

WEALTH IN INDIANA

Executive Summary Report

September 2006



Broad Ripple Streets

Background

Reflecting on a bit of history can help us understand the Indiana transfer of wealth (TOW) opportunity. The Dust Bowl hit in the 1920s and by the 1930s America was in economic depression. Times were hard and followed by the titanic struggle of World War II. World War II led to massive new spending, economic expansion and near full-employment eroding away the Great Depression and laying the foundation for prosperity.

The 50-year period following World War II witnessed some of the best economic times in American history. Americans bought homes, built businesses, purchased second homes, invested, acquired life insurance and procured assets of every nature in unprecedented amounts.

This history defines the starting point for Indiana's transfer of wealth opportunity. The story does not end with current wealth holdings, but new wealth is and will be created, expanding this opportunity as we look to the future. This Executive Summary highlights our findings from the Indiana Transfer of Wealth Project.

Summary Findings

Indiana has a somewhat lower current net worth (CNW) when compared to the United States on a per household basis. In 2005 CNW for the Indiana was \$125,080 per household compared with the United States' value of \$144,112 (87% of the U.S. rate). This somewhat lower starting point impacts the likely TOW potential



Clubhouse in Westfield



Artist Electronics in Chesterfield

Indiana Transfer of Wealth Scenario

Based on our final analysis, we estimate the following findings for Indiana's transfer of wealth scenario:

Current Net Worth in 2005	\$310 Billion
50 Year TOW Estimate	\$412 Billion
10 Year TOW Estimate	\$66 Billion
5% Capture Rate Opportunity	\$3.3 Billion
5% Payout Rate Opportunity	\$164 Million

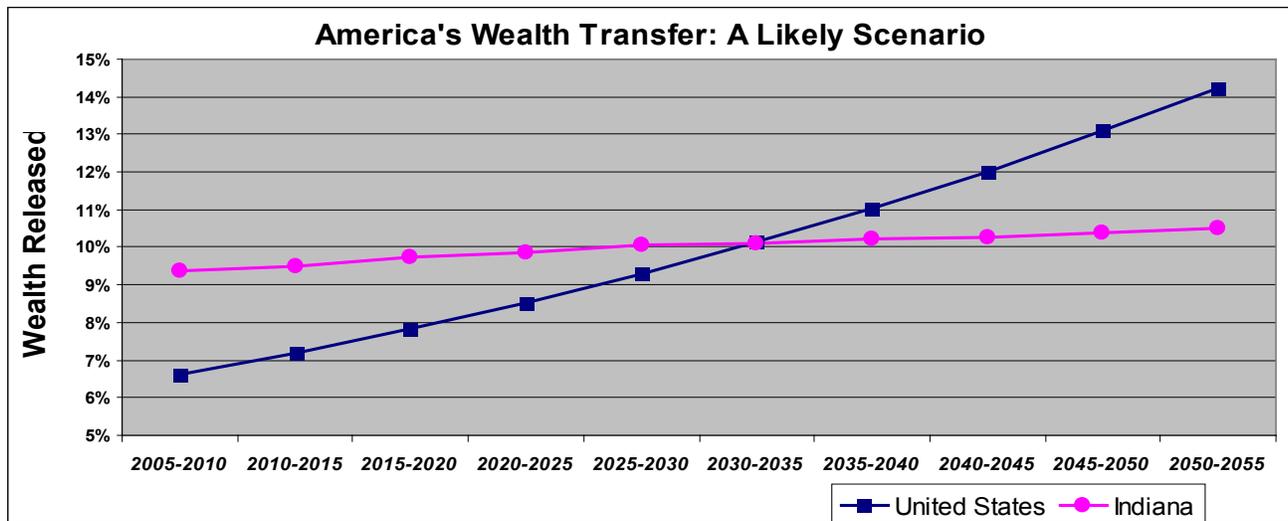


WEALTH IN INDIANA

for Indiana over the study period. In 2005 we estimate Indiana's CNW at \$310 billion. Over time Indiana is projected to create new wealth (in real dollar terms) faster than historic wealth is dispersed. During the coming five decades (2005 through 2055) we estimate the transfer of wealth opportunity at \$412 billion.

Think about the past 50 years in America and all the changes that have occurred. Contemplating, let alone modeling, what the next 50 years might look like is somewhat heroic. Focusing on the next decade we estimate that Indiana's TOW opportunity is a remarkable \$66 billion. If just five percent of this TOW opportunity were captured into community endowments across Indiana, over \$3.3 billion in community endowments could be created. Assuming a conservative five percent annual payout rate, over \$164 million annually would be available for community grant making.

Figure 1 -- U.S. and Indiana TOW Transfer Timing



State and County Findings

Figure 1 (above) illustrates our scenario of the timing of wealth transfer for Indiana compared to the United States. The U.S. TOW line is trending upward reflecting the ever growing U.S. population and economy. States like Colorado, California and Arizona have trend lines even steeper than the one for the U.S. Indiana's TOW line is positive but less steep than the U.S. TOW line. The reasons for this are many, but the primary factors shaping this trend are Indiana's slower population growth rate and somewhat weaker economic performance. These factors can change over time through development opportunities. Again, this is only a scenario based on historical performance and reasoned assumptions about the future.

Table 1 (found on pages 4 and 5) provides TOW findings for Indiana and each of its counties. This table includes information on current net worth (CNW) in 2005, a 50-year transfer of wealth (TOW) estimate and a 10-year TOW estimate. Additionally, to illustrate what this could mean for your community and Indiana, we have visualized what might happen if just five percent of this opportunity were captured into endowments and what the spending opportunity would be with just a five percent payout rate. Our technical report includes more detailed analysis that you might find useful.

TOW Analysis Highlights



Greenwood



Streets of Franklin



Crump Theatre in Columbus

□ Demographically, Indiana has somewhat slower population growth and corresponding economic growth when compared to the United States. These realities contribute to somewhat lower TOW values. However, compared to many states, Indiana is somewhat richer (more current wealth).

□ Within Indiana there is great diversity. There are areas where new wealth is being created rapidly (suburban communities, high amenity areas with second home development and economic growth regions). A counter point to these counties are other counties (some core city neighborhoods and more rural areas) where there may be population decline and economic erosion.

□ Current net worth (CNW) is very important to understanding future TOW opportunities. CNW forms the foundation from which wealth accumulated over the past generation provides the starting point for future wealth formation. However, old wealth does not ensure future wealth creation. Deeper study of our analysis highlights counties that did well historically but are struggling today and vice versa.

□ As one might expect, TOW opportunities are the greatest in the larger and more urban counties (i.e., Marion, Lake, Allen, Hamilton and Hendricks). Smaller and more rural counties tend to have lower TOW opportunities. However, even among the smallest and poorest Indiana counties, the opportunity to build local endowments is real and significant.

□ Fifty years is a long time. It is hard for most of us to imagine what our world will look like in 2055. But as we look to the next ten years our eyes focus and we have a better sense of what might come. We also do a 10-year TOW analysis because of this reality. Some counties, even some of the poorest and most economically distressed, have a large 10-year TOW opportunity. Counties with aging populations will find the transfer of wealth happens sooner and more quickly. This is a call to action before the opportunity decreases over time.

□ For this information to be useful, we think it is important to dream a bit. We use the arbitrary goal of capturing just five percent of the 10-year TOW opportunity to enable us to dream. For Indiana, if just five percent of the likely 10-year TOW opportunity were captured into endowments, a \$3.3 billion endowment could be created. With just a five percent payout rate, approximately \$164 million would be available to support betterment opportunities and critical needs each and every year!

□ In our Technical Report (available from the Indiana Grantmakers Alliance), we also provide comparison information through “per household” values. This information can be helpful to you and your community to better understand the nature and extent of your TOW opportunity relative to Indiana and other counties.

WEALTH IN INDIANA

Table 1 - Indiana Transfer of Wealth Findings by County

Place	CNW (\$ Billions)	50-Year TOW (\$ Billions)	10-Year TOW (\$ Billions)	5% Captured (\$ Millions)	5% Payout (\$ Millions)
Adams	\$1.44	\$1.86	\$0.26	\$13.00	\$0.65
Allen	\$17.74	\$23.92	\$3.44	\$172.00	\$8.60
Bartholomew	\$3.98	\$4.11	\$0.73	\$36.50	\$1.83
Benton	\$0.48	\$0.41	\$0.10	\$4.80	\$0.24
Blackford	\$0.61	\$0.49	\$0.12	\$6.00	\$0.30
Boone	\$3.34	\$5.67	\$0.84	\$42.00	\$2.10
Brown	\$0.84	\$0.91	\$0.23	\$11.50	\$0.58
Carrroll	\$1.03	\$1.01	\$0.22	\$11.00	\$0.55
Cass	\$1.80	\$1.92	\$0.33	\$16.50	\$0.83
Clark	\$4.86	\$5.54	\$1.01	\$50.50	\$2.53
Clay	\$1.15	\$1.17	\$0.22	\$11.00	\$0.55
Clinton	\$1.51	\$1.68	\$0.26	\$13.00	\$0.65
Crawford	\$0.43	\$0.71	\$0.11	\$5.50	\$0.28
Daviess	\$1.30	\$1.61	\$0.23	\$11.50	\$0.58
Dearborn	\$2.24	\$2.62	\$0.51	\$25.50	\$1.28
Decatur	\$1.24	\$1.78	\$0.24	\$12.00	\$0.60
DeKalb	\$1.93	\$2.38	\$0.38	\$19.00	\$0.95
Delaware	\$5.43	\$6.90	\$1.26	\$63.00	\$3.15
Dubois	\$2.35	\$2.07	\$0.45	\$22.36	\$1.12
Elkhart	\$8.88	\$12.28	\$1.48	\$74.00	\$3.70
Fayette	\$1.13	\$0.96	\$0.21	\$10.50	\$0.53
Floyd	\$3.67	\$3.90	\$0.78	\$39.00	\$1.95
Fountain	\$0.79	\$0.75	\$0.17	\$8.50	\$0.43
Franklin	\$1.14	\$1.39	\$0.26	\$13.00	\$0.65
Fulton	\$0.98	\$1.06	\$0.20	\$10.00	\$0.50
Gibson	\$1.57	\$1.42	\$0.30	\$15.15	\$0.76
Grant	\$3.16	\$3.32	\$0.64	\$32.10	\$1.61
Greene	\$1.44	\$1.35	\$0.30	\$15.00	\$0.75
Hamilton	\$16.02	\$49.93	\$4.68	\$234.00	\$11.70
Hancock	\$3.56	\$5.52	\$0.93	\$46.50	\$2.33
Harrison	\$1.67	\$2.18	\$0.38	\$19.00	\$0.95
Hendricks	\$6.52	\$16.43	\$1.89	\$94.50	\$4.73
Henry	\$2.27	\$1.90	\$0.47	\$23.50	\$1.18
Howard	\$4.31	\$4.38	\$0.83	\$41.37	\$2.07
Huntington	\$1.70	\$1.87	\$0.34	\$17.00	\$0.85
Jackson	\$1.87	\$1.92	\$0.36	\$18.00	\$0.90
Jasper	\$1.46	\$1.63	\$0.31	\$15.50	\$0.78
Jay	\$0.88	\$0.90	\$0.17	\$8.33	\$0.42
Jefferson	\$1.45	\$1.62	\$0.31	\$15.50	\$0.78
Jennings	\$1.10	\$1.72	\$0.27	\$13.35	\$0.67
Johnson	\$6.63	\$12.53	\$1.71	\$85.50	\$4.28
Knox	\$1.73	\$1.84	\$0.38	\$19.00	\$0.95
Kosciusko	\$3.91	\$4.81	\$0.75	\$37.50	\$1.88

LaGrange	\$1.41	\$2.46	\$0.25	\$12.50	\$0.63
Lake	\$22.71	\$24.86	\$4.36	\$218.00	\$10.90
LaPorte	\$5.24	\$5.86	\$1.08	\$54.00	\$2.70
Lawrence	\$2.02	\$1.78	\$0.41	\$20.50	\$1.03
Madison	\$6.00	\$5.39	\$1.25	\$62.46	\$3.12
Marion	\$46.57	\$55.75	\$9.09	\$454.50	\$22.73
Marshall	\$2.16	\$2.83	\$0.42	\$21.00	\$1.05
Martin	\$0.46	\$0.42	\$0.09	\$4.50	\$0.23
Miami	\$1.48	\$1.62	\$0.34	\$17.00	\$0.85
Monroe	\$5.93	\$9.74	\$1.49	\$74.50	\$3.73
Montgomery	\$1.77	\$1.99	\$0.37	\$18.50	\$0.93
Morgan	\$3.15	\$3.85	\$0.72	\$36.00	\$1.80
Newton	\$0.63	\$0.58	\$0.13	\$6.50	\$0.33
Noble	\$1.88	\$2.53	\$0.36	\$18.00	\$0.90
Ohio	\$0.27	\$0.32	\$0.06	\$3.00	\$0.15
Orange	\$0.83	\$0.92	\$0.17	\$8.50	\$0.43
Owen	\$0.93	\$1.17	\$0.23	\$11.50	\$0.58
Parke	\$0.74	\$0.60	\$0.16	\$8.00	\$0.40
Perry	\$0.83	\$0.72	\$0.16	\$8.00	\$0.40
Pike	\$0.54	\$0.58	\$0.13	\$6.50	\$0.33
Porter	\$8.27	\$9.50	\$1.68	\$84.00	\$4.20
Posey	\$1.38	\$1.08	\$0.28	\$14.00	\$0.70
Pulaski	\$0.66	\$0.64	\$0.14	\$7.00	\$0.35
Putnam	\$1.50	\$2.05	\$0.34	\$17.00	\$0.85
Randolph	\$1.18	\$1.13	\$0.24	\$12.00	\$0.60
Ripley	\$1.35	\$1.94	\$0.30	\$15.00	\$0.75
Rush	\$0.81	\$0.69	\$0.16	\$8.00	\$0.40
Scott	\$0.94	\$1.18	\$0.22	\$11.00	\$0.55
Shelby	\$1.97	\$2.73	\$0.43	\$21.50	\$1.08
Spencer	\$0.90	\$0.78	\$0.18	\$9.00	\$0.45
St. Joseph	\$13.00	\$16.27	\$2.64	\$132.00	\$6.60
Starke	\$0.92	\$0.93	\$0.19	\$9.50	\$0.48
Steuben	\$1.78	\$2.12	\$0.36	\$18.00	\$0.90
Sullivan	\$0.84	\$0.92	\$0.19	\$9.61	\$0.48
Switzerland	\$0.37	\$0.39	\$0.08	\$4.00	\$0.20
Tiptecanoe	\$7.46	\$11.63	\$1.75	\$87.50	\$4.38
Tipton	\$0.81	\$0.68	\$0.17	\$8.50	\$0.43
Union	\$0.32	\$0.30	\$0.07	\$3.50	\$0.18
Vanderburgh	\$9.44	\$10.61	\$1.90	\$95.00	\$4.75
Vermillion	\$0.74	\$0.57	\$0.14	\$7.00	\$0.35
Vigo	\$4.70	\$6.04	\$1.05	\$52.50	\$2.63
Wabash	\$1.56	\$1.67	\$0.33	\$16.50	\$0.83
Warren	\$0.41	\$0.40	\$0.10	\$5.00	\$0.25
Warrick	\$2.80	\$2.78	\$0.59	\$29.50	\$1.48
Washington	\$1.11	\$1.46	\$0.27	\$13.50	\$0.68
Wayne	\$3.22	\$2.92	\$0.67	\$33.50	\$1.68
Wells	\$1.32	\$1.23	\$0.26	\$13.00	\$0.65
White	\$1.22	\$1.40	\$0.26	\$13.00	\$0.65
Whitley	\$1.53	\$1.79	\$0.33	\$16.50	\$0.83
Indiana Total	\$309.60	\$412.17	\$65.64	\$3,282.15	\$164.11

WEALTH IN INDIANA

About TOW

No research report exists that can tell us exactly what the transfer of wealth opportunity is or will be for Indiana. We are looking into the future and making reasonable assumptions about what will happen. Thinking about the last 50 years, chances are our world will change dramatically in the next 50. But our team at the Community Assistance Initiative, in partnership with the Indiana Grantmakers Alliance, have created scenarios of what this opportunity might look like. We start with estimates of current net worth or present wealth holdings. We then look at key indicators of future wealth formation such as population growth, economic performance, saving and investment behavior along with several dozen other considerations to create this picture of the future. TOW can be a powerful tool for helping donors, foundations, organizations and communities better understand how community endowment building can provide important financial resources for building a brighter future.



Jewel Box in Zionsville

About Indiana Grantmakers Alliance and Indiana Community Foundations

Indiana Grantmakers Alliance is a membership organization of grantmaking staff and Board members, dedicated to advancing philanthropy in Indiana by promoting legal, ethical, effective and efficient grantmaking. As part of the Alliance, the GIFT program (Giving Indiana Funds for Tomorrow) provides technical assistance to the statewide network of community foundations. Community foundations administer and serve more than \$1 billion in charitable funds, helping Indiana residents make good things happen in their communities. For more information, go to www.indianagrantsmakers.org.