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Foundation works to make rural dreams come true

By Larry Dreiling

Statistics don't lie.

Rural America is losing its human and financial capital to its urban centers.

Talented young people are leaving for better paying jobs off the farm and ranch with no one to replace them in their communities.

Just don't tell Jeff Yost that the problem can't be corrected. He'll tell you otherwise.

Yost, president and CEO of the Nebraska Community Foundation, which helps manage over 90 community-based funds, 30 donor advised and life-time gift funds, and nearly 50 organizational funds in 147 communities in 64 of the state's 93 counties.

The foundation manages nearly \$50 million in assets and dispersed nearly \$7 million in funds in fiscal year 2005.

"We help community organizations, families and individuals to use charitable giving as a tool for community benefit," Yost says. "We use philanthropy as a tool, compared to being a charity. We work with local leaders to help them take control of their destiny."

NCF took root in 1993, when the Nebraska Rural Development Commission was formed. Maxine Maul, NCF's first president, was then lieutenant governor. Yost was working for then Gov. Ben Nelson. Don Macke was running the commission.

Together, the three of them examined the issues of outmigration in their state.

"For example, when I graduated from high school in Red Cloud, Neb.," Yost says, "nobody said to me, 'You ought to go off to college, have some experiences, but when it comes time to build a family and career, think about moving home to Red Cloud and we'll see what we can do to help you out.'"

"We should be giving messages to our children about taking a sojourn rather than giving them the implicit message, 'You're a bright, articulate kid. We'll see you around the holidays.' Ultimately, it was those conversations we wanted to change about communities in our state."

Ending dependency

Adding to the lack of positive thinking, Yost adds, is the cycle of disinvestment in small communities, a cycle of that leads to them becoming more dependent upon others to help them finance solutions to their problems.

"This cycle of dependency is a phrase we've come to use with the inner city," Yost says. "That's not something we're used to hearing because we've always thought of independent and self-sustaining."

With the purpose of fighting the cycle of dependency and helping communities better themselves came NCF, which helps all those aforementioned funds work better.

"We provide the accounting, the audit, investment, legal services, comprehensive insurance coverage, website operations since we are moving to online giving with all these groups," Yost says. "We also provide a series of proactive development services like education, training, advocacy and strategy that these groups can customize to make sense for their place."

Systems assistance

NCF lets the entities that'll contract with them do the fund-raising. Their primary role is to do the back-office work.

"That way, nobody in the local community has to say, 'I'll be treasurer.' That's always a hitch, because people who handle large sums of money have a big fiduciary responsibility that comes along with that. System and sophistication become important in all of that. Part of this work is getting community leaders up to speed on this."

The fixed cost for a fund affiliated with the foundation is \$300 plus any marginal costs. NCF also charges a one-time cost to help communities pool funds for one-time drives as well.

"On the investment side, we can help the local foundations there, too. We can help them buy local certificates of deposit. Right now, we are managing about 80 C.D.s for these communities," Yost says.

"We also have a group of asset managers that can help them select one of three different asset allocation models that communities they can choose from. Most choose to be in a half equities and half income plan. Once you factor out inflation and fees that's about a 5 percent annual payout."

Reducing wealth transfer

One of the things the members of the Rural Development Commission intuitively knew was when kids leave small towns, population is not the only things these communities were going to lose. They knew that when the children's parents pass away whatever they've accumulated is going to go someplace else.

That intuition was confirmed in a 1999 Boston College study called Millionaires of the Millennium estimated that over the next 50 years there would be a \$41 trillion transfer of wealth in this country.

Macke, who now helps run the Center for Rural Entrepreneurship, which is affiliated with a number of universities across the country, estimated that Nebraska, with 1.7 million people, would see a wealth transfer of \$258 billion over the 50-year period, or about \$145,000 per person.

Macke then further developed a rural estimate among the 750,000 people in Nebraska cities under 12,000 population--or towns about the size of Beatrice and smaller. The research to do those estimates was underwritten by grants from Ford Foundation and the W.K. Kellogg Foundation.

"That's \$94 billion," Yost says. "We've now quantified that capital is not a limited resource in rural places. A lot of that capital isn't liquid, but there's no lack of capital."

In other words, the study quantified what most rural people already knew: They were cash poor, but land rich.

"Through these grants we've been able to develop a quantified analysis of wealth transfer in every county of Nebraska. You can look at our Website, nebcommfound.org, and find your county's wealth."

No new Appalchias

The problem Yost and Macke saw was the timing of this transfer of wealth. Nationally, in 2000, about 6 percent of this wealth was released. It's estimated that by 2050, that number will double.

But because of the demographics of rural Nebraska, that transfer of \$94 billion is estimated to climb quickly to peak about 2015 and then decline precipitously.

The threat, Yost says, is if Nebraskans did nothing to reinvest in their communities, it would go from a land rich, cash poor economy to an absolutely poor economy.

"If you look at income levels in the Deep South or Appalachia that we consider poor, those income levels and the income levels in rural Nebraska are about the same," Yost says. "The difference between the Great Plains and those places is we still own our assets."

"Places that have more and more external ownership have less and less opportunity to access their asset base are places that do not have control of the destiny. That's the difference between rural Nebraska--right now--and a banana plantation. The land is still mostly owned and controlled by people who live and work there."

A long way to go,

a short time to get there

Because of that research, NCF realizes they have a 10-year window to be more aggressive in mission fulfillment.

"We have an amazing opportunity to use charitable giving as a piece of community reinvestment," Yost says. "Think what could happen if just 5 percent of that \$94 billion was reinvested in rural Nebraska communities as endowments. That's \$5.64 billion, or a little

less than the Kellogg Foundation is right now. How would that change the landscape for those 750,000 living in rural Nebraska? It would change it dramatically."

In this land rich, cash poor environment Yost and his eight employees concentrate on charitable giving connected to estate planning.

"What's confusing is people think that philanthropy is for a niche of wealthy people," Yost says. "Research has shown that rural areas have a higher percentage of lower-income people than do rural areas and a small percentage of high-income people. Remember, that's income, not wealth.

"If you want to build a system in cash poor, land rich environment, you can't use traditional models; you have to build it differently. So we build memberships in all kinds of different ways. They can do levels of giving and then pay it off in a multi-year period. Usually we try to make it a three to four-year payoff. You try to craft a floor rather than ceiling for giving, with the idea that if you have enough people giving, it will all add up."

Making a start

Buy starting from a floor, fledging foundations begin to see success and build brand recognition.

"If a local community foundation wants to start by raising \$5,000 for new playground equipment, that's fine, then they use that to hang their hat on to go onto the next big thing," Yost says. "A big leap is to go into huge endowment building. We start with people who are really pretty good at what they do, particularly in terms of annual fund drives and also good at capital campaigns.

"We do a lot of training. The question we ask is: 'How many of you have been in a capital campaign for a church and that campaign failed?' The answer usually is none, because they all have been able to figure it out. We have an ethic of giving in these rural communities, revolving around church and in higher education. Giving to the community is a new thing."

Changing the conversation

That means a big part of what Yost does is training local people about the sensitive issue of discussing long-range giving with their neighbors in an effort to "change the conversation" about where they live and the legacy they wish to leave.

"In rural parts of the state you have people like the bachelor farmer or the elderly couple that has lived modestly their entire lives," Yost says. "These are people who are not usually going to be able to give huge gifts of highly appreciated assets. The cost basis of a farm may be 30 percent of its current market value. What we've found is that people have become very sophisticated about diversifying their assets.

"Trying to break the cycle of disinvestment in these communities through philanthropy is a way to get back to investing in their communities besides their church or school. That doesn't fit with the culture we live in."

Yost says he knows that the road ahead for creating this new form of philanthropy is a long one with a short time to reach the destination, but the journey to success has begun.

"We currently have about 85 public-private partnerships ranging from the library addition in Wymore to a new community center in Wayne to a health care center in Wauneta," Yost says. "There's all sorts of environmental and natural resources projects we're working on, too.

"In helping these people build their communities through philanthropy, they can gain sustainability of leadership. NCF is all about investing in people. We have over 1,400 advisors in these affiliated funds. They are building a new vision for their communities and helping them make their dreams come true."

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