



# LOCUS

*local investing for impact*

## LOCUS Philanthropy Tools

# Identifying Your Community's Transfer of Wealth Potential

October 2019

Developed for Innovia Foundation



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## Innovia Foundation

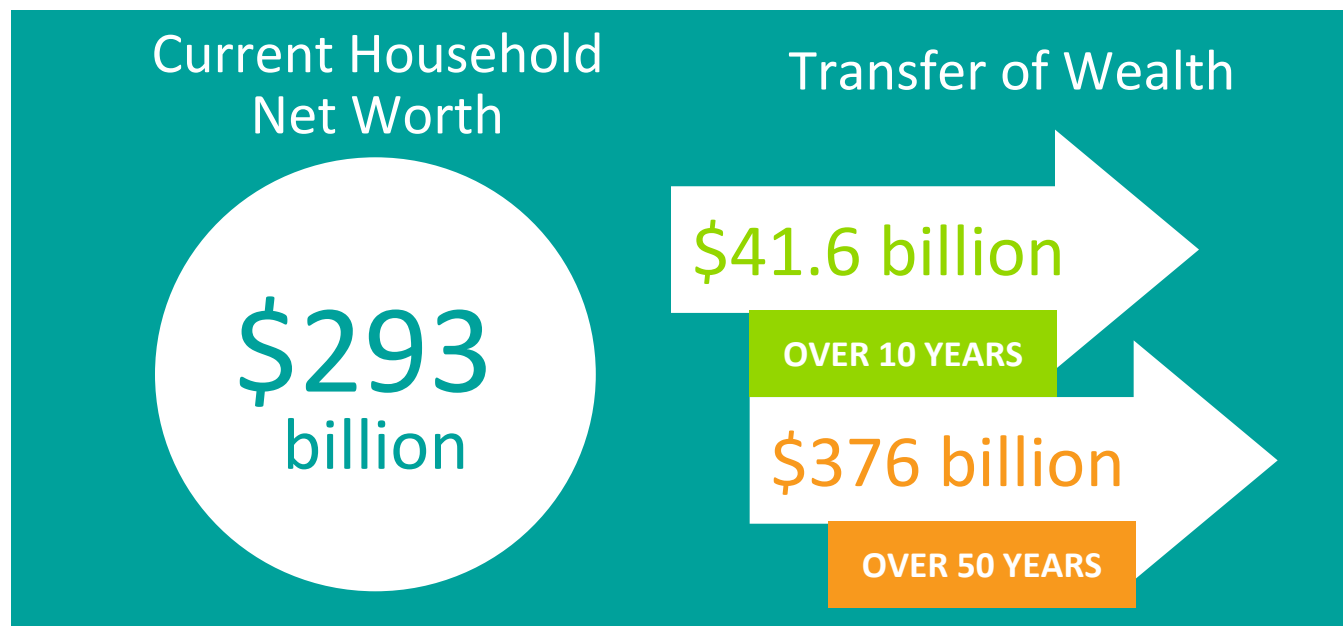
As the community foundation for Eastern Washington and North Idaho, Innovia Foundation ([www.innovia.org](http://www.innovia.org)) partners with people who want to make the world better. We connect donor generosity to our region's most pressing causes and collaborate with community partners to drive transformation. The mission of Innovia Foundation is to ignite generosity that transforms lives and communities. Our vision is vibrant and sustainable communities where every person has the opportunity to thrive.

Our three Strategic Focus Areas are:

- **Ignite Generosity** – *We believe that generosity is the most powerful source of positive change to achieve our shared goals and values. We increase opportunities for all people to give of their time, talent and resources to make our part of the world better.*
- **Vibrant and Sustainable Communities** – *Strong, vibrant communities are able to confront challenges, nurture the good and create positive change. Such communities require committed leadership and engagement among community members from diverse backgrounds and experiences. We invest in and support inclusive, community-driven efforts that make our part of the world better.*
- **Every Person Thrives** – *We believe individuals thrive in community. Genuine connection and authentic relationships drive lasting and sustainable impact. Each of us matters and if opportunities are not available to everyone, a community cannot move forward together. We are committed to bringing people together, elevating diverse voices and creating opportunity for all.*

## SNAPSHOT: Innovia Transfer of Wealth™

LOCUS Impact Investing's 2018 Transfer of Wealth Opportunity Analysis for the Innovia Region provides an estimate of your region's assets – homes, businesses, investments – that will transfer between generations within the next 10 and 50 years. It provides a research-based estimate of the household wealth that, with active donor engagement, might be available for charitable giving and philanthropic investing.



### 5% For Grantmaking

Capturing **just 5%** of the 10-Year TOW potential would create **\$2.1 billion** in new endowments. Over 20 years, this endowment could support average *annual* grantmaking of nearly...

**\$115 million**

### 5% For Local Investing

Investing **just 5%** of those new endowed assets locally for impact over 20 years would generate enough local financing to ...



Construct **1,500** new community facilities



Support **15,000** small business loans

A **5% investment** could generate **\$1.5 billion** to meet “gap financing” needs in the region.

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# INSIGHTS: Innovia Transfer of Wealth™

**There is good news for the Innovia Region.** Not only does the region have wealth, but experience shows there are ways to put those assets to work to promote economic vitality and community prosperity. This assessment shows that:



## **The Innovia Region has assets.**

Today, the region has current household net worth of \$293 billion, a sizeable number. One of the first challenges a community may face while building a more prosperous future is overcoming the perception that it lacks the capacity, the tools, or the know-how to make a lasting change for the better. Simply understanding the scale of your 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 this 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 has 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 early 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 \$2.1 billion in the Innovia Region, to support important philanthropic purposes. Experience shows that understanding your region'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 \$41.6 billion will transfer from one generation to the next by 2028. 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 a region's transfer of wealth needs to start now.



## **The Innovia Region needs these assets.**

Healthy and vibrant places take investment – investment in schools, housing, main streets, businesses, hospitals, and much, much more. Businesses, governments, nonprofits and *philanthropy* need the capital and the skills to make these investments. The transfer of wealth opportunity in your region likely represents one of the most underdeveloped resources for furthering community-led projects and programs. The Innovia region transfer of wealth could support \$2.1 billion in local grantmaking and \$1.5 billion in local gap financing to support critical community efforts 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: Innovia Region

### 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. LOCUS Impact Investing's experience working with communities across the U.S. shows 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 region. 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.

LOCUS' Unlock Your Transfer of Wealth™ analysis provides a reasonable estimate of the total household wealth that will transfer from one generation to the next over a given period, 10 years or 50 years, in a defined geography – typically a city, county or state. While past research has found that most of this wealth will be passed on to heirs, recent evidence shows that individuals and families also give back to their communities, keeping some of that wealth in the places they call or have called home.

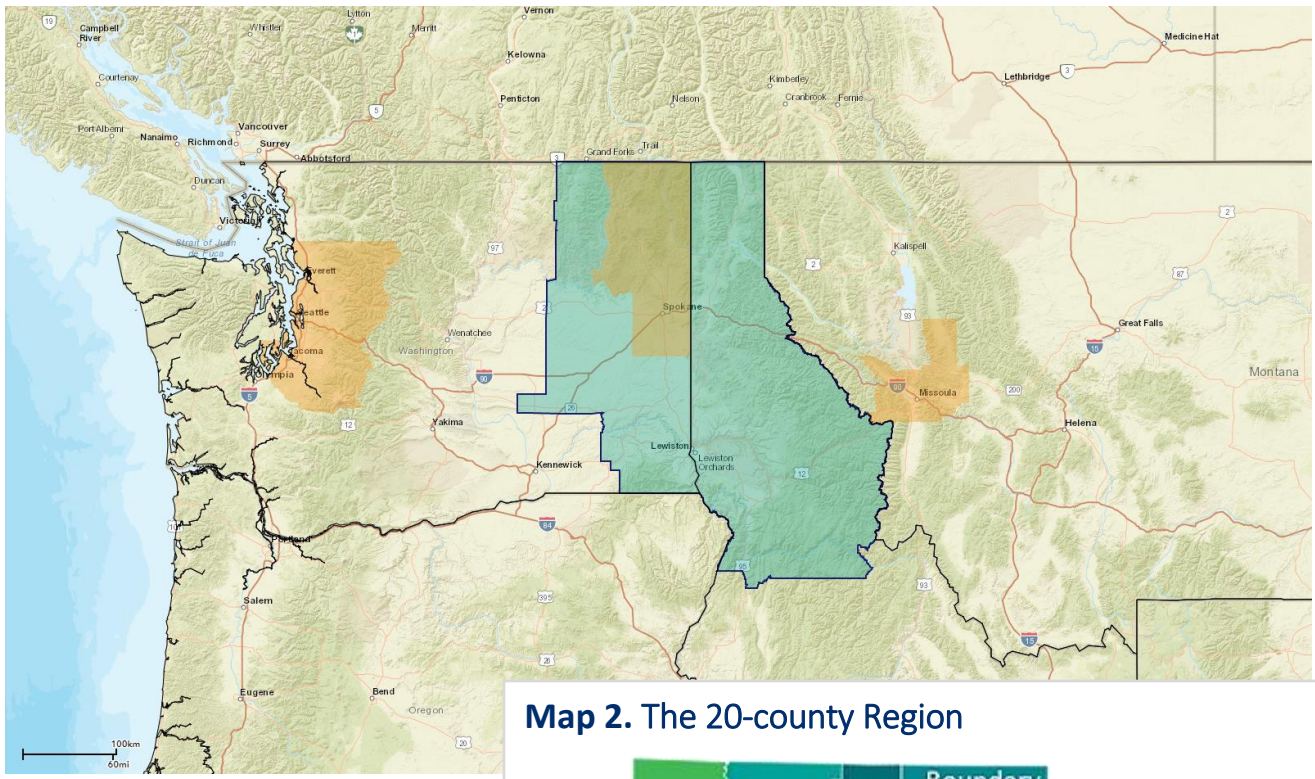
### Terms and Methods

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 2018 through 2028. The 50-Year TOW scenarios include the cumulative intergenerational wealth being transferred from 2018 through 2068. 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 2068 has the same purchasing power as a dollar in 2018.



## Defining the Region

**Map 1. The Innovia Region** Including Seattle-Tacoma-Bellevue Metro, Missoula Metro, and Spokane



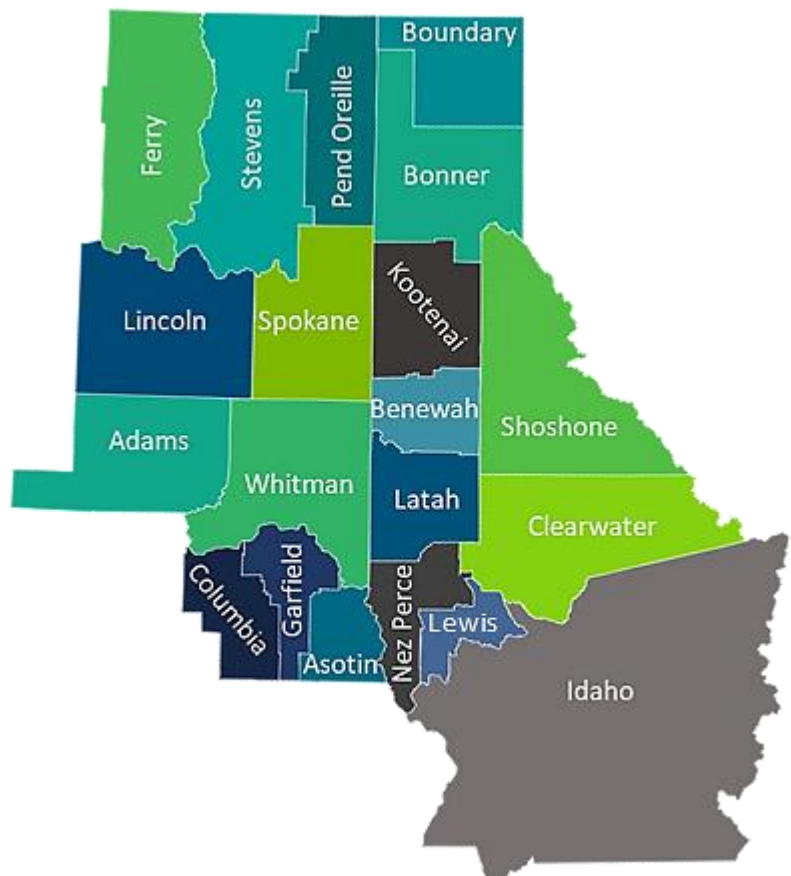
The 20-county Innovia region includes 10 counties in Eastern Washington and 10 counties in Northern Idaho. See the map to the right and the list below for counties in this region.

**Eastern Washington:** Ferry, Stevens, Pend Oreille, Lincoln, Spokane, Adams, Whitman, Columbia, Garfield and Asotin.

**North Idaho:** Boundary, Bonner, Kootenai, Benewah, Shoshone, Latah, Nez Perce, Lewis, Clearwater and Idaho.

In 2018, the region had a population of approximately 1 million persons and over 400,000 households.

**Map 2. The 20-county Region**



## Current Net Worth

Many communities and community residents see themselves as lacking the financial means to make the community they call home better. However, every community has local wealth that can be re-invested 'back home.' Realizing this can shift attitudes from "the glass is half empty" to "the glass is half full" and motivate action. Taking stock of a region's wealth and modeling TOW scenarios starts with determining current net worth. Current net worth is the total value of all permanent resident household assets less all permanent resident household debts. This includes homes, family-held businesses, and retirement assets. It does not include the value of assets held by corporations, nonpermanent residents, and nonprofits. **The current net worth of the Innovia Region is \$293 billion.** Table 1, below, summarizes current net worth for counties and the region benchmarked to state and national values.

**Table 1.** Innovia Region Current Net Worth

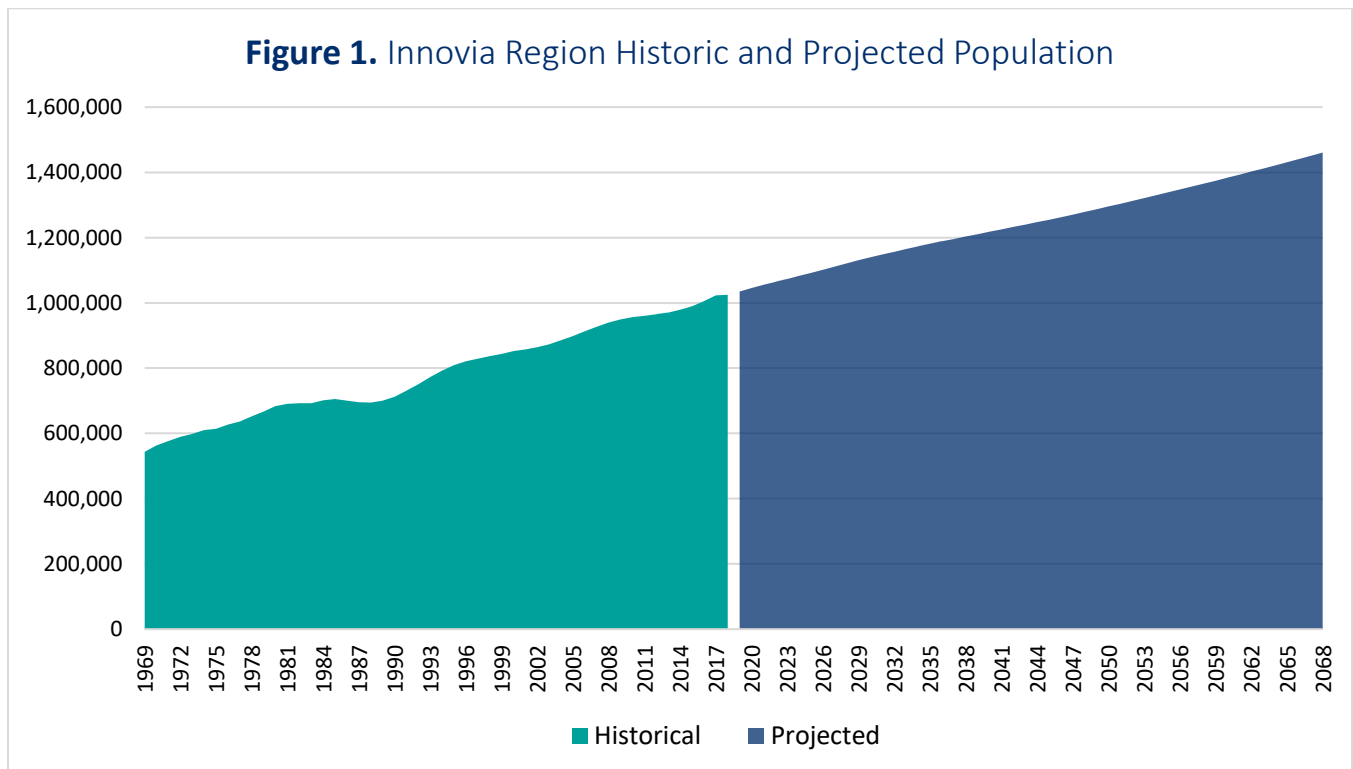
Geography	Households	Current Net Worth	Household Median Net Worth	Household Mean Net Worth	Mean/Med Ratio
<b>United States</b>	124,110,001	\$92.6 Trillion	\$103,616	\$745,988	7.2
<b>Idaho</b>	<b>645,520</b>	<b>\$371.2 Billion</b>	<b>\$94,301</b>	<b>\$575,031</b>	<b>6.1</b>
Benewah County, ID	3,980	\$1.9 Billion	\$97,081	\$455,010	4.7
Bonner County, ID	19,045	\$14.1 Billion	\$101,231	\$726,849	7.2
Boundary County, ID	5,153	\$2.6 Billion	\$69,060	\$467,324	6.8
Clearwater County, ID	3,678	\$2.6 Billion	\$128,343	\$688,185	5.4
Idaho County, ID	6,823	\$4.3 Billion	\$113,547	\$566,386	5.0
Kootenai County, ID	63,626	\$43.7 Billion	\$93,194	\$680,496	7.3
Latah County, ID	15,682	\$7.5 Billion	\$39,672	\$449,370	11.3
Lewis County, ID	1,714	\$884.2 Million	\$66,654	\$401,083	6.0
Nez Perce County, ID	16,821	\$10.7 Billion	\$104,260	\$614,944	5.9
Shoshone County, ID	5,571	\$2.2 Billion	\$76,225	\$393,670	5.2
<b>Washington</b>	<b>2,874,133</b>	<b>\$2.5 Trillion</b>	<b>\$132,368</b>	<b>\$860,135</b>	<b>6.5</b>
Adams County, WA	6,023	\$3.1 Billion	\$76,274	\$401,672	5.3
Asotin County, WA	9,440	\$7.8 Billion	\$96,411	\$808,445	8.4
Columbia County, WA	1,750	\$1.9 Billion	\$123,987	\$987,907	8.0
Ferry County, WA	3,215	\$2.7 Billion	\$72,192	\$761,318	10.5
Garfield County, WA	1,012	\$1.1 Billion	\$141,710	\$862,885	6.1
Lincoln County, WA	4,501	\$5.0 Billion	\$144,780	\$955,535	6.6
Pend Oreille County, WA	5,609	\$4.8 Billion	\$109,344	\$838,009	7.7
Spokane County, WA	202,847	\$151.6 Billion	\$100,512	\$742,268	7.4
Stevens County, WA	17,938	\$14.9 Billion	\$124,482	\$808,341	6.5
Whitman County, WA	19,461	\$9.9 Billion	\$14,912	\$451,980	30.3
<b>Innovia Region</b>	<b>413,889</b>	<b>\$293.3 Billion</b>	<b>\$92,821</b>	<b>\$690,985</b>	<b>7.4</b>

Source: Esri, 2018. Base current net worth estimate adjustments made by LOCUS Impact Investing.

One method of comparing wealth across regions is to use *mean* net worth, calculated by dividing current net worth by the number of households. The Innovia Region has a higher mean net worth than Idaho, but notably lower mean net worth than Washington and the United States. Another method of comparing wealth in different regions is by the *median* net worth. Median net worth represents the midpoint; half of all households have a higher net worth and half have lower net worth. The Innovia Region has a lower median net worth than the United State and the states of Idaho and Washington. The distribution of net worth in a region can be evaluated by comparing mean against median net worth. For example, an increase in the wealth of the top 1% of residents in a region will increase the mean wealth but it does not noticeably change the median wealth. A higher mean-to-median ratio means wealth is more concentrated. A lower ratio means wealth is more evenly distributed. The Innovia Region has a high mean to median net worth ratio meaning wealth in the region is fairly concentrated.

### Population and Household Projections

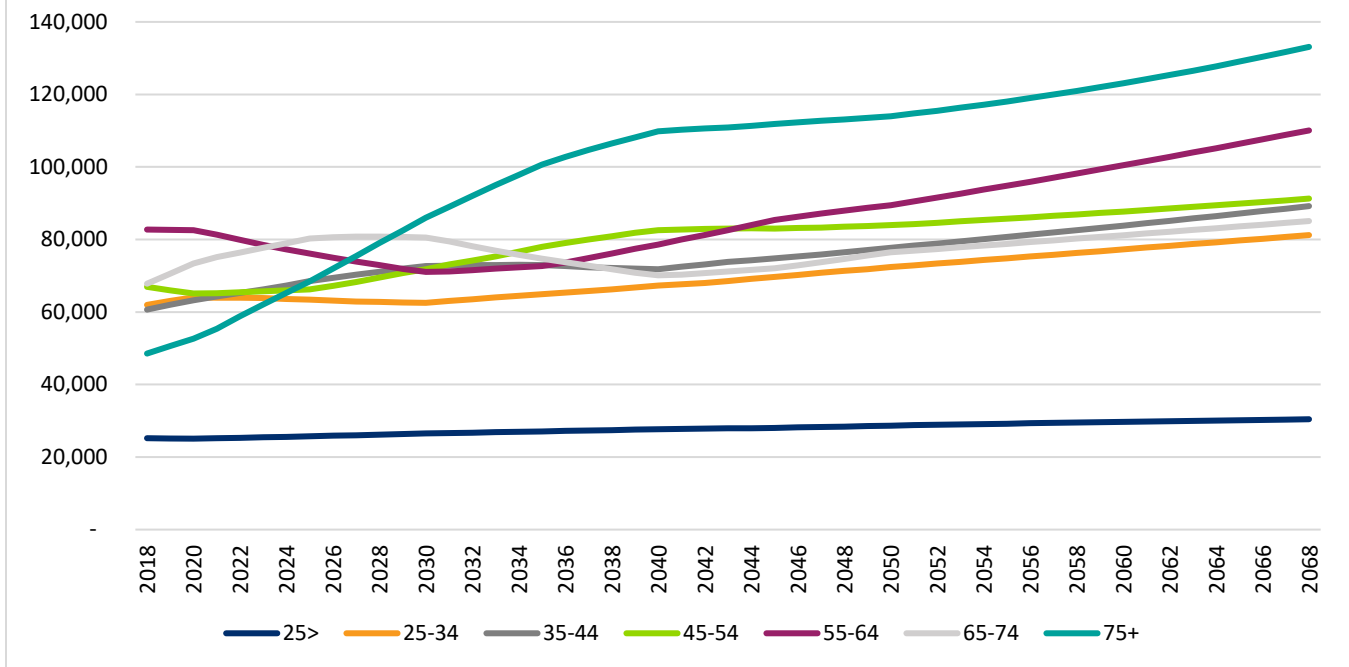
A key input required for modeling TOW scenarios is a region's population forecast. State and local demographers regularly forecast local population trends by looking at historic population levels, local economic data, migration patterns, planned housing developments, and other factors that contribute to population growth or decline. Historically, the Innovia Region has experienced steady population growth rising from about 543,000 residents in 1969 to over a million residents in 2018 (Figure 1). The Washington and Idaho State official state population estimates, extended by LOCUS, project this growth to reach nearly 1.5 million residents by 2068 (Figure 2).



Source: Historical data from Bureau of Economic Analysis, Projected data from Washington Office of Financial Management, Woods & Poole, and LOCUS Impact Investing, 2018.



**Figure 2. Innovia Region Household Forecast by Age of Householder**



Source: Esri, 2018, Projected out by LOCUS Impact Investing.

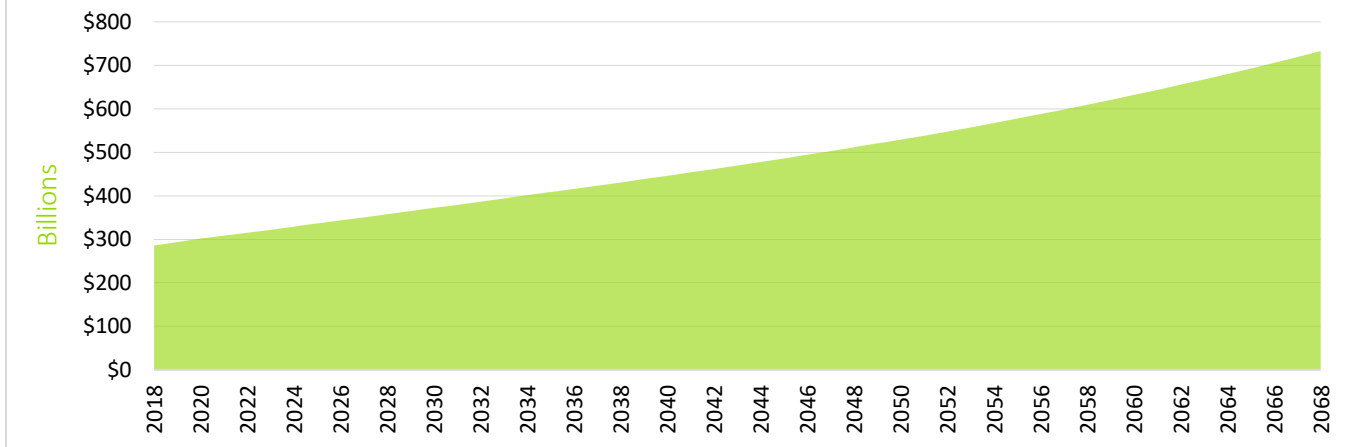
Wealth transfer projections are built, in part, by using population forecasts for age-group cohorts (Figure 2). Note that the number of households led by a person over the age of 75 will rise from 50,000 households today to over 100,000 households by the end of the 2030s – when elderly households will surpass total number of younger households. Households with a householder in their 60s and 70s tend to be wealthier and have fewer occupants. For our scenarios, we assume the number of total households will rise from the 414,000 number in 2018 to over 620,000 by 2068.

#### What is a household?

For the purposes of public surveys, a “household” is a group of people who occupy the same housing unit. This can mean a family, but it also includes unrelated people living together. All households have a “householder” or one person, or one of the people, in whose name the home is owned, being bought or rented. When surveys report a household’s wealth, the wealth is the aggregate wealth of all the individuals living in the household.

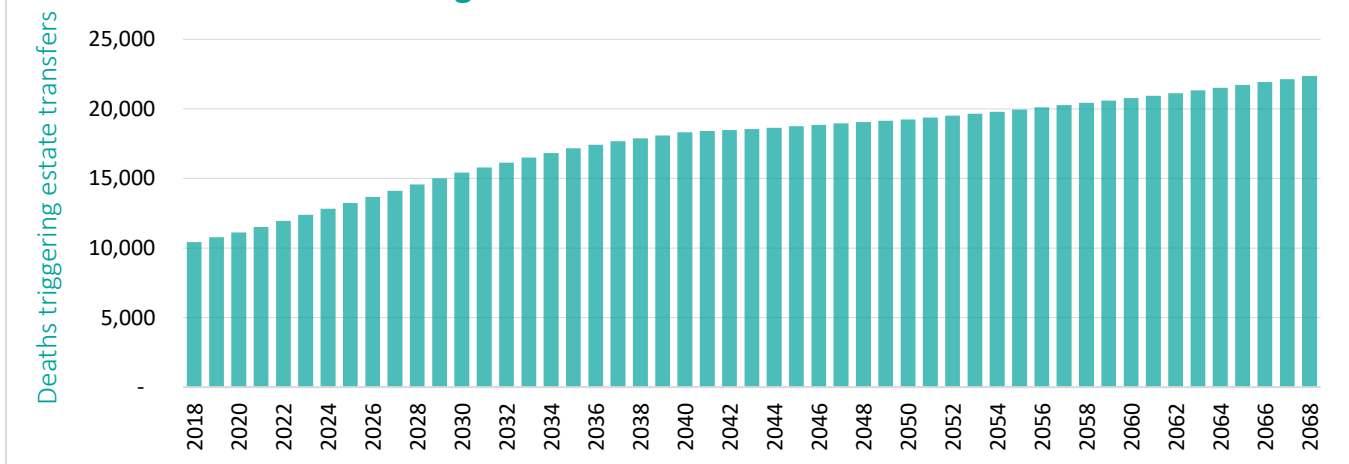
### Future Net Worth Estimates and Transfer of Wealth

Using current net worth data and the household population forecast, LOCUS estimates the region’s projected net worth. The region’s total current net worth will rise from \$293 billion in 2018 to approximately \$733 billion by 2068 (see Figure 3). These are in inflation adjusted dollars, meaning that the purchasing power of a dollar in 2068 is the approximately the same as a 2018 dollar. Although population forecasts show steady growth through this period, total net worth will grow at an even faster rate, as households with older residents—those with the most assets—become a larger proportion of the overall number of households. While population growth patterns show a gradual increase over time, total household net worth growth will increase significantly in the region.

**Figure 3. Total Household Net Worth Forecast**

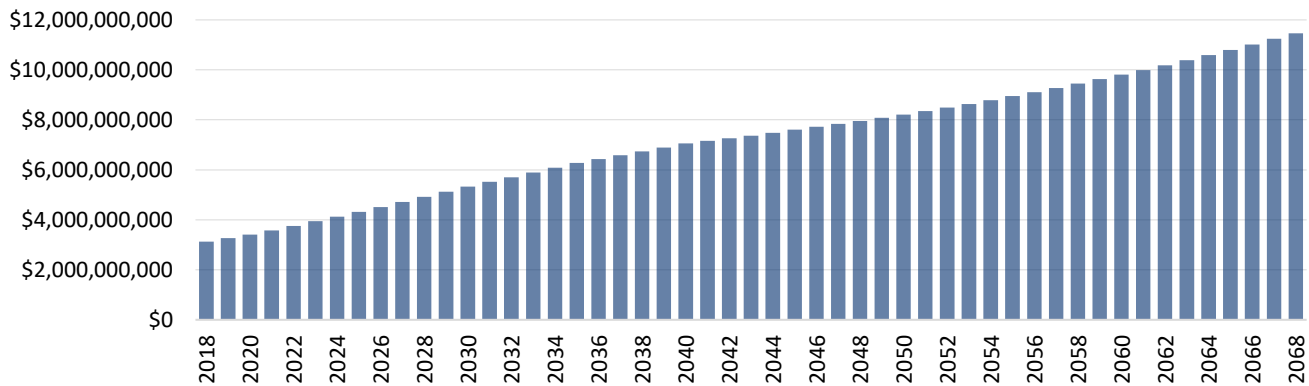
Source: Esri, 2018, Projected out by LOCUS Impact Investing.

The final input required to model a region's TOW scenarios is an estimate of the number of estates that will transfer from generation to the next in any given year. Estate transfers are initiated with the passing of a householder. Figure 4 shows the region's forecast for the estimated number of estates transferring each year through 2068. As the Boomer generation ages and passes away, there will be an accelerating number of estate transfers each year until 2040. Following this rapid transition, the next three generations (i.e., Generation X, Millennials and Homeland) will become the primary estate holders.

**Figure 4. Annual Estates Estimate**

Source: Idaho Bureau of Vital Statistics, Washington Center for Health Statistics, Projected out by LOCUS Impact Investing.

Combining projected demographic, economic, and household wealth growth, the Innovia Region's transfer of wealth in coming years is expected to start at \$4 billion annually. By 2050, the annual transfer of wealth will pass \$8 billion (see Figure 5). Aggregated over 10 years, \$41.6 billion will transfer. Over the next 50 years, \$376 billion will transfer. The 10-year and 50-year TOW scenarios are detailed for the region and for each county in Table 2.

**Figure 5.** Annual Transfer of Wealth™ Estimates**Table 2.** Innovia Region 10-Year and 50-Year Transfer of Wealth™ Scenarios

Geography	Percent of Region Households	Current Net Worth	10-Year Transfer of Wealth	50-Year Transfer of Wealth
<b>United States</b>		<b>\$92.6 Trillion</b>	<b>\$11.8 Trillion</b>	<b>\$110.2 Trillion</b>
<b>Idaho</b>		<b>\$371.2 Billion</b>	<b>\$47.5 Billion</b>	<b>\$454.8 Billion</b>
Benewah County, ID	1.0%	\$1.9 Billion	\$308.1 Million	\$1.8 Billion
Bonner County, ID	4.6%	\$14.1 Billion	\$1.7 Billion	\$17.2 Billion
Boundary County, ID	1.2%	\$2.6 Billion	\$297.7 Million	\$2.1 Billion
Clearwater County, ID	0.9%	\$2.6 Billion	\$305.8 Million	\$1.7 Billion
Idaho County, ID	1.6%	\$4.3 Billion	\$530.0 Million	\$4.1 Billion
Kootenai County, ID	15.4%	\$43.7 Billion	\$6.0 Billion	\$68.2 Billion
Latah County, ID	3.8%	\$7.5 Billion	\$712.8 Million	\$5.4 Billion
Lewis County, ID	0.4%	\$884.2 Million	\$88.9 Million	\$520.1 Million
Nez Perce County, ID	4.1%	\$10.7 Billion	\$2.0 Billion	\$17.7 Billion
Shoshone County, ID	1.3%	\$2.2 Billion	\$421.7 Million	\$2.7 Billion
<b>Washington</b>		<b>\$2.5 Trillion</b>	<b>\$341.6 Billion</b>	<b>\$3,671.8 Billion</b>
Adams County, WA	1.5%	\$3.1 Billion	\$714.2 Million	\$5.3 Billion
Asotin County, WA	2.3%	\$7.8 Billion	\$1.3 Billion	\$10.9 Billion
Columbia County, WA	0.4%	\$1.9 Billion	\$281.4 Million	\$1.5 Billion
Ferry County, WA	0.8%	\$2.7 Billion	\$231.5 Million	\$1.5 Billion
Garfield County, WA	0.2%	\$1.1 Billion	\$242.6 Million	\$1.4 Billion
Lincoln County, WA	1.1%	\$5.0 Billion	\$557.6 Million	\$3.1 Billion
Pend Oreille County, WA	1.4%	\$4.8 Billion	\$501.5 Million	\$3.5 Billion
Spokane County, WA	49.0%	\$151.6 Billion	\$21.7 Billion	\$199.0 Billion
Stevens County, WA	4.3%	\$14.9 Billion	\$1.9 Billion	\$14.1 Billion
Whitman County, WA	4.7%	\$9.9 Billion	\$1.7 Billion	\$14.3 Billion
<b>Innovia Region</b>	<b>100.0%</b>	<b>\$293.3 Billion</b>	<b>\$41.6 Billion</b>	<b>\$375.9 Billion</b>

Source: LOCUS Impact Investing Transfer of Wealth Estimates, 2018.

## Comparing Transfer of Wealth with Other Regions

Table 3 below includes regional current net worth and transfer of wealth findings normalized by the number of households for the Innovia Region and other regions. In 2018, the Innovia Region had a higher mean household current net worth than Idaho, but a lower mean and median than Washington (mean net worth of \$690,985 versus \$575,031 in ID or \$860,135 in WA). Median (the mid-point with one-half of all household below and above this value) household current net worth for Innovia is \$92,821 compared to \$94,301 in ID and a significant difference of \$132,368 in WA. We have included other recent TOW studies for comparison purposes including Kitsap County, WA (incl. area), Stanislaus County, CA (Modesto), Rural Maryland, Hamilton County, TN (Chattanooga), California, Tennessee, and Maryland. The Innovia Region has relatively larger philanthropic opportunity (on a per-household basis) when compared to most other communities LOCUS has studied.

**Table 3.** Comparing the Region (Wealth Per Base Year Household)

Geography	Study Year	Base Year Households	Base Year Current Net Worth	10-Year Transfer of Wealth	50-Year Transfer of Wealth
<b>Innovia Region</b>	<b>2018</b>	<b>413,889</b>	<b>\$708,700</b>	<b>\$100,600</b>	<b>\$908,300</b>
United States	2017	123,157,201	\$621,700	\$73,100	\$805,300
Kitsap Area	2018	106,478	\$878,900	\$115,900	\$961,300
Modesto, CA	2016	169,324	\$457,800	\$52,100	\$479,300
Rural Maryland	2016	650,154	\$853,600	\$103,200	\$1,130,500
Chattanooga, TN	2016	143,882	\$567,400	\$66,900	\$624,800
California	2016	13,029,062	\$659,100	\$72,400	\$758,800
Tennessee	2016	2,615,226	\$467,800	\$56,900	\$598,800
Maryland	2016	2,236,518	\$908,000	\$102,400	\$960,000

Source: LOCUS Impact Investing Transfer of Wealth Estimates, by base year of study.

## Philanthropy and the Transfer of Wealth

Philanthropy is not an end, but a means to build a more prosperous community. Philanthropy can catalyze investment in more affordable housing. Philanthropy can endow programs that advance affordable, high quality childcare for all families. Philanthropy can provide gap financing for small businesses that stimulate economic growth and reduce economic inequality. There are thousands of ways that philanthropy can help strengthen communities and economies.

The 10-year and 50-year Transfer of Wealth™ scenarios demonstrate that there is significant and growing philanthropic potential in the region. Focused donor development can help stimulate increased annual giving to local nonprofits and charitable activities, increased legacy giving that can capitalize existing and new endowments, and the use of some endowment funds to capitalize philanthropic impact investing funds. *What's possible if the region successfully tapped the coming transfer of wealth?*

**Capture the transfer of wealth to support local charities and nonprofits.** If the foundation captured just 1% of the transfer of wealth for one-time philanthropic purposes, an additional \$416 million annually would be bolster local nonprofits and charities. That's a lot of money to support local arts programs, recreational organizations, crisis centers and other critical community needs!

**Capture the transfer of wealth to build endowments.** If the foundation captured 5% of the region's 10-year transfer of wealth of \$41.6 billion, an estimated **\$2.1 billion**, those resources could capitalize an endowment. Assuming an annualized rate of return of 7% and an average annual payout of 4%, over 20 years the endowment would increase to **\$3.9 billion** and generate **\$2.4 billion** in grants (see Table 4).

**Table 4. 5% Capture Endowment Building Example**

Year	Beginning Endowment Principal	Annual Earnings	Annual Grants	Ending Endowment Principal
<b>Initial Endowment</b>	<b>\$2,100,000,000</b>	\$147,000,000	\$84,000,000	\$2,163,000,000
<b>Year 1</b>	\$2,163,000,000	\$151,410,000	\$86,520,000	\$2,227,890,000
<b>Year 5</b>	\$2,434,475,556	\$170,413,289	\$97,379,022	\$2,507,509,823
<b>Year 10</b>	\$2,822,224,397	\$197,555,708	\$112,888,976	\$2,906,891,129
<b>Year 15</b>	\$3,271,731,575	\$229,021,210	\$130,869,263	\$3,369,883,522
<b>Year 20</b>	\$3,792,833,593	\$265,498,351	\$151,713,344	<b>\$3,906,618,601</b>
<b>Total Grants</b>			<b>\$2,408,824,801</b>	

**Capture the transfer of wealth to build endowments that support local impact investing.** Philanthropic endowments have the potential to generate two types of community impact. A portion of investment returns is granted out to the community to support charitable purposes, but foundations can also use a portion (or all) of the endowment's resources for local investments that generate community impact and financial returns. For example, say the foundation captured 5% of the region's 10-year transfer of wealth, an estimated \$2.1 billion, and invested 5% of that, or \$104 million, in local philanthropic investment funds. Assuming a 4 to 1 leverage ratio and 7-year loan period, that would create \$1.5 billion in new community betterment investments in 20 years. Assuming reasonable loan losses and management, these funds could continue to finance community investments year after year. The community could finance 1,500 community facilities at \$1 million/each. Alternatively, the endowment could be used to help finance 15,000 small businesses with \$100,000 loans.



## SPECIAL ANALYSIS: 20 Counties

LOCUS bases Transfer of Wealth scenarios on previous development patterns, regionally generated population forecasts, and household current net worth estimates. Although highly reliable, these figures sometimes fail to capture unique community characteristics that may alter regional development or illiquid assets.

To address these potential regional peculiarities and build a better model, the Innovia Foundation identified a 19-member Technical Advisory Committee (TAC) to advise and “ground truth” the Innovia Region Transfer of Wealth Study. The committee included Grant Forsyth, Gynii Gilliam, Dennis Weed, Sam Wolkenhauer, Gabriel Cruden, Terry Kelly, Doug Mattoon, Paul Kimmell, Bob Larson, Tom O'Brien, Karl Dye, Debra Hanson, Patrick Jones, Brian Points, Dawn Smith, Kathryn Tacke, Alisha Benson, Kristine Meyer, Shelly O'Quinn, Aaron McMurray and Mason Burley.

Working with LOUCS, the committee identified several regionally-specific demographic and economic considerations that could alter Transfer of Wealth projections particularly in outlying years. The team determined to conduct deeper analysis of production agriculture, closely-held family businesses, government employment, gentrification (specifically, retiring Baby Boomers), mining, forestry and tourism. The team also assessed economic trends and health care, manufacturing, transportation accessibility, commuting, Native American nations, and college and university towns but determined that the base-estimates adequately addressed these regional trends without further analysis.



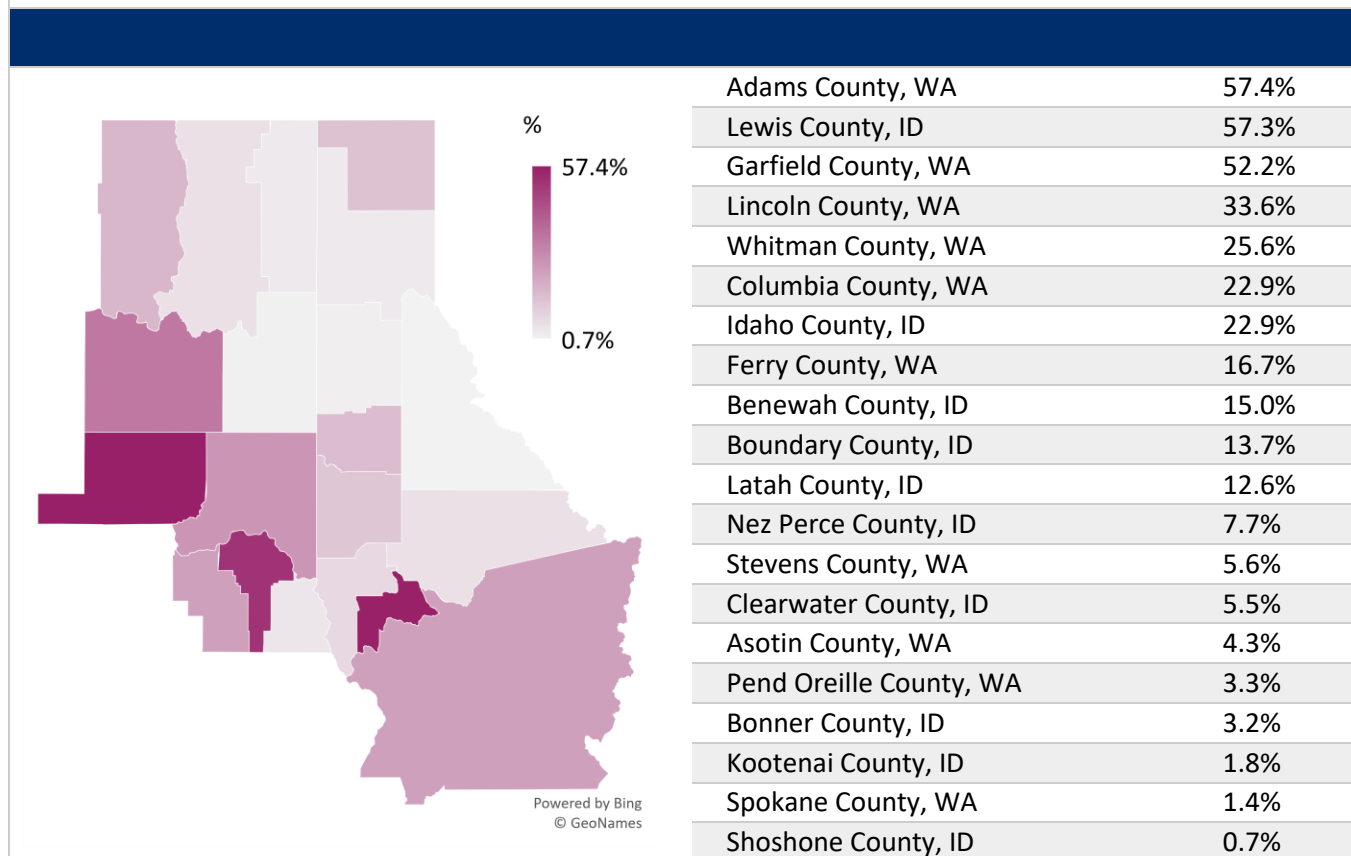
*Turnbull National Wildlife Refuge*

Source: “Turnbull National Wildlife Refuge, Spokane Co., Washington” by Jason Hollinger on Flickr, licensed under CC BY 2.0.

## Production Agriculture

According to LOCUS analysis, nationwide net worth estimates can underestimate the land-rich but cash-poor households of farmers and ranchers as their farms and ranches are illiquid assets. Community foundation have also observed how households with these assets can have deeper ties to the region and are a valuable demographic for legacy giving efforts. Production agriculture activities are concentrated in the southwestern portions of the Innovia region. As a result, LOCUS used an adjustment multiplier to increase wealth for these farm- and ranch-dependent areas. The following map and table illustrate agricultural assets based on the most current Census of Agriculture relative to estimated household current net worth:

**Table 1.** Agricultural Wealth as a Percent of Current Net Worth



Source: 2017 Agricultural Census (<https://quickstats.nass.usda.gov/>), and Esri, 2018.

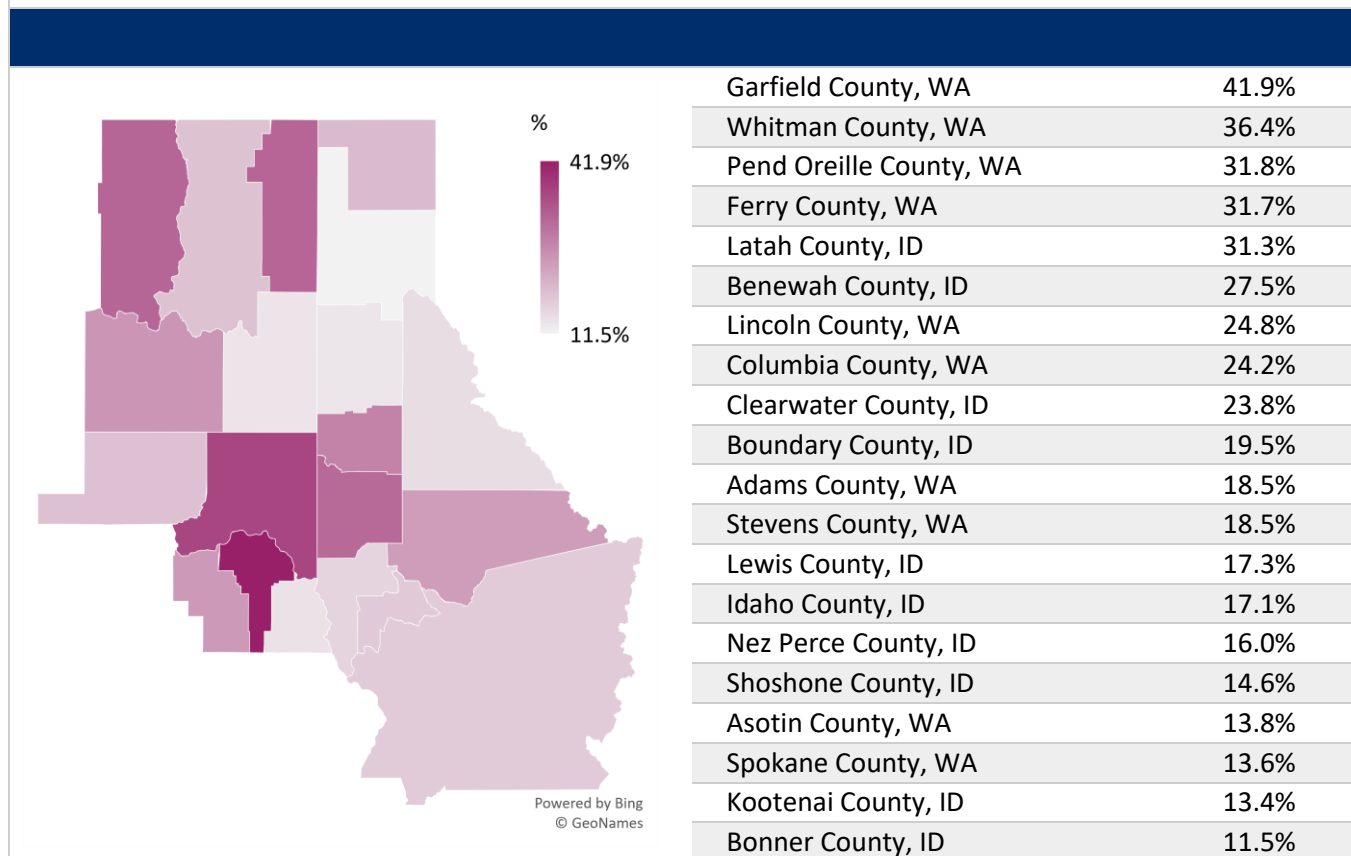
## Closely-Held Family Businesses

Certain counties in the Innovia Region have unusually high concentrations of closely held family businesses. Closely held family businesses are important when giveback potential because when they transition or are sold there is often a cash windfall where significant philanthropic giving is possible. Although family businesses have above average concentrations in some parts of the region, these are off-set by lower concentrations in more urban areas. Overall, based on preliminary analysis, there was insufficient cause to recommend adjustments in the Transfer of Wealth scenarios.

## Government Employment

The Innovia Region has disproportionately high government employment due to public lands, higher education, Tribal Governments and other factors. The following map and table provide an illustration of counties and their relative government employment concentration. Government employment's effect on future wealth transfer depends on national, state and local politics. If, for instance, a government drastically reduces the number of paid positions or the relative compensation for government positions, this can have profound consequences for regional wealth formation and the Transfer of Wealth. For this study, LOCUS did not alter assumptions about local, state or national government employment.

**Table 2.** Government Employment as a Percent of Total Employment



Source: Bureau of Economic Analysis, Total Full-Time and Part-Time Employment by NAICS Industry, 2017.

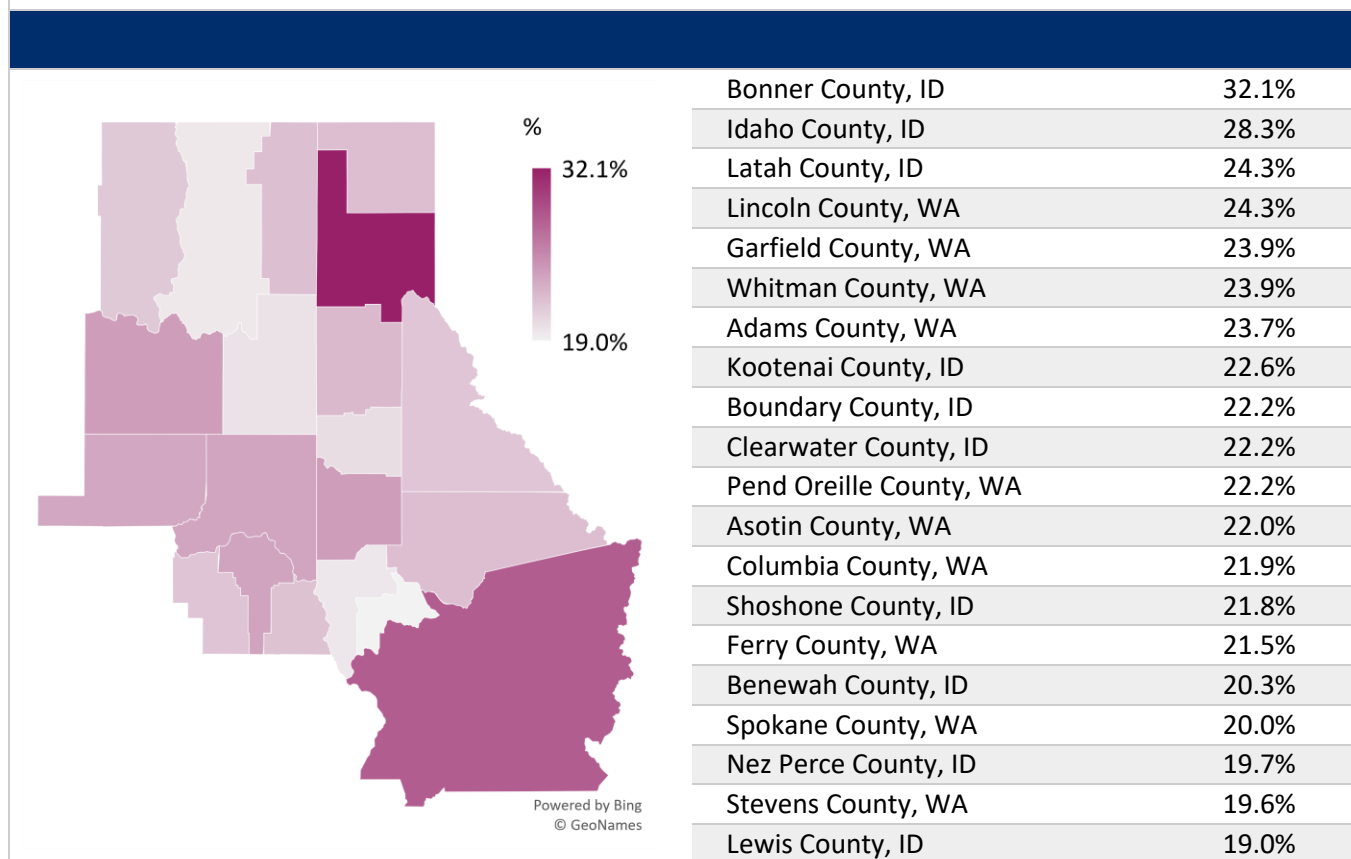
## Gentrification and Retiring Boomers

Gentrification is usually associated with older and poor urban neighborhoods experiencing rapide residential and commercial development alongside displacement of long-term residents. However, different kinds of communities can experience gentrification. Rural areas, for instance, can experience significant development pressures when wealthier residents arrive and demand new housing, jobs and retail.

**Gentrification** is a process where new residents, business owners, and developers move into a community or even an entire region changing ownership patterns, increasing real estate values, and fundamentally changing the household wealth profile of a community. Often, gentrification can displace existing residents, businesses, and economic activities in the process. A great historical example is Aspen, Colorado. Following the mining collapse Aspen became a retreating community until following World War II when snow skiing became popular in the United States and the community was reinvented. In the 1970s, Aspen was known to be a place where affluent individuals as well a ski bums could locate. By the 1980s and 1990s, Aspen became a place where “millionaires” had second homes and played. By the 2000s to present, Aspen is now known as the playground of “billionaires.” Common workers, until the advent of subsidized housing, were forced to move to outlying communities that were affordable.

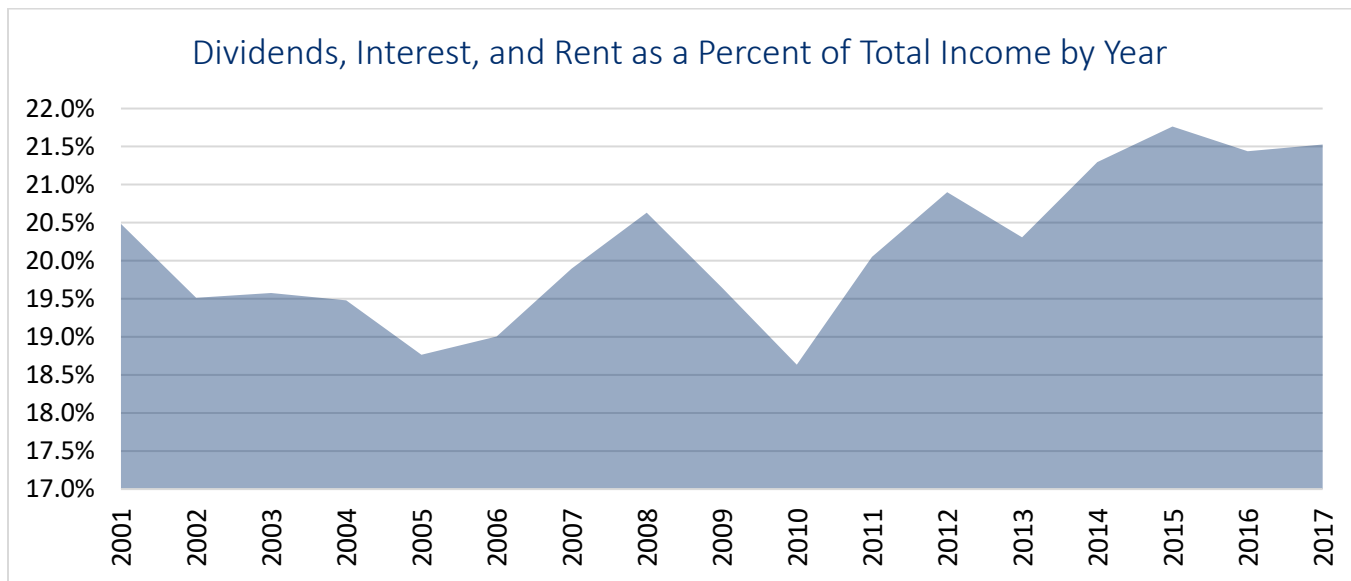
The following map highlights likely concentrations of gentrification associated with the movement of wealthy retirees by comparing “dividends, interest and rent” to total personal income.

**Table 3.** Dividends, Interest, and Rent as a Percent of Total Personal Income



Source: Bureau of Economic Analysis, Economic Profile, 2017.

The following graph shows the growth and decline of dividends, interest and rent as a percent of total income over time:



Source: Bureau of Economic Analysis, Economic Profile, 2017.

In-migration of affluent retiring Baby Boomers and younger knowledge economy workers can transform local wealth structure and the associated Transfer of Wealth opportunity rather quickly and dramatically. In the Innovia Region, there is likely to be increased in-migration of more affluent households to amenity rich areas. The Transfer of Wealth scenarios conservatively incorporate current gentrification trends. **If the trend increases, though, the Transfer of Wealth figures shared will likely undercount the 50-year scenario.**

## Mining

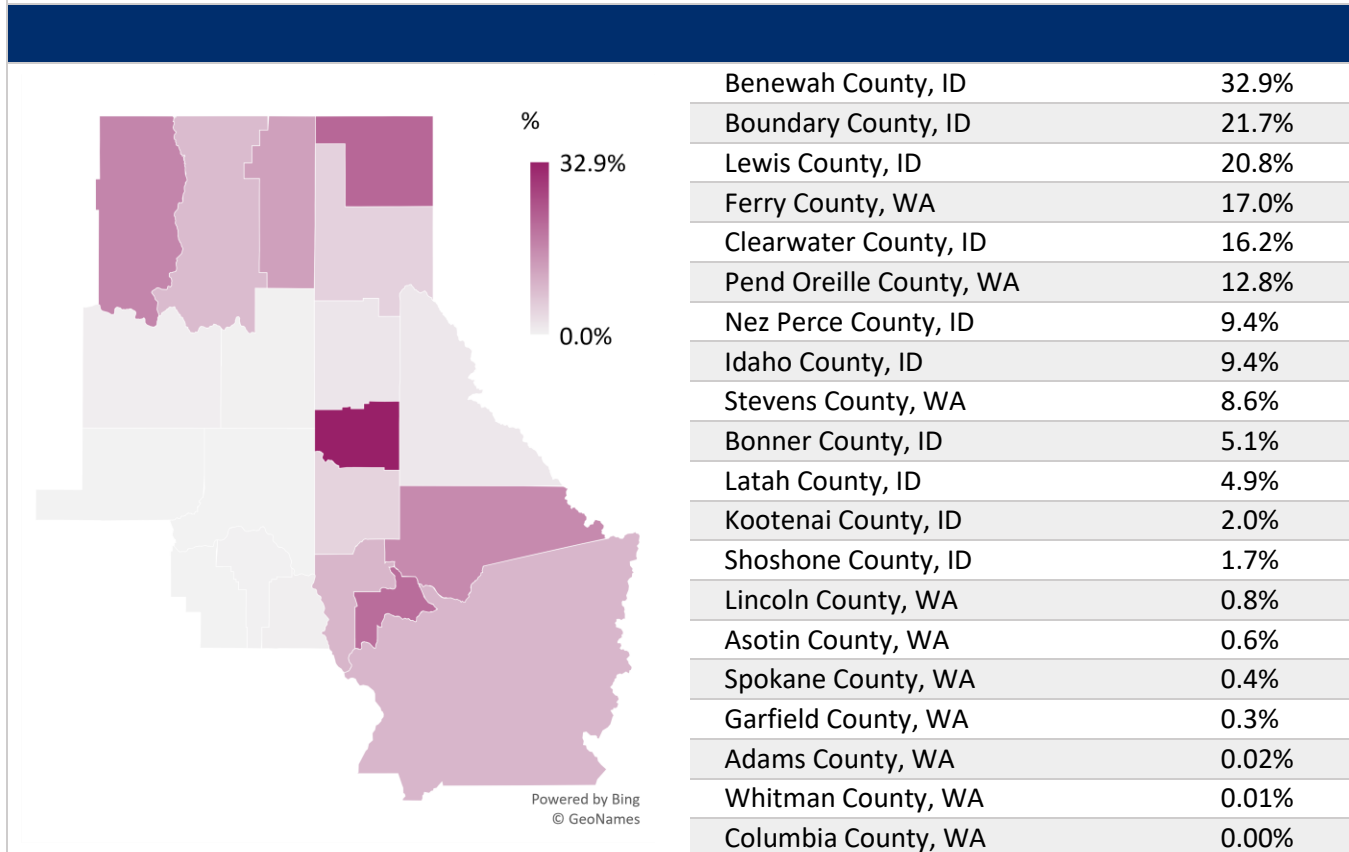
There are three counties within the Innovia Region with concentrated income and wealth related to hard rock mining: Ferry, Shoshone, and Pend Oreille. Hard rock mining is price-sensitive and creates boom and bust cycles that are disruptive to household wealth formation. The current Transfer of Wealth scenarios account for these boom and bust cycles historically. However, should there be long-term or permanent mine closures, like what is currently happening in coal mining communities, there will likely be dramatic economic, income, and wealth decline. This is particularly true for counties where mining is a large part of a relatively undiversified economy. Transfer of Wealth scenarios could be reduced significantly.



## Timber

There are several counties within the Innovia Region where timber harvesting and related activities are important. The following map provides a look at the concentration of timber industry related employment as a percent of total private sector employment:

**Table 4.** Timber Employment as a Percent of Total Private Employment



Source: Headwaters Economics, *Profile of Timber and Wood Products*, 2016.

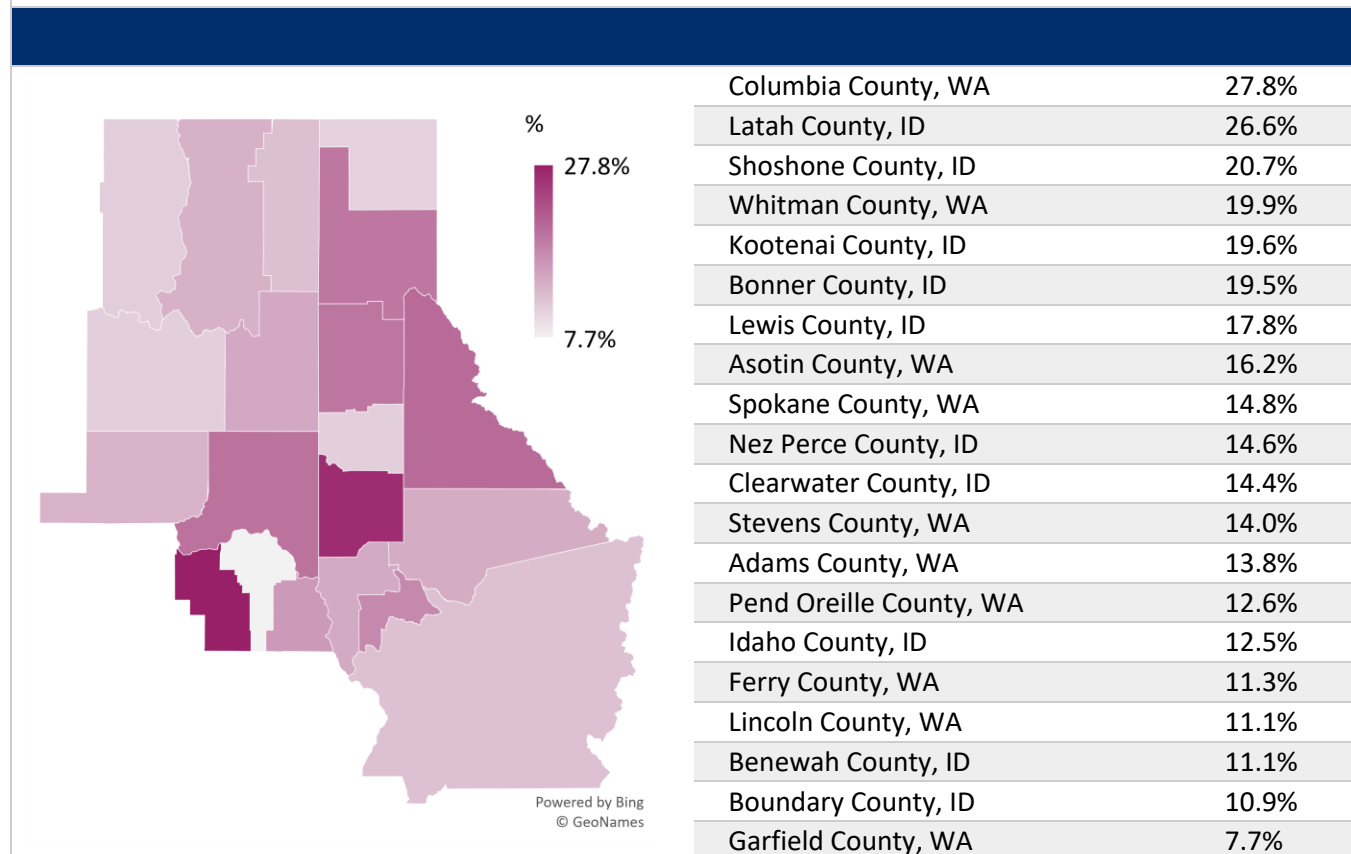
Timber harvesting and processing is one of those natural resource industries in the United States where both structural and cyclical expansions and contractions are frequent and likely. For those counties very dependent upon timber activities, longer-term or permanent contraction would adversely impact county overall economic activity, household incomes, and household wealth formation.

The current Transfer of Wealth scenarios capture historical expansion and contraction patterns. However, should there be sustained contraction or collapse of timber harvesting and allied activities, the region will see reduced wealth transfer. Given the inability to project these events over the next 50 years, no adjustments have been made to the projections.

## Travel & Tourism

Tourism tends to align with public lands and natural resource rich areas like the Innovia Region. The following map highlights counties with concentrated travel and tourism employment.

**Table 5.** Travel & Tourism Employment as a Percent of Total Private Employment



Source: Headwaters Economics, *Profile of Industries that Include Travel & Tourism*, 2016.

Generally, tourism is viewed as a “lower-value” economic activity due to seasonal, part-time, and lower paying work. However, while there is economic truth in this perception, there are emerging strategies to increase the overall value of tourism which in turn would increase wealth formation. After careful consideration, it was concluded that the current TOW projections adequately capture the wealth effect of likely tourism development trends. However, an increased focus on high value tourism could positively impact certain communities increasing wealth and wealth transfer.

## About Us

[LOCUS Impact Investing](#) is a nonprofit, mission-driven consulting organization and registered investment advisor serving foundations exploring local impact investing. At LOCUS, our mission is to guide and support foundations as they move from exploring the tool of local impact investing to unlocking meaningful, mission-driven assets to deploying those assets for catalytic community impact.

LOCUS believes that there are innovative solutions to the challenges facing many communities, and part of the value that we bring is helping foundations find the right-sized approach as well as capable local partners to deliver transformative community impact. This belief in partnership is largely informed by our corporate ownership structure. LOCUS is a 3-year-old startup organization within [Virginia Community Capital](#) (VCC) – a 13-year-old Community Development Financial Institution (CDFI) loan fund and bank. To learn more about LOCUS, visit [www.locusimpactinvesting.org](http://www.locusimpactinvesting.org).

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