Estimating rural Canada's intergenerational wealth transfer: Application in selected Ontario communities Alex Petric & Ryan Gibson Northern Directions Conference 2022



### Outline

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### Research Context



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#### Methods Applied



Initial Research Findings

Next Steps





## RESEARCH CONTEXT

Intergenerational Wealth Transfers

### **Transfer of Wealth**

- Wealth naturally transfers to younger generations as people age and pass away.
- Past research highlights the great size of these transfers.
- Rural areas may be unaware of wealth residing locally.
- Identifying existing wealth may spur work to invest it in rural areas.





Assumptions and approach

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### Challenges

- Past work focuses on the USA with proprietary methods.
- Due to data availability, we focus on estimated values of dwellings.
- We focus on Census Divisionlevel data from the 2016 Census (Counties, Regions, Districts).



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### **Defining Urban and Rural**

- We classify Census Subdivisions in Census Metropolitan Areas (CMAs)<sup>1</sup> and Census Agglomerations (CAs)<sup>2</sup> as Urban.
- All remaining Subdivisions are Rural & Small-Town areas.
- E.g., North Bay's Census Agglomeration includes other nearby municipalities in Nipissing District.



<sup>1</sup> CMAs: 100,000+ core population, along with nearby commuting areas <sup>2</sup> CAs: 10,000-99,999 core population, along with nearby commuting areas

### **Overview of Calculations**



### Assumptions and relevant factors

#### • Our model assumes:

- No population change from migration/births.
- Housing prices stay constant.
- Dollars stay constant (no inflation).
- Persons do not change mortgage status over time.
- When implementing, we include the following aspects:
  - Restrict calculations to persons who are 40+ years old in 2016.
  - We let death rates vary when data is available (2016–2020) but they are otherwise a constant average of 2016–2020 rates.
  - We make low, medium, and high estimates by changing category averages and percents of mortgaged property values captured.

### **Scenario variables**

	Low Scenario	Medium Scenario	High Scenario
Mortgage value captured	25%	50%	75%
Dwelling value for each category	Minimum	Midpoint	Maximum





What have we learned?

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### **Initial Research Findings**

	Rural Estimates		
	Oxford		
	Low	Medium	High
10 Yrs	\$ 421,137,206.46	\$ 532,719,640.74	\$ 657,871,453.40
20 Yrs	\$ 745,052,067.93	\$ 975,511,001.00	\$ 1,237,675,138.61
50 Yrs	\$ 1,508,721,890.79	\$ 2,120,566,265.60	\$ 2,828,040,241.10
	Wellington		
	Low	Medium	High
10 Yrs	\$ 472,819,593.08	\$ 609,945,375.66	\$ 764,736,910.16
20 Yrs	\$ 847,439,680.41	\$ 1,142,529,634.47	\$ 1,481,177,876.39
50 Yrs	\$ 1,764,716,058.72	\$ 2,588,269,323.21	\$ 3,552,365,271.83

### **Initial Research Findings**

	F	Rural Estimates		
	1	Nipissing		
	l	_OW	Medium	High
10 Yrs	\$	138,455,935.86	\$ 184,671,011.04	\$ 237,404,947.88
20 Yrs	\$	251,299,907.22	\$ 348,860,964.65	\$ 462,154,503.58
50 Yrs	\$	517,305,119.14	\$ 766,480,648.73	\$ 1,060,665,076.05
		Timiskaming		
		Low	Medium	High
10 Yrs	\$	208,162,979.01	\$ 274,227,178.81	\$ 348,237,260.92
20 Yrs	\$	373,012,929.98	\$ 504,712,597.99	\$ 655,165,793.48
50 Yrs	\$	756,721,005.53	\$ 1,086,728,562.60	\$ 1,473,410,430.66

## Example of Opportunities: Nipissing, ON

Medium estimate over 20 years: \$348,860,964.65 If 5% is diverted for community investment

Approximately **\$17.4 million** 

Annual return of roughly **\$872,000** for community purposes



If invested with an average 5% rate of return

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## **Other Notes on Findings**

- Projections decrease as time goes on, likely due to assumptions about mortgages.
- Our figures are for rural areas; urban data tend to produce higher dollar figures compared to rural data.
- This method:
  - Only includes housing wealth and omits other sources (e.g., investments, savings).
  - Does not incorporate household debt.



# **NEXT STEPS**

Where do we go from here?





### **Next Steps**

- Model refinement
  - Incorporating other data sources & projections.
  - Modifying/Testing assumptions.
- Exploring research impact
  - How can local stakeholders pursue these potential opportunities?
  - Which groups could benefit? (E.g., community foundations, trusts, benevolent societies?)
  - How do communities handle urban-rural divides? Regionally? Locally?
- Other avenues
  - Visualizations of results over geographies/time.
  - Developing results into journal submission.

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