



# LOCUS

*local investing for impact*

**LOCUS Philanthropy Tools**

## **Identifying Your Community's Transfer of Wealth Potential**

**December 2019**

**Developed for Community Foundation of Abilene**



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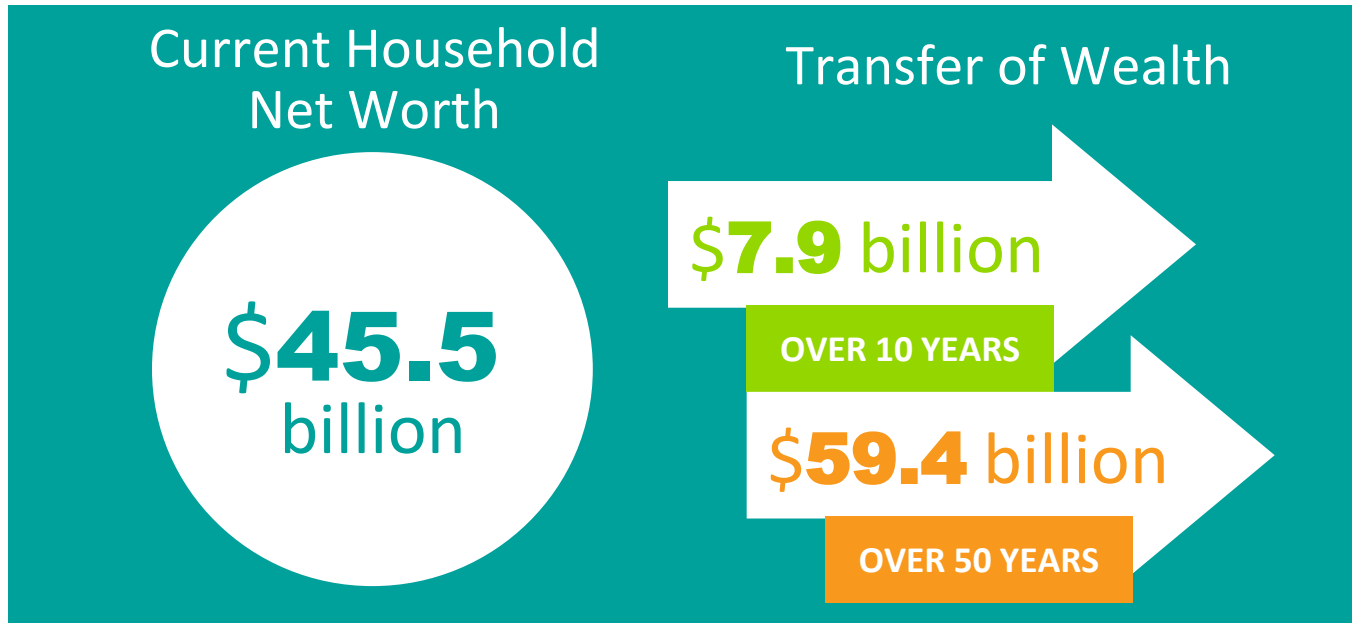
## Community Foundation of Abilene

The vision of the Community Foundation of Abilene is a thriving Abilene, endowed forever. The Foundation empowers people to make a lasting charitable impact on the community by:

- **Connecting** donors to causes they care about.
- **Managing** strategic investments to preserve endowments.
- **Make grants** that align with donor intent.
- **Respond** to community needs.
- **Provide** philanthropic leadership to enhance Abilene's future, today.

## SNAPSHOT: Abilene Transfer of Wealth

LOCUS Impact Investing's 2019 Transfer of Wealth Opportunity Analysis for the Abilene 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 **\$395 million** in new endowments. Over 20 years, this endowment could support average *annual* grantmaking of nearly...

**\$22 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 support construction of workforce housing, help low-income entrepreneurs launch businesses, and support nonprofit capital projects.



A **5% investment** could generate **\$280 million** to meet "gap financing"

# INSIGHTS: Abilene Transfer of Wealth

**There is good news for the Abilene 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 Abilene Region has assets.

Today, the region has current household net worth of \$45.5 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 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 \$395 million in the Abilene 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 \$7.9 billion will transfer from one generation to the next by 2029. 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 Abilene 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 Abilene region transfer of wealth could support \$450 million in local grantmaking and \$280 million 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.

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# TECHNICAL FINDINGS: Abilene 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.

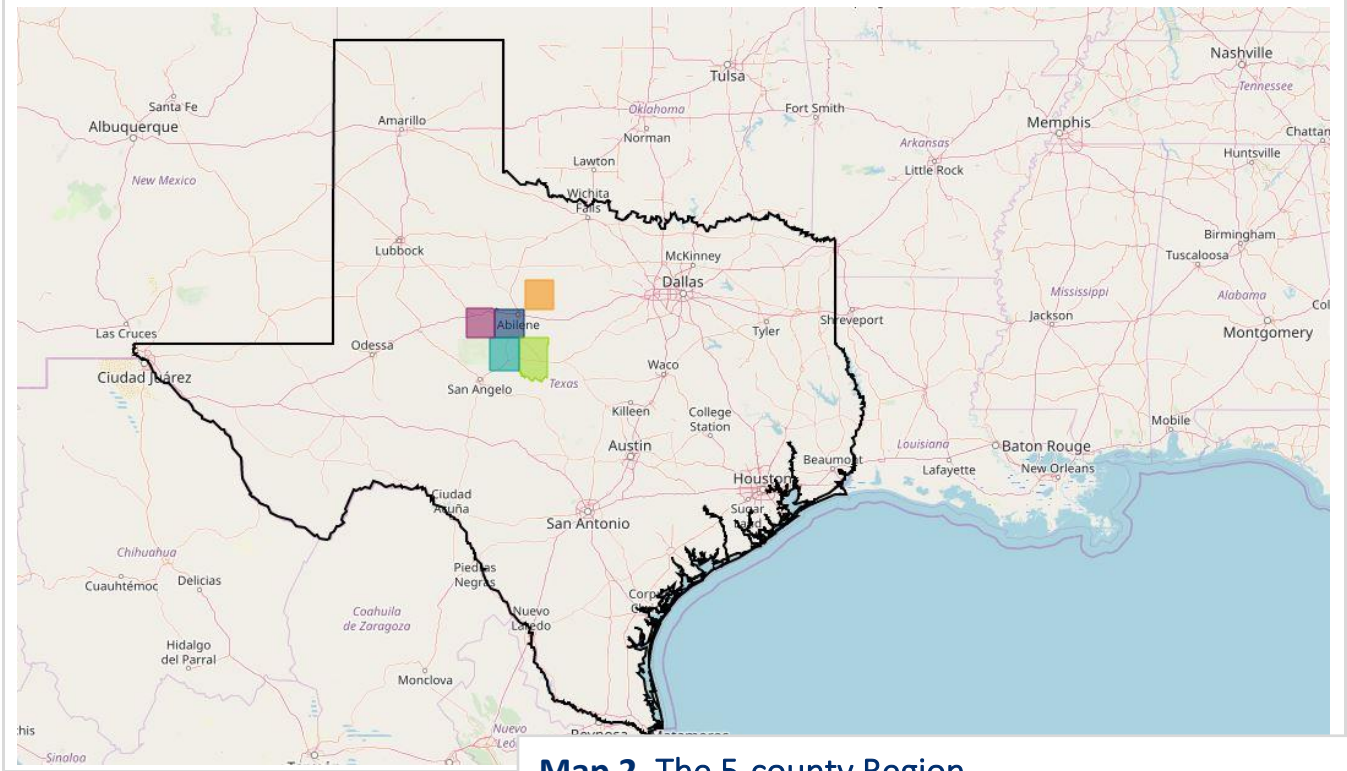
LOCUS' Unlock Your Transfer of Wealth analysis provides a reasonable estimate of the total household wealth that will transfer from one generation to the next over a given period, 10 years or 50 years, in a defined geography – typically a city, county or state. While past research has found that most 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

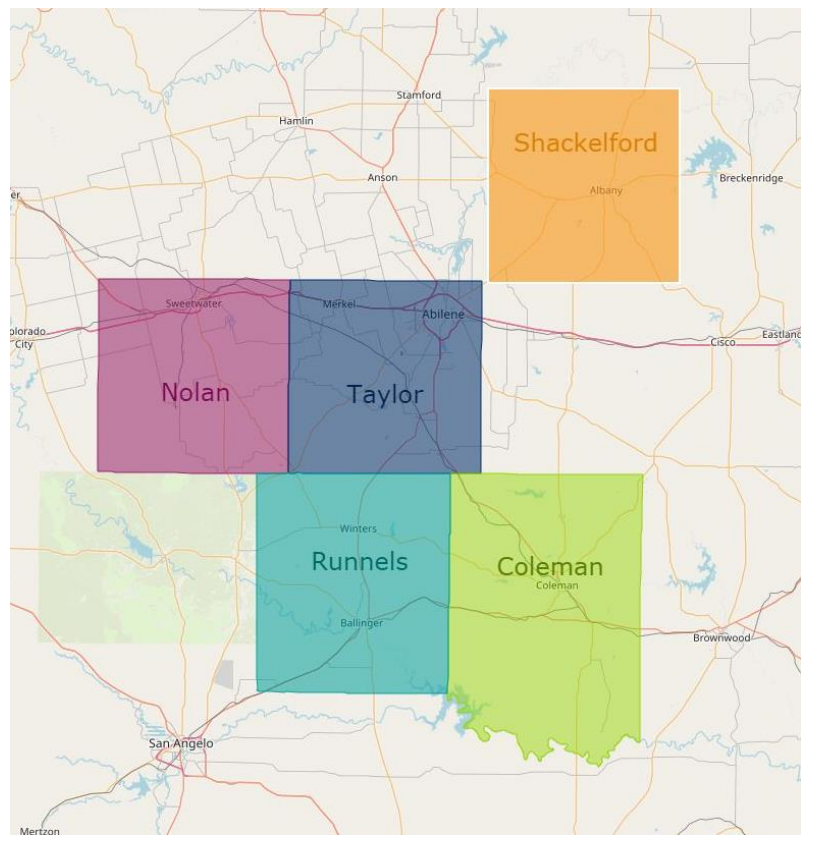
Transfer of Wealth (TOW) estimates are scenarios of a “most likely future” based on historical research and reasonable assumptions of the future. Longer range scenarios are subject to greater uncertainty. The 10-Year TOW scenarios include the cumulative intergenerational wealth being transferred by permanent resident households from 2019 through 2029. The 50-Year TOW scenarios include the cumulative intergenerational wealth being transferred from 2019 through 2069. 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 2069 has the same purchasing power as a dollar in 2019.

## Defining the Region

### Map 1. The Abilene Region



### Map 2. The 5-county Region



The 5-county Abilene region includes Taylor, Nolan, Runnels, Shackelford, and Coleman Counties.

In 2019, the region had a population of approximately 178,000 persons and over 69,000 households.

## 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 Abilene Region is \$45.5 billion.** Table 1, below, summarizes current net worth for counties and the region benchmarked to state and national values.

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

Geography	Households	Current Net Worth	Household Median Net Worth	Household Mean Net Worth	Mean/Med Ratio
United States	125,168,557	\$96.1 Trillion	\$109,495	\$767,698	7.01
Texas	10,383,775	\$7.3 Trillion	\$92,918	\$688,082	7.41
Coleman County	3,912	\$2.4 Billion	\$73,202	\$471,507	6.44
Nolan County	5,887	\$3.0 Billion	\$85,032	\$461,480	5.43
Runnels County	4,256	\$2.8 Billion	\$107,874	\$557,069	5.16
Shackelford County	1,406	\$1.1 Billion	\$123,736	\$531,334	4.29
Taylor County	53,884	\$36.2 Billion	\$83,743	\$662,607	7.91
Abilene Region	69,345	\$45.5 Billion	\$85,534	\$625,611	7.31

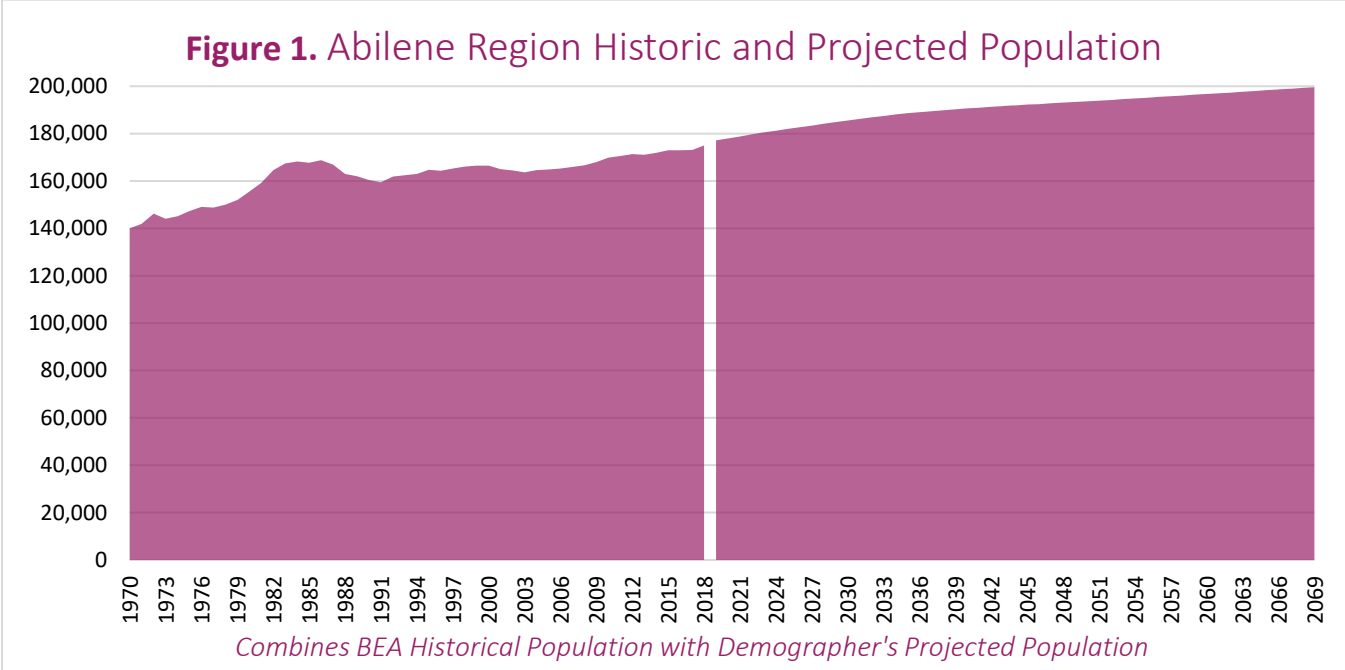
Source: Esri, 2019. Current net worth adjustments made by LOCUS Impact Investing.

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 Abilene Region has a slightly lower mean net worth than Texas 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 Abilene Region has a lower median net worth than the United States and Texas. 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 Abilene Region has a high mean to median net worth ratio meaning wealth in the region is fairly concentrated.

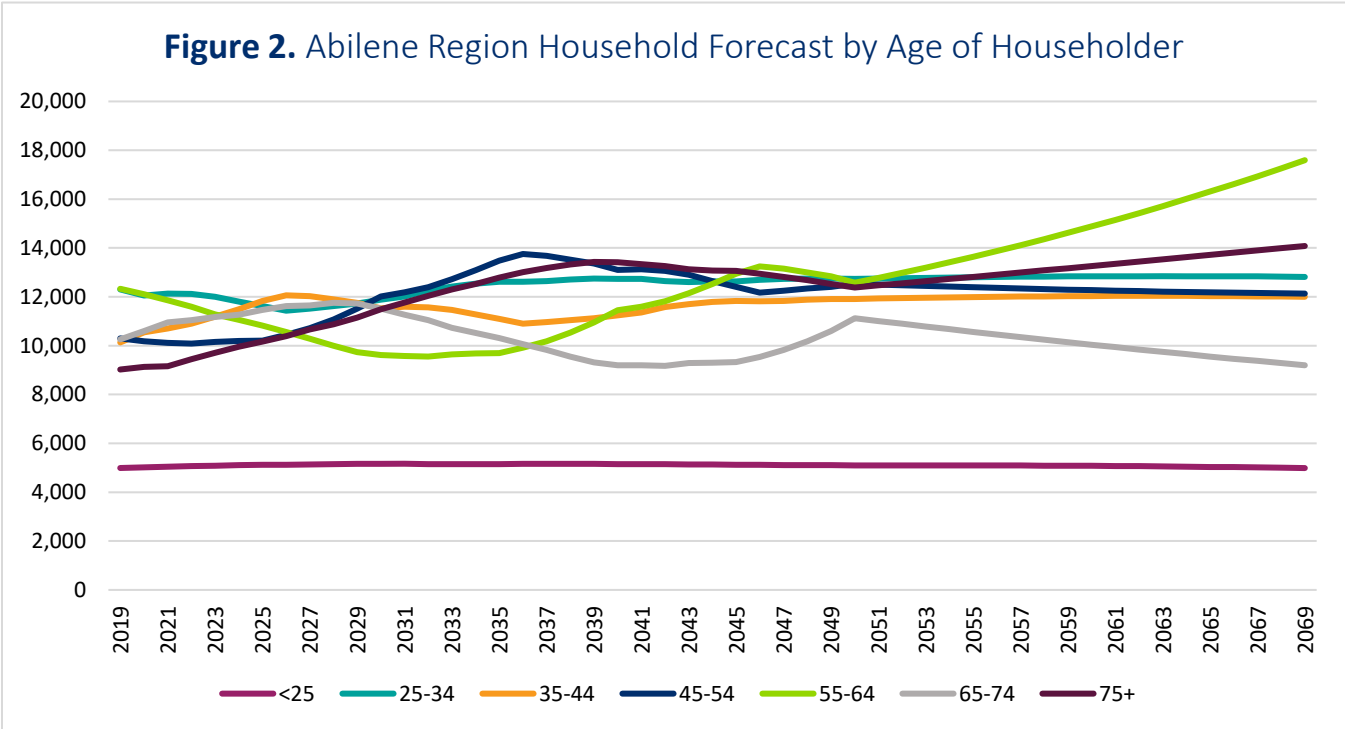
## Population and Household Projections

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 Abilene Region has experienced steady population growth rising from about 140,000 residents in 1970 to over 178,000 residents in 2019 (Figure 1). The official Texas population estimates, extended by LOCUS, project this growth to reach nearly 200,000 residents by 2069 (Figure 1).



Source: Historical data - Bureau of Economic Analysis; Projected data - Texas Demographic Center, and LOCUS Impact Investing, 2019.



Source: Esri, 2019, Projected out by LOCUS Impact Investing.



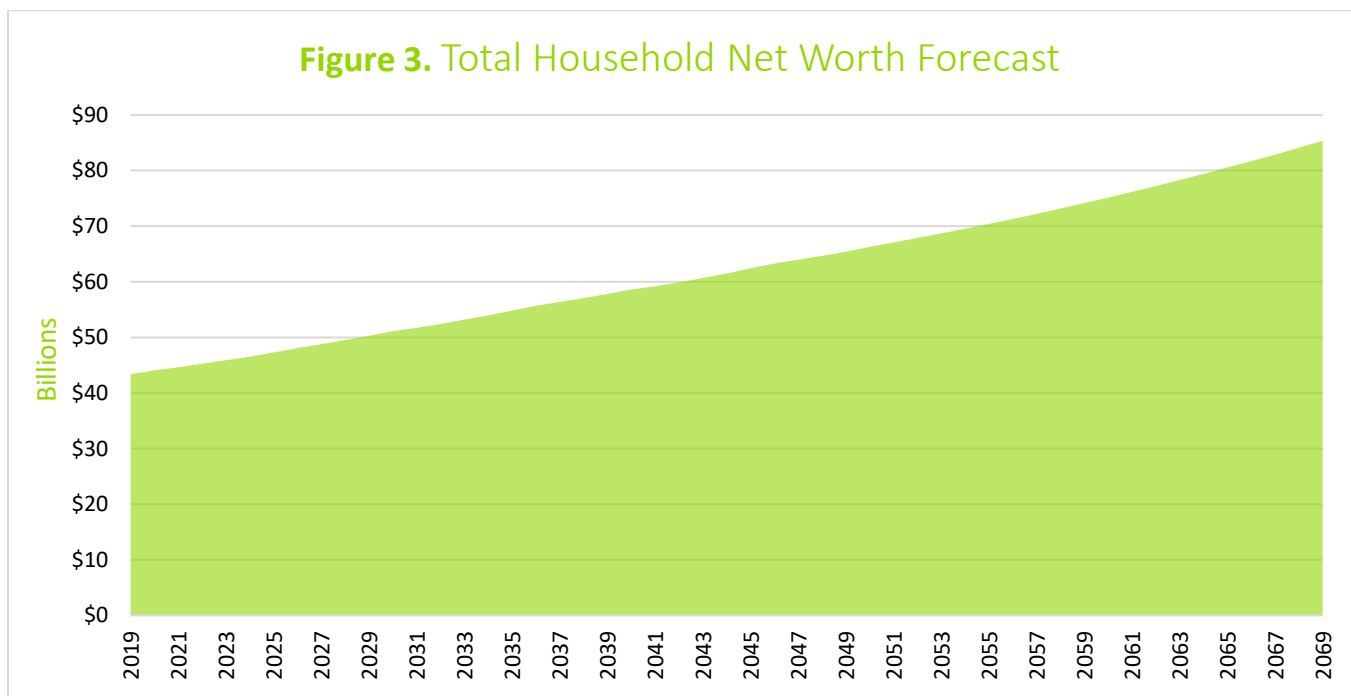


Wealth transfer projections are built, in part, by using population forecasts for age-group cohorts (Figure 2). Note that the number of households led by a person over the age of 75 will rise from 13,000 households today to over 20,000 households by the end of the 2060s. Households with a householder 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 177,000 number in 2019 to nearly 200,000 by 2069.

**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.

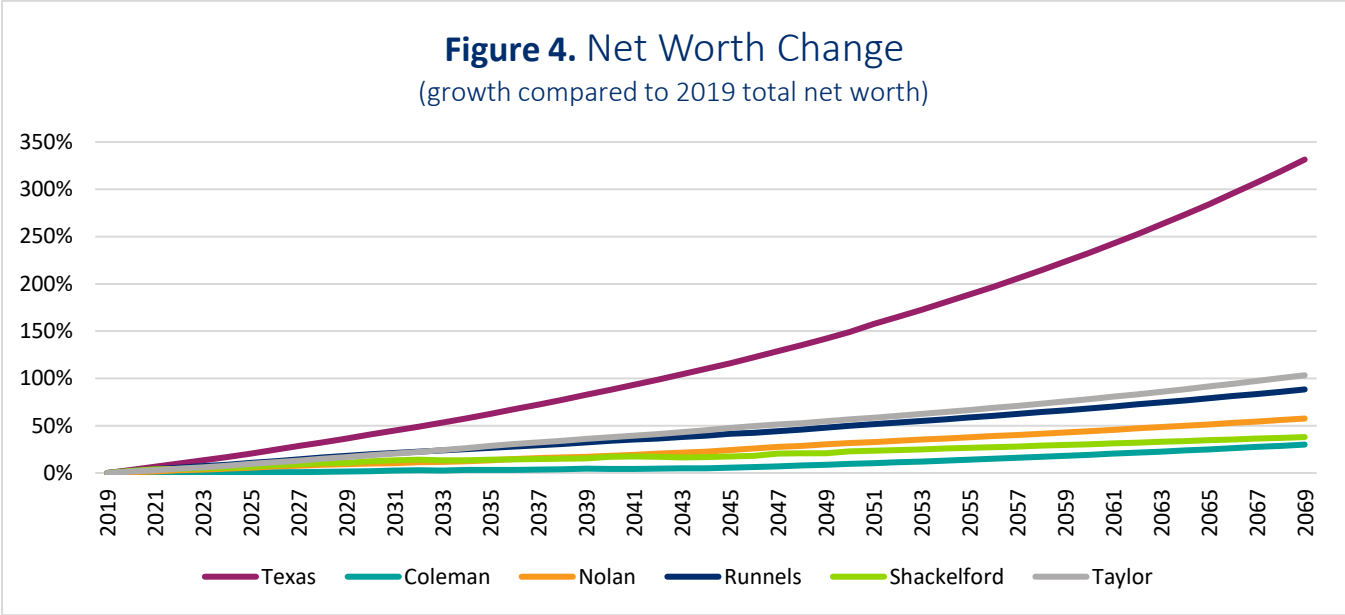
### Future Net Worth Estimates and Transfer of Wealth

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 \$45.5 billion in 2019 to over \$85 billion by 2069 (see Figure 3). These are in inflation adjusted dollars, meaning that the purchasing power of a dollar in 2069 is approximately the same as a 2019 dollar. While population growth patterns show a gradual increase over time, total household net worth growth will increase significantly in the region.



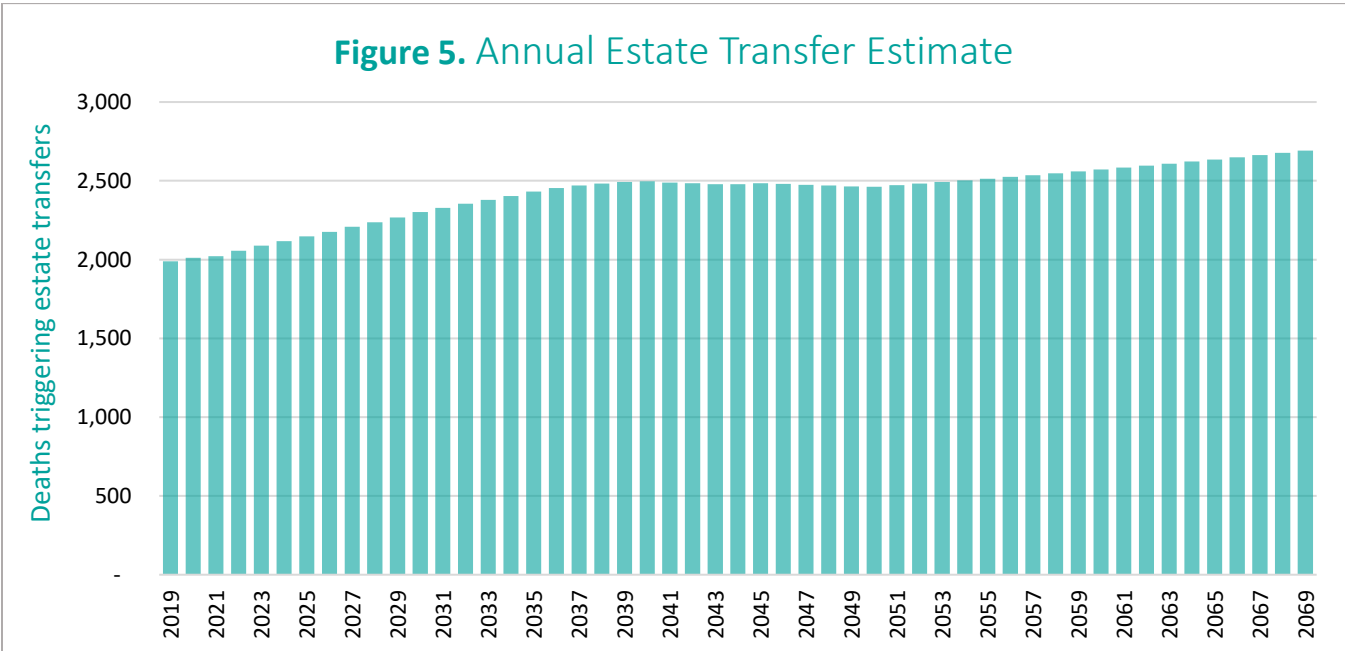
Source: Esri, 2019, Projected out by LOCUS Impact Investing.

The region’s net worth will grow more slowly than the state. Taylor and Runnels will have the largest percentage increase in total net worth. Total net worth will increase slowly in Nolan, Shackelford and Coleman.



Source: Esri, 2019, 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 2069. 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.



Source: Center for Disease Control compiled by the Vital Statistics Cooperative Program, Projected out by LOCUS Impact Investing.

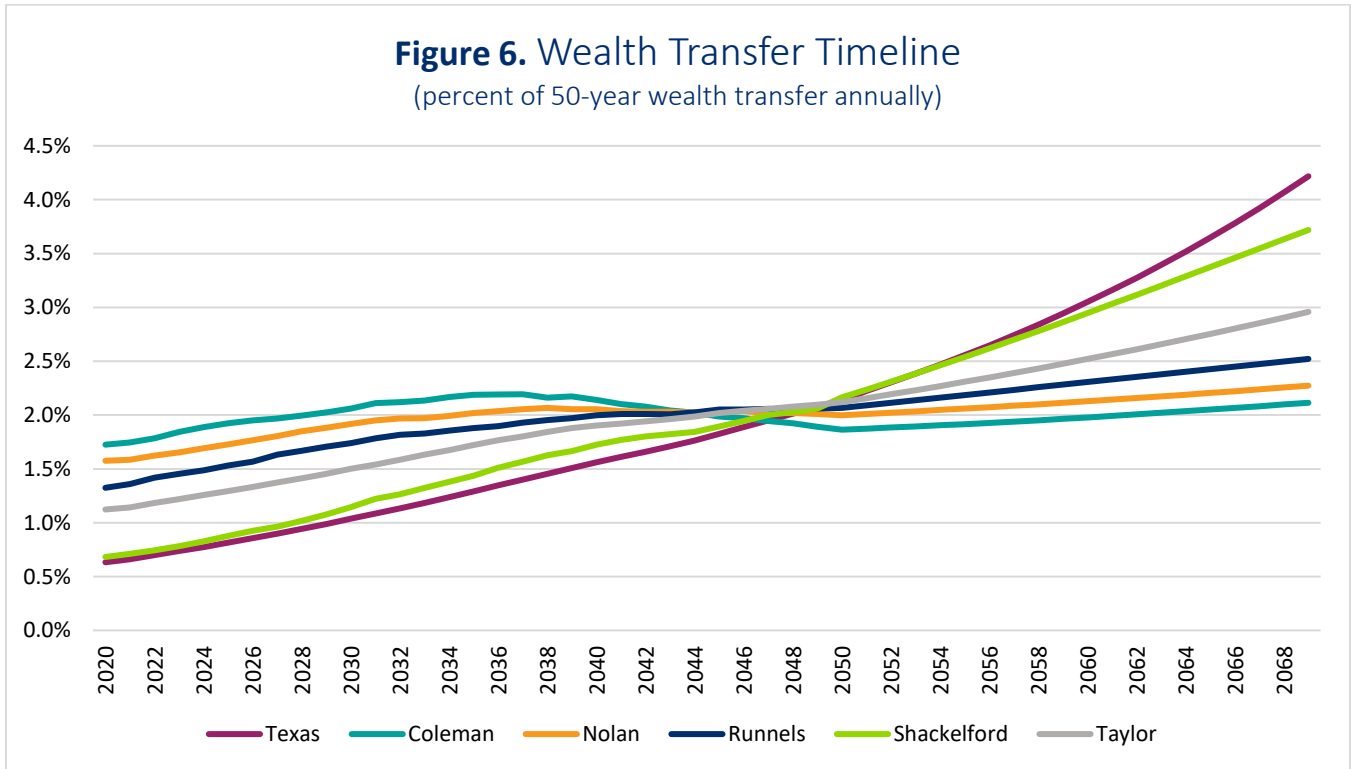
Combining projected demographic, economic, and household wealth growth, the Abilene Region’s transfer of wealth in coming years is expected to start at \$700 million annually. By 2035, the annual transfer of wealth will pass \$1 billion. Aggregated over the next 10 years, \$7.9 billion will transfer. Over the next 50 years, \$59.4 billion will transfer. The 10-year and 50-year TOW scenarios are detailed for the region and for each county in Table 2.

**Table 2.** Abilene 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>\$96.1 Trillion</b>	<b>\$12.9 Trillion</b>	<b>\$118.5 Trillion</b>
<b>Texas</b>		<b>\$7.3 Trillion</b>	<b>\$920.8 Billion</b>	<b>\$11.6 Trillion</b>
<b>Coleman County</b>	<b>6%</b>	\$2.4 Billion	\$478.7 Million	\$2.6 Billion
<b>Nolan County</b>	<b>8%</b>	\$3.0 Billion	\$504.8 Million	\$2.9 Billion
<b>Runnels County</b>	<b>6%</b>	\$2.8 Billion	\$645.8 Million	\$4.3 Billion
<b>Shackelford County</b>	<b>2%</b>	\$1.1 Billion	\$139.1 Million	\$1.1 Billion
<b>Taylor County</b>	<b>78%</b>	\$36.2 Billion	\$6.1 Billion	\$48.6 Billion
<b>Abilene Region</b>	<b>100.0%</b>	<b>\$45.5 Billion</b>	<b>\$7.9 Billion</b>	<b>\$59.4 Billion</b>

Source: LOCUS Impact Investing Transfer of Wealth Estimates, 2019.

**Figure 6.** Wealth Transfer Timeline  
(percent of 50-year wealth transfer annually)



Source: Esri, 2019, Projected out by LOCUS Impact Investing.

## 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 Abilene Region and other regions. 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 Abilene Region has comparable philanthropic opportunity (on a per-household basis) when compared to other communities LOCUS has studied and has a relatively larger 10- & 50-year TOW potential than most.

**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
Abilene Region	2019	69,345	\$656,600	\$113,800	\$857,000
<b>United States</b>	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 \$79 million annually would 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 **\$395 million**, 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 **\$735 million** and generate over **\$450 million** 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>\$395,000,000</b>	\$27,650,000	\$15,800,000	\$406,850,000
<b>Year 1</b>	\$406,850,000	\$28,479,500	\$16,274,000	\$419,055,500
<b>Year 5</b>	\$457,913,259	\$32,053,928	\$18,316,530	\$471,650,657
<b>Year 10</b>	\$530,846,970	\$37,159,288	\$21,233,879	\$546,772,379
<b>Year 15</b>	\$615,397,130	\$43,077,799	\$24,615,885	\$633,859,043
<b>Year 20</b>	\$713,413,938	\$49,938,976	\$28,536,558	<b>\$734,816,356</b>
<b>Total Grants</b>			<b>\$453,088,474</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 \$395 million, and invested 5% of that, or \$19.7 million, in local philanthropic investment funds. Assuming a 4 to 1 leverage ratio and 7-year loan period, that would create \$280 million 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 280 community facilities at \$1 million/each. Alternatively, the endowment could be used to help finance 2,800 small businesses with \$100,000 loans.

## Considerations: TOW Scenario Adjustments

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 Community Foundation of Abilene identified a 16-member Technical Advisory Committee (TAC) to advise and “ground truth” the Abilene Region Transfer of Wealth Study. The committee included Norm Archibald, Yvonne Batts, Brad Benham, Lon Biebighauser, Jeff Blanks, Lisa Chavez, Randall Connor, Jay Hardaway, Carolyn Lawrence, Laura Moore, Doug Peters, Scott Senter, Trey Todd, Randy Turner, Jasmine McCabe-Gossett and Katie Alford.

Working with LOCUS, 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 gentrification (specifically, retiring Baby Boomers), production agriculture, energy wealth, and military housing trends. The team also assessed economic trends and health care, manufacturing, transportation accessibility, commuting, and college and university towns but determined that the base-estimates adequately addressed these regional trends without further analysis.

### Retiring Boomer Wealth

The City of Abilene is a hub community in an otherwise relatively rural region in this part of Texas. As a hub community in a vast region, Abilene has the opportunity to attract retiring Boomers based on your community’s cost of living, access, lack of congestion (compared to Dallas for example), and quality of life amenities. Every day in America 10,000 Boomers are retiring and this trend will continue for three decades. Important segments of retiring Boomers are moving from both rural areas and larger metropolitan areas to smaller cities.

To illustrate this trend of retiring Boomers moving to smaller cities and rural areas, consider the following hypothetical scenario. This scenario employs current Esri household current net worth (CNW) data for Taylor County – home of Abilene. The 25-34 age cohort is seeing net outmigration. Assuming the wealth impact of losing 10% of this population group (2019 estimated data):

10% loss of 25 to 34-year-olds (loss of 1,040 households)  
Average net worth of 25 to 34-year-old households = \$73,426  
**Loss of \$76 million**

Now assume a 10% net increase in 55 to 64-year-olds in Taylor County:

10% gain of 55 to 64-year-olds (gain of 921 households)  
Average net worth of 55 to 64-year-old households = \$1,168,181  
**Gain of \$1.1 billion**

To the extent that the county creates a competitive environment for retiring Boomers a potential 10% net gain in this population could add \$1 billion to Taylor County's overall CNW increasing the TOW potential. LOCUS has concluded that this trend line is already reflected in the TOW projections as illustrated by the growth in "dividend, interest and rent" (DIR) income growth between 2000 and 2017. Rising from \$1.19 billion in 2000 to \$1.59 billion in 2017 (33% increase), DIR is a leading indicator of the changing retiree movement. For this study, LOCUS did not alter assumptions about TOW projections based on this potential trend. However, the Foundation can increase TOW potential by taking advantage of this growing national trend.

### **Production Agriculture Land Wealth**

LOCUS has made adjustments to the preliminary TOW projections increasing the Region's philanthropic potential based on rooted agricultural land wealth. Based on input from the Technical Advisory Committee, the LOCUS team believes that base TOW projections moderately underestimated agricultural land wealth in Shackelford County. A modest adjustment was made to increase current net worth for Shackelford County based on further analysis by the LOCUS team.

### **Energy Wealth**

Energy production, specifically oil and natural gas production, is important to this region of Texas. There are particularly high concentrations of "proprietorships" in the energy sector rooted in Shackelford County. Thirty-six percent of all private sector employment in Shackelford County is oil and gas related. Of this, there are 108 proprietorships in this county owning oil and gas companies. This is a particularly large concentration of owner/operated energy companies. As a result of this further analysis, the LOCUS team has made modest adjustments to increase Shackelford County's current net worth and wealth transfer projections.

### **Military Community**

Abilene is home to Dyess Air Force Base. This military facility translates to a relatively large military community. Like higher education, there is a continuous churn (e.g., moving in and out) of residents with military bases. Military personnel also tend to be younger at the beginning of their wealth accumulation life cycle. Little permanent community wealth takes root with most military installations unless there is a large military retiree community. Based on further analysis and input from the Technical Advisory Committee, the LOCUS team concluded that base TOW projections may have slightly overestimated overall Taylor County current net worth and wealth transfer estimates and have therefore adjusted the base wealth estimates to reflect this. However, given the relative size of the county's military population, this adjustment does not significantly reduce overall philanthropic opportunity.

## 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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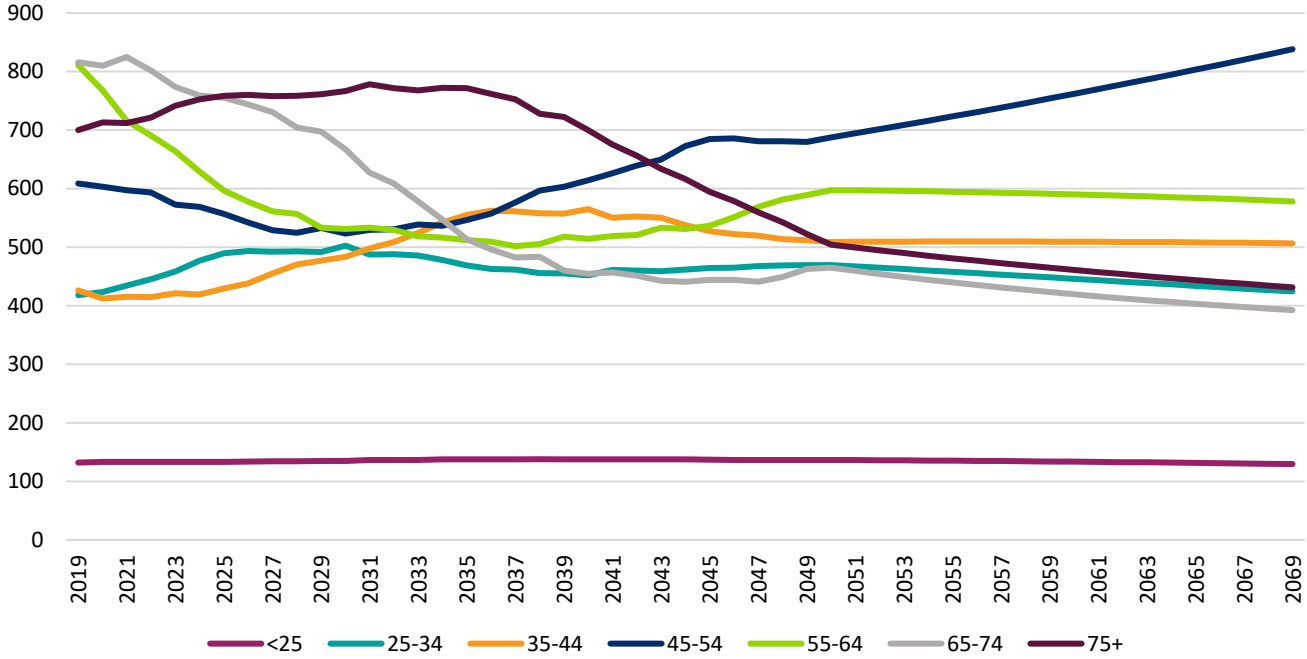


Chapel Hill, North Carolina  
919.932.7762

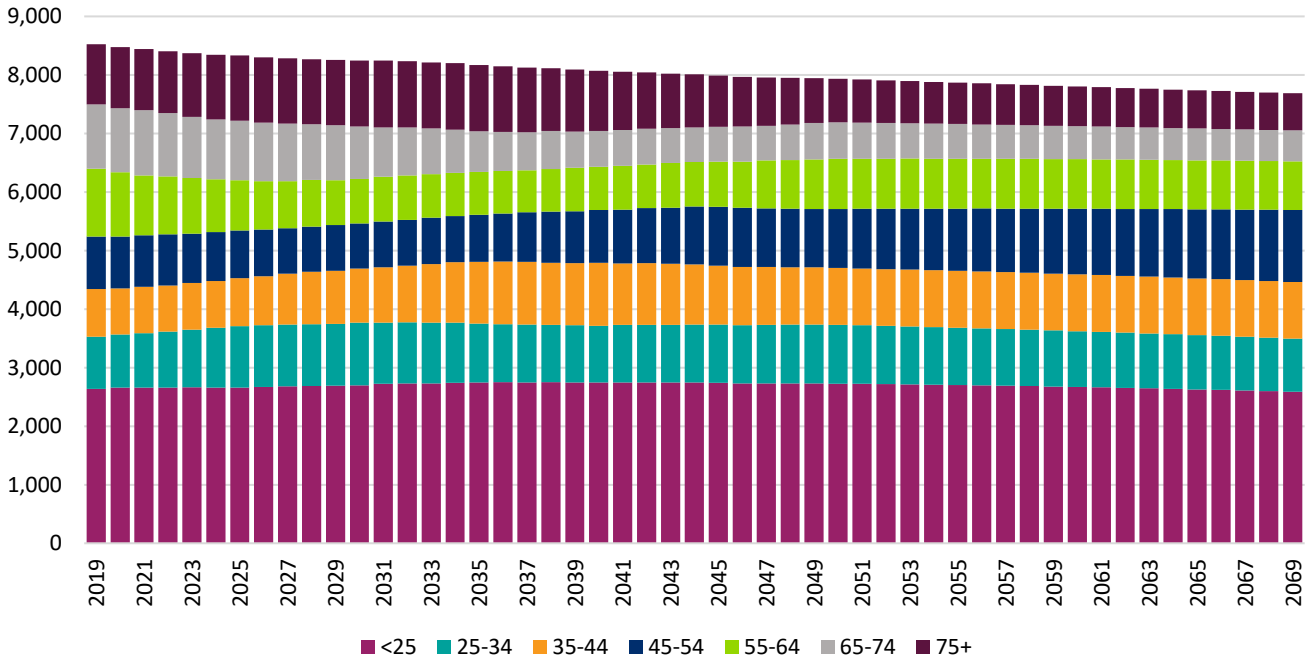


# Coleman County Charts

## Household Forecast by Age of Householder

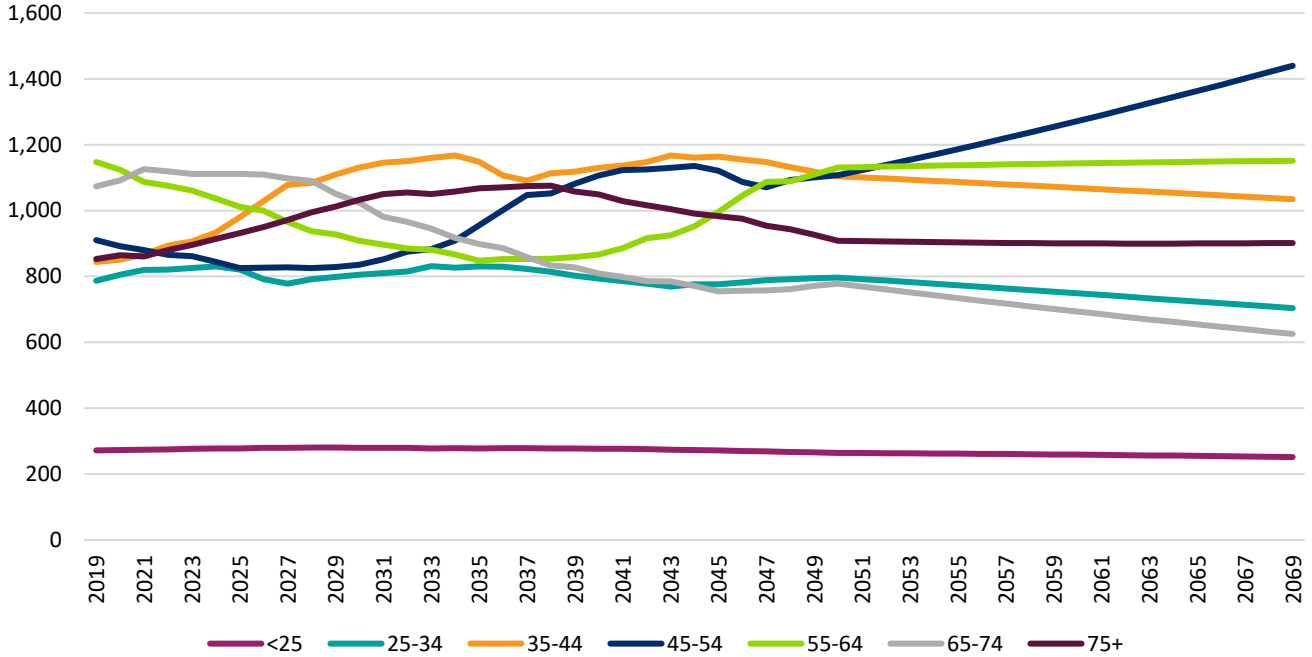


## Population Forecast by Age Cohort

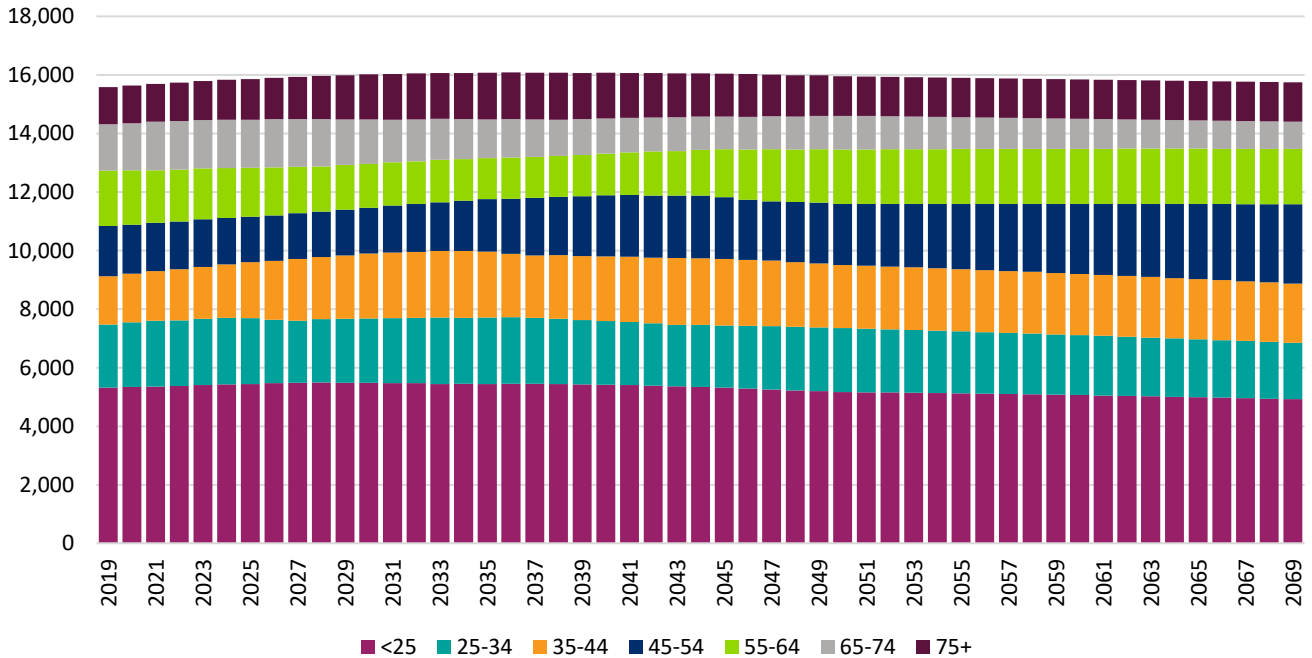


# Nolan County Charts

## Household Forecast by Age of Householder

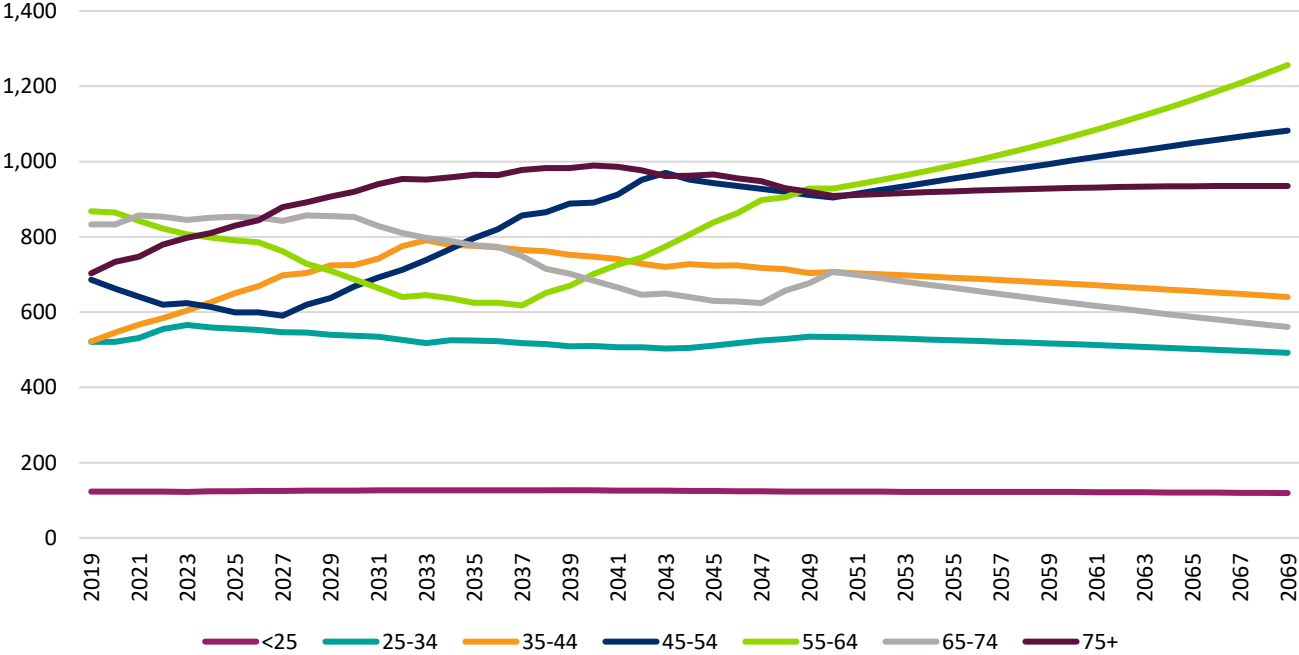


## Population Forecast by Age Cohort

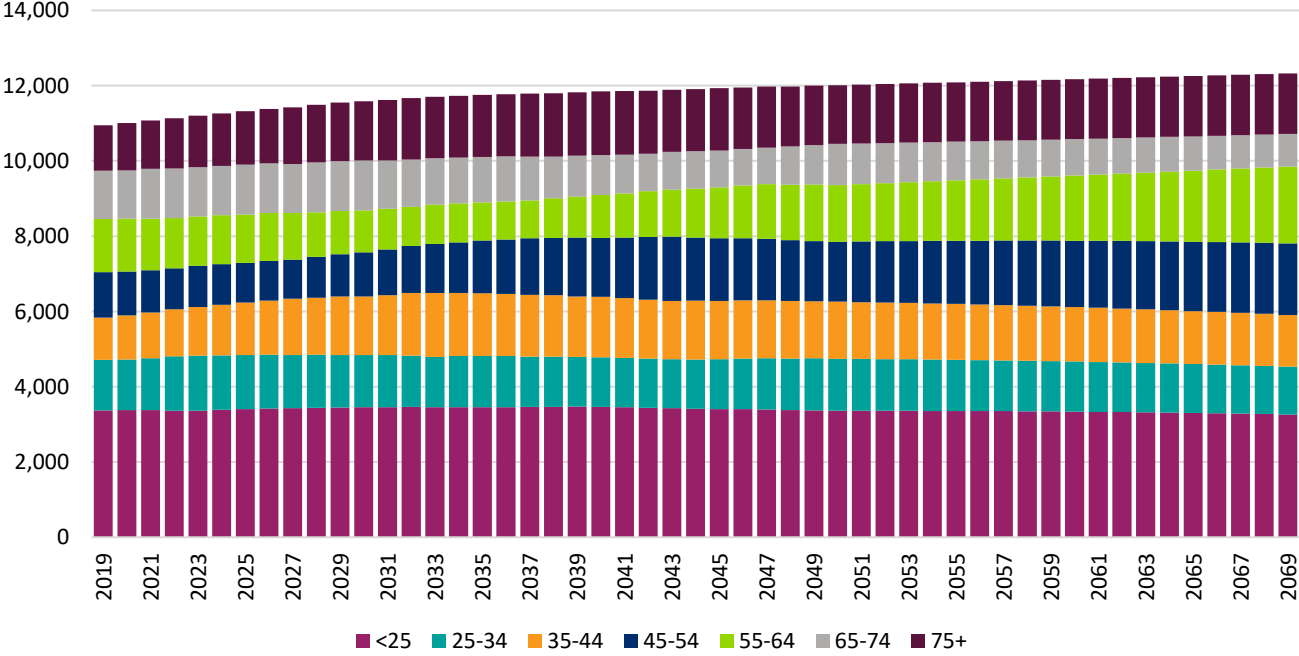


# Runnels County Charts

## Household Forecast by Age of Householder

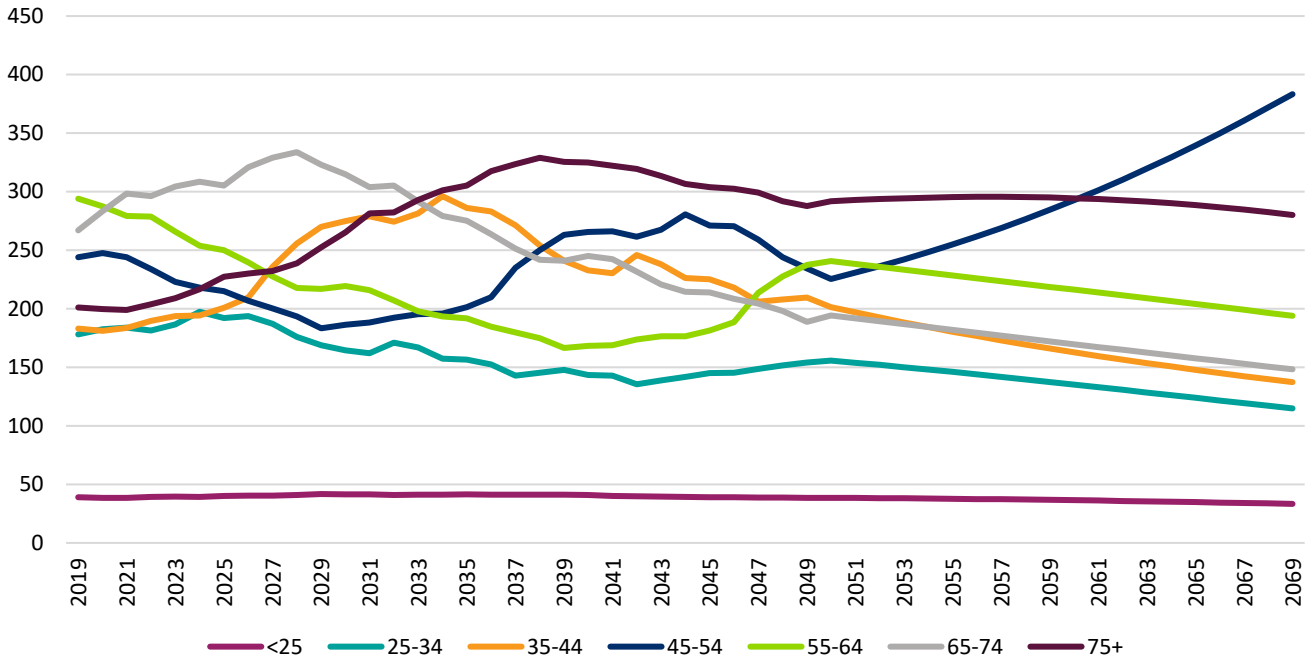


## Population Forecast by Age Cohort

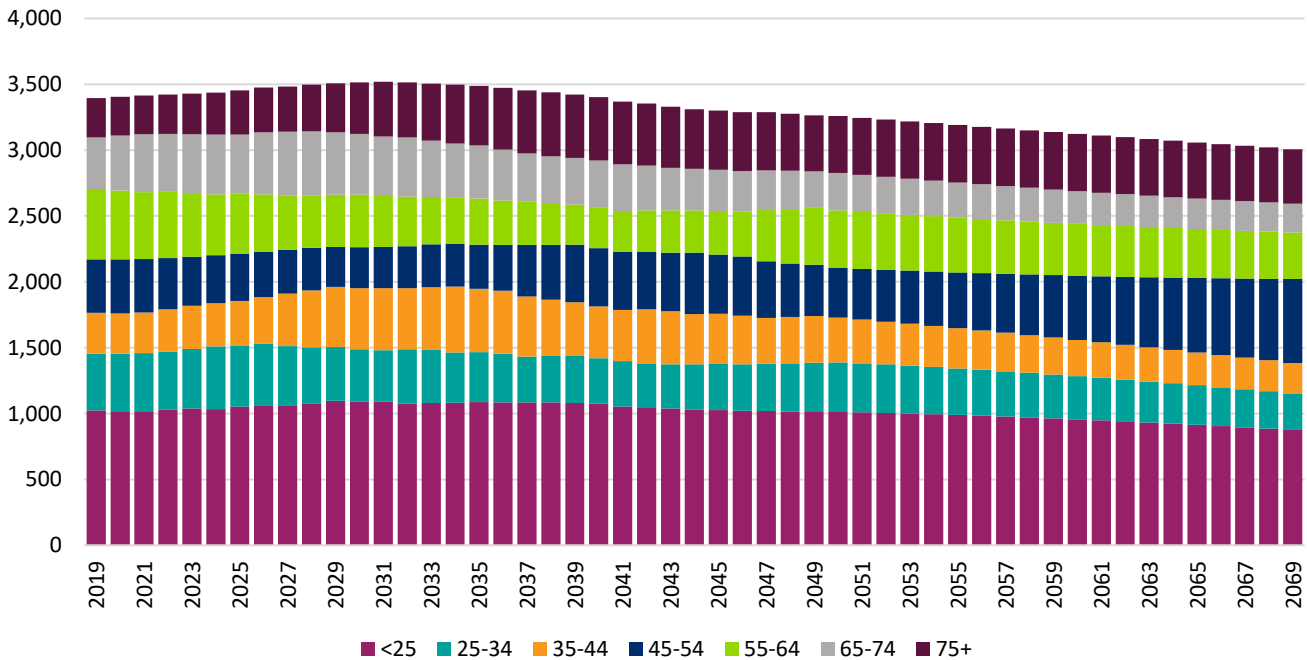


# Shackelford County Charts

## Household Forecast by Age of Householder

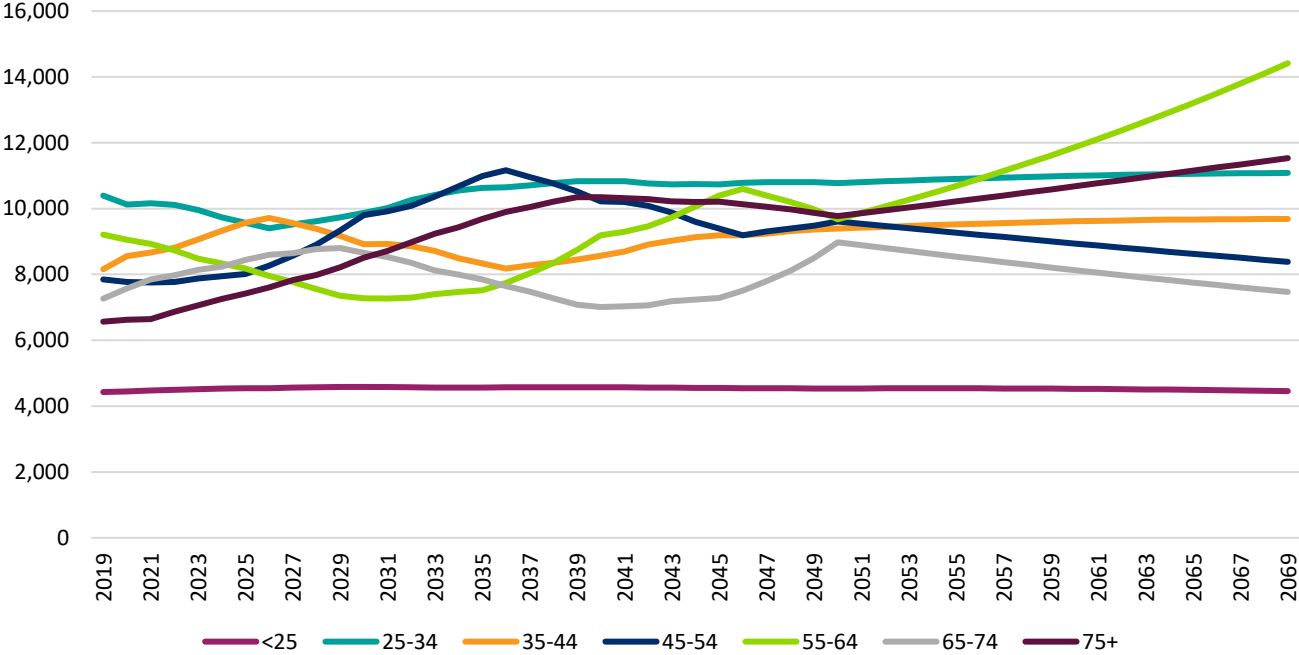


## Population Forecast by Age Cohort



# Taylor County Charts

## Household Forecast by Age of Householder



## Population Forecast by Age Cohort

