UNIVERSITY OF MINNESOTA EXTENSION

DEPARTMENT OF COMMUNITY DEVELOPMENT

# Transfer of Wealth Opportunity the SMIF Region of Minnesota

Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmsted, Rice, Sibley, Steele, Wabasha, Waseca, and Watonwan Counties

**Summary Study**
**July 2024**

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# SNAPSHOT: Regionwide Transfer of Wealth

The University of Minnesota Extension's Transfer of Wealth Opportunity Analysis for Minnesota provides an estimate of the SMIF Region's assets – homes, businesses, investments – that will transfer between generations within the next 10 and 50 years. Our forecasts provides a research-based estimate of the household wealth that, with active donor engagement, might be available for charitable giving and philanthropic investing.

## Current Household Net Worth

**$212 billion**

## Transfer of Wealth

**$6.7 billion**

**OVER 10 YEARS**

**$35.7 billion**

**OVER 50 YEARS**

## 5% For Grantmaking

**Capturing just 5% of the 10-Year TOW potential would create nearly $334.3 million in new endowments. Over 20 years, this endowment could support grantmaking of over…**




## 5% For Local Investing

**Investing even 5% of those new endowed assets locally for impact over 20 years would generate enough local financing to support construction of workforce housing, help low-income entrepreneurs launch businesses, and support nonprofit capital projects.**



## INSIGHTS: Regionwide Opportunity

**Your region has wealth.** Research shows there are ways to put those assets to work to promote economic vitality and community prosperity. This assessment shows:

**Minnesota has assets.** Today, the SMIF Region has a current household net worth of $211.8 billion. Communities regularly struggle to overcome the perception that they lack the capacity, the tools, or the know-how to make a lasting change for the better. Simply understanding the scale of the SMIF Region's net worth can be helpful in dispelling that perception and help community members start dreaming about what might be possible.

**Many people have wealth.** Families of various incomes have something to contribute to the SMIF Region and there are many advantages to engaging households at all levels and across generations. A broad-ranging outreach strategy is consistent with the movement by many organizations to diversify their boards, champion meaningful resident engagement, and promote community leadership. Your development team can make meaningful contributions when it comes to building inclusive, community-oriented investments.

**You can realize this wealth for the community.** Organizations started assessing their local transfer of wealth in the 2000s. Foundations used this information to develop community legacy campaigns, inform donor development strategies, and conduct strategic planning. Some foundations called on neighbors to give just 5%, a remarkable $334.3 million in the SMIF Region, to support important philanthropic purposes. Experience shows that understanding Minnesota's transfer of wealth – having numbers and setting goals – helps foundations better reinvest those assets to promote community economic development.

**The time for planning is now.** Community economic development takes time. Local organizations should be planning for population shifts, recognizing that nearly $6.7 billion will transfer from one generation to the next by 2030. Frequently, place-focused foundations need to wait for the grantee with the right set of skills, a government that is ready to partner, or for the right donor with aligned priorities. Developing a strategy to retain just a portion of the SMIF Region's transfer of wealth needs to start now.

**the SMIF Region needs these assets.** Healthy and vibrant places take investment – investment in schools, housing, main streets, businesses, hospitals, and much, much more. Nonprofits, businesses, governments, and philanthropy need the capital and the skills to make these investments. The transfer of wealth opportunity in our state likely represents one of the most underdeveloped resources for furthering community-led projects and programs. Capturing 5% of your region's transfer of wealth could support over $399.1 million in local grantmaking over the next 20 years. A concerted effort to capture just a portion will mean that communities have the resources they need to make investments in their future.

## TECHNICAL FINDINGS: Transfer of Wealth Scenario

## What is the Transfer of Wealth?

For communities to thrive, they must thoughtfully invest in education, health care, economic development, and other community amenities. Traditional sources of funding (e.g., local taxes, federal and state funding, and support from local businesses) have come under increasing pressure in recent years and are not always there when communities need them the most. Similar programs across the U.S. show that philanthropic giving represents the greatest underdeveloped financial resource a community can mobilize. Community-based philanthropy is a way for neighbors to invest and realize a shared vision for the future of their State. It is also a community engagement tool, providing opportunities for all community members of all means to give back to the place they call home.

Across the U.S., there are examples of the power of community-based philanthropy to drive community transformation. Young parents create an endowment to support quality pre-school education. Successful entrepreneurs endow programs to encourage and support their up-and-coming peers, including youth. To encourage community philanthropy, however, you need to begin by helping the community recognize that they have collective wealth to give and the capacity to dream about the community they could create by applying that philanthropic potential.

## Terms and Region

Transfer of Wealth (TOW) estimates are scenarios of a “most likely future” based on historical research and reasonable assumptions of the future. Longer range scenarios are subject to greater uncertainty. The 10-Year TOW scenarios include the cumulative intergenerational wealth being transferred by permanent resident households from 2020 through 2030. The 50-Year TOW scenarios include the cumulative intergenerational wealth being transferred from 2020 through 2070. These estimates exclude wealth held by corporations, governments, and nonprofit organizations. TOW scenarios are presented in real, inflation-adjusted dollars meaning that a dollar in 2070 has the same purchasing power as a dollar in 2020.

This study was conducted for all of the SMIF Region. Primary data sources for this study include 2021 Esri, the Minnesota State Demographer, the U.S. Bureau of Economic Analysis, and 2020 Census & American Community Survey 5-Year estimates.