The 5% Solution

By HEATHER JOSLYN

IN THE DAYS of America's great postwar prosperity, the people of Syracuse, N.Y., built air conditioners, traffic signals, television sets, typewriters, and automobiles. At its mid-20th-century peak, the city's population swelled to more than 220,000.

Today, Syracuse's population is about 145,000. Many of its manufacturers have shuttered, pulled up stakes, or trimmed down their work forces. And many of its people have left for opportunities elsewhere.

The region needs philanthropy: Half of the children in Syracuse and a third in surrounding Onondaga County live in poverty, according to census data. Nationally, the rate is 22 percent.

So the Central New York Community Foundation has been trying something new: a push to get local donors to pledge 5 percent of their estates or inherited wealth to the foundation.

FUNDRAISING

The 5forCNY appeal is helping rally supporters and open up "a pipeline of future legacy gifts," says Peter Dunn, president of the community fund, which also serves four other, largely rural counties.

For charities in areas that are losing population, campaigns like 5forCNY can provide a morale boost as well as a fundraising opportunity.

"It becomes a motivator," says Don Macke, co-founder of the Center for Rural Entrepreneurship, whose research on communities' philanthropic potential is fueling such campaigns. "It's one of the things that even the poorest communities in America can do to position themselves for a better future. And it's empowering in these times when maybe getting that federal grant is hard.

"That's one reason why people have gravitated to this," he adds. "And, over time, it's become a bit of a movement."

Billions at Stake

The Community Foundation of Central New York has plenty of company. The Kansas Association of Community Foundations calls its version of the campaign Keep 5 in Kansas. Flint, Mich., promotes an effort called 5% for the Future. West Virginia grant makers have also embraced the strategy.

"That whole notion of hometown-as-heir is very powerful," Mr. Macke says.

The appeals make data-driven arguments about the urgent need to keep wealth local.

For instance, an infographic the Syracuse organization produced estimates that $22 billion of Central New York's wealth is likely to be transferred from one generation to the next over the next decade and that much of it will likely leave the region with far-flung heirs.

If only 5 percent of that wealth went to charity, the organization says, $1.5 billion would be available to serve local needs. That money would go a long way at the Syracuse fund, which

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PASS IT ON
Peter Dunn says the Central New York Community Foundation in Syracuse has quickly doubled the number of donors making bequests.

Charities in shrinking communities are working to get in on the wealth transfer to younger generations.

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gave out $11 million in grants in its 2016 fiscal year and held $192.6 million in assets as of March.

A specific fundraising "ask," the use of data about the imminent transfer of generational wealth, and a new emphasis on telling individual donors' stories has helped the community foundation generate interest among potential contributors. Membership in the organization's Legacy Society — for people who have made a planned-gift commitment — has more than doubled in the past four years, Mr. Dunn says.

Another promising trend has emerged since 5forCNY was launched two years ago, he says: The new gifts are being given for broader, less restrictive purposes than in the past.

Tangible Impact

A study by Boston College researchers in 1999 projected that $41 trillion in wealth would be transferred to younger generations over the next half-century. A 2014 update to the study predicted $58 trillion would transfer by 2061, with $6.3 trillion reaching charities as bequests.

Statistics like those, along with the Great Recession, motivated fundraisers to find creative ways to channel money from enormous sources of wealth to areas of great need. The tangible quality of the 5 percent contribution is an effective way to engage supporters, says Brad Ward, director of community philanthropy at the Council on Foundations.

"It's an easy tool to educate both the public and donors," says Mr. Ward, who joined the council in January and previously ran a community foundation in Indiana. By contrast, he says, people have a harder time grasping messages that include the billon-dollar figures that sum up total giving.

The campaigns are aimed at raising money for endowment — a harder sell for younger donors who like to earmark gifts. However, they can help open larger conversations about the value to a community of unrestricted giving, Mr. Ward says.

"It's a lot easier to talk about a gift that's coming in the future than about an immediate gift," he says.

The campaigns also shift the usual terms of planned-giving conversations. "No matter how much we promoted talking in percentages, it was typically dollar amounts," Mr. Ward says. "And this campaign has allowed community foundations to very comfortably talk in terms of percentage.

"Which, as you know," he adds, "equates to a much higher gift than a dollar amount does."

How Much Wealth Will Be Transferred Over 10 Years: a Sampling

Community foundations' planned-giving campaigns aim to capture 5 percent of supporters' estates. To do that, they are using data on the expected transfer of wealth to younger generations to convey a sense of urgency. Here's how much is at stake over the next decade.

	Estimate of wealth transfer	How much 5% would give charities
California	$490.3 billion	$24.5 billion
Florida	$322 billion	$16 billion
Pennsylvania	$310 billion	$15.5 billion
Missouri	$135 billion	$6.8 billion
Indiana	$104.3 billion	$5.2 billion
Kansas	$79 billion	$4 billion
Nebraska	$58.7 billion	$3 billion
Maine	$29 billion	$1.5 billion
Montana	$12.4 billion	$619.2 million
South Dakota	$10.8 billion	$541 million

Note: Numbers are rounded.

SOURCES: The Center for Rural Entrepreneurship, Florida Philanthropic Network, and Kansas Association of Community Foundations

County by County

Many of the community foundations starting 5 percent appeals have done so following a "transfer of wealth analysis" conducted in their area by the Center for Rural Entrepreneurship, usually paid for by state or regional associations of nonprofits.

The center aims to evaluate the wealth-transfer potential of every U.S. county. So far, it's analyzed more than 60 percent of them.

West Virginia is in the middle of the wealth-assessment process and has studied 36 of its 55 counties to date, with surveys of the rest underway. So far, the research has turned up an impending wealth transfer of $30 billion, says Paul Daugherty, president of Philanthropy West Virginia. ("That's billion, with a 'B,'" he adds, proudly.)

The association launched its Keep 5 Local campaign in September 2015. It's building momentum, says Mr. Daugherty.

He points to the Parkersburg Area Community Foundation. Last year, one of its affiliates hosted a presentation by Philanthropy West Virginia about what the wealth-assessment data means for the county. Now, the Parkersburg organization is "on fire," Mr. Daugherty says.

"They have new active advisory boards in that county. They have new funds being created. They're in the heart of natural-resource wealth, and so individuals who have done well are starting to look at opportunities to give."

The Center for Rural Entrepreneurship is currently evaluating the wealth of Mississippi's counties as well, with support from the Mississippi Association of Grantmakers and the Kellogg Foundation, says Mr. Macke. The research will be complete later this year, he says, and is expected to be used as the basis for new state incentives for

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endowment giving to community foundations.

"There's a sense that in these places that are perceived as poor and struggling, there's no philanthropic opportunity," says Mr. Macke. But the center's research shows that even such communities have assets. "And if you add in the first-generation former residents, there's tremendous opportunity."

How Farmers Give

For rural communities in particular, the center's analysis about how much untapped wealth their regions hold has been eye-opening.

Many rural residents are "cash poor, land rich," says Svetlana Hutfles, executive director of the Kansas Association of Community Foundations.

In 2010, seeking to capture some of the $79 billion that estimates said was likely to change hands in the state within a decade, the association hired a marketing company to discern how farmers think about philanthropy. What it learned has helped shape the Keep 5 in Kansas campaign the group and its members launched in 2013.

"You would talk to a farmer who was on the board of their community foundation, and we would ask, 'Did you know you can give a gift of grain or cattle or that equipment that you're not using?' They did not know," Ms. Hutfles says. "Or that they could put a community foundation in their life insurance, give a certain percentage of it."

In addition to educating charity-minded individuals about the ways they could give, the association reached out to the financial advisers — formal and informal — that touch the lives of small-town donors.

"Lawyers, state attorneys, CPAs, county extension offices, funeral-home directors," Ms. Hutfles says. With a laugh, she adds, "Sometimes even their hairdressers."

The association also worked with community foundations around the state to educate them about how to accept complex planned gifts. The association has 86 members, up from 48 when Ms. Hutfles joined it nine years ago. Some rural community foundations, she notes, are stand-alone and volunteer-run and may lack the resources to produce their own marketing materials.

It's crucial that those small organizations get support to make campaigns like Keep 5 work, she says. "I see a lot of farmers in western Kansas who would not feel comfortable giving their charitable dollars to some big organization in the East but would be very happy to give them to a small community foundation that is right there in the center of their town, on the square, to the people that they know, to a foundation that may not have all the bells and whistles."

Sharing Knowledge

Though Ms. Hutfles's group isn't tracking commitments made specifically through the Keep 5 program, both assets and grant making among her association's members have jumped since before the program started. Assets more than doubled from 2010 to 2015, from $1.4 billion to $3.1 billion; grant making grew by a third during the same period, from $260 million to $393 million. "To me, those are indicators that something's working right," she says.

The association is looking to help other small communities capture their wealth before it leaves for good. It hosted its latest national conference for growing community foundations in Wichita in October, with several sessions on planned giving. The group is now planning next October's event.

"Every time I open the local paper, I see three, four faces of people who are no longer in this world," Ms. Hutfles says.

"My question would be, Has anyone talked to them about what they could have done with their house? Has anyone talked to them about what they could do with their life insurance? Has anyone given them an option? And for the majority of people, the answer would be no." ■

4 STEPS TO GETTING A PIECE OF THE PIE

The Kansas Association of Community Foundations and its members launched the Keep 5 in Kansas campaign three years ago. Thanks in part to the campaign, assets at community foundations in the state have doubled since 2010. The association's executive director, Svetlana Hutfles, says four steps have been crucial to getting donors on board:

Educate local charity supporters about noncash gifts. Donors may not know they can give land, livestock, or valuable assets like heavy equipment, or that they can make charities full or partial beneficiaries of a life-insurance policy.

Reach out to financial advisers. Talk about donors' options with formal advisers, like lawyers and accountants, but also informal ones, like funeral-home directors, who might also wind up fielding families' estate-planning questions.

Mak be sure your community foundation can handle complex gifts. Seek advice so you and your fundraisers know how to process such contributions.

Promote the campaign. Many community foundations and other charities in rural areas lack the resources to mount a big marketing push. Ask for help from the nonprofit association in your state or region.

— HEATHER JOSLYN

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