



LOCUS

local investing for impact

LOCUS Philanthropy Tools

Identifying Your Transfer of Wealth Potential

April 2021

**Developed for the Greater Tacoma
Community Foundation**



Greater Tacoma Community Foundation connects people, knowledge, and funding to build a thriving Pierce County, now and into the future.

Through financial stewardship of more than 450 funds, with over \$100 million in assets, as well as strategic funding and partnerships with the community, GTCF provides philanthropic support to meet the community's needs and achieve its opportunities.

As a nationally accredited nonprofit community foundation, GTCF has inspired generosity across generations within Pierce County since 1981.

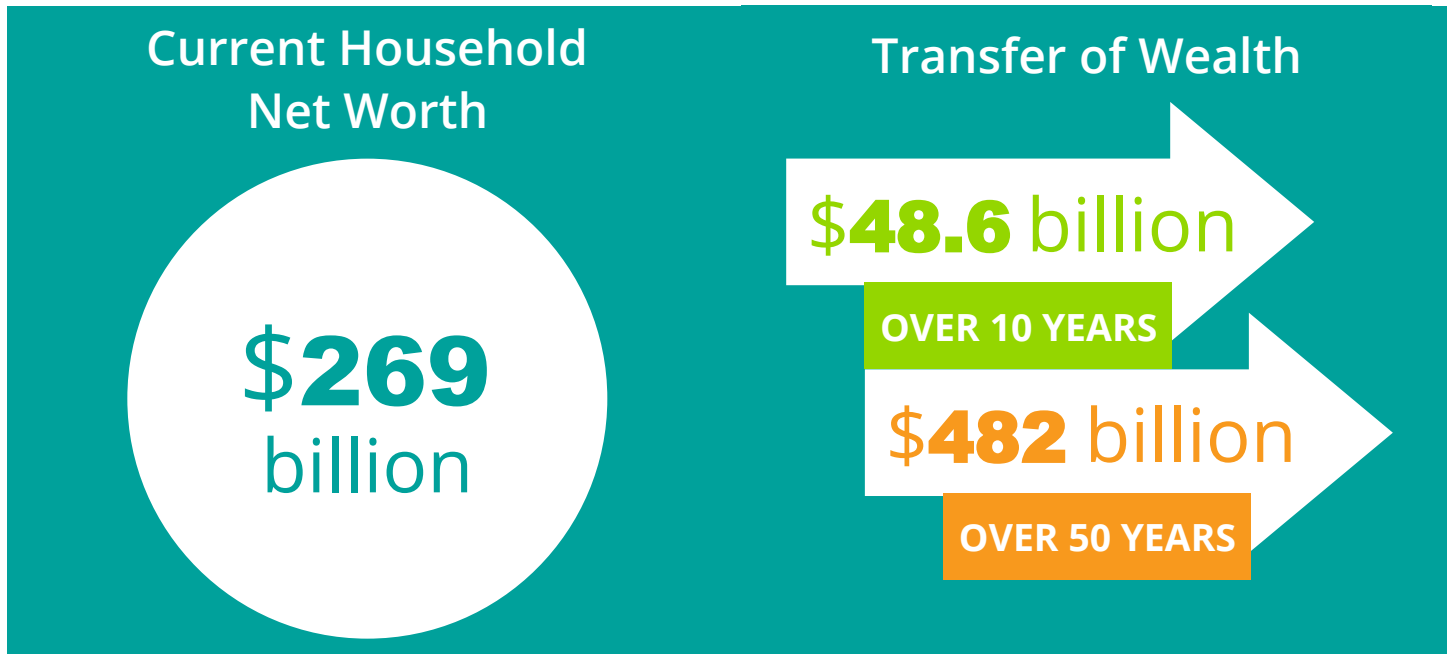
Learn more at <http://www.gtcf.org>.

Thank you to the study advisory committee members: Bruce Kendall, Ali Modares, Jeff Robinson, Kim Fisher, Kathleen Simpson, Mark Pinto, Eli Taylor, Josh Dunn, Rick Oldenburg, and Kathi Littman, Robin Callahan & Evelyn Ryberg from GTCF.

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SNAPSHOT: Pierce Transfer of Wealth

LOCUS Impact Investing's 2020 Transfer of Wealth Opportunity Analysis for Pierce County provides an estimate of your county's assets – homes, businesses, investments – that will transfer between generations within the next 10 and 50 years. It provides a research-based estimate of the household wealth that, with active donor engagement, might be available for charitable giving and philanthropic investing.



10% For Grantmaking

Capturing **just 10%** of the 10-Year TOW potential would create **\$4.9 billion** in new endowments. Over 20 years, this endowment could support average *annual grantmaking* of nearly...



5% For Local Investing

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



A **5% investment** could generate **\$3.5 billion** to meet “gap financing” needs in the region.

INSIGHTS: Pierce County's Opportunity

There is good news for Pierce County, Washington. Not only does the region have wealth, but experience shows there are ways to put those assets to work to promote economic vitality and community prosperity. This assessment shows that:



Pierce County has assets. Today, Pierce County has current household net worth of \$269 billion, a sizeable number. One of the first challenges a community may face while building a more prosperous future is overcoming the perception that it lacks the capacity, the tools, or the know-how to make a lasting change for the better. Simply understanding the scale of your region's net worth can be helpful in dispelling that perception and help community members start dreaming about what might be possible.



Many people have wealth. Families of various incomes have something to contribute to this region and there are many advantages to engaging households at all levels and across generations. A broad-ranging outreach strategy is consistent with the movement by many organizations to diversify their boards, champion meaningful resident engagement, and promote community leadership. Your development team can make meaningful contributions when it comes to building inclusive, community-oriented investments.



You can realize this wealth for the community. Organizations started assessing their local transfer of wealth in the early 2000s. Foundations used this information to develop community legacy campaigns, inform donor development strategies, and conduct strategic planning. Some foundations called on neighbors to give just 10%, a remarkable \$4.9 billion in the county, to support important philanthropic purposes. Experience shows that understanding your region's transfer of wealth – having numbers and setting goals – helps foundations better reinvest those assets to promote community economic development.



The time for planning is now. Community economic development takes time. Local organizations should be planning for population shifts, recognizing that \$48.6 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 a region's transfer of wealth needs to start now.



Pierce County needs these assets. Healthy and vibrant places take investment – investment in schools, housing, main streets, businesses, hospitals, and much, much more. Businesses, governments, nonprofits and *philanthropy* need the capital and the skills to make these investments. The transfer of wealth opportunity in your region likely represents one of the most underdeveloped resources for furthering community-led projects and programs. The Pierce County transfer of wealth could support \$5.9 billion in local grantmaking and \$3.5 billion in local gap financing to support critical community efforts over the next 20 years. A concerted effort to capture just a portion will mean that communities have the resources they need to make investments in their future.

TECHNICAL FINDINGS: Your Transfer of Wealth

WHAT IS THE TRANSFER OF WEALTH?

For communities to thrive, they must thoughtfully invest in education, health care, economic development, and other community amenities. Traditional sources of funding (e.g., local taxes, federal and state funding, and support from local businesses) have come under increasing pressure in recent years. LOCUS Impact Investing's experience working with communities across the U.S. shows that philanthropic giving represents the greatest underdeveloped financial resource a community can mobilize. Community-based philanthropy is a way for neighbors to invest and realize a shared vision for the future of their region. It is also a community engagement tool, providing opportunities for all community members of all means to give back to the place they call home.

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

LOCUS' Unlock Your Transfer of Wealth analysis provides a reasonable estimate of the total household wealth that will transfer from one generation to the next over a given period, 10 years or 50 years, in a defined geography – typically a city, county or state. While past research has found that most of this wealth will be passed on to heirs, recent evidence shows that individuals and families also give back to their communities, keeping some of that wealth in the places they call or have called home.

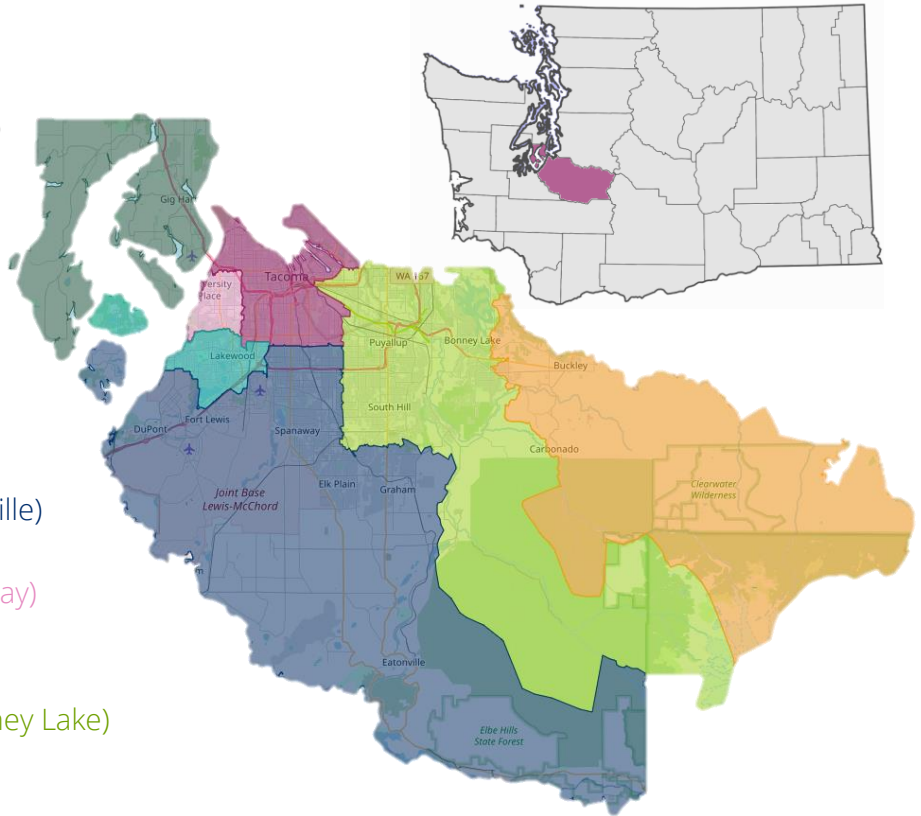
TERMS AND METHODS

Transfer of Wealth (TOW) estimates are scenarios of a “most likely future” based on historical research and reasonable assumptions of the future. Longer range scenarios are subject to greater uncertainty. The 10-Year TOW scenarios include the cumulative intergenerational wealth being transferred by permanent resident households from 2020 through 2030. The 50-Year TOW scenarios include the cumulative intergenerational wealth being transferred from 2020 through 2070. 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 2070 has the same purchasing power as a dollar in 2020.

DEFINING THE REGION

For the purposes of this study, 57 zip codes in Pierce County have been divided into the following regions:

- **Northwest County**
(Gig Harbor, Fox Island, Key Peninsula)
- **Lakewood, Steilacoom**
- **South County**
(DuPont, JBLM, Anderson Island, Spanaway, Graham, Eatonville)
- **West Tacoma**
(University Place, Fircrest, Chambers Bay)
- **Tacoma**
- **Central County**
(Puyallup, South Hill, Lake Tapps, Bonney Lake)
- **East County**
(Buckley, Sumner, Carbonado)



The regional definitions for this Transfer of Wealth analysis were derived from the divisions made for the TOW study conducted in 2013 to allow for some comparison to be made from the former study to this current study. Zip code boundaries change over time, so the regions do not match the original study exactly. Current net worth estimates for 2020 are also significantly higher than the base year 2010 estimates from the original study. As a result, the TOW opportunity for the county and its regions is also significantly higher than before.

CURRENT NET WORTH

Many communities and community residents see themselves as lacking the financial means to make the community they call home better. However, every community has local wealth that can be re-invested 'back home.' Realizing this can shift attitudes from "the glass is half empty" to "the glass is half full" and motivate action. Taking stock of a region's wealth and modeling TOW scenarios starts with determining current net worth. Current net worth is the total value of all permanent resident household assets less all permanent resident household debts. This includes homes, family-held businesses, and retirement assets. It does not include the value of assets held by corporations, nonpermanent residents, and nonprofits. **The current net worth of Pierce County is \$269 billion.** Table 1 summarizes current net worth for the zip code regions benchmarked to county, state, and national values.

Table 1. Tacoma Current Net Worth

Geography	Households	Current Net Worth	Mean Net Worth	Median Net Worth	Mean/Med Ratio
United States	126,082,216	\$82.5 t	\$654,582	\$96,701	6.77
Washington	3,002,775	\$2.4 t	\$818,027	\$136,641	5.99
Pierce County	342,092	\$269.2 b	\$781,224	\$150,260	5.20
Northwest County	27,798	\$53.4 b	\$1,896,287	\$438,392	4.33
Lakewood, Steilacoom	28,268	\$19.1 b	\$668,362	\$66,709	10.02
South County	76,965	\$42.8 b	\$549,091	\$128,231	4.28
West Tacoma	22,839	\$20.2 b	\$872,055	\$112,800	7.73
Tacoma	82,956	\$49.8 b	\$592,128	\$90,368	6.55
Central County	93,052	\$78.1 b	\$827,803	\$204,348	4.05
East County	6,675	\$5.8 b	\$855,892	\$257,101	3.33

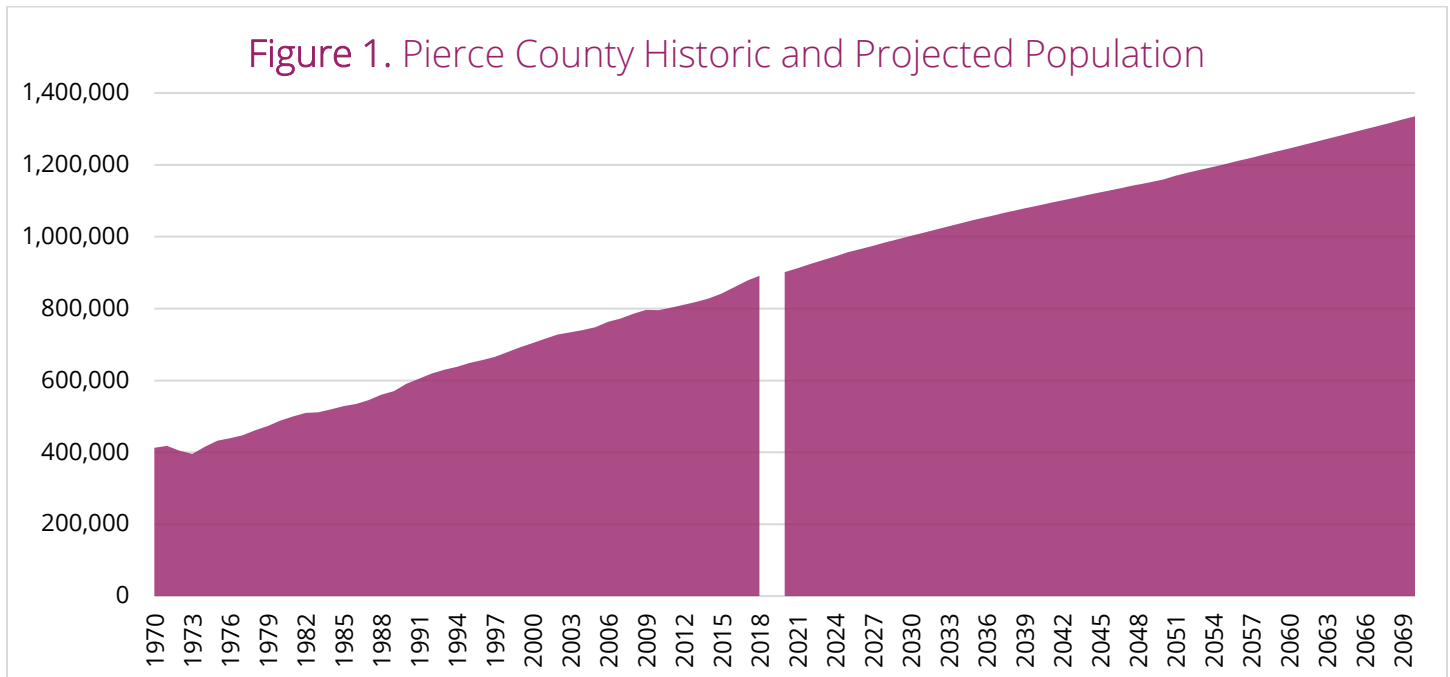
Source: Esri, 2020. Current net worth adjustments made by LOCUS Impact Investing.

One method of comparing wealth across regions is to use *mean* net worth, calculated by dividing total current net worth by the number of households. The county has a slightly lower mean net worth than Washington but higher than the United States. Another method of comparing wealth in different regions is by the *median* net worth. Median net worth represents the midpoint; half of all households have a higher net worth and half have lower net worth. The distribution of net worth in a region can be evaluated by comparing mean against median net worth. A higher mean/median ratio shows a higher wealth disparity in the geography. For example, an increase in the wealth of the top 1% of residents in a region will increase the mean wealth but it does not noticeably change the median wealth. While Pierce County has a lower mean/median ratio compared to Washington and the United States, certain regions have a *significantly* higher ratio than others. From this we can see that Lakewood/Steilacoom, West Tacoma, and Tacoma likely have more high wealth residents than the other regions with lower mean/median ratios.

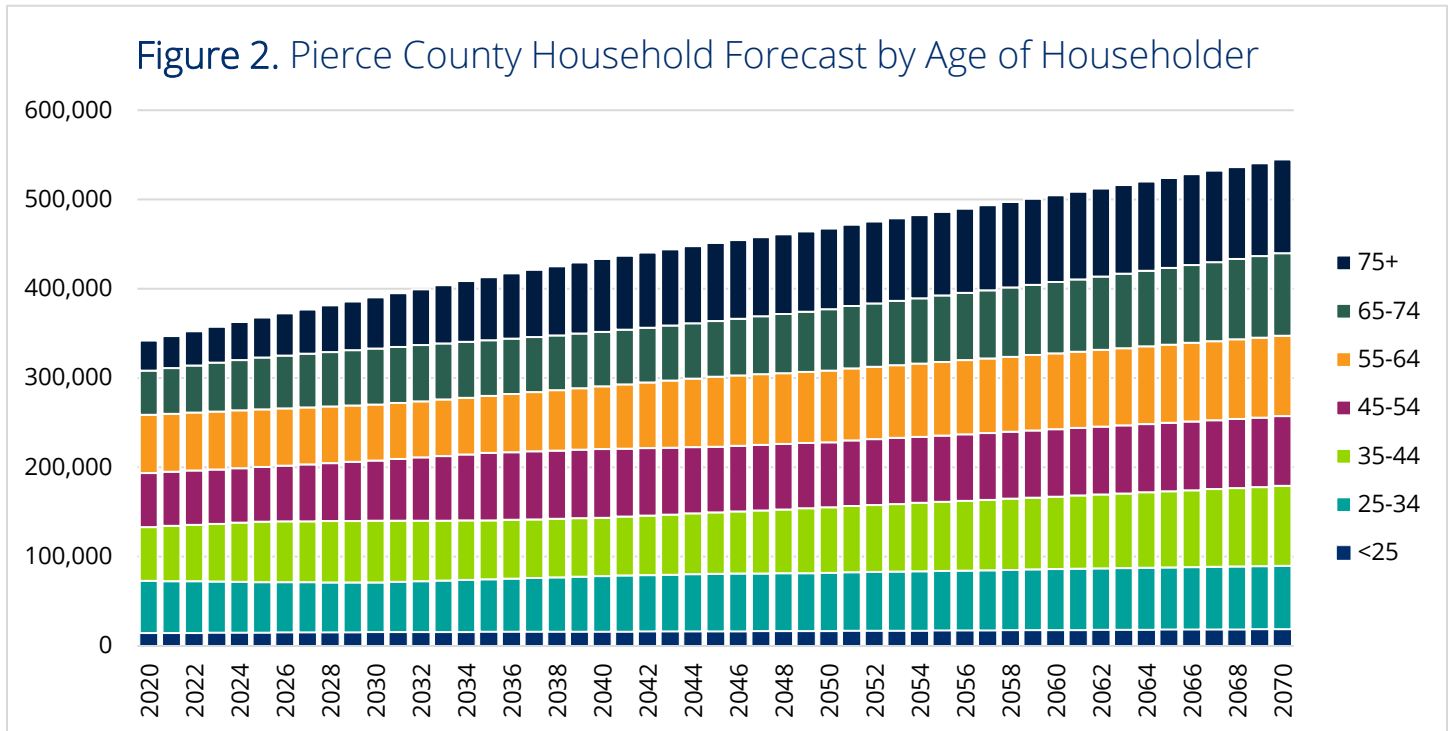
POPULATION AND HOUSEHOLD PROJECTIONS

A key input required for modeling TOW scenarios is a region's population forecast. State and local demographers regularly forecast local population trends by looking at historic population levels, local economic data, migration patterns, planned housing developments, and other factors that contribute to population growth or decline. Historically, Pierce County has experienced significant population growth rising from about 413,000 residents in 1970 to over 900,000 residents in 2020.

The official population estimates, extended by LOCUS, project this growth to reach nearly 1.34 million residents by 2070 (Figure 1).



Source: Historical data - Bureau of Economic Analysis; Projected data - Washington State Office of Financial Management



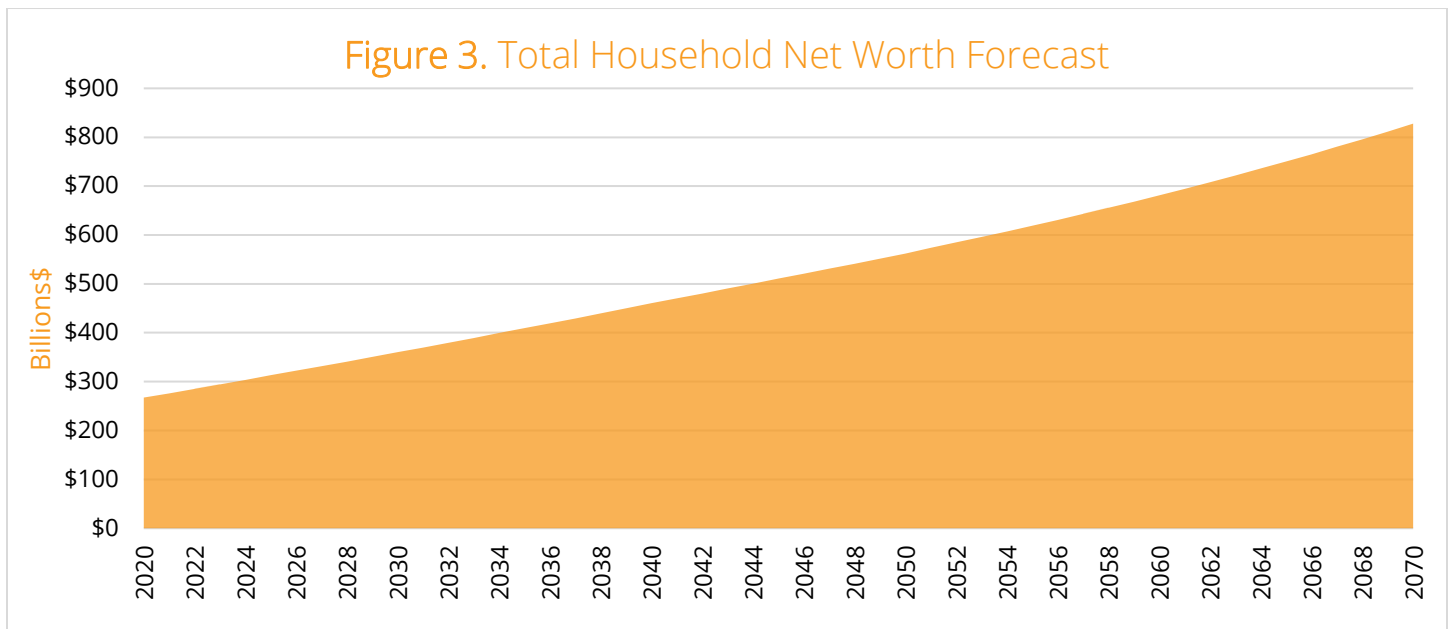
Source: Esri, 2020, Projected out by LOCUS Impact Investing.

Wealth transfer projections are built, in part, by using population forecasts for age-group cohorts (Figure 2). Note that the number of households led by a person over the age of 75 will rise from 34,000 households today to over 100,000 households by the end of the 2060s. Households with a householder in their 60s and 70s tend to be wealthier and have fewer occupants. For our scenarios, we assume the number of total households will rise from the 342,000 number in 2020 to nearly 545,000 by 2070.

What is a household?
 For the purposes of public surveys, a “household” is a group of people who occupy the same housing unit. This can mean a family, but it also includes unrelated people living together. All households have a “householder” or one person, or one of the people, in whose name the home is owned, being bought or rented. When surveys report a household’s wealth, the wealth is the aggregate wealth of all the individuals living in the household.

FUTURE NET WORTH ESTIMATES AND TRANSFER OF WEALTH

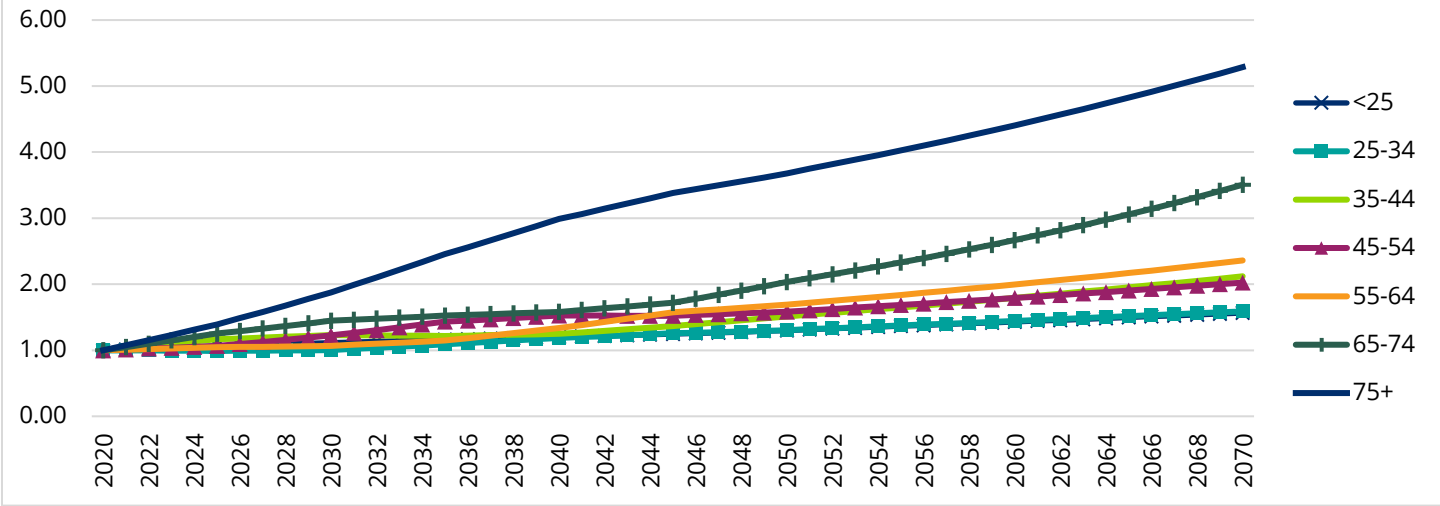
Using current net worth data and the household population forecast, LOCUS estimates Pierce County’s projected net worth. The county’s total current net worth will rise from \$267 billion in 2020 to nearly \$828 billion by 2070 (see Figure 3). These are in inflation adjusted dollars, meaning that the purchasing power of a dollar in 2070 is approximately the same as a 2020 dollar. Both population and total household net worth will experience significant growth in the county.



Source: Esri, 2020, Projected out by LOCUS Impact Investing.

On the next page, we have tracked the growth of total net worth by age cohort in Pierce County by dividing each year’s current net worth by the base year (2020) total net worth value for each cohort. As you can see in Figure 4, wealth will increase across all age cohorts but will increase significantly in the population that is 75 years old and up.

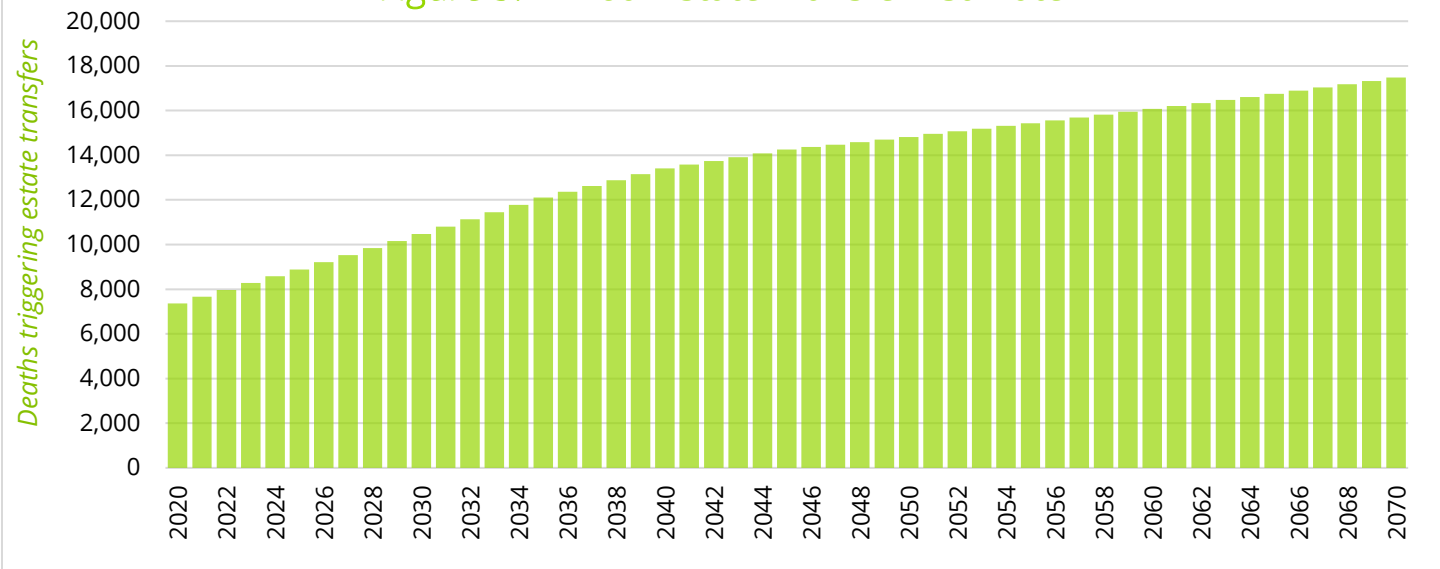
Figure 4. Pierce County Net Worth Change
(growth compared to 2020 net worth)



Source: Esri, 2020, Projected out by LOCUS Impact Investing.

The final input required to model a region’s TOW scenarios is an estimate of the number of estates that will transfer from generation to the next in any given year. Estate transfers are initiated with the passing of a householder. Figure 4 shows the region’s forecast for the estimated number of estates transferring each year through 2070. As the Boomer generation ages and passes away, there will be an accelerating number of estate transfers each year until 2040. Following this rapid transition, the next three generations (i.e., Generation X, Millennials and Homeland) will become the primary estate holders.

Figure 5. Annual Estate Transfer Estimate



Source: Washington State Office of Financial Management, Projected out by LOCUS Impact Investing.

Combining projected demographic, economic, and household wealth growth, the Pierce County's transfer of wealth in coming years is expected to start at \$3.5 billion annually. By 2035, the annual transfer of wealth will be nearly \$7.5 billion. Aggregated over the next 10 years, \$48.6 billion will transfer. Over the next 50 years, \$482.3 billion will transfer. The 10-year and 50-year TOW scenarios are detailed for the county and its regions in Table 2. Scenarios are broken out for the zip codes in each region in Table 3 on the following pages.

Table 2. Tacoma 10-Year and 50-Year Transfer of Wealth Scenarios

Geography	2020 Current Net Worth		10-Year Transfer of Wealth		50-Year Transfer of Wealth	
	Total	Per Household	Total	Per Household	Total	Per Household
United States	82.5 t	655,000	10.5 t	83,000	99.4 t	788,000
Washington	2.4 t	803,000	371.0 b	124,000	3.9 t	1,288,000
Pierce County	269.2 b	787,000	48.6 b	142,000	482.3 b	1,410,000
Northwest County	53.4 b	1,896,000	10.3 b	370,000	118.2 b	4,253,000
Lakewood, Steilacoom	19.1 b	668,000	3.1 b	111,000	24.8 b	876,000
South County	42.8 b	549,000	7.5 b	97,000	66.9 b	869,000
West Tacoma	20.2 b	872,000	3.4 b	147,000	26.4 b	1,156,000
Tacoma	49.8 b	592,000	8.8 b	106,000	79.7 b	961,000
Central County	78.1 b	828,000	14.4 b	155,000	149.5 b	1,606,000
East County	5.8 b	856,000	1.2 b	181,000	16.9 b	2,530,000

Source: LOCUS Impact Investing Transfer of Wealth Estimates, 2020.



Source: Michael Lane, Wikimedia Creative Commons

Table 3. Zip Code Regions

Geography	2020 Current Net Worth		10-Year Transfer of Wealth		50-Year Transfer of Wealth	
	Total (Millions \$)	Per Household (Thousands \$)	Total (M \$)	Per Household (Th \$)	Total (M \$)	Per Household (Th \$)
Northwest County	53,425.4	1,922	10,272.3	370	118,221.9	4,253
98329	5,776.8	1,338	1,128.2	261	14,599.6	3,382
98332	19,367.1	2,450	3,952.8	500	48,472.7	6,132
98333	4,075.4	2,695	667.2	441	6,811.1	4,505
98335	21,418.7	1,954	3,987.9	364	42,697.2	3,896
98349	1,829.2	838	358.5	164	3,878.0	1,776
98351	353.5	785	67.8	151	667.1	1,482
98394	604.8	1,287	109.8	234	1,096.2	2,332
Lakewood, Steilacoom	19,148.6	677	3,131.4	111	24,754.9	876
98388	4,461.4	1,481	888.7	295	9,604.1	3,189
98498	9,694.3	824	1,503.6	128	10,454.6	889
98499	4,992.9	370	739.1	55	4,696.3	348
South County	42,831.9	557	7,491.3	97	66,881.9	869
98303	1,176.5	2,112	209.4	376	1,820.9	3,269
98304	198.6	458	42.4	98	528.0	1,216
98327	2,047.7	552	373.8	101	3,344.9	902
98328	4,109.8	957	768.6	179	7,669.4	1,786
98330	38.0	506	7.6	101	77.1	1,027
98338	11,120.0	1,021	1,955.4	180	18,066.4	1,659
98387	8,289.0	509	1,377.1	85	11,165.9	686
98431	0.0	0	0.0	0	0.0	0
98433	69.3	19	10.0	3	58.6	16
98438	67.1	450	10.2	68	71.8	482
98439	55.1	28	8.5	4	59.1	30
98444	2,952.0	220	502.9	37	4,054.9	302
98445	5,798.3	474	976.0	80	7,693.3	629
98446	3,568.3	739	612.2	127	5,102.1	1,056
98447	5.7	155	1.0	27	8.0	216
98558	156.4	879	26.2	147	200.8	1,128
98580	3,180.2	740	609.9	142	6,960.8	1,619

Geography	2020 CNW		10-Year TOW		50-Year TOW	
	Total (Millions \$)	Per Household (Thousands \$)	Total (M \$)	Per Household (Th \$)	Total (M \$)	Per Household (Th \$)
<i>West Tacoma</i>	20,186.1	884	3,352.5	147	26,397.5	1,156
98465	3,023.9	773	500.4	128	3,948.5	1,010
98466	10,355.2	838	1,721.8	139	13,283.5	1,076
98467	6,807.0	1,035	1,130.4	172	9,165.5	1,393
Tacoma	49,784.4	600	8,784.1	106	79,707.7	961
98402	278.7	81	68.5	20	951.7	277
98403	2,354.1	554	375.5	88	3,072.5	723
98404	3,102.6	264	557.4	47	4,727.4	403
98405	2,243.0	203	455.7	41	4,692.3	425
98406	7,915.7	825	1,441.3	150	13,106.6	1,366
98407	13,580.6	1,341	2,410.4	238	21,218.3	2,094
98408	3,449.3	440	571.6	73	4,430.8	566
98409	1,486.7	146	277.8	27	2,529.6	248
98416	0.0	0	0.0	0	0.0	0
98418	978.2	247	175.2	44	1,590.1	402
98421	338.6	619	81.6	149	1,392.1	2,545
98422	11,420.4	1,434	1,888.0	237	17,280.0	2,170
98443	2,636.5	1,164	481.0	212	4,716.4	2,081
Central County	78,069.8	839	14,395.3	155	149,467.7	1,606
98354	2,483.3	781	403.3	127	3,098.4	974
98360	3,565.8	680	647.9	124	5,834.4	1,113
98371	8,608.5	937	1,521.1	165	13,221.1	1,438
98372	9,655.7	917	1,829.6	174	18,157.4	1,724
98373	6,682.6	671	1,175.4	118	10,294.0	1,034
98374	12,594.7	802	2,319.8	148	21,986.5	1,400
98375	7,010.7	632	1,110.2	100	8,153.8	735
98390	2,924.1	617	507.3	107	4,131.3	872
98391	22,910.9	1,216	4,605.1	244	62,437.8	3,313
98424	1,633.5	358	275.5	60	2,152.9	472
East County	5,790.3	867	1,206.2	181	16,888.9	2,530
98321	5,119.8	856	1,036.9	173	11,982.2	2,002
98323	228.8	726	43.8	139	550.1	1,746
98385	249.0	1,407	89.3	504	3,807.6	21,512
98396	192.7	968	36.3	182	549.0	2,759

COMPARING TRANSFER OF WEALTH WITH OTHER REGIONS

Table 4 below includes regional current net worth and transfer of wealth findings normalized by the number of households for the county and other regions. We have included other recent TOW studies for comparison purposes including the Abilene Region in TX, Kitsap County, WA (incl. area), Stanislaus County, CA (Modesto), Rural Maryland, Hamilton County, TN (Chattanooga), Texas, California, Tennessee, and Maryland. Pierce County has comparable philanthropic opportunity (on a per-household basis) when compared to other communities LOCUS has studied and has a larger 10- & 50-year TOW.

Table 4. Comparing the Region (Wealth Per Base Year Household)

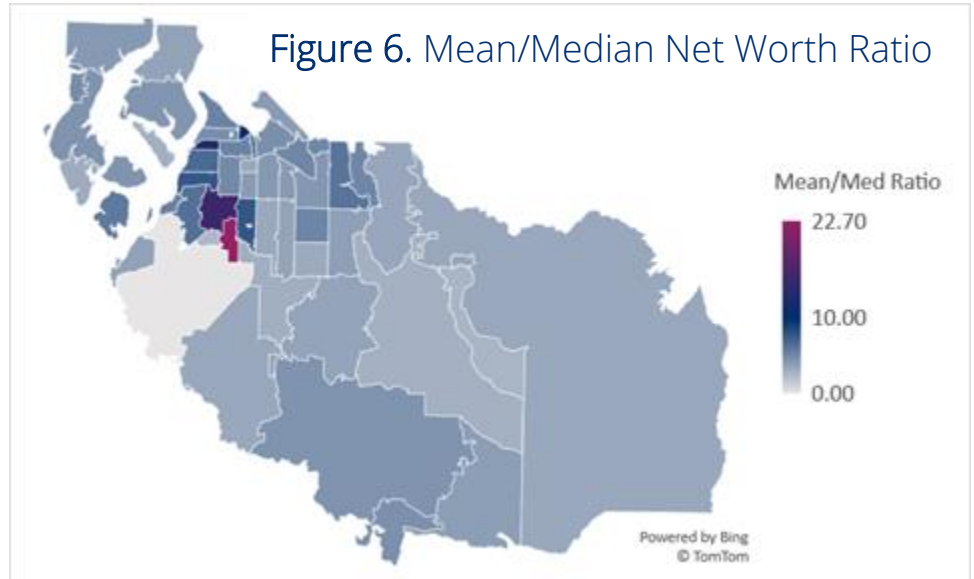
Geography	Study Year	Base Year Households	Base Year CNW	10-Year TOW	50-Year TOW
Pierce County	2020	342,092	\$787,000	\$142,000	\$1,410,000
<i>Washington</i>	<i>2020</i>	<i>3,002,775</i>	<i>\$803,000</i>	<i>\$124,000</i>	<i>\$1,288,000</i>
United States	2017	123,157,201	\$621,700	\$73,100	\$805,300
Abilene Region	2019	69,345	\$656,600	\$113,800	\$857,000
Kitsap Area	2018	106,478	\$878,900	\$115,900	\$961,300
Modesto, CA	2016	169,324	\$457,800	\$52,100	\$479,300
Rural Maryland	2016	650,154	\$853,600	\$103,200	\$1,130,500
Chattanooga, TN	2016	143,882	\$567,400	\$66,900	\$624,800
Texas	2019	10,383,775	\$699,800	\$88,700	1,120,800
California	2016	13,029,062	\$659,100	\$72,400	\$758,800
Tennessee	2016	2,615,226	\$467,800	\$56,900	\$598,800
Maryland	2016	2,236,518	\$908,000	\$102,400	\$960,000

Source: LOCUS Impact Investing Transfer of Wealth Estimates, by base year of study.

ASSESSING WEALTH INEQUALITY

Greater Tacoma Community Foundation recognizes the troubling trend of growing wealth inequality in Pierce County. These Transfer of Wealth findings provide some insights into the county's household wealth gap that may help inform philanthropic and nonprofit-sector action.

One way of assessing wealth inequality is to calculate the ratio of mean to median wealth. When mean and median wealth are close to one another, or their ratio is closer



Source: Esri Business Analyst, 2020

to 1:1, wealth tends to be more equitably distributed in a community. When mean wealth is much higher than median wealth, a small group of households likely have outsized fortunes. Figure 6 suggests high levels of wealth inequality in and around Lakewood, north of Joint Base Lewis-McChord.

To go deeper, LOCUS assessed wealth by zip code dividing the region's 55 zip codes into quartiles – four equally sized groups – based on average household net worth. The wealthiest zip codes were assigned to the first quartile, the next wealthiest tracts were assigned to the second, etc. The socioeconomic characteristics of the five groups are detailed below.

Table 5. Zip Code Quartile Characteristics (2019)

Zip Code Quartile	Population	Households	Average Household Net Worth	Total Net Worth	10-Year Transfer of Wealth
Wealthiest (1)	185,402	74,692	\$1,532,760	\$114 billion	\$22 billion
Wealthier (2)	240,766	96,490	\$872,512	\$84 billion	\$15 billion
Less Wealthy (3)	214,210	81,497	\$601,863	\$49 billion	\$8 billion
Least Wealthy (4)	227,506	85,874	\$250,515	\$22 billion	\$4 billion

The data reveals that residents living in the first group of zip codes or neighborhoods have almost \$114 billion in household wealth, almost half the region's wealth. Looking at racial and ethnic composition and educational attainment, the wealthiest parts of the county are 80% white and non-Hispanic. In these zip codes, a majority of adults (+70%) have some college education. The

lowest wealth parts of the county are +50% People of Color and over 40% have not advanced beyond a high school education.

Although it may not be surprising, the generational relationship of wealth and its spatial distribution across the county suggest the communities most in need of philanthropic investment have the least opportunity to invest for their own benefit. Harnessing the transfer of wealth opportunity is necessary but insufficient to address growing wealth inequality. Cross-community efforts by nonprofits, foundations, and others are required to match philanthropic assets with community need.

Figure 7. Race and Ethnicity by Zip Code Average Wealth Quartile



Source: American Community Survey 5-Year Estimates, 2019

Figure 8. Educational Attainment by Zip Code Average Wealth Quartile



Source: American Community Survey 5-Year Estimates, 2019

PHILANTHROPY AND THE TRANSFER OF WEALTH

Philanthropy is not an end, but a means to build a more prosperous community. Philanthropy can catalyze investment in more affordable housing. Philanthropy can endow programs that advance affordable, high quality childcare for all families. Philanthropy can provide gap financing for small businesses that stimulate economic growth and reduce economic inequality. There are thousands of ways that philanthropy can help strengthen communities and economies.

The 10-year and 50-year Transfer of Wealth scenarios demonstrate that there is significant and growing philanthropic potential in the region. Focused donor development can help stimulate increased annual giving to local nonprofits and charitable activities, increased legacy giving that can capitalize existing and new endowments, and the use of some endowment funds to capitalize philanthropic impact investing funds. *What's possible if the region successfully tapped the coming transfer of wealth?*

Capture the transfer of wealth to support local charities and nonprofits. If the non-profit community captured just 1% of the transfer of wealth for one-time philanthropic purposes, an additional \$486 million annually would bolster local nonprofits and charities. That's a lot of money to support local arts programs, recreational organizations, crisis centers and other critical community needs.

Capture the transfer of wealth to build endowments. If the non-profit community captured 10% of the county's \$48.6 billion 10-year transfer of wealth, an estimated **\$4.9 billion**, those resources could capitalize endowments. Assuming an annualized rate of return of 7% and an average annual payout of 4.3%, the endowments would increase over 20 years to nearly **\$8.6 billion** and generate over **\$5.85 billion** in grants (see Table 5).

Table 5. 10% Capture Endowment Building Example

Year	Beginning Endowment Principal	Annual Earnings (7%)	Annual Grants (4.3%)	Ending Endowment Principal
Initial Endowment	\$4,900,000,000	\$343,000,000	\$210,700,000	\$5,032,300,000
Year 1	\$5,032,300,000	\$352,261,000	\$216,388,900	\$5,168,172,100
Year 5	\$5,598,198,558	\$391,873,899	\$240,722,538	\$5,749,349,919
Year 10	\$6,395,883,080	\$447,711,816	\$275,022,972	\$6,568,571,923
Year 15	\$7,307,229,272	\$511,506,049	\$314,210,859	\$7,504,524,462
Year 20	\$8,348,432,728	\$584,390,291	\$358,982,607	\$8,573,840,412
Total Grants			\$5,850,931,027	

Table 6. 5% Capture Endowment Building Example

Consideration	Value	Assumptions
5% to Impact Investing	\$245 m	5% of the 10% Giving Goal over 20 Years (Round to \$245m)
Impact Period	20 Years	
Loan Cycle	7 Years	
Loans Per Period	2.86	The same capital will enable 2.86 loans every 20 years.
Total Loan Capacity	\$1.225 b	Every \$1 for Impact Investing leverages an additional \$4 of capacity.
20 Year Loan Capacity	\$3.5 b	Total Deal Flow Potential "Gap Financing"
Community Facilities	3,500	Assume \$1 million per community facility.
Business Financing	35,000	Assume \$100,000 per business deal.

Capture the transfer of wealth to build endowments that support local impact investing.

Philanthropic endowments have the potential to generate two types of community impact. A portion of investment returns is granted out to the community to support charitable purposes, but foundations can also use a portion (or all) of the endowment's resources for local investments that generate community impact and financial returns. For example, say the foundation captured 10% of the region's 10-year transfer of wealth, an estimated \$4.9 billion, and **invested 5%** of that, or **\$245 million**, in local philanthropic investment funds. Assuming a 4 to 1 leverage ratio and 7-year loan period, that would create **\$3.5 billion** in new community betterment investments in 20 years. Assuming reasonable loan losses and management, these funds could continue to finance community investments year after year. The community could finance **3,500 community facilities** at \$1 million/each. Alternatively, the endowment could be used to help finance **35,000 small businesses** with \$100,000 loans.

CONSIDERATIONS: TOW Scenario Adjustments

LOCUS bases Transfer of Wealth scenarios on previous development patterns, regionally generated population forecasts, and household current net worth estimates. Although highly reliable, these figures sometimes fail to capture unique community characteristics that may alter regional development or illiquid assets.

To address these potential regional peculiarities and build a better model, the Greater Tacoma Community Foundation identified a 9-member Technical Advisory Committee (TAC) to advise and “ground truth” the Tacoma Transfer of Wealth Study. The committee included Bruce Kendall, Ali Modares, Jeff Robinson, Kim Fisher, Kathleen Simpson, Mark Pinto, Eli Taylor, Josh Dunn, Rick Oldenberg, and Kathi Littman, Robin Callahan & Evelyn Ryberg from GTCF.

Working with LOCUS, the committee explored the regional wealth patterns outlined earlier in this paper as well as other demographic and economic considerations that could alter Transfer of Wealth projections particularly in outlying years. As part of our scenario modelling process, the LOCUS team took a closer look at the following considerations to adjust the TOW estimates where necessary.

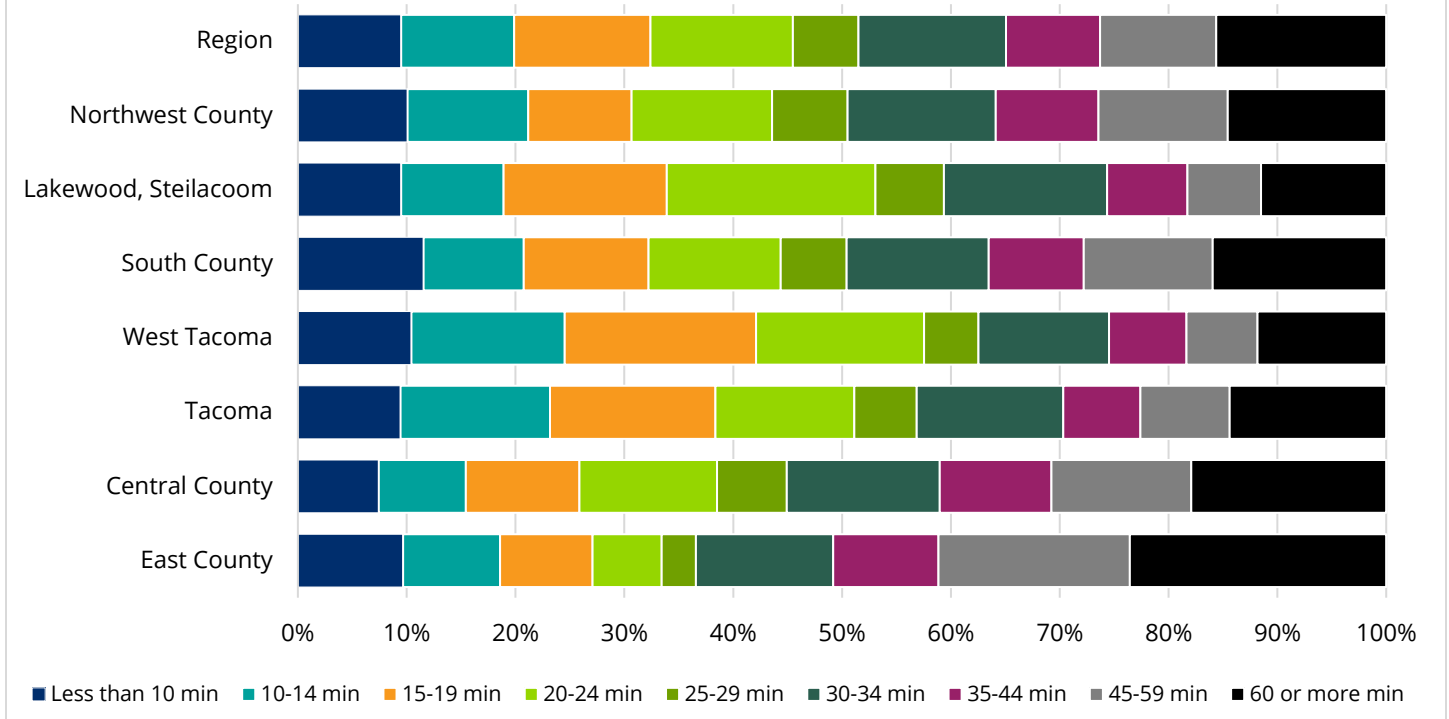
GROWTH AND IN-MIGRATION

Pierce County has experienced 1.5% annual population growth over the last decade, and annual growth over 1% is expected to continue through 2025. Natural population growth (births > deaths) is very strong in the county, and both domestic and international migration are positive contributing to these strong growth rates.

SEATTLE COMMUTERS

Strong growth – population, employment, and personal income – is likely to continue but may be moderated long-term as Pierce County housing supply tightens and prices increase. In 2018, workers commuting outside the county for work represented the largest earnings driver in the county accounting for over \$10 billion of inflow earnings. That inflow has come at a cost. The average worker in Central and East Pierce County spends more than 30-minutes commuting to work. About one-in-five spend more than an hour. Seattle and increasingly Tacoma’s high cost of living and congestion are pushing middle income workers out to commute from surrounding communities. The growth associated with commuters will likely increase the wealth profile of the county in later years as increased cost of living causes net population growth to moderate while average household net worth increases over time.

Figure 9. Commute Time by Region



Source: American Community Survey 5-Year Estimates, 2019

FUTURE GROWTH CONSTRAINTS

As highlighted previously, the region’s ability to grow outward is limited due to its geography. Growth will require greater density at much higher costs. As costs and congestion increase, growth can slow. Right now, Tacoma’s growth is largely driven by higher costs and congestion in Seattle. Median housing costs in Seattle (\$800K+) are nearly twice as expensive as in Tacoma (\$403K). This is a powerful market force for working class families. This will drive growth over the next 20 years, eventually making Pierce County more costly and slowing aggregate growth.

SECOND HOMES AND NON-RESIDENTS

Vacation homes may be an important wealth factor in Pierce County with high amenity areas associated with both Puget Sound and the Cascades. According to the census, housing “for seasonal, recreational, or occasional use” makes up just over 1% of the total housing in the county currently.

TRENDS IN INTERNATIONAL TRADE

The west coast and particularly the Puget Sound region, including Tacoma, is optimized for global trade particularly with the Pacific Rim. Transportation and warehousing was one of the top drivers

of employment in the county in 2018 accounting for nearly 28,000 jobs. The failure of the U.S. to pursue the Trans-Pacific Trade Pact, and rising nationalism and tariffs are eroding international markets and could adversely impact projected growth tied to this sector of Pierce County's economy.

GOVERNMENT AND MILITARY TRENDS

Tacoma is home to Joint Base Lewis-McChord. Because of the base, Government is a top employment and earnings driver in the county accounting for nearly 91,000 jobs and nearly \$8.4 billion in earnings in 2018. In 2018, over 20 percent of all county employment was tied to government. Changes in military spending and the use of the Joint Base could have dramatic implications for the future growth and development of Pierce County. Regardless of trends associated with the Joint Base, there is a military legacy associated with over 100 years of military presence in the community – military retirees. There is a large community of retirees who have settled in Tacoma and Pierce County. These and other retirees have a significant impact on the economy and represent earnings of over \$4 billion for Pierce County.

COVID-19

Starting at the beginning of 2020 and through the completion of this study, Pierce County is struggling through a once-in-a-century pandemic with profound implications for life expectancy, household structure and composition, household finances, and local economic wellbeing. In one year (through March 2021), the U.S. endured more than 28 million cases of COVID-19 and suffered more than half a million related deaths, potentially a 20% increase in the death rate. Nationally, the U.S. economy contracted by 3.5% in 2020 -- 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. 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.

The implications this has for TOW forecasting relate to how long the health crisis impacts economic activity and wealth formation. COVID related death rates are likely to modestly accelerate estate transfers during the 10-year scenario period but have no impact over the 50-year TOW Scenario period. The recession is impacting different economic sectors very differently. Some sectors (e.g., eCommerce, logistics, broadband, etc.) are booming and other sectors (e.g., hospitality, national retail and smaller retail and services ventures, etc.) have collapsed. Some estimates indicate that up to 30% of all locally owned small businesses will fail during the recession. It is unclear, however, what will happen when it is over. Significant and lasting losses of small businesses will have serious consequences for local wealth formation.

APPENDIX: 2019 and 2020 TOW Scenarios

Appendix Table 1. Tacoma 10-Year Transfer of Wealth Scenarios

Geography	2019 BASE 10-Year Transfer of Wealth		2020 BASE 10-Year Transfer of Wealth		2019-2020 Difference	
	Total	Per Household	Total	Per Household	Total	Per Household
United States	12.9 t	103,000	10.5 t	83,000	(2.4 t)	(20,000)
Washington	407.3 b	138,000	371.0 b	124,000	(36.3 b)	(15,000)
Pierce County	46.7 b	139,000	48.6 b	142,000	1.9 b	3,000
Northwest County	10.2 b	374,000	10.3 b	370,000	114.8 m	(4,000)
Lakewood, Steilacoom	3.2 b	115,000	3.1 b	111,000	(81.4 m)	(4,000)
South County	7.3 b	96,000	7.5 b	97,000	232.3 m	2,000
West Tacoma	3.3 b	154,000	3.4 b	147,000	62.8 m	(8,000)
Tacoma	8.3 b	100,000	8.8 b	106,000	470.3 m	5,000
Central County	13.2 b	145,000	14.4 b	155,000	1.2 b	9,000
East County	1.1 b	175,000	1.2 b	181,000	74.3 m	6,000

Appendix Table 2. Tacoma 50-Year Transfer of Wealth Scenarios

Geography	2019 BASE 50-Year Transfer of Wealth		2020 BASE 50-Year Transfer of Wealth		2019-2020 Difference	
	Total	Per Household	Total	Per Household	Total	Per Household
United States	118.5 t	946,000	99.4 t	788,000	(19.1 t)	(158,000)
Washington	4.3 t	1,472,000	3.9 t	1,288,000	(468.6 b)	(195,000)
Pierce County	472.0 b	1,405,000	482.3 b	1,410,000	10.3 b	9,000
Northwest County	117.3 b	4,316,000	118.2 b	4,253,000	0.9 b	(54,000)
Lakewood, Steilacoom	25.8 b	923,000	24.8 b	876,000	(1.1 b)	(47,000)
South County	67.3 b	887,000	66.9 b	869,000	(423.0 m)	(17,000)
West Tacoma	26.7 b	1,254,000	26.4 b	1,156,000	(313.0 m)	(100,000)
Tacoma	78.0 b	942,000	79.7 b	961,000	1.7 b	23,000
Central County	140.1 b	1,540,000	149.5 b	1,606,000	9.4 b	74,000
East County	15.8 b	2,446,000	16.9 b	2,530,000	1.1 b	96,000