Wealth transfer estimates: 2001 to 2055 St. Louis metropolitan area

Authors: John J. Havens, Paul G. Schervish

Chestnut Hill, Mass.: Center on Wealth and Philanthropy, Boston College, September 17, 2004

BOSTON COLLEGE
CENTER ON WEALTH AND PHILANTHROPY

"St. Louis Metropolitan Area Wealth Transfer Estimates: 2001-2055"

John J. Havens and Paul G. Schervish
Center on Wealth and Philanthropy
Boston College
Report Released November 2004

CENTER ON WEALTH AND PHILANTHROPY
BOSTON COLLEGE
MCGUINN HALL 515
140 COMMONWEALTH AVENUE
CHESTNUT HILL, MA 02467
TEL: (617) 552-4070
FAX: (617) 552-3903
EMAIL: cwp508@bc.edu
WEBSITE: www.bc.edu/cwp

Wealth Transfer Estimates: 2001 to 2055

St. Louis Metropolitan Area

John J. Havens
Paul G. Schervish

Center on Wealth and Philanthropy
Boston College
September 17, 2004

The Center on Wealth and Philanthropy (CWP) is grateful to St. Louis Metropolitan Association for Philanthropy for sponsoring the estimates presented in this report. CWP is generously supported by the T.B. Murphy Foundation Charitable Trust and the Lilly Endowment, Inc. whose funding supported the initial development of the wealth transfer microsimulation model. CWP is also grateful to the Twenty-First Century Foundation for sponsoring the extension of the wealth transfer microsimulation model to provide national estimates of wealth transfer for African American households.

Wealth Transfer Estimates: 2001 to 2055
St. Louis Metropolitan Area

John J. Havens
Paul G. Schervish
Center on Wealth and Philanthropy
Boston College
September 17, 2004

Introduction

In 1999 we released "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy." [Havens and Schervish, 1999] The Millionaires and the Millennium report contained estimates of the potential transfer of wealth from the group of households in 1998 to government, heirs, charity, and estate costs in the period from 1998 through 2052. The unique Wealth Transfer Microsimulation Model (WTMM) developed and housed at the Center on Wealth and Philanthropy (CWP) (then named the Social Welfare Research Institute) at Boston College generated the estimates in three growth scenarios. The scenarios were defined in terms of assumed levels of secular growth in household wealth. The low (2%) secular growth scenario implied $41 trillion of wealth transfer ($8 trillion to government, $25 trillion to heirs, $6 trillion to charity, and $2 trillion to estate fees); the middle (3%) secular growth scenario implied $73 trillion of wealth transfer ($18 trillion to government, $40 trillion to heirs, $12 trillion to charity, and $3 trillion to estate fees); and the high (4%) secular growth scenario implied $136 trillion of wealth transfer ($41 trillion to government, $65 trillion to heirs, $25 trillion to charity, and $6 trillion to estate fees).

The low secular growth estimate of $41 trillion (1998 dollars) has been widely cited since 1999. After reviewing the estimation model, the downturn in financial markets, and challenges to the $41 trillion estimate, we released "Why the $41 Trillion Wealth Transfer is Still Valid: A Review of Challenges and Questions" in January 2003 [Havens and Schervish, 2003]. The report reviewed the estimates and answered nine questions and challenges about the estimates. As the title implied, the report concluded that the $41 trillion wealth transfer estimate was still valid, and re-emphasized that the bulk of the forthcoming transfer would occur in the last 25 years of the 55-year period and would be concentrated among households at the upper end of the wealth distribution.

Since 1999, various groups have periodically expressed interest in estimates of wealth transfer at the state level. The principal impediment to developing these estimates is lack of data on the general distribution of household wealth and its specific distribution by age of head of household for geographic areas smaller than the nation. In 2004 we developed and tested a proprietary procedure to estimate these distributions for states and large metropolitan areas. Application of the procedure now allows us to apply the WTMM to

produce wealth transfer estimates for states and large metropolitan areas as well as for the nation.

At the invitation of the St. Louis Metropolitan Association for Philanthropy we applied a recently updated and expanded version of the WTMM to the households resident in the St. Louis metropolitan area in 2001 in order to estimate the transfer of wealth from these households during the period from 2001 through 2055. For the purposes of this report the St. Louis metropolitan area is defined as comprising five counties in Illinois (Clinton, Jersey, Madison, Monroe, and St. Clair), six counties in Missouri (Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren), and St. Louis city. This is the operational definition used by the U.S. Census in 2001.

Prior to applying the WTMM, it is necessary to first estimate the distributions of wealth and wealth by age of head of household. The procedure to estimate these distributions is based on data from the Survey of Consumer Finances (SCF) sponsored by the Board of Governors of the Federal Reserve and the demographic supplement of the Current Population Survey (CPS), jointly conducted by the Bureau of Census and the Bureau of Labor Statistics. The procedure requires that both databases share a common year. The demographic supplement of the CPS is collected in March, annually; but the most recent survey data from the SCF was collected in 2001. Consequently the most recent year for which base data is available is 2001 and that is the base year of this analysis.

This report presents and documents the wealth distributions and the estimates of wealth transfer for the St. Louis metropolitan area for three scenarios of secular rates of growth in household wealth: 2%, 3%, and 4% real (inflation adjusted) secular rates of growth. The estimates and all dollar figures in this report have been adjusted for inflation, which means that they are reported in terms of their purchasing power in 2003. For example, $100,000 of household wealth in 2001 could purchase $100,000 worth of goods and services in 2001 were the wealth liquidated and used for consumption expenditure. Due to inflation it would take $103,896, on average, to purchase those same goods and services in 2003. The $100,000 in 2001 dollars becomes $103,896 in 2003 inflation adjusted dollars, which is the amount of money needed in 2003 to purchase what $100,000 would have purchased in 2001.

The wealth distributions and wealth transfer estimates for the St. Louis metropolitan area are presented in the findings section of this report. How these estimates were derived is documented in the methodological appendix to this report.

Findings

This report provides two sets of estimates for households residing in the St. Louis metropolitan area in 2001[1]: a baseline of current wealth and the projected wealth

[1] In 2001 the Office of Management and Budget defined the St. Louis metropolitan area as comprising five counties in Illinois (Clinton, Jersey, Madison, Monroe, and St. Clair), six counties in Missouri (Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren), part of one county in Missouri (Crawford), and St.

transfer. The first set consists of the estimated distribution of household wealth and its distribution by age of head of household in 2001. This is the starting point for the simulation. The second set consists of the estimates of wealth transfer and the potential distribution of this transfer among government, heirs, charity, and estate settlement costs.

Throughout this document, household wealth is defined as household net worth, that is, the market value of all assets owned by members of the household less the value of all debt owed by members of the household. All dollars are measured in 2003 constant (inflation adjusted) dollars. This means that all dollar values in the report represent 2003 buying power. For instance, a transfer of $200,000 to an heir in 2055 will have the same 2003 buying power as a transfer of $200,000 in 2003, although by 2055 the $200,000 will have a nominal value closer to $1,000,000 if we assume a 3% average annual inflation rate from 2003 through 2055.

Wealth Distributions

The first set of findings involves the distribution of household wealth. In 2001 the 1.056 million households in the St. Louis metropolitan area (0.99% of all households in the nation) owned an aggregate amount of $426 billion in wealth (1.09% of all household wealth in the nation). The average and median household wealth for St. Louis were $404 thousand and $88 thousand, which respectively represented 1.09% and 1.04% of the average and median household wealth in the nation.

Table 1 presents the distribution of household wealth for the St. Louis metropolitan area in 2001. As is the case across the nation, it shows a highly skewed distribution of wealth. At the lower end of the distribution in 2001 there were 731 thousand households (69% of all St. Louis households) with wealth of less than $200,000. In aggregate (not shown in the table) they owned $40 billion of wealth (9% of all household wealth in the St. Louis metropolitan area). In contrast, at the upper end of the distribution there were 58 thousand households (5.5% of all St. Louis households) that owned wealth of $1 million or more. In aggregate (again not shown in the table) these households owned $271 billion in wealth (63% of all household wealth in the St. Louis metropolitan area). Even more dramatically, the 0.7% of households with wealth of $10 million or more owned 33% of all household wealth in the St. Louis metropolitan area.

The distribution of wealth is important for two reasons. First, combined with rates of growth in household wealth, it determines the amount of wealth to be transferred at the death of the householders. Second, wealthy individuals tend to distribute a disproportionately large portion of their estates to charitable bequests. The St. Louis distribution of wealth implies that very wealthy households will generate a potentially large value of charitable bequests during the period from 2001 through 2055.

Louis city. The U.S. Census, however, did not count any part of Crawford County in its statistics, and it is not included in this analysis. The wealth transfer analysis and estimates do not include new counties added to the definition of the St. Louis metropolitan area subsequent to 2001.

Table 2 presents the aggregate and average amount of household wealth in the St. Louis metropolitan area by the age of head of household in 2001. The table shows that in 2001 62% of aggregate wealth in St. Louis was owned by households whose head was aged 40 to 59; and another 27% was owned by households whose head was 60 years or older. The corresponding national percentages were 49% of aggregate wealth owned by households whose head was aged 40 to 59, and another 41% owned by households whose head was 60 years or older. The concentration of wealth at a younger age than the national distribution is consistent with a pattern of wealth generated by self-made entrepreneurs. One implication of the age distribution of wealth in St. Louis is that a larger fraction of the wealth transfer in St. Louis will occur later in the 55 year period as compared to the corresponding fraction for the nation.

Wealth Transfer Estimates

The Wealth Transfer Microsimulation Model (WTMM) estimates the number, value, and destiny (taxes, heirs, charity, and fees) of final estates in three secular growth scenarios: low (2%) secular growth, middle (3%) secular growth, and high (4%) secular growth. Before presenting these findings, we briefly summarize how the model works. (We detail the workings of the model in the Methodological Appendix.) The estimates of wealth transfer generated by the WTMM are derived from compiling the value of final estates. A final estate is an estate without a surviving spouse. The WTMM first calculates the number and value of final estates. When an unmarried person dies, the WTMM generates a final estate and transfers the wealth of the decedent to the final estate. When a married person dies, the WTMM transfers the wealth of the decedent to the decedent's spouse but does not generate a final estate; when that surviving spouse subsequently dies the WTMM generates a final estate and transfers the remaining household wealth to the final estate. After the number and value of final estates are estimated, the WTMM uses historical patterns to distribute the estate's value to government (in the form of federal and state estate taxes), heirs, charitable bequests, and estate fees (outstanding debt, burial costs, and legal/probate fees).

Low (2%) Secular Growth Scenario

Table 3 presents the detailed results of the low (2%) secular growth scenario for St. Louis. Panel 1 presents the estimates for the 20 year period from 2001 through 2020. Panel 2 presents the corresponding estimates for the entire 55 year period from 2001 through 2055. Within each panel the columns define the value of the final estate, which is the wealth of the household when the final householder dies. The rows of the table define the number of final estates, the value of final estates, estate fees, federal and state estate taxes, bequests to charity, and bequests to heirs. The total transfer and its distribution are located in the total column, which is the rightmost column in each panel.

For St. Louis we estimate 873 thousand final estates will occur during the 55 year period from 2001 through 2055. These final estates will be valued at $532 billion (2003 dollars)

at the time of death if wealth grows in St. Louis at an average annual secular rate of 2%. If historical patterns hold, $19 billion will be distributed to estate fees, $134 billion to government, $93 billion to charity, and $287 billion to heirs. The $93 billion of potential charitable bequests constitutes 17% of the $532 billion value of final estates.

Most of the potential charitable bequests (70%) are generated by the 0.6% of final estates valued at $20 million or more. This proportion is large for two reasons: (1) final estates valued at $20 million or more account for 33% of the $532 million in total wealth transfer in St. Louis; and (2) on average, estates of $20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

In St. Louis, as in the nation, the transfer of wealth is concentrated among wealthy final estates. Most (76%) of the $532 billion of wealth transfer in the low growth scenario occurs among the 8% of final estates whose value is $1 million or more. These estates pay 76% of the aggregate estate fees, nearly 100% of the aggregate estate taxes, 97% of the aggregate charitable bequests, but only 59% of the aggregate bequests to heirs.

Panel 1 of Table 3 indicates that less than 17% ($88 billion out of the 55 year total $532 billion) of wealth transfer in St. Louis will occur before 2020. During the first 20 years from 2001 to 2020, 222 thousand final estates will occur. These 222 thousand final estates amount to 25% of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is $88 billion (17% of the aggregate value during the entire 55 year period) with potential aggregate charitable bequests of $13 billion (14% of the aggregate amount during the entire period). The bulk of the wealth transfer will occur later than 2020.

We have seen in Table 1 that in 2001 there were 58 thousand households in the St. Louis metropolitan area with at least $1 million in net worth. During the 55 years of the low growth scenario, another 25 thousand households will become millionaires, for a total of 83 thousand millionaire households. However, the wealth of 11 thousand of these households will decline before their deaths as they draw down their assets through a combination of consumption, gifts, and health care costs after age 60. Of the 72 thousand households (83 minus 11) whose wealth remains above $1 million before their final estates or before the year 2055, 70 thousand have final estates of $1 million or more and 2 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

Of the 873 thousand final estates, 549 thousand of the final decedents will be women, 313 thousand will be men, and 11 thousand will involve two spouses who die in the same year.

Middle (3%) Secular Growth Scenario

Table 4 presents the detailed results of the middle (3%) secular growth scenario for St. Louis. It is formatted the same as Table 3. As in Table 3, the total transfer and its

distribution are located in the total column, which is the rightmost column in each panel.

In the middle growth scenario for St. Louis we again estimate that 873 thousand final estates will occur among the 2001 population of households during the 55 year period from 2001 through 2055. These final estates will be valued at $1.017 trillion at the time of death if wealth grows in St. Louis at an average annual secular rate of 3%. Based on historical patterns, $35 billion will be distributed to estate fees, $296 billion to government, $221 billion to charity, and $465 billion to heirs. The $221 billion of potential charitable bequests constitutes 22% of the $1.017 trillion value of final estates – an additional 5% as compared with the low growth scenario.

Once again, most of the potential charitable bequests (78%) are generated by the 1% of final estates valued at $20 million or more. This proportion is large for two reasons: (1) final estates valued at $20 million or more account for 46% of the $1.017 trillion in total wealth transfer in St. Louis; and (2) on average, estates of $20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

As in the nation, the transfer of wealth in St. Louis is concentrated among wealthy final estates. Most (84%) of the $1.017 trillion of wealth transfer in the middle (3%) growth scenario occurs among the 12% of final estates whose value is $1 million or more. These estates pay 84% of the aggregate estate fees, 99% of the aggregate estate taxes, 98% of the aggregate charitable bequests, and contribute 68% of the aggregate bequests to heirs.

From Panel 1 of Table 4 we find that less than 11% ($107 billion out of the 55 year total $1.017 trillion) of wealth transfer in St. Louis will occur before 2020. During the first 20 years from 2001 to 2020, we again estimate that 222 thousand final estates will occur. These 222 thousand final estates amount to 25% of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is $107 billion (11% of the aggregate value during the entire period) with potential aggregate charitable bequests of $17 billion (8% of the aggregate amount during the entire period). Most of the wealth transfer will occur later than 2020 – a greater percentage in the middle (3%) secular growth scenario than in the low (2%) secular growth scenario.

In 2001 there were 58 thousand households in the St. Louis metropolitan area with at least $1 million in net worth. During the 55 years of the middle growth scenario, another 65 thousand households will become millionaires, for a total of 123 thousand millionaire households. However, the wealth of 12 thousand of these households will decline before their deaths as they draw down their assets through a combination of consumption, gifts, and health care costs after age 60. Of the 111 thousand households (123 minus 12) whose wealth remains above $1 million before their final estates or before the year 2055, 106 thousand have final estates of $1 million or more at their deaths and 5 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

Of the 873 thousand final estates in all scenarios, 549 thousand of the final decedents will be women, 313 thousand will be men, and 11 thousand will involve two spouses who die in the same year.

High (4%) Secular Growth Scenario

Table 5 presents the detailed results of the high (4%) secular growth scenario for St. Louis. Table 5 is formatted the same as Table 3 and Table 4. Once again, the total transfer and its distribution are located in the total column, which is the rightmost column in each panel.

As is the case in all three scenarios, there are still 873 thousand final estates in the St. Louis Metro area generated by the 2001 population of households during the 55 year period from 2001 through 2055. These final estates will be valued at $2.017 trillion at the time of death if wealth grows in St. Louis at an average annual secular rate of 4%. If historical patterns hold, $66 billion will be distributed to estate fees, $650 billion to government, $535 billion to charity, and $765 billion to heirs. The $535 billion of potential charitable bequests constitutes 27% of the $2.017 trillion value of final estates.

Most of the potential charitable bequests (85%) are generated by the 2% of final estates valued at $20 million or more. This proportion is large for two reasons: (1) final estates valued at $20 million or more account for 62% of the $2.107 trillion in total wealth transfer in St. Louis; and (2) on average, estates of $20 million or more give the largest fraction (38%) of their value to charity as compared with estates of lesser value.

As household wealth grows at higher rates, the transfer of wealth in St. Louis as in the nation is concentrated among wealthy final estates. Most (92%) of the $2.017 trillion of wealth transfer in the high growth scenario occurs among the 19% of final estates whose value is $1 million or more. These estates pay 92% of aggregate estate fees, nearly 100% of aggregate estate taxes, 99% of the aggregate charitable bequests, and 81% of aggregate bequests to heirs.

Panel 1 of Table 5 shows that less than 7% ($128 billion out of the 55 year total $2.017 trillion) of wealth transfer in St. Louis will occur before 2020. During the first 20 years from 2001 to 2020, we again estimate that 222 thousand final estates will occur. These 222 thousand final estates amount to 25% of final estates generated during the entire 55 year period of the simulation. The aggregate value of these estates is $128 billion (6% of the aggregate value during the entire period) with potential aggregate charitable bequests of $23 billion (4% of the aggregate amount during the entire period). Just as the 4% growth rate produces more wealth transfer than the other scenarios in the first 20 years, it also results in dramatically greater growth in the next 35 years. As a result, the great majority (93%) of the wealth transfer will occur later than 2020.

In 2001 there were 58 thousand households in the St. Louis metropolitan area with at least $1 million in net worth. During the 55 years of the high growth scenario, another 147 thousand households will become millionaires, for a total of 205 thousand millionaire households. However, the wealth of 6 thousand of these households will decline before their deaths as they draw down their assets through a combination of

consumption, gifts, and health care costs after age 60. Of the 199 thousand households (205 minus 6) whose wealth remains above $1 million before their final estates or before the year 2055, 165 thousand have final estates of $1 million or more and 34 thousand households survive for 55 years and maintain their millionaire status in the year 2055.

In all three scenarios, there are 873 thousand final estates, 549 thousand of the final decedents will be women, 313 thousand will be men, and 11 thousand will involve two spouses who die in the same year.

Inter Vivos Giving and Wealth Transfer by Initial Household Wealth

Tables 6, 7, and 8 present data for each of the three growth scenarios on wealth transfer and inter vivos charitable donations categorized by the initial wealth of the households in 2001. In each table the first column contains the category of wealth for St. Louis households at the beginning of the simulation period in 2001. This first column defines the rows of the table. The second column lists the number of households in each wealth category in 2001; the third column lists the aggregate wealth of these households in 2001; the fourth column presents the number of final estates generated by these households during the 55 years of the simulation; the fifth column presents the aggregate value of the final estates presented in column four; the sixth column lists the number of the initial households in 2001 that survive the 55 years and still exist in 2055; the seventh column lists the aggregate wealth of these surviving households in 2055; the eighth column lists a simple projection of inter vivos contributions along trend (at the same percentage as secular growth in wealth) during the 55 year period of the simulation; the ninth column lists the estimates of potential aggregate charitable bequests projected by the WTMM during the 55 year period of the simulation; the tenth column sums the inter vivos and charitable bequests from columns eight and nine; the last two columns present the cumulative distributions of charitable giving and of households, respectively.

Table 6 presents the data for the low (2%) growth scenario. The last row indicates that there were 1.057 million households in St. Louis in 2001 and their aggregate wealth amounted to $426 billion. These households produced 873 thousand final estates whose aggregate value was $532 billion. Of the 1.057 million households in 2001, 184 thousand survive in 2055 and their aggregate wealth amounts to $90 billion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.057 million households in St. Louis in 2001 will contribute $88 billion to charitable causes before their deaths and $93 billion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos charitable donations and charitable bequests is estimated to be $181 billion during the 55 year period. The cumulative percentages indicate that the 5.5% of households in St. Louis that have wealth of $1 million or more in 2001 account for 65% of the charitable giving during the 55 years of the simulation. Even more dramatically, the 0.7% of St. Louis households with wealth of $10 million or more in 2001 account for 45% of the charitable giving during the 55 year period.

Table 7 presents the data for the middle (3%) growth scenario. The last row again indicates that there were 1.057 million households in St. Louis in 2001 and their aggregate wealth amounted to $426 billion. These households produced 873 thousand final estates whose aggregate value was $1.017 trillion. Of the 1.057 million households in 2001, 184 thousand survive in 2055 and their aggregate wealth amounts to $184 billion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.057 million households in St. Louis in 2001 will contribute $111 billion to charitable causes before their deaths and $221 billion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos charitable donations and charitable bequests is estimated to be $333 billion during the 55 year period. The cumulative percentages indicate that the 5.5% of households in St. Louis that have wealth of $1 million or more in 2001 account for 72% of the charitable giving during the 55 years of the simulation. Even more dramatically, the 0.7% of St. Louis households with wealth of $10 million or more in 2001 account for 48% of the charitable giving during the 55 year period.

Table 8 presents the data for the high (4%) growth scenario. From the last row we find that the 1.057 million households in St. Louis in 2001 owned $426 billion in aggregate wealth. These households produced 873 thousand final estates whose aggregate value was $2.017 trillion. Of the 1.057 million households in 2001, 184 thousand survive in 2055 and their aggregate wealth amounts to $676 billion. Based on the pattern of inter vivos giving in the 2001 Survey of Consumer Finances (defined in terms of household wealth and race), the WTMM projects that the 1.057 million households in St. Louis in 2001 will contribute $143 billion to charitable causes before their deaths and $535 billion in charitable bequests during the 55 years of the simulation. The total amount of inter vivos charitable donations and charitable bequests is estimated to be $677 billion during the 55 year period. The cumulative percentages indicate that the 5.5% of households in St. Louis that have wealth of $1 million or more in 2001 account for 75% of the charitable giving during the 55 years of the simulation. The 0.7% of St. Louis households with wealth of $10 million or more in 2001 account for 47% of the charitable giving during the 55 year period.

Summary of Inter Vivos Giving and Wealth Transfer Results

The major findings for each of the three secular growth scenarios are summarized in Table 9. The upper panel of this table summarizes the findings for the 20 year period from 2001 through 2055. The lower panel summarizes the corresponding findings for the 55 year period from 2001 through 2055.

The first row of the upper panel indicates that the 20 year estimate of total wealth transfer in St. Louis ranges from $88 billion in the 2% secular growth scenario to $128 billion in the 4% secular growth scenario – an increase of 45%. The second row indicates a 20 year total of charitable bequests ranging from $13 billion in the low growth scenario to $23 billion in the high growth scenario. The third row predicts that the 20 year total of

additional inter vivos giving will range from $52 billion to $71 billion. The fourth row of this panel indicates that the 20 year estimate of total charitable contributions rises from $52 billion in the 2% secular growth scenario to $71 billion in the 4% secular growth scenario – an increase of 37%. The fifth row of this table indicates the percentage of aggregate contributions made by households with $1 million or more in wealth at the time of the contribution. As can been seen, the percentage of contributions made by millionaires rises from 56% in the 2% secular growth scenario to 64% in the 4% secular growth scenario.

The lower panel indicates that during the 55 year period, the estimates of total wealth transfer range from $532 billion in the 2% secular growth scenario to $2.017 trillion in the 4% growth scenario – an increase of 278%. The 55 year estimate of charitable bequests ranges from $93 billion in the low growth scenario to $535 billion in the high growth scenario – an increase of 475%. The 55 year estimate of inter vivos giving ranges from $88 billion to $143 billion – an increase of 63%. Combining inter vivos and bequest giving, the 55 year estimate of total charitable donations ranges from $181 billion to $677 billion – an increase of 274%. During the 55 year period of the simulation, the percentage of total contributions made by millionaires ranges from 69% to 90%. It is clear that millionaire households as a group possess the greatest capacity for charitable giving and based on historical patterns and projections will contribute the greatest amount of charitable giving during the next 55 years. Higher secular rates of growth in wealth increase the potential for charitable giving for these millionaires faster than for less wealthy households.

There is another theme in this table: in the 20 year period inter vivos contributions predominate over charitable bequests in each of the three scenarios, but in the 55 year period charitable bequests predominate over inter vivos giving. This reflects three trends in the data. First, although household inter vivos giving grows along trend at the same secular rate as household wealth, over time householders die and no longer make inter vivos gifts at all. Second, it is precisely when householders die that final estates are formed and charitable bequests are made. Most of these estates in St. Louis will occur after 2020, especially among wealth holders. Third, over the decades household wealth grows and there are more wealthy households. The estates of wealthy households account for the largest charitable bequests -- on average, the wealthier the estate the larger the fraction of the estate that is allocated to charity.

Discussion

In 2001 the St. Louis metropolitan area contained slightly more than 1 million households. These households constituted 0.99% of all households in the nation, but their aggregate net worth constituted 1.09% of the aggregate net worth of the nation. Approximately 94.5% of the households in St. Louis had net worth less than $1 million in 2001, but the approximately 5.5% of households with net worth of $1 million or more owned 63% of the aggregate wealth in St. Louis. Moreover, the householders with $1

million or more in net worth were relatively young as compared with their counterparts nationally.

During the 55 years from 2001 through 2055, we estimate that the St. Louis households will transfer $532 billion and will contribute a potential $181 billion in combined inter vivos donations and charitable bequests, if secular growth is 2%. These households will transfer $1,017 billion and will contribute a potential $332 billion in combined inter vivos donations and charitable bequests, if secular growth is 3%. They will transfer $2,017 billion and will contribute a potential $678 billion in combined inter vivos donations and charitable bequests, if secular growth is 4%. Because wealth holders in St. Louis are younger on average than wealth holders in the nation, wealth transfer via their estates will occur later rather than sooner during the 55 year period. Therefore, the estimate of wealth transfer in the near term from 2001 through 2020 is small as compared with the national average. In St. Louis the wealth transfer in the first 20 years ranges from 6% to 16% of the 55 year total, depending on the scenario. In our 1999 national analysis the corresponding percentages were 13% to 29%, depending on the scenario. In terms of dollars, the estimate of wealth transfer in St. Louis during the first 20 years amounts to $88 billion, and the estimate of combined inter vivos donations and charitable bequests amounts to $52 billion, if secular growth is 2%. During these 20 years the wealth transfer estimate amounts to $107 billion, and the estimate of combined inter vivos donations and charitable bequests amounts to $60 billion, if secular growth is 3%. If secular growth is 4%, we estimate that during the first 20 years there will be $128 billion in wealth transfer, and combined inter vivos donations and charitable bequests will amount to $71 billion.

It is important to note that the foregoing wealth transfer findings were derived from a wealth transfer simulation analysis specifically designed for St. Louis using the WTMM specifically calibrated for St. Louis. The results of this analysis provide different and more accurate estimates than would have been provided by simply apportioning national findings to St. Louis on the basis of the number of households in St. Louis. Were the 1999 national estimates of wealth transfer adjusted for inflation to constant 2003 dollars and apportioned to St. Louis, the estimates of wealth transfer would have been $453 billion for the low (2%) growth scenario, $815 billion for the middle (3%) growth scenario, and $1,522 billion for the high (4%) growth scenario. The estimates for the three scenarios derived from the more complex methodology used to produce this report are $532 billion, $1,017 billion, and $2, 017 billion, which are, respectively, 18%, 25%, and 32% higher than the proportioned results. In part this is due to growth in household wealth since 1999 and in part to a different period of estimation. More importantly, the source of the better estimates is our ability to introduce more intricate estimation procedures and parameters such as updated mortality rates. But the largest source of the difference between a simple apportionment and our current approach is due to our tailoring the estimates to St. Louis. We find that tailored estimates for states and large metropolitan areas are more accurate than interpolation based on national estimates because such tailored estimates take account of the local demographic and income characteristics of the area. Although it need not be the case that more accurate and tailored estimates will produce higher wealth transfer estimates than simple apportionment, in this case the results are higher. Also, because these estimates have

been produced by working directly with the WTMM, the projection that aggregate wealth transfer for St. Louis will be at least $532 billion and as much as $2 trillion can be reported and used with greater confidence.

The findings for the St. Louis Metro area that we have documented should offer this region and its citizens a deeper hope and confidence about its philanthropic prospects. But an even more favorable outcome may be in store for St. Louis than what our estimates already suggest. First, the estimates reported here are conservative. Second, our projections do not take into account the new and renewed efforts of charities and others, such as the St. Louis Metropolitan Association for Philanthropy, to encourage greater charitable giving.

The growth rates of 2%, 3%, and 4% modeled in the wealth transfer simulation as well as the estimated growth of 2%, 3%, and 4% in inter vivos giving are both reasonable, if not conservative, by historical standards. For instance, the real annual growth in household wealth from 1950 through the first quarter of 2004 has averaged 3.37%. Moreover, this average rate of growth has endured despite the occurrence of 9 recessions over this period. From this we can conclude that the results from the 2% wealth transfer scenario—the one we tend to emphasize in our writings and presentations—is clearly conservative, that the results from the 3% scenario are historically low, and that the results from the 4% scenario are reasonable. In regard to the growth of inter vivos giving, the 2%, 3%, and 4% projections of annual average real growth also turn out to be historically low. From 1985 to 2003, data from Giving USA (Center on Philanthropy at Indiana University, 2004) indicates that average real growth in individual lifetime giving has grown at an average annual rate of 3.41%. From 1995 through 2003, the average real rate of growth in such giving has been 5.70%. Our estimates of projected inter vivos giving, we believe, are even more conservative than our projections of wealth transfer and charitable bequests.

Because our projected rates of growth in wealth, charitable bequests, and inter vivos giving are so conservative, it is reasonable to expect that total charitable giving over the next five decades will be equal to if not higher than our current estimates. But in addition to our conservative estimation strategy, there is a more important reason why charitable giving in the Greater St. Louis area may turn out to be even more abundant.

In all scenarios, the WTMM assumes that household wealth grows in accordance with historical patterns that reflect patterns of charitable bequests and inter vivos giving. Specifically, the wealth transfer estimates assume that the relationship between household wealth, charitable bequests, and inter vivos gifts to persons and to charity do not change, on average, during the 55 year period of the simulation. In other words, all we have said so far does *not* assume that people become more charitably inclined than they have been in the past. This could all change as charities step up the quantity and, especially, the quality of their fundraising efforts, and as national and regional efforts to advance philanthropy encourage philanthropy through programs that better communicate the technical tools, effective consequences, spiritual meaning, and personal satisfaction of charitable giving. What we have in the past referred to as the prospects for a golden age

of philanthropy will arise not just because of the growth in wealth. It will emerge even more profoundly and abundantly to the extent there is a growth in a dedicated and fulfilling philanthropic identity among those for whom allocating financial resources for the care of others is a high priority.

Methodological Appendix

This appendix documents the details of how the estimates were determined. It describes how the microdata file was derived, even without a reliable source of household wealth for the St. Louis metropolitan area. It then continues with a description of the model and how it works.

The research objective of this project is to estimate the wealth transfer from households residing in the St. Louis metropolitan area in 2001 during the period from 2001 through 2055. In 2001 the Bureau of the Census defined the St. Louis metropolitan area as consisting of five counties in Illinois (Clinton, Jersey, Madison, Monroe, and St. Clair), six counties in Missouri (Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren), and St. Louis city. Our basic research strategy was to apply the currently updated and expanded WTMM to a microdata file for St. Louis. This strategy required the development of an appropriate microdata file for St. Louis and calibration of the data file for use by the WTMM. Once these tasks were completed, the WTMM could be run for each of the three scenarios and results tabulated.

Survey of Consumer Finances

The WTMM was designed to use a subset of data from the Survey of Consumer Finances (SCF) as its national microdata file. The SCF is conducted every three years for the Board of Governors of the Federal Reserve [National Opinion Research Center, 1992, 1995, 1998, and 2001]. The most recent available survey was conducted in 2001. The 2004 survey is currently collecting data and will not be released until early 2006.

There are approximately 4,500 households in the 2001 survey sample: 3,000 households selected in a representative sample and 1,500 in an oversample of wealthy households, selected from IRS income tax returns. The staff of the Federal Reserve calculates weights that permit the two samples to be combined to represent the population of all households. With respect to content, the SCF contains very detailed information concerning assets owned, income earned, debt owed, inheritance expected or received, employment history, and demographic characteristics. The SCF also contains a question concerning inter vivos giving of cash and in-kind charitable donations[2]. The most important two characteristics of the SCF with respect to wealth transfer are: (1) it contains sufficient detail about the full portfolio of each household to support a reliable estimate of net worth at the household level, and (2) unlike most other surveys it includes a large group of wealthy households that supports reliable estimates for this group, which gives disproportionately large amounts to charity.

[2] The SCF ignores annual donations of less than $500 per household. At CWP we developed a method to approximate the value of contributions of less than $500 based on data from the General Social Survey conducted by the National Opinion Research Center.

Imputation of Wealth

The key limitation to applying the WTMM to states and metropolitan areas is the lack of data concerning the net worth of households in these areas. There is partial data on state and metropolitan area assets from a variety of sources but there is no sufficiently large representative sample of households for states and metropolitan areas with a reliable comprehensive measure of household net worth.

Early in 2004, we began to explore the possibility of using relationships among variables on the SCF to impute net worth to households in the Current Population Survey (CPS) based primarily on components of income, home ownership, and demographic characteristics. The 2001 March Supplement of the CPS is based on a sample of approximately 70,000 households, representative by state and large metropolitan areas. It contains detailed information on income, household structure, employment, and demographic characteristics, but very sparse information on wealth.

In our exploration of the feasibility of imputing wealth to households in the CPS sample, we had the ambitious objective of estimating the distribution of household wealth within states and large metropolitan areas. At the national level the goal was to estimate the national distribution of household wealth based on the imputed measure in the CPS sample. The SCF provides an independent estimate of this distribution. Using the SCF distribution as a criterion, therefore, we wanted to develop, for each household on the CPS, an imputed measure of wealth whose distribution matched the distribution of wealth from the SCF.

We began our development efforts by adapting an approach used by the Federal Reserve to predict household wealth based on components of income [Frankel and Kennickell, 1995; Kennickell, 1993, 1999, and 2001] which the Fed uses to select its high wealth oversample based on income information from IRS income tax filings. The results were promising but not sufficiently reliable, especially at very high, lower middle, and low levels of wealth. We modified some of the variables we had been using (e.g. replaced median value of housing with average value of housing), added a number of demographic characteristics (e.g., marital status, age, education, race) and developed our own proprietary procedure to impute household wealth to households in the Current Population Survey. In the process we gave more emphasis to macro level accuracy of the distribution than to micro level household accuracy of imputed wealth.

Assessment of Imputation Measure

The goal of the imputation procedure was to estimate the distribution of wealth within states and large metropolitan areas. We succeeded in the sense that the national distribution of household wealth based on the imputed measure on the CPS sample has the same mean and nearly the same standard deviation as the national distribution based on the SCF; the median and quartiles of the imputed distribution are also within a percent of their counterparts in the wealth distribution from the SCF. Moreover, the age distribution of imputed wealth is within 3 percent of the age distribution of household

wealth on the SCF. The means of the imputed wealth measure from the CPS are usually within 5 percent of means of wealth on the SCF within categories of demographic characteristics not included in the imputation procedure. On a national basis for 2001, the imputed measure appears to have good national distributional properties in the base year.

Without going into the analytic details here, we found that the properties of the imputation degraded when applied to the 1998 CPS using the relationships among variables in the 2001 SCF. However, when using relationships among variables in the 1998 SCF the imputation regained its levels of distributional accuracy. We conclude that it is necessary that the SCF and the CPS be for the same year, since some of the relationships used in the imputation are more associational than behavioral or causal. This is the reason that the base year of the imputation and the base year of the wealth transfer analysis is 2001, the most recent vintage of SCF data.

Although the imputation reproduces the distribution of wealth nationally, there was no guarantee that it would do so for states and metropolitan areas. Clearly, since the imputed measure is derived from the income, home ownership, and demographic characteristics specific to each state and metropolitan area, a case can be made that it should be a good estimate of the wealth of these states and metropolitan areas. We looked at work on the distribution of wealth by states conducted by Barry Johnson and his colleagues at the Statistics of Income (SOI) Division of the IRS [Johnson and Schreiber, 1998]. This work used the value of estates from federal estate filings together with mortality rates and state demographic profiles from the Bureau of Census to estimate wealth in the state of filing. The rank order correlation for state wealth generated by the SOI technique and our imputed measure was near zero – the two measures were uncorrelated. However, in 1996 Robert and Jon Haveman estimated wealth at the state level based on asset and debt information collected as part of the Survey of Income and Program Participation (SIPP) [Haveman and Haveman, 1996]. The rank order correlation between the Haveman measure from 1996 and our imputed measure for 2001 was 0.67 – a fairly close relationship given the intervening years and the fact that SIPP has oversamples of low income households but no oversample of high wealth households. The Haveman measure also had near zero rank order correlation with states ranked by the SOI measure of wealth. We concluded that the SOI measure may not be an effective measure for generating the entire distribution of wealth for the entire population of a state and that our imputed measure was superior at least with respect to generating state distributions.

As a final assessment of the imputed measure we applied it to states and metropolitan areas in New England. It agreed with our perceptions of wealth in these states and metropolitan areas. This constituted a minimal criterion rather than strong evidence of regional accuracy of the measure. However, the measure passed this minimal test.

In summary our imputed measure replicates the national distribution of household wealth very closely, is based on population and household characteristics measured in the CPS for states and metropolitan areas, and closely agrees with the only other study we found

based on household survey data. We conclude the imputed measure appears to be a good measure for generating the distribution of household wealth for states and large metropolitan areas.

Calibrating the Microdata File to St. Louis

The process of developing the microdata file for St. Louis involves marrying the information from three sources: (1) the national relationships among wealth and inheritance variables from the 2001 SCF, (2) the wealth and demographic distributions for St. Louis from the CPS, and (3) the aggregate national wealth totals from the Flow of Funds Accounts published by the Federal Reserve.

In our estimates of wealth transfer we have reconciled the aggregate amount of household wealth derived from the SCF with an independent, more comprehensive estimate from the Flow of Funds Accounts. We assume that the Flow of Funds estimate is more accurate at the aggregate level than the survey estimate due to variations of sampling. Since very high wealth holders (households with more than $50 million in wealth) are relatively rare, the proportion included in the sample varies from year to year, and their wealth is so large that even modest variations in the proportions of high wealth holders in the sample has an effect on the estimate of aggregate wealth derived from the survey. In 2001 we adjusted the shape of the extreme tails of the SCF wealth distribution to a weighted average shape of the distributions in 1992, 1995, 1998, and 2001 (counted twice). After this adjustment, the estimate of aggregate household wealth based on the survey estimate was within 2 percent of the estimate based on the Flow of Funds Accounts.

The imputed measure of wealth allowed us to estimate the overall distribution of household wealth for St. Louis and breakdowns of this distribution by demographic characteristics important to the estimation of wealth transfer (i.e., age, marital status, race, and gender of not married). The imputed measure, however, is less accurate at the household level (since we had emphasized distributional accuracy over household accuracy when developing the imputation measure). In contrast, the SCF measures household wealth and household demographic characteristics at a national level, but its distributions of both household wealth and demographic characteristics do not match those for St. Louis. We wanted to calibrate the microdata file for St. Louis in such a manner that it would combine the St. Louis distributional properties with the household accuracy of the SCF. Since the SCF and CPS were both describing the population in 2001, we married the data from both files by mapping the SCF into the St. Louis distributions as derived from the CPS (with the imputed measure of wealth). The resulting file, adjusted for different sample sizes, constitutes the St. Louis microdata file, which was used by the WTMM to produce the estimates of wealth transfer for St. Louis. This method of marrying the two sets of data has three beneficial properties: (1) it reestablished the accuracy of wealth in relation to demographic characteristics at the household level; (2) it maintained the distributions based on the CPS; (3) it contained all the variables (in addition to wealth) that are required by the WTMM to estimate wealth transfer.

Assessment of Calibration

The two most important distributions for the estimate of wealth transfer in St. Louis are (1) the distribution of household wealth in St. Louis, and (2) the distribution of average household wealth by age of head. These distributions were presented in the findings section. A comparison of these distributions for St. Louis reveals that the distributions based on the remapped file (used to produce the wealth transfer estimates) differ by less than 0.1% from the corresponding distributions based on the CPS data for St. Louis. The remapped data faithfully reproduced the distributions of household wealth based on the imputed wealth measures for St. Louis households in the CPS sample.

The WTMM

The Wealth Transfer Microsimulation Model (WTMM) was designed and developed at CWP (then known as the Social Welfare Research Institute) at Boston College. Updated and expanded in the past six months, the model simulates the number and value of final estates for households that existed in 2001 during a 55 year period, which in this analysis is 2001 through 2055. The model was further adapted to estimate wealth transfer in the St. Louis metropolitan area through the development and calibration of its microdata file and some relatively minor modifications for the smaller number of households in St. Louis as compared with the nation.

The WTMM incorporates the concept of final estate. A final estate is an estate without a surviving spouse – that is, the estate of a widowed, divorced, or never married decedent. When one of two spouses die the WTMM assumes that the wealth of the decedent is transferred to the surviving spouse. In this case a final estate occurs only when the surviving spouse dies. A final estate also occurs at the death of all other heads of household (i.e., never married, divorced, or widowed heads of household)

The WTMM assumes that household wealth grows along secular trends consistent with growth in the gross domestic product of the economy. The rates of growth define each of three scenarios (2%, 3%, and 4% rates of secular growth, respectively). A major assumption of the analysis is that there will be no sustained period of major economic downturn or upturn in St. Louis during the 55 year period of the analysis (2001 through 2055). There will, of course, be economic cycles in St. Louis during this period. The WTMM assumes only that none of these cycles will result in a long period (5 years or more) of sustained economic depression or booming economic growth.

The WTMM does not generate births, marriages, or divorces nor does it develop new household businesses nor divest the household of old businesses in the course of the simulation. It does, of course, assume that people in St. Louis die at the 2001 national rates (by age, gender, and race) published by the National Center for Health Statistics based on data from the Center of Disease Control and Prevention.

The WTMM does assume that there are variations in the rate of growth in household wealth, depending on the age of head. These life cycle variations are due to periods of

accelerated rates of accumulation, periods of distribution, variations in savings rates, variations in consumption rates, drawdown of assets at the end of their lifecycle for households of modest means, and gifting of assets predominantly among affluent and wealthy households. The WTMM assumes that for the next 55 years the pattern of life cycle variations in the rate of growth in household wealth is represented by the current pattern estimated from data from the 1992, 1995, 1998, and 2001 SCF. In particular it assumes there will be no major increase or decrease in the amounts or prevalence of inter vivos gifts (such as charitable remainder trusts) during the period.

The WTMM applies the mortality rates, secular growth rates, and life cycle variations to each household to estimate the number and value of final estates. For each final estate, its value is distributed to government, charity, heirs, and estate costs based on historical patterns. These patterns depend on the asset value of the estate. They are based primarily on data from federal estate tax filings for 1992 through 2001. The pattern indicates that as asset levels of estates increase, the proportion of the value of the estate bequeathed to charity increases substantially to an average of 38% for estates with assets of $20 million or more. The WTMM assumes that the national historical pattern, adjusted for changes in the estate tax law, holds for St. Louis during the period of the simulation.

The expanded version of the WTMM modifies the historical proportions of the value of estates distributed to government by an adjustment based on changed estate tax liability based on current estate tax law as reflected in The Economic Growth and Tax Relief Reconciliation Act of 2001. Specifically the WTMM estimates the government share of the estate based on its asset value and the historical proportion paid in estate taxes. The WTMM then calculates the estate tax liability under estate tax provisions in effect prior to 2001 and estate tax provisions in effect for the year being simulated. The proportion of new to old tax liability is applied to the historical estimate of estate taxes paid (which reduces this amount for estates that paid estate taxes). The resulting reduction in estate taxes paid is allocated as increases to charity and heirs, proportional to the historical percentages distributed to charity and heirs for the given household. This allocation is consistent with the proposition that reductions in the estate tax will increase charitable giving [Schervish, 2001].

The expanded WTMM estimates wealth transfer by race. Because of small sample sizes, however, breakdowns of wealth transfer estimates by race are unreliable for St. Louis and are not contained in this report.

The expanded WTMM projects inter vivos charitable giving along secular trend. The secular trend is the same as that used for growth in household wealth in the scenario. In each year of the analysis, households that have survived in that year are assumed to make inter vivos contributions equal to their prior year contributions times the secular growth rate for the scenario.

The WTTM runs in constant (inflation adjusted) dollars for 2001. All internal calculations and all estimates are calculated in 2001 dollars. These values have been

transformed to constant (inflation adjusted) 2003 dollars prior to presentation in this report. All dollar amounts in this report are constant 2003 dollars.

The WTMM for St. Louis estimates the amount of wealth transferred during the 55 year period by households residing in the St. Louis metropolitan area in 2001. It needs to be interpreted with respect to this group of households. We note that not all of this wealth will necessarily be transferred to charities and heirs located in St. Louis, some will be transferred to charities and heirs located outside St. Louis. Moreover, some households residing in St. Louis in 2001 may move out of St. Louis prior to the deaths of the heads of household and consequently prior to the transfer of wealth. The wealth transfer model assesses the capacity of the 2001 population of St. Louis to transfer wealth and its potential capacity for charitable giving.

Data and Parameters

Via its microdata file, WTMM uses the relevant demographic characteristics for St. Louis households derived from the CPS. It uses distribution of wealth derived from the imputed measure of wealth, which in turn depends on the detailed income components and demographic characteristics of St. Louis households as contained in the CPS. The construction of the microdata file has been described previously in this report.

In addition to the St. Louis microdata file, the WTMM uses parameters based on national statistics. It uses the final mortality rates for 2001 published by the National Center for Health Statistics based on data from the Center of Disease Control and Prevention. It uses historical data from the Statistics of Income Division of the Internal Revenue Service. This data consists of average patterns (1992-2001) of distribution of estates, net of surviving spouse deductions, where the distributions are defined in terms of the percentage of the net value distributed to estate fees, charitable deductions, estate taxes, and heirs. The WTMM also uses life cycle variations in the growth of wealth calculated from the 1992, 1995, 1998, and 2001 SCF.

Scenarios

The estimates of wealth transfer and its potential for charitable giving have been calculated for three scenarios, differentiated by the rate of secular growth in household wealth. The low growth scenario assumes a 2% real (inflation adjusted) rate of secular growth and lower than average rates of life cycle savings. The middle growth scenario assumes a 3% real rate of secular growth and average rates of life cycle savings. The high growth scenario assumes a 4% real rate of secular growth and above average rates of life cycle savings

Bibliography

Avery, Robert B. 1994. "The Pending Intergenerational Transfer." Philanthropy 8 (1):5, 28-29.

Center on Philanthropy at Indiana University. 2004. Giving USA 2004: The Annual Report on Philanthropy for the Year 2003. Indianapolis: AAFRC Trust for Philanthropy.

Frankel, Martin and Arthur Kennickell. 1995. "Toward the Development of an Optimal Stratification Paradigm for the Survey of Consumer Finances." Proceedings of the Section on Survey Research Methods. 1995 Annual Meetings of the American Statistical Association, Orlando, FL.

Haveman, Robert and Jon Haveman. 1996. Unpublished calculations based on U.S. Department of Commerce, Bureau of the Census data from Survey of Income Program Participation. Washington, D.C. http://sadrc.cfed.org/measures/meannetworth.php

Havens, John J. and Paul G. Schervish. 1999. "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy." Center on Wealth and Philanthropy (formerly Social Welfare Research Institute), Boston College. http://www.bc.edu/cwp

----- and Paul G. Schervish. 2003. "Why the $41 Trillion Wealth Transfer Is Still Valid: A Review of Challenges and Questions." Center on Wealth and Philanthropy (formerly Social Welfare Research Institute), Boston College. http://www.bc.edu/cwp

Johnson, Barry W. and Jacob M. Mikow. 1999. "Federal Estate Tax Returns, 1995-1997." Statistics of Income Bulletin (19)1: 69-129.

Johnson, Barry W. and Lisa M. Schreiber. "Personal Wealth, 1998." Statistics of Income Bulletin. (22)3. Winter 2002-2003. pp. 87-115.

Kennickell, Arthur B. 2001. "Modeling Wealth with Multiple Observations of Income: Redesign of the Sample for the 2001 Survey of Consumer Finances." Working Paper, Board of Governors of the Federal Reserve System. http://www.federalreserve.gov/pubs/oss/oss2/method.html

------. 1999. "Using Income Data to Predict Wealth." Working Paper, Board of Governors of the Federal Reserve System. http://www.federalreserve.gov/pubs/oss/oss2/method.html

------ and Douglas A. McManus. 1993. "Sampling for Household Financial Characteristics Using Frame Information on Past Income." Proceedings of the Section on Survey Research Methods. 1993 Annual Meetings of the American Statistical Association, San Francisco, CA.

National Opinion Research Center. 2001. Survey of Consumer Finances. University of Chicago. National Opinion Research Center.

------. 1998. Survey of Consumer Finances. University of Chicago. National Opinion Research Center.

------. 1995. Survey of Consumer Finances. University of Chicago. National Opinion Research Center.

------. 1992. Survey of Consumer Finances. University of Chicago. National Opinion Research Center.

Schervish, Paul G. "Philanthropy Can Thrive Without Estate Tax." *Chronicle of Philanthropy*. 11 January 2001. http://philanthropy.com/premium/articles/v13/i06/06004701.htm

U.S. Department of Labor, Bureau of Labor Statistics and U.S. Department of Commerce, Bureau of Census. 2001. March Demographic Supplement of Current Population Survey. http://www.bls.census.gov/cps/ads/sdata.htm

TABLES

ST. LOUIS METROPOLITAN AREA

Table 1
Distribution of Household Wealth
St. Louis Metropolitan Area and Nation

Household Net Worth	Number of Households		Percent of Households	
	St. Louis	Nation	St. Louis	Nation
Negative or Zero	82,200	11,058,460	7.8%	10.4%
$1 to $199,999	648,468	60,884,675	61.4%	57.2%
$200,000 to $499,999	186,658	19,082,351	17.7%	17.9%
$500,000 to $999,999	80,874	8,777,203	7.7%	8.2%
$1,000,000 to $4,999,999	44,499	5,632,907	4.2%	5.3%
$5,000,000 to $9,999,999	7,024	682,707	0.7%	0.6%
$10,000,000 to $19,999,999	3,506	259,649	0.3%	0.2%
$20,000,000 or More	3,428	108,538	0.3%	0.1%
All	1,056,658	106,486,490	100.0%	100.0%

All dollar values are in 2003 dollars.
Calculated at the Center on Wealth and Philanthropy at Boston College.

Table 2
Average and Aggregate Household Net Worth by Age of Head
St. Louis Metropolitan Area and Nation

Age of Head	Average Net Worth		Aggregate NW (Billions)		Percent of Total	
	St. Louis	Nation	St. Louis	Nation	St. Louis	Nation
Under Age 40	$123,981	$112,052	$47	$3,980	11.1%	10.1%
40 to 60 Years	$632,753	$453,043	$265	$19,330	62.3%	49.2%
60 to 80 Years	$497,932	$607,480	$109	$13,964	25.5%	35.6%
80 Years or Ol	$132,005	$373,875	$5	$1,986	1.2%	5.1%
All	$403,570	$368,685	$426	$39,260	100.0%	100.0%

All dollar values are in 2003 dollars or billions of 2003 dollars.
Calculated at the Center on Wealth and Philanthropy at Boston College.

Table 3
LOW (2%) Secular Growth Scenario
St. Louis Metropolitan Area

Panel 1
2001-2020

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	6,275 2.82%	205,173 92.34%	8,182 3.68%	1,206 0.54%	699 0.31%	649 0.29%	222,183 100.00%
Value of Estates	($51) - -	$33,414 38.10% 100.00%	$15,528 17.71% 100.00%	$8,130 9.27% 100.00%	$9,918 11.31% 100.00%	$20,766 23.68% 100.00%	$87,705 100.00% 100.00%
Estate Fees	$2 0.08% -	$1,178 37.59% 3.53%	$634 20.24% 4.08%	$334 10.66% 4.11%	$385 12.28% 3.88%	$600 19.15% 2.89%	$3,134 100.00% 3.57%
Estate Taxes	$0 0.00% -	$78 0.49% 0.23%	$2,673 16.82% 17.21%	$2,743 17.26% 33.73%	$3,780 23.79% 38.11%	$6,615 41.63% 31.85%	$15,888 100.00% 18.12%
Bequests to Charity	$0 0.00% -	$681 5.44% 2.04%	$1,153 9.20% 7.42%	$1,054 8.41% 12.96%	$1,740 13.90% 17.54%	$7,894 63.04% 38.02%	$12,522 100.00% 14.28%
Bequests to Heirs	$0 0.00% -	$31,476 55.99% 94.20%	$11,069 19.69% 71.28%	$4,000 7.12% 49.20%	$4,013 7.14% 40.46%	$5,657 10.06% 27.24%	$56,214 100.00% 64.09%

Panel 2
2001-2055

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	27,999 3.21%	774,704 88.75%	52,927 6.06%	8,257 0.95%	4,056 0.46%	4,946 0.57%	872,889 100.00%
Value of Estates	($393) - -	$125,782 23.62% 100.00%	$114,192 21.45% 100.00%	##### 10.89% 100.00%	$58,415 10.97% 100.00%	$176,460 33.14% 100.00%	$532,457 100.00% 100.00%
Estate Fees	$7 0.04% -	$4,449 23.59% 3.54%	$4,683 24.83% 4.10%	$2,379 12.61% 4.10%	$2,266 12.01% 3.88%	$5,075 26.91% 2.88%	$18,860 100.00% 3.54%
Estate Taxes	$0 0.00% -	$568 0.42% 0.45%	$25,676 19.15% 22.48%	##### 16.45% 38.03%	$24,341 18.16% 41.67%	$61,420 45.82% 34.81%	$134,060 100.00% 25.18%
Bequests to Charity	$0 0.00% -	$2,774 3.00% 2.21%	$8,465 9.15% 7.41%	$7,144 7.72% 12.32%	$9,644 10.42% 16.51%	$64,519 69.72% 36.56%	$92,547 100.00% 17.38%
Bequests to Heirs	$0 0.00% -	$117,991 41.06% 93.81%	$75,369 26.23% 66.00%	##### 9.19% 45.55%	$22,164 7.71% 37.94%	$45,445 15.81% 25.75%	$287,391 100.00% 53.97%

All dollar values are in millions of 2003 dollars.
Estimated at the Center on Wealth and Philanthropy at Boston College.

Table 4
MIDDLE (3%) Secular Growth Scenario
St. Louis Metropolitan Area

Panel 1
2001-2020

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	5,842 2.63%	204,297 91.95%	9,053 4.07%	1,381 0.62%	762 0.34%	848 0.38%	222,183 100.00%
Value of Estates	($39) - -	$37,254 34.70% 100.00%	$18,331 17.08% 100.00%	$9,702 9.04% 100.00%	$10,880 10.13% 100.00%	$31,226 29.09% 100.00%	$107,355 100.00% 100.00%
Estate Fees	$2 0.06% -	$1,315 34.73% 3.53%	$749 19.77% 4.09%	$398 10.51% 4.10%	$423 11.17% 3.89%	$900 23.76% 2.88%	$3,788 100.00% 3.53%
Estate Taxes	$0 0.00% -	$166 0.79% 0.45%	$3,223 15.35% 17.58%	$3,338 15.90% 34.40%	$4,179 19.91% 38.41%	$10,086 48.04% 32.30%	$20,992 100.00% 19.55%
Bequests to Charity	$0 0.00% -	$815 4.75% 2.19%	$1,358 7.92% 7.41%	$1,262 7.35% 13.00%	$1,885 10.98% 17.32%	$11,842 69.00% 37.92%	$17,161 100.00% 15.99%
Bequests to Heirs	$0 0.00% -	$34,957 53.41% 93.84%	$13,001 19.86% 70.92%	$4,705 7.19% 48.49%	$4,393 6.71% 40.38%	$8,398 12.83% 26.90%	$65,455 100.00% 60.97%

Panel 2
2001-2055

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	22,250 2.55%	744,786 85.32%	75,652 8.67%	13,222 1.51%	7,969 0.91%	9,010 1.03%	872,889 100.00%
Value of Estates	($219) - -	$159,748 15.71% 100.00%	$184,311 18.13% 100.00%	$91,559 9.00% 100.00%	$110,832 10.90% 100.00%	$470,658 46.28% 100.00%	$1,016,889 100.00% 100.00%
Estate Fees	$7 -	$5,708 16.38% 3.57%	$7,599 21.81% 4.12%	$3,751 10.76% 4.10%	$4,283 12.29% 3.86%	$13,496 38.73% 2.87%	$34,844 100.00% 3.43%
Estate Taxes	$0 0.00% -	$2,249 0.76% 1.41%	$47,363 16.02% 25.70%	$35,121 11.88% 38.36%	$46,448 15.71% 41.91%	$164,515 55.64% 34.95%	$295,695 100.00% 29.08%
Bequests to Charity	$0 0.00% -	$4,355 1.97% 2.73%	$14,923 6.74% 8.10%	$11,329 5.12% 12.37%	$18,497 8.35% 16.69%	$172,357 77.83% 36.62%	$221,461 100.00% 21.78%
Bequests to Heirs	$0 0.00% -	$147,435 31.70% 92.29%	$114,426 24.60% 62.08%	$41,358 8.89% 45.17%	$41,604 8.94% 37.54%	$120,291 25.86% 25.56%	$465,114 100.00% 45.74%

All dollar values are in millions of 2003 dollars.
Estimated at the Center on Wealth and Philanthropy at Boston College.

Table 5
HIGH (4%) Secular Growth Scenario
St. Louis Metropolitan Area

Panel 1
2001-2020

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	4,627 2.08%	203,827 91.74%	10,309 4.64%	1,424 0.64%	936 0.42%	1,060 0.48%	222,183 100.00%
Value of Estates	($31) - -	$38,278 29.92% 100.00%	$21,487 16.79% 100.00%	$10,034 7.84% 100.00%	$13,003 10.16% 100.00%	$45,181 35.31% 100.00%	$127,953 100.00% 100.00%
Estate Fees	$2 0.04% -	$1,353 30.41% 3.53%	$878 19.75% 4.09%	$412 9.27% 4.11%	$505 11.36% 3.89%	$1,298 29.18% 2.87%	$4,448 100.00% 3.48%
Estate Taxes	$0 0.00% -	$203 0.74% 0.53%	$3,936 14.36% 18.32%	$3,444 12.56% 34.32%	$5,026 18.33% 38.65%	$14,806 54.01% 32.77%	$27,415 100.00% 21.43%
Bequests to Charity	$0 0.00% -	$852 3.69% 2.23%	$1,613 6.98% 7.51%	$1,302 5.63% 12.97%	$2,248 9.73% 17.29%	$17,093 73.97% 37.83%	$23,108 100.00% 18.06%
Bequests to Heirs	$0 0.00% -	$35,870 49.13% 93.71%	$15,060 20.63% 70.09%	$4,877 6.68% 48.60%	$5,224 7.15% 40.18%	$11,985 16.41% 26.53%	$73,016 100.00% 57.06%

Panel 2
2001-2055

	Neg or Zero	$1 to $999,999	$1 M to $4.9 M	$5 M to $9.9 M	$10 M to $19.9 M	$20 M or More	Total
Number of Estates	15,704 1.80%	692,428 79.33%	109,814 12.58%	26,676 3.06%	11,289 1.29%	16,977 1.94%	872,889 100.00%
Value of Estates	($126) - -	$155,584 7.72% 100.00%	$275,661 13.67% 100.00%	$183,423 9.10% 100.00%	$155,932 7.73% 100.00%	$1,246,104 61.79% 100.00%	$2,016,579 100.00% 100.00%
Estate Fees	$3 0.01% -	$5,579 8.44% 3.59%	$11,369 17.20% 4.12%	$7,490 11.33% 4.08%	$5,955 9.01% 3.82%	$35,693 54.01% 2.86%	$66,089 100.00% 3.28%
Estate Taxes	$0 0.00% -	$2,132 0.33% 1.37%	$75,311 11.58% 27.32%	$71,211 10.95% 38.82%	$65,006 10.00% 41.69%	$436,652 67.15% 35.04%	$650,311 100.00% 32.25%
Bequests to Charity	$0 0.00% -	$4,462 0.83% 2.87%	$23,569 4.41% 8.55%	$23,067 4.31% 12.58%	$27,421 5.13% 17.59%	$456,290 85.32% 36.62%	$534,810 100.00% 26.52%
Bequests to Heirs	$0 0.00% -	$143,412 18.73% 92.18%	$165,412 21.61% 60.01%	$81,656 10.67% 44.52%	$57,549 7.52% 36.91%	$317,468 41.47% 25.48%	$765,498 100.00% 37.96%

All dollar values are in millions of 2003 dollars.
Estimated at the Center on Wealth and Philanthropy at Boston College.

Table 6
Wealth Transfer and Inter Vivos Giving by Household Wealth Category
LOW (2%) Secular Growth Scenario
St. Louis Metropolitan Area

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
2001	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	82,200	($842)	54,818	$1,317	27,383	$1,057	$1,951	$78	$2,030	1.1%	100.0%	100.0%
$1 to $199,999	648,468	$41,115	519,553	$56,827	128,915	$35,548	$26,675	$4,060	$30,735	17.0%	98.9%	92.2%
$200,000 to $499,999	186,658	$58,288	170,523	$57,375	16,135	$14,370	$16,445	$1,809	$18,254	10.1%	81.8%	30.9%
$500,000 to $999,999	80,874	$57,328	74,473	$52,220	6,401	$11,552	$10,226	$2,129	$12,355	6.8%	71.7%	13.2%
$1,000,000 to $4,999,999	44,499	$80,548	39,931	$103,300	4,568	$19,551	$13,999	$9,287	$23,285	12.9%	64.9%	5.5%
$5,000,000 to $9,999,999	7,024	$48,787	6,746	$58,140	278	$3,961	$5,305	$8,092	$13,396	7.4%	52.0%	1.3%
$10,000,000 or More	6,934	$141,212	6,844	$203,278	89	$4,019	$13,352	$67,092	$80,445	44.6%	44.6%	0.7%
Total	1,056,658	$426,436	872,889	$532,457	183,769	$90,058	$87,953	$92,547	$180,500	100.0%		

All dollar values are in millions of 2003 dollars.
Calculated at the Center on Wealth and Philanthropy at Boston College.

Table 7
Wealth Transfer and Inter Vivos Giving by Household Wealth Category
MIDDLE (3%) Secular Growth Scenario
St. Louis Metropolitan Area

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
2001	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	82,200	($842)	54,818	$2,940	27,383	$2,653	$2,564	$200	$2,764	0.8%	100.0%	100.0%
$1 to $199,999	648,468	$41,115	519,553	$107,319	128,915	$96,698	$34,732	$10,161	$44,893	13.5%	99.2%	92.2%
$200,000 to $499,999	186,658	$58,288	170,523	$103,959	16,135	$39,457	$20,715	$5,879	$26,594	8.0%	85.7%	30.9%
$500,000 to $999,999	80,874	$57,328	74,473	$99,422	6,401	$32,473	$12,769	$7,170	$19,939	6.0%	77.7%	13.2%
$1,000,000 to $4,999,999	44,499	$80,548	39,931	$196,796	4,568	$52,934	$17,553	$25,937	$43,491	13.1%	71.7%	5.5%
$5,000,000 to $9,999,999	7,024	$48,787	6,746	$112,864	278	$11,848	$6,526	$29,071	$35,597	10.7%	58.6%	1.3%
$10,000,000 or More	6,934	$141,212	6,844	$393,589	89	$11,943	$16,192	$143,044	$159,236	47.9%	47.9%	0.7%
Total	1,056,658	$426,436	872,889	$1,016,889	183,769	$248,007	$111,051	$221,461	$332,512	100.0%		

All dollar values are in millions of 2003 dollars.
Calculated at the Center on Wealth and Philanthropy at Boston College.

Table 8
Wealth Transfer and Inter Vivos Giving by Household Wealth Category
HIGH (4%) Secular Growth Scenario
St. Louis Metropolitan Area

Household Wealth Category	Number of Households	Household Wealth (Millions)	Number of Final Estates	Value of Final Estates (Millions)	Number of Surviving Households	Wealth of Surviving Households	Inter Vivos Contributions (Millions)	Charitable Bequests (Millions)	Total of Charitable Bequests and Inter Vivos Giving (Millions)	Percentage of Total Charitable Giving	Cumulative Percentage of Total Charitable Giving	Cumulative Percentage of Households
2001	2001	2001	55 Years	55 Years	2055	2055	55 Years	55 Years	55 Years	55 Years	55 Years	2001
Negative or Zero	82,200	($842)	54,818	$5,382	27,383	$5,890	$3,430	$470	$3,899	0.6%	100.0%	100.0%
$1 to $199,999	648,468	$41,115	519,553	$214,785	128,915	$270,817	$46,053	$31,248	$77,301	11.4%	99.4%	92.2%
$200,000 to $499,999	186,658	$58,288	170,523	$197,847	16,135	$102,669	$26,553	$22,796	$49,349	7.3%	88.0%	30.9%
$500,000 to $999,999	80,874	$57,328	74,473	$187,455	6,401	$81,253	$16,202	$21,553	$37,755	5.6%	80.7%	13.2%
$1,000,000 to $4,999,999	44,499	$80,548	39,931	$379,306	4,568	$145,866	$22,381	$87,887	$110,268	16.3%	75.2%	5.5%
$5,000,000 to $9,999,999	7,024	$48,787	6,746	$224,933	278	$33,690	$8,147	$75,436	$83,583	12.3%	58.9%	1.3%
$10,000,000 or More	6,934	$141,212	6,844	$806,871	89	$35,715	$19,905	$295,420	$315,325	46.5%	46.5%	0.7%
Total	1,056,658	$426,436	872,889	$2,016,579	183,769	$675,901	$142,670	$534,810	$677,480	100.0%		

All dollar values are in millions of 2003 dollars.
Calculated at the Center on Wealth and Philanthropy at Boston College.

Table 9
Projections for Wealth Transfer and Charitable Contributions

20-Year Period from 2001-2020 (2003 Purchasing Power)

	Low Estimate (2% Secular Growth)* ($2003 in Billions)	Middle Estimate (3% Secular Growth)* ($2003 in Billions)	High Estimate (4% Secular Growth)* ($2003 in Billions)
Total Wealth Transfer	$87.7	$107.4	$128.0
Bequests to Charity**	$12.5	$17.2	$23.1
Inter-Vivos Giving by Individuals***	$39.3	$43.2	$47.6
Total Charitable Contributions	$51.8	$60.3	$70.7
% of Total Contributed by Millionaires	55.5%	59.3%	64.2%

55-Year Period from 2001-2055 (2003 Purchasing Power)

	Low Estimate (2% Secular Growth)* ($2003 in Billions)	Middle Estimate (3% Secular Growth)* ($2003 in Billions)	High Estimate (4% Secular Growth)* ($2003 in Billions)
Total Wealth Transfer	$532.5	$1,016.9	$2,016.6
Bequests to Charity**	$92.5	$221.5	$534.8
Inter-Vivos Giving by Individuals***	$88.0	$111.1	$142.7
Total Charitable Contributions	$180.5	$332.5	$677.5
% of Total Contributed by Millionaires	68.8%	79.7%	89.9%

*Note: This table is calculated for secular trends of 2%, 3%, and 4% in growth rates of both real personal wealth and real inter-vivos giving. The actual real growth rate in inter-vivos giving was 1.61% in the 10 years from 1985 through 1995; 8.08% in the 5 years from 1995 through 2000; and 3.54% in the 18.25 years from 1985 through the first quarter of 2004.

**Note: Bequests to charity were estimated specifically for St. Louis by the Center on Wealth and Philanthropy, Boston College.

***Calculated by the Center on Wealth and Philanthropy based on data from the 2001 Survey of Consumer Finances.