THE CHRONICLE OF
PHILANTHROPY

$9 Trillion and counting

How charities can tap into the transfer of wealth

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Heather Joslyn reported and wrote this report. A *Chronicle* senior editor, she has covered nonprofits, including trends in fundraising, for 16 years.

For nearly 30 years, the *Chronicle of Philanthropy* has helped nonprofits of all sizes and missions understand the news and trends that matter most.

Data and analysis in this report were prepared by LOCUS, a partnership with the Center for Rural Entrepreneurship.

Welcome to the Windfall Years

An estimated $9 trillion is likely to pour from Americans' estates over the next 10 years. Is your charity ready for the golden age of planned gifts?

Nestled by the Tennessee River and Appalachian Mountains, Chattanooga, Tenn., is known for a natural beauty that draws hikers, cyclists, and kayakers from far and wide. These days, the city's residents are starting to learn more about its other treasures — the kind they can spend.

Last summer, the Community Foundation of Greater Chattanooga received the results of a wealth study from the Center for Rural Entrepreneurship/LOCUS, a national nonprofit in Lincoln, Neb., that has conducted similar research for about 60 percent of counties in the continental United States. The center determined that households in Hamilton County, which includes Chattanooga, currently hold $78 billion in wealth. Over the next 10 years, $9.2 billion of that is expected to transfer between generations through inheritance.

ISTOCK

If only 5 percent of that $9.2 billion were captured for philanthropy, the report said, it would generate $23 million in grants annually.

Maeghan Jones, president of the Chattanooga foundation, is eager to spread the word about her city's untapped philanthropic potential, and to start putting more of that wealth to work for her region's future. As the baby boomers enter their 70s, Jones's sense of urgency is shared by fundraisers and planned-giving experts around the country. They see the next several years as a huge opportunity — and potentially a missed one.

"I think the data about the wealth transfer creates a call to action," Jones says. "But that will only happen if we ask donors about what they care about and what impact they want to have."

$9 Trillion in 10 Years

Fundraisers and charity leaders often wring their hands about their aging donor bases. Yet many organizations have failed to get serious and strategic about soliciting planned gifts from those older supporters.

And the clock is ticking.

Americans held $75 trillion in household net worth in 2017, according to an analysis by the Center for Rural Entrepreneurship/LOCUS. More than half of it — nearly 57 percent — is in the hands of baby boomers, the oldest of whom are turning 72 this year.

Over the next 10 years, if the U.S. economy grows at an average of 3 percent annually, nearly $9 trillion in wealth — roughly equal to the combined gross domestic product of Japan, Germany, and Iran — will transfer from estates. By 2067, the center projects, $97 trillion, or about $21 trillion more than the current gross domestic product of all nations in the world put together, could pass on from Americans' estates.

It adds up to unprecedented potential for bequests and other planned gifts, especially over the next three decades, according to Don Macke, the center's co-founder.

And if Generation X and the millennials outpace their elders as wealth creators, "this may be a sustained trend of ever-increasing opportunity," Macke says.

Robert Sharpe, a planned-giving consultant in Memphis, also sees a wave of bequests coming. "We're not even through the Silent Generation yet," he says, referring to the age cohort born from roughly 1925 through World War II. "We're about six years out from realizing the beginning of the baby-boom curve."

HOW MUCH WEALTH DO AMERICANS HAVE NOW?

$75 trillion in household wealth

That figure represents a rebound from the Great Recession; in 2008, total household wealth dipped to $64.2 trillion, adusted for inflation.

SOURCE: Center for Rural Entrepreneurship/LOCUS

At the American Heart Association, fundraisers are using data to help them more effectively capture planned gifts, which make up 15 to 18 percent of the group's support each year. (See Page 17.) "I don't think the wealth transfer is about to happen. I think it's happening," says John Michael Hayes, the association's senior vice president for charitable estate planning.

He points to the explosive growth of donor-advised-fund providers like Fidelity Charitable, now the No. 1 charity in America by private support raised, as a sign that Americans have a lot of money ready to devote to philanthropy that's not being tapped.

"There's a statement there," Hayes says. "It's not whispering down the wind, it's screaming down the halls."

'Massive Numbers'

For decades, fundraisers have been hearing about the potential for philanthropy in the generational transfer of wealth. The promise is great, the numbers boggling — and some-

PHOTO BY DAN HENRY

Maeghan Jones, president of the Community Foundation of Greater Chattanooga, has been sharing data about the future potential for philanthropy with accountants, estate lawyers, and other advisers who work with wealthy people.

times, the potential feels elusive.

Jeff Yost heads the Nebraska Community Foundation, which started harnessing transfer-of-wealth data back in 2002, when the practice was rare among nonprofits. In 2011, the Center for Rural Entrepreneurship/LOCUS calculated that more than $58 billion would change hands in the state over 10 years.

> “The nice thing about focusing on planned giving is, you’re helping people come to a decision about making a gift or not. Once they’ve made that decision, then you’re just talking about timing.”

Yost, who trained as an economist, sees such projections as a means of spurring community development and philanthropy, not metrics for keeping score of how many households are sitting on a fortune.

“I’m trying to motivate people, not point out how many fish have gotten away,” he says.

Besides, he adds, “These are just massive numbers. Nobody understands what $20 trillion is.”

The most famous transfer-of-wealth data project started in 1999. Two Boston College researchers, John Havens and Paul Schervish, produced three

WHO HOLDS THE WEALTH?

Nearly 3 out of 4 dollars are in the hands of the richest 10% of U.S. households:

39% is held by the wealthiest 1%

34% is held by the next 9%

27% is held by the remaining 90%

SOURCE: World Wealth and Income Database

different scenarios that projected the amount of wealth likely to change hands in America over a 55-year period, with the most conservative estimate, $41 trillion, gaining traction in the press.

The researchers also projected that 15 percent of that pie, a slice worth more than $6 trillion, would wind up with charities.

"They broke a glass ceiling," Macke says. "They were the first ones to put hard numbers to this."

In 2014, a year before they retired and closed their research center at Boston College, Havens and Schervish updated their projections, predicting that $58 trillion, including $6.3 trillion in charitable bequests, would transfer from elder generations by the year 2061. Their figures were based on a scenario in which annual economic growth averaged 2 percent and charitable bequests grew by 5 percent a year.

But some experts were skeptical of the new projections, noting that the bequests predicted in the first study fell woefully short of expectations in the years after it was published. According to inflation-adjusted "Giving USA" figures, $514 billion in bequests flowed to charities from 1998, the first year for which Havens and Schervish tracked wealth transfer, through 2016. (Another $818 billion was poured into foundations in those years.)

The new analysis by the Center for Rural Entrepreneurship/LOCUS differs from the Boston College reports in that it does not project how much money will go to charity. Macke says such projections don't hold true for regions or communities without strong philanthropic institutions, where giving rates are usually lower than the national average.

With the center's study, he says, "we're saying, here's the opportunity. Now it's up to you to go out and capture some of that."

Some planned-giving experts say fundraisers and nonprofit boards didn't fully understand the Boston College wealth-transfer research. Due to a "baby bust" from the late 1920s through the mid-'30s, medical advances that let people live longer, and more donors "giving while living," Americans' wealth wouldn't begin to transfer in earnest in 1999 or 2014, when Havens and Schervish's first and last studies were released. The busiest era for estates closing, they predicted, wouldn't begin until ... 2018.

"We've just about hit the bottom of the demographic trough," says Russell James, a professor of personal financial planning at Texas Tech University. "Everything from now on will be looking up."

Local Giving

Still, as Macke notes, not every city or region will experience the wealth transfer on the same schedule, or in the same ways. American communities accumulate wealth in wildly different fashions.

In Silicon Valley, much wealth is in the hands of relatively young people and is often tied up in stock holdings in rapidly growing tech companies. Some members of the tech elite, like Facebook CEO Mark Zuckerberg and his wife, Priscilla Chan, are already giving away large chunks of their fortunes, but many won't pass on their assets until deep into the 21st century.

In contrast, for much of the Great Plains, decades of out-migration have left a graying population whose wealth often lies in farmland held for generations. In Plains communities, the transfer of wealth is peaking now.

Areas of the country that are struggling economically or losing population need to put a particular focus on securing commitments from donors, Macke says.

"The people who are leaving are often the ones who control wealth," he adds.

But regardless of where your organization is located, starting the conversation with donors can help boost overall fundraising efforts, says Yost, the Nebraska foundation head.

"The nice thing about focusing on planned giving is, you're helping people come to a decision about making a gift or not," he says. "Once they've made that decision, then you're just talking about timing."

In 2018, fundraisers are nervously comparing notes on whether that conversation will be affected by the federal tax overhaul, which doubles the standard deduction — eliminating a tax incentive for charitable giving for most Americans — and raises the tax-exempt portion of estate values from $5 million to $10 million. The law's impact on planned gifts remains unknown. But some people who advise wealthy individuals doubt it will have much impact on their charitable bequests.

Scott McKeown, an accountant in Barry County, Mich., who serves on the Barry Community Foundation's board, has for decades talked to clients who have manufacturing businesses about their estate planning.

"Plenty of these wealthy people, they worry more about how spoiled their kids are going to be, rather than about paying the government," McKeown says.

'Bandwidth Is Short'

Jones, of the Chattanooga community foundation, has been sharing the new transfer-of-wealth data with audiences of accountants, investors, estate lawyers, and financial advisers in hopes of sparking discussion about planned giving.

"It hasn't surprised them that there's so

WHERE THE MONEY IS: Entrepreneurs and College Graduates

$1,504,170

Average net worth of a college graduate

$2,379,580

Average net worth of a household headed by someone who is self-employed

$249,450

Average net worth of a high school graduate

$413,220

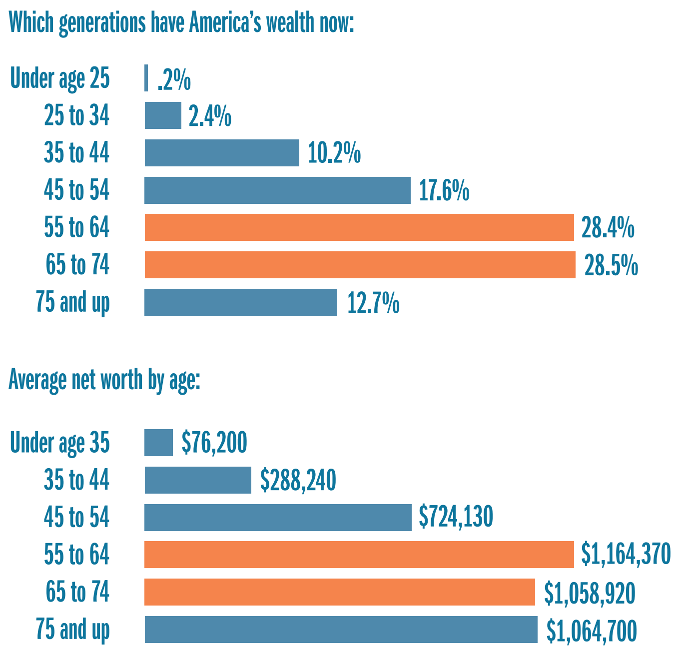
Average net worth of a household headed by someone who is an employee

NOTE: 2016 figures

SOURCE: Analysis by the Center for Rural Entrepreneurship/LOCUS

BOOMERS HAVE THE MOST WEALTH

Baby boomers head 34% of American households. They control 57% of U.S. wealth.



SOURCE: Analysis by the Center for Rural Entrepreneurship/LOCUS

much wealth," she says. "What they haven't been thinking about is the philanthropic potential, and what's their role in that."

There are early signs that her efforts are paying off. In 2017, the Community Foundation of Greater Chattanooga received $24 million in donations to its donor-advised funds, twice the 2016 take. Half of that came in the form of new accounts.

"Those aren't legacy gifts," Jones says. "But a lot of those conversations lead to legacy gifts."

That points up a problem for many charities, planned-giving experts says: Most organizations, deploying finite staff resources and focused on making their annual budgets, are too willing to give up on the painstaking work that can lead to bigger bequests years, or even decades, down the road.

"Bandwidth is short," Macke says. "It takes courage to say, with all the stuff we're doing, we're going to carve out a new, major effort."

M. Jean Gorman, director of gift planning at Lucile Packard Children's Hospital in Palo Alto, Calif., knows firsthand how hard it can be to push the case for planned-gift fundraising within an organization.

"Packard was built in the '90s. It's young and they need money *now*," Gorman says. As a gift-planning officer, she says, "you're constantly providing a voice to the institution, to say, 'It's great what we're doing now. But what can we do to secure the future?' "

The Long Game

Substantial bequests don't always come from donors who give a lot during their lifetimes, deferring the benefits of building a relationship with planned-gift donors even more.

Loyalty to an organization, not massive annual gifts or capital-campaign contributions, is the surest indicator of a candidate for a bequest, says Jeff Comfort, vice president of principal gifts and gift planning at the Oregon State University Foundation.

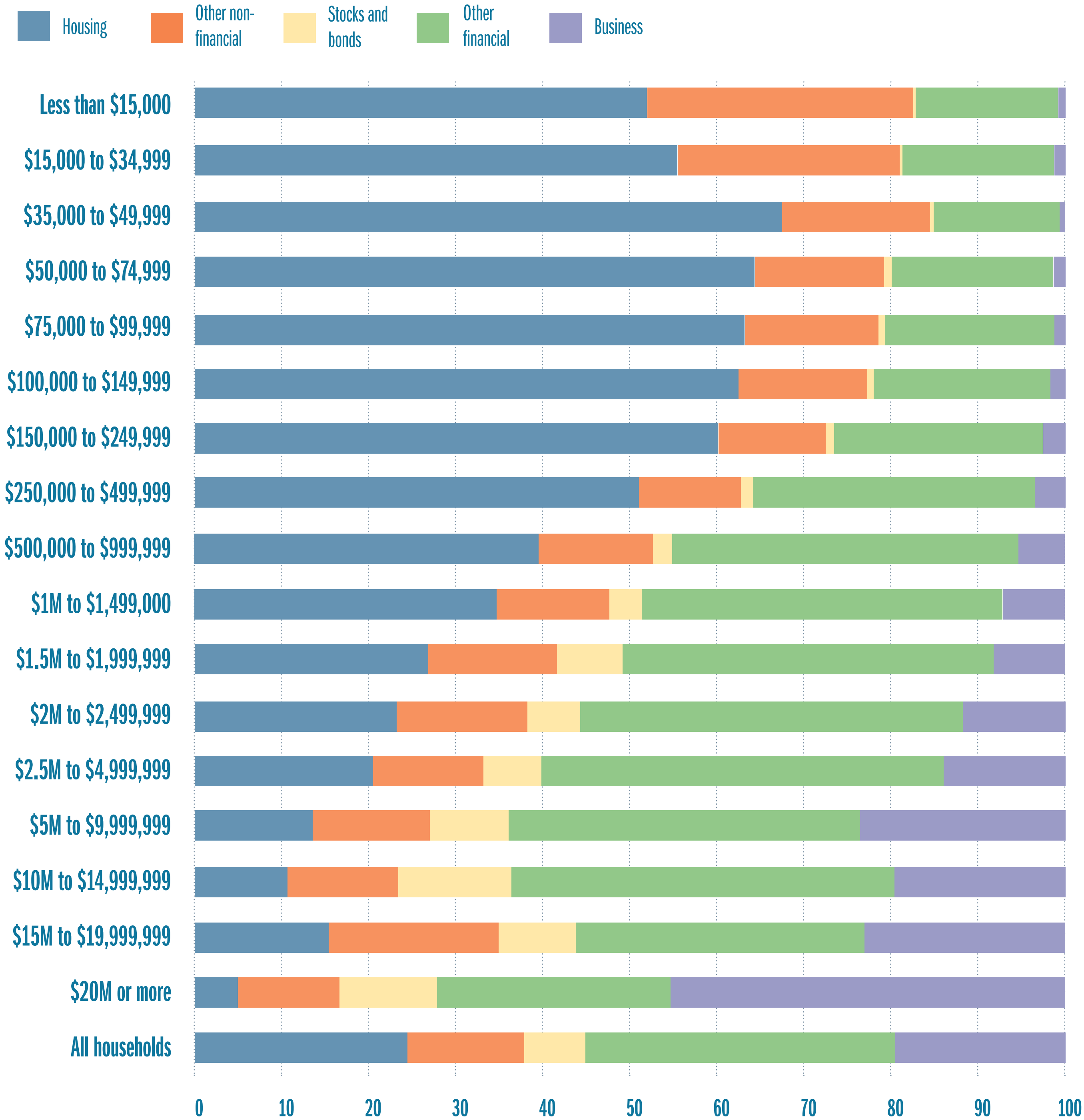
Fundraisers, he says, should look for donors who have given "$100 or $500 a year for 25 years."

But fundraisers aren't usually evaluated on the quality of the conversations they're having with people who give $100 a year. They're judged on how many visits they've had with major donors, how many donors they've contacted, and how many dollars they've secured for a charity's needs in the here and now.

And a lot of fundraisers are themselves impatient to put some wins on the board. Gorman recalls one she met when she gave a presentation on planned giving. The fundraiser told her, "These things take so much time. I

WHERE THE MONEY IS: Who's Got Which Assets?

For households with up to $500,000 in net worth, real estate represents more than half of holdings. Business-related and other financial assets (such as trusts and investment accounts, including retirement funds) make up most of the wealth in households worth $2 million or more. At $5 million and up, at least 10 percent is in stocks and bonds.



NOTE: Figures are from 2016

SOURCE: Survey of Consumer Finances, Federal Reserve Bank; analysis by the Center for Rural Entrepreneurship/LOCUS prefer to go in, get the gift, and move on!"

But, Gorman notes, "that's not always the best for the institution."

Some fundraisers get spooked by the number and variety of planned-gift vehicles, says Michael Kenyon, president of the National Association of Charitable Gift Planners. "People either think it's too complex, too difficult, or they don't have the personnel," he says. "Or the personnel don't have the confidence to move into that area."

How to Stay in the Will

Even when organizations allocate resources for planned-gift fundraising, some don't close the deal sufficiently, adopting what James, the giving expert at Texas Tech, calls a "count it and forget it" strategy. "They don't maintain the relationship," he says.

And sometimes charities are clumsy about thanking supporters who have pledged a planned gift, Sharpe says.

"Imagine if your aunt said, 'I think so much of you that I'm going to put you in my will.' " the consultant says. "And you wrote her a letter saying, 'Dear Aunt So-and-So. Thank you for including me in your will. Can you send me a copy of the page of the will that names me, so I'll know how rich I'm going to be? If it's more than $100,000, I'll name my garage after you.' "

Better, he says, "to say thank you, and take her out to lunch occasionally, and pay attention to her."

A charity's oldest supporters are where planned gifts come from, James says: About 80 percent of bequests come from people who were 80 or older when they died, and most people who put a charitable component in their will do so in the last five years of life. Yet too many fundraisers are squeamish about talking to older donors about estate gifts, he says.

"If I tell fundraisers, 'You need to spend your time with people your own age'? They love that," James says. "Working with people in their 80s and 90s is harder. People worry about cognitive decline."

To help prepare more fundraisers for the future, the National Association of Charitable Gift Planners is looking at reaching beyond specialists. It wants to help educate fundraising generalists at nonprofits with small development staffs, who are finding themselves getting asked to help solicit bequests and other planned gifts.

Experienced planned-gift fundraisers can be hard to find, but they also tend to stay in their jobs longer than other types of development professionals.

Experienced planned-gift fundraisers can be hard to find, Kenyon and other experts say, but they also tend to stay in their jobs longer than other types of development professionals.

As the great wealth transfer picks up speed, Kenyon says, "we'll find more demand in the marketplace for versatile fundraisers who have some gift-planning experience, because they're probably going to be carrying a broader load."

How Much Wealth Will Americans Have – and How Much Might They Give Away?

The current U.S. population is about 329 million. In 50 years, researchers project, it will be 100 million higher. Some $674 billion was available to transfer from one generation to the next in 2017. If the economy grows at an average of 3 percent a year – a likely scenario given recent economic performance and emerging trends, according to researchers – here's what fundraisers might expect in the decades to come.

By 2027

$8.8 trillion will have transferred from estates. That's equal to the gross domestic product of Japan, Germany, and Iran put together.

$441 billion could be available to philanthropy if 5% is donated. That's roughly equal to 10 Gates Foundations.

$22 billion What 5% of those donations could pay out in annual grant making, in perpetuity. That's about 5 times what the Gates Foundation gave in 2016.

By 2067

$97.2 trillion will have transferred from estates. That's more than the gross domestic product of every country in the world in 2016.

$4.9 trillion could be available to philanthropy if 5% is donated. This is more than the gross domestic product of India and France put together.

$243 billion What 5% of those donations could pay out in annual grant making, in perpetuity. That's nearly 6 times what all private foundations gave in 2014.

SOURCE: Analysis by the Center for Rural Entrepreneurship/LOCUS; additional data by the Council on Foundations and the World Bank; comparisons by The Chronicle of Philanthropy

The Nature Conservancy:

Carefully Nurturing a Planned-Giving 'Nirvana'

Not long ago, one of the fundraisers Angela Woo Sosdian oversees at the Nature Conservancy turned to her and declared, "This is gift-planning nirvana."

That's by design. The environmental charity, founded in 1951, spotted demographic trends decades ago that prompted it to retool its fundraising for the future. It began investing heavily in planned-gift fundraising back in the early 1980s, even before it started focusing on attracting major gifts, Sosdian says.

The charity's board decided to expand the fundraising staff, invest in its professional development, and do a more sophisticated job of managing investments donors make in annuities, trusts, and other gifts. It also put more resources into marketing its gift-planning opportunities.

Today, 20 percent to 25 percent of dollars donated to the Nature Conservancy in a given year come from planned gifts, including bequests that have been settled, Sosdian says. Over the last five years, those gifts have totaled more than $100 million.

CASE STUDY

A lot of organizations cut back on planned-gift fundraising during tough economic times, preferring to focus on getting more dollars in the short term, Sosdian notes.

"The Nature Conservancy has never done that," she says. "There's been a commitment toward [planned giving], and that has paid off. You have to build that basic support and that pipeline."

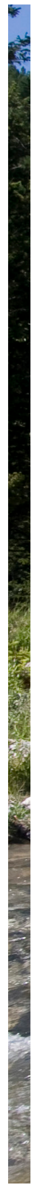
Building a Culture

Sosdian, a 37-year veteran of the Nature Conservancy and its executive director of gift planning, manages 65 employees, including back-office staff, marketers, and stewardship specialists.

The charity, based in Arlington, Va., but with dozens of offices around the country and the world, sends its planned-gift fundraisers to conferences, pays for their membership in professional associations, and trains them extensively. Just as important as the tangible support is the culture the organization has shaped over decades, Sosdian says.

"Gift planning is valued," she says. "There are always challenges — gift planning and major gifts being siloed, for instance. But when I talk to people at other organizations, there seems to be less of that here. There's more integration here. Our board talks about gift planning. It's woven into the organization pretty well."

That culture took time to develop, she says. Gift-planning teams used to be organized geographically, supporting fundraising efforts from the Nature Conservancy's far-flung offices. But nearly two decades ago, the charity reorganized to build teams around different



SIMON WILLIAMS/THE NATURE CONSERVANCY

The Nature Conservancy invites members of its Legacy Club on trips to places where it works, like Montana's Teton River.

types of donors. One team, for instance, works on simple bequests and modest annuity gifts. Another focuses on principal and major donors, who may have more complex assets to give and tax issues to solve. The nonprofit has created an in-house donor-advised-fund program to help give those supporters more options.

The Nature Conservancy also started to offer a more sophisticated training approach to help fundraisers understand how individuals, especially wealthy people, hold assets. The training is mandatory for all the organization's fundraisers, Sosdian says.

"We learned the hard way over time not to do the typical planned-giving training," she says. "It would go in one ear and out the other."

The training is intended to help fundraisers from all specialties generate leads that can lead to planned gifts. Fundraisers are told "what cues to listen to. Cues about life transitions — aging parents, retirement, children leaving the home. What questions to ask. Whether to continue the conversation or bring in a gift planner."

Legacy Journeys

Donors to the Nature Conservancy tend to be older — their average age is 68 — and many are at a stage when they are thinking seriously about their legacy. "It's a good demographic for planned giving," Sosdian says.

Naturally, land gifts are among the most popular donations for the conservation nonprofit, but it receives a variety of assets, including cash, annuities, and appreciated stock.

The charity, which raised $627 million from individuals, foundations, and corporations in 2016, is in the midst of a campaign that's slated to end in 2020. The overall goal is $4 billion in outright gifts, with an additional deferred-gift goal of $1 billion.

Along with the dollar target, the gift-planning department is seeking to increase the number of supporters who have included the Nature Conservancy in their estate plans. By the end of 2017, Sosdian says, the organization had collected 8,287 bequest commitments toward a goal of 13,000, and $716 million in deferred gifts.

Since 2003, the charity has worked to build community among its planned-gift donors through a program that reinforces its mission. Members of the Legacy Club — about 25,000 people who have committed to making bequests — are given the opportunity to join other supporters on "legacy journeys" to places where the Nature Conservancy works. Participants pay a fee to attend all-inclusive jaunts to places like Georgia's Little St. Simons Island, the Sierra Nevada Mountains, and Mexico's Yucatán Peninsula.

Bob and Linda Granzow, both 63 and retired, respectively, from the U.S. Army and a civilian Defense Department job, joined the charity's Legacy Club in 2005, with plans to donate their homes in Arizona and Montana. Enthusiastic travelers who've been to all seven continents, they've taken a number of legacy journeys, notably to the Galápagos Islands in 2012. (Says Bob Granzow about that trip: "The fact that evolution was so blatantly obvious was kind of fun.")

The couple love the small scale of their tour groups, which usually comprise 16 to 18 people. "You know you're with people who share a lot of your same values," Linda Granzow says. "You won't agree on everything, but you're with people who believe in climate change."

Her husband adds, "I was impressed with the conservancy before we took these trips. But these trips are like icing on the cake."

Reaching Loyal Donors

Like a lot of nonprofits, the Nature Conservancy is ratcheting up efforts to reach out to its most loyal donors in a more personalized fashion, marketing the idea of gift planning to them.

"Partly it was initiated by looking at the baby boomers, looking at the demographics," Sosdian says. The charity has about 370,000 donors who are boomers. A pilot program in California, launched in 2016, raised the share of its donors in the state who pledged bequests from less than 2 percent to nearly 6 percent. This fiscal year, the Nature Conservancy plans to expand the "loyal donor" program to 20 more states, hiring fundraisers specifically for the effort.

"This is an experiment on our part," Sosdian says, "but I feel it's worth the investment."

> **Nature Conservancy donors have an average age of 68, and many are thinking seriously about their legacy. "It's a good demographic for planned giving," fundraiser Angela Woo Sosdian says.**

ISTOCK

American Heart Association:

Following the Data

The American Heart Association owes its continued success at capturing planned gifts to two things: big data and a personal touch.

First, the part about the data. In the early 2010s, the charity conferred with fundraising consultants who flagged some approaching trends.

Trend No. 1: the aging of the Silent Generation, the cohort born from the mid-1920s to the mid-'40s, sandwiched between the larger World War II and baby-boom generations. "We had to start acquiring them," says John Michael Hayes, the association's senior vice president for charitable estate planning.

Trend No. 2: Organizations throughout the nonprofit world were cutting back on direct-mail appeals. But direct mail was the best way to reach those older supporters.

"We saw that as an opportunity," Hayes says. "Rather than cutting back, we doubled down. A lot of charities were getting out of that. It was the recession and they needed to keep the lights on. As more people were bailing out of that pool, we saw that we could do more."

Data also showed that focusing on donors age 70 and older, rather than 60 and up, would be the best use of resources. The investment in an expensive fundraising strategy — direct mail is pricier than searching for millennial donors on social media — paid off, Hayes says. Acquisition rates started climbing.

In tandem with data-driven decisions to target older donors with direct-mail appeals, the charity also began paying more attention to strengthening supporters' bonds to the cause.

"Those strategies, while simple in nature, are expensive," Hayes said. "But man, have those strategies paid off."

No Waiting

The consultants the American Heart Association hired in 2010 and 2011 predicted that if it didn't adopt those strategies, planned giving would drop by as much as 50 percent by 2018. "We haven't come close to that," Hayes says.

The charity, which raised nearly $912 million from all revenue sources in 2017, gets 15 to 18 percent of its annual support from estate gifts. That's down from 22 to 25 percent a decade ago, but estate-gift dollars haven't dropped significantly, Hayes says; rather, they make up a slimmer slice of a bigger pie as revenue from other forms of fundraising increased.

"You want to decrease it as part of the total campaign," he says, citing the adage about not storing one's eggs in a single basket. "We have grown other streams of revenue." (At the end of 2017, for instance, the Heart Association launched its own donor-advised-fund program.)

Today, about 60 percent of the charity's dollars from estate settlements come from donors whose initial support followed a direct-mail communication, says Pamela Leonard, national executive lead for charitable estate planning.

The association's data indicates that planned-giving donors typically make a bequest commitment three to five years after their first gift to the organization, and that supporters who started a charitable-gift annuity — a type of planned gift that provides income to the donor during his or her lifetime — usually did so within three years of the first donation.

The data produced a tactical change: Once the charity acquires a 70-plus supporter via direct-mail appeals, it no longer waits two years to introduce the topic of planned giving, as it traditionally had.

> **The association's data indicates that planned-giving donors typically make a bequest commitment three to five years after their first gift to the organization.**

"We didn't need to wait," Leonard says. "We started to market to them right away."

Donors usually first connect with the Heart Association because they or a loved one has experienced a serious health crisis, Leonard notes. The data, she says, "came back that we were being too polite. But we had felt, you just made your first gift, we can't talk to you now about a legacy gift. That's rude!"

Hayes adds, "It was our hold-up, not theirs. They had no problem with it."

As part of the reboot of its fundraising strategy early in the decade, the Heart Association began emphasizing the quality of its planned-gift prospects rather than the quantity. It's important to get into a donor's will, Hayes says, but even more important to stay there. And staying in the will means an emphasis on stewardship.

"You thank people and you keep thanking them," he says. "And multiple people thank them."

In 2017, the charity started a push to make stewardship a duty of everyone at the organization.

New members of the group's Paul Dudley White Legacy Society — named for one of the association's founders and consisting of supporters who have left a bequest as part of drafting their wills — receive a welcome packet, usually delivered by hand. They also get an update three times a year on research advances and news about others who have made similar commitments.

Other special touches: During the holidays and in February, federally designated as American Heart Month, Legacy Society members receive invitations to local events the charity holds for major- and planned-gift donors.

Sometimes, though, good stewardship means knowing when to back off, Leonard says.

"One thing we do is we listen to our donors. Sometimes people say, 'I made this gift, I believe in the organization, but I don't want all this stuff.' Sometimes the best thing to do is not doing anything."

And sometimes, the solution is systemic. Before the Heart Association recalibrated its fundraising several years ago, it struggled with dozens of software systems, making it harder to nimbly respond to donors' requests. Today, its technology is more streamlined and responsive, Hayes says.

> **Staying in a donor's will means putting a strong emphasis on stewardship.**

"It's the simplest things that go so far with folks," he says. "One donor said to me, 'You have to stop sending me direct mail.' You get to a certain age and you get hammered with all the direct mail. We can honor that now, within four or five weeks. They are blown away by that."

South Dakota and Minnesota:

Gifts of Farmland Keep on Working

Glenn Krog was born 82 years ago on a farm in Lincoln County, Minn., and he lives there still. He once raised cattle on his 800-acre property, but now, with the help of a hired man, he produces corn, soybeans, wheat, and alfalfa.

The grandson of Danish immigrants who settled in Minnesota in the 1880s, Krog never married. About a decade ago, he began to worry about what might happen to his farm when he's gone — and what might happen to his rural community if more farms like his are sold by heirs who've left for the cities.

"There's a lot of wealth in small-town America, but if it isn't preserved, it'll leave the area," Krog says. "It'll go by mail when people pay their taxes, or it'll go by foot."

Through Keep It Growing, a farmland-giving program started by the Hutchinson, Minn.-based Southwest Initiative Foundation, the farmer has arranged to donate a 320-acre portion of his land to the local Lake Benton Area Foundation. Under the arrangement, his hired man, Dale Lichtsinn, will have use of the farm until Lichtsinn's death. At that point, the Lake Benton foundation will take full ownership and manage the farm for income — rather than selling it, as charities typically do with real-estate gifts.

CASE STUDY

Keep It Growing, Krog says, "gave me the mechanics for doing what I wanted to do."

Tied to the Land

In the upper Midwest, household wealth often means the very land the household stands upon.

Because Americans have been leaving their hometowns in the Great Plains for decades, leaving many communities with largely elderly populations, the intergenerational transfer of wealth is about to peak in some rural counties, far earlier than it will in other parts of the country. Fundraisers in those regions may find themselves working with more people like Krog, whose legacy is the farm they built.

In South Dakota, people have a "palpable" tie to their land, says Stephanie Judson, who

PHOTO BY CHERYL BAUMAN

The Southwest Initiative Foundation's Keep It Growing program now oversees 170,030 acres of Minnesota farmland, worth about $12 million.

runs a statewide, $325 million community foundation.

"Over and over again, we were getting this request: 'I don't want you to put the for-sale sign up on the farm the day after I die,'" she says.

That's why, in 2014, the South Dakota Community Foundation launched Growing for Good, a program modeled on Keep It Growing. It is one of about a dozen such programs scattered around the country, according to Diana Anderson, president of the Southwest Initiative Foundation.

The goal of these programs is to accept donated farmland and, crucially, keep it. The farm is managed by the recipient foundation so that it continues to generate income from agriculture. Often, the gift agreement gives donors joint ownership with the foundation until their deaths.

At the South Dakota Community Foundation, officials are working on roughly a half-dozen gifts under the Growing for Good program. Conversations about the program and its tax benefits for landowners have also helped spur outright donations of property, Judson says.

In 2017, gifts of real estate totaled more than $20 million, she says, with up to another $100 million worth of land donations in the pipeline.

Keeping It Local

Southwest started Keep It Growing in 2005. It was the brainchild of Patrick Costello, a lawyer in Lakefield, Minn., and a longtime ally of the foundation.

A specialist in agricultural law, Costello had long worked with farm families on their estate planning. He wondered if there might be a way for the foundation to accept farmland gifts and keep them producing revenue.

"It's good for rural communities to have land to rent," he says. "But it certainly goes against the common wisdom for charitable organizations to retain long-term gifts of real estate."

Costello says the farm-retention idea was "noodling around in my brain for about 20 years." Eventually, he proposed it to Southwest's board, which signed off.

"It's hard for farmers who have spent their entire lives working on their farm to think of it being sold off to the highest bidder," says Anderson, whose foundation oversees $85 million in assets. "Sometimes the highest bidder is a good neighbor and a dear friend, and sometimes it's a larger corporate farmer. But this was a way for the farmers to say, 'I want a local tenant to stay on the property. I want it to stay working in the community.' "

Once Southwest and Costello decided to start Keep It Growing, they had to secure a change in state laws aimed at preventing the spread of corporate farming, so that the foundation could receive, hold, and manage farmland. (Anderson says she always urges community foundations that want to adapt the program for their donors to first check their state or local laws.)

The foundation also had to revise its policies on real-estate gifts, which previously mandated turning the land into cash. Then, when Keep It Growing started, the foundation focused on scooping up rich, tillable land. "We crafted gift-acceptance policies of the narrowest scope possible," Anderson says. "We wanted good, black dirt." But Southwest soon found that each donor's situation was unique and needed to be considered on a case-by-case basis.

Walk-Ins Welcome

In addition to serving the needs of donors, Anderson says, Keep It Growing dovetails with Southwest's mission of keeping local wealth local. The foundation now oversees 170,030 acres, encompassing eight gifts with an estimated market value of about $12 million.

"From our perspective, these are gifts that would have never come our way without this program," Anderson says.

Six of the Keep It Growing properties are currently owned with the donors, who receive the revenue from working their land or rental income from tenant farmers. (The foundation handles property taxes.)

But two gifts, totaling 352 acres, have passed entirely into the foundation's hands. Rental income from those properties was designated to be unrestricted funds for Southwest, which is using that money for programs aimed at expanding opportunity for the region's youth.

To promote Keep It Growing, Southwest sponsors the Friday noon market report on the Linder Farm Network, a group of radio stations serving rural Minnesota, and it participates in the network's public events throughout the year. The foundation also hosts luncheons for accountants, lawyers, and financial planners, offering them continuing-education credits for attending an accompanying presentation on how to oversee a farm donation.

Keep It Growing and its copycat programs are "not for everyone," Anderson acknowledges. "Many farm families have heirs, they have a succession plan. But there are more than I imagined that don't have heirs, or they think their children are going to do just fine. And they're interested in doing something for their community."

She recalls a farmer who walked in the foundation's front door in October. "He said his attorney was telling him about the program, and he was just stopping by to get some more information. We get lots of inquiries like that."

That farmer is still mulling his options, Anderson says, but she is sanguine — and patient.

"We don't always close a gift every year," she says. "But when we do, it's typically $1 million-plus."

Giving Away the Farm

Check out a fact sheet Minnesota's Southwest Initiative Foundation uses to market its Keep It Growing farmland donation program, along with a sample screening questionnaire for potential donors. Go to: philanthropy.com/resources

Tips for Starting (or Improving) Your Search for Planned Gifts

Start simple.

"Forget about income-producing gifts. Forget about complex assets. Just go for bequests," says M. Jean Gorman, director of gift planning at Lucile Packard Children's Hospital Stanford. "The reality is that most of the planned gifts that mature are from estates."

Know how old your donors are.

Failure to keep track of one piece of information — a donor's age — can make or break not only a planned-giving effort but all other attempts to segment your donor list to make communications more effective.

"It's the number-one mistake," says Robert Sharpe, a fundraising consultant in Memphis. "How on earth can you start a planned-giving program without knowing the age of your donors, or knowing the age mix? But it happens all the time."

Identify your most loyal donors.

It's not necessarily the people who give the biggest donations who are the most likely to leave your organization significant bequests. Keep an eye on the folks who have given steadily over years or decades, regardless of the amounts.

"The biggest gifts I've worked on this year have been from donors who have not made big gifts in their lifetime," says Jeff Comfort, vice president of principal gifts and gift planning at the Oregon State University Foundation.

Check your database for your most long-term and frequent supporters. Start giving them more attention, including sending information about leaving a legacy that includes the charity.

Start early.

Bequests most often arrive in charities' coffers when donors die in their 70s or 80s. But "it's a lot easier to have a donor put you in their will or trust or make you an IRA beneficiary in their late 50s or 60s than when they're 80 and their plans are pretty well set," Comfort says.

Emphasize no-fuss gifts.

Making a charity a beneficiary of a donor's 401(k), individual retirement account, or life-insurance benefit usually takes only a few keystrokes and doesn't require a lawyer. It also entails no financial sacrifice for donors, who may have held back from giving more generously over the years for fear of outliving their money.

Start a legacy society.

One of the best ways to persuade donors to give is to show them that people like them are giving. According recognition and prestige to supporters who have made planned-gift commitments could inspire those donors' peers.

Include younger generations in planned-gift decisions.

A positive experience for a donor's family could lead to more gifts, suggests Sharpe: "Be nice to their children and siblings, and you might find they're birds of a feather."

The 5 Stages of Giving

Analyzing two decades' worth of research on how wealth is transferred from one generation to the next has helped clarify the typical phases in a donor's life, according to researchers at the Center for Rural Entrepreneurship/LOCUS. Here's what fundraisers can expect:

Getting started

Age: Young adult

Circumstances: Early career, earns little, spends more than he or she makes. Limited assets. Often has young children.

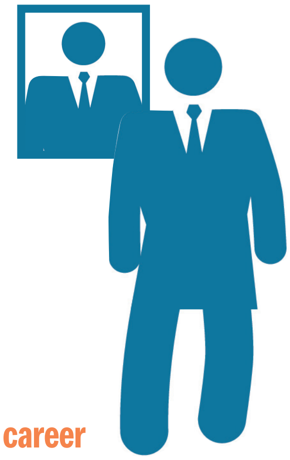
Potential for giving: Limited. Lots of needs. Focused on career and family. Developing an affinity for a community.

Mid-career

Age: 35 to 50

Circumstances: Spending and income in greater balance. Likely has older children.

Potential for giving: Modest, but developing patterns in the way he or she supports causes. College and retirement-planning needs compete with charitable giving.

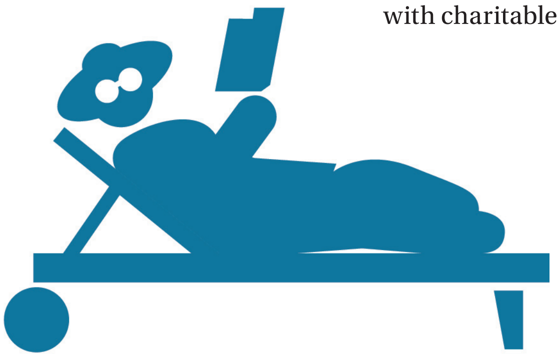


Later career

Age: 50 to 65

Circumstances: At peak of earnings and asset accumulation. Peers are giving to charity.

Potential for giving: Likely giving to charity annually and to capital campaigns. Open to thinking about planned giving. Motivated by peers' giving.



Early retirement

Age: 65 to 74

Circumstances: At peak of wealth, but earnings diminishing, sparking concerns about retirement income. Motivated to give.

Potential for giving: Maximum capacity for charitable giving. Actively planning gifts, and in need of help to balance demands of heirs, retirement, and health care. More motivated than previously by peers' philanthropy.

Late retirement

Age: 75 and up

Circumstances: Spending down assets, earnings eroded. May have anxieties about money and become more conservative.

Potential for giving: Eroded ability to give but very strong interest in legacy. Planned giving is key, and heirs' engagement is helpful.

How Fundraisers Can Start Conversations About Planned Gifts

A planned-giving expert explains the “four-s method” for broaching a potentially uncomfortable subject with donors.

Few things are more uncomfortable for fundraisers than talking to loyal donors about what they want done with their assets after their death.

To make it easier for charity officials to broach the topic, Russell James, who researches planned giving at Texas Tech University, is among several experts who prescribe what is called the “four-s method” for breaking the ice.

“It’s three stories and then shut up,” he says. It requires one prop: a glass of water.

James sets the scene. “Let’s suppose I’m working with an alumni donor from Texas Tech. At some point in the conversation, the question will come up, ‘So, what’s new at the university?’ ”

The fundraiser would then tick off some highlights: “Well, we hope our football coach can get things turned around next year. Not sure if that’s going to happen. If he doesn’t, we might be looking for somebody new.”

That’s story one.

“Oh, and there’s a new building on campus! You can see where that construction is taking place, it’s that new residence hall on the west end of campus. You’ll see it if you come in on that side.”

That’s story two.

“Oh, and Mary Smith did a neat thing. Do you know Mary? She graduated two years before you. No? Well, Mary spent her whole career helping other people get their finances in order, and she just signed a new will that will one day fund a permanent scholarship for our financial-planning students.”

That’s story three.

“And then, you take a drink.”

The silent pause gives donors the opportunity to pick up the conversation in the way they want, James says.

“If you reach someone at a stage in their lives where they don’t want to think about these things,” he says, the response “might be something like, ‘So, that new building — where would I park?’ ”

> **It’s three stories and then shut up. It requires one prop: a glass of water.**

If the donor fails to take the cue and start talking about estate planning, don’t lose heart, James says. You may have just helped start a process that could pay off with a big bequest.

“When we have looked at what messages have changed people’s attitudes about leaving gifts in wills to an organization, the most powerful messages we’ve yet tested are sharing donor stories about others who made these kinds of gifts,” he says. “Especially living donors who are similar to the people you’re talking to.”

Such stories help “shift the social norm” for donors, making them understand that “people like me do things like this,” James says. “You can accomplish this in a very nonthreatening way, but also a very persuasive way.”

How the New Transfer-of-Wealth Estimates Were Calculated

METHODOLOGY

The Transfer of Wealth™ analysis presented in this *Chronicle* special report was completed by LOCUS Impact Investing, a partnership with the Center for Rural Entrepreneurship. LOCUS helps foundations invest locally to create prosperous, vibrant communities.

To estimate current U.S. household net worth, the researchers used the Survey of Consumer Finances, a data series produced by the Board of Governors of the Federal Reserve System. The Federal Reserve data includes detailed information about household assets and liabilities broken down by several key demographic characteristics, including age, race, and employment type of single adults or family heads.

Among the indicators researchers considered to determine the wealth held in various regions of the country: age characteristics, such as concentrations of elderly people; market valuations of real estate, art, and other property; and concentrations of "creative class" employers (such as tech companies and universities) and business owners.

The wealth of very high-net-worth individuals — the so-called "1 percent" — may be undercounted, the researchers suggest, because in many cases their assets are privately held or scattered around the globe.

The 3% Scenario

The researchers projected the possible growth in household net worth for the next 50 years, and the amount of wealth that could transfer from one generation to the next through bequests, based on four scenarios for U.S. economic growth over that period. They concluded that an average growth rate of 3 percent is most likely, based on the past 50 years of economic performance and more recent trends.

However, the researchers also calculated potential wealth if economic growth averages 2, 4, or 5 percent over the next half century. (The 5 percent scenario might apply to certain wealthy communities, such as Silicon Valley, according to Don Macke, co-founder of the Center for Rural Entrepreneurship and a senior vice president at LOCUS.) These scenarios are available from the Center for Rural Entrepreneurship/LOCUS but are not included in this *Chronicle* report.

To make population predictions, the researchers applied the most recent forecasts from the U.S. Census Bureau. They also applied data from the Centers for Disease Control and Prevention and the National Institutes of Health on trends in death rates.

In crafting the household-wealth and wealth-transfer scenarios, the researchers used a discounting methodology to account for the likelihood that older Americans will need to use a portion of their assets during their retirement years, essentially reducing the amount of wealth that will transfer.

Potential for Giving

The analysis by LOCUS and the Center for Rural Entrepreneurship uses the methodology pioneered by Boston College's now-closed Center on Wealth and Philanthropy. However, it differs from the Boston College studies in a key way: It does not attempt to predict the amount of wealth that will go to charity. Those forecasts came in for criticism from fundraisers and philanthropy experts.

Instead, the new study simply highlights the potential for charitable giving by offering projections of total wealth available for transfer into endowments if just 5 percent of that wealth is captured by philanthropy, and of the dollars available for grant making annually from that 5 percent.

All dollar figures are adjusted for inflation.

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