

## Keeping the dollars from leaving town

### Foundations address ways to stop community wealth loss when citizens die

By Edie Hall - The Hutchinson News - [ehall@hutchnews.com](mailto:ehall@hutchnews.com)

A long-time citizen has passed away.

His children, who all live out of state, return to their childhood home for the funeral, which most of the community attends.

They stay for the week, tying up loose ends, talking to old friends, grieving with the community.

At the end of the week, they gather their belongings, bid a heartfelt farewell and climb into their cars.

On their way out of town, they make one last stop - at the local bank. They withdraw the money that their father left to them. When they leave town, so does the money.

It is a common occurrence, and one that will have some of its greatest effects over the next few decades.

As what has been dubbed the "greatest generation" continues to pass away, studies show that communities stand to lose millions of dollars when out-of-state relatives inherit the wealth.

Community foundations nationwide, including in Kansas, are spearheading efforts to keep a portion of that money within the community the benefactor called home.

#### Wealth transfer

In previous decades, people lived their entire lives close to their birthplace, and when wealth passed from one generation to the next, it stayed in the same county if not the same community.

That is no longer the case - especially in rural areas - and community activists are taking note.

About a decade ago, Boston College began studying intergenerational wealth transfer. Those studies indicated that over the next 50 years, \$41 trillion would transfer from one generation to the next in the United States.

According to research commissioned by the Kansas Health Foundation and conducted by Wichita State University's Center for Economic Development and Business Research, in the next 12 years, more than \$66 billion will transfer through generations in Kansas.

The Kansas Association of Community Foundations, including the Hutchinson Community Foundation, has set a goal to secure 5 percent of that money - or \$3.3 billion - for Kansas communities by 2020.

Foundation leaders plan to do this by encouraging individuals, families and businesses to designate a portion of their estates, 401(k) and IRA accounts, life insurance policies or land to community foundation endowments.

The foundations, which act as "experts" in identifying and supporting a range of community needs, will manage the endowments for the area's greatest good.

"We want to start this conversation among Kansans," said Aubrey Abbott Patterson, president and executive director of the Hutchinson Community Foundation. "We want this to be talked about in coffee shops and on street corners - people saying, 'We've thought about leaving something to the community, have you?'"

Patterson stressed that community foundations weren't asking that community endowments be made in lieu of

leaving an inheritance for children.

"We're seeking only 5 percent," Patterson said. "That leaves 95 percent to play with."

#### Need outpacing dollars

The research indicates that over the next 12 years about \$1.71 billion will be passed between generations in Reno County. If the Hutchinson Community Foundation could secure the 5 percent goal, it would mean about \$86 million for this area.

Paid out at 5 percent annually, that would translate into about \$4.25 million being infused into the Reno County community each year.

"Think about what a difference that would make," Patterson said.

In McPherson County, about \$800 million will transfer from generation to generation by 2020. Five percent of that is about \$40 million.

Barton County will likely see about \$1.8 billion in intergenerational wealth transfer - 5 percent of which would be \$92 million.

Foundation leaders said there is more than enough need for those additional funds, if they could be secured.

According to census information, 11.1 percent of Kansans were below poverty level in 2004. That jumps to 13.4 percent in Reno County.

Every year the Hutchinson Community Foundation awards grants to a number of nonprofit organizations - such as Interfaith Housing, TECH, the Boys and Girls Club, Friendship Meals and YouthFriends - but must turn down others.

#### It's a common problem

"We never have the funds to meet what is needed," said Becky Goss, executive director of the McPherson County Community Foundation. "But if we were able to secure the 5 percent we are looking for, having something like that - programs in our communities wouldn't want for a lot."

Denise Unruh, executive director of the South Central Community Foundation, which is headquartered in Pratt and serves seven counties, said charitable dollars can be used not only reactively but also proactively.

For example, her foundation helped pay for a violence intervention program given at area schools.

Patterson added that, as city budgets become tighter, community endowments can pay for amenities such as parks.

"Things that make a community a community," she said.

#### Nationwide trend

Communities nationwide have set the 5 percent goal, and some have already been successful in achieving it, said Don Macke, with the Rural Policy Research Institute.

"There is nothing magical about the 5 percent goal, other than a consensus in the country that it's very achievable when you look at the competing interests. Giving 5 percent to the community that helped generate that wealth is very credible."

Places like Ord, Neb., which has a population of 4,600, have proven that to be true.

That small community has surpassed the 5 percent goal and is sitting with \$7 million in endowments supporting a wide range of community activities.

"They didn't even have a community foundation in 2000," Macke said. "Like a lot of small towns, they struggled to find the money to do what needed to be done."

Likewise, South Wood County, Wis., - a community a little larger than Hutchinson - has met the 5 percent goal and has endowed an economic development program as well as a set of youth activities, Macke said.

"This really represents a new significant resource," Macke said. "People are beginning to see that community philanthropy is not just a good thing but it is one of the most important things a community can do for its future."

Community foundations that are successful at capturing 5 percent of the wealth transfer are engaging the community in setting goals for the future and using those goals to make a good case to donors about what their endowments would be used for, Macke said.

Community foundations must also educate the public on the need for estate planning - 66 percent of the population dies without leaving a will - and who it applies to.

Unruh said that most people - not only the rich - have estates.

The average estate size, after bills are paid, is about \$200,000. Giving even 5 percent of that, or \$10,000, to the community will make a difference, she said.

Macke agreed and said community foundations must support a broad-based give-back.

"We want to encourage people of all ages and all kinds of financial means to give something back to their community," he said. "When we put that together, it strengthens our message about community philanthropy."

Check it out

Anne Gallagher, senior research associate for the Center of Economic Development and Business Research, completed the assessment of the intergenerational transfer of wealth in Kansas, and broke it down by county.

She started with Federal Reserve and Census data and matched it to Kansas demographics, taking into account variables such as age of the head of the household, number of children in the household, self-employment income, educational level and other aspects that indicate wealth.

She also considered population, age projections, birth and death rates and the rate of in- and out-migration for in each county.

For a county-by-county look at the transfer by wealth data, visit [www.kansascfs.org](http://www.kansascfs.org).