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## Much-Anticipated Transfer of Wealth Has Yet to Materialize, Nonprofit Experts Say

By Holly Hall

Boston College went on a fund-raiser hiring spree not long after two prominent scholars at the institution released research in 1999 showing that at least \$41-trillion — including \$6-trillion in charitable bequests — will change hands when members of the World War II and baby-boom generations die.

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[A \\$6-Trillion Projection](#)

But now fund raisers, scholars, and other experts are wondering where all the money is. After all, the Boston College scholars said that, in the first 20 years of the wealth transfer alone, from 1998 to 2017, at least \$1.7-trillion in bequests would go to charities, so nonprofit groups already should have seen a substantial increase in the amount they receive from bequests.

Some \$127.6-billion was bequeathed to charities from 1998 through 2004, the last year for which *Giving USA*, a yearbook on philanthropy, has data available. That is just 7.5 percent of the charitable-bequest totals that the researchers said would be received through 2017.

To meet the researchers' projections, charitable bequests would have to average \$120.9-billion annually for 13 years straight, beginning in 2005. That's six times more than the highest annual amount received in bequests since 1998, the first year of the wealth transfer. In 2002, bequests reached \$20.9-billion, the highest sum *Giving USA* has recorded since it started its tally in 1955. Since then, bequest totals have been lower.

It is unlikely that charities will receive the bequests they were expecting by 2017, unless the death rate in the United States suddenly and unexpectedly soars, fund raisers and philanthropy experts say.

"Short of an avian-flu epidemic, or some other major dislocation of the population, I do not know how it could happen," says Leo Arnoult, a Memphis fund-raising consultant and past chair of the Giving Institute — Leading Consultants to Non-Profits, formerly known as the AAFRC Trust, which publishes *Giving USA*. Mr. Arnoult also sits on the committee that determines the methodology for the yearbook's bequest estimates.

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## 'It Isn't Zipping Up'

Even charities among the most active in seeking bequests say they have yet to see any indication that the wealth transfer has started. Organizations like the American Heart Association, World Vision, the Memorial Sloan-Kettering Cancer Center, and Ohio State University all say that the sum received from bequests has been flat since 2000, or has decreased.

"It certainly isn't zipping up in the direction you would have thought," says Pamela Bennett, director of planned giving at Memorial Sloan-Kettering, which last year received \$38-million in bequests, up from a low in 2002 but still shy of the high of \$48-million received in 2000.

Adding to the uncertain picture for bequests has been the national debate over the estate tax. Some researchers say that if the estate tax is eliminated permanently, as lawmakers say they hope to do, bequests to charity will plummet by up to \$25-billion a year.

To be sure, some institutions are taking in more money from bequests. At Boston College, for instance, the average amount from bequests was \$845,256 in 1998, while in the 2006 fiscal year it was \$1.6-million.

## Great Expectations

The Boston College researchers who came up with the wealth-transfer estimates that triggered such great expectations are Paul G. Schervish, a professor of sociology and director of the institution's Center on Wealth and Philanthropy, and John J. Havens, a researcher there.

Their projections have been widely used by financial-services companies, hoping to benefit from what has been promoted as the most massive transfer of wealth in American history, as well as government agencies that have been looking forward to new tax money and shaping policies based on the projections.

In response to questions from *The Chronicle* about discrepancies between the wealth-transfer estimates and the *Giving USA* bequest data, the researchers said in a statement that they stick by their predictions of a 55-year wealth transfer of at least \$41-trillion through 2052, including \$6-trillion in charitable bequests.

The majority of the bequests from the World War II generation and baby boomers, they said, will come in the later 35 years of the wealth transfer, from 2018 through 2052, by which time most of the 77 million baby boomers will have died.

"If there is no major long-term disruption in the economy (such as another Great Depression or a nuclear attack)," Mr. Havens wrote in a statement, "the \$41-trillion figure is still our best estimate."

But, he acknowledged, "the 20-year wealth-transfer estimates are not likely to be fulfilled in reality," and the timing of the wealth transfer appears to be delayed.

When new data on household wealth becomes available in coming months, Mr. Havens said that he and Mr. Schervish will re-examine their wealth-transfer projections. To come up with the figures, they used a statistical model based on household wealth, assumptions about its growth, savings rates, mortality rates, and information about distributions from wealthy estates.

Mr. Havens said several trends are behind the failure of the wealth transfer to materialize as he and Mr. Schervish expected:

- Household wealth fell by approximately 5 percent from 1999 to 2002, a sharp contrast to the model the researchers used, which estimated that such wealth would grow by 2 percent to 4 percent annually.
- Some people may be deciding to give money to charity during their lifetimes, through family foundations, charitable trusts, and donor-advised funds, rather than waiting until death to make charitable bequests.
- Mortality rates have declined from the 1998 death rates that the researchers used to make their wealth-transfer projections.
- The *Giving USA* data may underestimate charitable bequests. "*Giving USA* figures are purposefully conservative so as not to overestimate," said Mr. Schervish, in an interview. "The goal is not to put out numbers that are unreasonably high."

*Giving USA* figures for bequests — like the wealth-transfer projections — are estimates.

But, unlike the projections, the *Giving USA* figures are revised every year as data on bequests become available from the Internal Revenue Service.

The annual estimates are also checked against other data on giving, including figures on contributions to family foundations, charitable trusts, and donor-advised funds, none of which are included in the bequest figures. Even if figures for donations to family foundations and other lifetime gifts were added to the bequest numbers, the totals would not be enough to meet the wealth-transfer projections. For instance, just \$9-billion was given to family foundations in 2004, the latest year for which figures are available, according to the Foundation Center, a New York research organization.

"We have very, very solid estimates," says Patrick Rooney, the director of research who oversees *Giving USA* at the Indiana University Center on Philanthropy. "Our data is more concrete. It is short term."

Other scholars involved in calculating *Giving USA* bequest figures said that annual totals might be somewhat conservative.

"I might be able to get to \$32-billion annually if I took some on-the-edge assumptions," says Melissa Brown, associate director of research at the Center on Philanthropy. But even that figure does not come close to the average \$85-billion per year from 1998 to 2017 that it would take to meet Mr. Schervish and Mr. Havens's predictions.

### **Exaggerated Hopes**

The Boston College predictions that trillions of dollars will go to charity has blown expectations far out of proportion with reality, some fund-raising experts say.

"Such projections may motivate boards of charities to invest more in planned giving, and perhaps that will have positive results," says Frank Minton, president of Planned Giving Services, a Seattle consulting company. "On the other hand, if the numbers are inflated, as I suspect, they may lead to false optimism."

Robert F. Sharpe Jr., a Memphis planned-giving consultant, says that one of his clients, a well-known national charity that he declines to name because of a client-confidentiality agreement, has hired more fund raisers and doubled its bequest income since 1998. "But the board is not happy with that," he says. "The expectation is that they should have done better, given the wealth transfer."

He adds: "I am seeing major institutions out there that have far exceeded the average, but the expectation levels are so high that, no matter how much they raise, it's not enough. Even when they do well, the organizations think it would have happened anyway because of the wealth transfer."

Mr. Minton says he shares those concerns. "People go and listen to these presentations about the wealth transfer, and fund raisers imagine sitting on a beach with this great tidal wave washing over them," he says. "This is all very heady stuff, but no substitute for the daily grind of hard work and donor cultivation."

### **A Few Impressive Returns**

Even if the wealth-transfer predictions are wrong, they still have motivated some groups to increase their bequest-seeking efforts, and a few charities are seeing impressive returns.

The Nature Conservancy, for example, received \$31.6-million in bequests in 1999, the year when the wealth-transfer projections were released. Last year the charity reported more than \$70-million from bequests, more than doubling its estate gifts in six years.

The wealth-transfer study "did make us focus on bequests," says Angela Woo Sosdian, the conservancy's planned-giving director. "It

prompted us to pay more attention to the wealth transfer and our efforts." She says the increases were achieved by hiring additional fund raisers, doing more to reach out to potential donors, and restructuring the planned-giving department.

Few charities, however, can expect that kind of growth, says Mr. Sharpe. A slowing of death rates, little or no growth in the number of people who are 70 to 90 years old (the age at which most people leave bequests), and increasing competition among charities for planned gifts will make big increases in bequest income unlikely for most charities in the next several years.

Many organizations will reach a plateau in the amount they raise from estate gifts, says Mr. Sharpe. "What we have to do is figure out how to get through the next 10 years with very moderate growth," he says.

With Mr. Schervish and Mr. Havens predicting that most of the \$6-trillion in charitable-bequest giving will come after 2017, some experts said that the wealth transfer may still bring a golden age to philanthropy.

"If you have seven years in a 55-year period, that may not show much," says Tom Cullinan, an Omaha planned-giving consultant. "They could be exactly right, and time may suggest that. My guess is that a lot of giving is going on that cannot be tracked."

But other experts said that what ultimately happens by 2052 is impossible to predict, because long-term financial projections can be thrown off so easily.

"In economics, if you get more than two to three years out, there are too many dislocating variables," says Mr. Arnoult, the consultant.

What's more, Mr. Sharpe says, nobody knows how charitable the baby boomers will be with their money, or how much they will even have available in disposable income.

"There is a dilemma facing our society: paying for long-term health care. When the boomers start aging and dying, it's going to be all about Medicare co-pays, Social Security, and prescription-drug policies," he says.

"Society may decide that people should exhaust all of their money before they can get public care, which is not the case now with Medicare," says Mr. Sharpe. "If that happens it could eliminate a substantial portion of bequests after 2017."

As charities plan their efforts to seek estate gifts, the wisest course for most organizations may be to keep Mr. Havens's own words in mind: "No model is going to predict behavior 55 years into the future (or 20 years into the future) with close accuracy," he wrote in his statement to *The Chronicle*. "None of these projections should be taken as anything more than ballpark estimates, based on the data and knowledge at the time the projections were made."

## A \$6-TRILLION PROJECTION

Researchers from Boston College have predicted that a 55-year transfer of wealth that started in 1998 will produce at least \$6-trillion in charitable bequests. In the first 20 years of the wealth transfer alone, charities will receive \$1.7-trillion or more in bequests, according to the researchers.

However, in the first seven years of the wealth transfer from 1998 to 2004, the last year for which data are available, charitable bequests totaled \$127.6-billion, according to "Giving USA," an annual yearbook on philanthropy that is widely considered to provide the best estimates of what charities receive in bequests.

To meet the Boston researchers' projections of \$1.7-trillion by 2017, charities would have to receive an average of \$120.9-billion in bequests every year from 2005 to 2017. That figure is six times higher than the annual record for such gifts; in 2002, charities received \$20.9-billion in bequests, the largest sum that "Giving USA" has ever reported since it began tracking bequests in 1955.









"Giving USA" revises its estimates each year, as new data reported by the Internal Revenue Service and other sources become available.

Its figures are consistent with other estimates. For example, Robert F. Sharpe Jr., a Memphis planned-giving consultant, says that by using a different approach — one based on research showing that about 8 percent of estates leave charitable bequests and other studies — he estimates that bequests will reach \$40-billion annually by 2017.

The researchers at Boston College, John J. Havens and Paul G. Schervish, are sticking by their predictions for a 55-year transfer of wealth. Even though charities have not yet seen the increases in bequests that the researchers predicted by 2017, they say it will still happen — just later than they expected.

### Annual Amount Donated in Bequests

In billions

1998		\$12.98
1999		\$17.37
2000		\$19.88
2001		\$19.80
2002		\$20.90
2003		\$18.13
2004		\$18.56
Annual amount needed		\$120.90

SOURCE: "Giving USA" and *Chronicle* reporting

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