Center for Rural Entrepreneurship

energizing entrepreneurial communities

WEALTH IN VERMONT UPDATED

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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.

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COMMUNITY™ DEVELOPMENT PHILANTHROPY Transfer of Wealth

Important notes in using this research

Electronic Library. Extensive research and analysis has been gathered and prepared in support of Wealth in Vermont Update 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=131&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=131&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 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 Wealth in Vermont Updated study was sponsored by Vermont Community Foundation. This analysis could not have been completed without the assistance and counsel of numerous organizations and individuals.

We would like to recognize the leadership and active support of Stuart Comstock-Gay, President & CEO and Peter Espenshade, Vice President for Philanthropy of the Vermont Community Foundation and Holly Tippett, Advisor. Their interest in bringing this research to Vermont 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 Deb Brighton, Treasurer and Fiscal Analyst for helping us to gain a deeper understanding of Vermont and to produce more meaningful research.

Why this research?

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.

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.

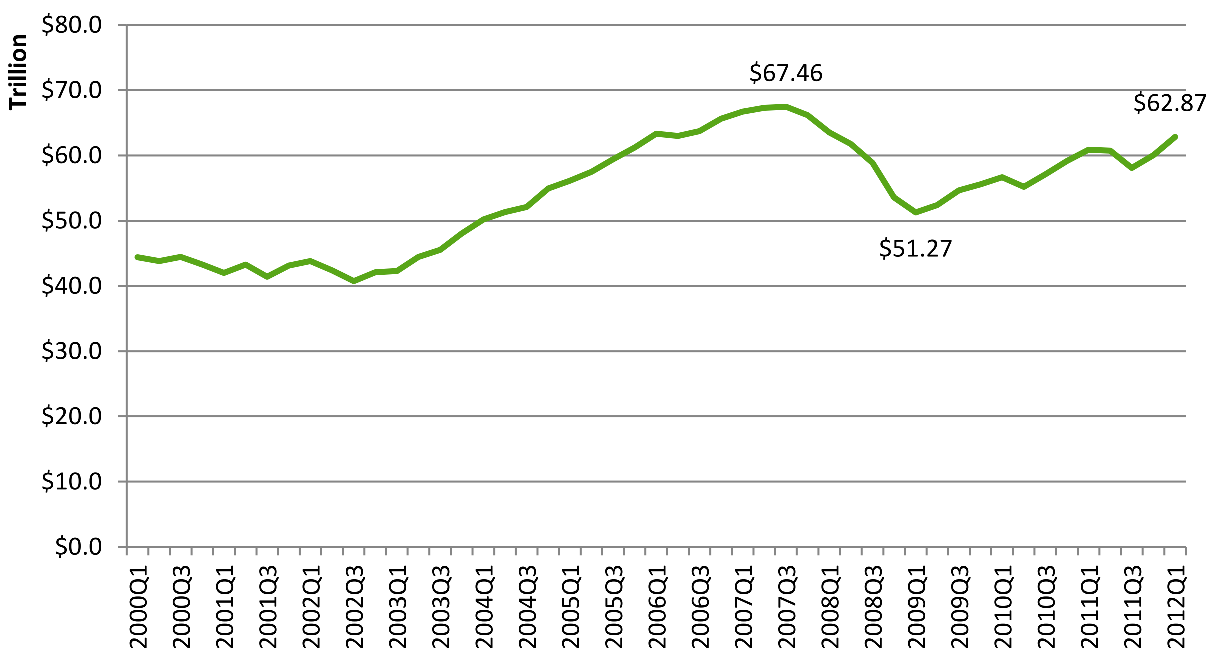
Call to Action. Whether in a rural community, where depopulation is undermining community vitality, or a larger city where retirees with wealth are migrating to warmer climates, this research can be used to create a call to action. Oftentimes financial advisors can be asked to share stories that verify 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 $11.6 trillion or 22.6%.

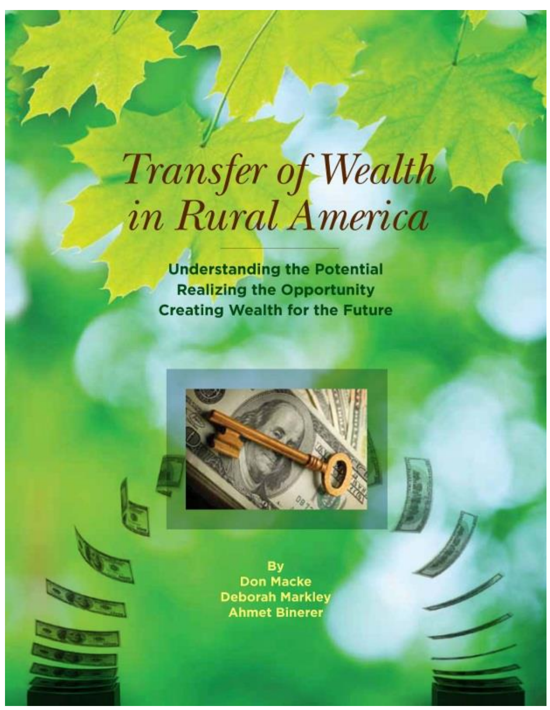
Figure 1. Recent Trends in U.S. Household Current Net Worth



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 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.



Center for Rural Entrepreneurship, 2011

Executive Summary

Across the United States and the world, the Great Recession (2007-2009) has dramatically impacted household wealth holding and the capacity of many households to rebuild assets and wealth. Vermont is no different. Vermont was not impacted as severely as some states. However, the Great Recession, the uncertainty and slow recovery are impacting Vermont's Transfer of Wealth (TOW) opportunity. On the other hand, other trends are also asserting themselves resulting in significant TOW opportunity for Vermont and its communities.

The Vermont Community Foundation commissioned Center for Rural Entrepreneurship to update its original transfer of wealth study titled 'Wealth Transfer in Vermont'. The Center's TOW team analyzed historical trends and current data to develop likely scenarios of how many assets currently exist in households across the state. Using conservation estimates of economic growth, the team estimated the value of assets over the next 10, 20 and 50 years **– the transfer of wealth 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 transfer of wealth capture target**. This transfer of wealth analysis is specific to the residents of Vermont and does not include corporate, non-profit and government assets.

Summary of Findings. Based on this analysis, Vermont is likely to face a significant transfer of wealth (TOW) opportunity.

- 2010 Current Net Worth of all Vermont households is estimated to be $53.16 billion or $209,000 per household.
- Over the next 10 years, an estimated $10.5 billion or $41,400 per household will be available to transfer between generations in Vermont households – **the transfer of wealth (TOW) opportunity**. Over the next 20 years, the TOW opportunity is estimated to be $25.2 billion or $98,900 per household.
- 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 Vermont communities, those organization would realize around $526.7 million. This same 5% capture over 20 years is an estimated $1.3 billion.
- Using a conservative 5% annual rate of return on the endowments this TOW capture might build, approximately $26.3 million would be generated over the next 10 years to support community economic development and other charitable investments – **the TOW capture target**. Over 20 years, approximately $62.9 million would be generated.

Table 1 summarizes the total and per household current net worth, 10-Year, 20-year and 50-Year transfer of wealth scenarios generated by the model and compares Vermont values to the U.S. values.

Table 1. Summary Findings

Finding	Vermont		U.S.	
	Total Estimated Value	Per Household (PHH)[1] Estimated Value	Total Estimated Value	Per Household Estimated Value
2010 Current Net Worth	**$53.2 Billion**	**$209,000**	**$28.1 Trillion**	**$234,700**
10-Year (2010-2020) Transfer of Wealth Opportunity	**$10.5 Billion**	**$41,400**	**$6.2 Trillion**	**$51,500**
5% Capture Target	$526.7 Million	$2,100	$308.1 Billion	$2,600
5% Payout Potential	$26.3 Million	$100	$15.4 Billion	$130
20-Year (2010-2030) Transfer of Wealth Opportunity	**$25.2 Billion**	**$98,900**	**$15.4 Trillion**	**$128,800**
5% Capture Target	$1.3 Billion	$4,900	$769.7 Billion	$6,400
5% Payout Potential	$62.9 Million	$250	$38.5 Billion	$320
50-Year (2010-2060) Transfer of Wealth Opportunity	**$100.2 Billion**	**$394,000**	**$75.1 Trillion**	**$628,100**
5% Capture Target	$5.0 Billion	$19,700	$3.8 Trillion	$31,400
5% Payout Potential	$250.5 Million	$985	$187.7 Billion	$1,600

Our TOW Opportunity scenarios estimate the **capacity for household philanthropic giveback**. We do not estimate the **motivation for giveback** or the likely giveback that will occur over the study period. Understanding the capacity for giveback can enable awareness and goal setting. Expanding philanthropic giveback is dependent on how communities engage in community development

[1] Per household (PHH) values of current net worth and transfer of wealth are divided by the number of households in 2010.

philanthropy. We wish the Vermont Community Foundation, the communities of Vermont and its residents the very best in realizing this state's greatest potential for philanthropic giveback.

Vermont and Its Transfer of Wealth Opportunity

Different places with varying customs and economies create household wealth in unique ways. In this section of our report, we provide background on Vermont, its economy and its household wealth characteristics.

Location. Location and geography shape in part the wealth creating potential of communities. Vermont is rural in character and somewhat isolated when compared to other New England states. But it is also located in a region anchored by three major metropolitan areas – Montreal, New York and Boston. This location has shaped how Vermont has developed and will likely impact its wealth creating trends well into the future.

Table 2. State-to-State migration flows for population 1 year and over in 2010

	In-Migration	Out-Migration	Net-Migration
State	**22,529**	**18,380**	**4,149**
New York	*18.0%*	*15.8%*	*27.9%*
Massachusetts	*16.0%*	*8.3%*	*50.0%*
New Hampshire	*12.3%*	*14.0%*	*4.7%*
Florida	*9.2%*	*7.8%*	*15.0%*
Connecticut	*5.7%*	*2.5%*	*20.0%*
California	*4.4%*	*2.9%*	*11.5%*
Other[2]	*34.5%*	*48.8%*	*-28.9%*

Source: 2010 American Community Survey 1-Year Estimates, U.S. Census Bureau

Table 2 illustrates in and out migration flows for Vermont. According to ACS, 22,529 people moved in to Vermont and 18,380 people moved out of Vermont in 2010. Thus, Vermont experienced a net increase of 4,149 people in its population. Collectively, people from New York and Massachusetts represent close to 78% of net migration in Vermont.

Sociology. Vermont, based on its population size and location, has greater household diversity[3] in terms of lifestyle and urbanization than one might expect. According to a study[4] conducted by Wu at the Virginia Commonwealth University, "Creative industries tend to cluster in large cities and regions that offer a variety of economic opportunities, a stimulating environment and amenities for different lifestyles." Furthermore individuals working in these creative industries, on average, earn more income. According to Survey of Consumer Finances 2010, there is a positive relationship between income and wealth

Table 3. Distribution of Tapestry Groups by Lifestyle in 2010

Tapestry Groups	% of Population
American Quilt	25.4%
Upscale Avenues	23.2%
Traditional Living	13.8%
High Society	8.5%

Source: Tapestry Segmentation Area Profile, ESRI

[2] Other category includes the rest of the States.
[3] In this report diversity describes household types according to their lifestyle and urbanization. A detailed explanation of these household types can be accessed through http://bit.ly/O5o1Rr.
[4] Wu, Weiping. (2005). *Dynamic Cities and Creative Clusters.* World Bank Policy research Working Paper 3509.

holding. On average, the higher the income of a household is, the higher the wealth holding of that household.

Compared to other rural states like Wyoming or Nebraska, Vermont's population is considerably more diverse. We employ household type research from ESRI. This information can be found in the Project Library. ESRI has classified all U.S. households into one of 66 household types or what they call Tapestry Groups. Table 3 displays tapestry groups by lifestyle in 2010.

The ESRI research suggests there are 37 (out of 66) types of households by lifestyle groups. We have included a table displaying the top 10 lifestyle groups in Vermont in the Appendix section of this report. Again, diversity is important as it tends to contribute to and increase overall economic activity and wealth creation potential.

ESRI's Tapestry Groups

Our research and analysis for Vermont includes provision of ESRI's Household Tapestry Groups. ESRI is one of America's leading market research firms. It has segmented American households into one of 66 distinct groups based on unique household characteristics. The primary focus of this research is to help companies market to the right customers. But we use this information to provide greater insight into possible donor groups supportive of philanthropic giveback strategies.

Demographics. Compared to most other states, Vermont has a smaller population with less than one million residents (626,000 in 2010). When compared to the U.S., Vermont has relatively comparable demographic performance. According to the U.S. Census, between 2000 and 2011, Vermont witnessed a 3% population increase (+17,236 residents). 80% of this increase was due to natural change (birth over deaths). But migration was also positive accounting for 20% of the overall growth. Domestic migration (movement among the states) was negative at (1,956). International migration was relatively strong at 5,503 for this period. International migration typically leads to greater diversity and stronger long-term economic performance and wealth creation.

Table 4. Economic Performance of Vermont between 1970 and 2010 compared to the U.S.
Values represent annual growth rates.

Indicators	Vermont	U.S.
Population	1.01%	1.29%
Employment	2.62%	2.28%
Personal Income	4.41%	4.10%
Average Earnings per Job	0.32%	0.37%
Per Capita Income	2.43%	1.97%

Source: A Profile of Socioeconomic Measures, Headwater Economics

Economy. Long-term trends are important in shaping our TOW opportunity scenarios for Vermont. Considering the past 40 years, 1970 through 2010, in table 4 we provide the annualized rates of change for five key economic indicators for Vermont and compare those to the U.S. values.

Table 5. Total Income by Source in 2010

Source	Vermont (Billion)	U.S. (Trillion)
Retirees	$4.7	$2.1
Government	$3.4	$1.7
Health Care & Social Services	$2.6	$1.0
Manufacturing	$2.2	$0.9
Retail Trade	$1.4	$0.6
Professional & Technical Services	$1.4	$0.9
Construction	$1.2	$0.5

Source: A Profile of Socioeconomic Measures, Headwaters Economics

With the exception of population growth, Vermont registers stronger historical growth indicator values when compared to the United States' averages. A more complete historical review of Vermont's economy suggests relatively strong and stable development. It has not seen the booms of some communities and it also has not seen the economic busts that many boom communities have experienced. Unemployment rate trends illustrate this finding. Peak unemployment in Vermont occurred in March of 2009 at 7.9% compared to a U.S. peak value of 10.6% in January 2010. Unemployment rates in Vermont remained elevated well into 2010 with a second peak of 7.6% in March of 2010. Unemployment rates have fallen back into the 5% range in 2012 well below the U.S. average rates.

Places like Vermont with relatively strong and stable economies tend to create more rooted household wealth when compared to economies that experience cycles of boom or bust (let alone those that are experiencing chronic and severe decline).

Vermont, again for its size and location, has a relatively diverse economy. Based on personal income generated by major economic sectors for 2010, table 5 displays the primary drivers of Vermont's economy and wealth creation.

Embedded in these and other sectors is Vermont's tourism, seasonal visitors and recreational economies. It is important to note the relatively large "professional and technical services" sector. According to the U.S. Census Bureau:

"The Professional, Scientific, and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries and, in some cases, to households. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services."

This is a strong indicator of an "innovation" based economy. Communities and economies with a strong innovative entrepreneurial class tend to have higher innovation rates and new wealth creation levels.

Wealth. ESRI, employing assorted research, generates two profiles of wealth for Vermont. Wealth is composed of three major asset[5] types: home ownership, business ownership and investment income. The first profile looks at median and mean wealth holding by age cohort for 2010. These are unadjusted numbers and provided one view on wealth holding in Vermont. The second profile provides a review of household financial indicators. Both of these profiles can be found in the Project Electronic Library. Table 6 provides a snap shot of Vermont wealth holding for 2010 compared to benchmark values for the United States employing the ESRI research.

Table 6. Indicators of Wealth in 2010

Indicator	Vermont	U.S.
Median CNW	$111,000	$93,000
Mean CNW	$416,000	$419,000
Median to Mean Ratio	3.75	4.51
% of Millionaire Households	6.8%	7.6%
Source: Net Worth Profile, ESRI		

These values tend to under-represent wealth associated with agricultural and timber lands and closely-held family businesses. Relative to the U.S., Vermont has higher concentrations of all three types of wealth. Overall, Vermont has stronger median CNW and very similar average CNW when compared to the U.S. values. Vermont has less income disparity as measured by the "median to mean ratio" when compared to the United States. It has a slightly lower rate of millionaires, but strong values when compared to most states.

The peak estate for Vermont occurs with the 55 to 64 year household age cohort at $744,000 (average value). For the U.S. the peak estate also occurs with the 55 to 64 year household age cohort with a mean value of $738,000, slightly less than the Vermont value. Table 7 displays median and average wealth holding of households in Vermont in 2010.

Vermont has a similar median household income ($50,558) when compared to the U.S. median ($50,227) in 2010. The average market value of stocks, bonds and mutual funds per household in Vermont is $37,120 compared to $37,771 for the United States. ESRI estimates over $9.4 billion in net assets associated with these assets for Vermont.

Table 7. 2010 Net Worth by Age of Householder in Vermont

Measure	25>	25-34	35-44	45-54	55-64	65-74	75+	All Households
Median	$9,853	$19,628	$72,658	$157,781	$228,655	$191,825	$169,784	$111,262
Average	$24,019	$82,571	$188,063	$421,569	$743,712	$695,922	$478,259	$416,224
Source: Net Worth Profile, ESRI								

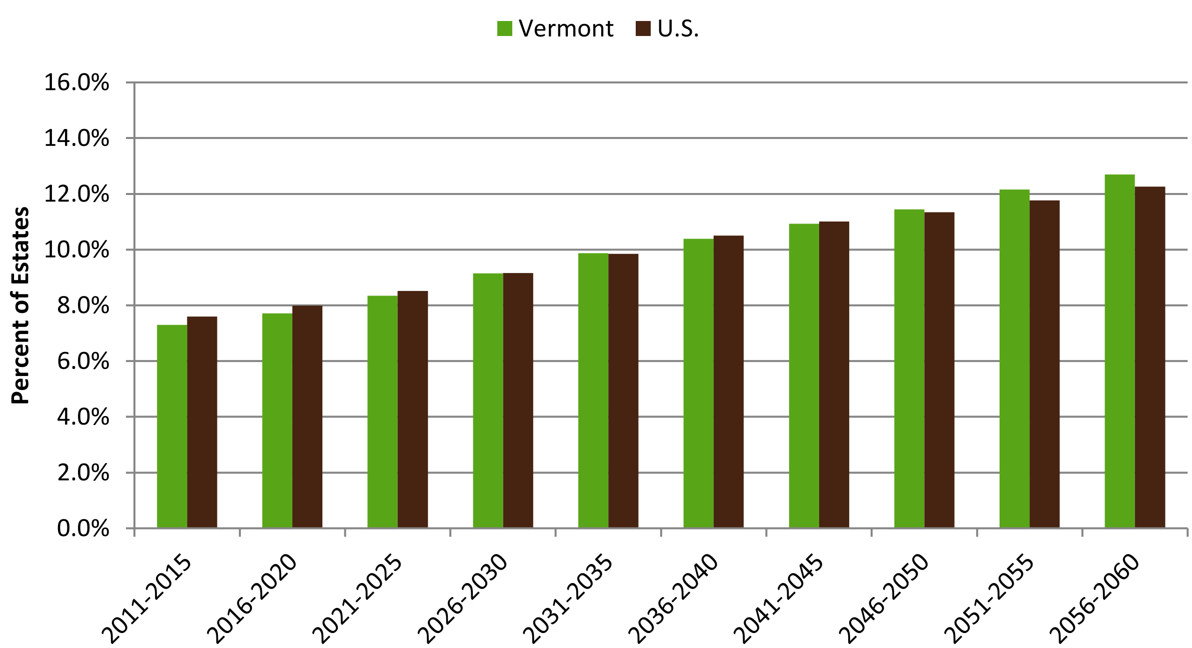
[5] A more detailed explanation of assets are available through our methodology, http://bit.ly/Sj8tKO.

TOW Opportunity Timing

Vermont's transfer of wealth opportunity is dynamic and will change over time. There is a strong relationship between the age demographics and wealth transfer opportunity. According to Census 2010, the share of 65+ population in Vermont is higher compared to the U.S., 14.6% and 13.0%, respectively. According to the population projections retrieved from the Census and Woods & Pool, the share of 65+ will peak in Vermont in 2035 at 25.5% then will decline to 23.9% in 2060. On the other hand, according to the latest population projections conducted by the Census, the share of 65+ population in the U.S. will increase faster between 2010 and 2035 compared to the outer years. The share of 65+ population in the U.S. in 2035 will be 20.2% and in 2060 will be 21.3%. Figure 2 illustrates our new TOW Opportunity Timing for Vermont and the U.S. using these population projections.

Vermont has a TOW Opportunity Timing trend that is comparable to the United States trend line. However, reflecting Vermont's unique demographics relative to the U.S., Vermont will see somewhat lower opportunity in the early years and greater opportunity in the outer years of this scenario. The potential for giveback grows throughout this period rising from about 7% of the total TOW opportunity for the period in the current decade to over 12% in the last decade of the scenario. Vermont has time to build giveback strategies. However, each year estates are transitioned and households are making decisions about the disposition of their wealth. Each year opportunities are lost and we recommend that this research be used to create a **call to action** based on a sense of urgency.

Figure 2. TOW Opportunity Timing



Scenario Changers

Uncertainty is part of life and economics. Some would argue that the level of uncertainty today about the future has increased dramatically with the Great Recession and the weak and uncertain recovery. Projecting into the future is always challenging. We provide a scenario of a "likely future" with respect to household CNW and TOW opportunity for Vermont. The following issues and trends have been identified by our National TOW Team that could become **scenario changers**. We urge the reader to consider these potential scenario changers and keep them in mind as time progresses. Significant departures from our assumptions about the future with respect to these trends and issues could materially impact, for better or worse, our TOW opportunity projections. The following are the key issues and trends we encourage Vermont to track with respect to our TOW scenarios:

- National Development
- Vermont's Development
- Regular Part-Time Residents
- Immigration
- Resource Development

National Development. National economic performance will create the context for Vermont's economic performance. U.S. economic performance will in turn be shaped by global development to a much greater extent in the coming 50 years when compared to the past 50 years. While overall growth rates in domestic product and personal income will be important as drivers for household wealth creation, the nature of development will be equally important. To that extent that our economies become more stable, sustainable and value-added will directly impact the ability of households to grow their estates over time.

Socio-Economic Profile

In support of our TOW Study for Vermont we procured a detailed socio-economic profile of Vermont generated by Headwater's Economics of Bozeman, Montana. This profile plus other back ground research employed in our study can be found in the Project Electronic Library. Source documentation for all our analysis contained in this Report can be found in the E Library. We have also included a number of ESRI reports that provide critical background on Vermont, its society, economy and wealth status. Population forecasts have not been included, but we are prepared to share which forecasts we employed and how this research was used in our TOW scenarios.

Vermont's Development. Vermont has been able to evolve a particular kind of economy with significant historical wealth creation and somewhat less disparity between rich and poor. To this extent, given national and international trends, Vermont can sustain stable, strong and distributed economic growth, which will impact future wealth creation and estate formation in the coming five decades.

Regular Part-Time Residents. Vermont already has a sizeable population of what we might call "regular part-time residents." Vermont has very strong amenities that are a draw for non-residents who spend regular time in the state and its communities. Some of these residents will establish more permanent residency and others will maintain dual or multiple community associations and affinities. To the extent that Vermont can build relationships with its regular part-time residents it can expand its donor pool and giveback potential. Additionally, there are long-term residents of Vermont who are now establishing residency in other locations. Strategies to maintain engagement with these distancing residents will be important in sustaining them as potential donors.

Vermont's location relative to the heavily populated areas of Ontario and Quebec in Canada and the northeast metroplex (Boston, New York, etc.) coupled with its strong community and natural resource amenities will create powerful opportunities for both development and wealth creation. Vermont's location will most likely become increasingly attractive for both visitors and new residents over the coming five decades.

Immigration. Immigration – both domestic and international – has been an important driving force in the United States throughout its history. Relative to many locations around the world, the United States continues to be very attractive for both dual and new citizens. Immigration has demonstrated potential to bring wealth, new economic activity and energy to adopted homes. The U.S. is currently struggling with both domestic and international migration. Domestic migration has slowed dramatically due to the Great Recession. International migration has become a highly leveraged political issue. Both domestic and international migration trends could impact Vermont's future development and wealth creation rates.

Resource Development. Vermont has strong natural resources and quality of life assets. Depending upon how these assets are developed over time will likely impact future development and wealth creation within the state and its communities. Sustained and optimal development will create greater potential for rooted wealth. Exploitive and unsustainable development can lead to wealth erosion.

Other Possible Issues & Trends. There are a number of other issues and trends that could impact Vermont's actual TOW opportunity and how household estates develop into the future. The following are some of the issues and trends we encourage the reader to track and use to recalibrate our TOW scenarios over time:

- Development & Use of Timber Resources, Water & Farm Ground
- Retention of Old and Rooted Family Wealth
- The Attraction of High Net-Worth Households
- Evolution of Vermont's Creative Class
- Income Development and Distribution

Donor Opportunity Areas

Our research provides a likely scenario of a community's, region's or state's Transfer of Wealth opportunity over a two generation timeframe or 50 years (2010 to 2060). While these numbers are helpful in gaining a deeper appreciation of the magnitude of the Transfer of Wealth opportunity they do not provide a qualitative view about the types of wealth or donors that are behind the numbers. In the final result, it is individuals and families that make decisions to give back to their communities. As part of our research we have begun to create profiles of **unique donor opportunities** that are likely present in a specific community, region or state. Nationally, we have profiled approximately 25 unique groups of similar donors (based on asset type) that have greater capacity for charitable giveback. For Vermont, we have identified four unique donor opportunities warranting further research and exploration:

- Old Family Wealth
- Thrifty Retirees
- Regular Part-Time Residents
- Closely-Held Family Businesses

Old Family Wealth. Vermont has a long development history. The process of wealth creation and estate formation has been at work for hundreds of years. Within Vermont there is a core group of long standing families with legacy wealth and giveback potential. Vermont has nearly a comparable share of its households that have million dollar plus estates when benchmarked to the U.S. values.

Thrifty Retirees. There is a culture in Vermont of residents working hard, spending less than they earn, saving, investing well and creating moderate estates. We call these households thrifty retirees. Most of Vermont's thrifty retirees are not high net-worth, but they do have philanthropic capacity and because they are rooted, strong community and state affinity.

Regular Part-Time Residents. Their permanent residence may be in Boston, New York or some other place, but their families have a long or deepening relationship in Vermont. They are regular visitors and they have affinity for their part-time homes. Their giveback orientation may still be strongest in their permanent residence, but there is donor potential among some of these individuals and households.

Table 8. Top 10 States with the highest Entrepreneurial Index		
State	**2010**	**2011**
Arizona	9	1
Texas	6	2
California	2	3
Colorado	3	4
Alaska	5	5
Missouri	10	6
Nevada	1	7
Vermont	***4***	***8***
Idaho	8	9
Florida	7	10

Source: Kauffman Index of Entrepreneurial Activity, 1996-2011

Closely-Held Family Businesses. Vermont has a long and strong tradition of family owned businesses and farms. After old wealth and highly specialized professionals, the next greatest source of household wealth formation is through business ownership. While most small business owners and farmers may not have significant wealth, many do. Because the source of their wealth is tied to businesses in Vermont there is generally strong affinity and potential for donor development and giveback. Kauffman Foundation has been tracking entrepreneurial activity[6] for each of the states since 1996. According to the latest report released by the Kauffman Foundation on entrepreneurial activity, Vermont ranked in the top 10 both in 2010 and 2011 amongst all the states.
Aging Population and Bequest Expectations. Vermont has one of the oldest average ages in the U.S. It represents rich opportunities for its Community Foundation and non-profits to strengthen their bequest and legacy gift expectations.

2008 and 2010 Findings Comparison

The Center completed its first TOW analysis for the Vermont Community Foundation in 2008 with 2005 for this study's base year. The 2008 study was undertaken and completed during the 2001 economic recovery and at the beginning of the Great Recession. When the earlier analysis was completed we did not fully appreciate the depth and duration of the Great Recession and its impacts on household wealth holding and creation. This study has a 2010 base year and more adequately captures the likely impacts of the Great Recession (2007-2009) and the current weak recovery. The Great Recession represents a potentially fundamental turning point for the United States and Vermont.

We illustrate this point with the following two figures documenting Vermont's population growth rates historically and projected out through 2060. Figure 3 provides historical population growth rates for the past five decades. Vermont's population growth peaked in the 1970s with a remarkably strong 15.1% increase. Following this peak, growth remained strong during the 1980s and 1990s and then

[6] Entrepreneurial index is "a measure of business creation by specific demographic groups". To learn more about Kauffman Foundations' Entrepreneurial Index go to, http://bit.ly/7KSGDM.

slowed significantly in the troubled 2000s decade (2.8% in the 2000s versus 8.2% in the just the previous decade).

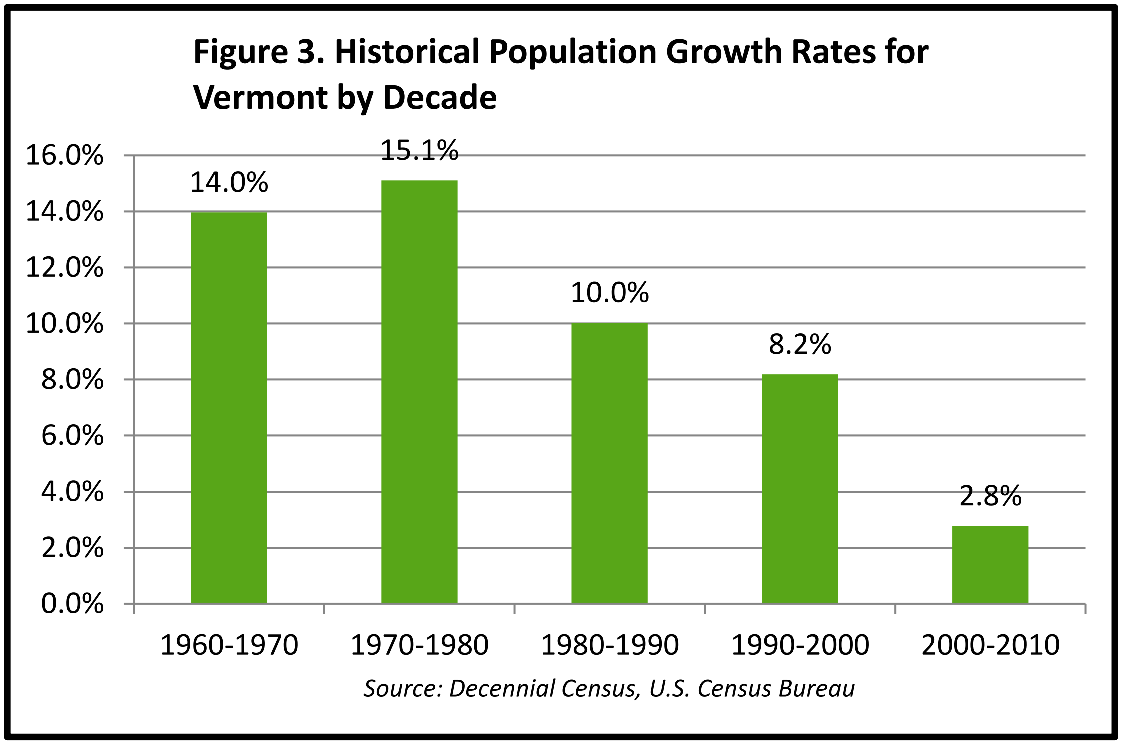
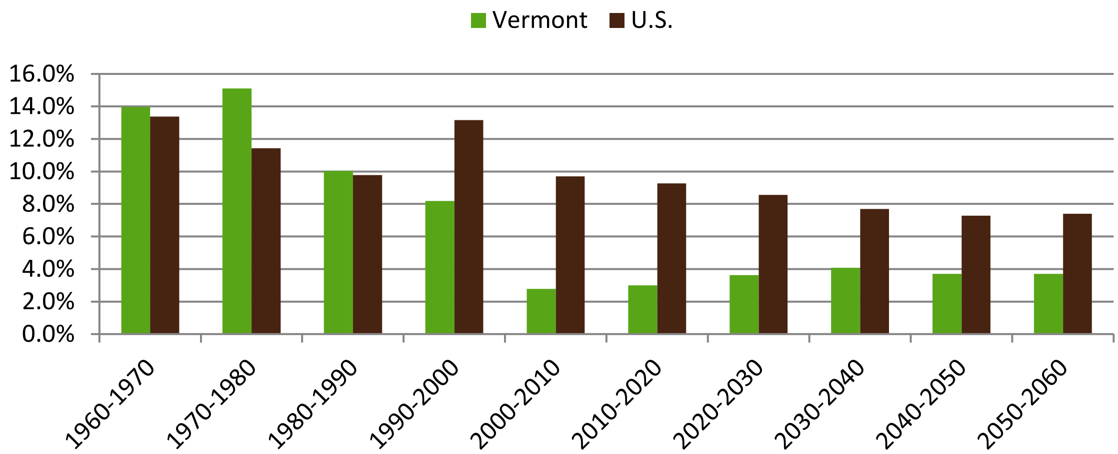


Figure 4 provides a review of the historical decade growth rates for Vermont and its population, and our assumptions regarding future growth for the coming five decades. Our population growth assumptions are consistent with the U.S. Census Bureau projections for Vermont and are conservative when compared to the past 50 years. We assume a modest increase in growth out through 2040 and then moderation with period growth rates slightly higher when compared to the 2000s.

This illustration provides an important context for understanding two important points regarding our past and current TOW opportunity scenarios for Vermont. Our first contextual point relates to the remarkable changes and uncertainty of the current period. The 1990s were one of America's strongest growth periods since World War II and the 2000s were the weakest period since the Great Recession. These dramatic changes account for the differences between our 2008 and 2012 studies. The second contextual point relates to the uncertainty around when and if America will return to more robust and sustained growth. Our current generation of TOW studies assumes significantly more conservative growth in the coming decades (2010-2060) when compared to this historical period (1960-2010).

The 2008 study estimates a CNW of $59.28 billion for Vermont in 2005. Our new study estimates a 2012 CNW for 2010 of $53.15 billion. This represents a decline of $6.12 billion or a 10.33% drop in household wealth between the two base years (2005 & 2010). This adjustment reflects the household wealth destruction during the Great Recession and household wealth recovery that has followed. On a per household comparison basis the downward adjustment is more severe with at 15.23% decline.

Figure 4. Historical and Projected Population Growth Rates for Vermont and the U.S. by Decade



Source: Decennial Census, U.S. Census Bureau & authors' own projected growth rates

The new 10-year TOW scenario is $10.53 billion compared to the earlier projection of $9.16 billion. This represents a $1.37 billion increase or 15%. The per household change is less substantial with an 8.71% increase over the previous projection. The 50-year project represents an even bigger change when compared to the 2008 study. The 50-year TOW estimate is $100 billion compared to $65 billion in the earlier study (a 55% increase). The reasons for these differences are as follows:

- The actual differences would have been greater had not the Great Recession occurred.
- While we are projecting somewhat slower population growth, our 65+ population growth estimates were more moderate and includes a stronger youth, less than 35, population growth.
- A more rapidly aging population (now part of the new demographic forecasts) actually increases TOW opportunity.
- Our new methodology (instituted after the 2008 study) is more precise in forecasting as it includes age cohorts and better estimates household wealth growth tied to age demographics. This is one of the more important trend drivers in our TOW scenario model.

- Finally, despite slower demographic growth we are projecting continued increases in innovation and productivity creating a higher value-added economy, stronger personal income growth for certain demographic groups (better educated residents) and somewhat stronger per household wealth creation rates.

We do not recommend, as part of Vermont's TOW communication strategy, a strong emphasis on comparing the 2008 and 2012 findings. Some of the reasons for the differences are:

- Our earlier study measured percent of transfer of wealth release in each period. On the other hand, the current study measures percent of estates becoming available in each period.

- Our earlier methodology did not incorporate age cohorts into the model whereas our current study takes into consideration the demographic structure.

- Base period and time frames are different in these two studies. In our earlier work 2005 was our base period and transfer of wealth opportunity was calculated for 2005-2055. Our new study takes 2010 as the base period and calculated transfer of wealth opportunity for 2011-2060 time frame. Furthermore, all the calculations in the current study are made in real or inflation-adjusted dollars benchmarked to the real value of the dollar in 2010 whereas the earlier study used 2005 inflation adjusted dollar values.
- Based on more available research the two studies used different wealth formation rates.

Our experience is that such comparisons can be confusing. What we do recommend is focusing on the new TOW opportunities and be prepared to address questions that might arise by users who do compare the two findings. As with all our work, the Center stands prepared to support the Vermont Community Foundation as questions surface.

Appendix

Selected indicators for estimating current net worth and transfer of wealth values. Below table displays selected indicators for estimating current net worth and transfer of wealth values for Vermont.

Selected Indicators for Estimating Current Net Worth and Transfer of Wealth Values		
	U.S.	**Vermont**
Growth		
Population		
Census 2010	308,745,538	625,741
Projected 2040	394,448,280	695,024
Annual % Δ	0.93%	0.37%
Professionals		
Information (emp.)	3,210,700	6,693
Earnings	$91,647	$46,454
Finance & Insurance (emp.)	9,651,300	14,446
Earnings	$67,105	$51,628
Prof. scie. & tech. serv. (emp.)	11,727,700	26,025
Earnings	$75,611	$52,053
Health care & soc. Ass. (emp.)	19,062,300	55,332
Earnings	$52,473	$44,713
Total emp. (above)	43,652,000	102,496
Total earnings	$2,828,911,000,000	$4,885,460,000
Average earnings	$64,806	$47,665
Total Emp. (all indus.)	*173,767,400*	*419,703*
Total earnings (all industries)	*$51,714*	*$40,693*
Closely-held family businesses		
Resident Establishments ('09)	19,782,072	51,251
Total Establishments ('09)	21,922,066	57,955
Percent	90.2%	88.4%
Agricultural Real Estate		
Average Market Value/Farm	$791,138	$512,684
Number of farms	2,204,792	6,984
Total Value (2007)	$1,744,294,733,296	$3,580,585,056
Per County (2007)	$554,977,643	$255,756,075

	U.S.	Vermont
Retirees		
Census 2010 65+ pop.	40,267,984	91,078
Census 2010 pop.	308,745,538	625,741
Percent	13.0%	14.6%
DIR in 2010 (BEA)	$2,070,501,000	$4,510,525
Pers. Inc. in 2010 (BEA)	$12,353,577,000	$25,120,053
Percent	16.8%	18.0%
Gross Mean NW of 65-74 Hhs	$682,188	$695,922
Timber Wealth		
Timber land in use	75,098,603	502,823
Total land in use	922,095,840	1,233,313
Percent	8.1%	40.8%
Part-time Residents		
Vacation Homes in 2010	4,649,298	50,198
Total Housing Unit in 2010	131,704,730	322,539
Percent	3.5%	15.6%
Old Wealth		
# of HHs w/ $1+ NW (2010)	8,824,800	17,384
Total HHs (2010)	116,761,140	254,373
Percent	7.6%	6.8%

A variety of sources are used to compile the above table. Below are the sources used for each of the indicators:

- Census 2010 population is retrieved from U.S. Census Bureau.
- Projected 2040 population is retrieved from U.S. Census Bureau's Population Division. On the other hand projected 2040 population is authors' own calculation.
- Employment and earning data for the professionals is retrieved from Bureau of Economic Analysis.
- Resident and total establishments values are retrieved from Youreconomy.org
- Data on agricultural real estate is retrieved from USDA's Census of Agriculture 2007 publication.
- Population of 65+ age cohort is from U.S. Census Bureau's Census 2010.
- Dividends, interest and rent income and personal income are from Bureau of Economic Analysis
- Gross mean net worth (MNW) of 65-74 households is from ESRI.
- Indicators related to timber wealth are from USDA's Census of Agriculture 2007.
- Total housing units and vacation homes are from U.S. Census Bureau's Census 2010 publication.
- Number of households with net worth levels above $1 million is from ESRI.

Tapestry Segmentation Area Profile. Below table displays the top 10 tapestry segmentations by their lifestyle characteristics. The full tapestry segmentation profile is available through e-library resource.

Tapestry Segmentation by Lifestyle	
Description	**Percent of Households**
Rural resort dwellers	17.7%
Green acres	11.4%
Midlife junction	8.5%
In style	7.1%
Midland crowd	6.0%
Main street, USA	5.1%
Metropolitans	4.5%
Salt of the Earth	4.2%
Exurbanites	4.0%
Old and newcomers	3.8%
Total	**72.3%**

Migration. Below table displays the actual values for in and out migration for the state of Vermont. Source data used to create the below table is included in the e-library.

State-to-State migration flows for population 1 year and over in 2010			
	In-Migration	**Out-Migration**	**Net-Migration**
State	**22,529**	**18,380**	**4,149**
New York	*4,056*	*2,900*	*1,156*
Massachusetts	*3,599*	*1,526*	*2,073*
New Hampshire	*2,760*	*2,566*	*194*
Florida	*2,063*	*1,442*	*621*
Connecticut	*1,287*	*458*	*829*
California	*1,001*	*525*	*476*
Other states	*7,763*	*8,963*	*-1,200*
Source: ACS 2010 1-Year estimate			

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.