



SECURING THE FUTURE FOR NORTHWEST KANSAS

The Transfer of Wealth opportunity

*Life's race well run,
Life's work all done,
Life's victory won,
Now cometh rest.*

"Life is a race well run," the phrase often used at funerals, was first penned in 1879 by Dr. Edward H. Parker, as the first line of a poem.

Another often used phrase is: "Life is a marathon, not a sprint."

While there are varying opinions about the truth of this metaphor, if we can agree to think of life as a race, perhaps we should think of it more as a relay race. The track is, in fact, oval. There is no true start or finish.

When our leg of the race is completed and we pass the baton, who will be there to take it, and have we done our part to ensure their success as they continue the race?



Successful relay teams are successful because they plan and practice. They work with their coaches, but mostly, they have a desire for the success of the team above that of the individual.

The same is true for the future of our communities. The inter-generational transfer of wealth is happening right now. Estates of the Kansans who are leaving us today can pave the way not only for their children to take up the baton, but also for their communities to flourish.

Between 2020 and 2064, nearly \$30 billion will transfer from one generation to the next in the 26 counties of NW Kansas. The opportunity to capture a portion of that wealth is a remarkable one, and the time is now.

To ensure a smooth race for NW Kansas communities, we must plan, practice, work with professional advisers, and believe in the value of our collective communities.



This is why relays are so important, because you can find more in yourself for someone else, than what you can ever find for yourself.

— IAN THORPE, AUSTRALIAN OLYMPIC SWIMMER

The time is *now*.

Relay races consist of two important elements: the running and the passing of the baton. The best-run leg of the race can be negated if the hand-off is mishandled, or missed altogether.

By not considering the future of our home towns through proper estate planning, we drop the baton for NW Kansas.

Most intergenerational wealth transfers will go to heirs, many or most of whom will take their inheritance with them to a home outside of NW Kansas. If, as a generation, 95% of Baby Boomer estates in NW Kansas went to children or family, heirs would be well cared for.

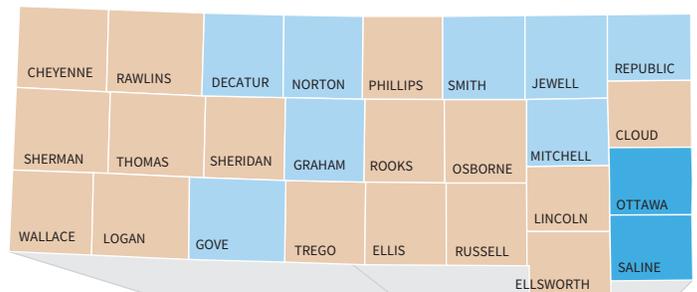
If the remaining 5% went to our local communities, the future for NW Kansas would be forever changed.

From 2010 through 2019, more than \$5.5 billion will already have transferred in the 26 counties identified as NW Kansas.

From 2020 through 2064, an estimated \$29 billion more will

transfer. The peak years for the transfer in the NW Kansas region are 2030-2039. For individual counties it might be sooner than that.

The Baby Boomer generation has more personal wealth than any previous generation. As the oldest of this group begins to pass, and the youngest begins to retire, the time is now to have conversations about their legacy.



PEAK YEARS OF TRANSFER

- 2020-2029
- 2030-2039
- 2040-2049



THE KANSAS TRANSFER OF WEALTH STUDY

About the Study

The Transfer of Wealth Study was commissioned in 2007 by the Kansas Association of Community Foundations, with financial support from the Kansas Health Foundation. The Center for Economic Development and Business Research at Wichita State University (CEDBR) was selected to perform the study to estimate future intergenerational transfer of wealth (TOW) for each county in Kansas.

Shortly after the study was released, some Kansans questioned the validity of the study due to the 2008 economic recession. The study was repeated again based on information available as of December 1, 2011. Surprisingly, the data changed very little. As some assets experienced a reduction in value, others, such as the value of farmland, increased.

The Process

The basic steps of the study included:

- determine current wealth by county
- estimate future population changes
- calculate the impact population changes might have on potential estate creation
- adjust total estate estimates for the mix of properties and assets typical to each county
- determine estate values that are readily transferable

For additional methodology information, please consult the TOW Technical Report, available on the KACF website. (kansascfs.org; click on Transfer of Wealth in the list on the left; scroll down to Download Transfer of Wealth Resources; then TOW Technical Report PDF.)

KEEP **5** IN NORTHWEST KANSAS

We live in a time where advances in communications and technology make it possible to live in rural Kansas and remain closely connected to the world. Yet, we can log off and walk outside to experience the beauty and calm of the Kansas landscape. Future generations do not have to migrate out of Kansas to secure employment.

What if, in NW Kansas, 5% of the \$29 billion coming transfer of wealth was captured and invested for the next generation? What would that do for our communities? That's the baton we want to pass.

The following chart, broken down by decades, illustrates the transfer of wealth opportunity in NW Kansas.

COUNTY	2010 POPULATION	2010 HOUSEHOLDS	2020-2029	
			ESTIMATED TOW	5% CAPTURE GOAL
Cheyenne	2,783	1,269	\$78,364,649	\$3,918,232
Cloud	9,538	3,970	\$305,997,277	\$15,299,864
Decatur	3,015	1,517	\$103,829,869	\$5,191,493
Ellis	28,039	11,721	\$921,396,982	\$46,069,849
Ellsworth	6,476	2,564	\$223,636,017	\$11,181,801
Gove	2,721	1,182	\$75,108,564	\$3,755,428
Graham	2,663	1,157	\$83,941,698	\$4,197,085
Jewell	3,151	1,455	\$90,375,111	\$4,518,756
Lincoln	3,308	1,444	\$112,552,751	\$5,627,638
Logan	2,774	1,334	\$91,967,395	\$4,598,370
Mitchell	6,383	2,692	\$211,559,396	\$10,577,970
Norton	5,692	2,221	\$200,761,780	\$10,038,089
Osborne	3,906	1,726	\$108,674,835	\$5,433,742
Ottawa	6,107	2,311	\$201,279,556	\$10,063,978
Phillips	5,601	2,337	\$170,131,944	\$8,506,597
Rawlins	2,594	1,186	\$84,548,641	\$4,227,432
Republic	5,069	2,377	\$147,805,249	\$7,390,262
Rooks	5,241	2,401	\$177,131,641	\$8,856,582
Russell	6,915	3,245	\$238,372,101	\$11,918,605
Saline	54,982	21,932	\$1,951,865,559	\$97,593,278
Sheridan	2,578	1,104	\$75,850,847	\$3,792,542
Sherman	6,002	2,567	\$224,124,838	\$11,206,242
Smith	3,934	1,830	\$108,821,383	\$5,441,069
Thomas	7,757	3,039	\$281,025,149	\$14,051,257
Trego	2,979	1,276	\$103,242,657	\$5,162,133
Wallace	1,440	584	\$39,688,653	\$1,984,433
NW Kansas	191,648	80,441	6,412,054,545	320,602,727
KANSAS	2,809,329	1,101,672	\$100,362,679,675	\$5,018,133,984



What’s included in the “wealth?”

The “Estimated Transfer of Wealth” is the total value of all estates in a county in a given period of time, based on the individual county’s total net worth and death rates by age group. The total estate value includes financial assets, vehicles, residential property with and without a primary residence, net equity in non-residential real estate, businesses and other miscellaneous nonfinancial assets.

There is much to do to achieve the 5% goal. At the time of the study — based on IRS data, that analyzes bequests by estate size using net worth data for Kansas — CEDBR estimated that approximately 1 percent of each estate is transferred to charitable organizations at the death of the primary estate holder.

Using the numbers locally

Each community is unique. In some counties, many assets are held by out-of-state owners. Regionally, assets such as oil leaseholds and agriculture real estate, can fluctuate dramatically in value. The availability of water might become an economic factor. Federal estate tax laws can change. Attitudes about saving and charitable giving can change within families or generationally. All of these could impact TOW estimates and collection goals within individual counties. Utilizing the TOW information, community leaders can decide whether and how much to adjust their community or county capture goals based on their own knowledge of their home and its particular set of circumstances.

The county-specific estimates should be used as a starting point for community-based discussions in setting benchmarks or goals for planned giving efforts.

2030-2039		2040-2049		2050-2059		2060-2064	
ESTIMATED TOW	5% CAPTURE GOAL						
\$78,915,127	\$3,945,756	\$66,309,730	\$3,315,486	\$51,126,230	\$2,556,311	\$23,947,973	\$1,197,399
\$319,181,138	\$15,959,057	\$301,274,044	\$15,063,702	\$284,628,472	\$14,231,424	\$143,046,444	\$7,152,322
\$101,538,813	\$5,076,941	\$84,701,432	\$4,235,072	\$60,699,557	\$3,034,978	\$26,989,461	\$1,349,473
\$1,040,240,657	\$52,012,033	\$1,009,870,948	\$50,493,547	\$888,201,906	\$44,410,095	\$429,697,772	\$21,484,889
\$250,138,395	\$12,506,920	\$239,612,978	\$11,980,649	\$204,086,099	\$10,204,305	\$98,200,767	\$4,910,038
\$73,670,661	\$3,683,533	\$63,474,320	\$3,173,716	\$51,277,545	\$2,563,877	\$25,825,573	\$1,291,279
\$79,113,421	\$3,955,671	\$75,695,042	\$3,784,752	\$55,926,310	\$2,796,315	\$25,089,453	\$1,254,473
\$87,582,368	\$4,379,118	\$74,240,814	\$3,712,041	\$52,384,075	\$2,619,204	\$23,042,366	\$1,152,118
\$121,060,835	\$6,053,042	\$106,900,401	\$5,345,020	\$82,061,351	\$4,103,068	\$39,586,805	\$1,979,340
\$97,949,729	\$4,897,486	\$92,695,057	\$4,634,753	\$82,278,159	\$4,113,908	\$44,175,851	\$2,208,793
\$220,394,427	\$11,019,721	\$195,147,170	\$9,757,359	\$162,350,176	\$8,117,509	\$78,361,815	\$3,918,091
\$224,081,280	\$11,204,064	\$225,696,278	\$11,284,814	\$196,007,026	\$9,800,351	\$91,939,206	\$4,596,960
\$108,974,328	\$5,448,716	\$101,028,502	\$5,051,425	\$79,603,627	\$3,980,181	\$37,828,697	\$1,891,435
\$222,137,408	\$11,106,870	\$222,781,074	\$11,139,054	\$187,251,504	\$9,362,575	\$87,495,139	\$4,374,757
\$181,065,682	\$9,053,284	\$160,822,944	\$8,041,147	\$131,519,149	\$6,575,957	\$63,486,962	\$3,174,348
\$85,217,701	\$4,260,885	\$69,748,080	\$3,487,404	\$50,178,078	\$2,508,904	\$23,523,533	\$1,176,177
\$147,505,204	\$7,375,260	\$126,656,598	\$6,332,830	\$93,528,801	\$4,676,440	\$43,286,666	\$2,164,333
\$186,316,568	\$9,315,828	\$175,188,187	\$8,759,409	\$145,488,249	\$7,274,412	\$72,184,062	\$3,609,203
\$243,736,092	\$12,186,805	\$222,262,201	\$11,113,110	\$186,700,522	\$9,335,026	\$89,705,764	\$4,485,288
\$2,263,421,521	\$113,171,076	\$2,275,768,993	\$113,788,450	\$2,112,155,616	\$105,607,781	\$1,060,652,951	\$53,032,648
\$77,653,652	\$3,882,683	\$73,292,451	\$3,664,623	\$56,679,743	\$2,833,987	\$26,476,662	\$1,323,833
\$238,260,074	\$11,913,004	\$230,001,801	\$11,500,090	\$200,530,879	\$10,026,544	\$99,795,015	\$4,989,751
\$107,396,620	\$5,369,831	\$94,331,177	\$4,716,559	\$70,818,866	\$3,540,943	\$33,175,665	\$1,658,783
\$316,643,182	\$15,832,159	\$309,257,539	\$15,462,877	\$288,223,191	\$14,411,160	\$155,342,138	\$7,767,107
\$105,418,047	\$5,270,902	\$97,534,960	\$4,876,748	\$68,576,917	\$3,428,846	\$31,978,025	\$1,598,901
\$42,162,594	\$2,108,130	\$39,426,230	\$1,971,312	\$31,348,625	\$1,567,431	\$16,095,768	\$804,788
7,019,775,524	350,988,776	6,733,718,954	336,685,948	5,873,630,674	293,681,534	2,890,930,533	144,546,527
\$119,527,943,683	\$5,976,397,184	\$122,733,323,799	\$6,136,666,190	\$117,415,271,164	\$5,870,763,558	\$59,405,882,039	\$2,970,294,102

I think it's like a relay race. You run, and you hand over the baton, and your kids pick it up. They take the stuff they want, throw the rest away, and keep running. That's what life is about.

— COMEDIAN BILLY CRYSTAL



Leaving a legacy

The Case for Community Foundations

Every county in NW Kansas is now served by a local, countywide community foundation. These entities are uniquely suited to receive estate gifts, prudently invest them for the long term, and utilize the earnings to make grants to support local needs.

Truly, a local community foundation is the best way to leave a gift to benefit future, unknown needs in your hometown or county. And none of us can predict what those needs might be.

These same local foundations can also hold permanent funds that can award annual grants to other donor-directed charities, such as churches or alma-maters.

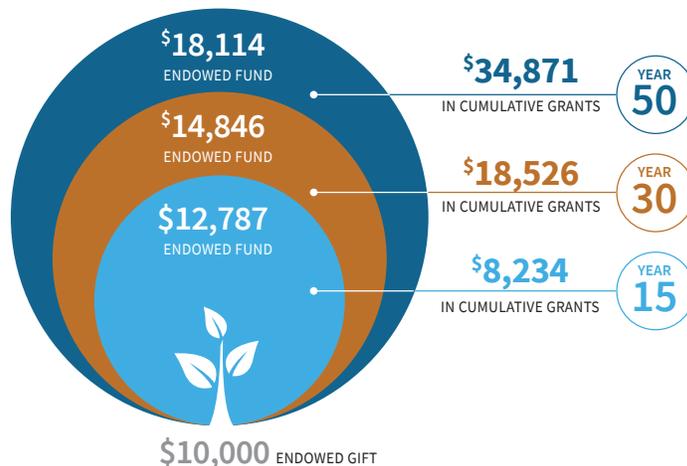
By using your local community foundation for your legacy giving, you support your home town and help pass the baton to the next generation.

The power of endowment

Estate gifts are the best opportunity for permanent, endowed funds that can bear the name of a family, business or other desire of the donor, forever.

Gifts are received by the community foundation, invested prudently, and the income is used for charitable purposes directed by the donor.

The following illustration shows how powerful even a modest estate gift can be when invested in a permanently endowed fund.



Assumes no additional contributions, 5% annual grant distribution, 1% administrative fee and 7% average rate of return.

Mr. Hansen showed us the way

When Logan resident Dane G. Hansen died in 1965, he created, through his estate, a trust to support his remaining family, and a charitable trust that is today the Dane G. Hansen Foundation. His gift of around \$8 million to the charitable trust was invested, and per his instructions, annual grants to benefit his home community and those around it in NW Kansas were awarded from the investment income.

Following the death in 2013 of the last family member eligible to receive support from the family trust, the balance was added to the Foundation, further enhancing its capacity to serve NW Kansas.

Today, the Dane G. Hansen Foundation annually awards approximately \$20 million in grants to benefit 26 counties in NW Kansas, from an original investment of \$8 million.

The Hansen Trustees have supported the growth and development of NW Kansas community foundations, recognizing that each of them has the capacity to have its own local version of the Hansen Foundation.

Collectively, if 5% of the estates that transfer in the next 45 years in NW Kansas were captured and invested, the gifts would be in excess of \$1.4 billion, and the annual grants would be in excess of \$72 million.

What could we do in NW Kansas with \$72 million in annual grants?

WHAT CAN YOU DO?

Make a gift to the endowed fund of your choice in NW Kansas.

Talk to your professional adviser about including your community foundation in your estate plan.

Spread the word. Just 5% of your estate and that of your friends, family and neighbors can be transformative to your home.



Mr. Hansen paved the way for highways in NW Kansas. He is pictured above near Lakin, Kansas, in 1938.

*In the end, the American dream is not a sprint, or even a marathon, but a relay.
Our families don't always cross the finish line in the span of one generation.
But each generation passes on to the next the fruits of their labor.*

— JULIAN CASTRO, FORMER UNITED STATES SECRETARY OF HOUSING AND URBAN DEVELOPMENT



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Improving the quality of life and providing opportunities for the people of Northwest Kansas.