University of Minnesota Extension

DEPARTMENT OF COMMUNITY DEVELOPMENT

Transfer of Wealth Opportunity Johnson County of Iowa

Full Detailed Study
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IOWA COMMUNITY FOUNDATIONS

FOR GOOD. FOR IOWA. FOR EVER.

SNAPSHOT: Countywide Transfer of Wealth

The University of Minnesota Extension's Transfer of Wealth Opportunity Analysis for Iowa provides an estimate of Johnson County's assets – homes, businesses, investments – that will transfer between generations within the next 10 and 40 years. Our forecasts provides a research-based estimate of the household wealth that, with active donor engagement, might be available for charitable giving and philanthropic investing.

Current Household Net Worth

$53.2 billion

Transfer of Wealth

$1.2 billion OVER 10 YEARS

$5.5 billion OVER 40 YEARS

5% For Grantmaking

Capturing just 5% of the 10-Year TOW potential would create nearly $62.1 million in new endowments. Over 20 years, this endowment could support grantmaking of over…

$74 million

5% For Local Investing

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

INSIGHTS: Countywide Opportunity

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

Iowa has assets. Today, Johnson County has a current household net worth of $53.2 billion. Communities regularly struggle to overcome the perception that they lack the capacity, the tools, or the know-how to make a lasting change for the better. Simply understanding the scale of Johnson County'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 Johnson County and there are many advantages to engaging households at all levels and across generations. A broad-ranging outreach strategy is consistent with the movement by many organizations to diversify their boards, champion meaningful resident engagement, and promote community leadership. Your development team can make meaningful contributions when it comes to building inclusive, community-oriented investments.

You can realize this wealth for the community. Organizations started assessing their local transfer of wealth in the 2000s. Foundations used this information to develop community legacy campaigns, inform donor development strategies, and conduct strategic planning. Some foundations called on neighbors to give just 5%, a remarkable $62.1 million in Johnson County, to support important philanthropic purposes. Experience shows that understanding Iowa'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 over $1.2 billion will transfer from one generation to the next by 2030. Frequently, place-focused foundations need to wait for the grantee with the right set of skills, a government that is ready to partner, or for the right donor with aligned priorities. Developing a strategy to retain just a portion of Johnson County's transfer of wealth needs to start now.

Johnson County needs these assets. Healthy and vibrant places take investment – investment in schools, housing, main streets, businesses, hospitals, and much, much more. Nonprofits, businesses, governments, and philanthropy need the capital and the skills to make these investments. The transfer of wealth opportunity in our state likely represents one of the most underdeveloped resources for furthering community-led projects and programs. Capturing 5% of your county's transfer of wealth could support nearly $74.2 million in local grantmaking over the next 20 years. A concerted effort to capture just a portion will mean that communities have the resources they need to make investments in their future.

What is the Transfer of Wealth?

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

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

Terms and County

Transfer of Wealth (TOW) estimates are scenarios of a “most likely future” based on historical research and reasonable assumptions of the future. Longer range scenarios are subject to greater uncertainty. The 10-Year TOW scenarios include the cumulative intergenerational wealth being transferred by permanent resident households from 2020 through 2030. The 40-Year TOW scenarios include the cumulative intergenerational wealth being transferred from 2020 through 2060. 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 2060 has the same purchasing power as a dollar in 2020.

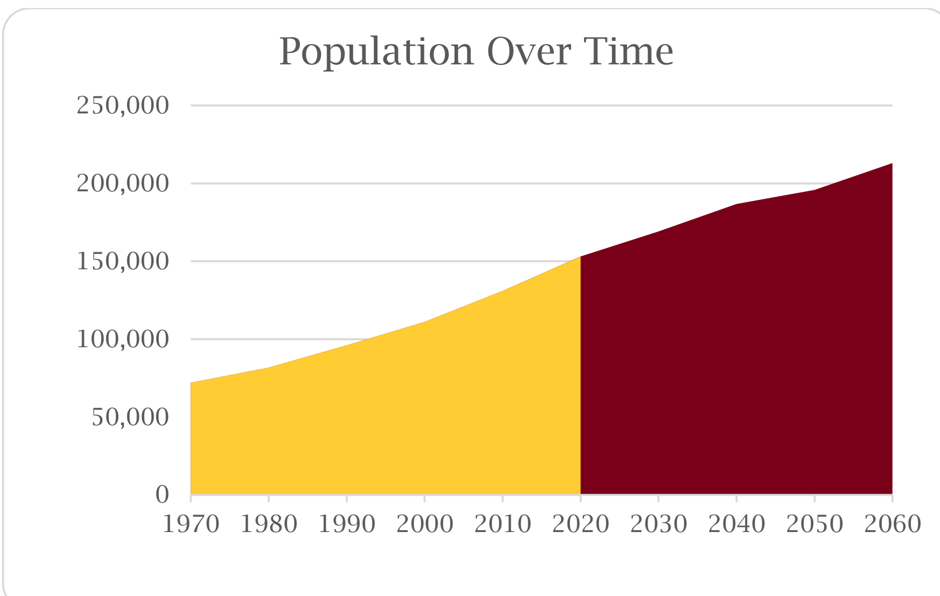
This study was conducted for all of Johnson County. Primary data sources for this study include 2021 Esri, Woods and Poole, the U.S. Bureau of Economic Analysis, and 2020 Census & American Community Survey 5-Year estimates.

Study County				
	Population 1970	Population 2020	Forecasted Population 2030	Number of Households (2020)
Johnson County	72,127	153,042	169,092	60,430

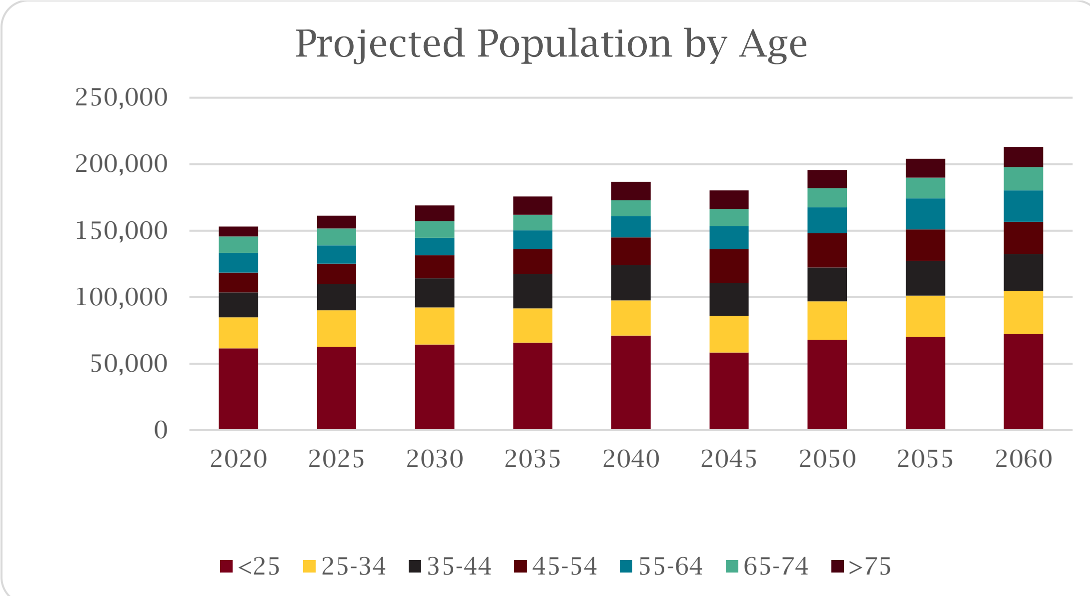
Sources: Bureau of Economic Analysis, Woods and Poole, Esri Business Analyst

Population and Household Projections

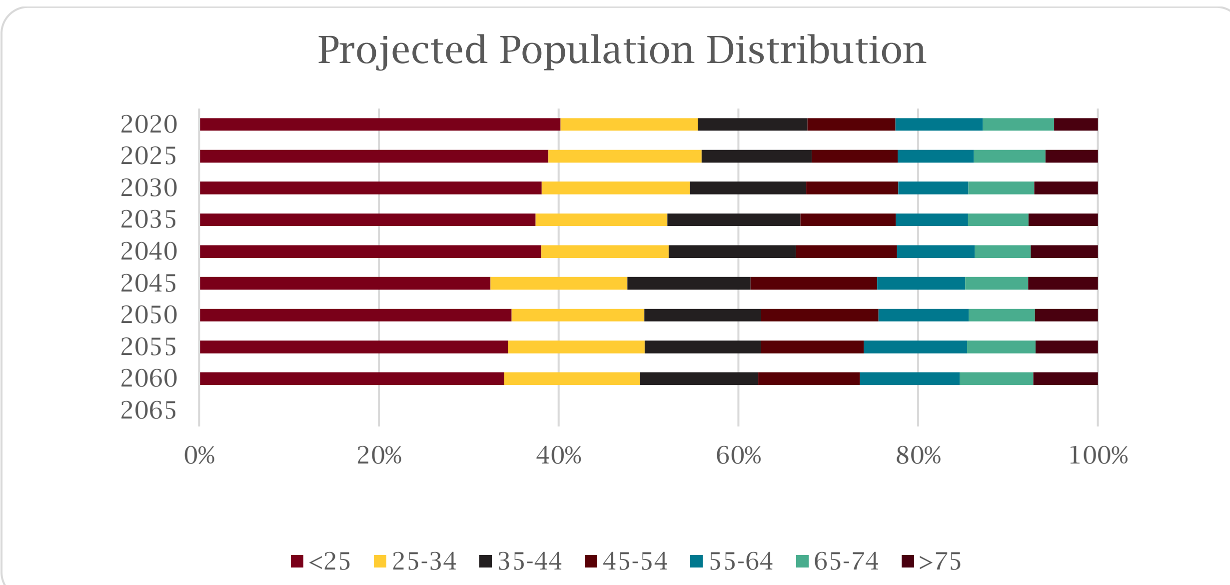
A key input required for modeling TOW scenarios is a state's population forecast. State and local demographers regularly forecast local population trends by looking at historic population levels, local economic data, migration patterns, planned housing developments, and other factors that contribute to population growth or decline. Historically, Johnson County has experienced a growing population rising from over 72 thousand residents in 1970 to over 153 thousand residents in 2020. Looking forward, Woods and Poole forecast a population increase for the county. The population estimates project this county may reach 213 thousand residents within 40 years, or a generation.



Source: Historical data – US Census; Projected data-Woods and Poole



Source: Projected data-Woods and Poole



Source: Projected data-Woods and Poole

Wealth transfer projections are built, in part, by using population forecasts for age-group cohorts. Note that the number of people over the age of 75 will rise from approximately 7,000 today over 15,000 in 2060. This trend has big implications for wealth formation in the state because households with people in their 60s and 70s tend to have amassed more wealth and have fewer occupants.

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 state's wealth and modeling TOW scenarios start 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 county is $53.2 billion. The table below summarizes current net worth for the county and community foundation service areas benchmarked to state values.

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.

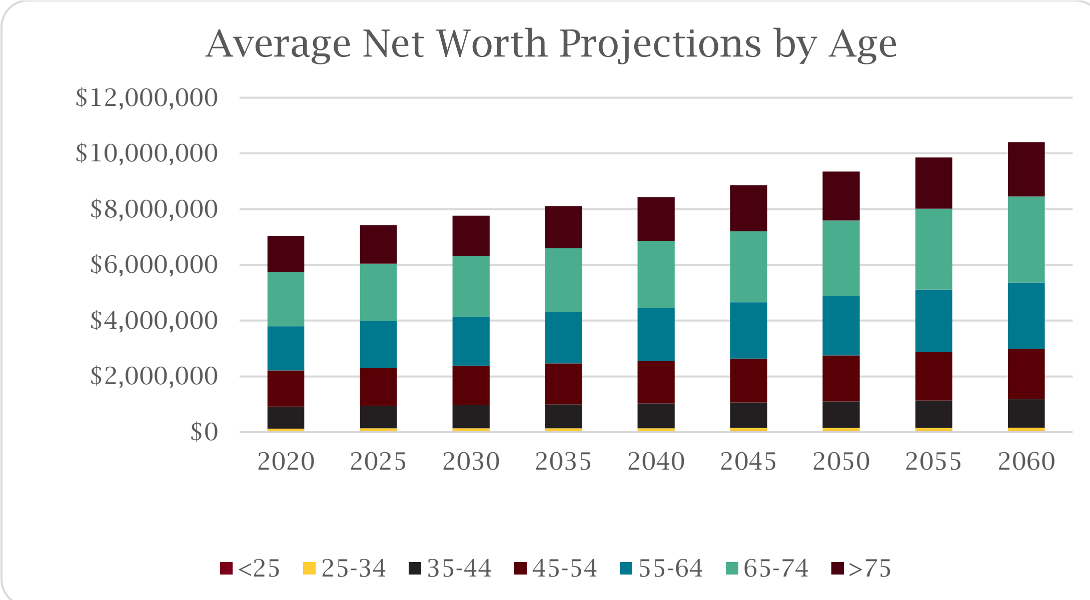
2020 Current Net Worth

	HOUSEHOLDS	CURRENT NET WORTH	PER HOUSEHOLD
Johnson County	316,969	$229.7 b	$724,743

Source: Esri, with adjustments made by University of Minnesota Extension.

Future Net Worth Estimates and Estates

Using current net worth data and the household population forecast, the University of Minnesota Extension estimates your county's projected total household net worth. The county's total current net worth will rise from over $53.2 billion in 2020 to over $123.7 billion by 2060. These are in inflation adjusted dollars, meaning that the purchasing power of a dollar in 2060 is the same as a 2020 dollar. While population growth patterns show a gradual increase over time, growth in total household net worth will increase significantly in the county. The figure below shows projected net worth by age group, with notable growth in household net worth for the older age cohorts and no measurable net worth for the youngest.



Source: Esri Business Analyst, 2021, Projections by University of Minnesota Extension

Counties that are growing and counties that have younger populations will have fewer transfers in the short term and more transfers in the long term. Counties that are declining in population and that are older will have more transfers in the short term and fewer transfers in the long term.

Transfer of Wealth

Combining projected demographic, economic, and household wealth growth, the county's transfer of wealth in the next decade is expected to average $120 million annually. Aggregated over the next 10 years, $1.2 billion will transfer. Over the next 40 years, $5.5 billion will transfer. The 10-year and 40-year TOW scenarios are detailed for the county in the following table.

Transfer of Wealth Opportunity

	2020 NET WORTH	10-YEAR TRANSFER	PER HOUSEHOLD	40-YEAR TRANSFER	PER HOUSEHOLD
Johnson County	$53.2 b	$1.2 b	$18,212	$5.5 b	$61,560

Source: University of Minnesota Extension's Transfer of Wealth Estimates, 2024.

Special Considerations

Future wealth estimates rely on previous development patterns, county population forecasts, and household current net worth estimates. Although reliable, these figures sometimes fail to capture unique community characteristics that may alter State development or illiquid assets.

One significant study challenge was the effects of the COVID-19 pandemic. The pandemic has had profound implications for life expectancy, household structure and composition, household finances, and local economic wellbeing. Some areas have experienced one-year death rate increases of 20%. Nationally, the U.S. economy contracted by 3.5% in 2020[1] - the worst year of growth in 75 years. From January 2020 to January 2021, service sector employment across the country declined by 8,725,000 jobs.[2] Communities are also experiencing a massive COVID-19 migration whose impacts will take years to understand. Some populations have been required and some are choosing to leave residential institutions – senior care facilities, colleges and universities, prisons – and moving to smaller households. To minimize the implications of COVID-19 on our analysis, the study team elected to use 2019 and 2021 data where possible for community analysis rather than using data collected in 2020. To calculate life expectancy, the study team used multi-year averages.

Philanthropic Opportunity

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 40-year Transfer of Wealth scenarios demonstrate that there is significant and growing philanthropic potential in this county. Focused 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 is possible if the State successfully tapped the coming transfer of wealth?*

Capture the transfer of wealth to support local charities and nonprofits. If the foundations captured even 1% of the transfer of wealth for one-time philanthropic purposes, an additional $12.4 million would bolster local nonprofits and charities. That is a lot of money to support local arts, recreation, crisis centers and other critical community needs.

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[1] U.S. Bureau of Economic Analysis
[2] U.S. Bureau of Labor Statistics

Capture the transfer of wealth to build endowments. If the foundations captured 5% of the county's $1.2 billion 10-year transfer of wealth, an estimated $62.1 million, those resources could capitalize an endowment. Assuming a rate of return of *7%* and a payout of *4.3%*, over 20 years the endowment would grow to $108.7 million and generate $74.2 million in grants.

5% Capture Endowment Building Example

Year	Beginning Principal	Annual Earnings	Annual Grants	Ending Principal
Initial Endowment	$62,099,580	$4,346,971	$2,670,282	$63,776,268
Year 1	$63,776,268	$4,464,339	$2,742,380	$65,498,228
Year 5	$70,948,118	$4,966,368	$3,050,769	$72,863,717
Year 10	$81,057,480	$5,674,024	$3,485,472	$83,246,032
Year 15	$92,607,320	$6,482,512	$3,982,115	$95,107,717
Year 20	$105,802,891	$7,406,202	$4,549,524	$108,659,569
Total Grants			$74,151,093	

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 a foundation captured 5% of this county's 10-year transfer of wealth, an estimated $62.1 million, and invested 5% of that, or about **$3.1 million**, in local philanthropic investment funds has the potential to generate $3.7 million in gap financing over the next 20 years.

Acknowledgements

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