.8%	
13	In Style	2.4%	
50	Heartland Communities	1.8%	**83.1%**
Source: ESRI, Inc.			

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 and the potential for giveback and the motivation to be charitable with their wealth. Advancing community philanthropy is based on two important donor realities – capacity to give back and motivation to leave personal wealth to a community or organization. Our TOW opportunity scenarios primarily address, at a macro level, the capacity of a community for charitable giveback.

Our donor opportunity areas begin the process of illustrating specific kinds of donors and their giveback capacity. The work facing foundations and communities is discovering and developing motivation to give back.

Thrifty Retirees Every community has them. Thrifty retirees are part of the social fabric of urban neighborhoods to rural villages. These are folks who work hard, spend less than they make, save and invest well and build modest estates over their lives. Generally they are rooted and inclined to give back.	**Cash Poor & Asset Rich** Farmers and ranchers are great examples (but there are other groups) of asset rich and cash poor households. Their wealth is embedded in the land or their business. When their estates are transitioned some of this wealth becomes available for community giveback. They are often rooted and want to give back.
Former Residents They grew up on the south side of Chicago or a farming community in North Dakota. They still call where they grew up home even though they may have been gone for some time. They stay connected and they care about their hometowns. They would like to giveback but are often forgotten as potential donors.	**Closely-Held Family Businesses** This is "main street" America. While this part of America has changed and even declined in some communities, closely-held family businesses are still found in most communities. For the families that own them and invest in them, this represents a potential donor group with both capacity and motivation for giving.
Thriving Lifestyle For many Americans there is a deep connection between their personal and business lives. These are lifestyle entrepreneurs. Unlike growth entrepreneurs they are rarely rich, but they are often very successful, rooted in their communities and engage in charitable giving. They are likely candidates for legacy giving.	**Regular Part-Time Residents** We need a more descriptive name, but these are the folks who regularly spend time in our communities but have their legal residence elsewhere. They are the folks who have vacation, second or retirement homes in our mountain or seashore communities. They have multiple hometown connections, but they can become donors in their part-time home.
Farmers & Ranchers Personal wealth has long been associated with land ownership. While corporate agriculture has become part of the American scene, there continues to be substantial numbers of closely-held family owned farms and ranches. In some parts of the country there is significant wealth and giveback associated with appreciating agricultural real estate.	**Amenities** Across America there are unique landscapes with special amenities such as water, mountains, hunting resources, views or recreational resources. These amenities have value. Those owning these assets can often realize wealth by creating access for those seeking these amenities. These resources are finite with an ever growing population.

Scenario Changers

The inset on the right provides an overview of scenarios and why we use this methodology in forecasting your TOW opportunities. So much has changed over the past 50 years and much will change in the coming five decades. Your TOW scenarios are based on conservative and reasonable assumptions about the future. Any significant change in these factors can increase or decrease your specific TOW opportunities. The following scenario changers are likely factors worth watching that could impact the accuracy of your TOW scenarios. We encourage the users of this research to keep these factors in mind over time.

Macro Economy. Globalization and changing national (Washington) economy will impact future development in this region. A more prosperous global, national and state economy will enhance wealth formation and TOW opportunities for North Central Washington.

Regional Economy. Regional economies are king and largely shape the prosperity of local economies. Any factors that impact regional competitiveness and development will impact wealth formation and transfer patterns in the coming decades.

Great Recession Hang Over. The

Great Recession is more like a depression with respect to its likely impact on households. The reset or recovery is slow and uncertain. This pattern is impacting the recovery of lost household wealth (depressed real estate values for example) and the rate of new household wealth formation. We assume that the U.S. will not fall back into deep recession and we assume the slow recovery will extend for a full decade. Any changes from these assumptions will impact our TOW estimates.

Dependency. This region has been undergoing economic and social restructuring for some time. The 9-11 and Great Recessions only deepened these trends and impacts. Presently nearly one in four personal income dollars is from transfer payments. Transfer payments include Social Security, Medicare, disability assistance, public assistance, unemployment and other forms of passive (income not realized through active work) income. Transfer payments are relatively high compared to other regions, the State of Washington and the U.S. values. These payments are critical to the welfare of certain families. Changes in government policy could stagnate or reduce transfer payments, which given the region's dependency rate on transfer payments, could undermine economic performance and wealth status now and into the future.

Immigration. Considering the past decade, over 40% of the region's population growth is due to international migration. For a non-metropolitan area, this is very high and suggests important trends are at work. Domestic (movement within the United States and the region) migration was slightly positive (+329 residents for the decade). Given the relatively high birth rate and positive natural (births over deaths) population change, this suggests that the region is losing current residents through out-migration. Any significant change in either of these patterns will impact our TOW scenarios.

Retirees. America is aging and so is the region. The retirement of the Baby Boom generation has and is having a profound impact on most aspects of American communities. Our demographic projections assume a growing retiree population. Wealth tends to concentrate in older households and the probability of estate transfer rises as well. There are two potential deal changers. The first deal changer relates to the potential that this region will attract new retiree residents increasing potential TOW opportunity. The second deal changer relates to the potential of resident retirees leaving the community followed by the rest of the family members leaving the community.

Old & New Economy. This region is heavily dependent upon old economy (e.g., farming and ranching, manufacturing, real estate development and tourism). Its ties to the new economy and likely areas where there will be stronger growth and prosperity are relatively weak. Development efforts can impact both of these realities resulting in a more or less prosperous future. Even with old economic sectors, smart development efforts can ensure continued competitiveness and success through repositioning.

TOW Opportunity Timing

The following four figures provide TOW Opportunity Timing charts for each of the four counties within the Foundation's service area. These charts provide the county's trend lines benchmarked to the region and the U.S. trend lines.

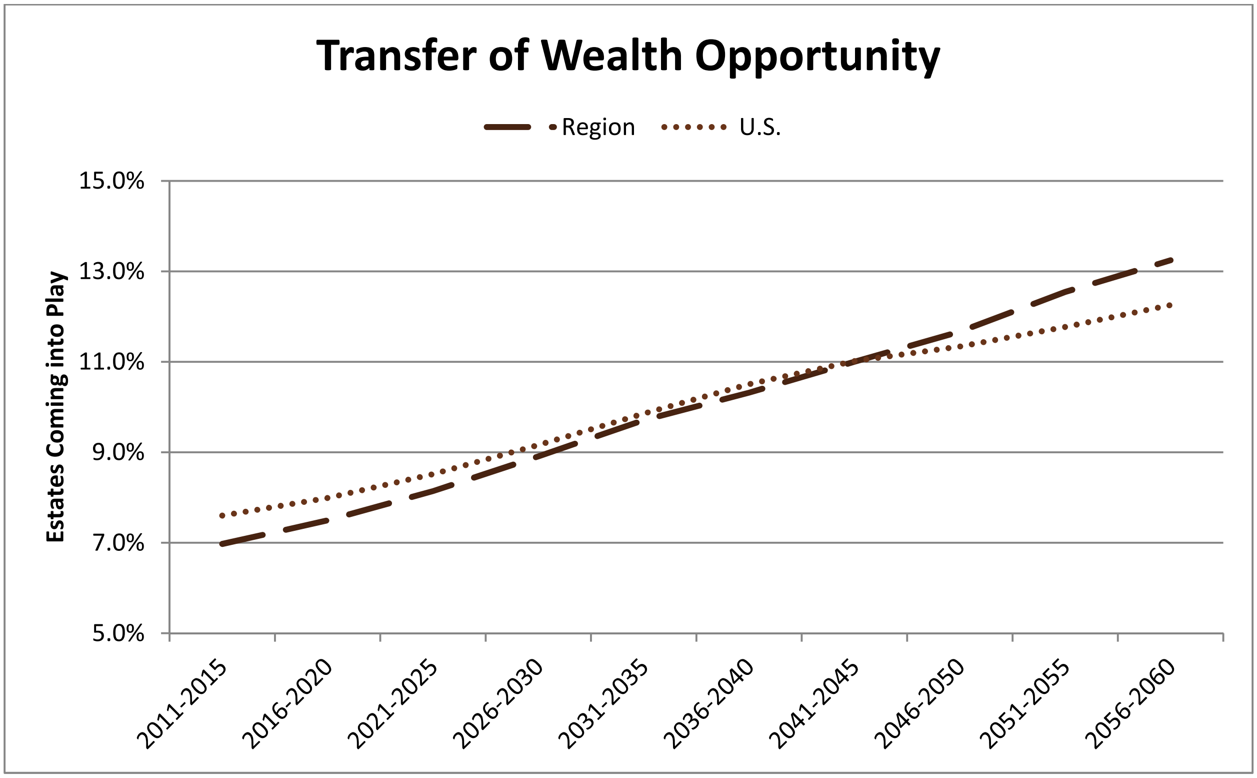
Chelan County. The first chart in the series is for Chelan County in the west central part of this region. Chelan County is growing and has an increasing TOW opportunity over time. It reflects a trend line very comparable to the region.

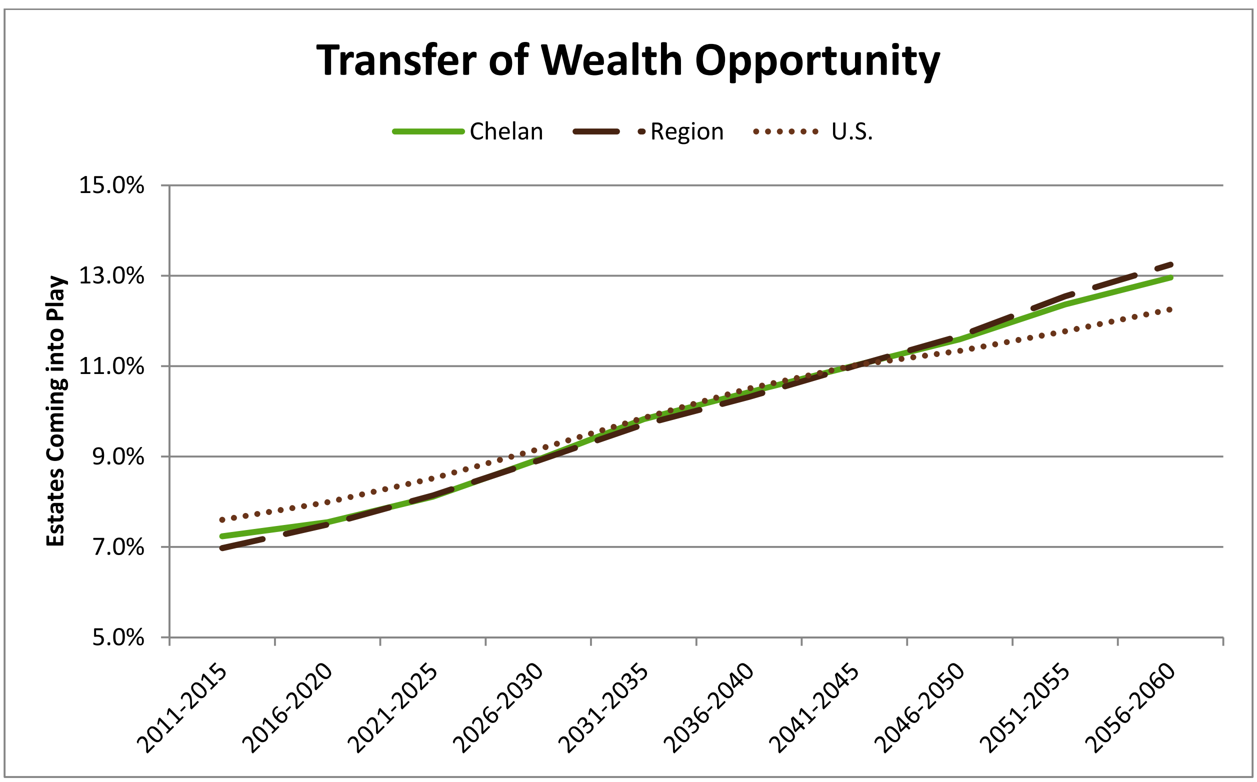
Douglas County. Douglas County is the second fastest growing population within the region. It has the steepest TOW Opportunity trend line indicating that its giveback potential increases over the five decade period.

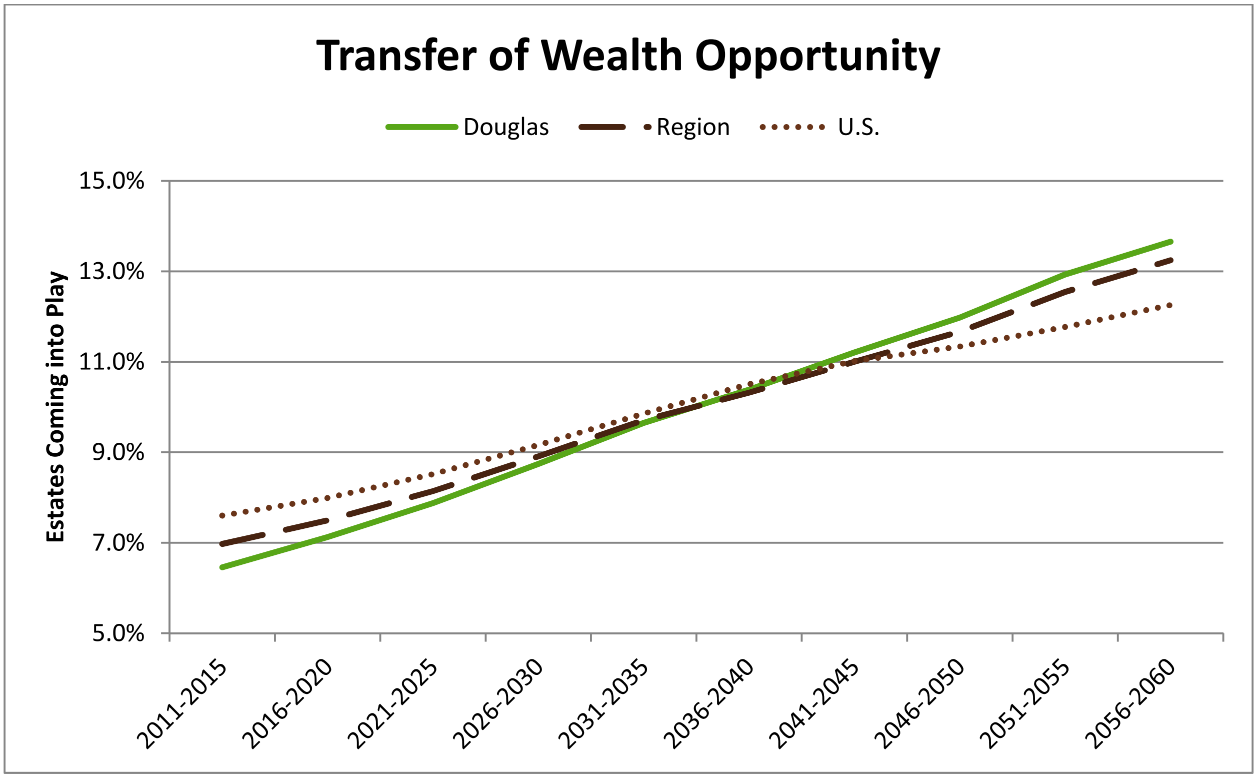
Grant County. Grant County located in the southeastern portion of the region has the fastest growing population and consequently the steepest TOW Opportunity trend line.

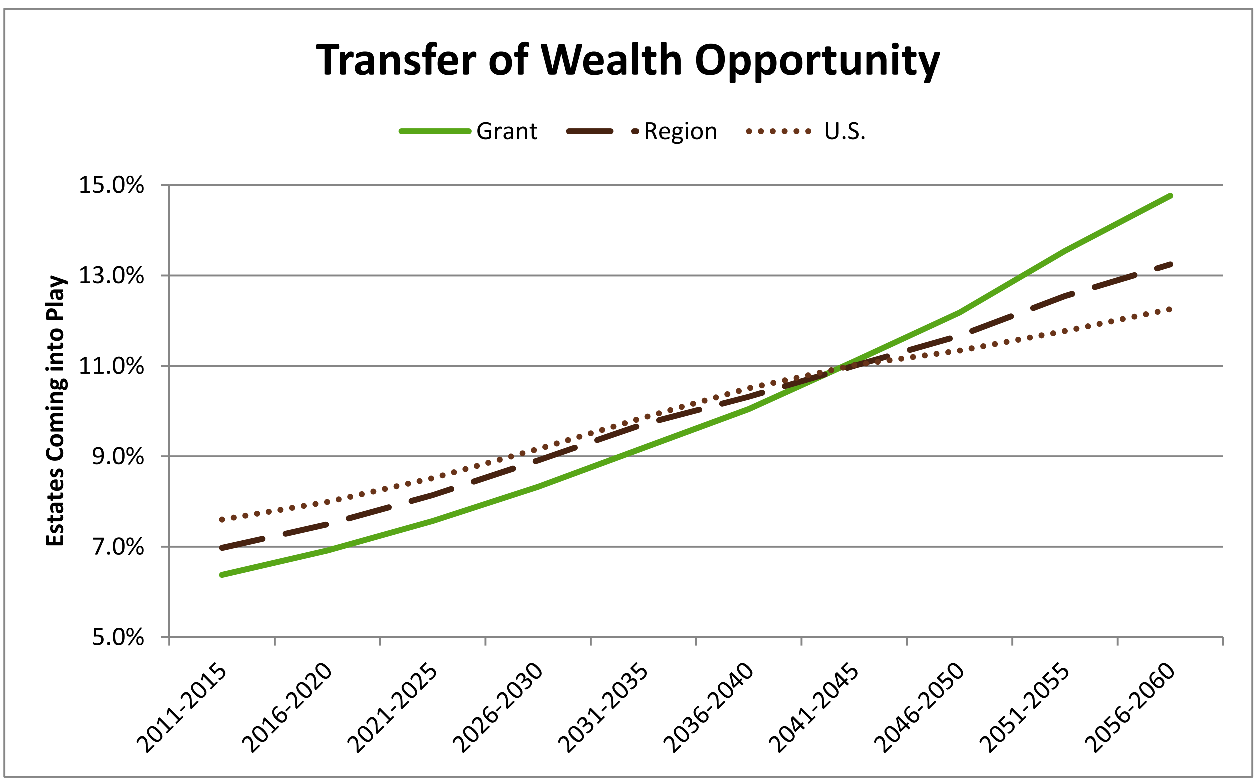
Okanogan County. Okanogan County is the northern most county and has the weakest population growth rate. This community is aging and its TOW opportunity peaks in the 2030-2035 timeframe and then slowly declines. There is urgency for philanthropic action as the potential for giveback moderates over time.

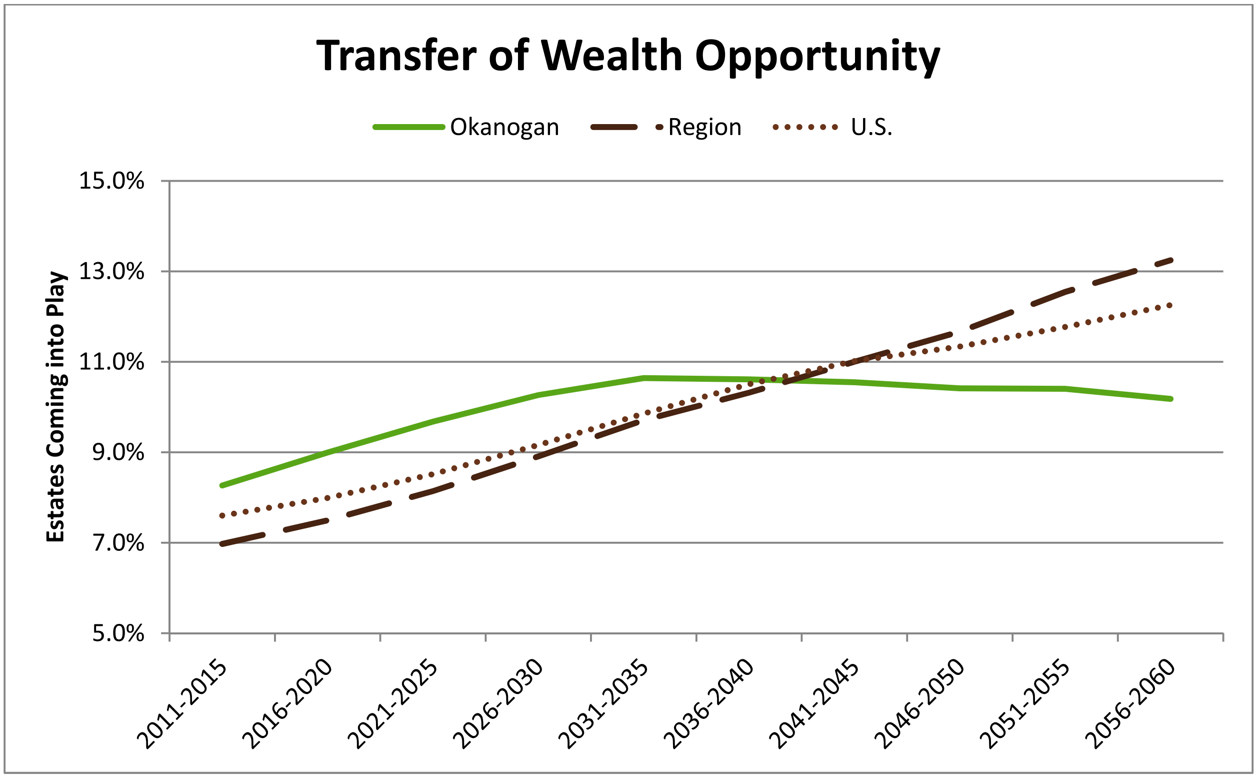
Every community has TOW potential and each year estates are transitioned. Mobilizing for increasing donor engagement is warranted in all four counties.


Transfer of Wealth Opportunity
Region
U.S.
Estates Coming into Play
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2011-2015
2016-2020
2021-2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060


Transfer of Wealth Opportunity
Chelan
Region
U.S.
Estates Coming into Play
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2011-2015
2016-2020
2021-2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060


Transfer of Wealth Opportunity
Douglas
Region
U.S.
Estates Coming into Play
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2011-2015
2016-2020
2021-2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060


Transfer of Wealth Opportunity
Grant
Region
U.S.
Estates Coming into Play
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2011-2015
2016-2020
2021-2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060


Transfer of Wealth Opportunity
Okanogan
Region
U.S.
Estates Coming into Play
15.0%
13.0%
11.0%
9.0%
7.0%
5.0%
2011-2015
2016-2020
2021-2025
2026-2030
2031-2035
2036-2040
2041-2045
2046-2050
2051-2055
2056-2060

The Center for Rural Entrepreneurship's vision for rural America is one of vibrant communities and regions that embrace entrepreneurship, that find new sources of competitive advantage in their inherent assets, and that invest in a new more sustainable future for both present and future generations. The Center's mission is to help our local, regional and state partners achieve this future by connecting economic development practitioners and policy makers to the resources needed to energize entrepreneurs and implement entrepreneurship as a core economic development strategy.

These development efforts require financial resources. Most traditional sources of funding are challenged as governments, businesses and foundations struggle to meet rising community needs. A core program area for the Center is Community Development Philanthropy, where our team helps your community, region or state build a community wealth road map. Our Transfer of Wealth (TOW) research offers insight into possibly the greatest opportunity to tap new, significant and sustainable funding streams in support of growing better and stronger communities. For many communities and regions, TOW research can help jump start important conversations leading to greater community giveback.

The Center has conducted TOW studies for clients around the nation for more than 10 years, and has published a book titled, *Transfer of Wealth in Rural America: Understanding the Potential, Realizing the Opportunity, Creating Wealth for the Future.* More product offerings are planned under our Community Development Philanthropy area.

To learn more about the Center's history and program areas, go to www.energizingentrepreneurs.org.

The Rural Policy Research Institute (RUPRI) provided founding support to create the Center for Rural Entrepreneurship in 2001. RUPRI's mission is to provide independent analysis and information on the challenges, needs, and opportunities facing rural people and places. The work of the Center for Rural Entrepreneurship, along with other centers and collaborations, helps RUPRI achieve this mission. To learn more about RUPRI, visit www.rupri.org.