

# U.S. TRUST

## 2015 *U.S. TRUST INSIGHTS ON WEALTH AND WORTH*<sup>®</sup> SURVEY

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### Key Findings

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Bank of America Private Wealth Management

# Table of contents

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Overview	3
Key Findings	
<b>I. Defining a life well lived</b>	<b>4</b>
• Health	12
• Family	20
• Financial Security	24
• Giving back	28
<b>II. Planning for a life well lived</b>	<b>34</b>
• Growing and preserving wealth	35
• Family wealth and transfer	47
• Longevity planning	53
• Role of advisors	58
<b>III. Spotlight: Business owners and executives</b>	<b>65</b>
Respondents profile	71

# 2015 Survey overview

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## About *U.S. Trust Insights on Wealth and Worth*®

*U.S. Trust Insights on Wealth and Worth*® is one of the most in-depth studies of its kind to explore the attitudes, behavior, goals and needs of high-net-worth and ultra-high-net-worth adults in the United States. U.S. Trust has been periodically surveying the perspective of wealthy individuals and families since 1993.

## About the 2015 Study

In 2015, U.S. Trust commissioned an independent, nationwide survey of 640 high-net-worth and ultra-high-net-worth adults across the country.

The findings build on *U.S. Trust Insights on Wealth and Worth* studies conducted in 2011, 2012, 2013 and 2014, providing new insight on topics of emerging importance as well as revisiting previously explored themes.

## Profile of survey respondents

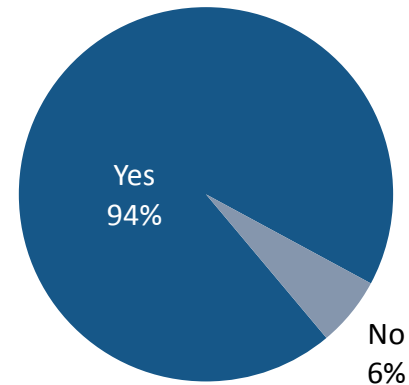
- 640 high-net-worth adults
- Investable assets:
  - 55% have between \$3M and \$4.9M
  - 32% have between \$5 and \$9.9M
  - 13% have \$10M or more
- Age of respondents:
  - 16% Millennials or Gen Y (Age 18-34)
  - 23% Generation X (Age 35-50)
  - 47% Baby Boomers (Age 51-69)
  - 13% Mature (Age 70+)
- Gender
  - 57% men
  - 43% women
- Business Professionals
  - 118 Business Owners
  - 99 Senior Executives

# Defining a life well lived

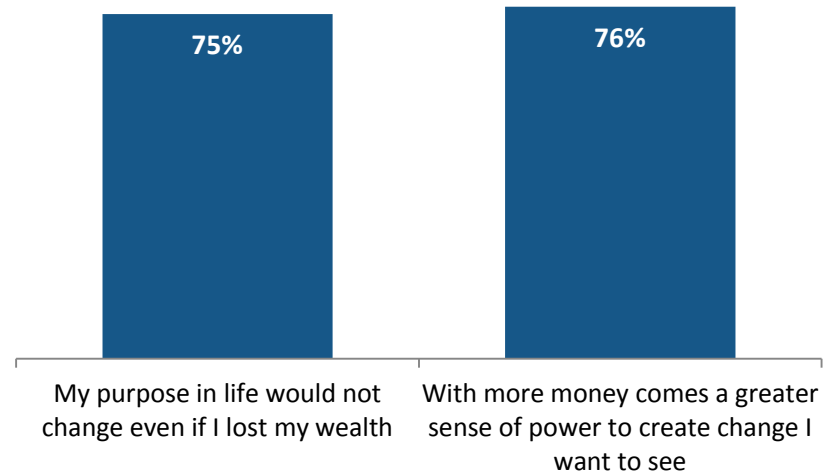
# Wealth empowers, but doesn't define, life's purpose

- The vast majority (94%) of wealthy people say they have a clear sense of purpose in life
- Three-quarters (75%) agree that their life's purpose would not change even if they were to lose their wealth
  - Those with more money are more likely to agree:
    - 84% of those with \$10M+
    - 78% of those with \$5M-\$9.9M
    - 71% of those with \$3M-\$4.9M
- Most (76%) agree that more money gives them greater ability to create change to fulfill their life's purpose

**% WHO AGREE "I HAVE A CLEAR SENSE OF PURPOSE IN LIFE"**



**% WHO AGREE ON THE ROLE OF WEALTH**



Q12. To what extent do you agree or disagree with each of the following statements?

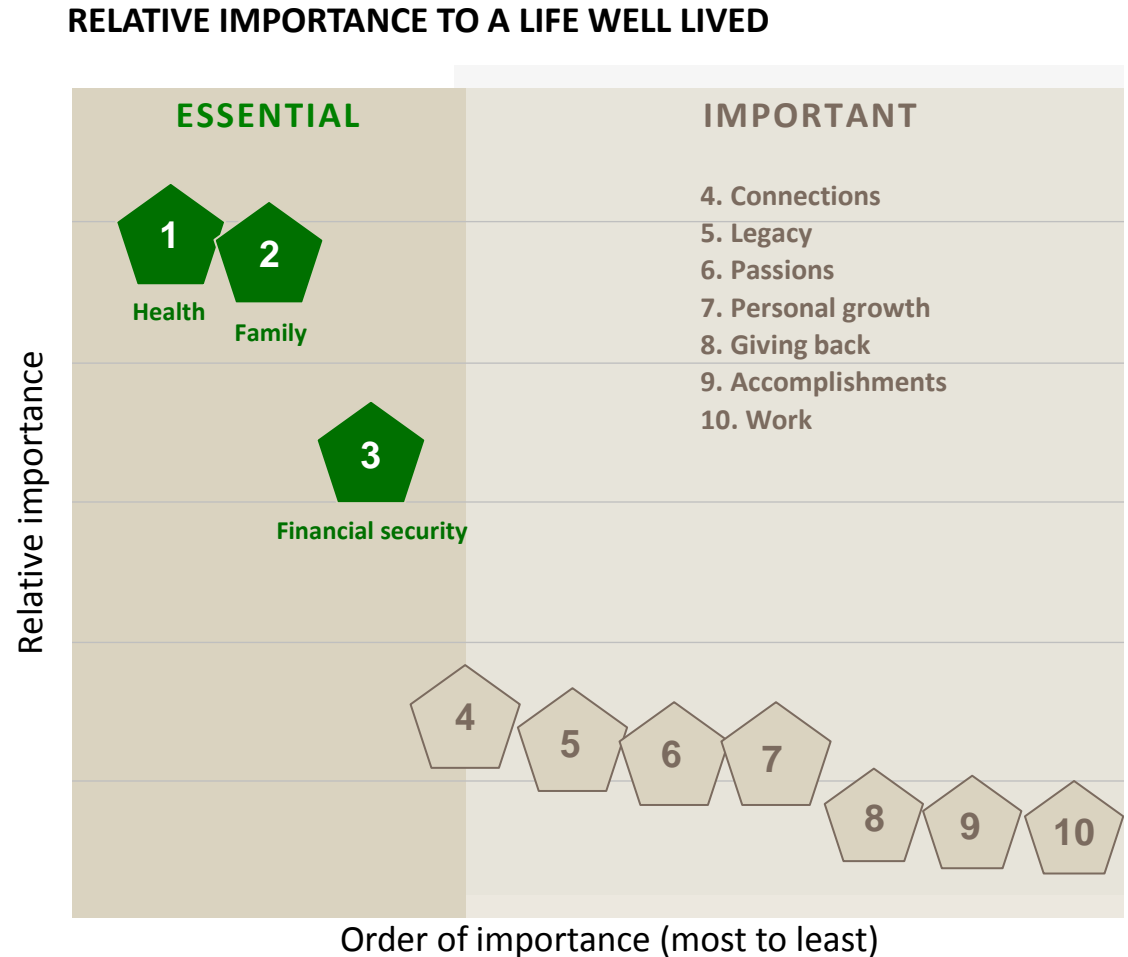
# Defining a life well lived

- In 2015, Insights on Wealth and Worth explored the concept of “A life well lived”
- The elements that go into a life well lived are clearly divided among those that are:
  - Essential: Health, family and financial security
  - Important: Connectedness, personal growth and making a difference in the world



# Relative importance of essential elements

- Though all elements are important, on a relative basis, health, family and financial security come first as the foundation on which all other important elements of a life well lived rely
- After these basic elements, the wealthy seek fulfillment of their life's purpose and enjoyment through their connections with others and expression of their personal interests
- Ultimately, they seek to make a meaningful contribution and difference in the world through the gifts, work and talents



**Q8.** On each screen you will see five factors and be asked to select which is the **most important** to you and which is the least important. Considering only the factors below, which one is the most important to you personally and which one is the least important in defining a “life well-lived”?

# Generational perspective on what's most important

- Perceptions about what matters most and the most important elements of a life well lived are shaped by age and circumstance
- The older one becomes, the more important health and family become to the meaning of a life well lived
- Younger respondents – Millennials and Gen X – are focused on building their wealth and financial security, and are more likely to rate them highest as essential elements

	MILLENNIALS	GEN X	BABY BOOMERS	MATURE
Level of importance ↑	Meaningful work	Financial security	Health	Health
	Financial security	Health	Family	Family
	Accomplishments	Family	Financial security	Financial security
	Health	Pursuing passions	Pursuing passions	Pursuing passions
	Connections with others	Personal growth	Connections with others	Connections with others

Q7. Rate each on a scale of 1 to 5 where 1 means “inconsequential” and 5 means “essential” to leading a life well-lived.

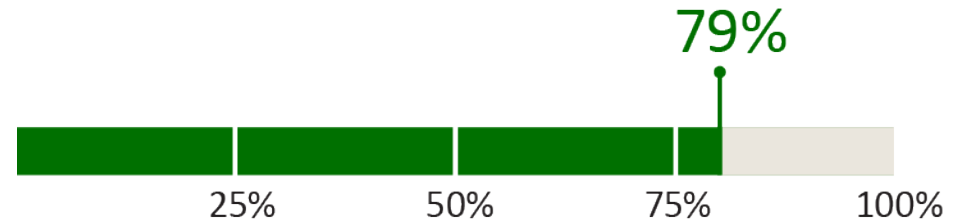


# Progress on the path to a life well lived

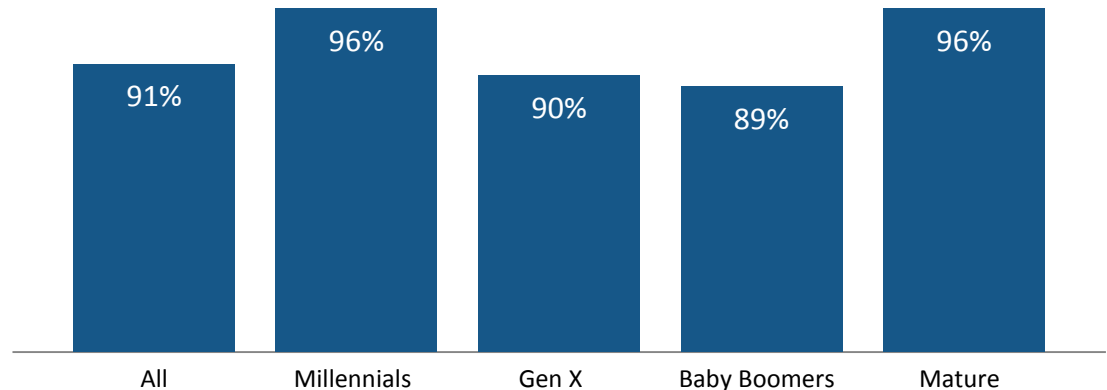
- Most people feel they are fairly well on their way to a life well lived.
  - Among all respondents, they feel they are 79% of the way to where they want to be
- Those who are older feel they are farther along. By age, median progress toward a life well lived is:
  - Millennials: 67%
  - Gen X: 74%
  - Baby Boomers: 83%
  - Mature: 89%
- Almost all feel they focus on what matters most and invest sufficient time and attention

## WHERE THE WEALTHY ARE ON PATH TO A LIFE WELL LIVED

(Sliding scale from 0 to 100)



## % WHO SAY THEY INVEST SUFFICIENT TIME AND ATTENTION IN "AREAS OF LIFE THAT MATTER MOST"

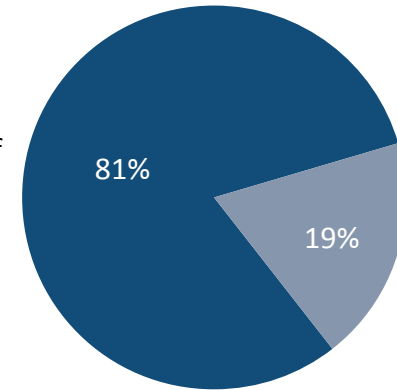


Q9. Thinking about where you are at this stage of your life compared to where you would like to be right now, where would you consider yourself on your path to a life well-lived? Please slide the button to the point where you think you are at this stage of your life relative to where you would like to be right now.

# Eight in 10 have at least one area in need of attention

- Eight in 10 (81%) identified at least one area of their lives in which they should be doing more or focusing greater attention
- The most highly ranked areas of life where people feel they should be paying more attention are: Health, giving back to society, pursuing passions, family and connections with others
- Health was cited most often by all age groups except Millennials. Financial security is on the minds of Millennials (30%) more than any other age group
- Those over age 70 are notably more likely (26%) to say they need to focus on their health

One or more important areas of life in need of greater attention



Focusing the right attention on all important areas

## TOP MOST-CITED AREAS OF LIFE WHERE PEOPLE FEEL THEY SHOULD BE GIVING MORE ATTENTION



Health



Giving back to society



Pursuing passions



Family

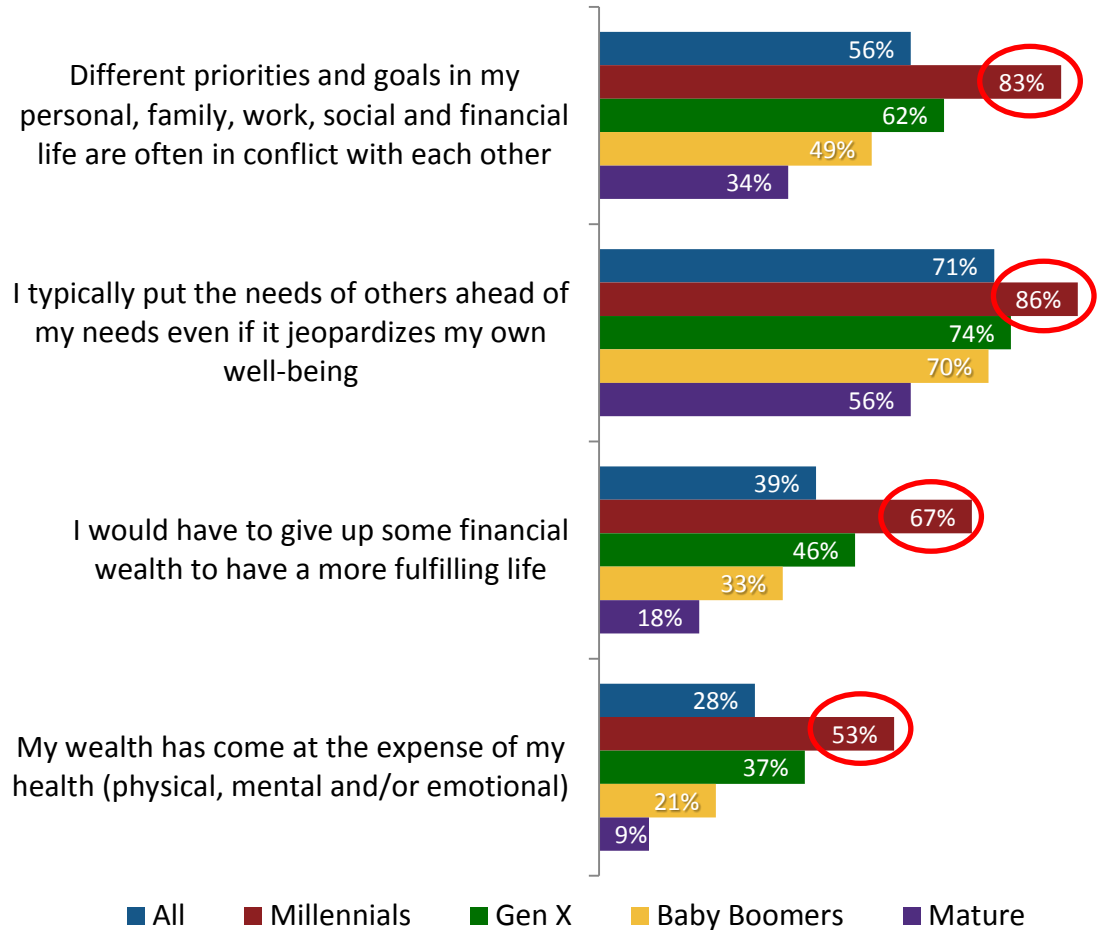


Connections with others

Q11. What is the one area where you most feel you should be doing more or giving more attention to at this stage in your life?

# Many struggle with conflicting priorities

- More than one-half (56%) struggle to balance different areas of their lives
- Four in 10 agree that they would have to give up some of their wealth to have a more fulfilling life
  - Millennials and those with the greatest assets (\$10M+) are more likely to agree
- Millennials are also notably more likely to say personal, family, work, social and financial goals often conflict and that they typically put the needs of others ahead of their own



Q12. To what extent do you agree or disagree with each of the following statements?

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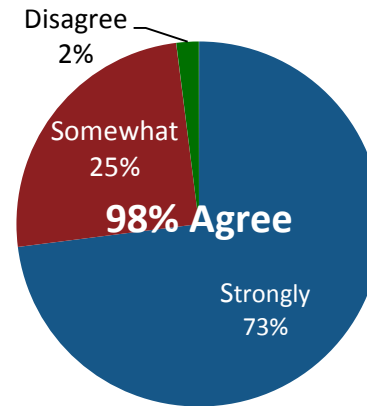
## ESSENTIAL ELEMENT #1: HEALTH

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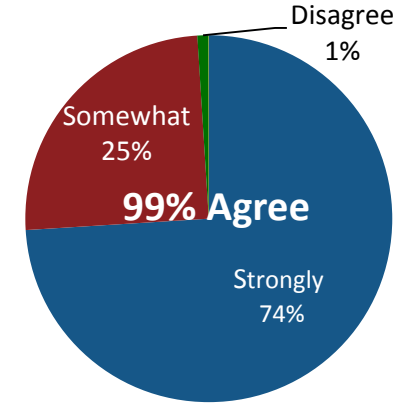
# Health is the most valuable asset and worth the investment

- The vast majority view health as their most important asset and worth the investment for the realization of a life well lived
  - This is not surprising, since health is considered the most important element to a life well lived
- While considered important across all segments, the importance of investing in good health increases with age

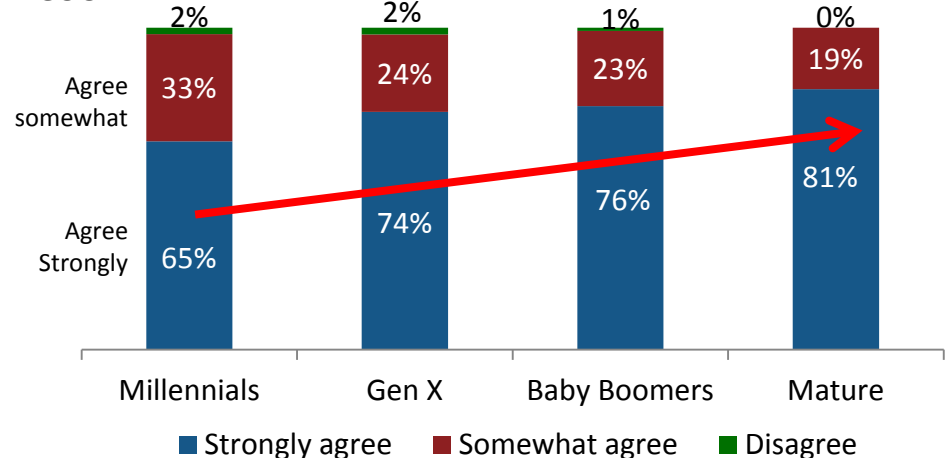
**MY HEALTH IS MY MOST IMPORTANT PERSONAL ASSET**



**INVESTING IN GOOD HEALTH IS AS IMPORTANT AS INVESTMENTS IN BUILDING WEALTH**



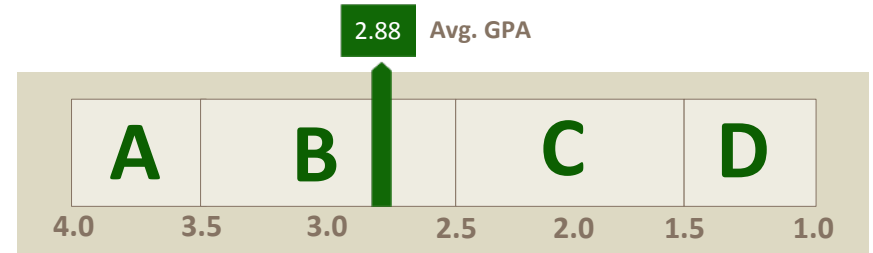
**GENERATIONAL PERSPECTIVES ON THE VALUE OF INVESTING IN GOOD HEALTH**



Q36. Please indicate to what extent you agree or disagree with the following statements.

## B- average grade on health activities

- On average, the wealthy give themselves a B- (GPA of 2.88) for their efforts to maintain good health
- Overall, they score the lowest grade for stress reduction and mental relaxation
  - Millennials, women and the UHNW give themselves notably higher grades for practicing meditation and yoga, though not for stress reduction
- With the exception of Millennials, most of the wealthy give themselves the highest grade, an A, for completing annual exams and for not smoking
  - Nearly one in five Millennials give themselves a failing grade on annual check-ups
  - Approximately one in 10 Millennials fail for smoking

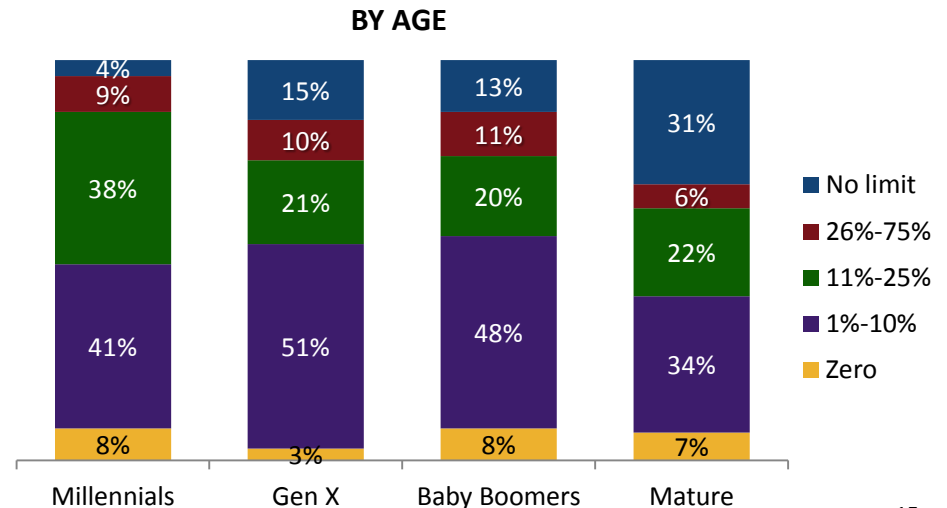
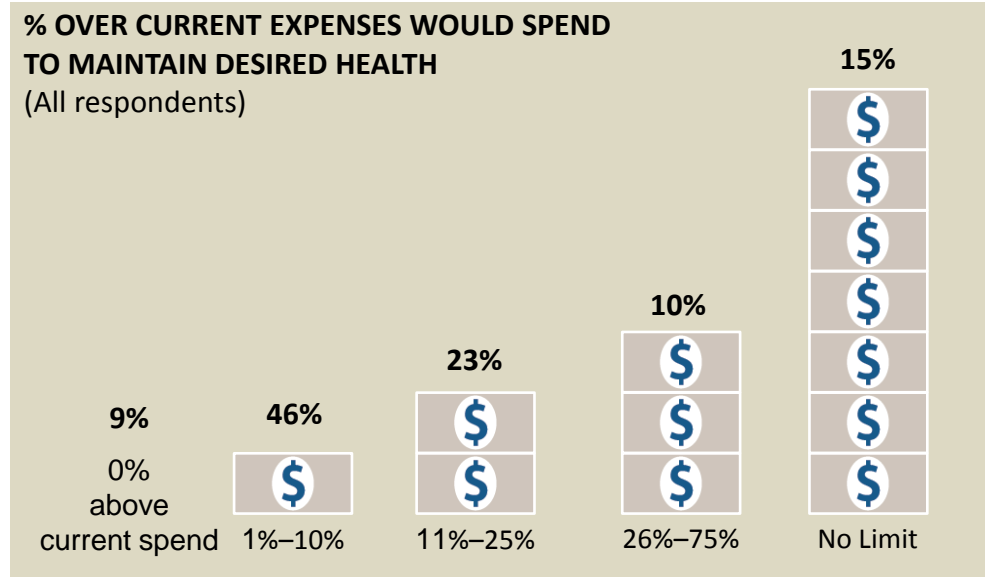


Report card		B-
Getting annual exams	B+	
Maintaining healthy weight	B	
Exercising regularly	B	
Eating a balanced nutritious diet	B	
Not smoking	A	
Yoga, stretching & breathing	C	
Relieving stress	B-	

Q37. What grade would you give yourself in the health management activities below?

# Willing to invest more in their health

- The vast majority (91%) of wealthy people are willing to spend more than they currently are to maintain good health
- Fully one in three of the Mature Generation (70+) say there is “no limit” to what they would spend to maintain their desired health status
- More than one in 10 Millennials (13%) are willing to spend 26 percent or more on health
- Nearly one in 10 (9%) would not spend any more money on health than they currently are

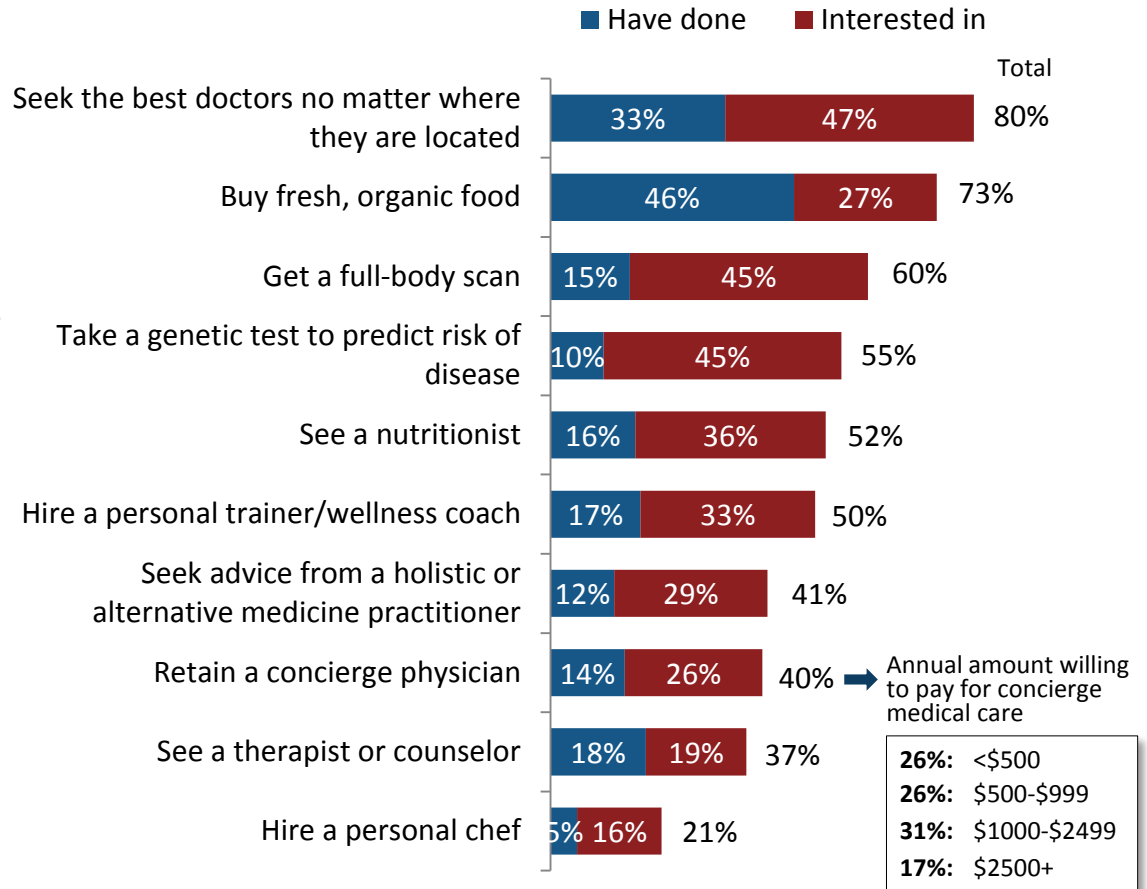


Q40. How much more would you be willing to spend over your current expenses to maintain your desired health status?

# Health-related activities

- The wealthy invest in their mental, physical and emotional health and are willing to seek the best care, coaches and counselors to assist them
- Nearly one-half (46%) are committed to eating fresh, organic food
- Eight in 10 either have or would seek the best physicians regardless of where they are located
- While four in 10 have, or would, seek concierge-level, on-demand medical care, few are willing to pay an annual retainer of more than \$1,000 out of pocket
  - More Millennials, business owners and those with the greatest wealth have sought concierge health care

**% WHO HAVE DONE OR ARE INTERESTED IN DOING**  
(all respondents)



Q38. Which of the following investments have you done or would be interested in doing to manage your health status?

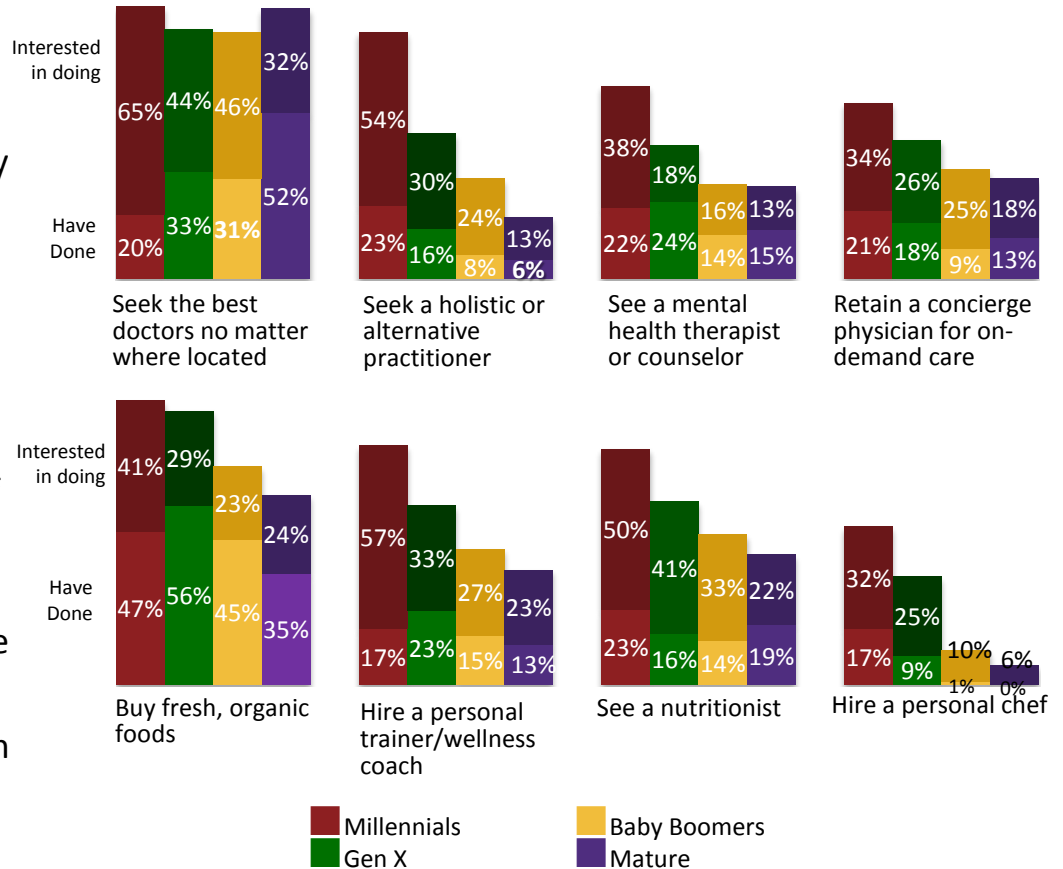
Q39. You indicated that you currently use, or are interested in, concierge medical care. How much would you be willing to pay as an annual extra out-of-pocket retainer to have access to on-demand medical care, even if you have no health issues?



# Generations invest differently in health

- Younger respondents are more likely to invest in proactive, preventive measures to maintain good health whereas older respondents are more likely to be focused on medical and restorative health measures
  - More than one-half of mature, wealthy people have sought the best doctors for the care they need regardless of where they are located
  - The Millennial generation is driving interest in fresh, organic foods and nutrition, and nearly one-half have or are interested in hiring a personal chef to prepare it
- There is significant interest among those younger than age 50 in holistic or alternative medicine
- There is growing awareness of mental health among younger groups. Twice as many Millennials than members of the Mature Generation are, or are willing, to seek counseling.

**% WHO HAVE DONE OR ARE INTERESTED IN DOING**  
(By age group)



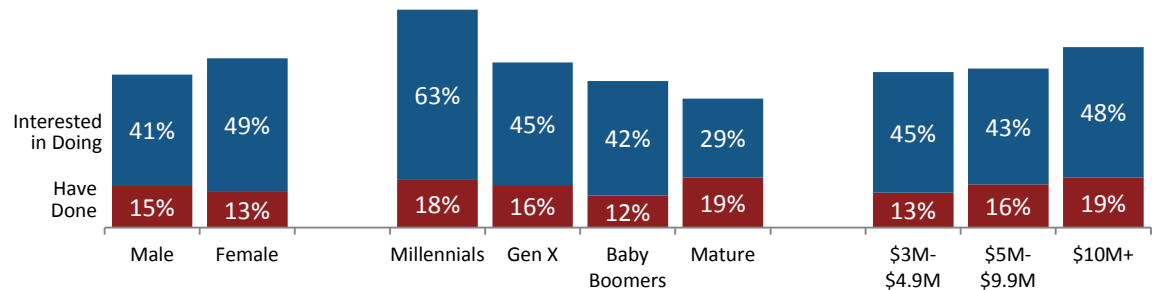
Q38. Which of the following investments have you done or would be interested in doing to manage your health status?

# The wealthy seek pre-emptive healthcare and testing

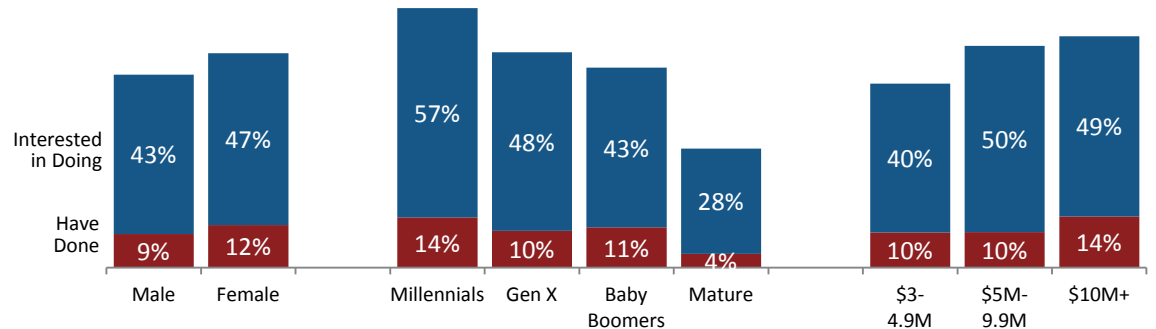
- About six in 10 HNW individuals have done or are interested in getting a full-body scan to proactively identify health issues
  - Millennials and those with the greatest assets are most likely to have proactively done screening and testing
- Over half of the wealthy have taken, or would be interested in taking, a genetic test to predict their risk of a hereditary or life-threatening disease such as Alzheimer's or cancer
- Proactive and/or pre-emptive diagnostic testing is still relatively new and raises important issues for patients, their physicians and insurers about prescriptive medicine and payment based on risk factors, not diagnoses

**% WHO HAVE DONE OR ARE INTERESTED IN GETTING**  
(By gender, age and assets)

## A full-body scan



## A genetic test to predict risk of hereditary disease

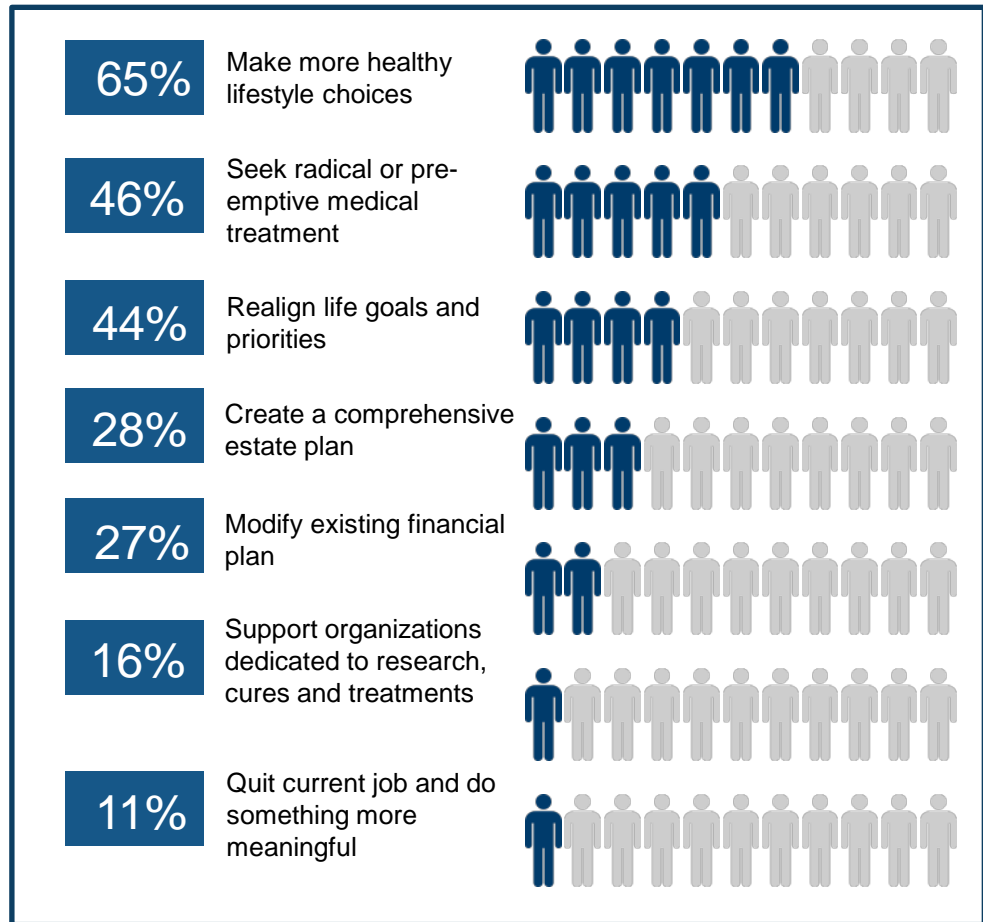


Q38. Which of the following investments have you made or would be willing to make to manage your health status?

# Health crises bring life priorities into focus

- Most of the wealthy would take some action if diagnostic tests discovered the risk of a serious, life-threatening disease. Nearly one-half (46%) would seek radical or pre-emptive medical treatment
- Though most feel they already are focusing on what's most important in life, four in 10 (44%) would realign their life goals and priorities in the event of a health crisis
- Slightly more than one-quarter would create or modify their financial and estate plans

## ACTIONS WOULD TAKE IF AT HIGH RISK OF LIFE-THREATENING DISEASE (All respondents)



Q41. If you discovered you were at high risk of a seriously debilitating or life threatening disease, which of the following actions would you take?

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## ESSENTIAL ELEMENT #2: FAMILY

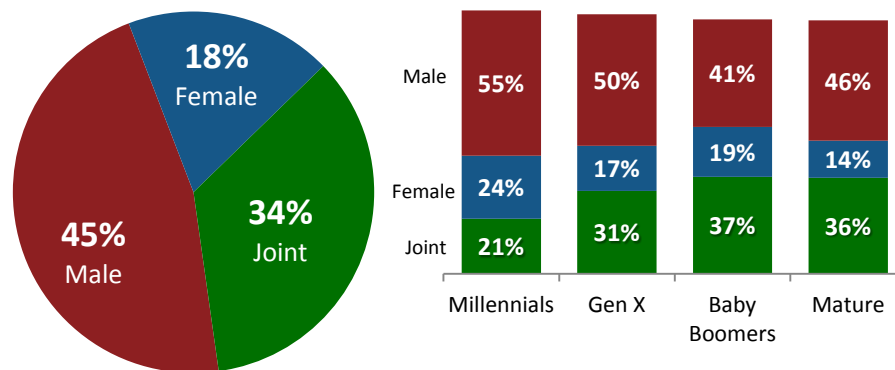
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# Contribution to family wealth is increasingly shared

- One-third of couples overall say both partners contributed equally to the household's initial financial assets
- Women enter about half (52%) of relationships with at least equal, if not greater, financial assets
- In six in 10 HNW households overall, men continue to be the primary income earner
- However, there is clear evidence in Millennial households that roles are shifting toward greater balance among partners in their contribution to family wealth
  - More Millennial women are primary income earners than women in other generations
  - Women are the primary, or equal, income earner in more than one-half (51%) of Millennial relationships

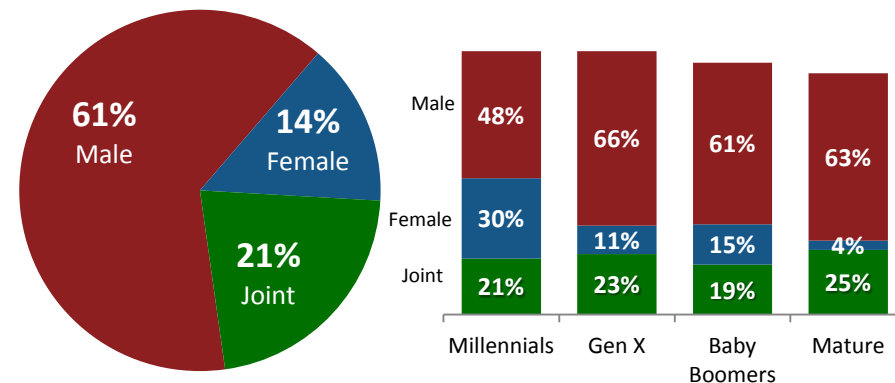
## PERSON WHO ENTERED THE RELATIONSHIP WITH THE MOST FINANCIAL ASSETS

(Among those married/in a partnership)



## PERSON IN THE HOUSEHOLD WHO IS THE PRIMARY INCOME EARNER

(Among those Married/In Partnership)



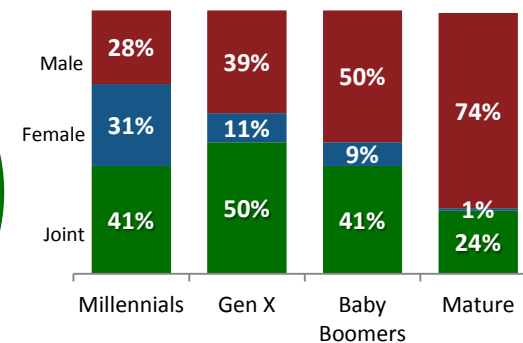
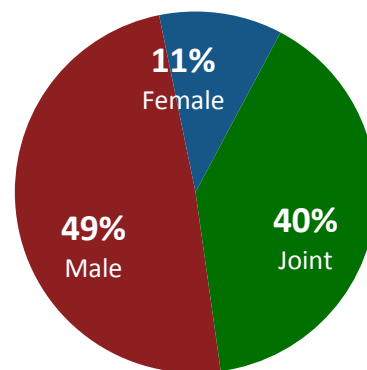
Q2. Please indicate who in your household (1) entered the relationship with the most financial assets; (2) is the primary income earner.

# Greater joint decision-making, but women have a long way to go

- Men and women share decision-making about household finances and investments in one out of three HNW households
- Joint decision-making is far less common among older couples (over age 70), where fewer than two in 10 women participate in investment decision-making
- There is far more joint decision-making among Baby Boomers and younger generations, more so regarding household financial decisions than investment decisions where men continue to dominate in all but Millennial households
- One in three Millennial women are the dominant decision-maker on household finances and investments, and one-third (34%) share investment decisions equally with their partners

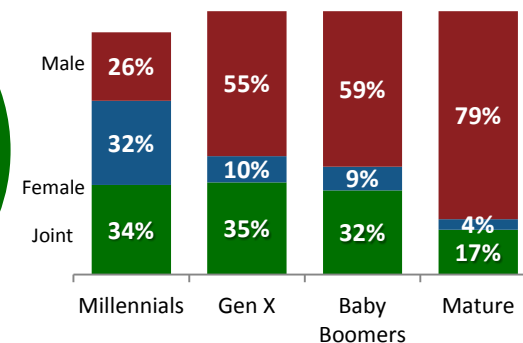
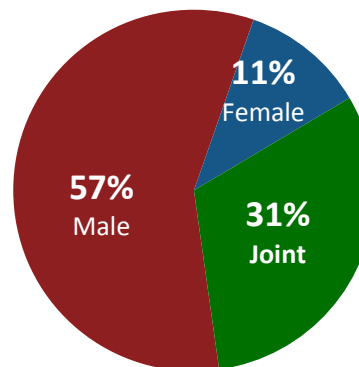
## PERSON IN HOUSEHOLD WHO: DOMINANT HOUSEHOLD FINANCIAL DECISION-MAKER

(Among those married/in a partnership)



## PERSON IN THE HOUSEHOLD WHO IS THE DOMINANT INVESTMENT DECISION-MAKER

(Among those Married/In Partnership)



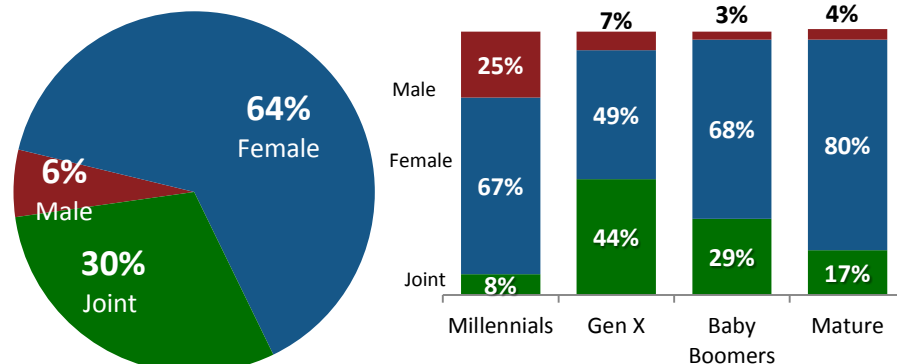
Q2. Please indicate who in your household (1) is the dominant financial decision-maker; (2) is the dominant investment decision-maker.

# Millennial men more than other generations assume primary responsibility for children

- Women contribute significantly to family wealth as a primary caretaker for both children and aging parents and grandparents
  - Women are the primary caretaker for children in two-thirds of HNW families and primary caretaker for aging parents in four in 10 families
  - With each generation, men and women have increasingly shared responsibility for the care of children
  - However, an emerging trend is less shared responsibility for the care of children among Millennials, as a growing share of Millennial men assume primary responsibility for children
  - In nearly one-half (47%) of HNW households caring for the needs of aging parents and grandparents is a shared responsibility
  - Four times as many women as men are primary caretaker for aging family members

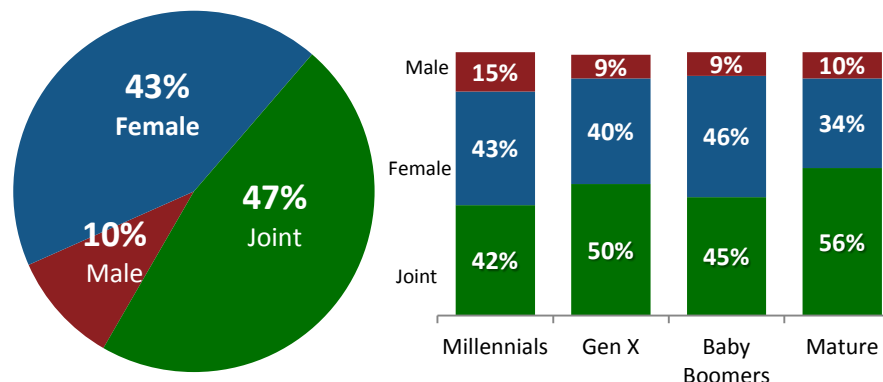
## PERSON IN HOUSEHOLD WHO IS PRIMARY CARETAKER TO CHILDREN

(Among those married/in a partnership and parents who say circumstance applies)



## PERSON IN THE HOUSEHOLD WHO IS PRIMARY CARETAKER TO AGING PARENTS/ GRANDPARENTS

(Among those married/in partnership who say circumstance applies)



Q2. Please indicate who in your household (1) is the primary caretaker for children; (2) is the primary caretaker for aging parents/grandparents.

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## ESSENTIAL ELEMENT #3: FINANCIAL SECURITY

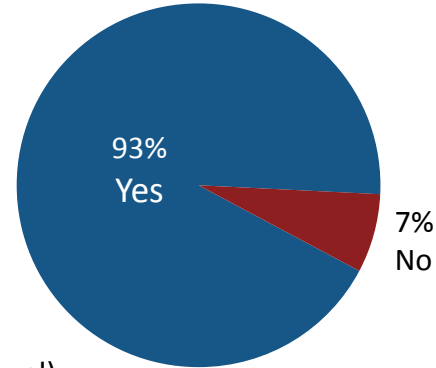
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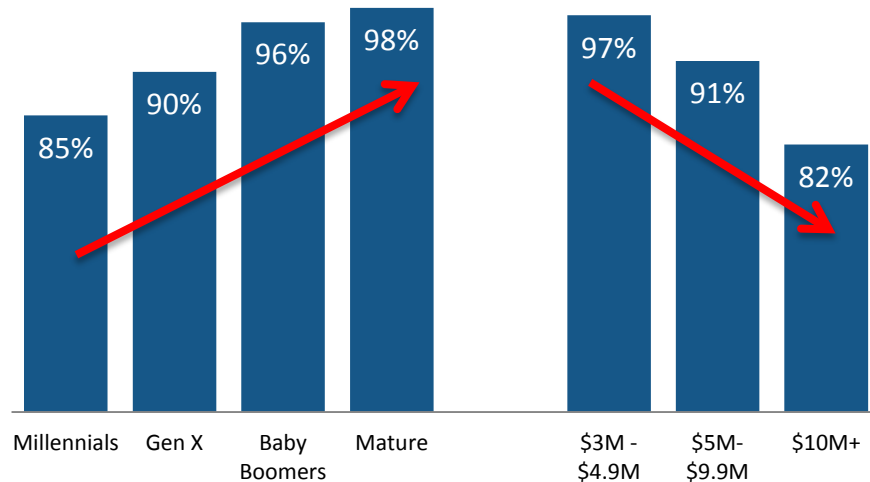
# Financial security increases with age, not with wealth

- Previous Insights on Wealth and Worth have found that the majority of wealthy people don't consider themselves "wealthy." However, the vast majority consider themselves to be financially secure
- Financial security increases with age but not necessarily with greater wealth
  - Households with the greatest assets are less likely – by 15 percentage points – than those with fewer assets to feel financially secure

**% OF THE WEALTHY WHO FEEL "FINANCIALLY SECURE"**  
(Among all respondents)



(By age and asset level)

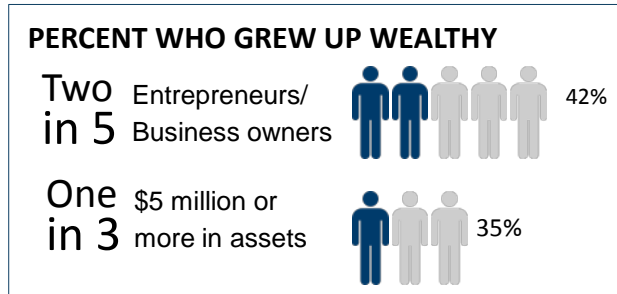
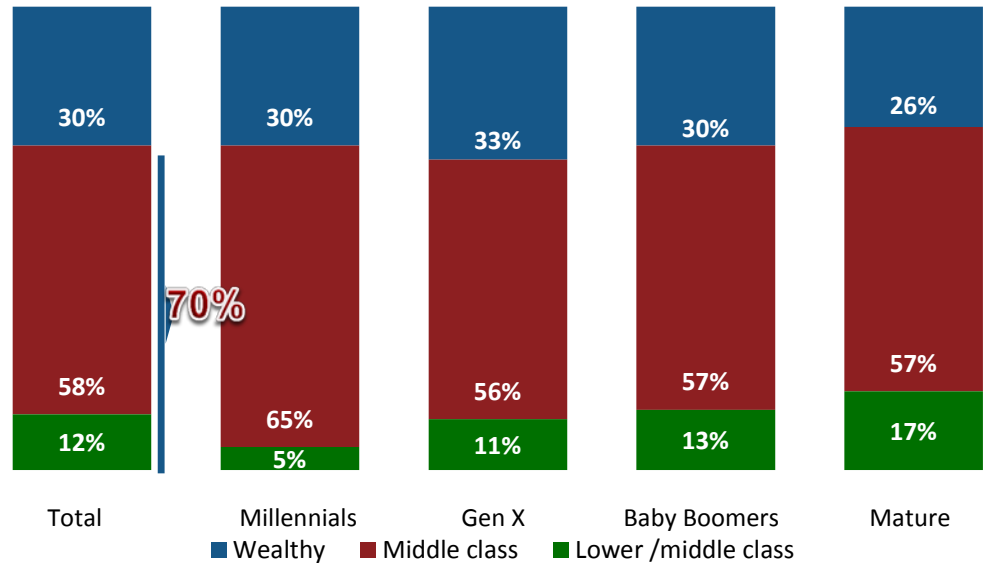


Q3. Do you consider yourself financially secure, meaning you have the income and assets to comfortably meet your current financial needs and goals?

# Growing up wealthy: Shifting from middle class to wealthy

- Seven in 10 wealthy people grew up in middle-class or lower socio-economic households
- Six in 10 Baby Boomers grew up middle-class or lower
- Younger generations are least likely to have grown up in lower socio-economic households

**SOCIO-ECONOMIC STATUS GROWING UP**

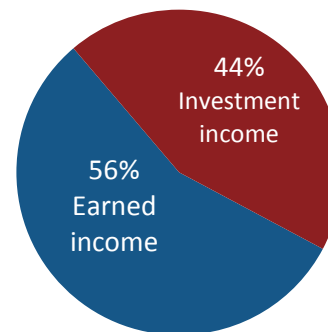


Q1. Which of the following best describes the financial and socioeconomic status of your family as you were growing up?

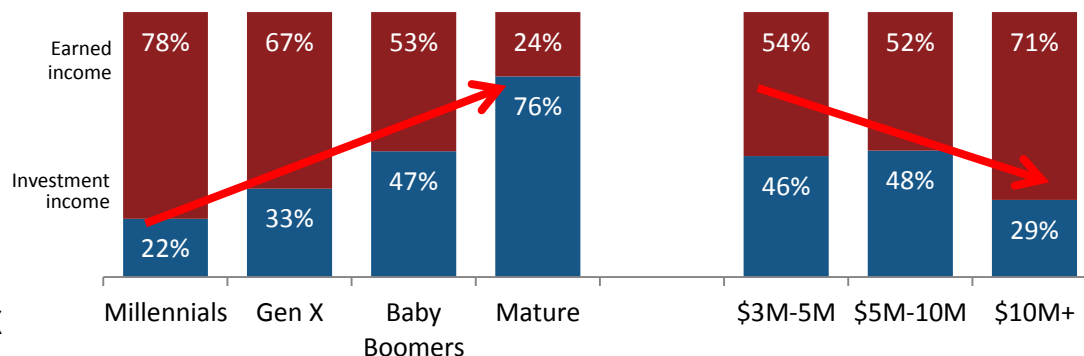
# Most income is earned; investment income increases with age

- Overall, earned income represents just slightly more of the total income generated by HNW households than investment income
- Investment income's share increases with age
  - Investment income accounts for about one-half (53%) of Baby Boomers' and 83% of the Mature Generation's incomes
  - This is due in part to higher reported annual incomes among those under age 50 than those over age 50
  - 39% of Millennials and 37% Gen X report incomes of \$450K+ versus 22% of Baby Boomers and 14% of the Mature Generation

**AVERAGE % OF ANNUAL INCOME GENERATED BY EARNED / INVESTMENT INCOME**  
(All respondents)



(By age and asset level)



**% IN EACH GROUP FOR WHOM 50% OR MORE OF ANNUAL INCOME IS GENERATED BY INVESTMENTS**  
(by age and asset level)

14%	32%	48%	83%	43%	50%	30%
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Q64. Approximately what percent of your annual household income comes from each of the following sources? (Earned, investment, don't know)

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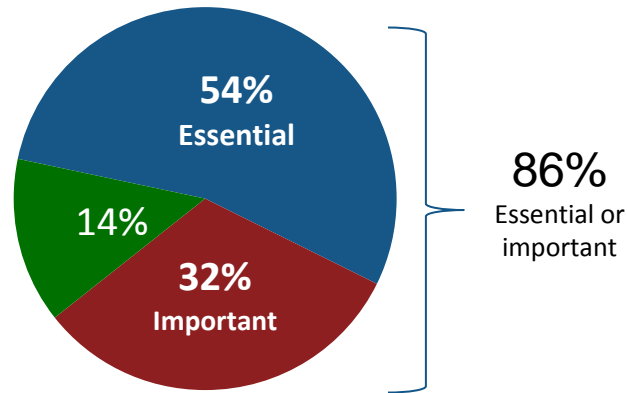
**IMPORTANT ELEMENT: GIVING BACK**

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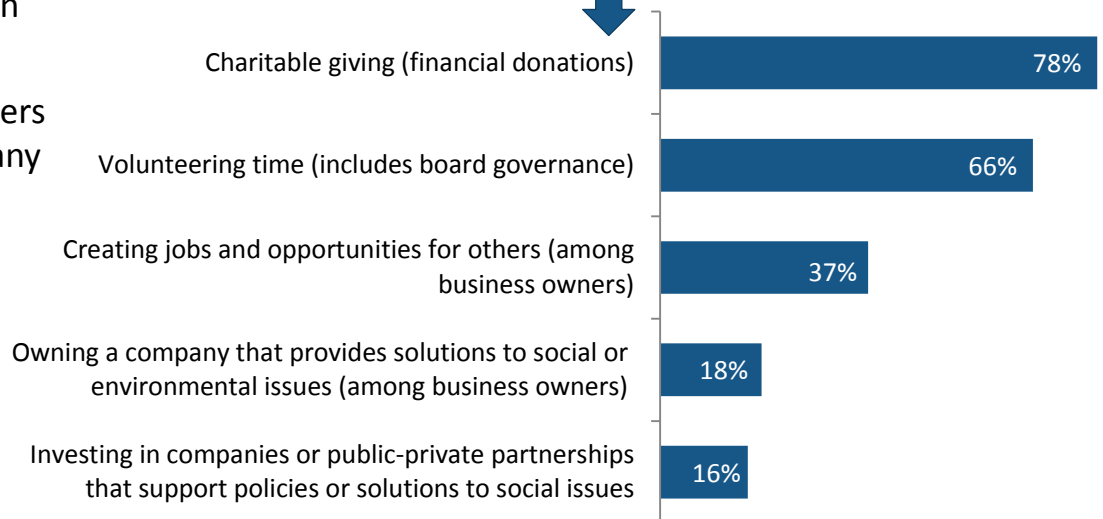
# Strong commitment to giving back to society

- Eighty-six percent of the wealthy consider giving back to society essential or an important aspect of a life well lived, including more than one-half (54%) who consider it absolutely essential
- Most participate in traditional philanthropic activities, such as charitable giving and volunteering time and leadership
- A notable portion of the wealthy find ways of giving back through their work, investment decisions and leadership in the community
- Nearly one in five HNW business owners is a social entrepreneur whose company seeks solutions to societal or environmental issues

**% WHO CONSIDER “GIVING BACK TO SOCIETY” ESSENTIAL OR IMPORTANT TO A LIFE WELL LIVED**



## 95% actively give back, largely through traditional philanthropy

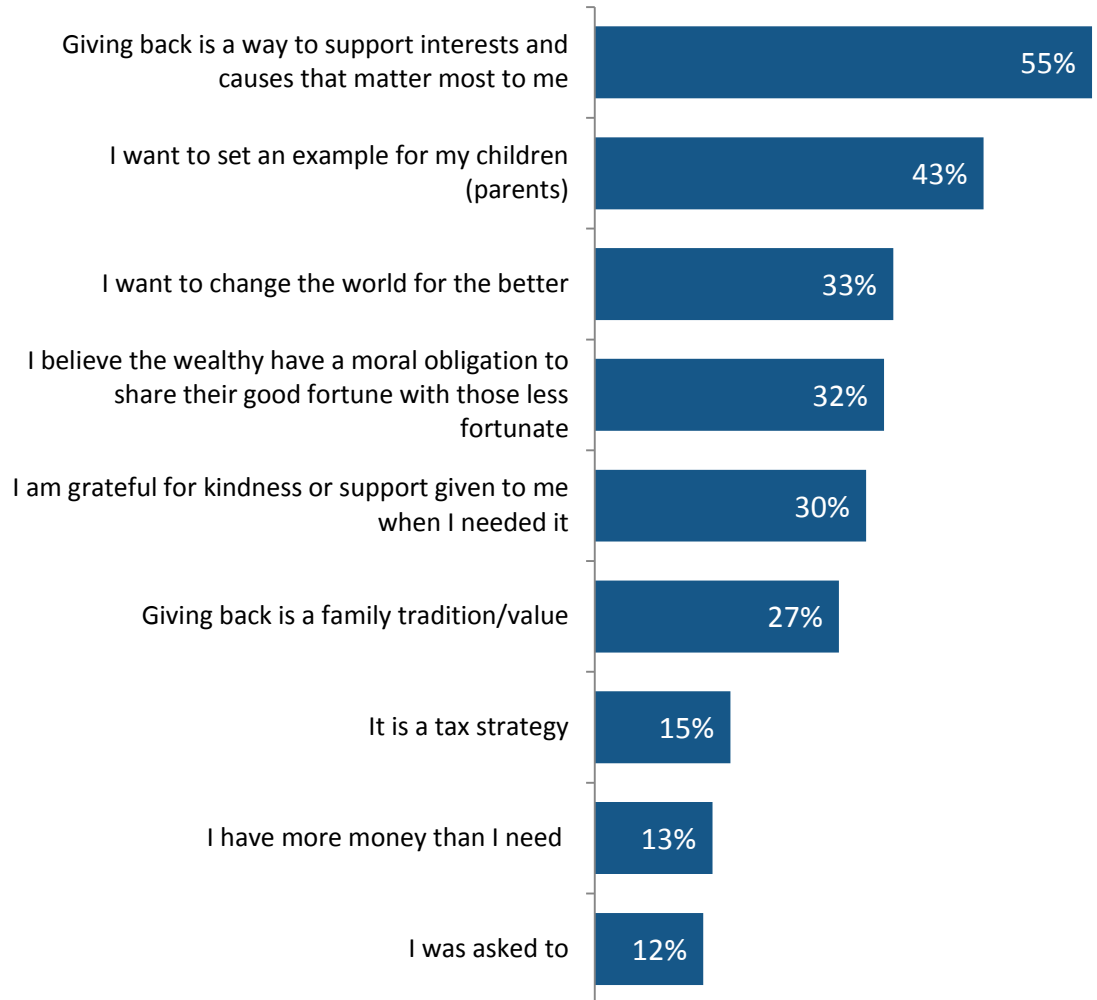


Q7. Envisioning your life as a whole – now and in the future – please rate how important you think each of the following is in ultimately assessing whether your life will be “well lived.”

Q27. In which of the following ways do you give back to society?

# Multiple and varied reasons for wanting to give back

- The primary reason for wanting to give back to society is to support the interests and causes that matter most to the person due to motives shaped by their values, experiences and perceptions
- Four in 10 (43%) wealthy parents feel that giving back is an important example to set for children
- One-third of the wealthy want to change the world for the better, a desire expressed equally across all age groups and income levels
- One in three give in gratitude for kindness they received
- Few (15%) give back primarily because it is a tax strategy

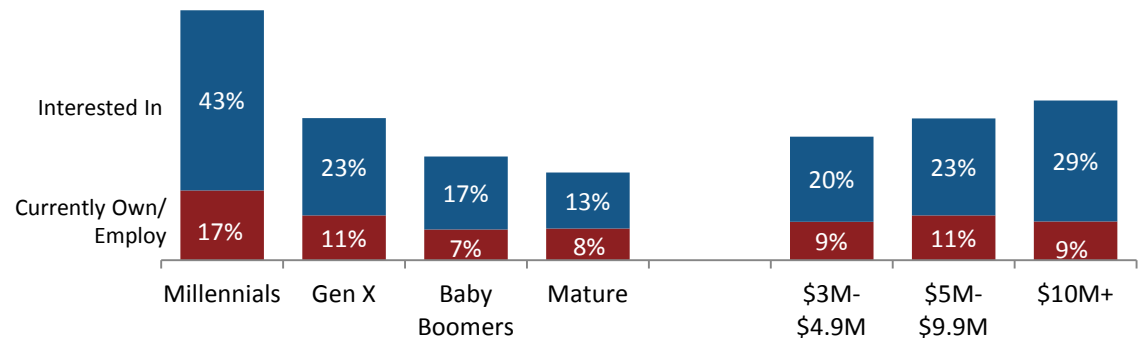
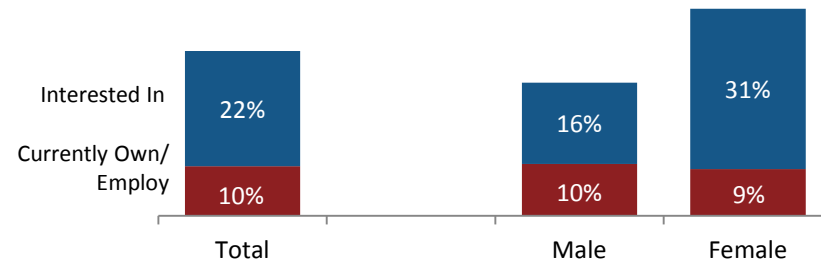


Q29. Which of the following describes your reasons for giving back to society?

# Millennials and women drive interest in social impact investing

- Approximately one in three HNW investors either owns or is interested in owning social impact assets and / or employing investment strategies
- Millennials, women and those with the greatest level of wealth are most interested in social impact investments

**% WHO OWN OR ARE INTERESTED IN SOCIAL IMPACT INVESTMENTS**

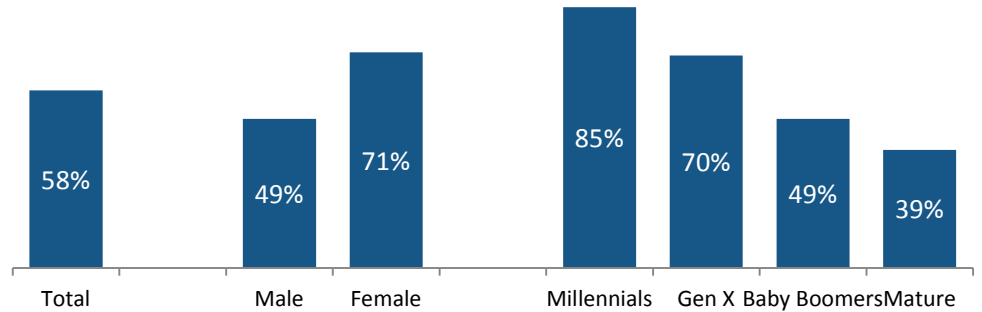


Q21. Please indicate if you currently own, don't own but are interested in, or have no interest in social, impact or governance investments or strategies?

# Six in 10 expect market rate returns from impact investments

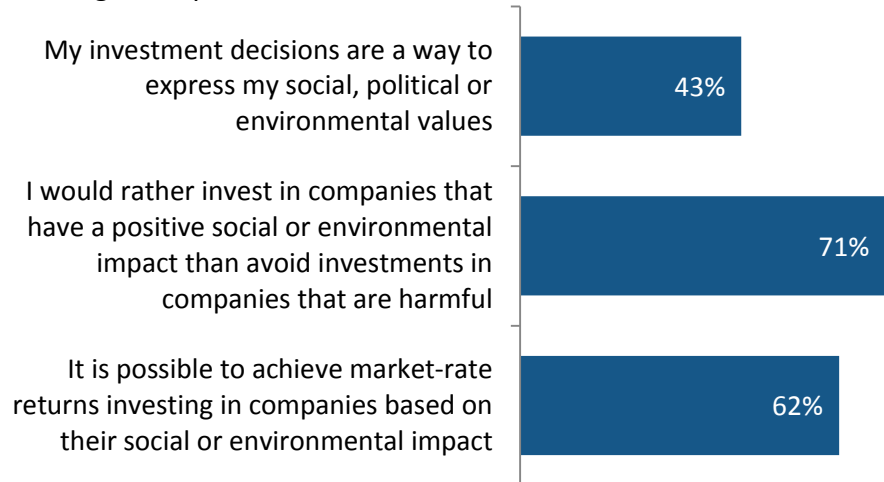
- Nearly six in 10 HNW investors agree that social and environmental impact of the companies they invest in is important to their investment decisions
- The majority of respondents would rather invest in companies that make a positive impact than avoid harmful ones
- Most also think that they can achieve market-rate returns investing in these types of companies
- The younger HNW, women and the wealthiest are most likely to feel that investment decisions are a way to express values

**% WHO AGREE SOCIAL OR ENVIRONMENTAL IMPACT IS IMPORTANT TO INVESTMENT DECISIONS**



**% WHO AGREE**

Among all respondents



**Q22.** When evaluating investments, how important is the social, political or environmental impact of the investment in your decision on whether or not to invest?

**Q23.** To what extent do you agree with each of the following statements?

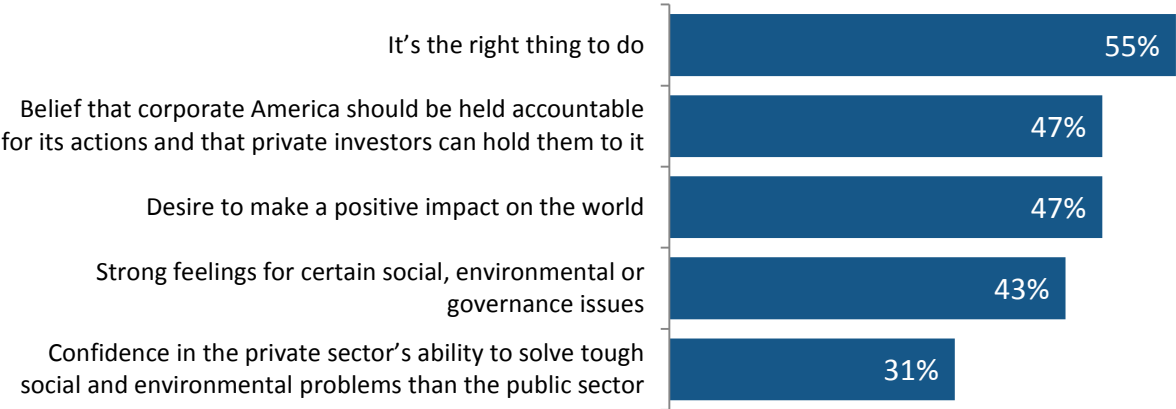


# Strong interest but lack of understanding of social impact investing

- The wealthy have multiple and varied reasons for their interest in social impact investing
  - For more than one-half (55%), it is simply the right thing to do
  - Nearly half want to make a positive impact on the world and an equal portion are seeking greater accountability from corporate America for its actions

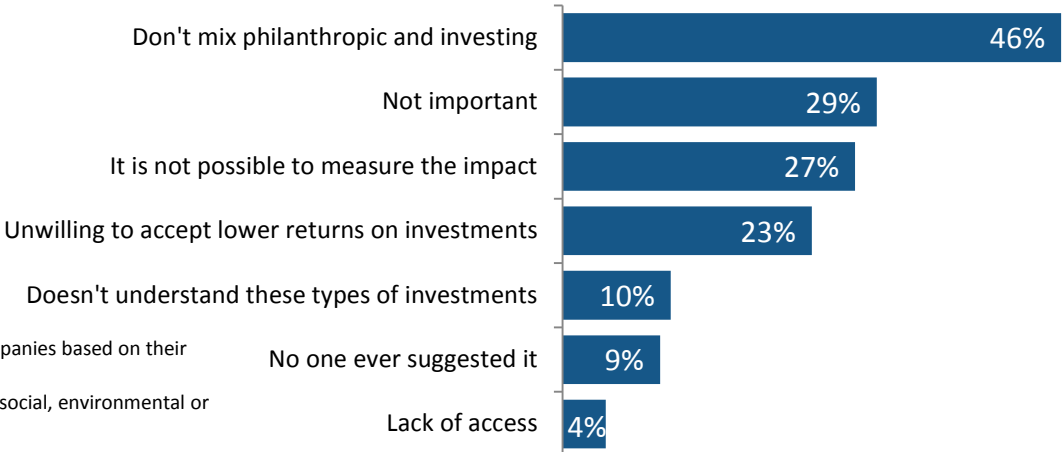
### MOTIVATION FOR SOCIAL IMPACT INVESTING

(Among respondents who own or are interested in owning)



### BARRIERS TO SOCIAL IMPACT INVESTING

(Among respondents who aren't interested in owning)



**Q24a.** Why are you currently invested in, or interested in investing in, companies based on their social, environmental or governance practices?

**Q24b.** Why aren't you interested in investing in companies based on their social, environmental or governance practices?

# Planning for a life well lived

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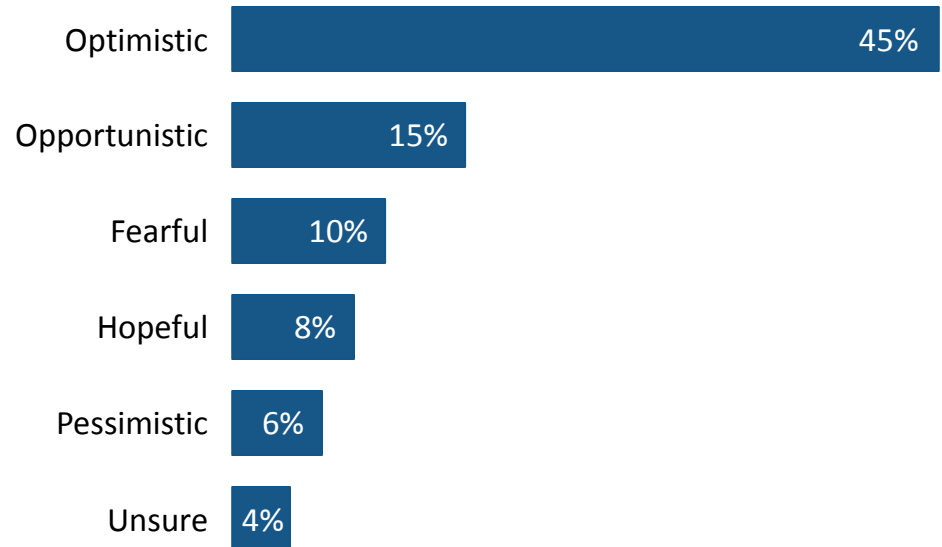
GROWING AND PRESERVING WEALTH

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# Increased market optimism; yet outlook remains mixed

- An unprecedented bull market has more HNW investors feeling optimistic – 45% in 2015, up from 40% in 2014
- Yet, the remaining 55% have mixed views on the market
  - Millennials are half as likely to describe themselves as “optimistic” as those over age 50 (26% vs. 51%)
  - Millennials, more than any other age group, and women more so than men are more likely to say they “are hopeful, but don’t want to know what the market is doing”
- More than any other age group, Generation X investors (ages 35-50) are finding opportunities, with one in four describing themselves as highly opportunistic compared to 15% overall
- Half as many female investors as men say they are opportunistic

## STOCK MARKET OUTLOOK AND BEHAVIOR TYPES



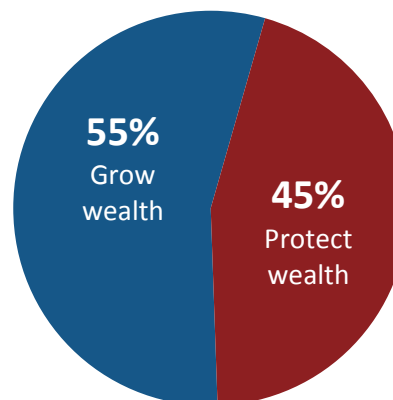
Q13. Thinking about your outlook for the stock market in the year ahead and investing behavior, which one of the following best describes you as an investor?

# Rebalanced focus on growth and preservation of wealth

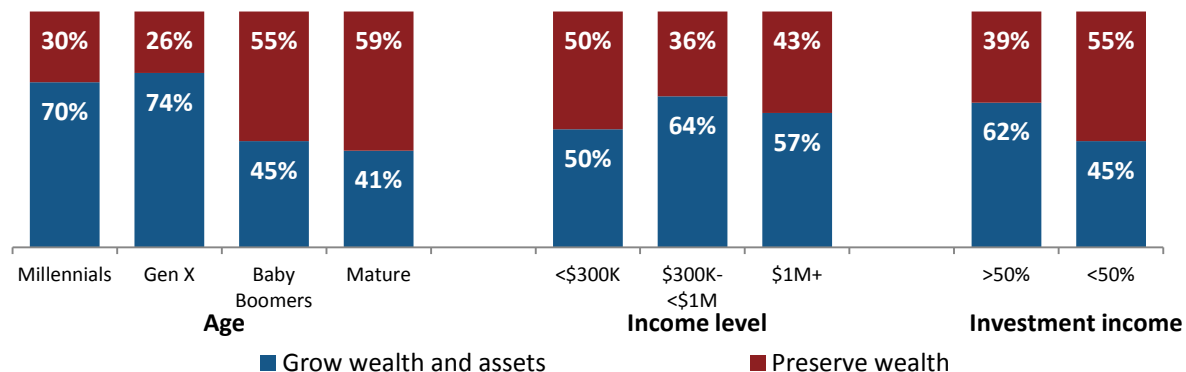
- More than one-half (55%) of HNW investors are focused on growing their wealth, down from the past two years (61% in 2014 and 60% in 2013)
- Consistent with past years, younger investors (under age 50) are more likely to focus on growing assets while those over 50 place a higher priority on asset preservation
- HNW households with income between \$300K and \$1 million, and households with greater than 50% of their income from investments, are more likely to be focused on asset growth versus preservation

**INVESTMENT PRIORITY FOR MANAGING WEALTH**  
(All respondents)

**GROWTH OR PRESERVATION**



**INVESTMENT PRIORITY**  
(By age, household income and investment income)

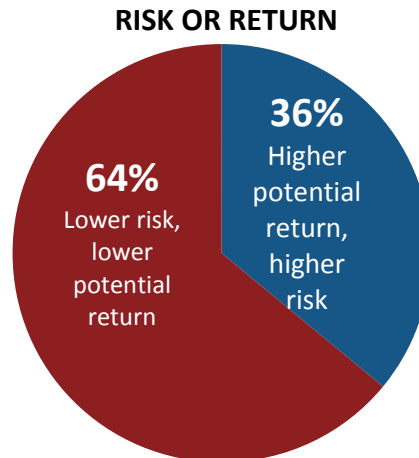


Q14. When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

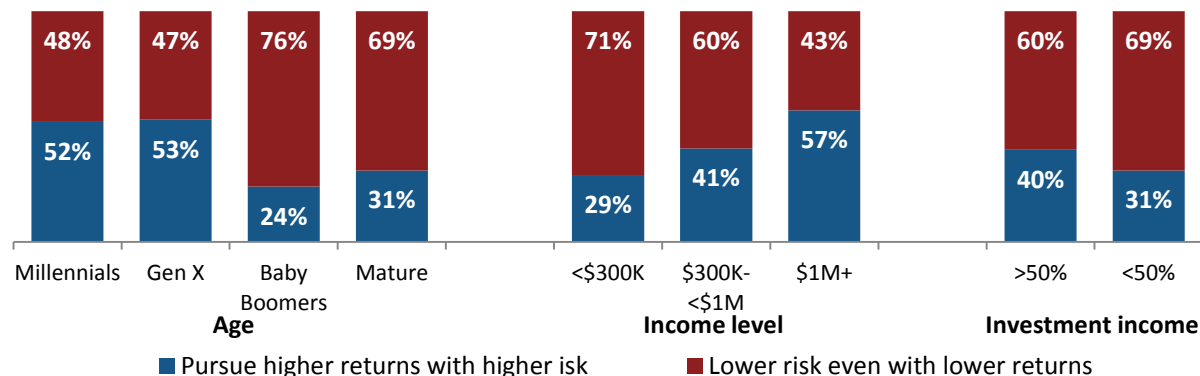
# Most HNWI investors pursuing risk-balanced growth

- Only about one-third of HNWI investors (36%) say they would be willing to take on higher risk to achieve higher returns. This is fewer than a year ago, when 42% were willing to take on greater risk
- Three-quarters (76%) of Baby Boomers are notably more focused on protecting their assets as more of them near or enter retirement
- Those who generate the majority of their annual income from investments are somewhat more likely to take on greater risk in pursuit of higher returns

**INVESTMENT PRIORITY FOR MANAGING WEALTH**  
(All respondents)



**INVESTMENT PRIORITY BY AGE, HOUSEHOLD INCOME AND INVESTMENT INCOME**

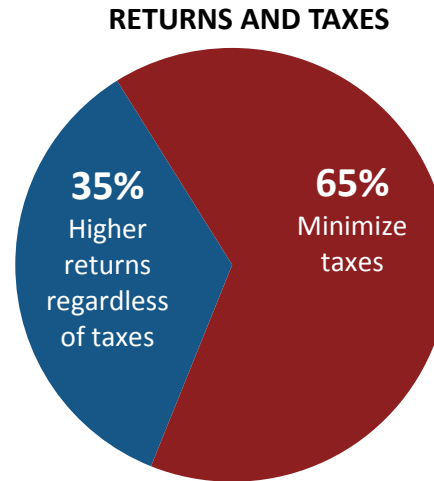


Q14. When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

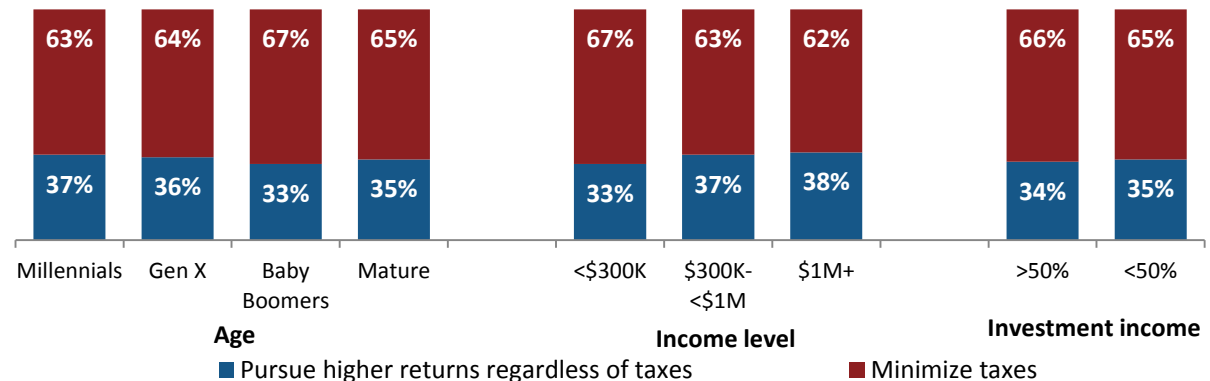
# Renewed focus on tax implications of investment decisions

- Pursuit of higher returns regardless of taxes is a priority for one in three HNW investors while the rest seek to minimize taxes.
  - The focus on minimizing taxes has increased since last year

**INVESTMENT PRIORITY FOR MANAGING WEALTH**  
(All respondents)



**INVESTMENT PRIORITY BY AGE, HOUSEHOLD INCOME AND INVESTMENT INCOME**

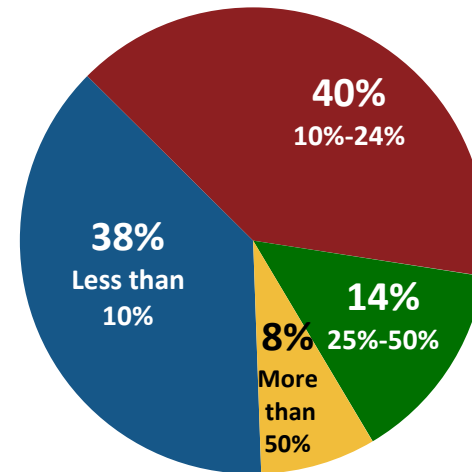


Q14. When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

# Large cash positions suggest continued investor cautiousness

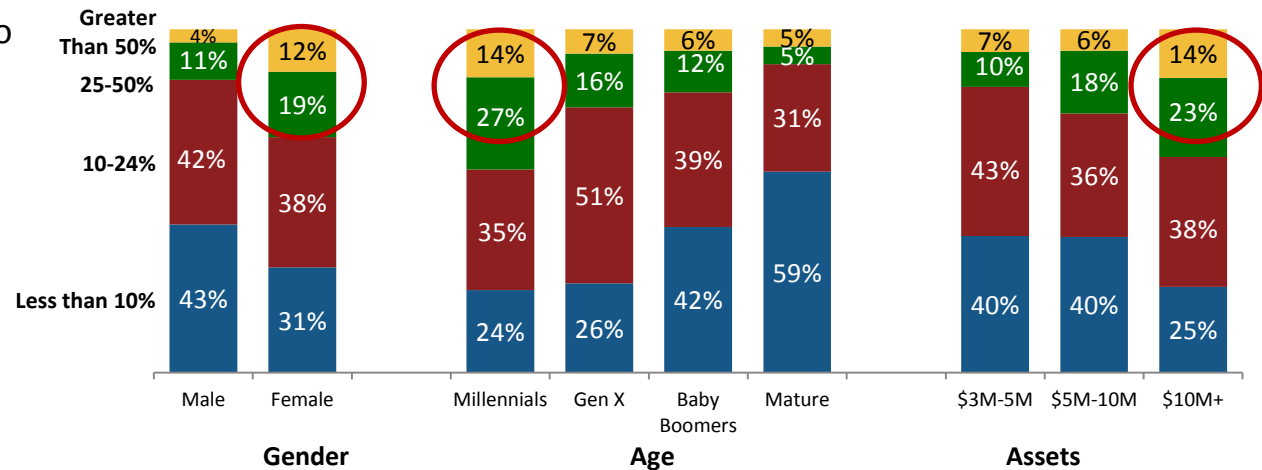
- Nearly four in 10 (38%) HNW investors hold 9 percent or less of their portfolio in cash accounts. Most have 10 percent or more in cash, including one in five (22%) with more than 25 percent in cash (up slightly from 19% in 2014)
- Women, Millennials and those with \$10M+ in assets are more likely to allocate a larger portion of their investments to cash
- One in three women and two of five Millennials has more than 25 percent of their portfolio in cash

**PERCENT OF PORTFOLIO HELD IN CASH**  
(All respondents)



**62%**  
more than  
10% in cash

**CASH HELD BY GENDER, AGE AND ASSET LEVEL**



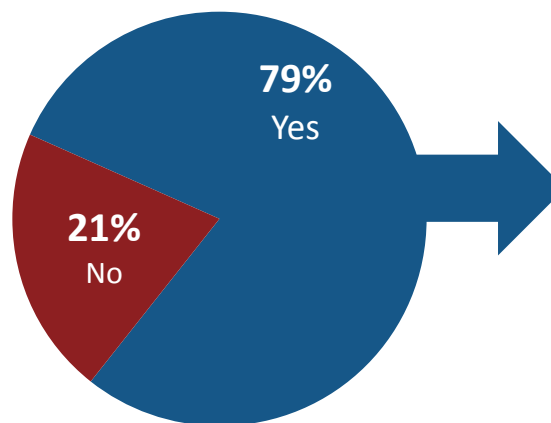
Q15. Approximately what percentage of your portfolio is currently held in cash, a money market account, savings account or other type of cash accounts?



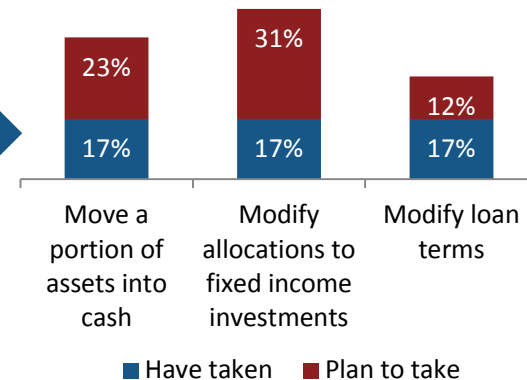
# Eight in 10 expect rates to rise; little action yet

- Eight in 10 HNW investors expect interest rates to rise this year
- In anticipation of rising rates:
  - Nearly one-half (48%) has or plans to modify allocations to fixed income investments
  - Four in 10 has or plans to move more of their assets into cash positions, including more than half of Millennials
  - 60 percent of investors who describe themselves as “fearful” and 54 percent of those who say they are “opportunistic” have or have plans to move more money into cash compared to 32 percent of those who are optimistic
- One in three has or will modify existing loan terms

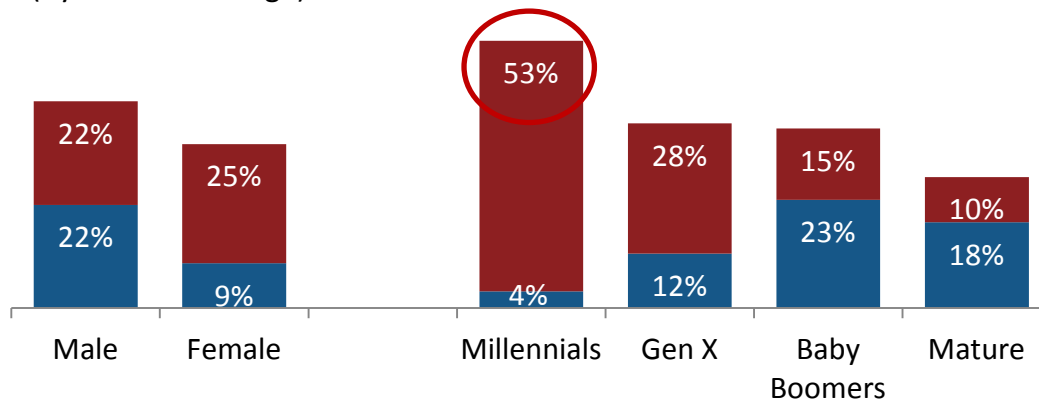
**% WHO EXPECT INTEREST RATES TO RISE**



**Actions taken/planned as a result**



**ACTIONS TAKEN/PLANNED IN ANTICIPATION OF RISING RATES**  
(By Gender and age)



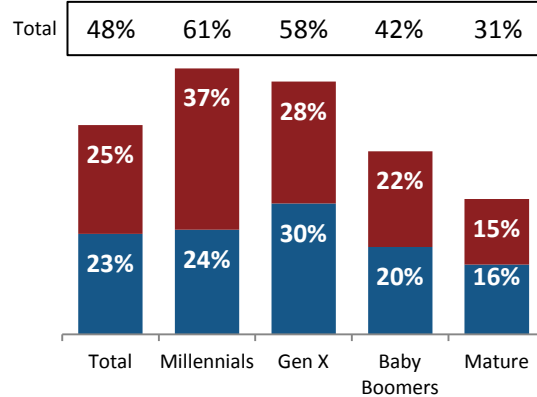
Q18. Which of the following actions have you taken in anticipation of rising interest rates, or would take when and if interest rates rise?

# Young HNW investors interested in non-traditional investments

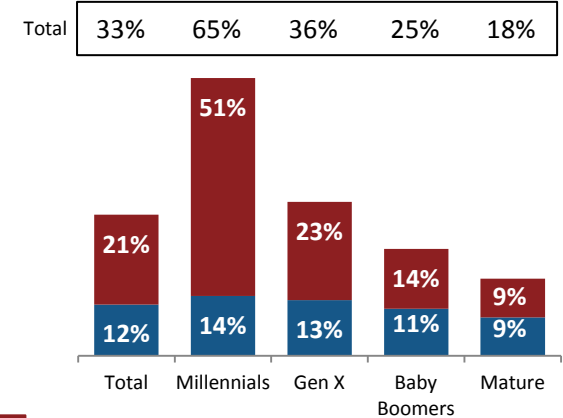
- Most of the wealthy, and particularly younger HNW investors, either currently use or are interested in adding non-traditional assets to their investment portfolios
- Approximately one-half own or are considering private equity, venture capital investments or structured products
- Eight in 10 HNW investors under the age of 50 own or are interested in owning tangible assets that have an underlying value that is uncorrelated to the broader markets
- Nearly six in 10 (56%) Gen X HNW investors currently own tangible assets while Millennials show the greatest interest

## % WHO OWN OR ARE INTERESTED IN ADDING TO THEIR PORTFOLIOS

### PRIVATE EQUITY OR VENTURE CAPITAL



### HEDGE FUNDS

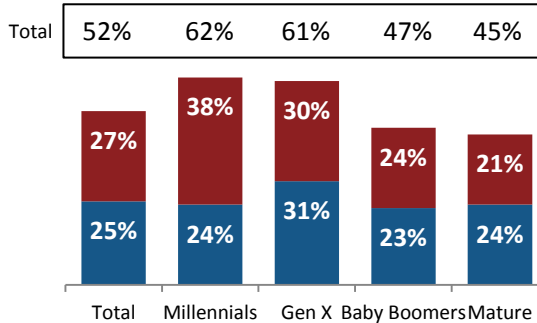


Currently own

Interested in owning

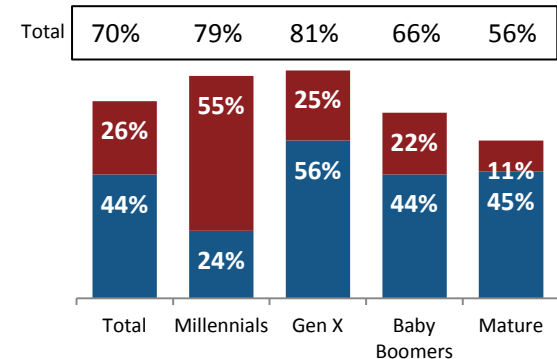
### STRUCTURED PRODUCTS

(such as linked or convertible bonds and securities)



### TANGIBLE ASSETS

(such as land, real estate, timber, oil and gas properties)



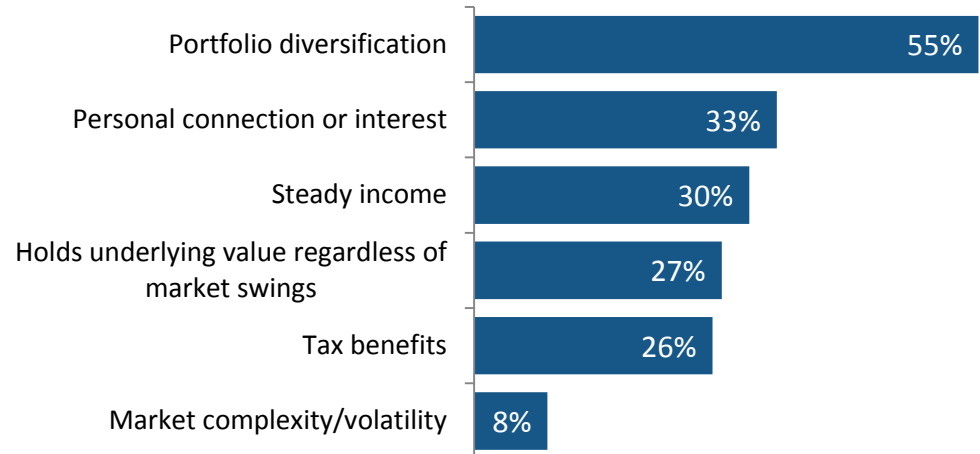
Q21. For each of the following assets, investments or strategies, please indicate if you currently own, don't own but are interested in, or have no interest.

# Tangible assets diversify risk and income sources

- Diversification of risk is the main reason for investing in tangible assets by those who do
- At the same time, perceived risks are the biggest reasons for not investing in tangible assets by those who don't
- Having a personal connection or interest and income generation are other reasons for investing in these assets for about one-third
- Millennials are more likely than other age groups to seek tangible assets because they feel the market is too complex and moves for reasons beyond their control

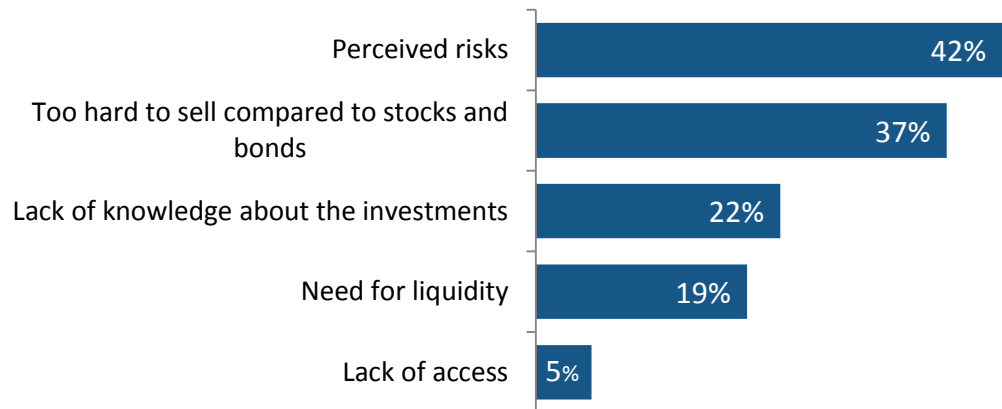
## MOTIVATION FOR INVESTING IN TANGIBLE ASSETS

(Among respondents who own or are interested in owning)



## BARRIERS TO INVESTING IN TANGIBLE ASSETS

(Among respondents who aren't interested in owning)

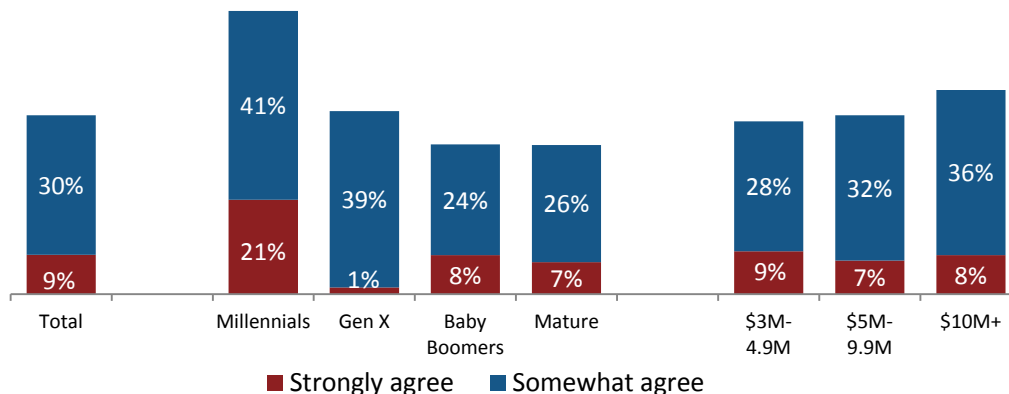


Q25a. Why are you currently invested in, or interested in investing in, tangible assets (such as land, real estate timber, etc.)?

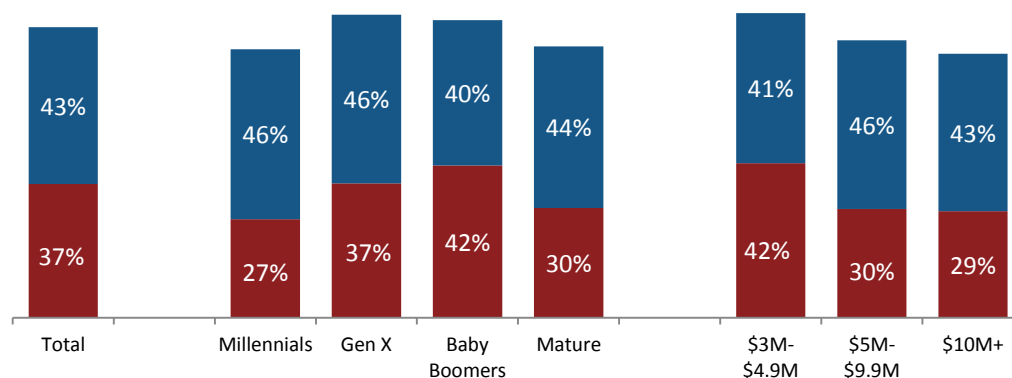
# Most of the wealthy understand the value of credit

- Nearly four in 10 (39%) say that borrowing allows them to put their money to better use. This has dropped some since last year, when 50 percent strongly or somewhat agreed.
- Millennials are more likely than any other age group to value credit as a way to put their own money to better use
- A majority of the wealthy feel they have an understanding of how to strategically use debt, but only 37% strongly agree

**% WHO AGREE: "BORROWING MONEY ENABLES ME TO PUT MY OWN MONEY TO BETTER USE"**



**% WHO AGREE "I HAVE A GOOD UNDERSTANDING OF HOW TO STRATEGICALLY USE DEBT TO MY FINANCIAL ADVANTAGE"**

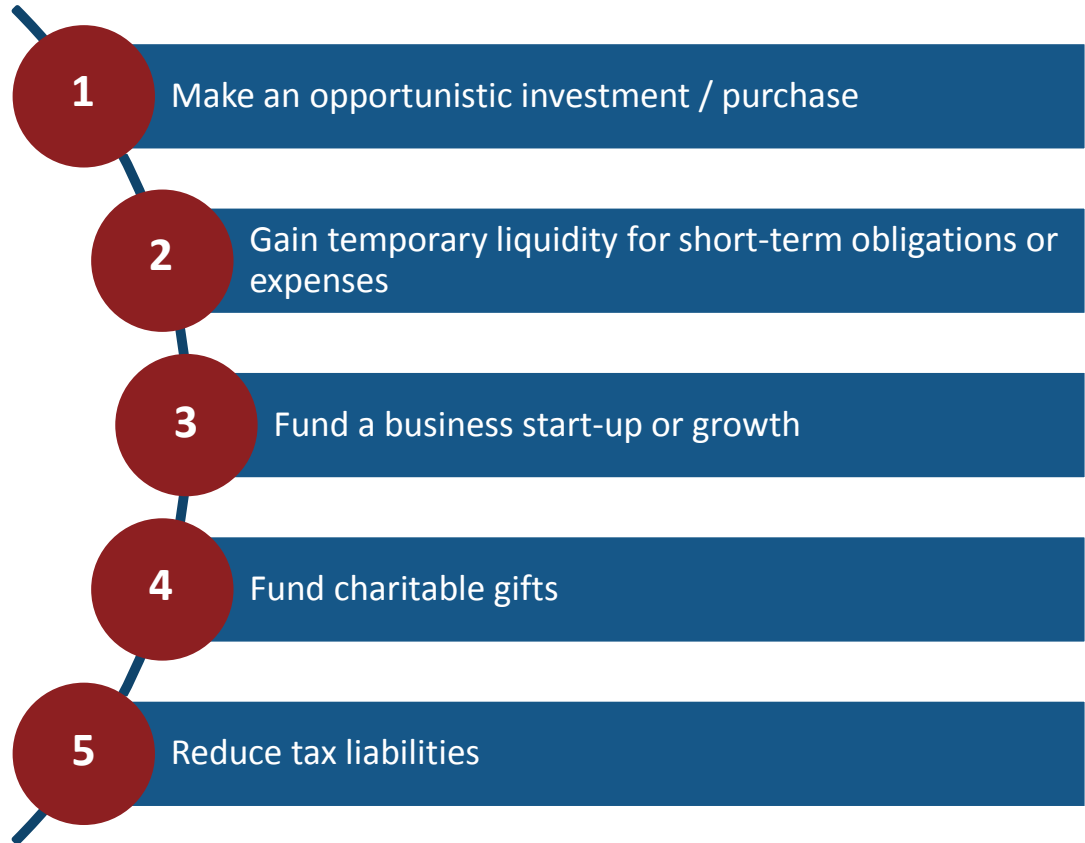


Q16. Thinking about credit and how you use it, please indicate whether you agree or disagree with the following statements.

# Credit is accessed strategically and opportunistically

- Credit has most often been used strategically to make an investment/purchase and gain temporary liquidity
- Generation X is most likely to have accessed credit to make opportunistic investments and for starting a business
- One in five Millennials has accessed credit to pay taxes, and 15% use credit to live “above their means”

## FIVE WAYS THE WEALTHY STRATEGICALLY USE CREDIT



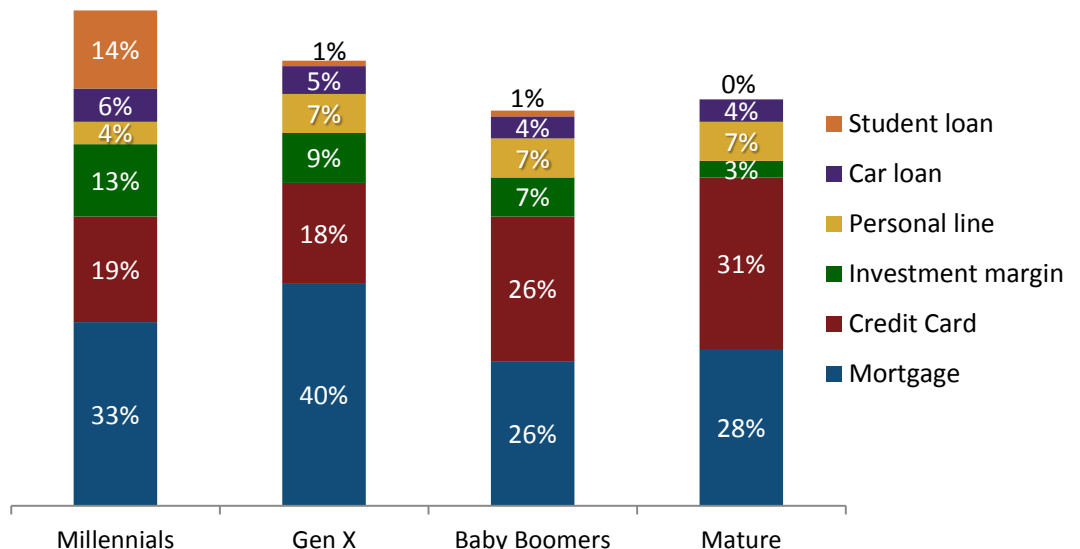
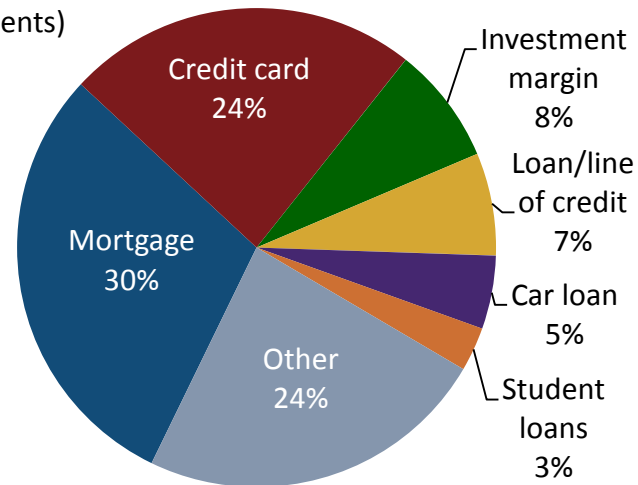
Q19. For which of the following have you ever used credit as a strategic financial advantage?

# Mortgage and credit cards represent half of outstanding credit

- Many HNW households carry little outstanding personal household debt
  - 56% have no credit card debt
  - 59% have no mortgage
  - 80% have no outstanding car loan
- Mortgage and credit card balances comprise more than half (54%) of HNW investor debt among those who have balances
- Student loans represent 14% of HNW Millennial's outstanding debt
  - Notably, more than six in 10 Millennials have no outstanding student loans

**DISTRIBUTION OF OUTSTANDING CREDIT**

(All respondents)



Q20. Thinking about your personal balance sheet, what portion of your total outstanding debt is comprised of the following?

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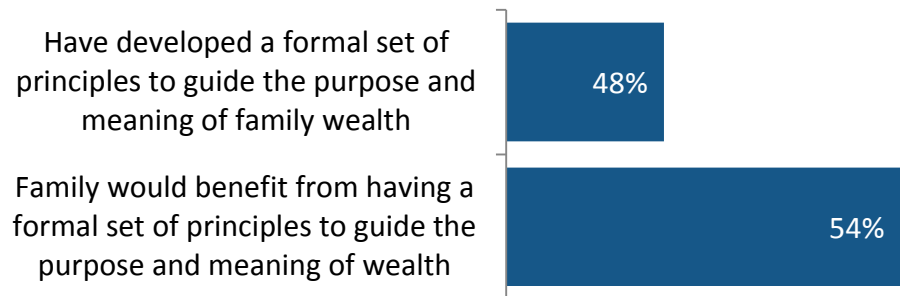
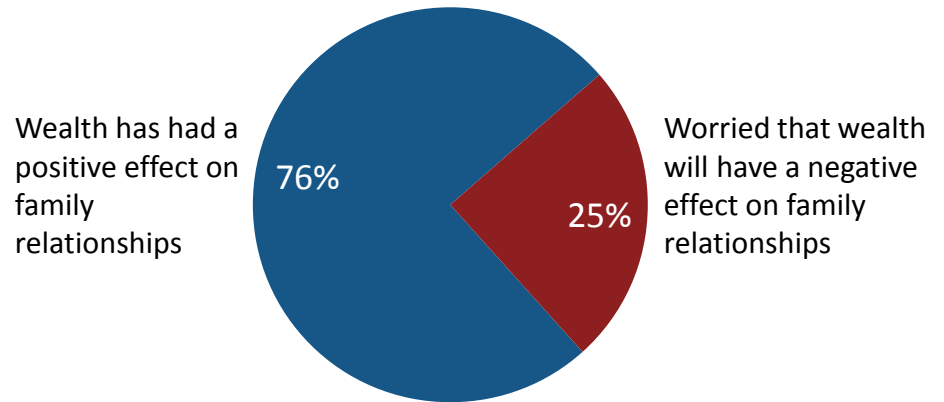
## FAMILY WEALTH AND TRANSFER


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# Attitudes regarding family relationships and wealth

- Most of the wealthy feel that their wealth has had a positive effect on their family and family relationships
  - Though one-quarter overall, four in 10 Millennials worry it will negatively affect the family
  - The wealthiest families also express more concern about wealth having a negative affect on relationships than their counterparts
- Younger HNW are more likely to worry that wealth will be detrimental to relationships and more likely to think that a formal set of wealth-related principles would be beneficial
- Despite awareness of the benefits, few wealthy families have developed principles or a mission for family wealth

**% WHO AGREE ON THE EFFECT OF WEALTH ON FAMILY RELATIONSHIPS**



**One in 10** 

Number of wealthy families who have developed a family mission statement that reflects the values and wishes about how the family's wealth should be used

**Q30.** Please indicate the extent to which you agree or disagree with each of the following statements.

**Q35.** Which of the following have you done?



# Important steps in preparing the next generation are being missed

- At least half of wealthy parents believe strongly that they are a positive role model to their children, and they hope their children will grow up to be charitable
- Only 16% of HNW parents believe their children will not achieve the same level of financial success
- Only one in five strongly agrees that their children will be well prepared to handle family wealth they are likely to inherit
- Fewer than one in three have discussed details of an inheritance with their children

## % OF PARENTS WHO STRONGLY AGREE

I am a positive role model to my child/ren in the way I manage money

51%

My child/ren are well-prepared to handle the amount of wealth in our family

22%

My child/ren are not likely to achieve the financial success I have

16%

## % OF PARENTS ALSO AGREE

I would rather my child/ren grow up to be charitable than wealthy

60%

## % OF PARENTS WHO HAVE TAKEN STEPS TO PREPARE NEXT GENERATION

27%

13%

24%

Told child/ren how much they are likely to inherit

Told child/ren how much they are likely to inherit from others (grandparents, relatives)

Encouraged child/ren to invest in a family financial goal

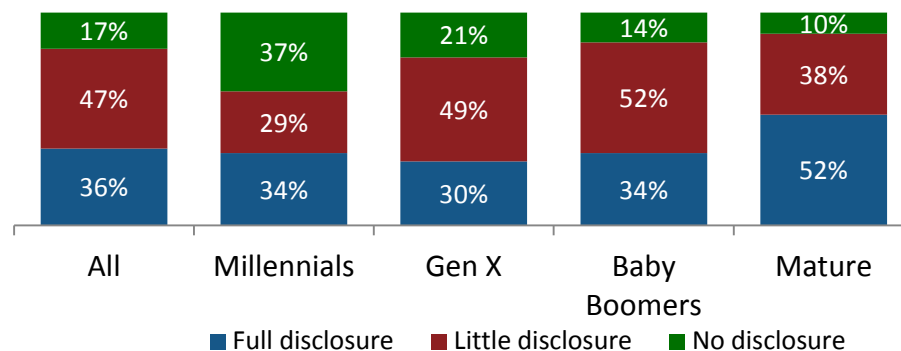
Q32. Please indicate the extent to which you agree or disagree with each of the following statements.

Q35. Which of the following have you done?

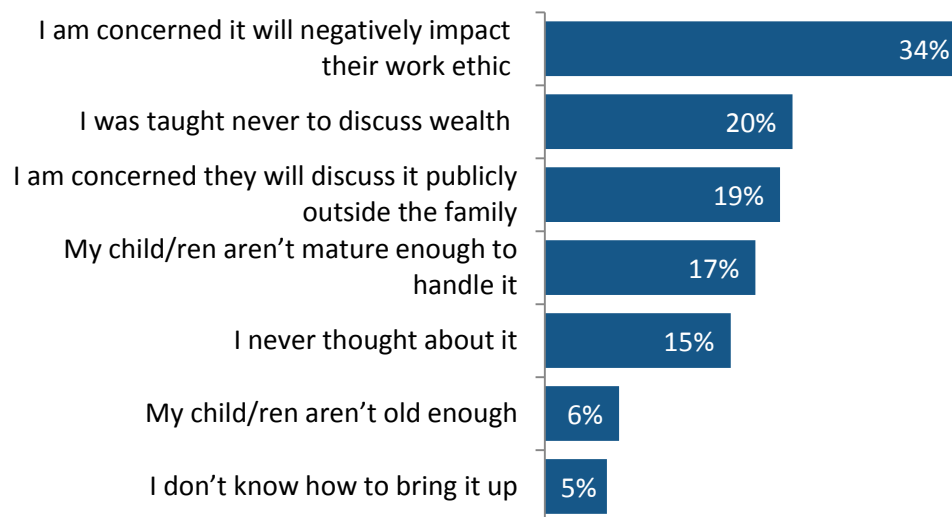
# Wealthy parents haven't fully disclosed wealth to adult children

- Only a little more than one-third (36%) of wealthy parents have fully disclosed their wealth to children, while just under half (47%) have disclosed only a little
- Two-thirds of Baby Boomers (66%) and about one-half (48%) of mature parents have disclosed little or nothing about their family wealth to children
- The primary reasons for not discussing family wealth are concerns about negative repercussions on work ethic and family privacy
- Nearly one in five parents with children over age 25 hasn't discussed family wealth because they think their children aren't old enough or mature enough

**EXTENT OF DISCLOSURE OF LEVEL OF WEALTH TO CHILDREN**



**REASONS PARENTS HAVE NOT FULLY DISCLOSED LEVEL OF WEALTH**  
(Among parents who have disclosed nothing or just a little)



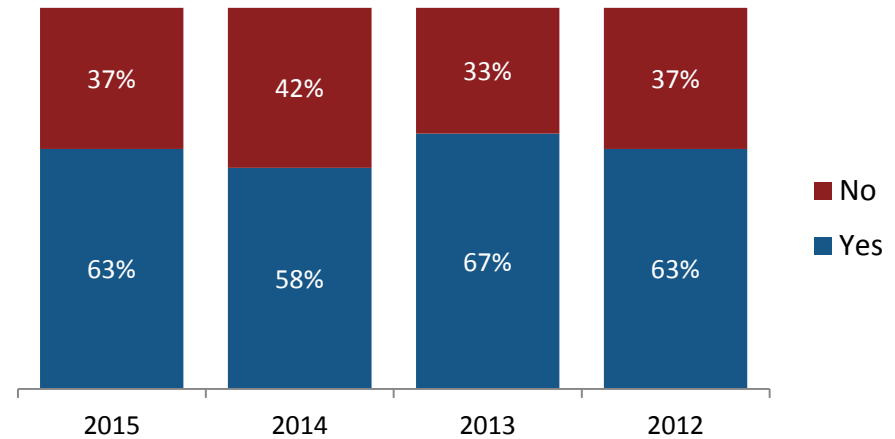
**Q33.** To what extent have you disclosed the level of your wealth to your child/ren?

**Q34.** Which of the following describes why you haven't fully disclosed your level of wealth with your child/ren?

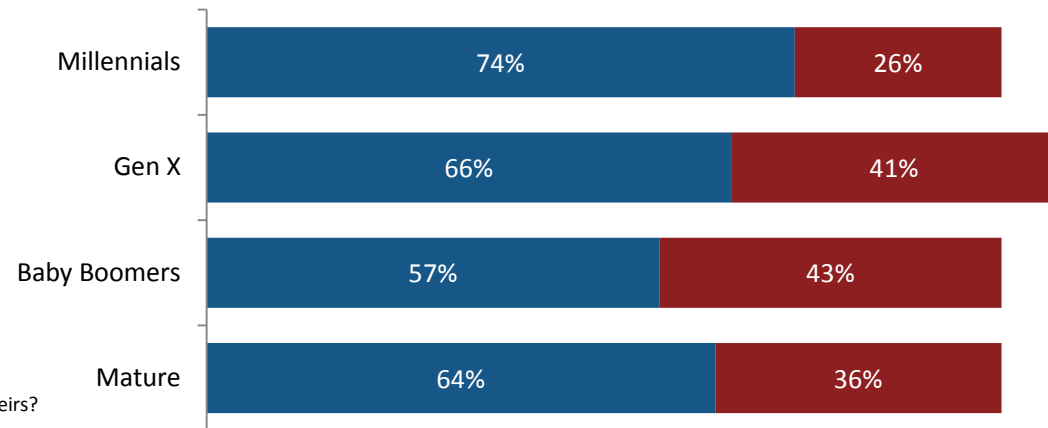
# Leaving a financial inheritance is important to most parents

- More than six in 10 wealthy people overall consider it important to leave a financial inheritance to the next generation
- Consistent with findings in previous years, Baby Boomers are somewhat less likely to consider a financial inheritance to their heirs as an important goal
  - [Note: Previous Insights on Wealth and Worth found top reasons for not wanting to leave an inheritance are because parents have/are investing in their children while they are growing.]

**% WHO CONSIDER IT IMPORTANT TO LEAVE A FINANCIAL INHERITANCE**  
By all respondents (2012-2014)



**IMPORTANCE OF LEAVING A FINANCIAL INHERITANCE BY AGE GROUP**



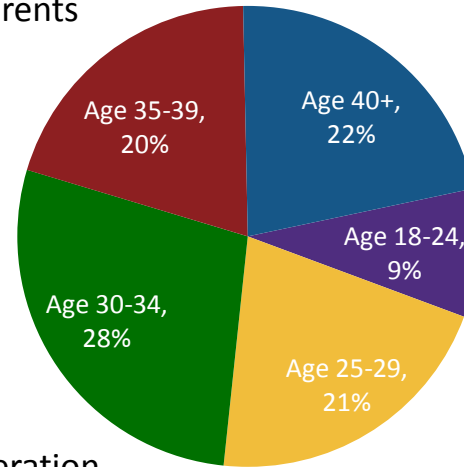
Q4. Do you consider it important to leave a financial inheritance to your children or heirs?

# Most parents think children can't handle wealth until age 25

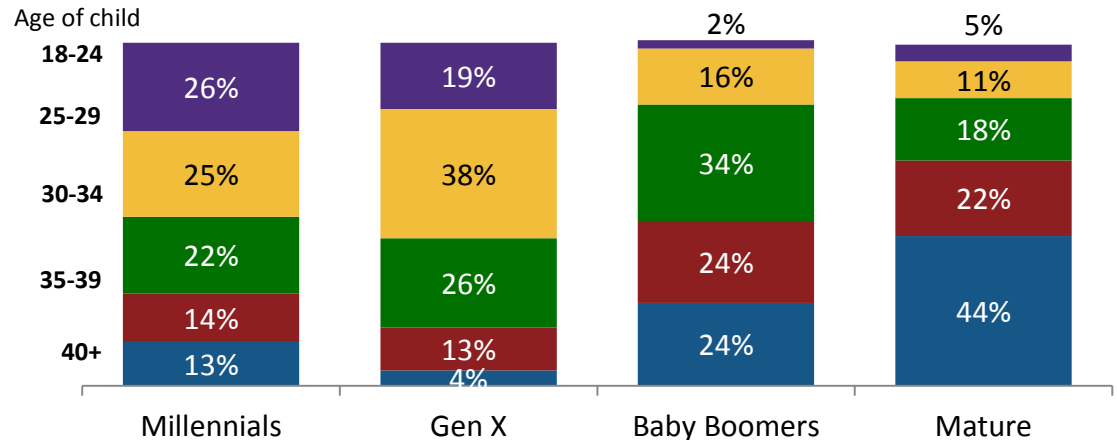
- Few parents (8%) believe their children will be mature enough to handle family money before the age of 25
- About half of parents consider the prime age to talk with children about wealth is between the ages of 25 and 34
- With age and experience, four in 10 parents over the age of 70 don't believe children are ready to handle family wealth until at least age 40

## AGE AT WHICH PARENTS THINK CHILDREN WILL REACH MATURITY NECESSARY TO HANDLE FAMILY WEALTH

Among all parents



By age/generation



Q31. At what age do you think your child/children will have achieved the maturity necessary to handle the money they will receive?

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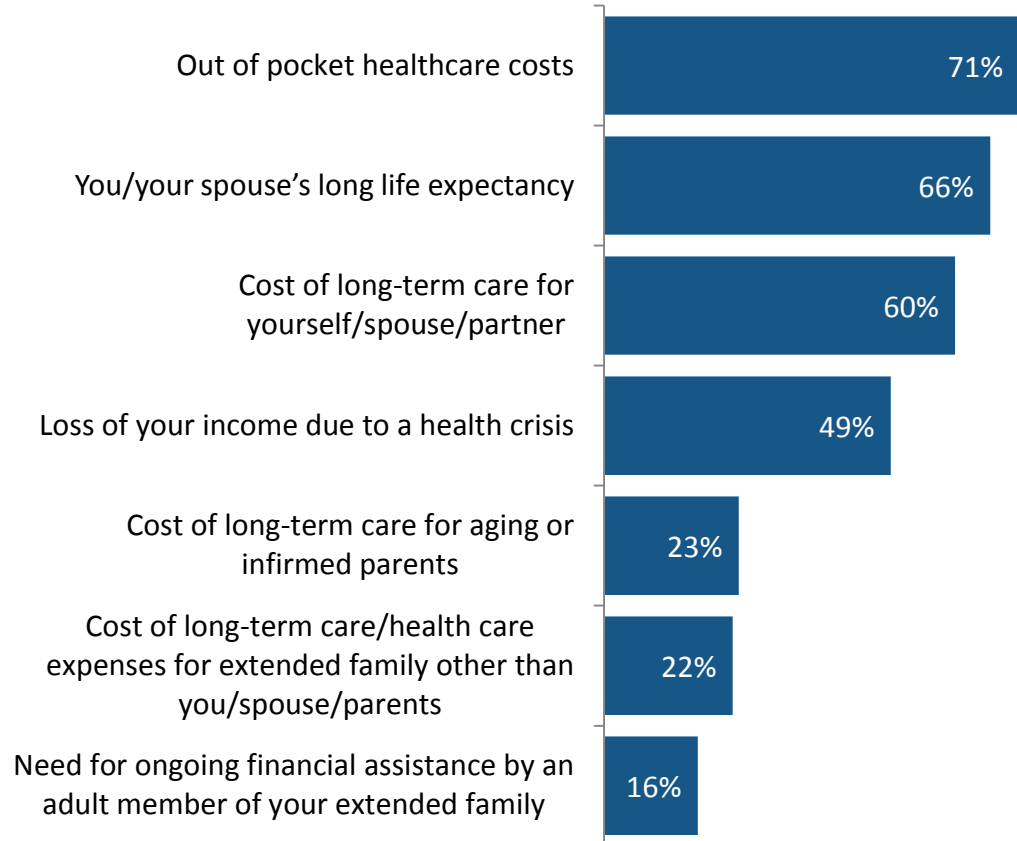
## LONGEVITY PLANNING

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# Financial planning for a long-lived future

- Most of the wealthy consider themselves financially prepared for out of pocket healthcare costs, a long life expectancy and the cost of long-term care for themselves (and spouses)
- However, they are not prepared for the unexpected, including a health crisis of their own or the possibility of events that would require them to assist extended family
  - Only one-half feel prepared for income loss due to a health crisis
  - Surprisingly, those with highest incomes (\$3M+) are least prepared (at 31%)

## % WHO HAVE ADEQUATELY FINANCIALLY PLANNED FOR INCREASED LONGEVITY

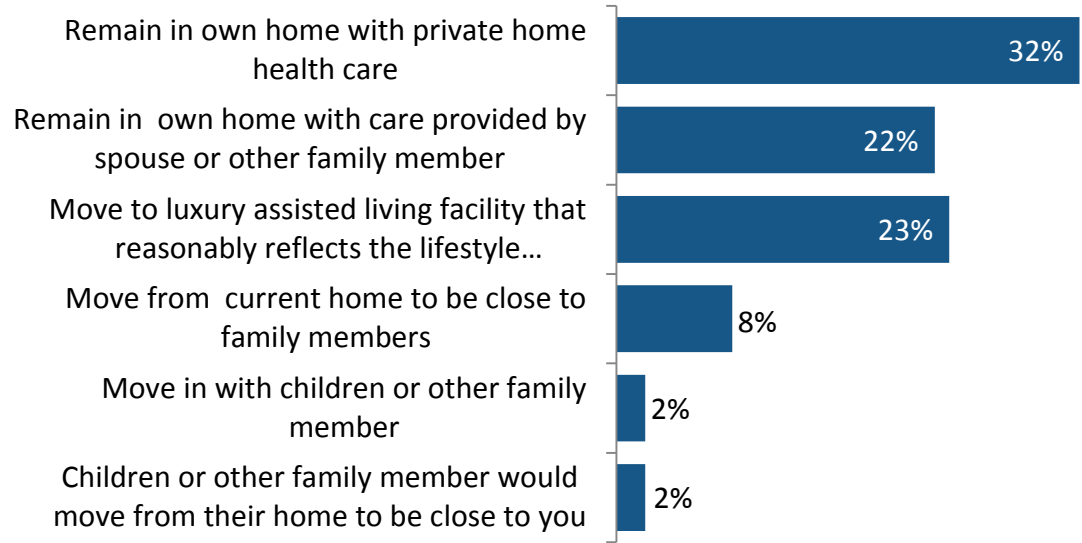


Q42. For which of the following do you feel you have adequately financially planned for?

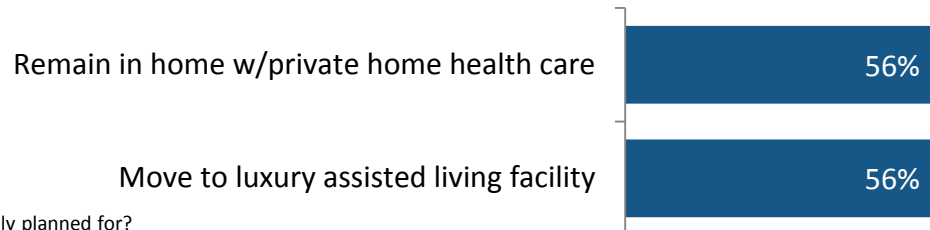
# Most of the wealthy expect to stay in their own homes

- In the event that long-term care is ever needed, one-half of the wealthy expect to remain in their own homes with care provided either by family or private health care providers
- One-quarter expect to live in a luxury assisted living facility
- More than half of those who expect to use private home care or a luxury assisted living facility say they have financially prepared for the costs, yet four in 10 have not

## EXPECTATIONS FOR LONG-TERM CARE IF NEEDED



## % OF THOSE WHO ARE FINANCIALLY PREPARED FOR COSTS OF LONG-TERM CARE (Among those who expect private home health care or a luxury assisted living facility)



Q42. For which of the following do you feel you have adequately financially planned for?

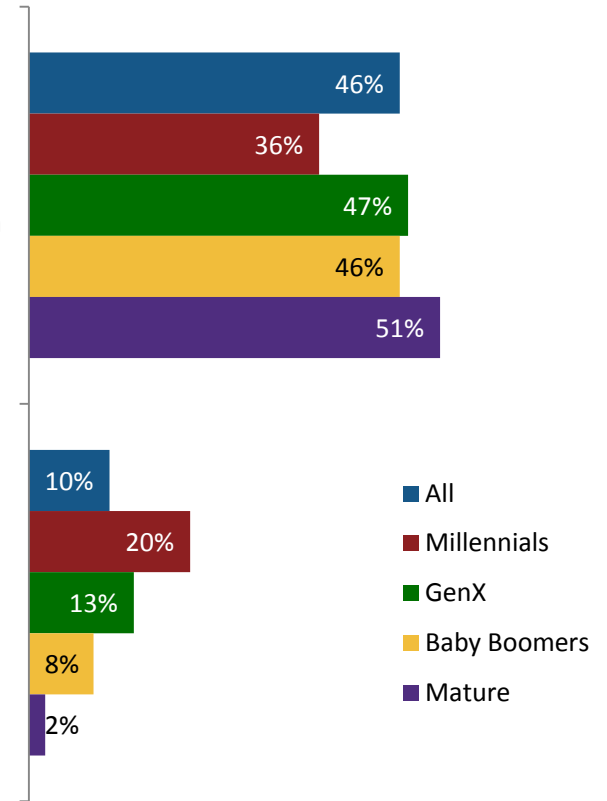
Q44. Which of the following would you expect if you were to require long-term care?

# Activities related to money and family

- Nearly half of the wealthy who are married have specified their financial roles and responsibilities for when a spouse passes
  - Not surprisingly, this is less common among Millennials
- Just one in 10 have developed a family mission statement regarding their wealth, and this practice is even more rare among the Baby Boomers and the Mature Generation

Identified specific financial roles and responsibilities for when you or your spouse passes (among those married/in partnership)

Developed a family mission statement that reflects the values and wishes about how the family's wealth should be used



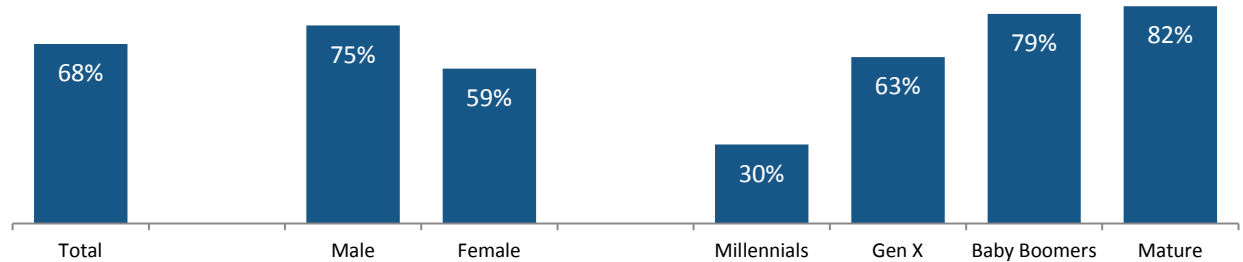
Q35. Which of the following have you done?



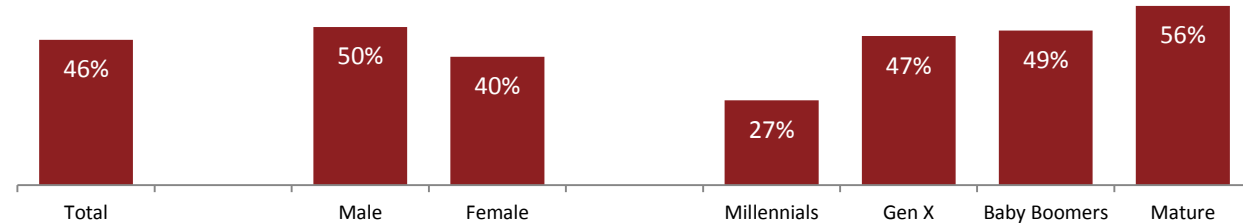
# Trust and estate planning

- The majority of wealthy have a will and about half have a comprehensive estate plan
- About half have some type of trust; one-fourth have an irrevocable trust and one-third have a revocable trust
- Not surprisingly, use of these products increases with age; business owners are also more likely to have these estate planning vehicles

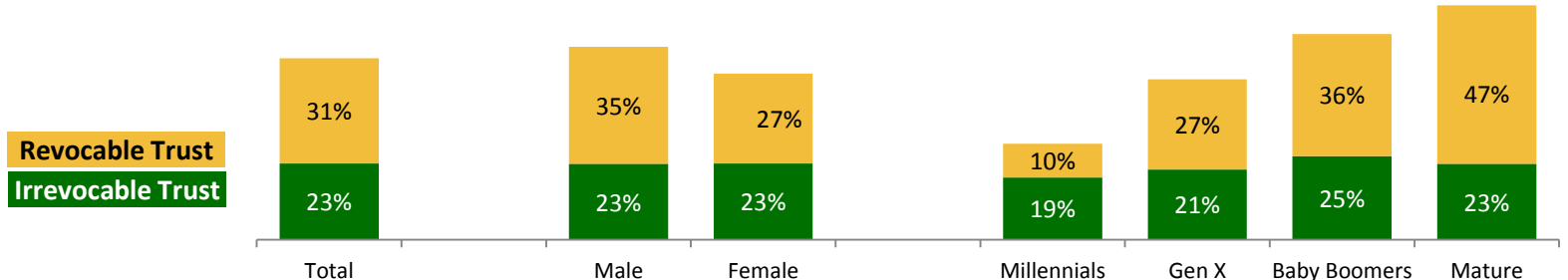
**% THAT HAVE A WILL**



**% THAT HAVE A COMPREHENSIVE ESTATE PLAN**



**% THAT HAVE A TRUST, BY TYPE**



Q45. Which of the following do you currently have in place?

# U.S. TRUST

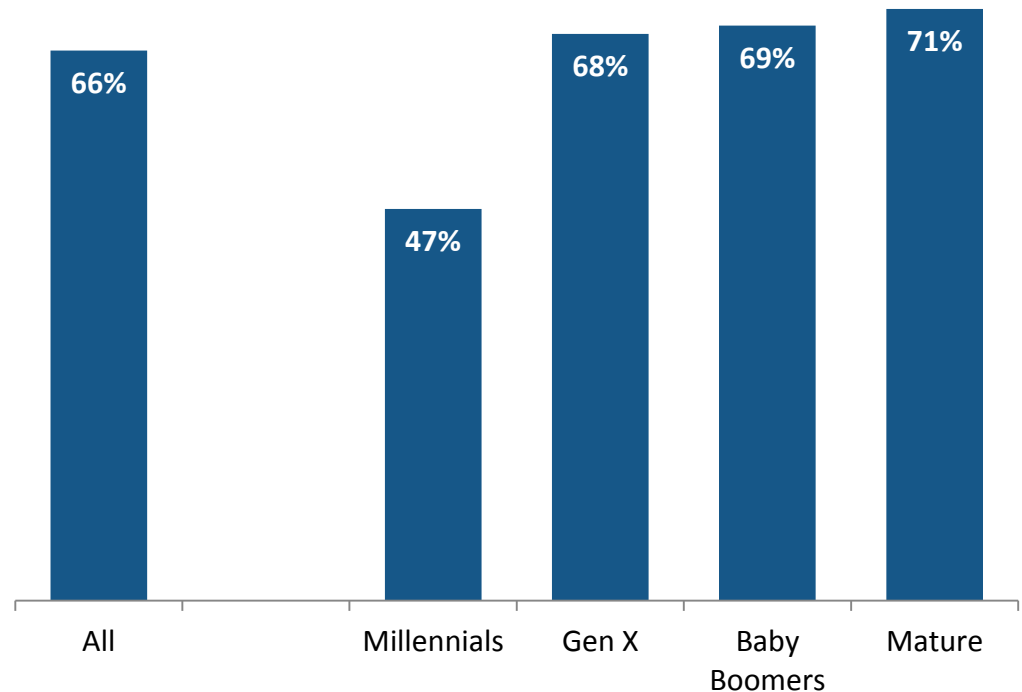
## ROLE OF ADVISORS

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# Two-thirds have a professional financial advisor

- A majority of the wealthy (66%) use some type of professional financial advisor such as a private banker, wealth manager, broker or financial planner
- Approximately one-quarter consider a private banker or wealth manager as their primary advisor
- Many also have other advisors such as an accountant (43%) or attorney (46%)
- One in five high net worth households has no professional advisor
  - Millennials are notably less likely than other generations to use any financial advisor (47%)

**% WHO HAVE A PROFESSIONAL FINANCIAL ADVISOR**



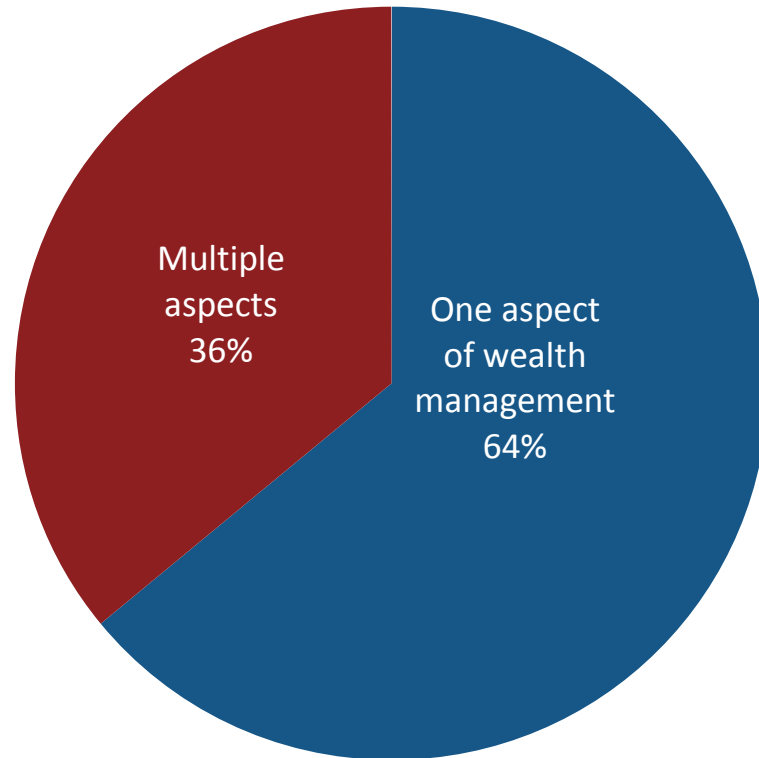
Q58. Which of the following professional advisors do you use?

# Discussions with advisors are narrow in scope

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- Nearly two-thirds (64%) talk with their primary financial advisor about only one aspect of wealth management such as taxes or investment performance

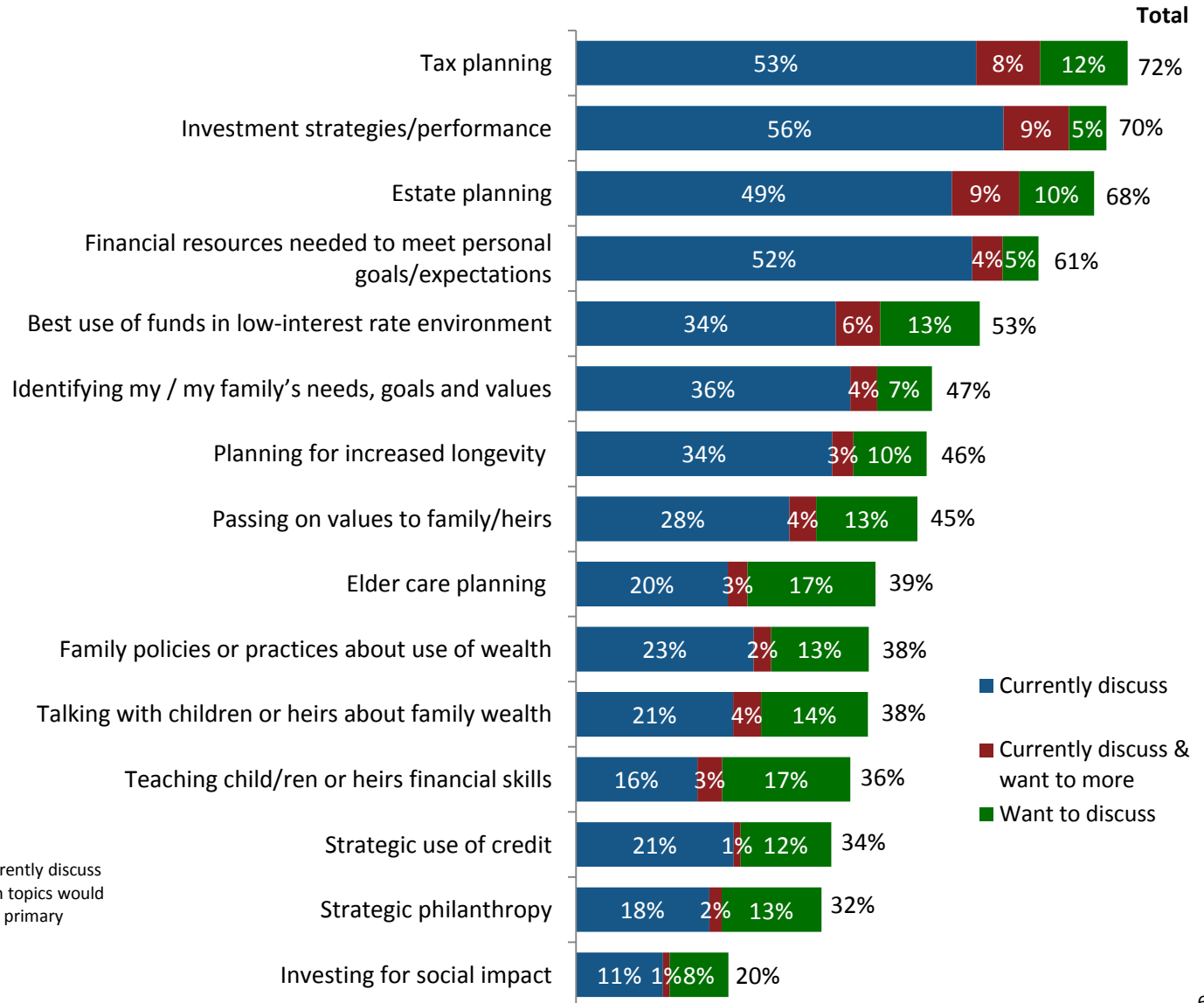
SCOPE OF DISCUSSIONS WITH PRIMARY FINANCIAL ADVISOR



Q60. Please indicate whether or not each of the following applies regarding your primary financial advisor.

# Opportunity for advisors

- Most of the wealthy say they talk with their primary advisor about investment strategies, tax and estate planning and resources needed to meet goals
- Many are interested in discussing (or delving deeper into) a variety of important, more personal and family matters
- Women more often discuss/want to discuss strategic philanthropy and investing for social impact than men

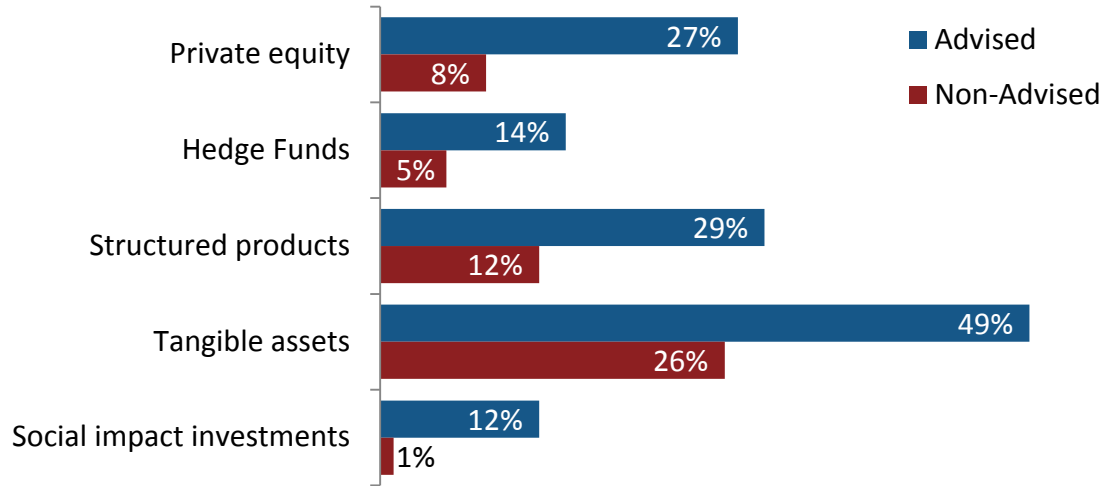


Q61. Which of the following topics do you currently discuss with your primary financial advisor, and which topics would you like to discuss (or discuss more) with your primary financial advisor?

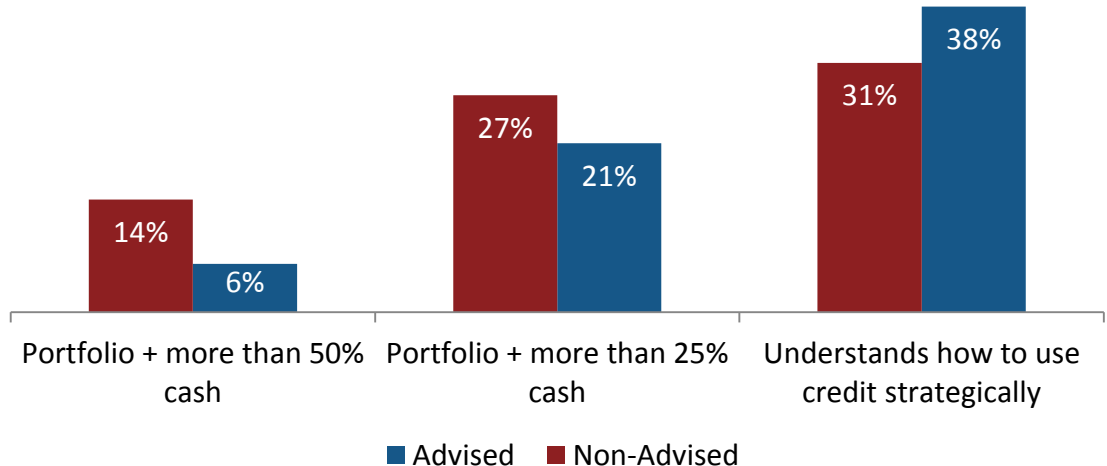
# Those with advisors are more strategic wealth builders

- Those who have a financial advisor are notably more likely to be using non-traditional investments in their portfolios. They are building wealth through both innovative investments as well as through the strategic use of credit
- Advised clients are maximizing the full potential of their assets, leaving less un-invested cash in their portfolios

**% EMPLOYING INVESTMENT STRATEGIES**



**% EMPLOYING INVESTMENT STRATEGIES**



**Q21.** Please indicate if you currently own, don't own but are interested in, or have no interest in the following investment strategies.

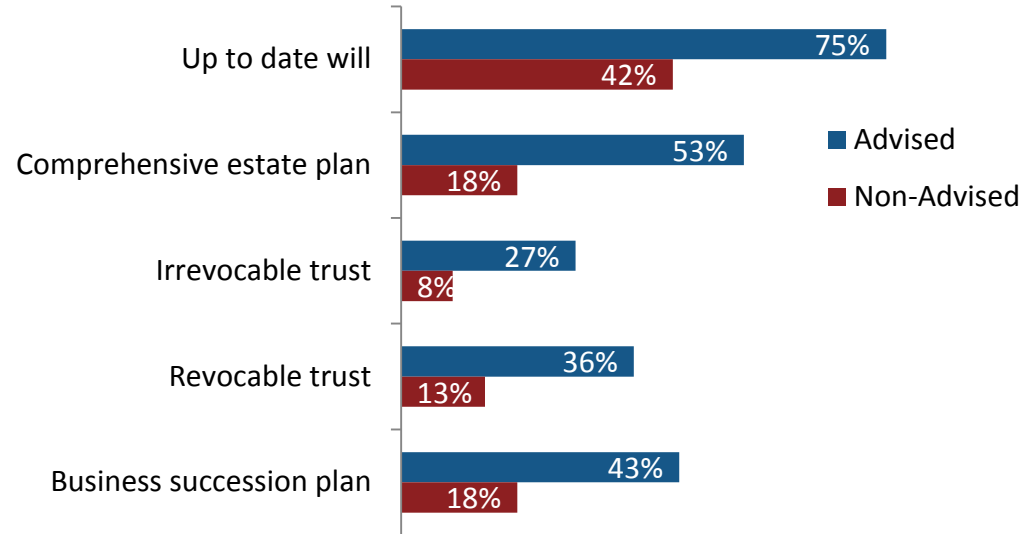
**Q15.** Approximately what percentage of your portfolio is currently held in cash, a money market account, savings account or other type of cash accounts?

**Q16.** Thinking about credit and how you use it, please indicate whether you agree or disagree: I have a good understanding of how to strategically use debt to my financial advantage.

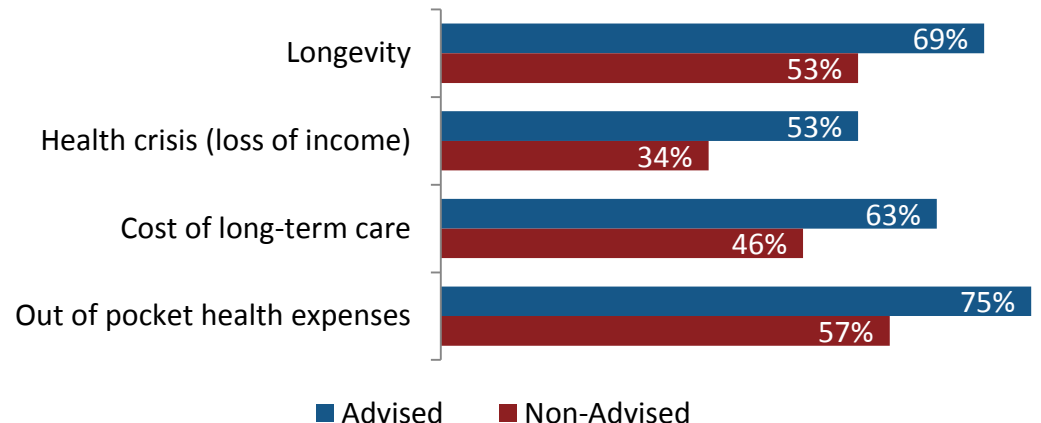
# Those who are advised are more likely to have plans in place

- Not only are those who have a professional financial advisor more likely than those who don't to have basic estate planning tools such as a will in place, they are more likely to have a comprehensive estate plan and trusts established
- They also are more likely to have planned sufficiently for unexpected health care events and related costs
- Business owners are notably more likely to have a formal succession plan for their business if they have an advisor

## % WITH ESTATE PLANNING DOCUMENTS IN PLACE



## % WHO FEEL HAVE FINANCIALLY PLANNED FOR

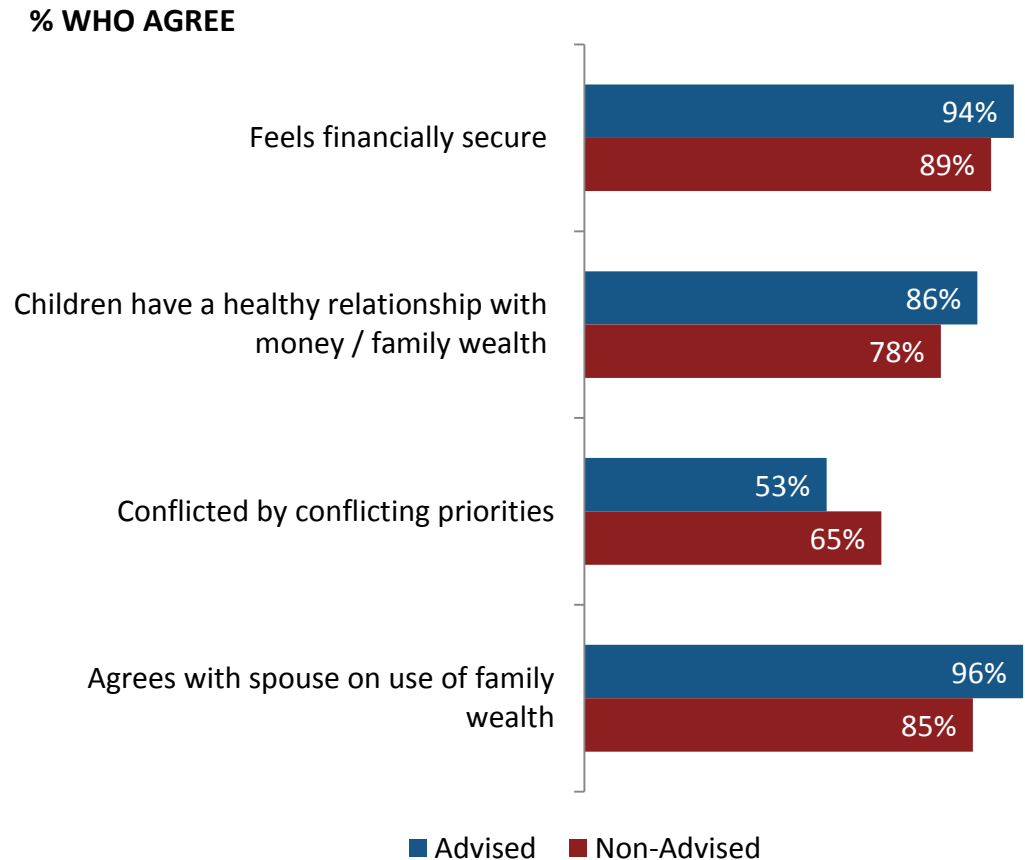


Q45. Which of the following do you currently have in place?

Q42. For which of the following do you feel you have adequately financially planned for?

# Advice and planning lead to greater sense of financial security

- Those who have a financial advisor are somewhat more likely to feel financially secure and less likely to struggle with balancing conflicted priorities across different areas of their lives
- They tend to have greater agreement with their spouse about the use of wealth and healthier overall relationship with money



**Q3.** Do you consider yourself financially secure, meaning you have the income and assets to comfortably meet your current financial needs and goals?

**Q30.** Level of agreement with statement: My child/ren have a healthy relationship with money. (Among those with children)

**Q12.** Level of agreement with statement: Different priorities and goals in my personal, family, work, social and financial life are often in conflict with each other.



# U.S. TRUST

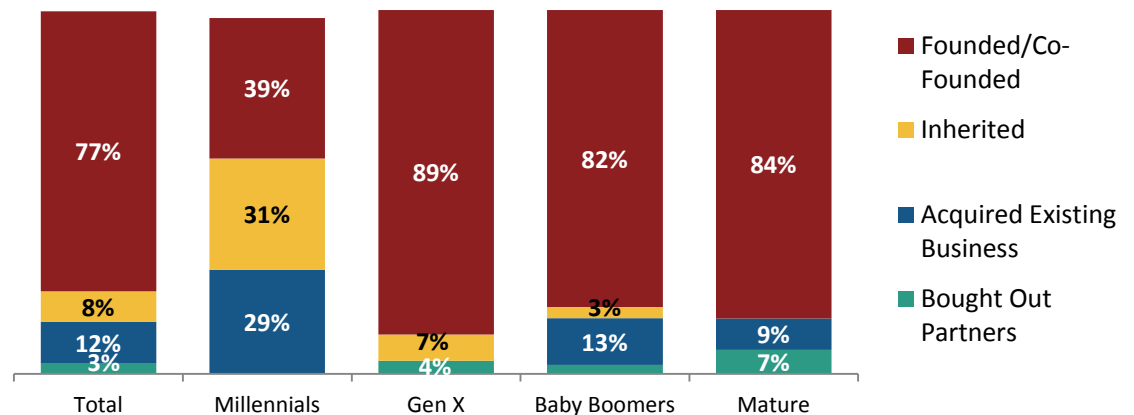
## BUSINESS OWNERS

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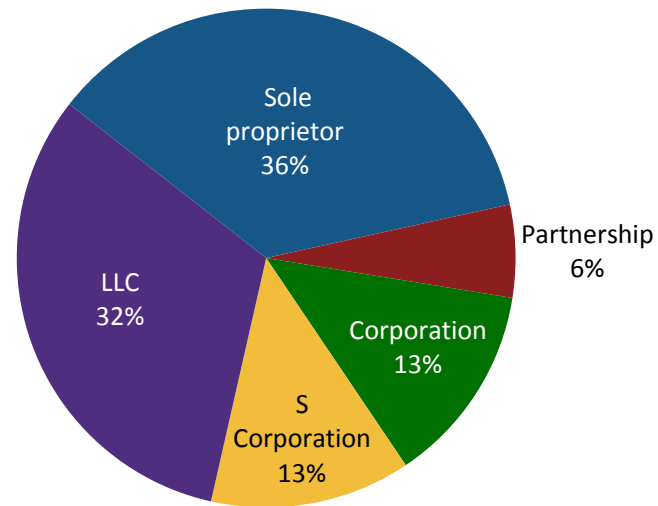
# Business ownership

- The vast majority of business owners founded their own businesses, with the exception of Millennials
  - Approximately one in three Millennials either inherited or acquired their businesses
- Two-thirds of HNW-owned businesses are either sole proprietorships or LLCs

**HOW OWNERSHIP OF THE BUSINESS WAS GAINED**



**LEGAL STRUCTURE OF BUSINESS**



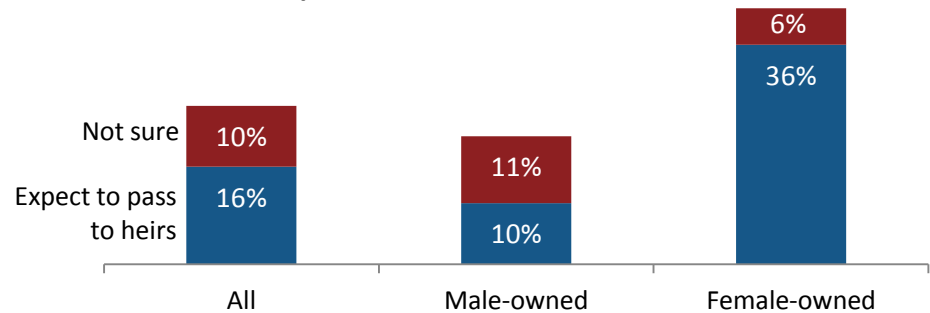
Q47. How did you gain ownership of your business?

Q48. What is the legal structure of your business?

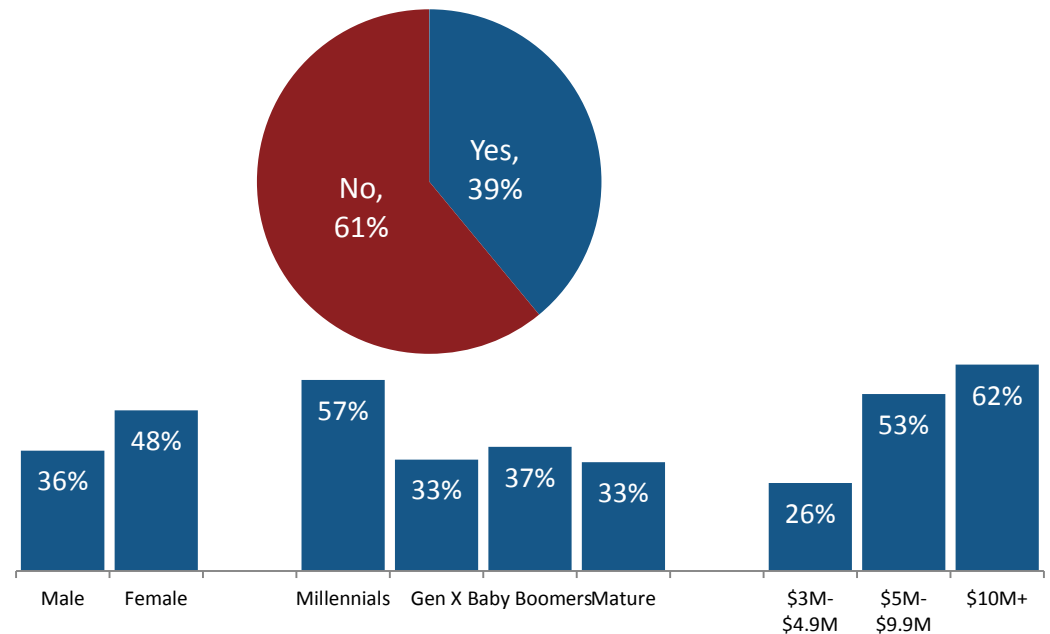
# Business succession planning

- Only 16% of all business owners expect to pass their business on to the next generation, and another 10% are unsure
  - Notably, more women expect to pass their business on to their children/heirs
- Only 40% of business owners have a formal plan for the orderly succession of their business
  - Women, Millennials and the wealthiest business owners are most likely to have a succession plan
- The vast majority (89% ) of those who have a succession plan also have a will and/or comprehensive estate plan in place

**% EXPECT CHILDREN/HEIRS TO INHERIT BUSINESS**



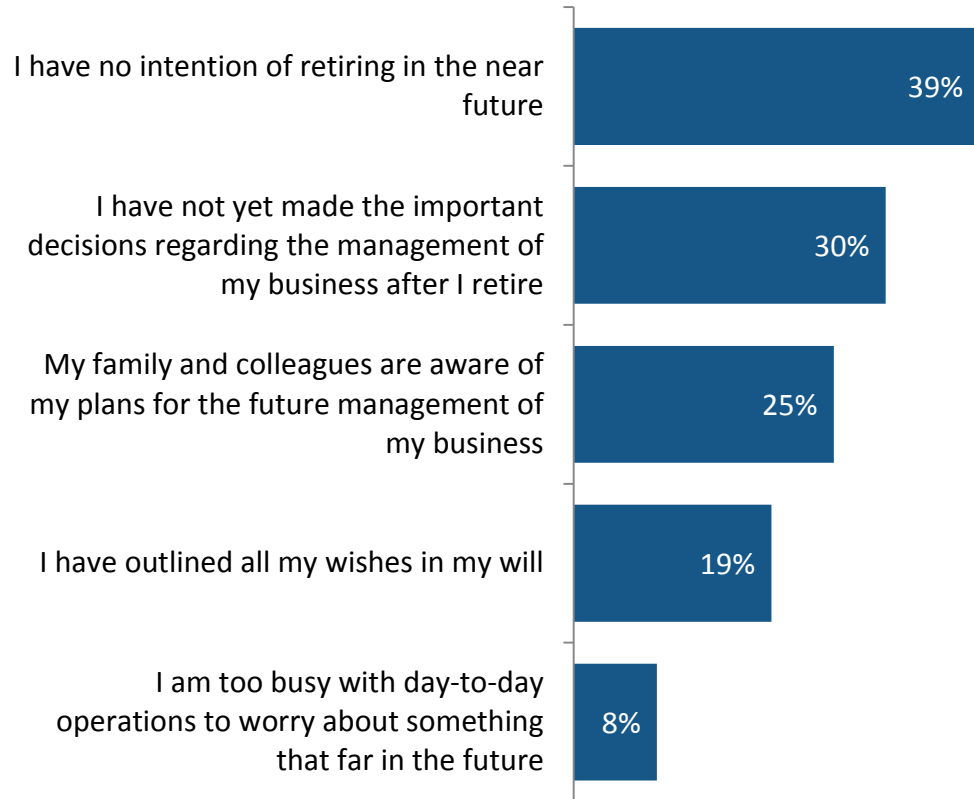
**% HAVE FORMAL SUCCESSION PLAN**



**Q49.** Do you expect your children or heirs to continue the business?  
**Q50.** Do you have a formal succession plan for the transfer of ownership and leadership of your business when and if you leave it?

# Top 5 reasons for not developing a business succession plan

- The top reasons HNW business owners give for not having a formal succession plan in place vary and include:
  - No plans to retire anytime soon
  - These decisions have not yet been made
  - Others are aware of wishes for passing along the business
  - A will is in place that covers it
  - Too busy to think about



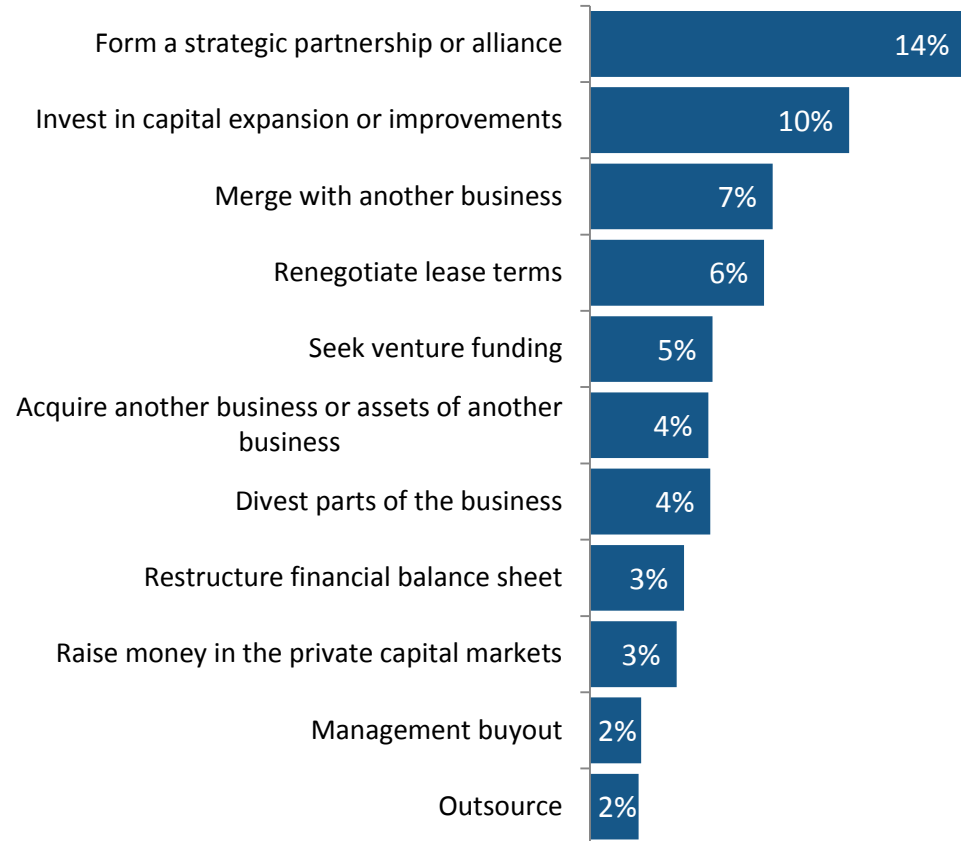
Q50. Do you have a formal succession plan for the transfer of ownership and leadership of your business when and if you leave it?

Q51. Why haven't you established a business succession plan?

# Business owners seeking deals to grow their business

- Business owners are investing in the growth of their business, largely through deals to expand their scope and capabilities
  - One-quarter (23%) are looking to acquire, merge or partner with other businesses
- Others are bolstering their financial position by restructuring their balance sheets or renegotiating lease terms
- Few are looking to the private capital markets to raise money, instead investing their own capital or seeking venture funding

## ACTIONS ALREADY TAKEN OVER THE PAST YEAR OR PLANNED IN 2015

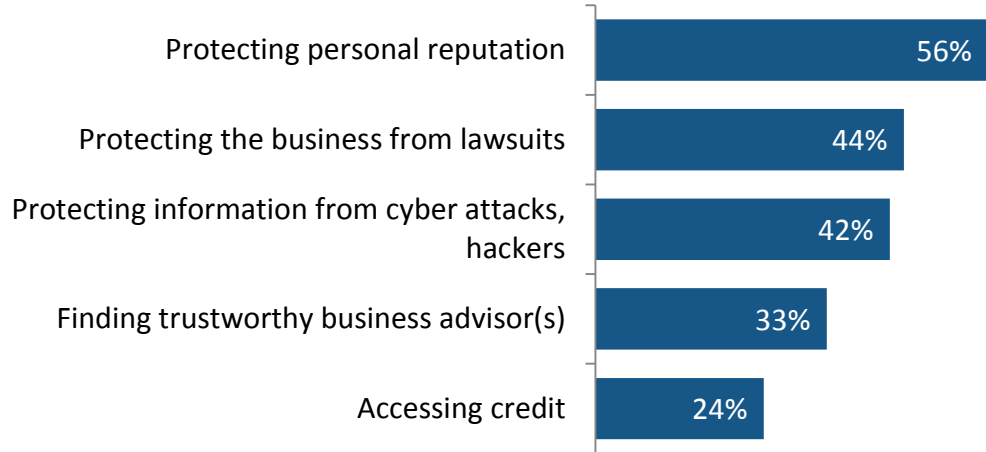


Q53. Which of the actions did you take in 2014 or are considering taking in 2015 to grow your business?

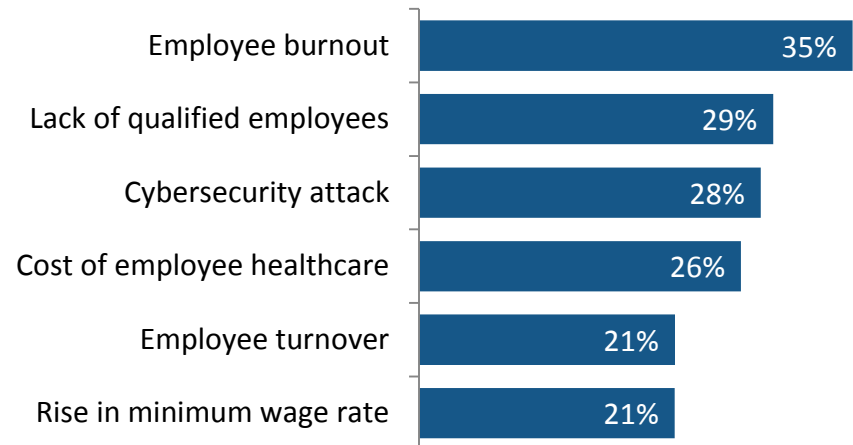
# Greatest concern as a business owner is name reputation

- Owners of private or family-owned enterprises are most concerned with protecting their personal reputation
- More than four in 10 worry about protecting the business from lawsuits or cyberattacks
- However, when it comes to external threats that represent a threat to the growth of the business, the biggest concern business owners have is with their own employees, either burnout of top talent or lack of qualified talent

## % WHO ARE CONCERNED ABOUT EXTERNAL THREATS



## THREATS TO BUSINESS GROWTH



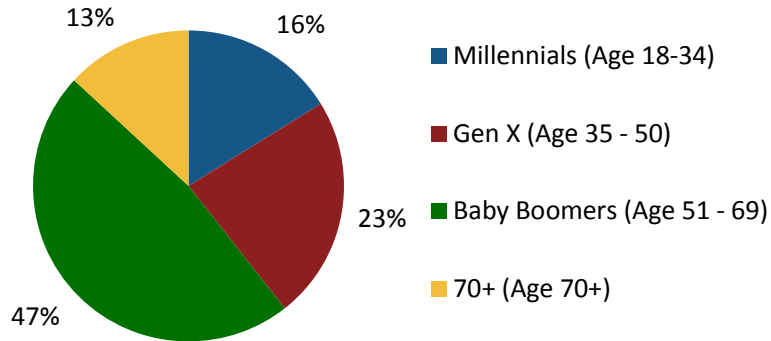
Q57. To what extent is each of the following a concern to you as a business owner?

Q54. To what extent do you consider each of the following a threat to your business growth?

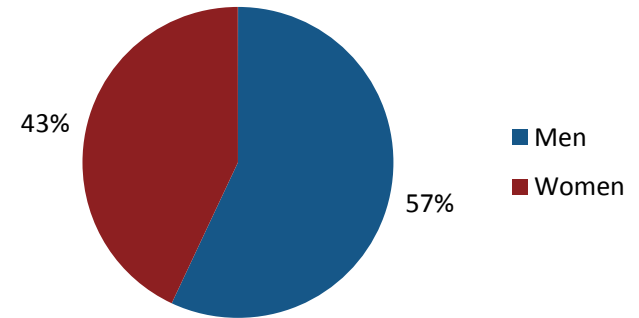
# Profile of respondents

640 HNW adults with at least \$3 million in household investable assets

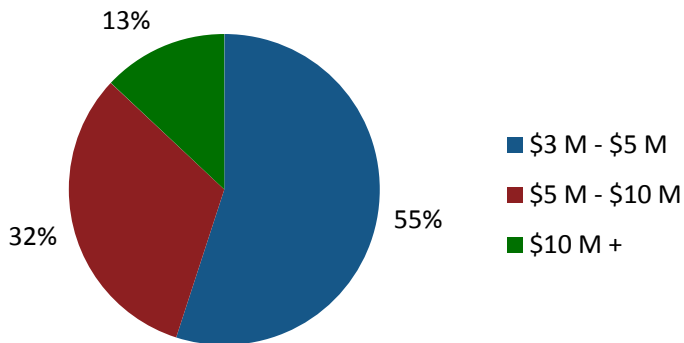
## AGE



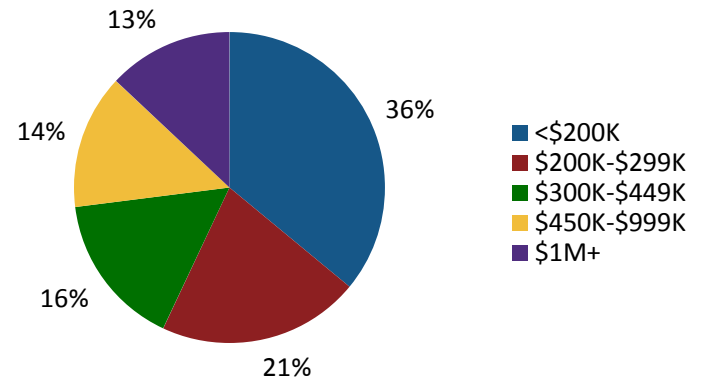
## GENDER



## HOUSEHOLD INVESTABLE ASSETS

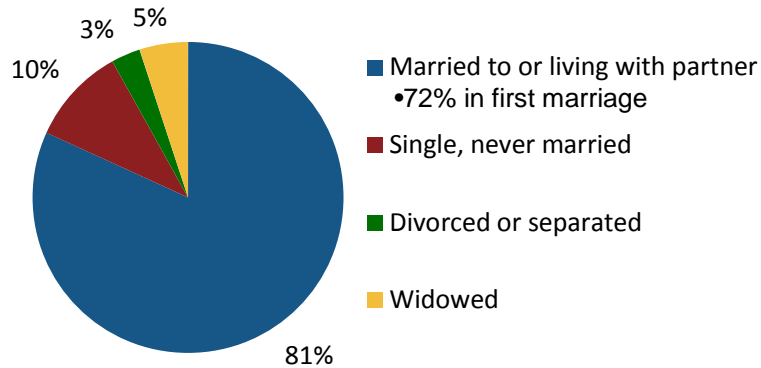


## HOUSEHOLD INCOME

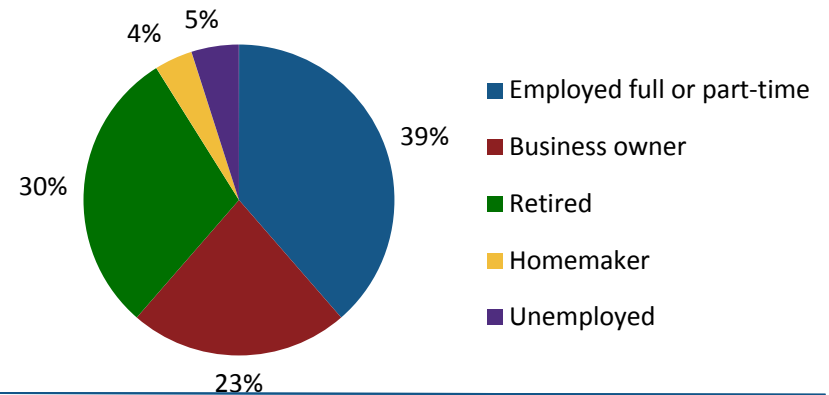


# Profile of respondents

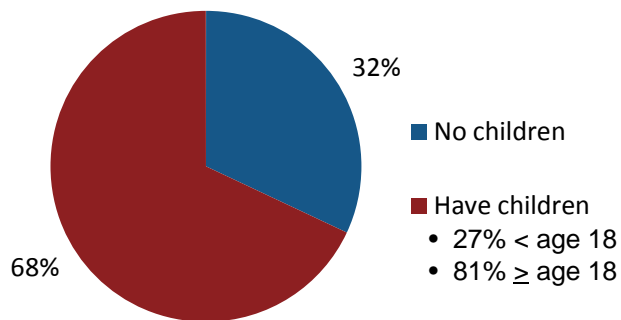
## RELATIONSHIP STATUS



## EMPLOYMENT STATUS

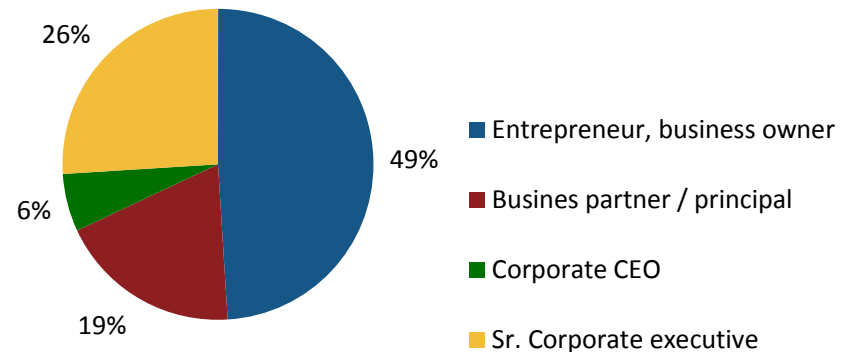


## PARENTAL STATUS



## PROFESSIONAL STATUS

(among business owners and senior executives)





# Important Disclosures

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## Methodology

The 2015 *U.S. Trust Insights on Wealth and Worth*<sup>®</sup> survey is based on a nationwide survey of 640 high-net-worth and ultra-high-net-worth adults with at least \$3 million in investable assets, not including the value of their primary residence. Respondents were equally divided among those who have between \$3 million and \$5 million, \$5 million and \$10 million, and \$10 million or more in investable assets. The survey was conducted online by the independent research firm Phoenix Marketing International in January 2015. Asset information was self-reported by the respondent. Verification for respondent qualification occurred at the panel company, using algorithms in place to ensure consistency of information provided, and was confirmed with questions from the survey itself. All data have been tested for statistical significance at the 95 percent confidence level.

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