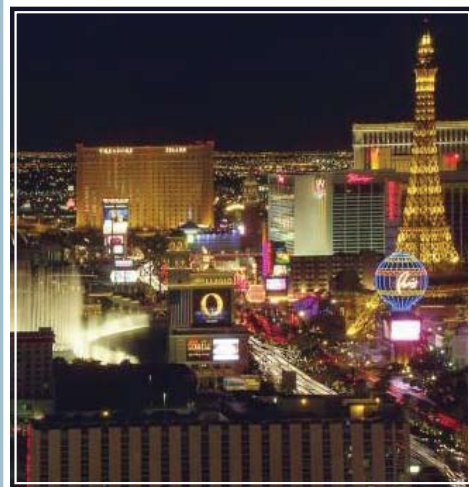
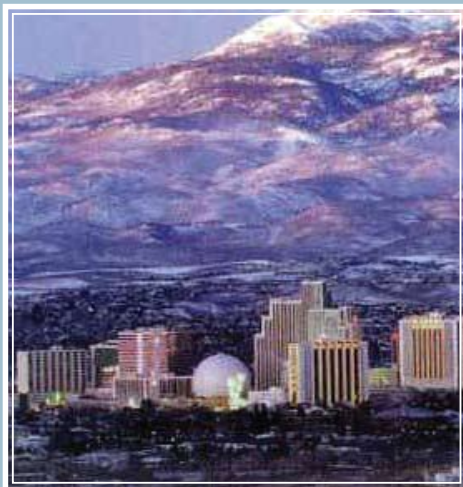
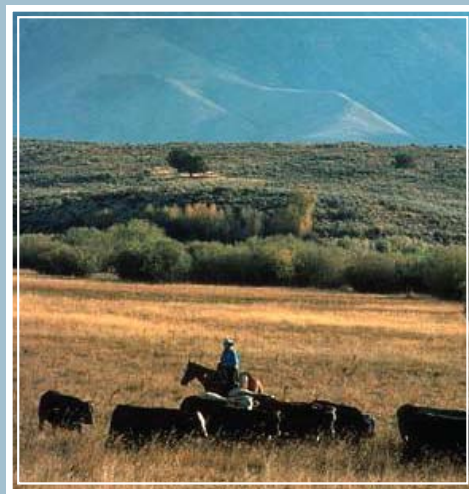
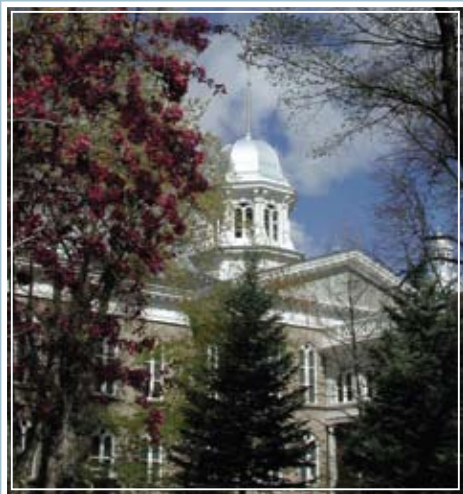


WEALTH TRANSFER IN NEVADA[®]

Final Report



Prepared for:
Community Foundation of Western Nevada
Nevada Community Foundation
Nevada Commission on Economic Development

March 2008

EXECUTIVE SUMMARY

-Nevada Executive Summary-

Wealth Transfer in Nevada was prepared by the RUPRI Center for Rural Entrepreneurship for the Community Foundation of Western Nevada, Nevada Community Foundation and the Nevada Commission on Economic Development. Our Transfer of Wealth (TOW) team is pleased to provide Nevada with our final analysis.

Transfer of wealth analysis has been completed on all 16 Nevada counties, Carson City, and for the State of Nevada. Summary findings can be found in Figure 8 on page 12 of this report.

We employed our mid-range scenario to estimate current net worth (CNW) and our low scenario of the transfer of wealth (TOW) estimates for Nevada. Our findings are as follows:

- CNW for Nevada in 2005 is estimated at \$273.99 billion (or \$302,000 per household).
- The 50-year TOW estimate for Nevada is \$383.33 billion (or \$423,000 per household).
- We estimate that during the decade of 2005 to 2015 the TOW will be \$32.47 billion (or \$36,000 per household).
- If just five percent of the 10-year TOW were captured into community endowments across Nevada, an estimated \$1,623.34 million fund would be realized. Assuming a conservative 5% payout rate on the \$1,623.34 million in endowed funds, an estimated \$81.17 million would be available annually for community betterment investments.
- Per household values are provided to allow comparisons from one county to next and with the state.

The balance of this report includes a series of color coded maps that summarize the key findings. These maps rank counties from the highest values to the lowest values. Quintiles (20% groupings of counties based on their rankings) are employed to provide the reader a quick way to see how various counties compare with each other based on our estimates.

Information on the methodology used in this analysis can be found on pages 27-29 of this report. The RUPRI Center has completed TOW analyses for the following locations: Nebraska, Wyoming, Wisconsin, South Dakota, Montana, Indiana, Illinois, Michigan, and Ohio. Regional analysis has been completed in North Dakota, Kansas, Louisiana, and New York. We have advised studies in Iowa, Arizona, and Kansas. We are also conducting a TOW analysis for Pennsylvania.



Jobs Peak, Gardnerville

Scenarios

Experienced researchers would say that projecting anything out 50 years is heroic at best, and foolhardy at worst. Yet this is what must be done in order to portray the magnitude of the TOW opportunity. We want to be clear that the state and county TOW figures presented in this study are not predictions, around which one can statistically describe a confidence interval. Nor are they explicit projections, such as a city's population ten years in the future, or an economic forecast.

Instead, this study strives to portray plausible scenarios of the future. These are stories about a likely tomorrow, based on a conservative set of assumptions, reviewed by resident experts, and adjusted to reflect their knowledge of local conditions. These scenarios are a way to frame the future to make better decisions today. As Arie de Geus said in *The Living Company*, "Scenarios are stories. They are works of art, rather than scientific analyses. The reliability of (their content) is less important than the types of conversations and decisions they spark." We hope this study sparks conversations about the magnitude of the assets present in every county of the state and the opportunities to invest a small portion of those assets toward community betterment projects.

Sun Belt Realities

Nevada is a prime example of America's attractive "Sun Belt". In-migration has fueled Nevada's growth, particularly in the Las Vegas and Reno/Carson City regions. For many of Nevada's new arrivals their wealth rests largely in their desire for a new life and a commitment for building a new future. Others are settling in Nevada either seasonally or permanently bringing a life time of wealth with them. Many come from northern states like Minnesota, Michigan and New York seeking warmth, little or no snow and a new quality of life.

By their very nature, new residents have old home town connections. Many are sending home part of their pay checks to family in America's Midwest or South, or to more distant places in Mexico, Central and South America. While these new residents are putting down roots and will someday have more wealth to give back to their new homes -- their loyalties are understandably divided right now. Older and more wealthy new residents made their fortunes in other communities where they generally have family, friends and deep connections. They too have divided loyalties. In most cases they will continue to give back to their historic homes while forging new commitments in their new home of Nevada.

Nevada has a unique opportunity to welcome and foster deeper relations with its new residents. They see something in Nevada that draws them. Some want to belong and put down deep roots. From a community philanthropic standpoint, these new residents will need to be cultivated and a special case made to encourage them to give to their new homes.

-Nevada Background-

Wealth in Nevada was prepared by the RUPRI Center for Rural Entrepreneurship for the Community Foundation of Western Nevada, Nevada Community Foundation and the Nevada Commission on Economic Development. This Final Report provides our initial scenarios of current net worth and transfer of wealth for Nevada.

Wealth in America

Forget the numbers for a moment and think about our history over the past 100 years. Not that long ago, America departed prosperity and good times in the 1920s and entered into two of our greatest challenges -- the Great Depression and World War II. Hard times, tragedy and eventually victory characterize this page in American history. What followed World War II was remarkable. Of all the world economic powers following World War II, the United States exited the war the strongest. The post World War II period ushered in the "baby boom generation," rapid economic progress and unrivaled prosperity right into the 1970s. The middle class in America boomed, incomes soared and wealth accumulated throughout the country.



Nevada's Wild Horses

Review and Verification Process

We have undertaken a careful review and verification process to ensure our TOW scenarios reflect Nevada's unique circumstances and realities. An advisory group organized by the Community Foundation of Western Nevada, Nevada Community Foundation and the Nevada Commission on Economic Development helped in this process.

Economic times began to fundamentally change in the 1970s, and the broadly held progress among American households lessened in more recent decades, although a legacy of wealth nevertheless has been created. Where economies continue to grow, new wealth is being created as well. Our study - *Wealth Transfer in Nevada* - creates reasonable scenarios of wealth holding in this region of America and the likely transfer of wealth over the period of 2005 through 2055.

Various Estimates

A considerable amount of research has been done on wealth in America. We have worked consistently to review this research and all available writings on this topic. Our team has worked to incorporate the best current thinking on wealth holding and transfer as it relates to Nevada.

Our early work was greatly informed by the research of Boston College

and its ground breaking study, *Millionaires and the Millennium* (John Havens & Paul Schervish, October 1999). We are very appreciative for this pioneering research.

For purposes of wealth in Nevada, we are employing a mid-range national estimate of current net worth and we are utilizing a low scenario of intergenerational wealth transfer for the period of 2005 through 2055. Our benchmark value for U.S. current net worth in 2005 is \$45 trillion (\$405,000 per household) and we estimate that the U.S. transfer of wealth within the next 50 years is \$53 trillion (\$477,000 per household). These assumptions are conservative and we encourage the reader to view our scenario as a floor estimate. There is reason to believe that the actual transfer of wealth here in Nevada may be higher.

Wealth Drivers

The following factors have a significant impact on our TOW scenarios and our projections at the state and county levels. Here is a sampling of the more important drivers:

- CNW or Current Net Worth is very important. The wealth that has been created over time is represented in Current Net Worth. States and counties with larger CNWs have a stronger starting point for future wealth creation.
- Demographics play a central role in a number of ways. Places with strong population growth tend to have stronger economic performance, which creates the opportunity for wealth formation.
 - A key demographic factor is higher education. On average, a person with a college degree has an estate six times larger than a person without a high school diploma.
 - Another key demographic factor is age of households. On average, as we get older our estate grows. For example, someone in the 55-64 age group typically has an estate six times larger than someone in the 35 and under age group.
- Economic performance is critically important. Above average and particularly strong performing economies create more and better employment, generate greater business performance and enable wealth to be created.
- Business ownership is a strong indicator of wealth status. Additionally, we would expect that someone who is not working will have lower net worth than a gainfully employed person.
- Behavior and customs also play a critical role. We all know the story of the high income family with corresponding high spending habits. They have very low net worth and limited wealth. On the other hand, there is the single farmer who does well, spends little and invests well. The farmer has significant wealth.

BACKGROUND AND WEALTH IN AMERICA



Walker Lake, Mineral County

Ultra Rich and Nevada

Nevada is home to some of America's wealthiest families and individuals. For comparison purposes, Nevada is home to about 0.82% of all U.S. households in 2005 (U.S. Census Bureau, 11/07).

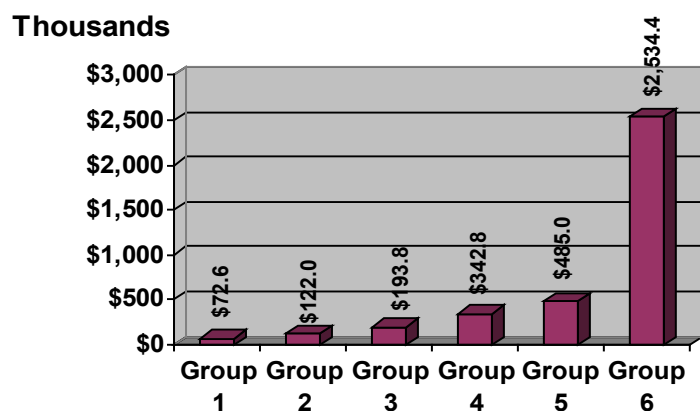
Research compiled by the U.S. Internal Revenue Service (Johnson & Raub, *Personal Wealth 2001*, U.S. IRS, 12/05) found there are 26,000 Nevada families and individuals with a net worth (in 2001) of \$1 million or more (mean net worth for the millionaires group is \$3.77 million). This represents 0.74% of all U.S. families with similar wealth levels. Benchmarked to Nevada's relative household population, Nevada has a lower proportion of millionaires compared to the United States (0.74% versus 0.82%). However, when total net worth for Nevada's millionaires is considered, Nevada has a slightly higher share (0.87% versus 0.82%). Based on this IRS study it is not possible to locate Nevada's millionaires by community or county. We simply know they are residents of the state of Nevada.

Nevada also has six individuals or families on the Forbes U.S. Billionaires list for 2006. Combined, these six individuals/families have just over \$42.7 billion in wealth representing a higher concentration of billionaire wealth compared to state population than in the United States. It is important to note that most high net worth families have multiple location affinities (e.g., second homes,

vacation spots, childhood or family connections, business locations, etc.).

The U.S. Federal Reserve conducts its Survey of Consumer Finances every three years. The most recent survey contains data for 2004. We have summarized some of the key findings in this report. Let us take a closer look at the relationships that determine (on average) wealth in America.

Figure 1
Net Worth By Income Group

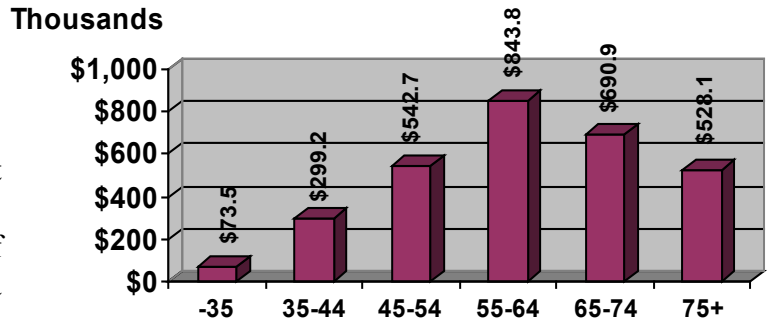


Source: U.S. Federal Reserve, 2004

Figure 1 provides “net worth” or “current net wealth” by income group for 2004. Group 1 includes the bottom 20% of families by income. Groups 2, 3 and 4 include the next 20% to 80% of all families by income. Groups 5 and 6 include subsequent increments of 10% of families. The differences are striking. The bottom 20% of families by income have an average net worth of just under \$75,000. This compares with the top 10% of families by income, which have an average net worth of over \$2.5 million or a difference of 33 times. Income does matter and it is a powerful predictor of asset holdings. As Figure 1 clearly shows, there is a dramatic increase in net worth between Groups 5 and 6, illustrating the power of high incomes translating to larger estates.

Age also matters. Clearly there are many elders in America barely getting by and living on fixed incomes with very small estates. But on average, Americans’ net

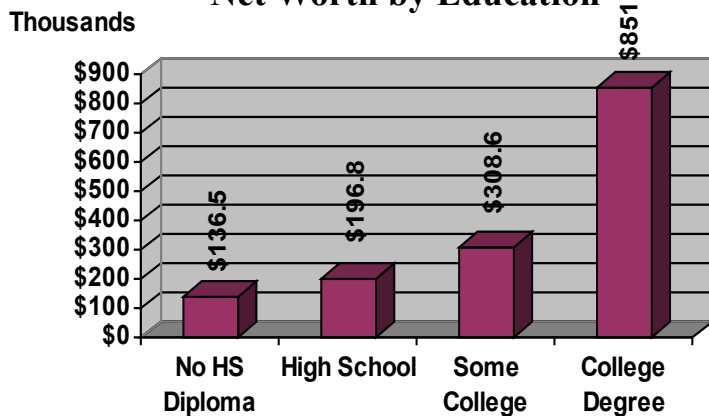
Figure 2
Net Worth by Age of Household



Source: U.S. Federal Reserve, 2004

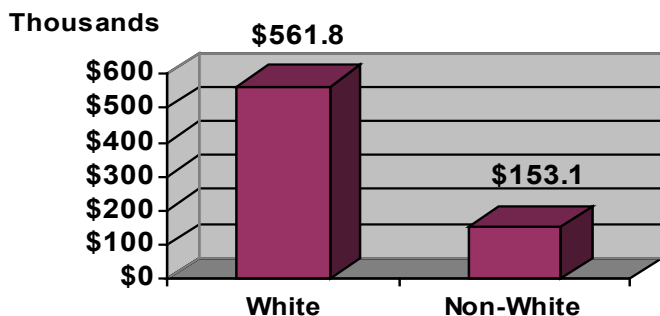
worth rises with age. Figure 2 illustrates this pattern for all families in the United States. Net worth rises from a modest \$74,000 for families 35 and younger (age of the household head) to over \$800,000 as families reach their mid-50s into their early 60s. Then net worth begins to erode or decline as earning power drops and assets are used in retirement and for health care.

Figure 3
Net Worth by Education



Source: U.S. Federal Reserve, 2004

Figure 4
Net Worth by Race



Source: U.S. Federal Reserve, 2004

Education has always been a strong predictor of both income and wealth. Figure 3 provides a vivid picture of this relationship. On average in America someone with a college degree compared with someone without a high school diploma will have 6.2 times more net worth. Education pays and it contributes to spending, saving and investment habits that contribute to estate development. In our new global knowledge economy, education is becoming even more important. Research clearly shows that as we move into the future, advanced and specialized education will become very important to earning power and the opportunity to build estate wealth. A college degree will not be enough, but specialized education that translates to unique knowledge needed in our economy and society will be essential. Conversely, outsourcing of low skill to even high skill jobs will erode the ability of less educated Americans to earn adequate incomes for them to save and build assets.

Tragically, race still matters in the United States. Figure 4 illustrates the tremendous divide of wealth

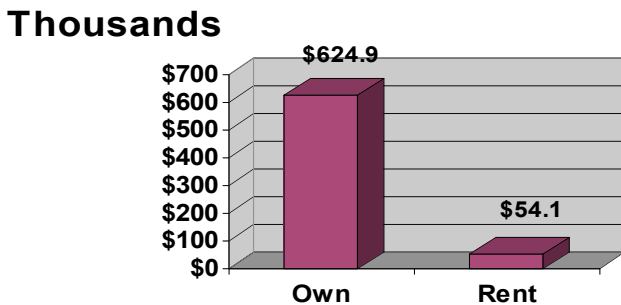
BACKGROUND AND WEALTH IN AMERICA

Figure 5
Net Worth by Work Status



Source: U.S. Federal Reserve, 2004

Figure 6
Net Worth by Housing Status



Source: U.S. Federal Reserve, 2004

held by race. A simple comparison of “white” families compared to all “non-white” families results in a 3.7 times difference. As a whole, people of color continue to have weaker educations, lower earning power and less capacity to accumulate assets and wealth.

America is the land of opportunity where owning a business has always been a pathway for some to economic opportunity and greater financial security. In today’s economy where the “best” jobs are downsized by major corporate and government employers, self employment is becoming even more important. Figure 5 provides a striking picture of the important connection between business ownership and wealth holding. We know from the research that business ownership or self-employment offers no guarantee to success and wealth. Many struggle and fail at business. Although on average in 2004, a self-employed person in America held 5.3 times more net worth than a wage and salary worker. While the difference is not as dramatic, self-employed persons hold more wealth than even retirees who are at the peak of their personal wealth accumulation process.

Erosion of good wage and salary jobs in America (largely tied to globalization and outsourcing trends) is greatly stimulating movement of both poorly educated and very well educated persons towards self-employment. We anticipate that as the roads to prosperity narrow in the American economy over the next 20 to 30 years, self-employment and business ownership will become even more important routes to economic opportunity and security.

Home ownership has always been important in America. Figure 6 highlights this ongoing relationship between home ownership and wealth formation. On average for all American families, a family that owns a home versus being a renter has nearly 12 times more net worth.

We hope this review of key indicators of American wealth is helpful to you in better understanding our scenarios of current net worth and inter-generational transfer of wealth for Nevada.

Now it is time for us to take a look at our scenarios of wealth for Nevada.

United States Estimates

Research about the wealth holdings in the U.S. on current and projected transfers of wealth is richer and more reliable than the state and county research. There continues to be debate regarding the size and the nature of both current net worth in the United States and the TOW opportunity. We employ three benchmarks of U.S. current net worth ranging from a low of \$35 trillion to a mid-range estimate of \$45 trillion and a high estimate of \$55 trillion. As the most recent research on current net worth holding in the United States has come from the U.S. Federal Reserve, we are now benchmarking our studies to the mid-range current net worth estimate of \$45 trillion. We continue to employ a conservative and low scenario of transfer of wealth over the 50 year period due to slowing economic growth rates, stagnating wealth formation rates (particularly among middle class and middle income households) and the rapid growth among the middle to rich class that is highly mobile.

Inflation Adjusted Dollars

All of our analysis is done in “inflation adjusted dollars.” In other words, these are real dollars for which inflation has been adjusted out. So a dollar in 2055 is worth the same as a dollar in 2005.

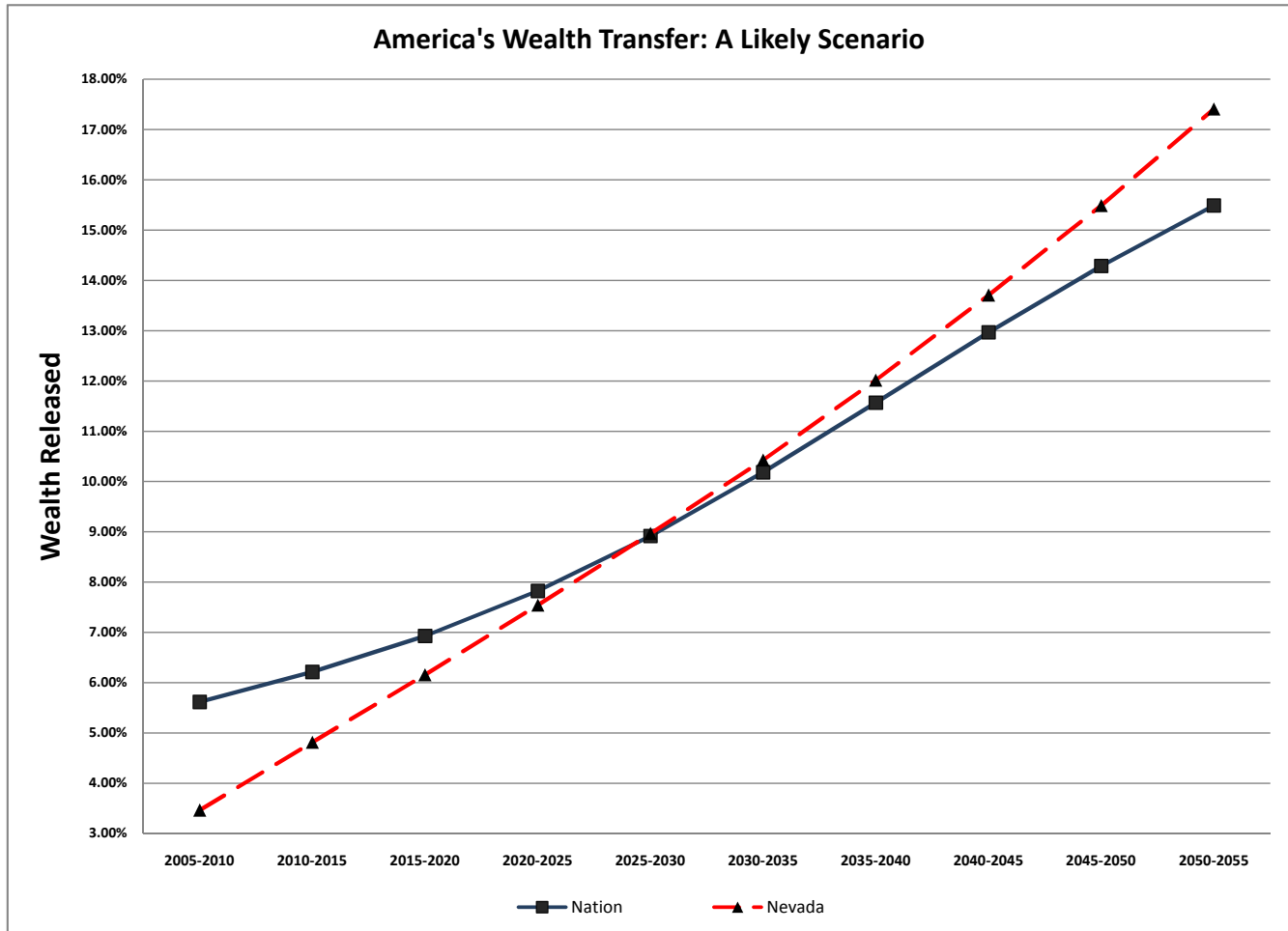
America’s Ultra-Rich

Evolving research on wealth holding in the United States continues to document that wealth is concentrating within America’s most wealthy households. Generally speaking, the top quarter of one percent of American families (roughly 250,000 families) now control about 25% of all American wealth. When we consider the top 1% and even the top 10% of Americans (based on wealth holdings) over 50% of all American wealth is concentrated in the top 10%. However, the opportunity to give back does not rest solely with high net worth families. America’s middle class (particularly its upper middle class) has significant capacity to give. This segment of society (a majority of American families in most communities) contain roughly 35% of all American wealth.

FINAL FINDINGS

-Nevada Findings-

Figure 7 -- U.S. and Nevada TOW Transfer Timing



We ran multiple scenarios for Nevada and its TOW opportunity. Based on our analysis, we believe the following estimates are most likely:

Current Net Worth in 2005	\$273.99 Billion
50 Year TOW Estimate	\$383.33 Billion
10 Year TOW Estimate	\$32.47 Billion
5% Capture Rate Opportunity	\$1,623.34 Million
5% Payout Rate Opportunity	\$81.17 Million

We are pleased to provide the following scenarios for Nevada based on our recent TOW analysis. We have produced a series of tables and maps that summarize our work for your review and consideration. We hope this information stimulates an active dialogue around the TOW opportunity clearly present in Nevada.

Figure 7 provides for the State of Nevada and the U.S. our most likely scenario of the timing of wealth transfer between 2005 and 2055. The trend line for the U.S. represents continuous growth throughout the period. Sustained demographic and economic growth means the U.S. trend line in wealth transfer continues to rise over time. Nevada's TOW trend line reflects faster overall demographic growth and a very youthful population, creating a trend line that displays rising transfers over the study period. Within Nevada, we have many different situations ranging from Clark County with rapid growth to more rural counties that are struggling to maintain their populations.

Based on our mid-range scenario, we are estimating current net worth (CNW) for Nevada at \$273.99 billion in 2005. This value equates to \$302,000 per household (PHH). Considering our 50-year transfer of wealth (TOW) estimate, Nevada has a TOW of \$383.33 billion (PHH value = \$423,000). Focusing on the current decade (2005-2015) alone, the state TOW estimate is \$32.47 billion (PHH value = \$36,000). Early TOW transfers are somewhat lower for most of Nevada because of its overall growth structure. Transfers of wealth will rise over time fueled by population and economic growth.

Nevada's TOW values are higher when compared to the United

States and this opportunity is massive. If just 5% of the 10-year TOW were captured in community endowments, nearly \$1,623.34 million could be permanently set aside for future community betterment projects. Assuming a very conservative 5% payout rate on endowments, nearly \$81.17 million could be available annually (forever and in inflation-adjusted dollars) for community betterment projects throughout Nevada!



Ward Charcoal Kilns, Ely

FINAL FINDINGS

Figure 8 - Nevada Transfer of Wealth

Per household (PHH) data for the counties is presented as mean values in this chart.

Place	CNW		50 Year TOW		10 Year TOW		5 % Capture	5 % Payout
	(Billions)	PHH	(Billions)	PHH	(Billions)	PHH	(Millions)	(Millions)
Carson City	\$6.77	\$314,000	\$6.94	\$322,000	\$0.95	\$44,000	\$47.73	\$2.39
Churchill County	\$2.37	\$260,000	\$2.32	\$254,000	\$0.29	\$32,000	\$14.58	\$0.73
Clark County	\$193.40	\$304,000	\$286.19	\$449,000	\$22.20	\$35,000	\$1,109.81	\$55.49
Douglas County	\$7.68	\$411,000	\$11.51	\$616,000	\$1.32	\$71,000	\$66.15	\$3.31
Elko County	\$2.69	\$171,000	\$1.72	\$109,000	\$0.20	\$13,000	\$10.23	\$0.51
Esmeralda County	\$0.07	\$194,000	\$0.06	\$176,000	\$0.01	\$33,000	\$0.61	\$0.03
Eureka County	\$0.17	\$303,000	\$0.14	\$242,000	\$0.02	\$39,000	\$1.13	\$0.06
Humboldt County	\$1.19	\$195,000	\$0.79	\$129,000	\$0.11	\$18,000	\$5.56	\$0.28
Lander County	\$0.28	\$153,000	\$0.20	\$108,000	\$0.03	\$14,000	\$1.28	\$0.06
Lincoln County	\$0.34	\$224,000	\$0.98	\$656,000	\$0.06	\$42,000	\$3.15	\$0.16
Lyon County	\$3.64	\$203,000	\$4.84	\$270,000	\$0.49	\$28,000	\$24.67	\$1.23
Mineral County	\$0.40	\$187,000	\$0.32	\$149,000	\$0.06	\$30,000	\$3.24	\$0.16
Nye County	\$3.52	\$212,000	\$7.62	\$460,000	\$0.76	\$46,000	\$38.08	\$1.90
Pershing County	\$0.26	\$175,000	\$0.21	\$144,000	\$0.02	\$16,000	\$1.19	\$0.06
Storey County	\$0.48	\$275,000	\$0.47	\$266,000	\$0.05	\$30,000	\$2.61	\$0.13
Washoe County	\$50.13	\$331,000	\$58.55	\$386,000	\$5.79	\$38,000	\$289.60	\$14.48
White Pine County	\$0.59	\$210,000	\$0.48	\$170,000	\$0.07	\$26,000	\$3.71	\$0.19
County Total	\$273.99	\$302,000	\$383.33	\$423,000	\$32.47	\$36,000	\$1,623.34	\$81.17

Figure 8 summarizes our transfer of wealth findings for Nevada and its counties. This table includes current net worth (CNW) for 2005 in billions of dollars. We have also provided values measures in “per household” or “PHH” to allow comparisons between the state and its counties. The next findings provide our estimated TOW over the next 50 years (2005 to 2055) measured in real (inflation adjusted) dollars. We have provided per household (PHH) values benchmarking the 50 year TOW with the number of households in 2005. We then provide a 10 year TOW estimate (2005 to 2015) and comparison per household values (benchmarked to the number of households in 2005). Next we simply assume that a conservative 5% of the 10 year TOW could be captured into community endowments and estimate the cumulative value of those endowments should they become reality. Finally, we then assume a conservative 5% payout (which allows the endowment to grow faster than inflation and provide perpetual 5% payout over time). This value is the bottom line in what is possible with a TOW capture strategy. For example if just five percent of the 10 year TOW statewide could be captured into community endowments a remarkable \$81 million in potential community betterment funding would be available annually in inflation proof funds over time.

Figures 9 through 16 beginning on page 15 provide a visual presentation of these same findings. Each series provides the total estimated value and the second map provides the per household comparison values. The counties are shaded to illustrate their relative position with respect to wealth potential across Nevada.

This analysis was prepared by the Rural Policy Research Institute and is based on information provided by the Federal Reserve System, U.S. Census Bureau, Bureau of Economic Analysis and state and local researchers. Please refer to the methodology section beginning on page 27 for more detail.

Pockets of the Creative Economy

One emerging path to economic diversification is described in Richard Florida's book *The Rise of the Creative Class*. Young, technologically-savvy, and footloose professionals are attracted to communities with high amenities and telecommunications capacity. Their creative drive adds vitality and well-paying jobs in fast-growing companies to communities with the right characteristics. Florida looked at a Super Creative Core that includes scientists, engineers, architects, university professors, writers, artists, and entertainers, plus a broader set of creative professionals that includes high-tech workers, legal and health-care professionals, financial services, and business managers. Florida's work focused on metropolitan communities with robust cultural amenities, but USDA's David McGranahan and Timothy Wojan have shown that a rural analogue exists in very livable rural communities with rich natural amenities, as well as in edge communities on the urban fringe.

The specification of the exact set of statistical measures that describe creative communities is a topic of active research. For this TOW model, we asked the technical advisory committee about their perceptions of where pockets of the creative economy might be emerging. We discussed university communities that attract large amounts of research dollars and produce both innovations and spin-off businesses. We asked about industry research centers, towns that seem to be reaching a critical mass of technology firms, and high-amenity small communities that may be attracting footloose Lone Eagles. Adjustments were made in the TOW model to reflect the faster economic and population growth likely to occur in pockets of the creative economy.

Correctional Facilities' Populations

There is one adjustment needed before using county populations to estimate current net worth. Some counties contain large numbers of group quarters residents, especially within correctional facilities, who will not contribute to wealth formation. If left in, their presence may skew wealth estimates upward, particularly in rural counties with a large facility. We have removed such prison populations, wherever possible, from our TOW models.

Retirees and Part-Year Residents

In considering any scenario for the future of a community, it is important to include the role of part-year residents and retirees. We think the process of relocation occurs on a continuum of action. A family may become familiar with a new place as tourists. With time and familiarity, they may decide to purchase a second home, whether a modest cabin, rural acreage, or substantial home. They may begin by visiting the second home on weekends and holidays while raising a family. Upon retirement they may decide to reside in the second home for several months a year, and may eventually even relocate permanently.

The second home and relocation process creates opportunities and challenges for both receiving and sending communities. The sending community can appeal to hometown loyalty, and may receive bequests even after a couple has moved to the Sunbelt. For receiving communities, such as the resort areas, the challenge is to build a relationship with the second community. Affinity to the new community grows as the time spent there grows, but there is little research on the nature of these changing loyalties.

We believe that loyalty to a hometown where wealth was generated may last a generation or longer.

We assessed the presence of retirees and part-year residents in several ways. Population data on those 55 and older may reveal patterns of migration. We also examined data on the amount of dividends, interest, and rent (DIR) received per household by county. These returns to assets are largely controlled by senior citizens and the ultra-rich. We examined the number of vacation homes by county, looking for large numbers or places where vacation homes are increasing. Care must be taken here because homes in urban areas may show up as vacation homes, depending on which home is the legal primary residence.

Growing Communities of Immigrants

America has always been a land of immigrants gravitating toward the promise of a better life here. In assessing the impact of immigrant streams on wealth formation in a community with the technical advisory committee and demographers, a consensus formed around the following premise: Upon immigrating, the earnings of a head of household are often repatriated to the family in the native land until other family members are able to move to America. A further period of sacrifice occurs as the family puts their children through school, saves for a down payment on a home, and/or starts a business. During that time, immigrants may live in cramped or sub-standard quarters to minimize rent payments. The bottom line is a one to two generation lag in wealth formation, followed by a spurt in wealth as the new immigrant family consolidates its position in America. We have adjusted our transfer of wealth model by looking for places of rapid growth in immigrants and adjusting the number of households downward, for purposes of estimating current net worth.

Figure 9

Current Net Worth in 2005 - Billions

Nevada's CNW is Total \$273.99 Billion

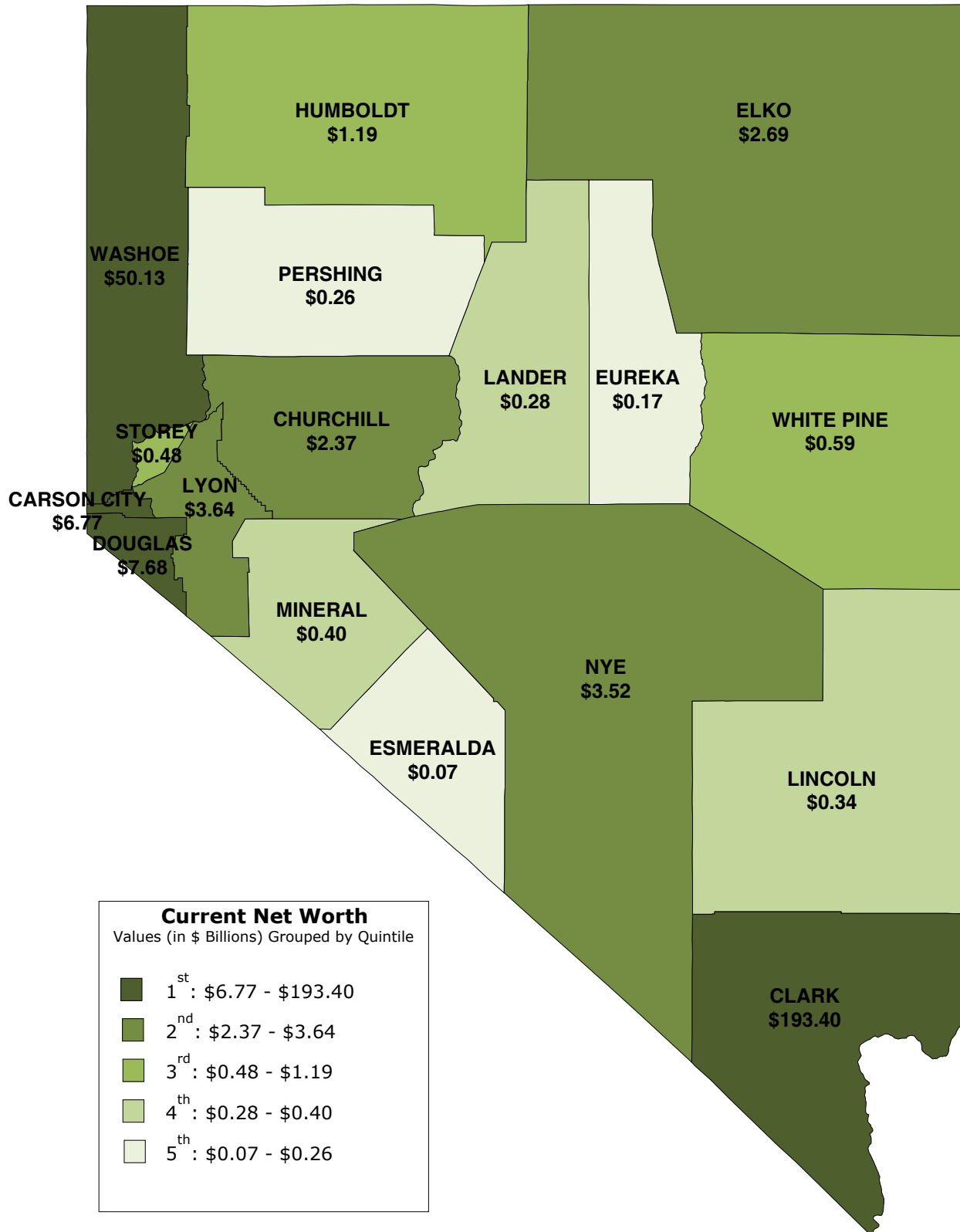
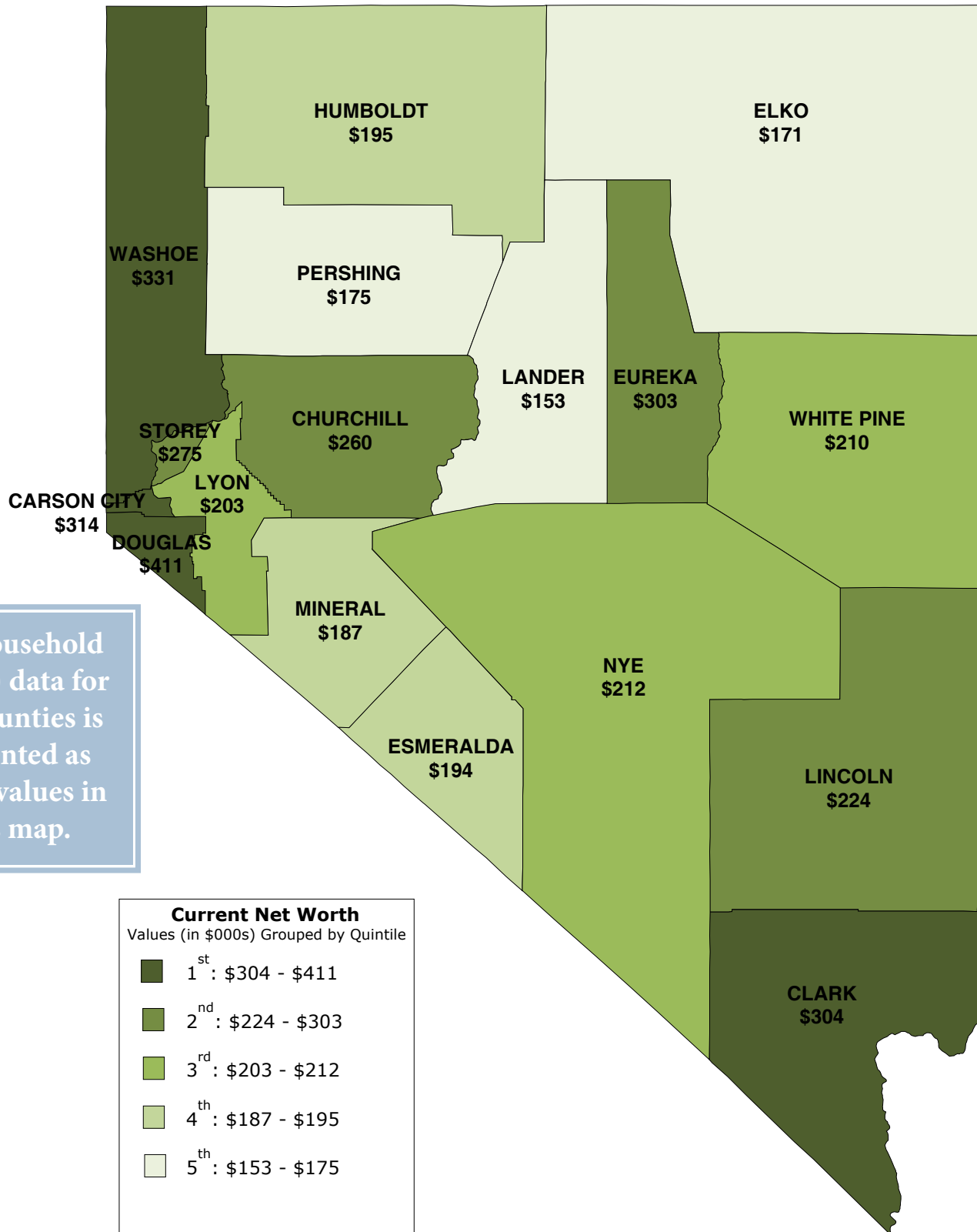


Figure 10

Current Net Worth per Household

Mean Nevada Current Net Worth per Household is \$302,000



Per household (PHH) data for the counties is presented as mean values in this map.

Current Net Worth
Values (in \$000s) Grouped by Quintile

1 st	: \$304 - \$411
2 nd	: \$224 - \$303
3 rd	: \$203 - \$212
4 th	: \$187 - \$195
5 th	: \$153 - \$175

Figure 11

50 Year TOW for 2005-2055 - Billions

Nevada's 50 Year TOW is Total \$383.33 Billion

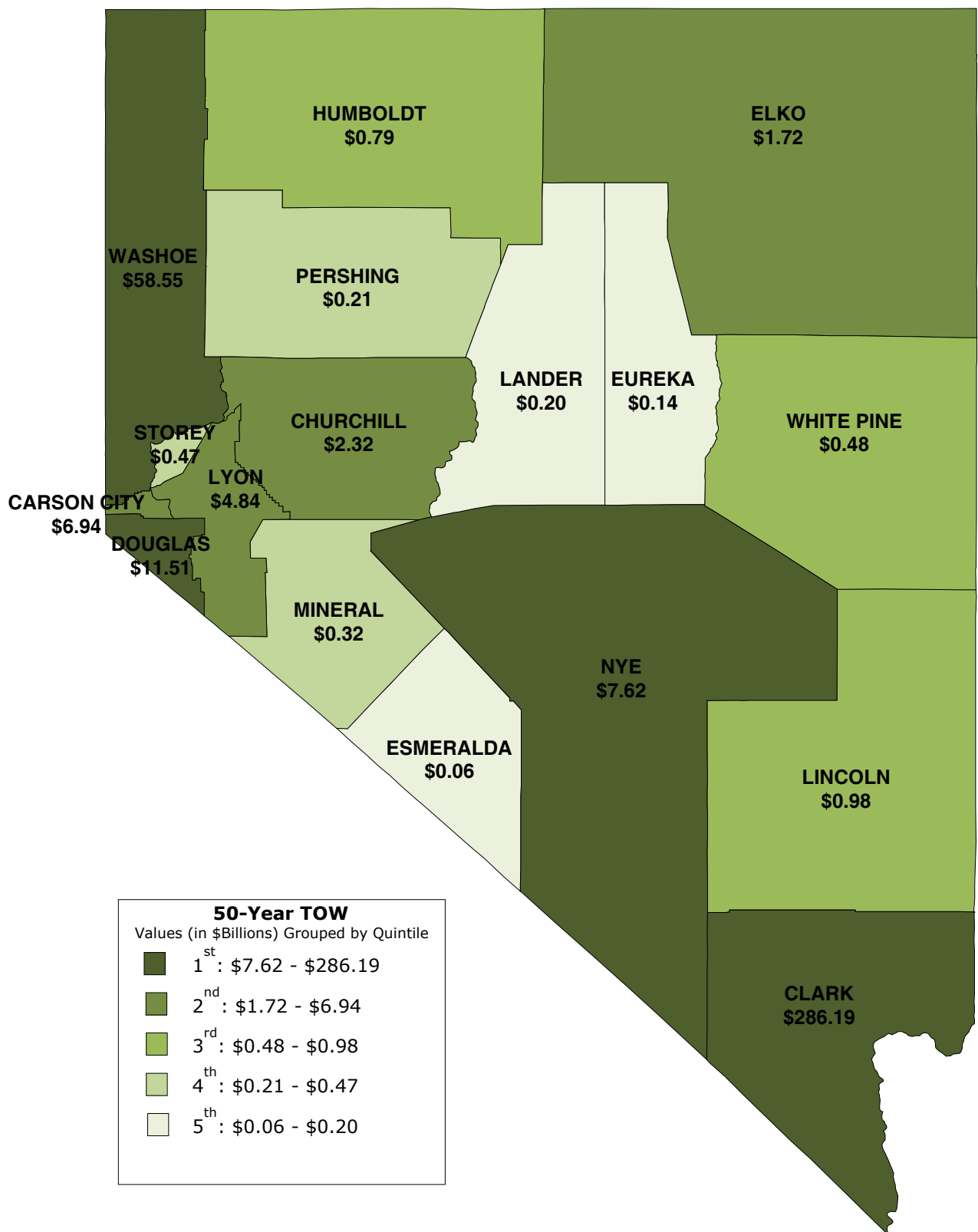
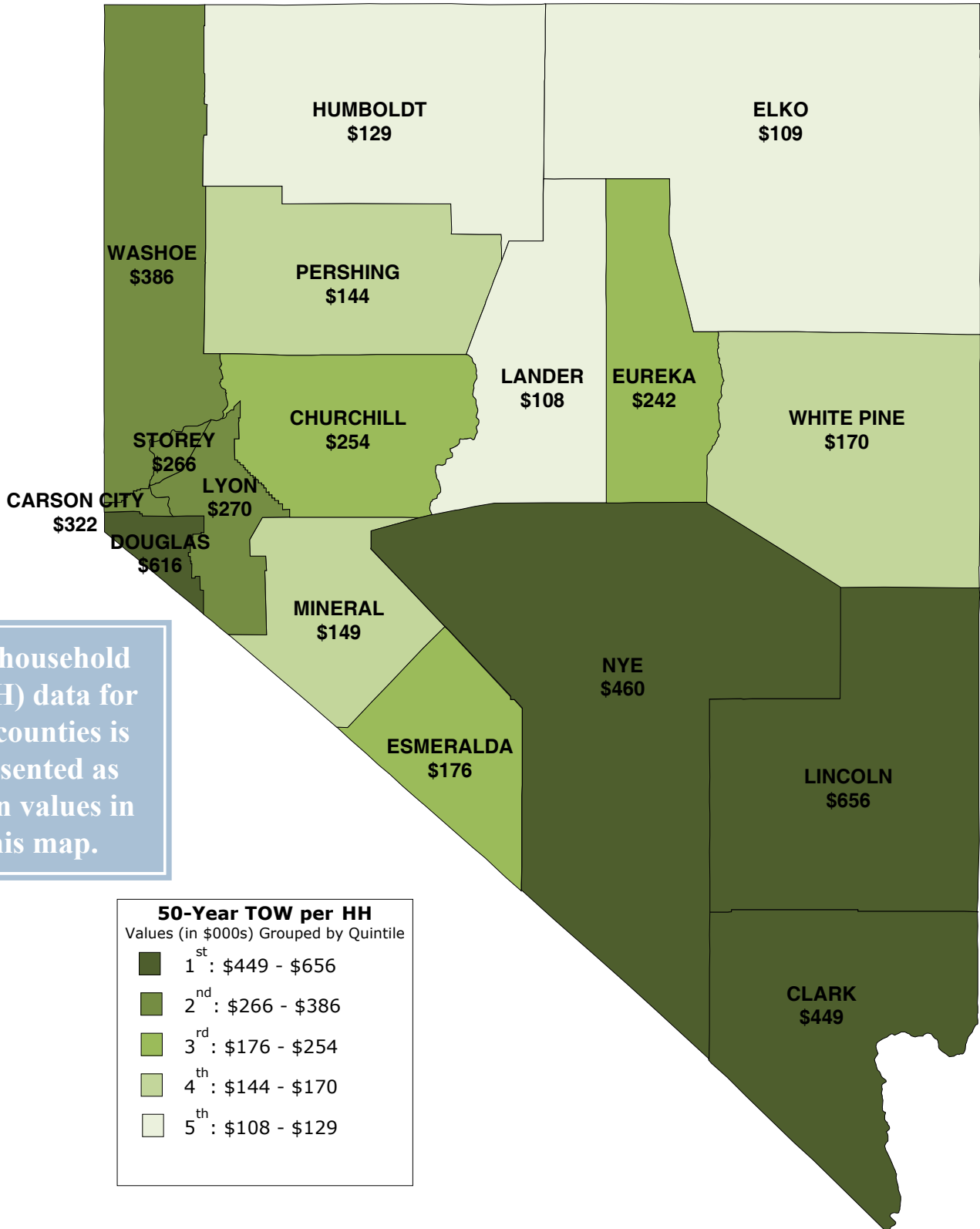


Figure 12

50 Year TOW per Household

Mean Nevada 50 Year TOW per Household is \$423,000



Per household (PHH) data for the counties is presented as mean values in this map.

50-Year TOW per HH
 Values (in \$000s) Grouped by Quintile

1 st	: \$449 - \$656
2 nd	: \$266 - \$386
3 rd	: \$176 - \$254
4 th	: \$144 - \$170
5 th	: \$108 - \$129

Figure 13

10 Year TOW for 2005-2015 - Millions

Nevada's 10 Year TOW is Total \$32,466.86 Million

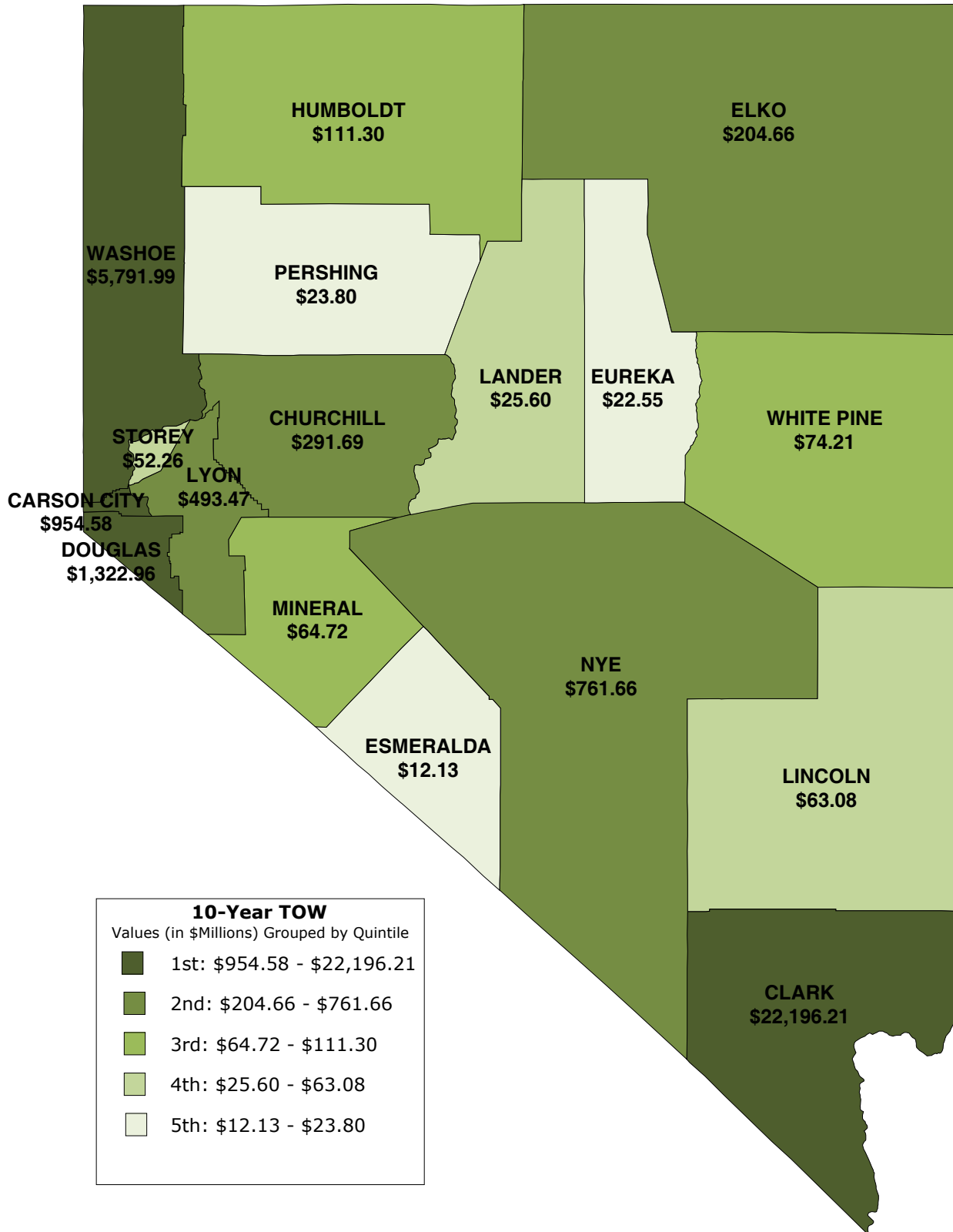
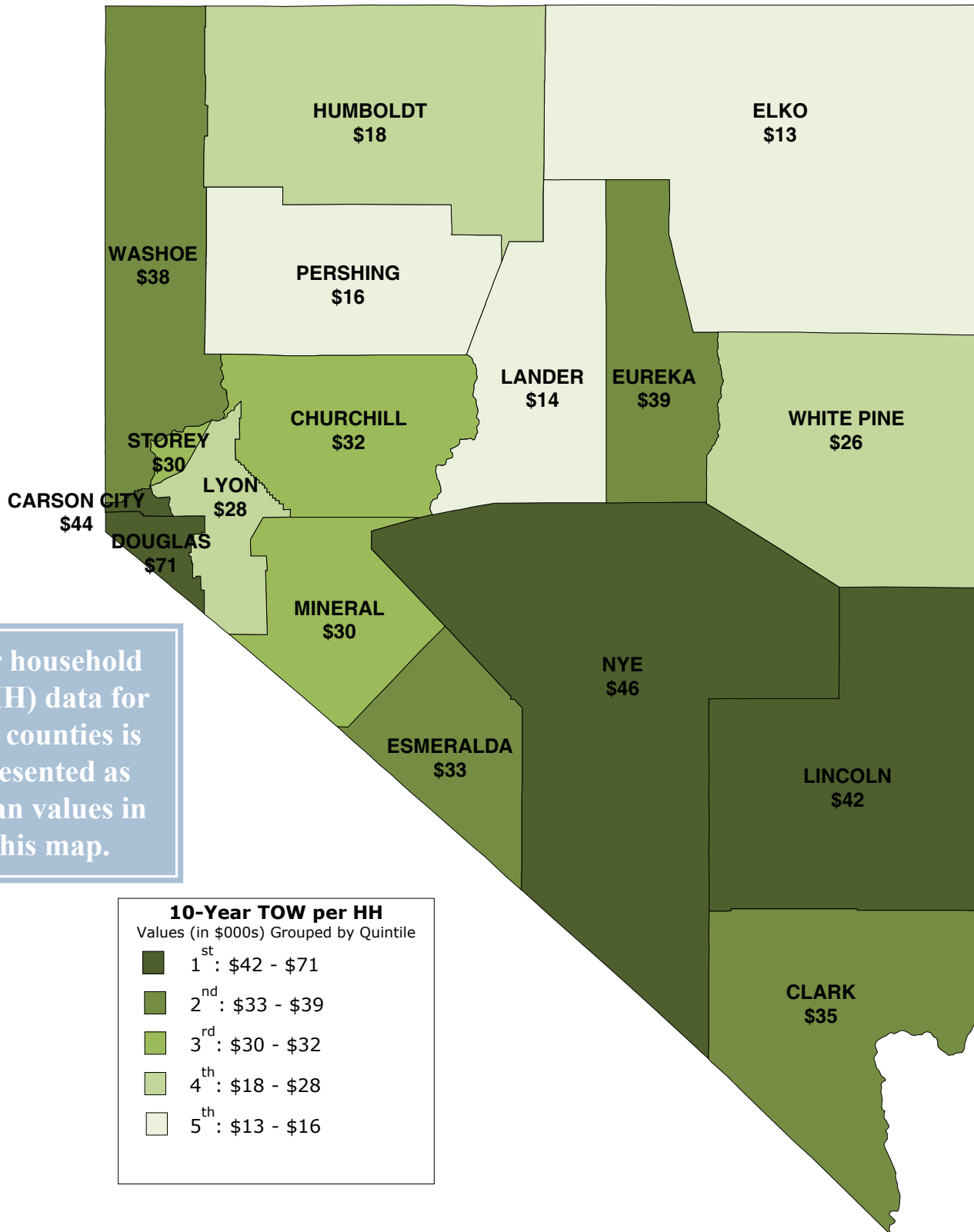


Figure 14

10 Year TOW per Household

Mean Nevada 10 Year TOW per Household is \$36,000



Per household (PHH) data for the counties is presented as mean values in this map.

10-Year TOW per HH
 Values (in \$000s) Grouped by Quintile

1 st	: \$42 - \$71
2 nd	: \$33 - \$39
3 rd	: \$30 - \$32
4 th	: \$18 - \$28
5 th	: \$13 - \$16

Figure 15

5% Capture of the 10 Year TOW - Millions

Nevada's 5% Capture Total is \$1,623.34 Million

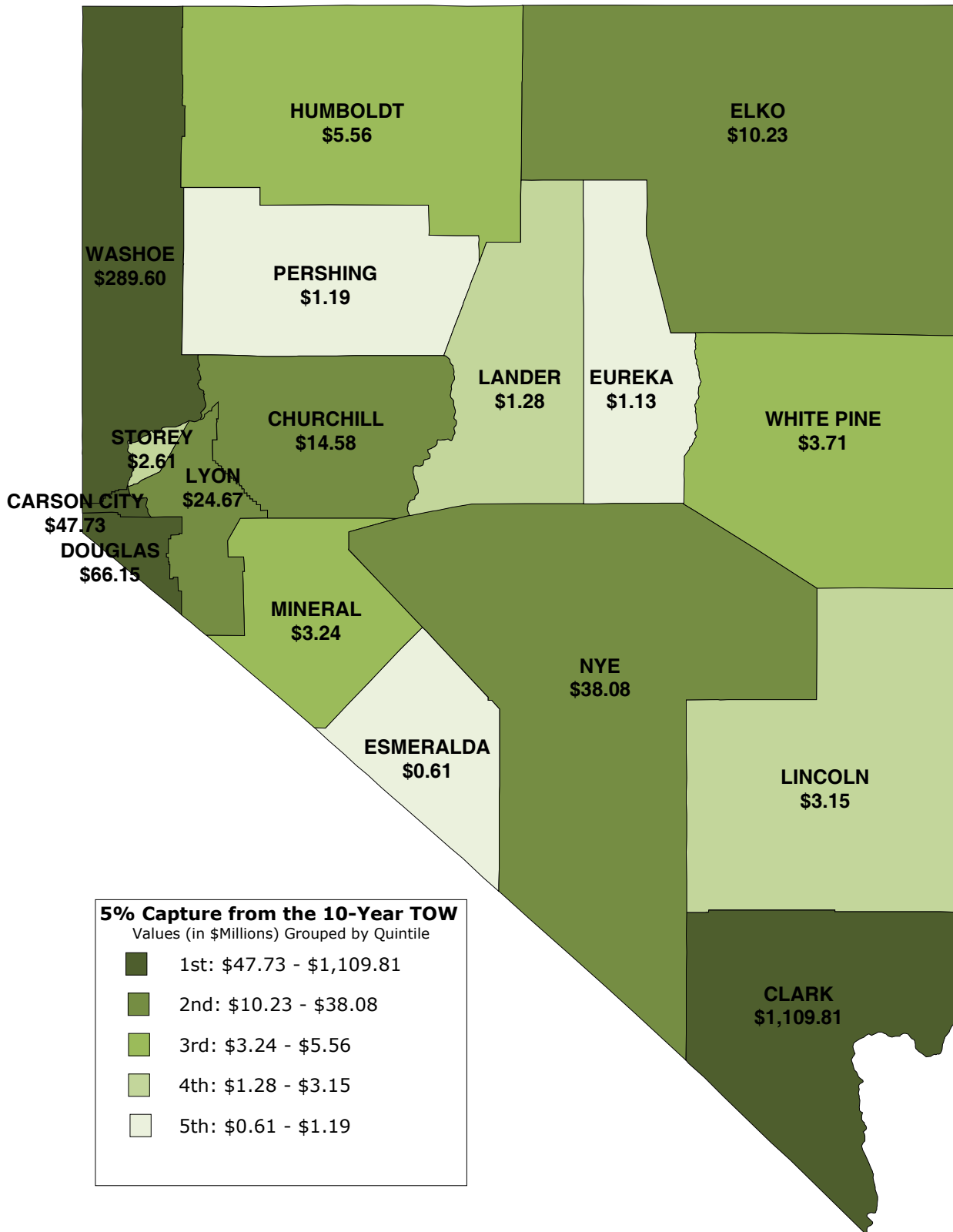
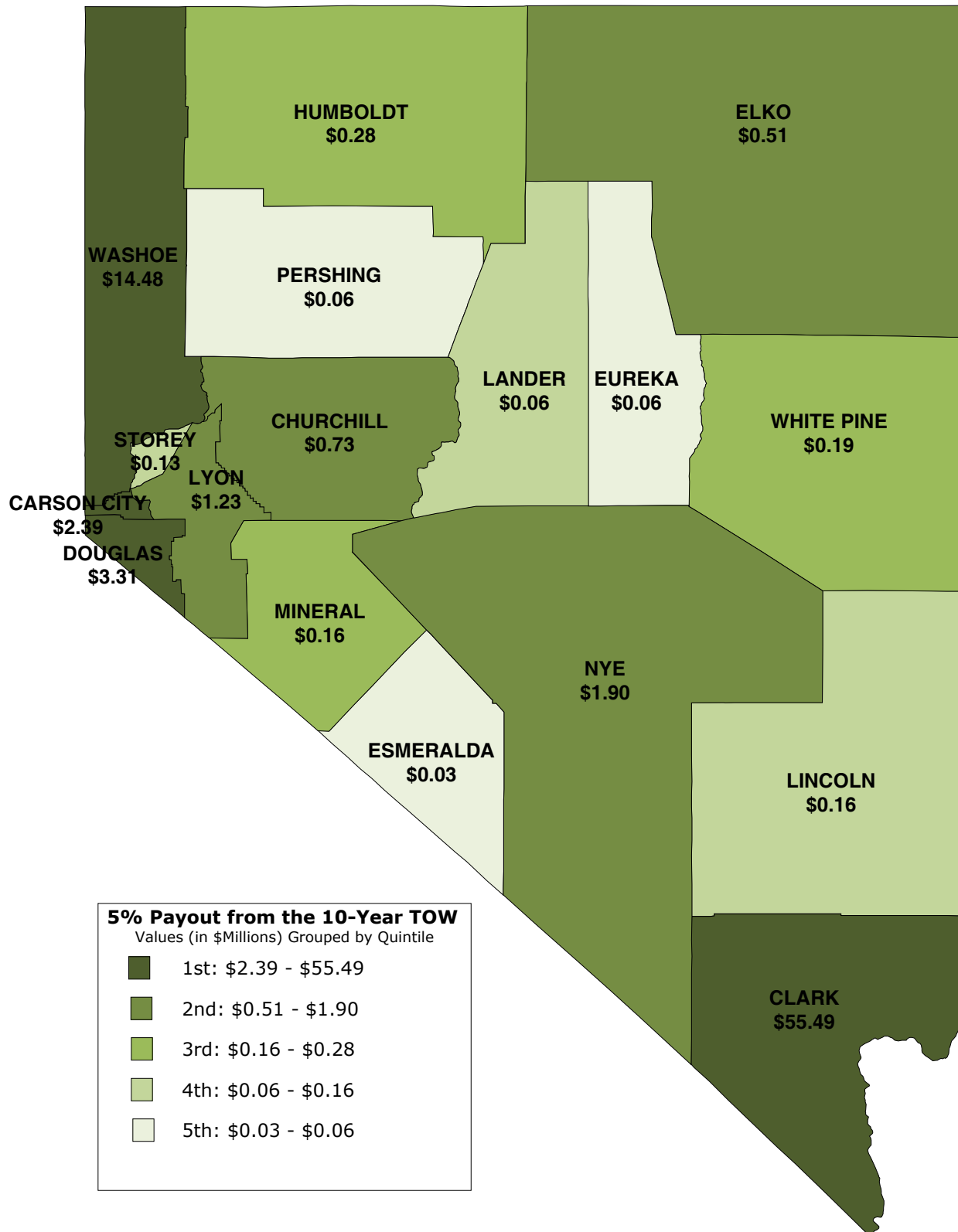


Figure 16

5% Payout from Assets Captured in the 10 Year TOW Nevada's 5% Payout Total is \$81.17 Million - Annually



Expatriates and Former Residents

America has always been a mobile society with massive waves of in and out migration. Rural areas and inner-cities have long exported their children to other communities. Our analysis does not attempt to estimate the TOW potential associated with expatriates. For some larger and more urban communities where 70 percent to 80 percent of all children eventually settle in the area, this may not be a major consideration. However, for communities in rural areas or inner-city neighborhoods, the pool of potential expatriate donors may be very large relative to these communities' resident populations. Give back strategies should explore how to connect with these donors.



Pahrump Valley Winery

HOW TO USE THIS RESEARCH

We all know it is important, but economics and finance can often be hard for many of us to get our heads around. This research by its very nature involves a lot of numbers and economic concepts. But the whole point of this research is to help individuals, communities, donors and organizations gain a grasp of this remarkable transfer of wealth opportunity. Goal setting is important in our culture and way of doing business. Individuals, communities and even nations can be mobilized in powerful ways when there are clear goals and opportunities for being part of the effort. The TOW estimates provide not only a good idea of the size of this opportunity, but the ability to set donor development goals that can translate to endowment building and strategic grant making.

Sometimes we are asked why we use the 5% TOW transfer figure. Its origins are simple but powerful. When we were first exploring this work with the Nebraska Community Foundation, a group of board members were pulled together to identify a possible great target or goal for community wealth capture through endowments. Research was shared and options discussed. But in the final analysis, one board member said “what about 5%?” What if our communities could make the case to donors so that just 5% of the available TOW opportunity could be captured? All agreed that this goal was reasonable, achievable and the

math was easy. As it turns out, they were right. The 5% figure really did not matter -- it provides people who care with a reasonable target to work towards. Today in Nebraska and elsewhere, communities are working towards their 5% goals with passion and effectiveness.

At the request of places where we have completed TOW analysis, we are exploring offering practical “how-to” academies, technical assistance and mentoring. We believe that there is a growing body of experience from those who are using our TOW analyses that can be shared, helping others moving down this path. If you are interested in this kind of assistance, please contact Taina Radenslaben at taina@e2mail.org or 402.323.7336.

For More Information . . .

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Emerald Bay, Lake Tahoe

ABOUT THE NEVADA TOW CO-SPONSORS

Community Foundation of Western Nevada

www.cfwnv.org

The Community Foundation of Western Nevada connects people who care with causes that matter. In our ten years history, we've helped individuals, families and organizations meet their charitable goals and supported our communities' non-profits through grant making and endowment building. We make giving simple, powerful and effective.

The Community Foundation of Western Nevada provides a highly personal approach to community giving. As a 501(c)(3) non-profit organization that accepts a wide variety of assets, we help people make a lasting impact by establishing charitable funds. Grants are made from these funds to nonprofit groups within the community and throughout the country. We help people make a difference in the manner they care about most. The Community Foundation will administer your fund exactly as you intend, for generations to come.

We have deep roots in Nevada. Our board lives here, cares about our communities and is experienced with local leadership. We are in touch with local needs and bring together groups of donors, nonprofit leaders, and elected officials to work together

on problem-solving. We foster greater giving and volunteering. Our business is building community.

Nevada Community Foundation

www.ncf.org

The Nevada Community Foundation has been building a stronger future for Nevada since 1988. In partnership with our ever growing family of donors, the Nevada Community Foundation provides financial support to nonprofit organizations and other public charities with themes ranging from the arts to zoos, primarily in Nevada but also across our nation.

The Nevada Community Foundation strives to be the recognized center of philanthropy for Nevada. Our broad experience with charities has made our professional foundation staff extremely well versed on both the needs of communities and the resources that can fulfill those needs. In fact, helping our family of donors match their financial resources to the ever changing community needs is the basis for our existence.

The concept of a community foundation is as simple as it is brilliant: Community Foundations empower and strengthen the resources already within the community. We provide an easy and effective way for people to achieve their charitable dreams, whatever they may be. We maximize a donor's gift through cutting-edge planned

giving and sound, pooled investing. We keep a finger on the pulse of the community. We solve problems with high impact and thoughtful philanthropy. We open the door for people to come together to address pressing issues and share creative ideas.

The Nevada Community Foundation is about building and strengthening communities.

Nevada Commission on Economic Development

www.expand2nevada.com

Since 1983, the Nevada Commission on Economic Development (NCED) has been providing the strategic leadership and resource tools to develop a more diverse and resilient economic base—ensuring a viable economy for Nevada and its communities.

The Commission promotes, encourages and aids in the development of above average wage primary jobs in manufacturing, research and development, corporate headquarters, technology and other vital economic interests within the state. The Commission also has programs and alliances to foster entrepreneurial activity and small business development.

NCED, a state agency, collaborates with 13 economic development agencies and other business resource partners to deliver innovative programs geared to meet local needs.

Some of these resources include incentives for new and expanding businesses, grant programs for operations and project development, community and infrastructure development through the State Community Development Block Grant Program and small business development and marketing tools.

Under the NCED umbrella are nine division programs: Research and Business Development; Global Trade and Investment; Rural Economic Development; Rural Community Development; Nevada Film Office; Procurement Outreach Program; Marketing; Office of Protocol and Diplomatic Relations and Made in Nevada Program.

The Nevada Commission on Economic Development is committed to Nevada's future—and, is working to preserve, enhance and promote Nevada's business-friendly environment.

Thanks

We would like to recognize and thank the members of the Nevada TOW Technical Advisory Committee who eagerly contributed their time and knowledge to making this project complete. Members included: Tom Harris, University of Nevada-Reno; Jeff Hardcastle, Nevada State Demographer; Ms. Terry Rubald, Nevada Division of Taxation; Chuck Salter, Nevada Community Foundation; Mr. Chris Askin, Community Foundation of Western Nevada; Joe Locurto, Nevada Commission on Economic

Development; Buddy Borden, University of Nevada-Las Vegas; Bill Anderson, Nevada Department of Employment, Training and Rehabilitation; Joe Reel, Nevada Commission on Economic Development; R. Keith Schwer, University of Nevada-Las Vegas; Des Craig, Nevada Commission on Economic Development; Karen Rajala, White Pine County Economic Diversification Council; Eric Grimes, Churchill Economic Development Authority; Jerry Sandstrom, Nevada Commission on Economic Development; and Doug Bixby, Nevada Division of Taxation.

We are also grateful to Scott Huntley, Southern Nevada Water Authority; John Dobra, University of Nevada-Reno; Frank Streshley, Nevada Gaming Commission and Jon Wardlaw, Clark County Planning for their help with special topics.

Additional thanks to Kimberly Elliott, Marketing Director for the Nevada Commission on Economic Development; Greg Mason Advertising Arts; Carol Infranca, Carol Infranca & Associates and the marketing committee for their work with report design and communications.

Thanks also to Tim Rubald, former executive director of the Nevada Commission on Economic Development, who saw value in this project from the onset and supported its coming to fruition.



Mountain Biking, Bootleg Canyon

A special thank you is extended to Bret Bicoy, former President, Nevada Community Foundation and also Chris Askin, Executive Director, Community Foundation of Western Nevada, and Joe Locurto, Nevada Commission on Economic Development for their vision and financial support in co-sponsoring the Transfer of Wealth research.

Photo credits for this analysis belongs to the Nevada Film Office, the Nevada Division of State Parks, The Solitudes, and Rich Johnston, Nevada State Photographer.

METHODOLOGY

America is in the midst of a remarkable time -- a time when wealth from one of our most prosperous periods in time is passing from one generation to the next. This inter-generational transfer of wealth trend offers significant opportunities for most American communities to create community foundations and endowments capable of supporting community improvement work over time.

We would like to recognize the contributions of Boston College and their landmark transfer of wealth study *Millionaires and the Millenium* (1999). This research stimulated expansive discussion within the United States and was primary motivation and influence in our transfer of wealth work. We encourage you to visit the Center on Wealth and Philanthropy at Boston College at www.bc.edu/research/swri/ to learn more about their work.

The RUPRI Center has developed a methodology for creating scenarios for inter-generational wealth transfer for states and counties. This section summarizes our basic methodology for creating these scenarios. We would be happy to personally explore our approach with other interested parties on a request basis.

The following components constitute the methodology we employed in conducting this analysis:

1. It is important to note that we

generate scenarios of likely transfer of wealth opportunities at the state and county level. Our scenarios are projections of likely futures, but are not predictions of what the future actually will become. Our scenarios are driven by key assumptions about the future shaped by a technical advisory committee (TAC) of experts in each state. To fully understand our scenarios, it is important to understand the assumptions we are making about the future. In all cases, we work to create very conservative scenarios, ensuring our projections represent realistic estimates of TOW opportunities.

2. One of our first steps is to establish a base year for analysis. For this study we have selected 2005 as our base year. 2005 was selected because it affords us considerable adjusted indicators necessary to establish state and county current net worth (CNW). We consider 50 years of historical indicators (extending back to the post-World War II period) and project estimates 50 years into the future (to 2055).

Two types of assets are excluded from our CNW estimates. One is the value of personal assets like furniture, vehicles, art and collectibles. The second type of assets excluded are defined-benefit pensions which according to the U.S. Federal Reserve provide lifetime income to 57% of Americans, but may have no transferable value in an estate. Both exclusions mean our CNW estimates are conservative.

3. We begin by benchmarking our analysis to the U.S. Federal Reserve's Flow of Funds Accounts of the United States (<http://www.federalreserve.gov/releases/z1/>). The Flow of Funds Report is the definitive national accounting of household current net worth in the United States on a year-to-year basis. All of our subsequent analysis is benchmarked to this national value.

4. Our next step is to employ national findings from the U.S. Federal Reserve's Survey of Consumer Finances research. Since the 1980s, the U.S. Federal



Hotel Nevada in Ely

METHODOLOGY

Reserve has commissioned every three years an extensive survey of household finances in the United States. The most current report covers 2004. This report provides us detailed U.S. asset and liability holdings by key demographic characteristics (e.g., age of household, income of household, race, employment type, region, housing type, etc.) We match state and county demographic characteristics with key indicators from the Survey of Consumer Finances Report to estimate likely CNW for the state and its counties. We generate three estimates -- low, moderate and high for CNW.

5. Once we have established final current net worth estimates for the base year at the state and county levels, we employ key indicators to customize these estimates to the unique characteristics of each county and state. Our primary customizing indicators include: (a) Dividend, interest and rent income; (b) Income characteristics; (c) Age characteristics; (d) Concentrations of creative class employment; (e) Concentrations of business ownership; and (f) Market valuation of real property by class. We also adjust our estimates to eliminate institutional populations (e.g., prisons, military, mental, colleges, etc.)

6. We then consider a number of additional customizing considerations to further refine our CNW estimates, including:

Time Period for Analysis

Our original analysis incorporated a 2000 to 2050 time frame. We have since adjusted this time frame to cover the period of 2005 through 2055. Creating scenarios reaching out 50 years is somewhat heroic. But this time frame provides a full generational picture of the transfer dynamic.

- (a) Adjacency to high amenity areas, second home development and retirees.
 - (b) Pockets of the ultra-rich (locals or newcomers).
 - (c) Effects of public lands - Bureau of Land Management, Forest Service, National Parks, Department of Defense installations, etc.
 - (d) Effects of mineral/energy right holdings.
 - (e) Effects of tribal lands.
 - (f) Pockets of high corporate stock ownership and ESOPs.
 - (g) Pockets of the creative economy.
 - (h) Specific new economic developments, e.g. new plants, mines, power plants, highways, alternative energy, water projects.
 - (i) Effects of the gaming industry.
 - (j) Effects of investment patterns and traditions of Nevadans.
 - (k) Effects of new immigrants and repatriation of earnings.
 - (l) Areas of future population boom, bust, or plateau.
- Many of these factors are also key considerations in building



Monument Peak, Gardnerville

assumptions for our TOW projections. The technical advisory committee also helps us identify other unique circumstances that would impact our estimates of either CNW or TOW.

7. For each county and state we build (a) a population model for the period of 2005 through 2055 and (b) an economic forecasting model. We employ existing and available state population forecasts and then build out our population forecasts through 2055. Typically we become more conservative furthest into the future with high-growth states and a bit more optimistic with states that are currently struggling demographically and economically.

There is a strong and historic relationship between population, personal income change, and change in household current net worth. We employ these relationships along with our demographic and economic forecasts to project household CNW over time through 2055. Again, we generate relatively conservative projections benchmarked to the mid-range CNW for the U.S. and the low TOW projection for the United States.

8. Not all assets are equal with respect to TOW opportunity. Many assets will not be available for giveback either to heirs, charities or home towns. We employ a discounting methodology to reduce the value of our CNW projections so we can generate a TOW estimate that more closely represents the

likely TOW opportunity for each county. Here are some examples of where we might discount CNW:

- (a) Assets that depreciate quickly such as motor homes, automobiles and other durable household goods.
- (b) Assets where future value is hard to estimate including collections, art and jewelry.
- (c) Assets that generate income, but are not part of our estimates from a giveback standpoint, including defined benefit retirement programs or annuities.
- (d) Closely held assets including farms, ranches and family businesses.
- (e) The assets of lower income households which are likely to be consumed during retirement leaving limited estates available for giveback.

This discounting can reduce gross CNW by 50% to 75% depending upon the demographics of households in a particular county. Again, the discounting allows us to estimate TOW which is truly available for potential giveback.

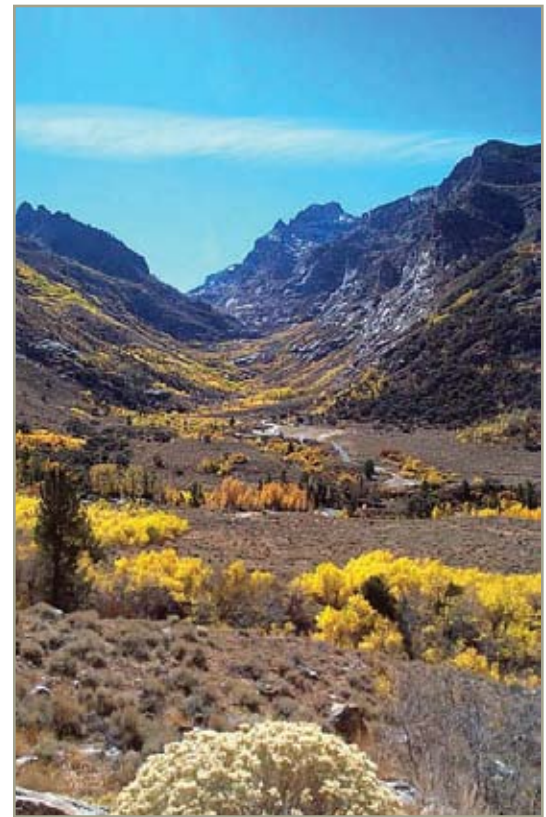
9. Our next step is to estimate the timing of TOW release. We employ projected deaths as our primary indicator of TOW release. Our demographic projections estimate the number of deaths throughout the analysis time frame and these percentages are used to estimate TOW release.

10. To ensure that we have captured all material considerations, we utilize a technical advisory committee (TAC) of experts in each state. The TAC reviews our findings, our

assumptions, and advises us regarding key factors in the scenario process. Additionally, other experts are often consulted to ensure that we have adequately addressed unique issues specific to particular county settings.

11. New state CNW and TOW estimates are generated by aggregating the findings for all the counties within the state. These values are once again benchmarked to the U.S. and to other states to ensure comparability.

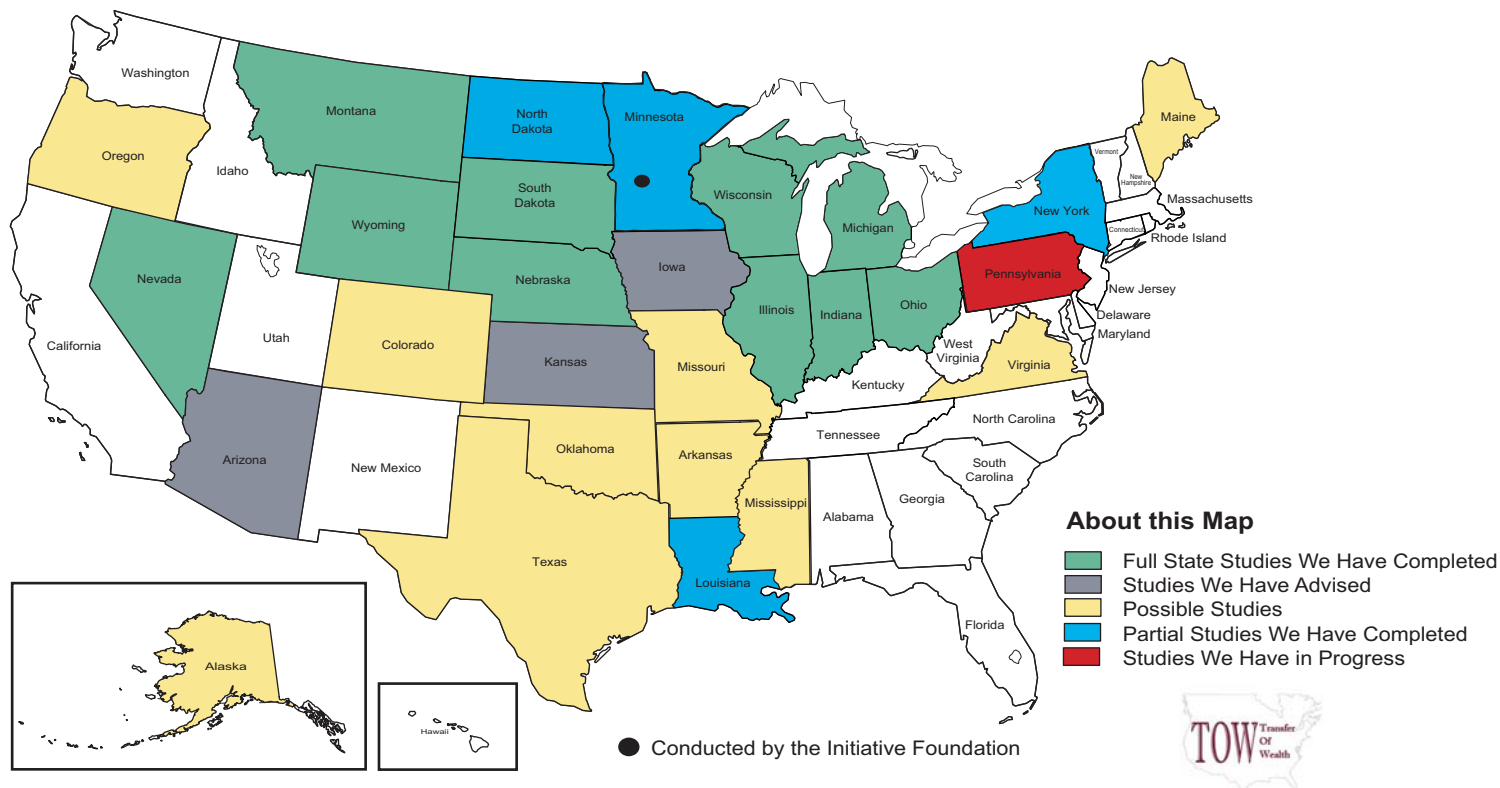
We hope this information on our methodology is helpful to understanding how we generate CNW and TOW estimates.



Ruby Mountains Scenic Area

MORE ABOUT OUR TOW WORK

We are pleased that we have been able to contribute to America's development through our Transfer of Wealth Analysis. The following map highlights TOW work around the country including our studies.



The following is a chronology of TOW studies in the United States:

- 1999 - Boston College releases Millionaires in the Millennium estimating \$41 trillion in U.S. inter-generational wealth transfer.
- 2000 - We engage in early discussions with the Nebraska Community Foundation to estimate TOW for Nebraska and its 93 counties.
- 2002 - We release Wealth in Nebraska - our first TOW study.
- 2003 - We complete TOW analysis for Wyoming.
- 2004 - TOW is done for Wisconsin and we advise the Iowa TOW study.
- 2005 - We complete TOW analysis in South Dakota and the Greater New Orleans Region. Boston College does TOW analysis for North Dakota.
- 2006 - We complete TOW studies for Montana and Indiana, and advise the Arizona TOW study.
- 2007 - We complete TOW studies for Ohio, Illinois, Michigan and Northeastern New York. Additionally, we have started TOW studies for Nevada and Pennsylvania. We are also advising Wichita State University and the Kansas Health Foundation on a TOW study in Kansas.
- 2008 - We are currently in discussions with six different states regarding TOW future studies.



Our Inter-Generational Transfer of Wealth (TOW) analysis is a service of the RUPRI Center for Rural Entrepreneurship. The RUPRI Center for Rural Entrepreneurship strives to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America. The Center is part of the Rural Policy Research Institute, an organization dedicated to providing unbiased analysis and information on the challenges, needs, and opportunities facing rural America.

Original founding support to develop our TOW analysis service was provided by the Nebraska Community Foundation (NCF). For more information about NCF visit its web site at www.nebcommfound.org. Subsequent and on going support for the RUPRI Center for Rural Entrepreneurship and our TOW Analysis is being provided by RUPRI (www.rupri.org).

Our TOW Initiative is led by Don Macke who serves as the Co-Director for Outreach with the RUPRI Center for Rural Entrepreneurship and Senior Advisor with the Nebraska Community Foundation. TOW analysis is supported by Ahmet Binerer (Senior Analyst), Taina Radenslaben (Project Manager), Dick Gardner (Senior Fellow), Tim Murphy (Geographer) and Dr. Eric Thompson (UNL, Bureau of Business Research).

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