

# U.S. TRUST

## 2014 *U.S. TRUST INSIGHTS ON WEALTH AND WORTH*® SURVEY

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### Key Findings

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Bank of America Private Wealth Management

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# 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 2014 Study

In 2014, U.S. Trust commissioned an independent, nationwide survey of 680 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 and 2013, providing new insight on topics of emerging importance as well as revisiting previously explored themes.

## Profile of survey respondents

- 680 high-net-worth adults
- Investable assets:
  - 34% have between \$3M and \$5M
  - 32% have between \$5 and \$10M
  - 34% have \$10M or more
- Age of respondents:
  - 13% Millennials or Gen Y (Age 18-33)
  - 22% Generation X: (Age 34-49)
  - 45% Baby Boomers: (Age 50-68)
  - 20% Age 69+
- Gender
  - 57% men
  - 43% women
- Business Professionals
  - 132 Business Owners
  - 107 Senior Executives

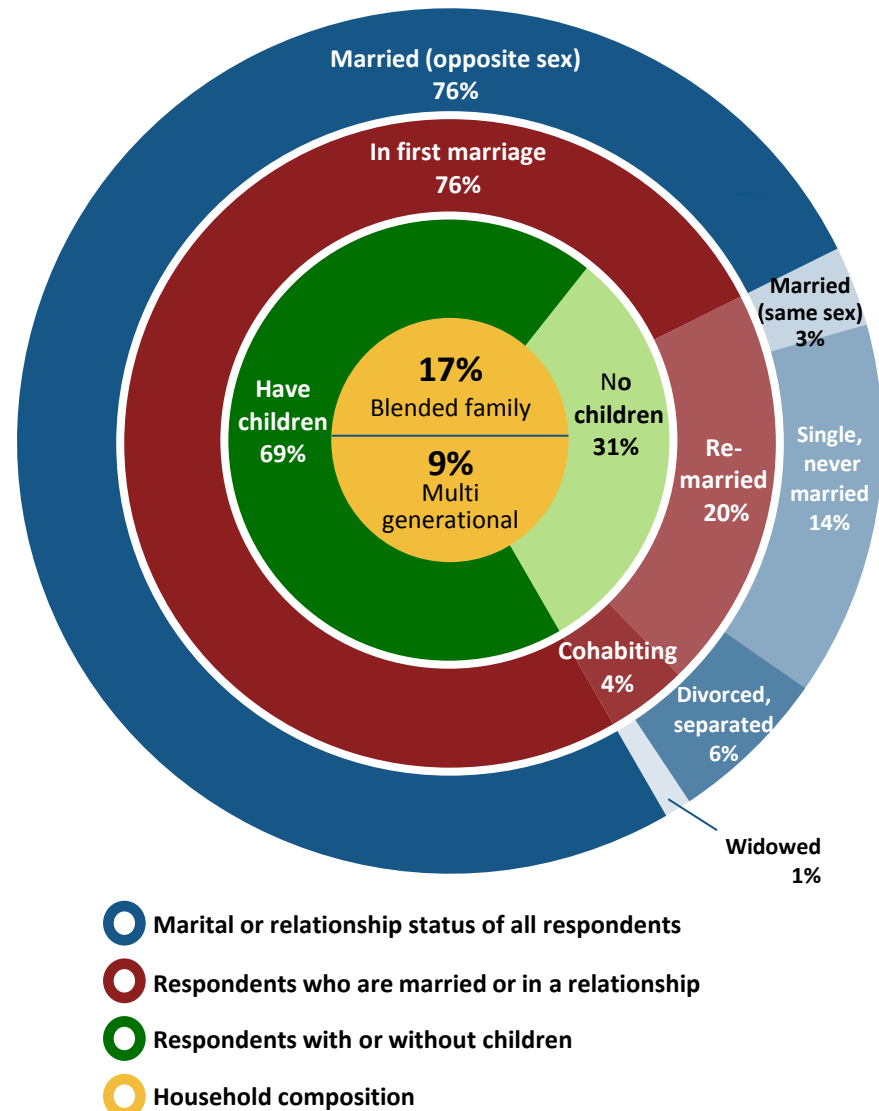
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## WEALTH MANAGEMENT AND THE MODERN AMERICAN FAMILY

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# The modern American high-net-worth family

- The modern American family is structurally diverse
- The traditional family – stably married parents, children – still dominates
  - Three-quarters are in their first marriage
  - Two-thirds have, on average, two children
- But the concept of family is evolving
  - One-fifth remarry after being divorced or widowed
  - Nearly two in 10 are in a blended family (meaning previously married parent(s) and/or have step children)
  - One in 10 live in a multi-generational household (meaning with adult children, parents, grandparents)
  - Single, never married or previously married, couples are choosing to live together
  - Single, never married people are a family of one



# Family structure is evolving

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- Divorce and remarriage become more prevalent with age
  - A third (34%) of those over age 69 have been divorced, with most (28%) remarrying
- Nearly one in four people over age 69 and two in 10 Baby Boomers are in a blended family
- 32 percent of Millennials live with their parent or grandparent in a multi-generational household

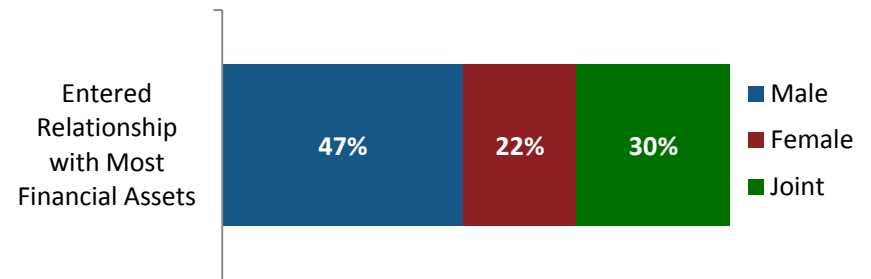
Millennials	Gen X	Baby Boomer	Age 69+
<ul style="list-style-type: none"><li>• 15% Blended family</li><li>• 32% Multi-generational household</li><li>• 28% In first marriage</li><li>• 2% Remarried</li><li>• 1% Never married, living together</li><li>• 4% Married/living with same-sex partner</li><li>• 34% Have children</li><li>• 12% Have step children</li></ul>	<ul style="list-style-type: none"><li>• 14% Blended family</li><li>• 11% Multi-generational household</li><li>• 58% In first marriage</li><li>• 10% Remarried</li><li>• 3% Never married, living together</li><li>• 2% Married/living with same sex partner</li><li>• 66% Have children</li><li>• 9% Have step children</li></ul>	<ul style="list-style-type: none"><li>• 17% Blended family</li><li>• 2% Multi-generational household</li><li>• 71% In first marriage</li><li>• 19% Remarried</li><li>• 2% Never married, living together</li><li>• 3% Married/living with same-sex partner</li><li>• 75% Have children</li><li>• 10% Have step children</li></ul>	<ul style="list-style-type: none"><li>• 24% Blended family</li><li>• 3% Multi-generational household</li><li>• 59% In first marriage</li><li>• 28% Remarried</li><li>• 1% Never married, living together</li><li>• 1% Married/living with same-sex partner</li><li>• 83% Have children</li><li>• 14% Have step children</li></ul>

# Male and female roles are evolving

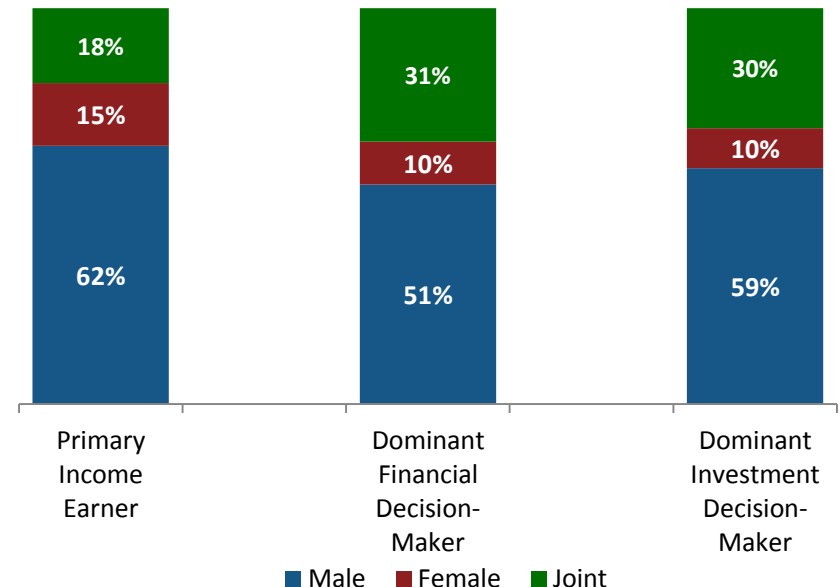
- Traditional roles are changing in the modern American family as the influence of women as wealth creators grows and both partners contribute a more balanced share of financial assets, income and decision-making
  - For about half (52%) of HNW couples, women entered the relationship with equal or greater financial assets as their spouse or partner
  - One-third (33%) of women contribute income equal to or greater than their spouse
  - While men remain the dominant decision-maker and primary income earner in about 60 percent of HNW households, women are sharing decision-making or taking the lead in as many as 40 percent of relationships

## PERSON WHO ...

Among those married/in partnership



## PERSON IN HOUSEHOLD WHO IS ...



**Q3.** Who in your household:

Is the primary income earner?

Entered the relationship with the most financial assets?

Is the dominant household financial decision-maker?

Is the dominant investment decision-maker?

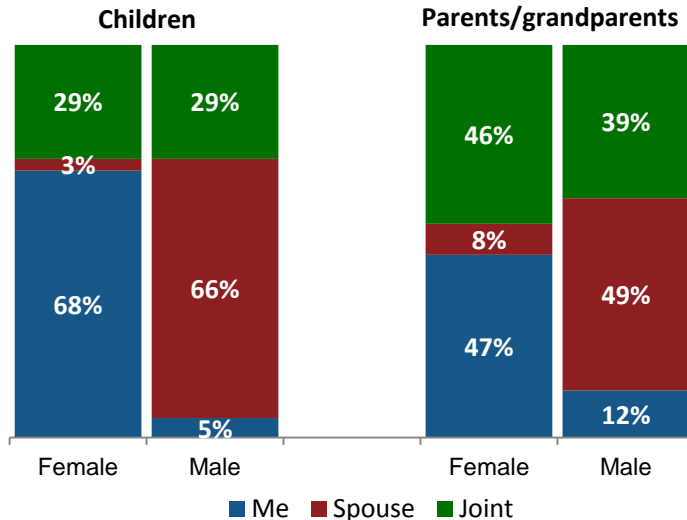
# Contribution of family roles to caregiving

- Women remain the primary caretaker in the family, both for children and aging parents
  - On caring for children, men and women agree. Two-thirds of women are the primary caretaker. Nearly 30% of spouses share the responsibility.
  - More women feel they share in the care of parents/grandparents than men
- Caretaking for children and parents financially affects more women than men, and is a contribution to family wealth that few quantify
  - Four in 10 women have forfeited income or career advancement to care for the needs of children
  - Eight in 10 couples have never calculated the equivalent of the monetary value of time spent on family caregiving

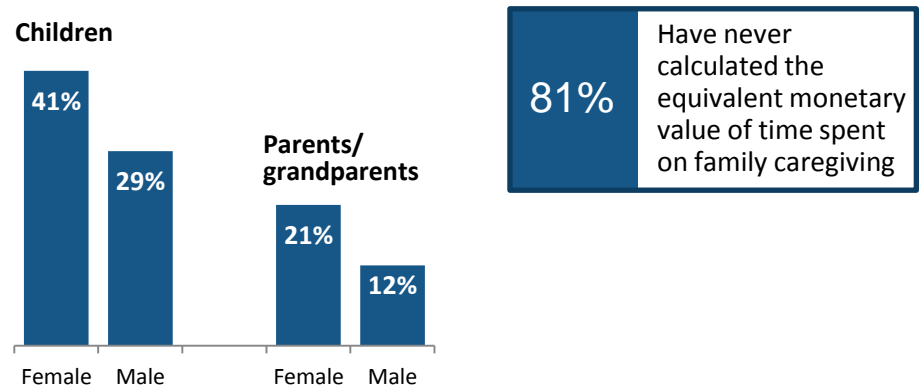
**Q37\_1.** Thinking about the demands of caring for family members, have you: Forfeited income or career advancement in order to care for the needs of your children? (Excludes N/A and no children)

**Q37\_2.** Thinking about the demands of caring for family members, have you: Forfeited income or career advancement in order to care for the needs of aging parents or relatives? (Excludes N/A)

## PERSON IN HOUSEHOLD WHO IS PRIMARY CARETAKER TO ...



## % WHO HAVE FORFEITED INCOME OR CAREER ADVANCEMENT IN ORDER TO CARE FOR THE NEEDS OF ...



81%

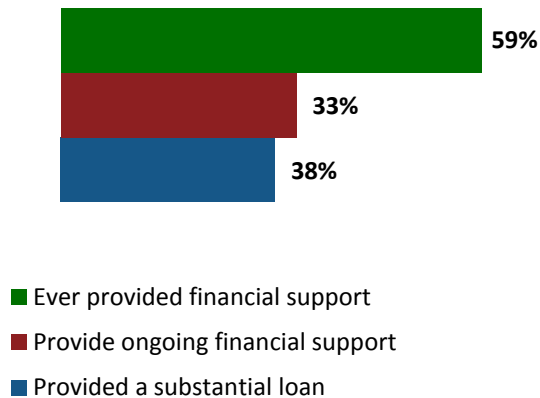
Have never calculated the equivalent monetary value of time spent on family caregiving



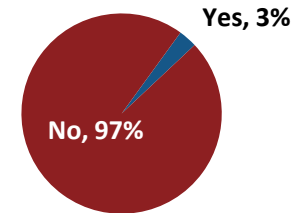
# The wealthy financially support immediate and extended family

- Nearly six in 10 wealthy people have provided financial support to an adult member of their immediate and extended family (other than their spouse)
- One-third are providing ongoing financial support, yet only 3 percent have a financial plan that addresses this need
- For nearly four in 10 (37%), providing financial support to a family member comes at the expense of meeting personal financial goals

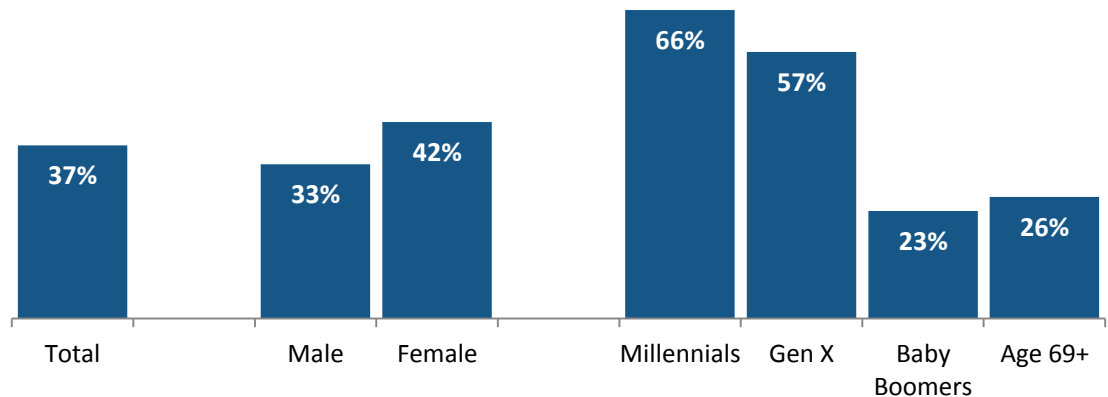
## % WHO HAVE PROVIDED FINANCIAL SUPPORT OR A SUBSTANTIAL LOAN TO AN ADULT FAMILY MEMBER



## % who have a financial plan for ongoing financial support of an adult member of their extended family



## % WHOSE FINANCIAL GOALS HAVE BEEN NEGATIVELY AFFECTED BY PROVIDING FINANCIAL SUPPORT TO ADULT FAMILY MEMBERS



**Q32.** Do you, or have you ever, provided substantial financial support (not a loan) to any of the following adult family members?

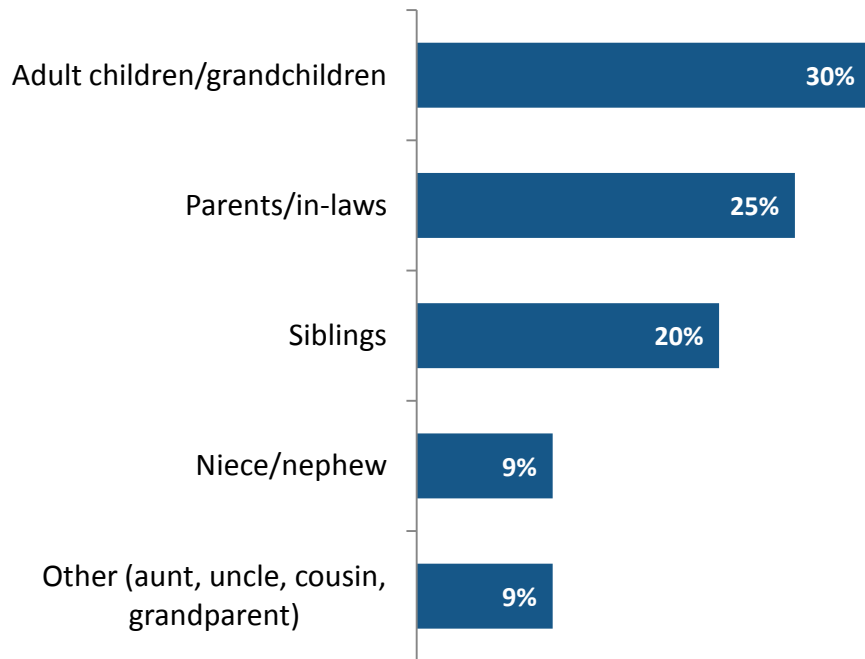
**Q35.** To what extent has the financial assistance you have provided adult members of your immediate or extended family negatively affected your personal financial goals?

**Q36.** For which of the following do you have a financial or family plan?

# Financial support for the whole family

- Thirty percent of wealthy parents and grandparents have provided financial assistance for adult children and grandchildren
- Nearly as many adult children (25%) have financially supported their parents or in-laws
- Two in 10 have financially assisted siblings and nearly one in 10 their siblings' children

## % WHO HAVE PROVIDED SUBSTANTIAL FINANCIAL SUPPORT TO THE FOLLOWING IMMEDIATE AND EXTENDED FAMILY MEMBERS

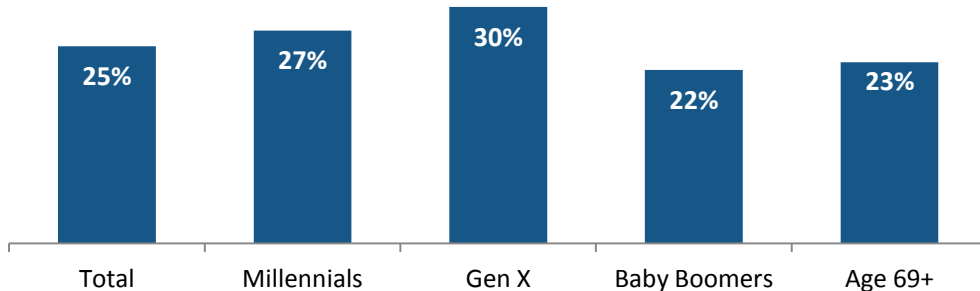


**Q32.** Do you, or have you ever, provided substantial financial support (not a loan) to any of the following?

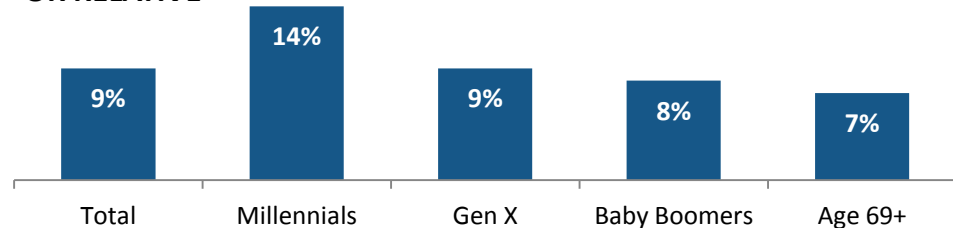
# Younger generations are accepting responsibility for parents

- Overall about a quarter have provided financial support to their parents or in-laws, and nearly one in 10 have personally paid long-term-care costs  
  - Those under age 50 are most likely to have financially supported parents
- Millennials are twice as likely than any other generation to expect to support their parents

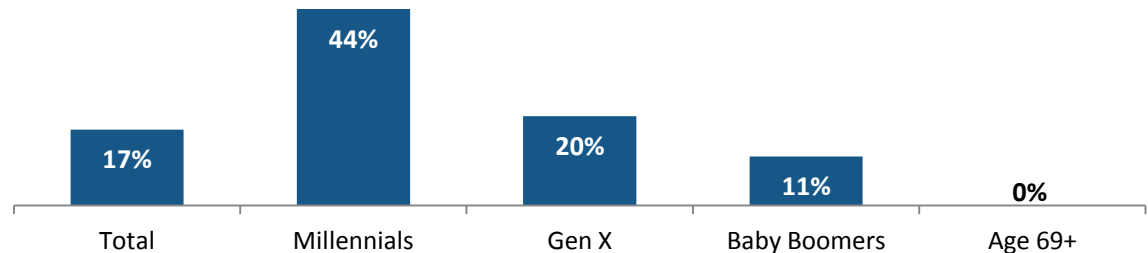
**% WHO HAVE PROVIDED FINANCIAL SUPPORT TO PARENTS/IN-LAWS**



**% WHO HAVE PAID LONG-TERM-CARE COSTS FOR AN AGING PARENT OR RELATIVE**



**% WHO EXPECT PARENTS OR IN-LAWS TO RELY ON THEM FOR ONGOING FINANCIAL SUPPORT AT SOME POINT**

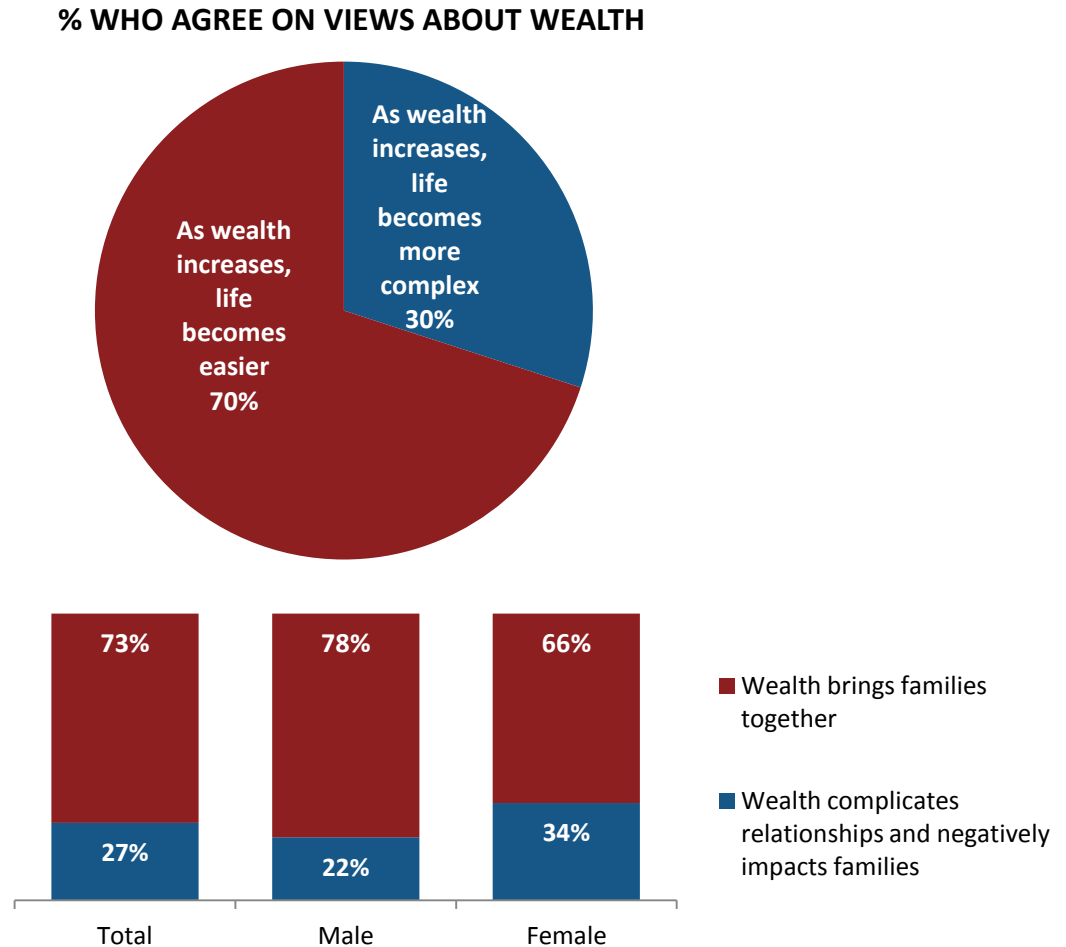


**Q33.** At any point in your lifetime, do you expect your parents or in-laws to rely on you for ongoing financial support or assistance to help meet their expense and income needs? (Among those who don't already provide financial support)

**Q34.** Which of the following have you ever done:

# For most, increased wealth makes life easier

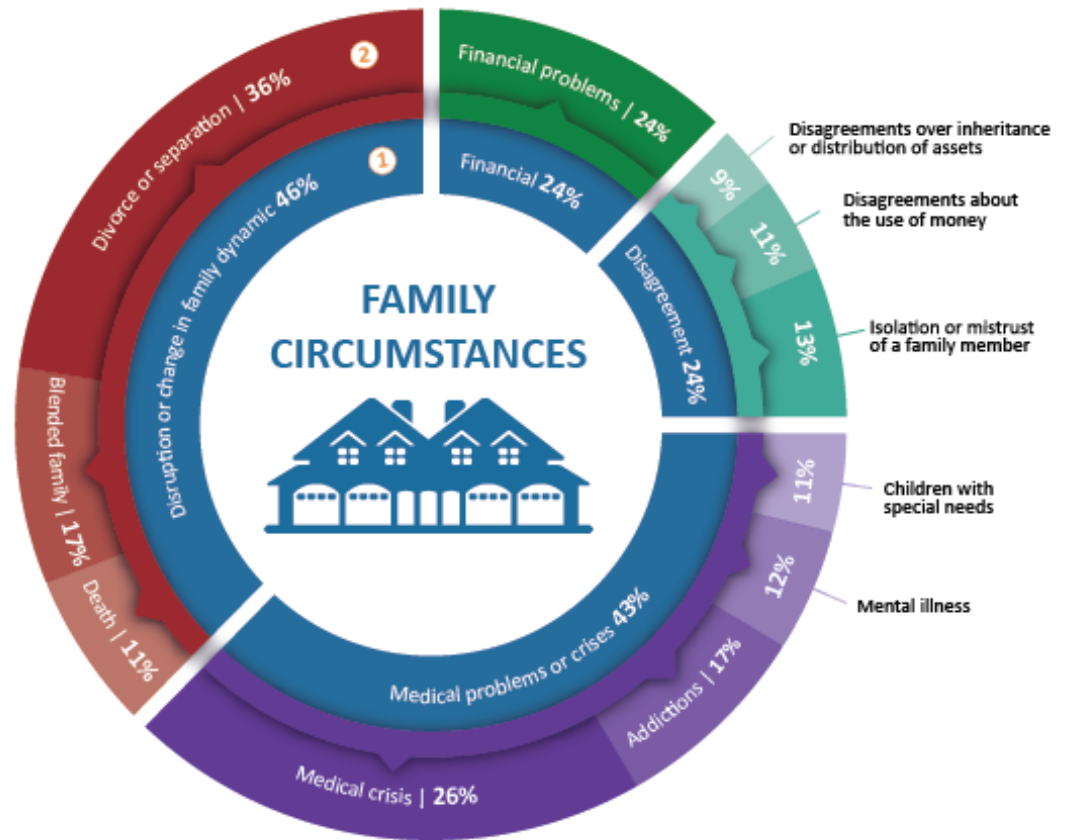
- Seven in 10 wealthy people agree that increased wealth can make life easier
  - However, 30 percent agree that it adds a level of complexity to their lives
  - One in four agrees that wealth complicates relationships and has the potential to negatively affect families
  - Women are somewhat more likely to feel that wealth adds complexity and complicates family relationships



Q28b, c. Which of the following statements best reflects your views about people who are wealthy?

# Complex family circumstances

- Complex family dynamics aren't isolated to individual family members. Each member faces circumstances and experiences that affect their contribution/need.
- Nearly half of all HNW families have experienced a disruption or change in the family dynamic due largely to divorce or untimely death of an income earner
- More than four in 10 have dealt with a medical issue
- One in four families have had disagreements, largely about money



- Financial problems
- Disagreements
- Medical problems or crises
- Disruption or change in family dynamic

- ① Level one: Circumstances that exist.
- ② Level two: Breakdown of circumstances that exist.

Q38. Which of the following circumstances have ever existed among your immediate or extended family?

# Family circumstances represent financial risk

- The majority of those who have experienced circumstances among their immediate and extended family members say the experiences have resulted in at least some risk to family wealth
- The top five circumstances that represent great risk to family wealth are:
  - Addictions/impulsive behavior
  - Untimely death or disability of income earner
  - Divorce
  - Medical crises
  - Disagreement over inheritance or distribution of family assets



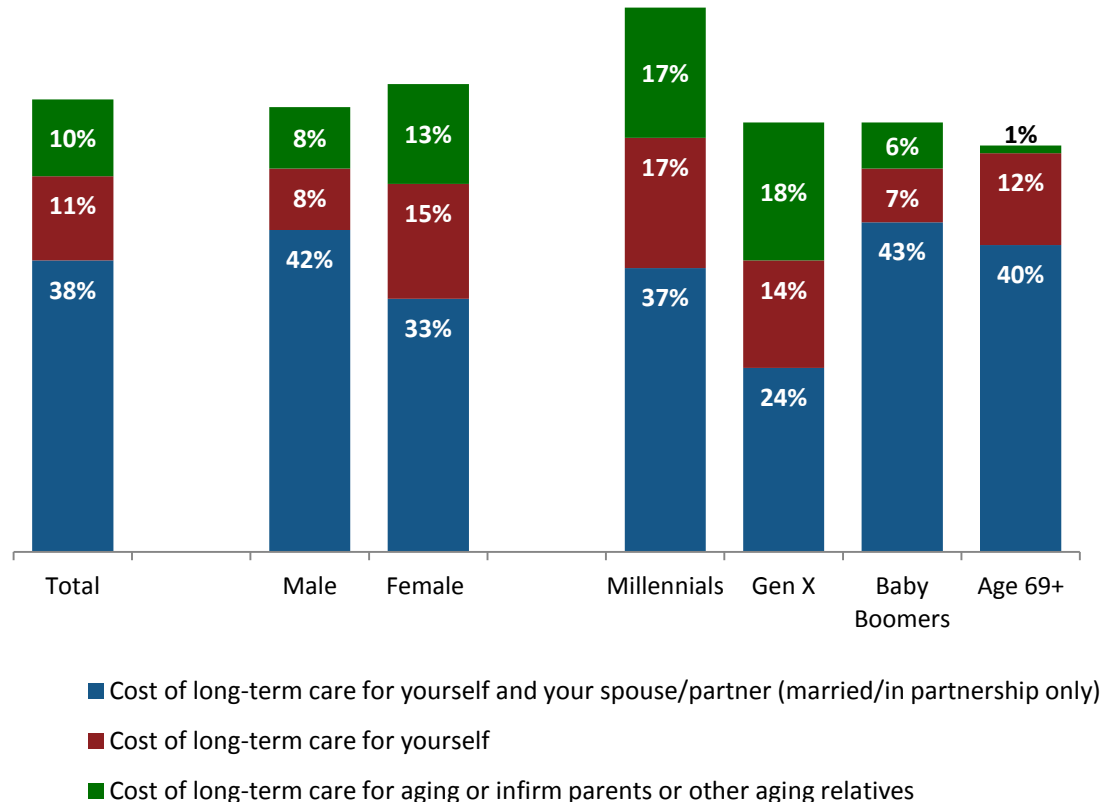
**Q38.** Which of the following circumstances have ever existed among your immediate or extended family?

**Q38a.** To what extent do you believe that the financial ramification associated with these circumstances represent a risk to family wealth?

# Despite financial impact of medical crises, few have plans for it

- Only 38 percent of married couples have a financial plan to address the cost of long-term care, for both themselves and their spouse
- Only 11 percent have a plan for themselves
- Just one in 10 have established a financial plan to address the cost of long-term care for their parents or other aging relatives, should they need it
- Millennials are most likely to have a plan to address long-term-care costs for themselves and their parents

WHICH FINANCIAL OR FAMILY PLANS DO YOU HAVE IN PLACE?



Q36. For which of the following do you have a financial or family plan?

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## FAMILY WEALTH AND TRANSFER

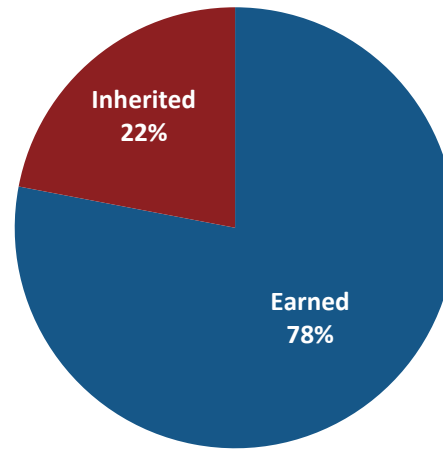
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# Most of the wealthy created their wealth

- More than three-quarters of respondents created the majority of their own wealth, through a combination of earned income from work, business ownership or investments
- Less than one-quarter inherited the majority of their wealth
- Millennials (age 18-33) are more likely than Gen X and Baby Boomers to have inherited a majority of wealth

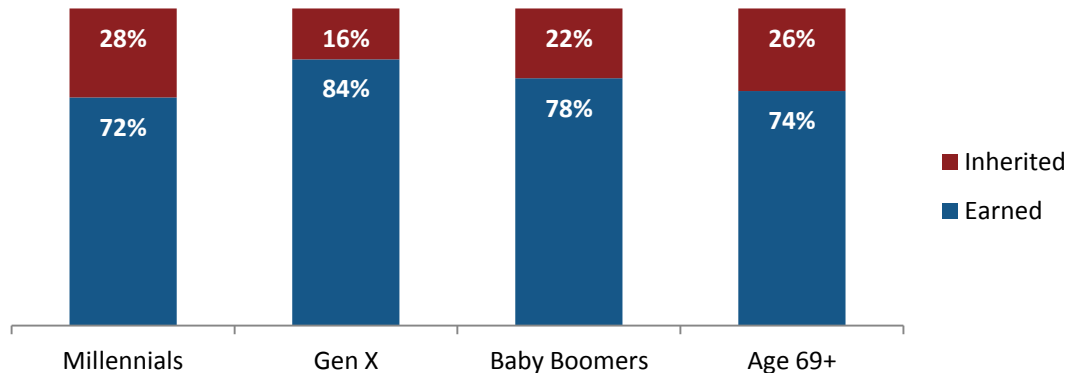
SOURCE OF MAJORITY OF WEALTH, ALL RESPONDENTS



**Source of earned assets:**

- Owning a business or practice
- Income from work
- Financial investments
- Real estate
- Sale of business

SOURCE OF MAJORITY OF WEALTH, BY AGE

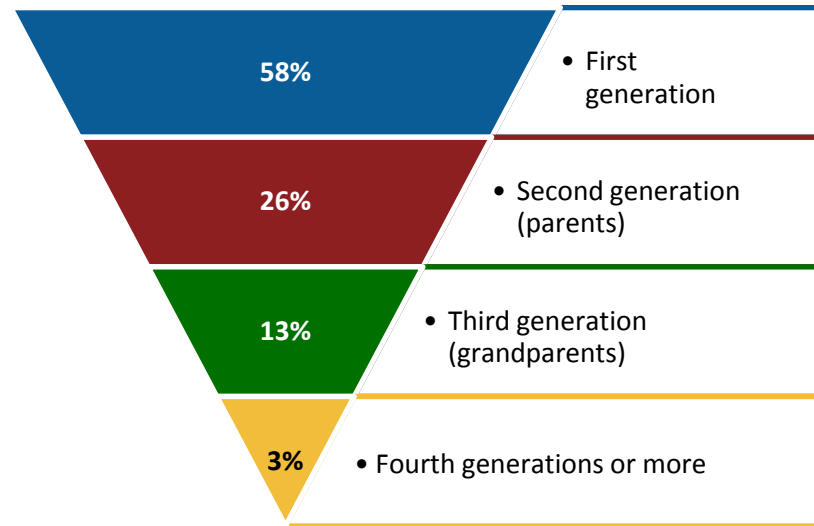


Q1. How have you accumulated the majority of your financial assets?

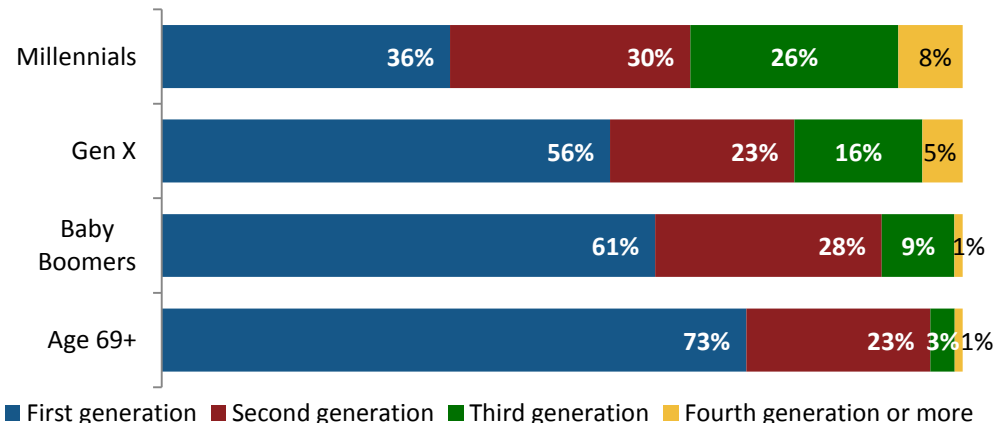
# Most created their wealth and are first-generation wealthy

- Nearly six in 10 (58%) wealthy people overall are the first generation in their family to be wealthy
  - Nearly three-quarters of those over age 69 and 61 percent of Baby Boomers are the first generation to be wealthy
  - Only 16 percent of sustained family wealth for three or more generations
  - Nearly two-thirds (64%) of Millennials come from families where wealth was created by their parents, grandparents and previous ancestors

**GENERATIONS OF SUSTAINED FAMILY WEALTH**  
All respondents



**By generation**

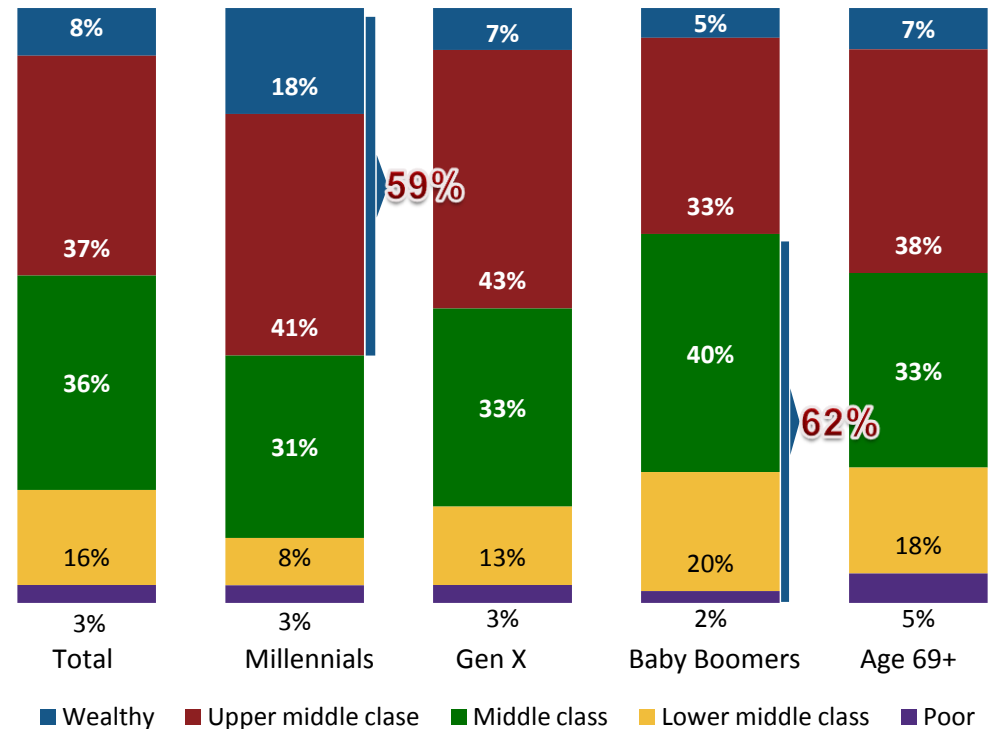


**Q11.** For how many generations has wealth in your family been sustained and passed down to the next generation?

# Growing up wealthy: Generational differences

- More than half grew up with families in a middle-class or lower socio-economic household
- Six in 10 Baby Boomers grew up middle-class or lower
- Younger generations are more likely to have grown up wealthy. Nearly six in 10 Millennials grew up in households that were wealthy or upper middle class.

**SOCIO-ECONOMIC STATUS GROWING UP**

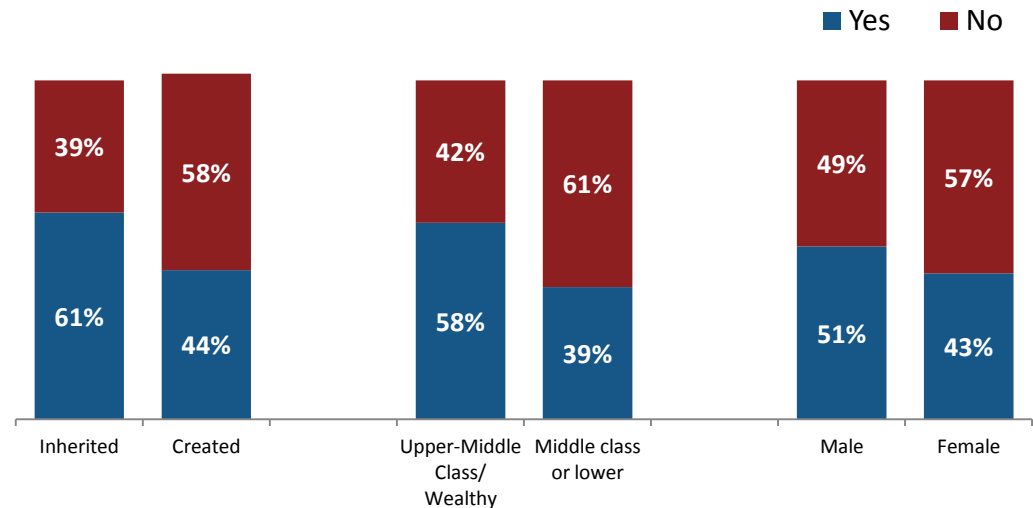
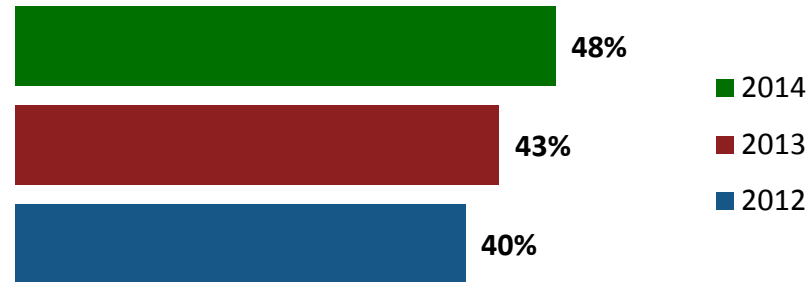


**Q7.** Which of the following best describes the financial and socioeconomic status of your family as you were growing up?

# Perceptions of wealth shaped by family background and gender

- As the markets have recovered, feelings of being wealthy have increased
  - Nearly half (48%) of HNW individuals consider themselves “wealthy”
- Those who inherited a majority of their wealth and those who grew up wealthy/upper middle class are most likely to consider themselves wealthy
  - Men are more likely than women to consider themselves wealthy

**% WHO CONSIDER THEMSELVES WEALTHY**  
All respondents  
2012-2014

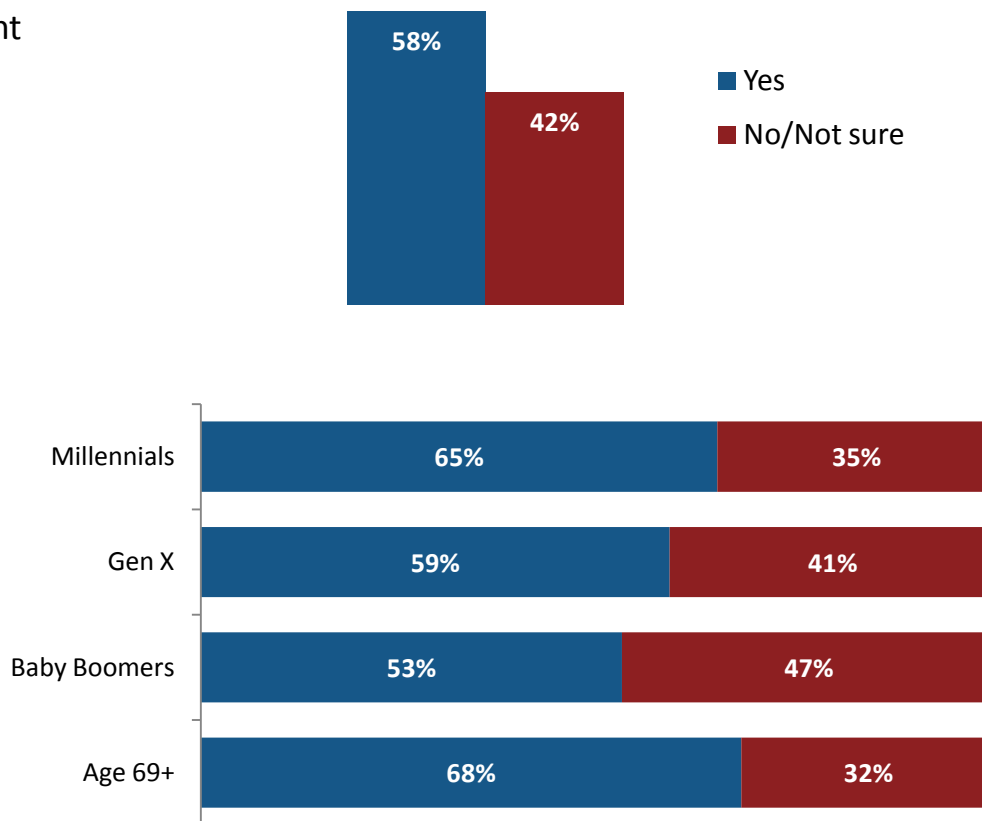


Q5. Do you consider yourself wealthy?

# Importance of leaving an inheritance varies by generation

- Nearly six in 10 wealthy people overall think it is important to leave a financial inheritance to the next generation
- Baby Boomers are less likely than any other generation to believe it is important to leave an inheritance to their heirs

**% WHO CONSIDER IT IMPORTANT TO LEAVE A FINANCIAL INHERITANCE**  
By total respondents

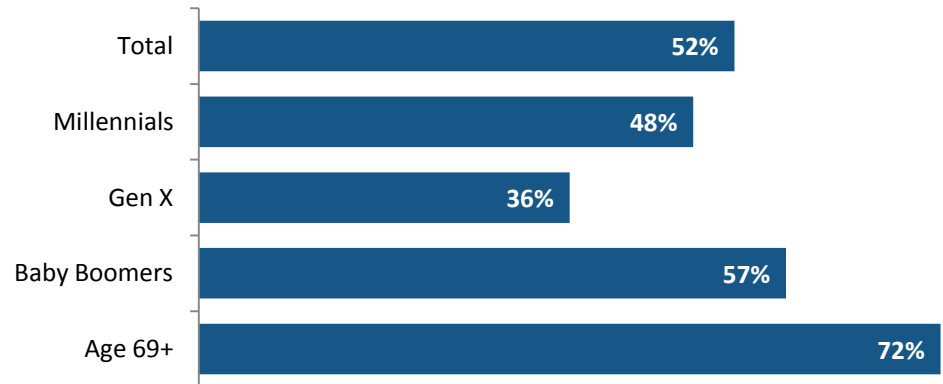


**Q12.** Do you consider it important to leave a financial inheritance to your children or heirs?

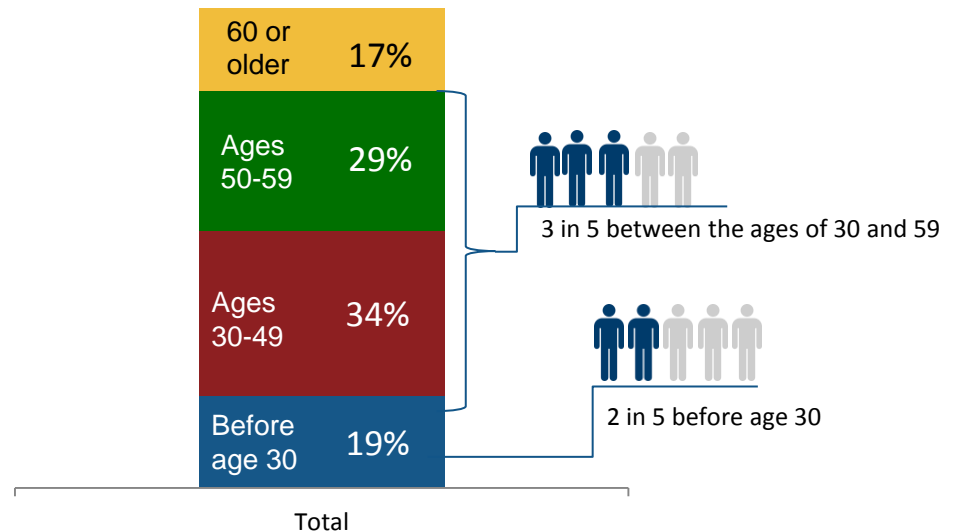
# More than half have received some financial inheritance

- More than one-half (52%), including 48 percent of Millennials, already have received, or their spouse/partner has received, a financial inheritance from a family member
- Three in five (63%) received an inheritance between the ages of 30 and 59
- Two in five received an inheritance before reaching the age of 30

**% WHO HAVE RECEIVED A FINANCIAL INHERITANCE**



**AGE WHEN INHERITANCE WAS RECEIVED**

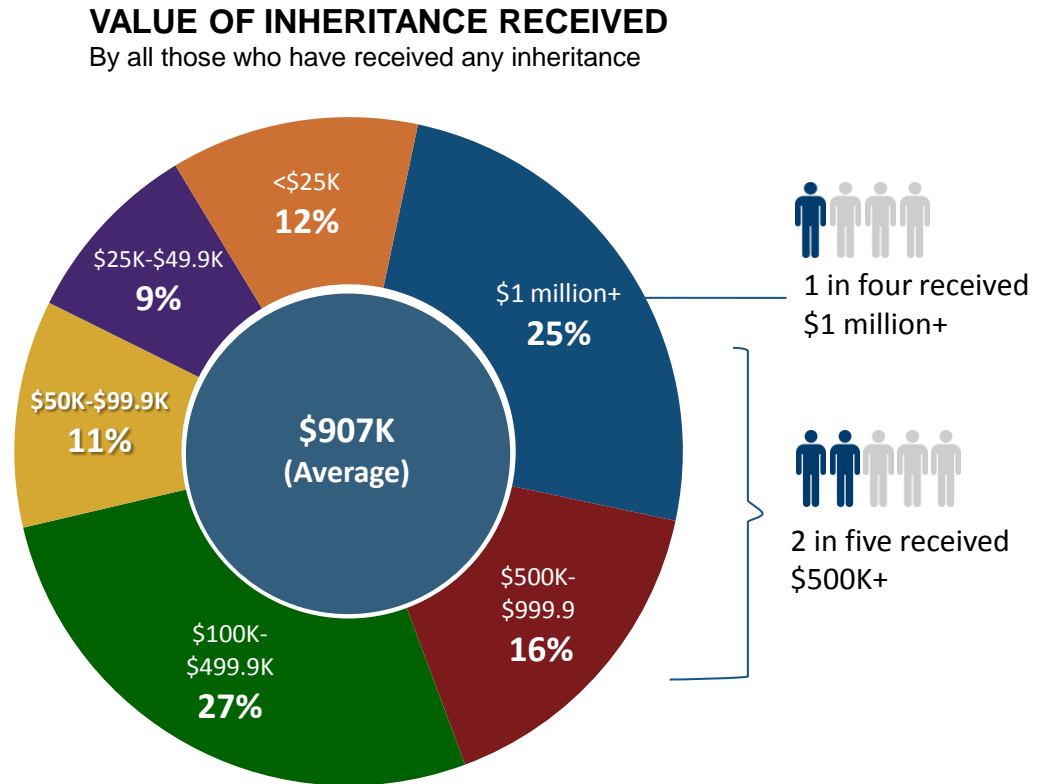


**Q8.** Have you or your spouse/partner ever received a financial inheritance from a parent, grandparent, or other relative?

**Q9.** At approximately what age did you or your spouse receive the financial inheritance?

# Two-thirds receive an inheritance less than \$500K

- One in four wealthy households receiving an inheritance has received an inheritance of at least \$1 million
- Nearly two-thirds (63%) have received \$500K or less



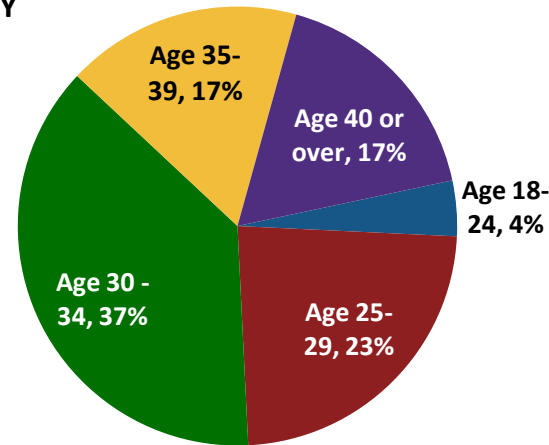
**Q10.** What is the approximate value of the financial inheritance you or your spouse received?

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

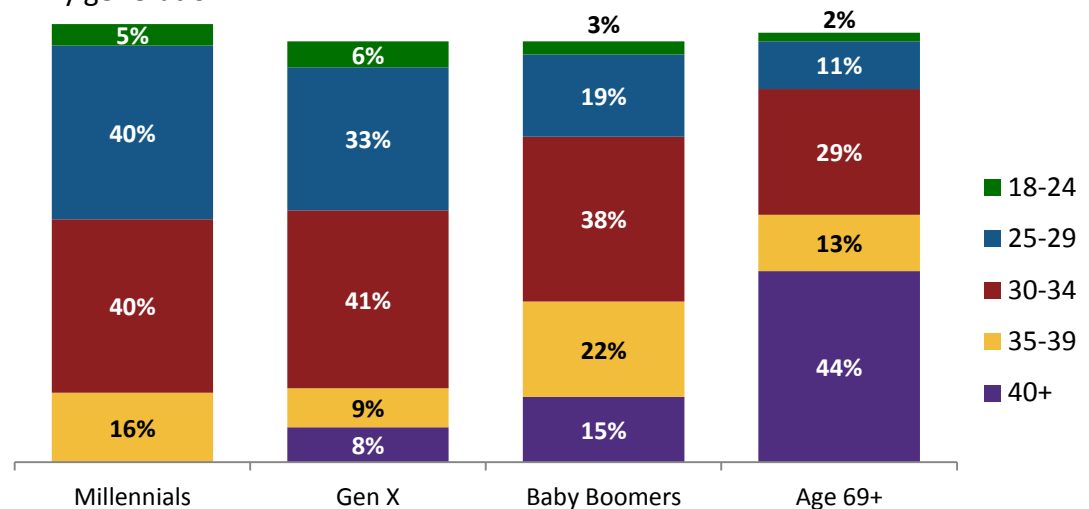
- Few wealthy parents believe their children will be mature enough to handle family money before the age of 25
- Three in 5 believe their children will be mature enough between ages 25 and 34
- Forty-four percent of those age 69 or more believe the next generation isn't mature enough until they are older than 40

## AGE AT WHICH PARENTS THINK CHILDREN CAN HANDLE RECEIPT OF FAMILY MONEY

All parents



By generation



**Q46.** At what age do you think your children will have achieved the maturity necessary to handle the money they will receive?

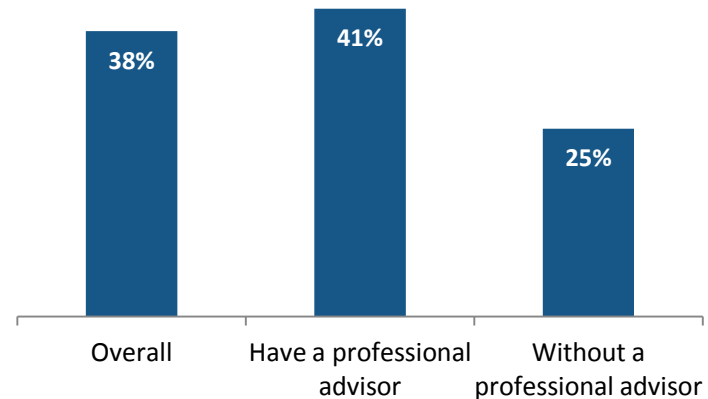


# Professional guidance improves inheritance confidence

- Parents with a financial professional are more likely to believe their children will be well-prepared to handle the inheritance they will receive
- The vast majority (92%) of parents currently working with a financial professional believe their children would benefit from a discussion with a financial professional

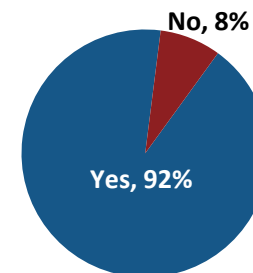
## % WHO STRONGLY AGREE THEIR CHILDREN WILL BE WELL-PREPARED TO HANDLE THE INHERITANCE THEY WILL RECEIVE

Among parents



## % WHO BELIEVE THEIR CHILDREN WOULD BENEFIT FROM A DISCUSSION WITH A FINANCIAL PROFESSIONAL

Among parents with a financial professional



**Q47\_1.** To what extent to do you agree with the following statement? My children will be well-prepared to handle the inheritance I plan to leave them.

**Q47\_2.** To what extent to do you agree with the following statement? My children would benefit from discussions with a financial professional.

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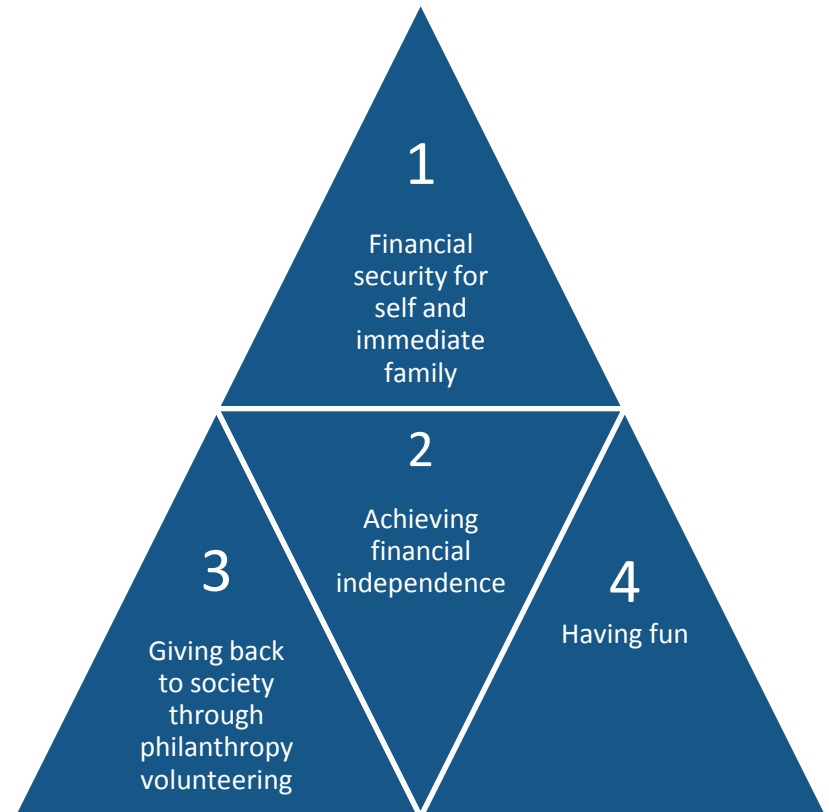
## USE OF WEALTH FOR MEANING AND IMPACT

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# Most important uses of wealth: Family, society

- The wealthy want to use their wealth in ways that are meaningful and will have the greatest impact
- Providing financial security for family and achieving financial independence are the top two most important uses of wealth
- Next, comes giving back to society through charitable giving and/or volunteering time and skills, ahead of having fun
- One in five Millennials say that among the top uses of their wealth is to change the world by finding solutions to major problems.

## RANKING OF MOST IMPORTANT USES OF WEALTH



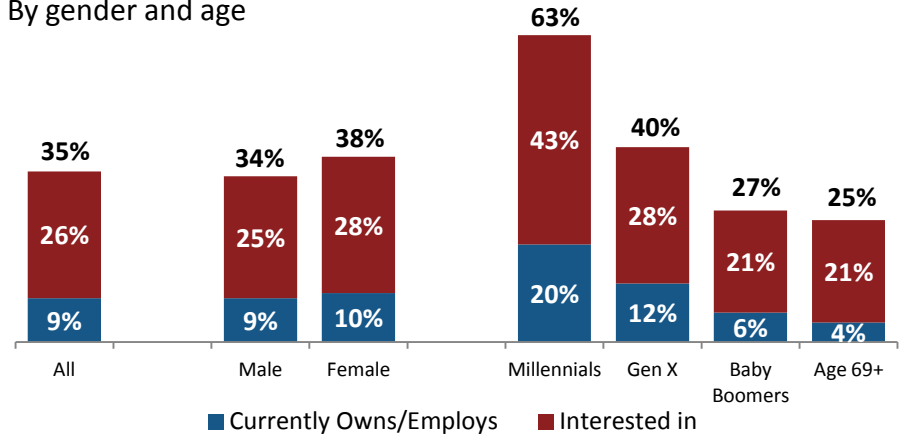
**Q29.** When it comes to the way you want to use your wealth, which of the following do you consider most important to you personally?

# HNW investors seek return and social impact

- One-third of all HNW investors, and nearly two-thirds of Millennials currently own or employ social impacting investing strategies
- Four in 10 agree that investing is a way to express their social, political and environmental values
- Six in 10 agree that it's possible to invest based on social or environmental impact while achieving market rate returns
- Unlike socially responsible investing strategies, which tended to avoid investments based on negative impact, modern socially innovative investing strategies seek companies for positive impact. Two-thirds of HNW investors would rather invest in companies that have a positive impact.

## % WHO CURRENTLY OWN OR ARE INTERESTED IN OWNING SOCIAL IMPACT STRATEGIES

By gender and age



## % WHO AGREE

Among all respondents



**Q23.** Please indicate if you current own, don't own but are interested in, or have no interest in each of the following assets, investments or strategies?

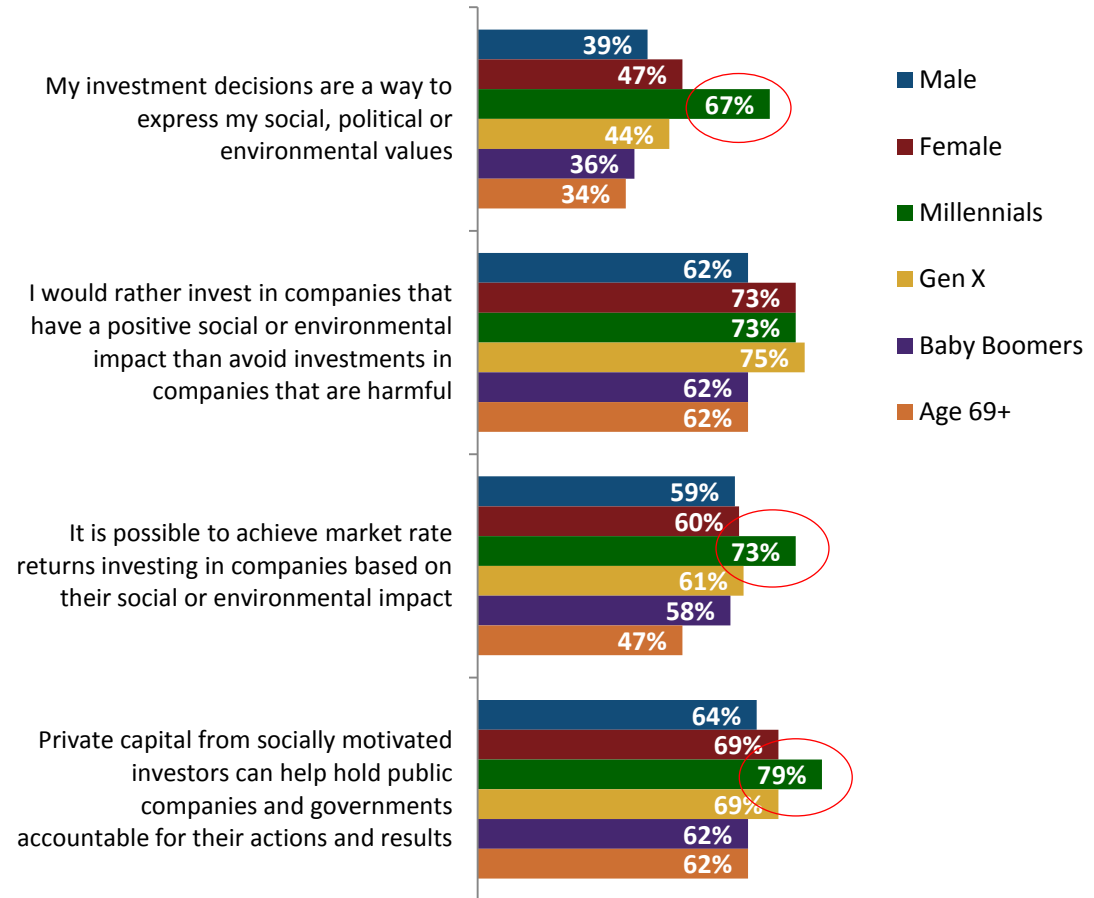
**Q24.** To what extent do you agree with each of the following statements?

# Millennials and women lead values-based investing movement

- Interest in socially innovative investing strategies is being led by women and Millennials, both of whom are more likely to say that their investment decisions are a way to express their values. Nearly half (47%) of women, compared to 39% of men feel this way.
- Nearly three-quarters of Millennials believe it's possible to achieve market rate returns when investing for social or environmental impact
- Nearly eight in ten Millennials agree that the use of private capital is a way investors can hold companies and governments accountable

## % WHO AGREE

By gender and age



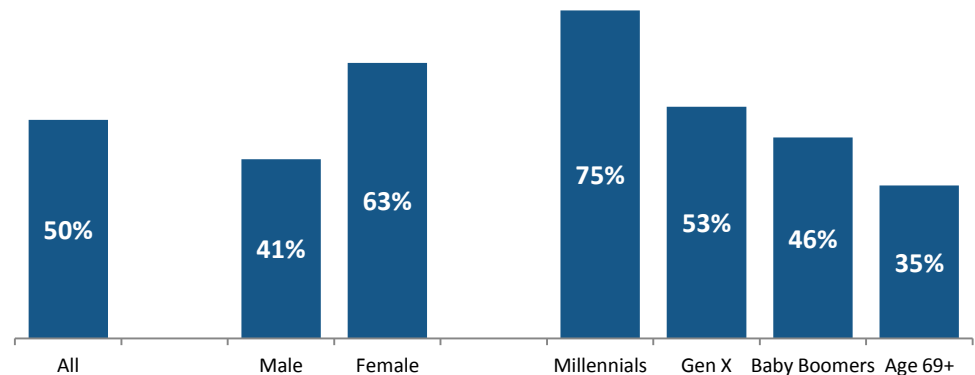
Q24. To what extent do you agree with each of the following statements?

# Half of HNW investors consider impact of investment decisions

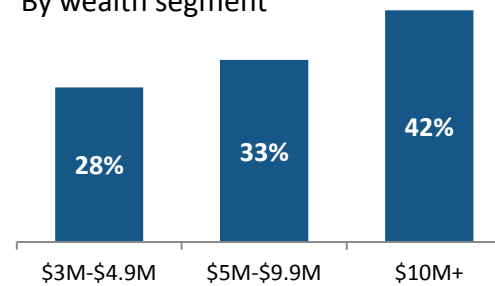
- One-half of all HNW investors consider the social, political and/or environmental impact of companies they invest in an important consideration in their investment decision-making process
  - Three-quarters (75%) of Millennials and six in 10 (63%) of women feel this way
- The wealthiest segment (those with \$10M+ in investable assets) are most likely to consider the impact of their investments as an important filter

## % WHO CONSIDER SOCIAL, POLITICAL OR ENVIRONMENTAL IMPACT IMPORTANT

By age and gender



By wealth segment



**Q25.** When evaluating investments, how important is the social, political or environmental impact of the investment in your decision on whether or not to invest?

# Healthcare leads social issues the wealthy would invest in

- The types of investments that would matter most if investing as an expression of personal values are healthcare, environmental protection, and disease prevention
- Access to education, development of the next generation and social mobility ranked next highest on the list, a reflection of strong interest in creating better income equality and opportunities for others
- Nearly twice as many women as men ranked elder care protection as an important value
- More than three times as many Millennials than other age groups ranked LGBT as an important value

## RANKING OF MOST IMPORTANT VALUES WHEN INVESTING All respondents

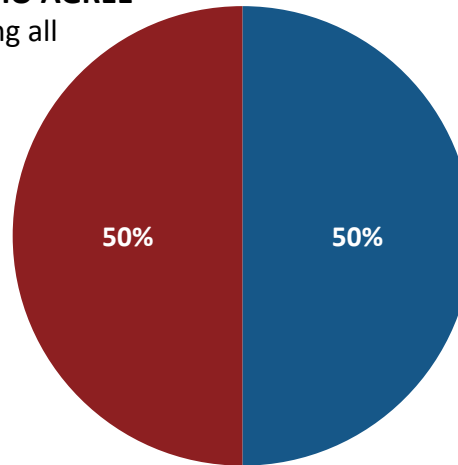


**Q27.** If you were to invest in a company or project to express your social, environmental and/or personal values, which of the following matter most to you?

# Split views on whether the wealthy have inherent advantages

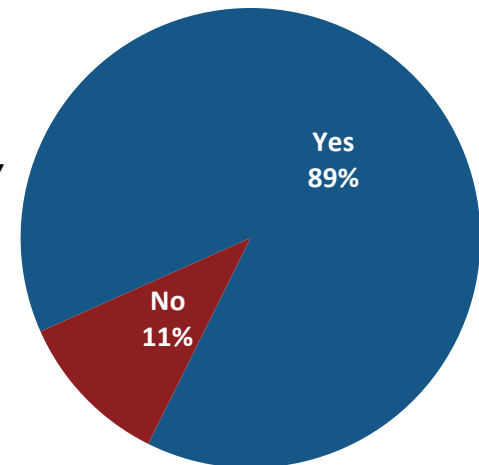
- The wealthy are evenly split on whether or not the wealthy have advantages in life that most people don't have
- One-half agree that everyone has an equal opportunity to become wealthy. Somewhat less likely to agree with this statement are business owners (39%), who might feel that they had worked hard to achieve their success.
- Regardless of whether they think wealthy have an advantage in life, the overwhelming majority (89%) have an interest in greater income and opportunity equality in the country

**% WHO AGREE**  
Among all



- Everyone has the opportunity to become wealthy
- The wealthy have advantages in life that most people don't have

**% WILLING TO HELP  
CREATE BETTER INCOME  
AND OPPORTUNITY  
EQUALITY IN THE COUNTRY**



**Q28.** Which of the following statements best reflects your views about people who are wealthy?

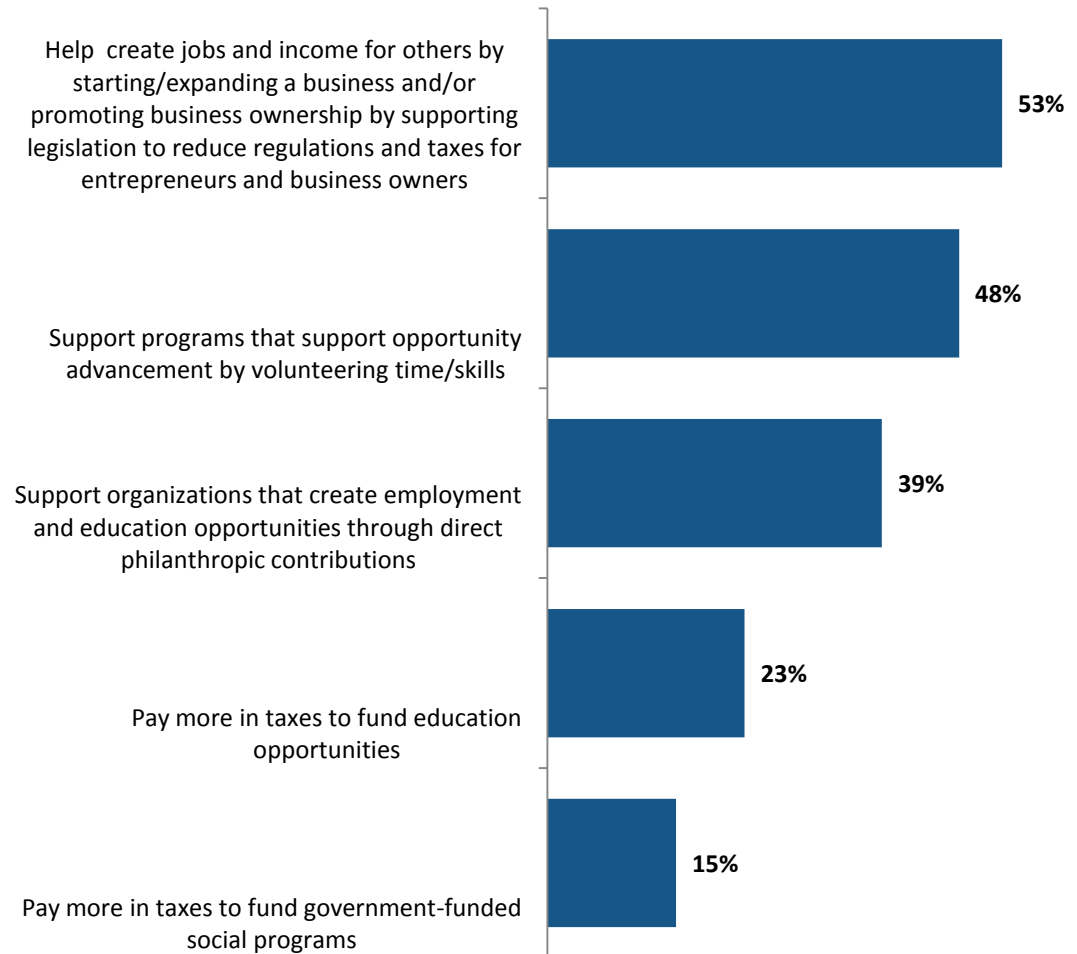
**Q31.** Which of the following ways would you be willing to help create greater income equality?



# Strong interest in creating income and opportunity equality

- The wealthy would help to create better income and opportunity equality in the country through philanthropy, job creation as business owners and direct support for organizations that promote education and employment
- Nearly one-quarter would be willing to pay more in taxes to fund education opportunities

## % WHO WOULD BE WILLING TO HELP CREATE BETTER INCOME AND OPPORTUNITY EQUALITY IN THE FOLLOWING WAYS



Q31. Which of the following ways would you be willing to help create greater income equality?

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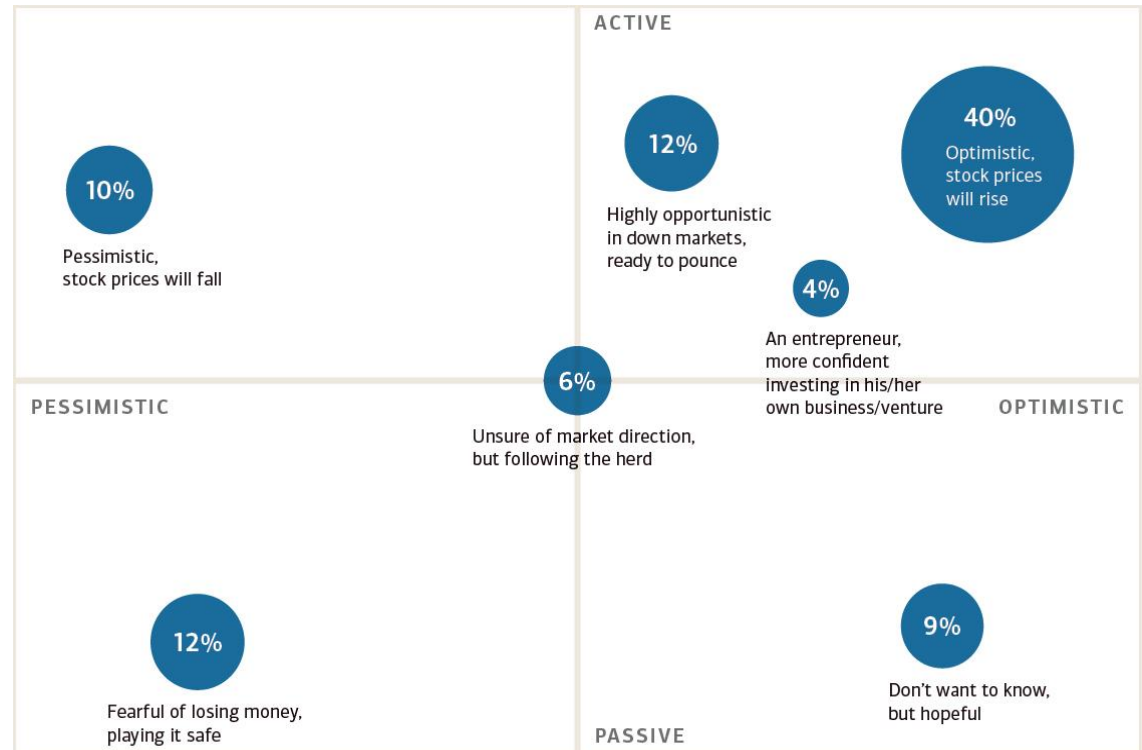
## INVESTING OUTLOOK AND BEHAVIOR

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# Varied market outlook, depending on age and gender

- As the markets have improved, HNW investors are feeling optimistic and more willing to take on risk, but their investment outlook varies greatly
- Only four in 10 describe themselves as bullishly optimistic
- The remainder express varying degrees of pessimism, uncertainty and fear
- Millennials are more likely than other age groups to describe themselves as “not wanting to know,” but hopeful, and also opportunistic in down markets
- Women are more likely than men to want to play it safe

## STOCK MARKET OUTLOOK AND BEHAVIOR TYPES

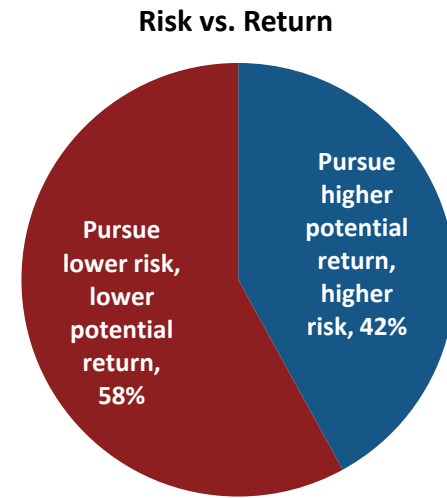
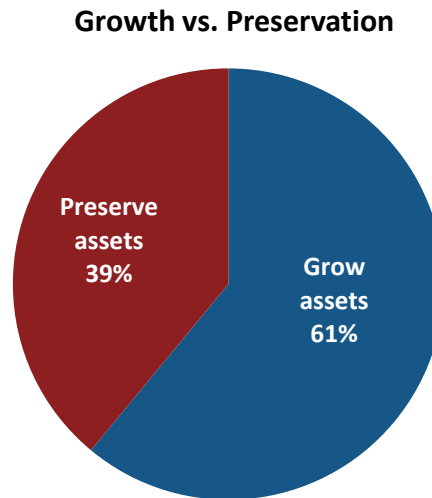


**Q13.** Thinking about your outlook of the stock market in the year ahead and your investing behavior, which of the following best describes you as an investor?

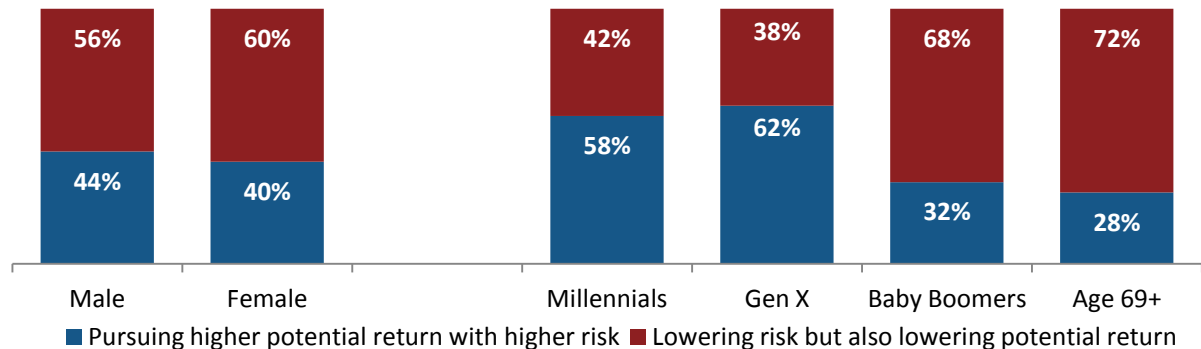
# HNW investors are focused on risk-managed growth

- After shifting focus from asset protection to growth in 2013, six in 10 HNW investors still say growing assets is a higher investment priority than protecting existing assets
- Yet, almost as many place a higher priority on managing risk even if it meant a lower potential return
  - Women are slightly more risk-averse than men
  - And naturally, older generations are more risk-averse than younger

## INVESTMENT PRIORITY FOR MANAGING WEALTH



### % who agree

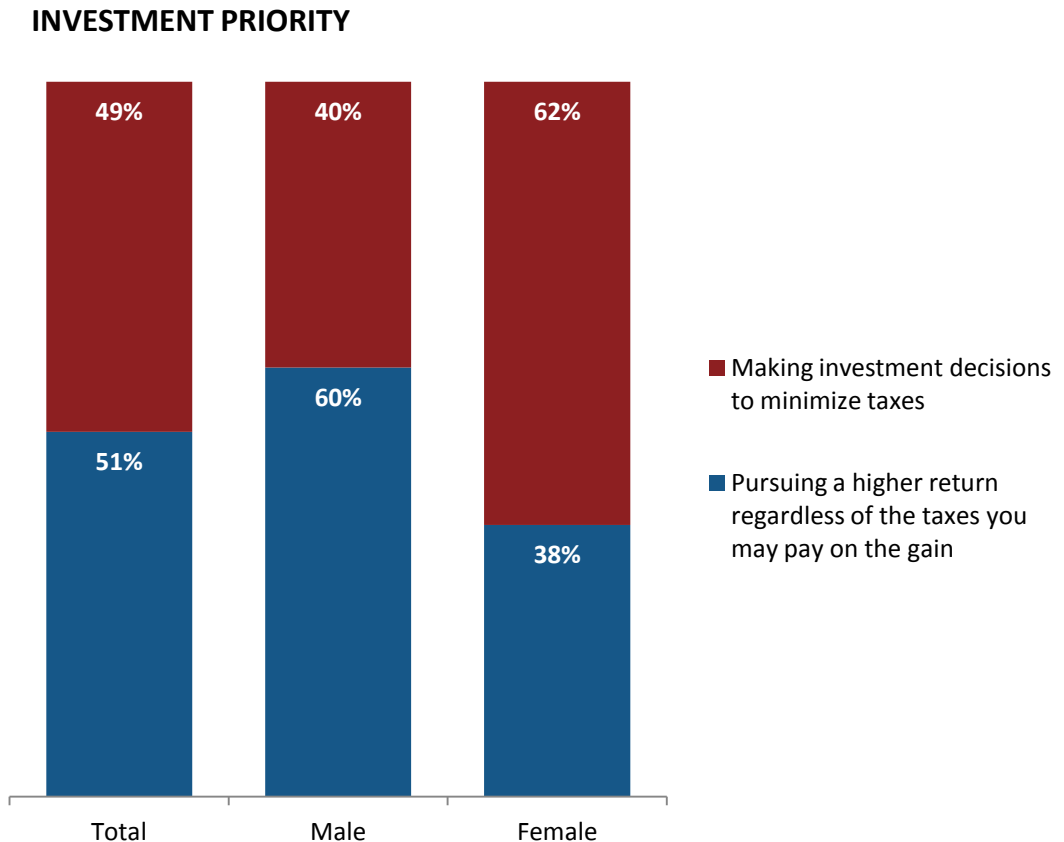


**Q14a.** When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

**Q14b.** When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

# Focus on tax-managed investing has declined slightly

- HNW investors are fairly split on whether to focus on pursuing higher returns regardless of the tax implications versus making tax-managed investment decisions
  - The focus on minimizing taxes has declined somewhat since 2013 when 57 percent said minimizing taxes was a stronger priority
  - Women and the wealthiest (those with \$5 million or more in investable assets) are most likely to feel that minimizing taxes is a priority



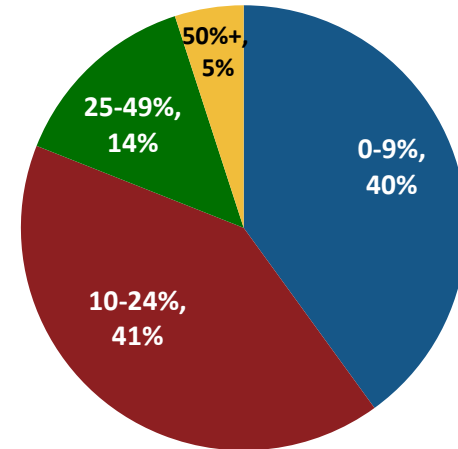
**Q14c.** When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

# Large cash positions suggest uncertainty about the future

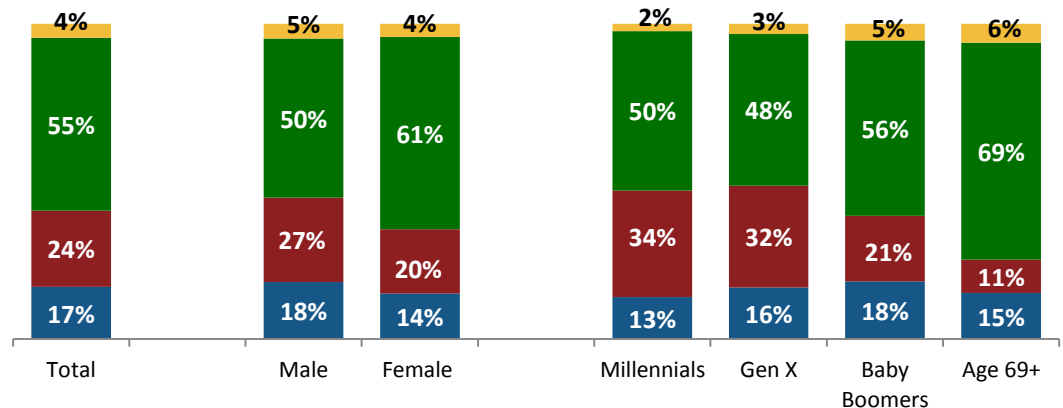
- Four in 10 hold nine percent or less of their portfolio in cash accounts, while a greater portion (60%), have 10 percent or more of their portfolio in cash
- Yet, 55% plan to keep their current allocation to cash
- Women are somewhat more likely than men to plan to keep cash on the sidelines

## PERCENT OF PORTFOLIO HELD IN CASH

All respondents



## Plans for cash



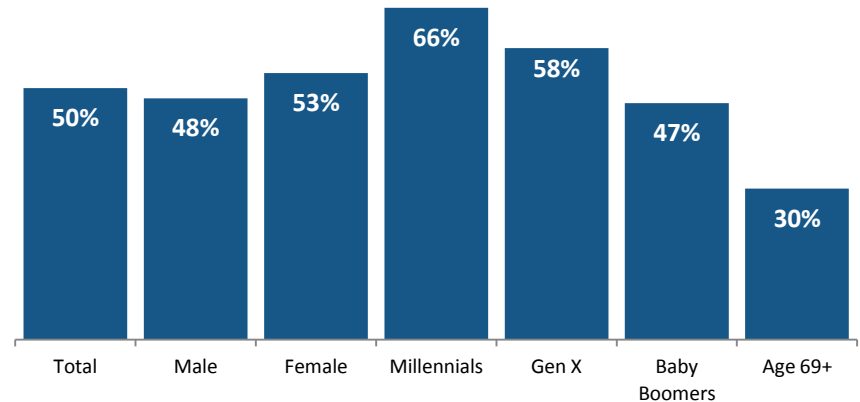
**Q16.** What percent of your portfolio is currently held in cash, a money market account, savings account or other types of cash accounts?

**Q16a.** Which of the following best describes your plans for your cash or cash accounts (i.e., money market fund or savings account)?

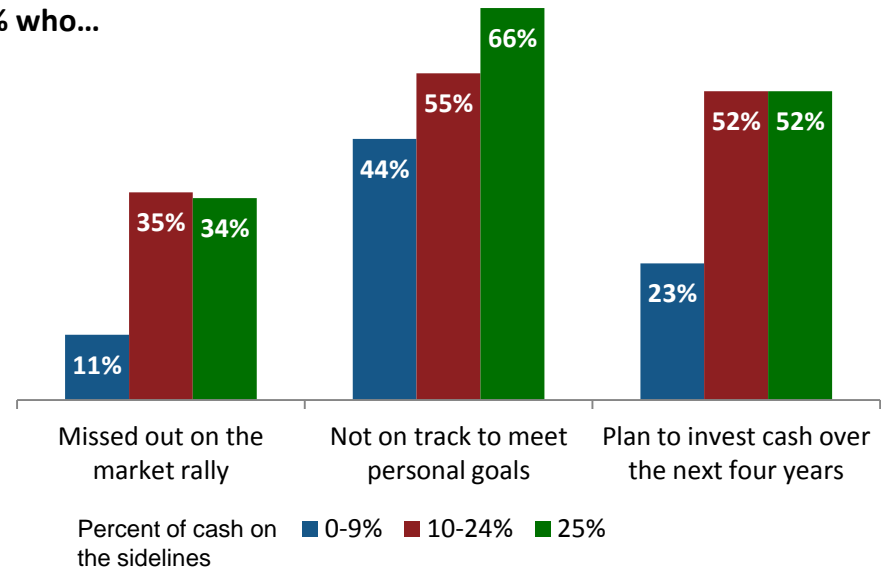
# More cash, more frustrated with past and future performance

- Half of HNW are content to continue leaving a large portion of their money in cash positions
- More women than men, and more younger investors than those who are older, are content with large cash positions
- High holders of cash are also more likely to feel they have missed out and lost ground on goals
  - One-third (34%) missed the market rally of the past few years
  - Two-thirds are not on track to meet their personal goals and expectations

**% OF THOSE CONTENT WITH LARGE PORTION OF MONEY IN CASH POSITIONS**



**% who...**



**Q17\_1.** To what extent do you agree with the following statement? I am content leaving a large portion of my money in cash positions.

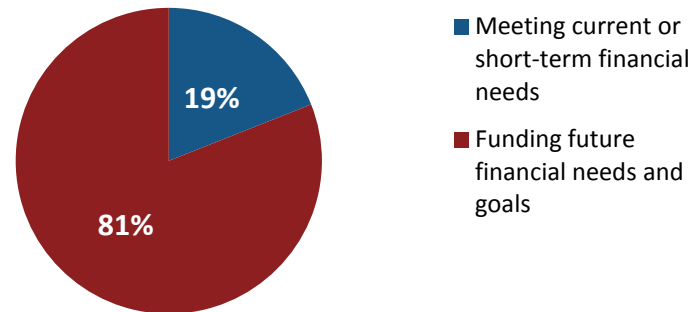
**Q16a.** Which of the following best describes your plans for cash or cash accounts?

**Q17.** Based on your experience, to what extent do you agree with each of the following statements about your investing behaviors and attitudes?

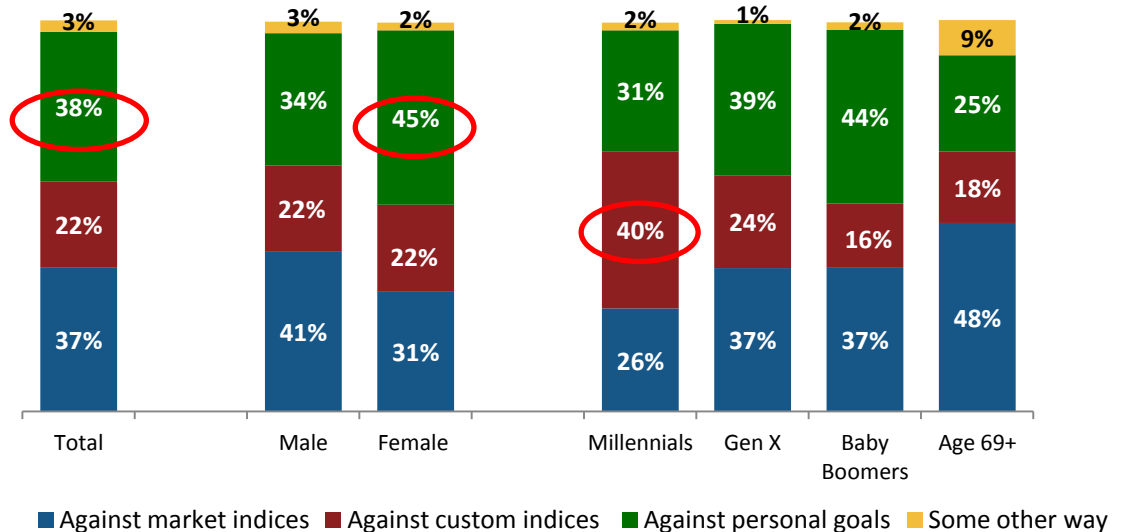
# Strong desire to measure performance by personal goals & values

- Overwhelmingly, the wealthy say that funding future financial needs is a greater priority than meeting short-term financial needs
- There is strong interest in measuring investment performance against personal goals and expectations
- Two-thirds of women (67%) and 71 percent of Millennials prefer to measure performance against customized benchmarks or personal goals
- Men and investors over age 69 place greater importance on broad market indices such as the S&P

**INVESTMENT PRIORITIES: SHORT VS. LONG-TERM GOALS**



**MOST RELEVANT WAY TO MEASURE INVESTMENT PERFORMANCE**



**Q15.** Which of the following do you consider the most relevant way to measure the performance of your investments?

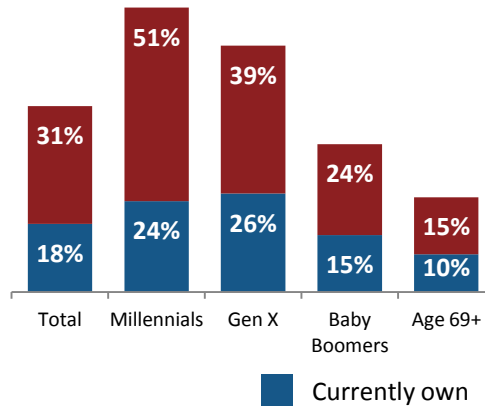
**Q14.** When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?



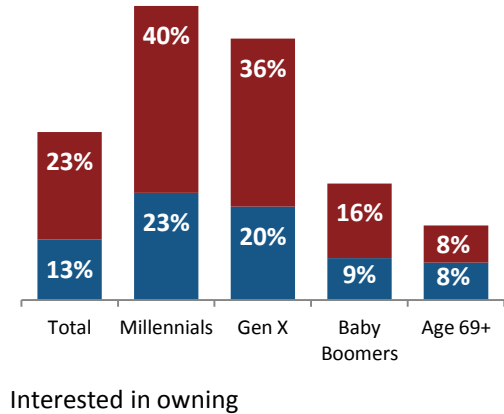
# Invest in non-financial and alternative investments

- Most of the wealthy either own or are interested in owning tangible assets and/or employing investment strategies that do not correlate to the broad market
- Millennials show the most interest in private equity (51%), hedge funds (40%) and tangible assets (46%)

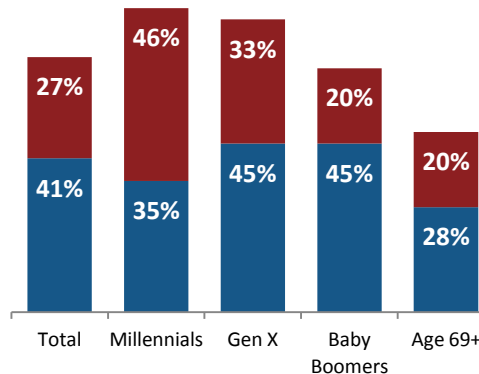
**PRIVATE EQUITY**



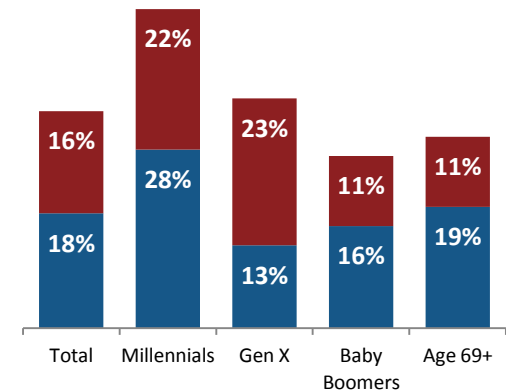
**HEDGE FUNDS**



**TANGIBLE ASSETS**



**FINE ART**



**Q23.** Please indicate if you currently own, don't own but are interested in, or have no interest in each of the following assets, investments or strategies?

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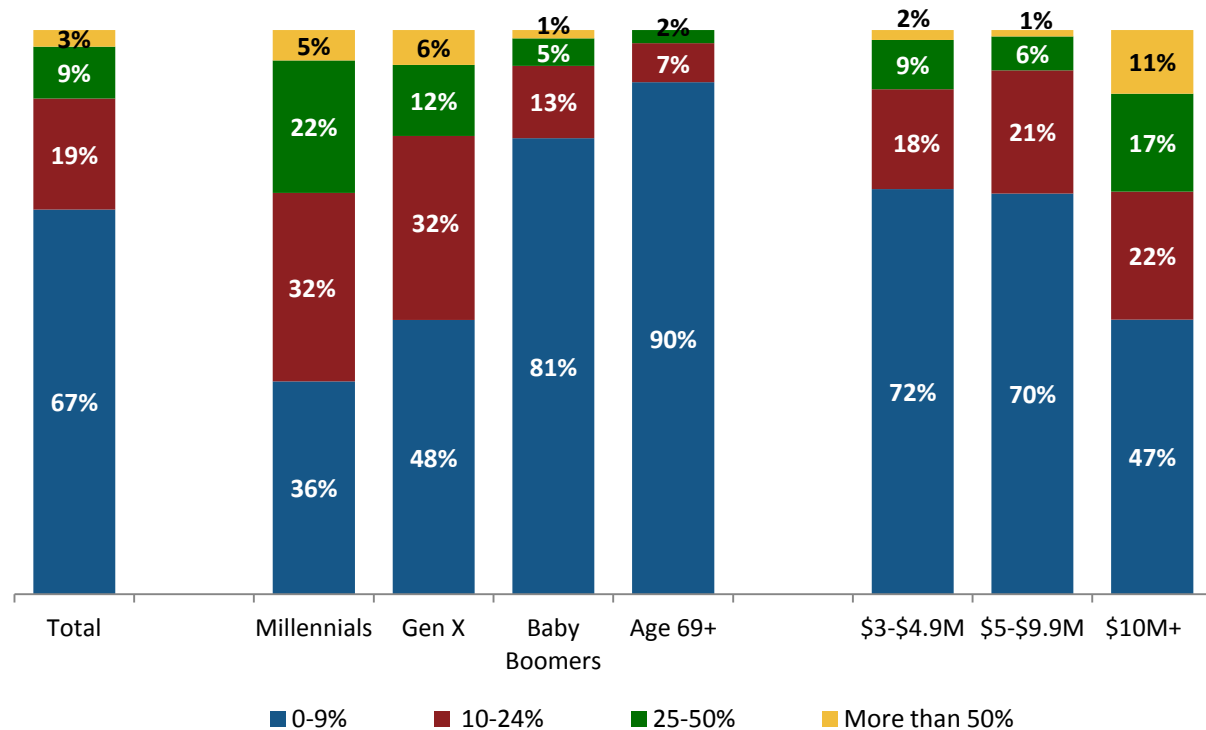
## STRATEGIC USE OF CREDIT

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# The wealthiest use more credit to their advantage

- Two-thirds of wealthy families have less than 10 percent liability on the personal balance sheet
- One-half of the wealthiest (\$10M+ in investable assets) have greater than 10 percent liabilities

% OF TOTAL BALANCE SHEET REPRESENTED BY LIABILITIES

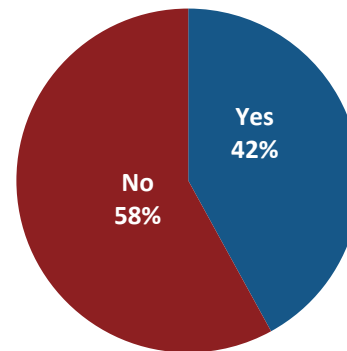


**Q18.** Adding up both sides of your balance sheet (assets and liabilities), approximately what percentage of the total do liabilities (i.e., mortgages, loans, credit card debt) comprise?

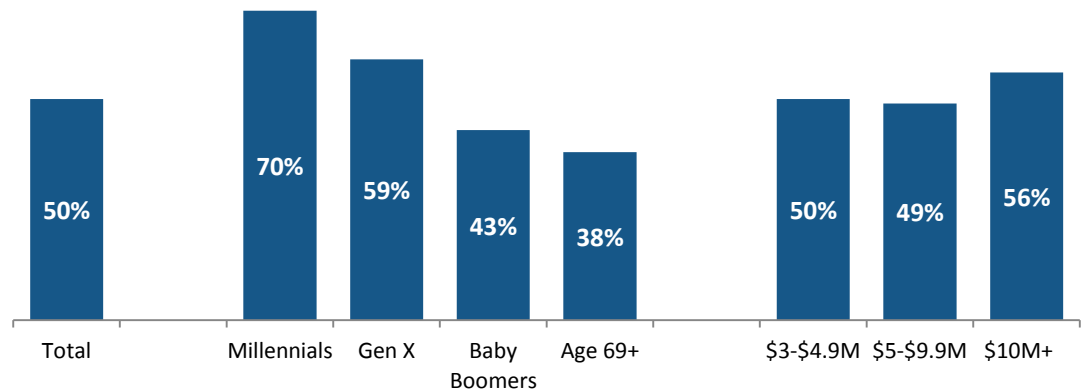
# Many wealthy access credit to gain liquidity

- Four in 10 HNW individuals have accessed credit by borrowing against their existing assets in order to gain liquidity for other needs
- The youngest and the wealthiest are most likely to agree that borrowing money enables them to put their own money to better use

**% WHO HAVE BORROWED AGAINST ASSETS TO GAIN LIQUIDITY**



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



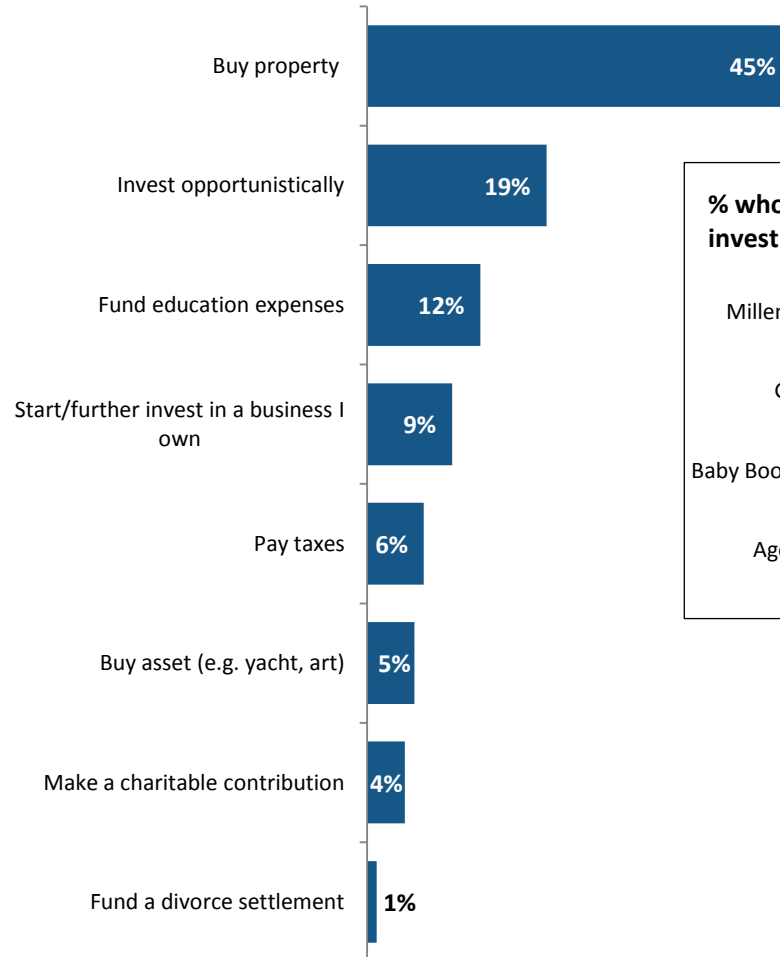
**Q21.** Which of the following have you borrowed against to gain liquidity?

**Q20.** Thinking about credit and how you use it please indicate whether you agree or disagree with the following statements?

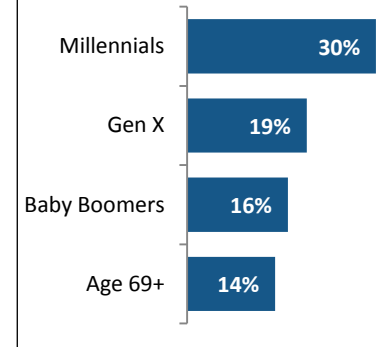
# Opportunities/outcomes of using credit strategically

- The top 5 ways the wealthy have used credit to their advantage are:
  - Buy a home or second home
  - Invest opportunistically
  - Fund education expenses
  - Start/invest in a business
  - Pay taxes
- Nearly one in five have used credit to make opportunistic investments. Millennials are most likely to do so.

## % WHO HAVE USED CREDIT TO GAIN LIQUIDITY FOR THE FOLLOWING:



### % who have used credit to invest opportunistically:

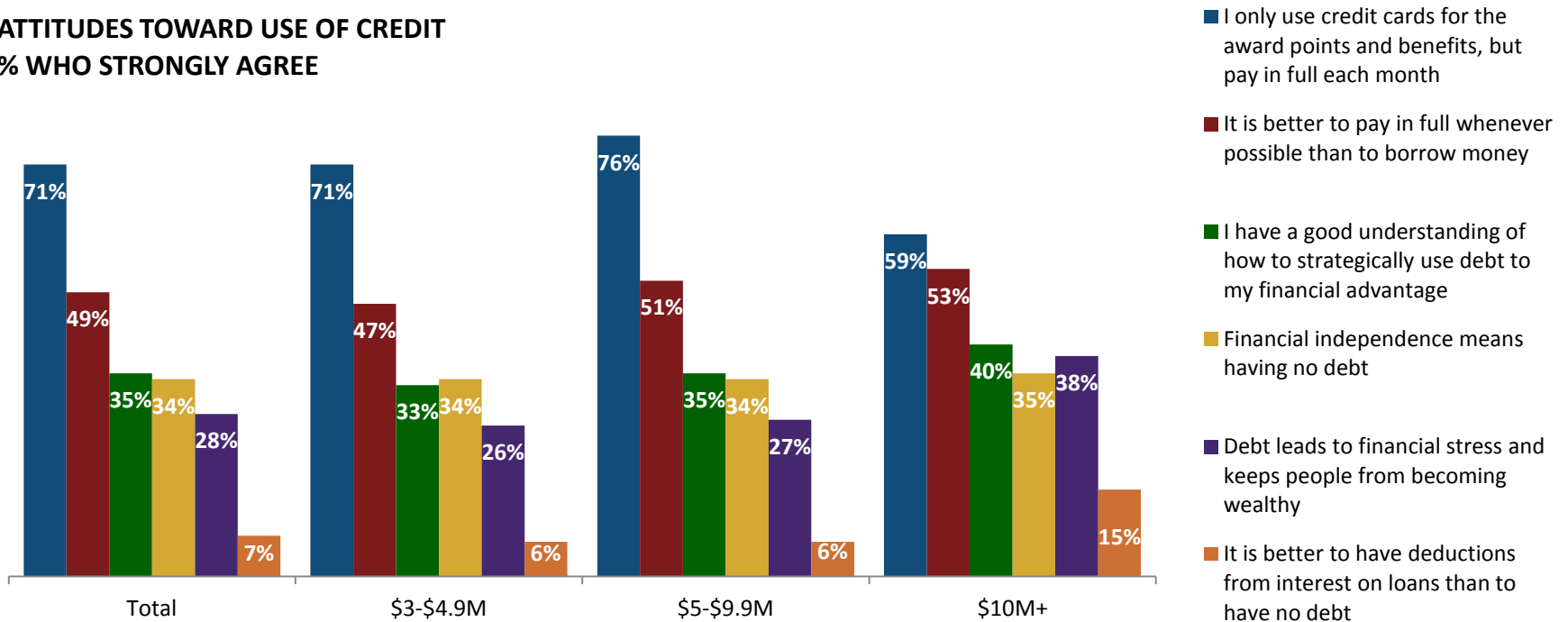


Q22. What has borrowing money allowed you to accomplish?

# Attitudes toward credit vary, demonstrate confusion

- Most of the wealthy recognize that credit can be useful, providing it is used strategically
- Few strongly agree that accessing credit keeps people from becoming wealthy or that financial independence means having no debt
- Only one-third feel that they have a good understanding of how to use debt strategically to their advantage

## ATTITUDES TOWARD USE OF CREDIT % WHO STRONGLY AGREE



Q20. Thinking about credit and how you use it, please indicate whether you agree or disagree with the following statements:

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## ESTATE PLANNING

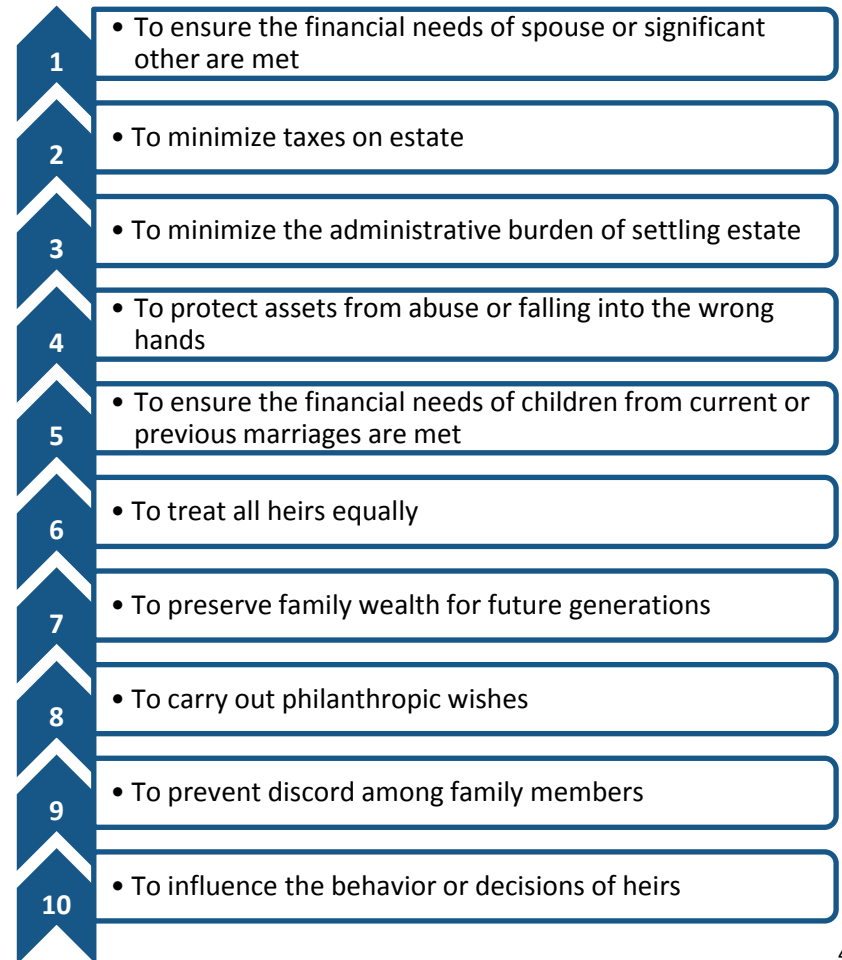
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# Tax and administrative burden are among most important reasons for estate planning

- Beyond ensuring that the financial needs of a spouse or significant other are met, the next two most important reasons for having a comprehensive estate plan are to minimize estate taxes and to reduce the administrative burden of settling the estate
- Millennials and Gen X ranked “To prevent discord among family members” higher than Baby Boomers and those over age 69

## RANKING OF MOST IMPORTANT REASONS FOR HAVING AN ESTATE PLAN

All respondents



Q40. Which of the following do you consider to be the most important reasons for having an estate plan?

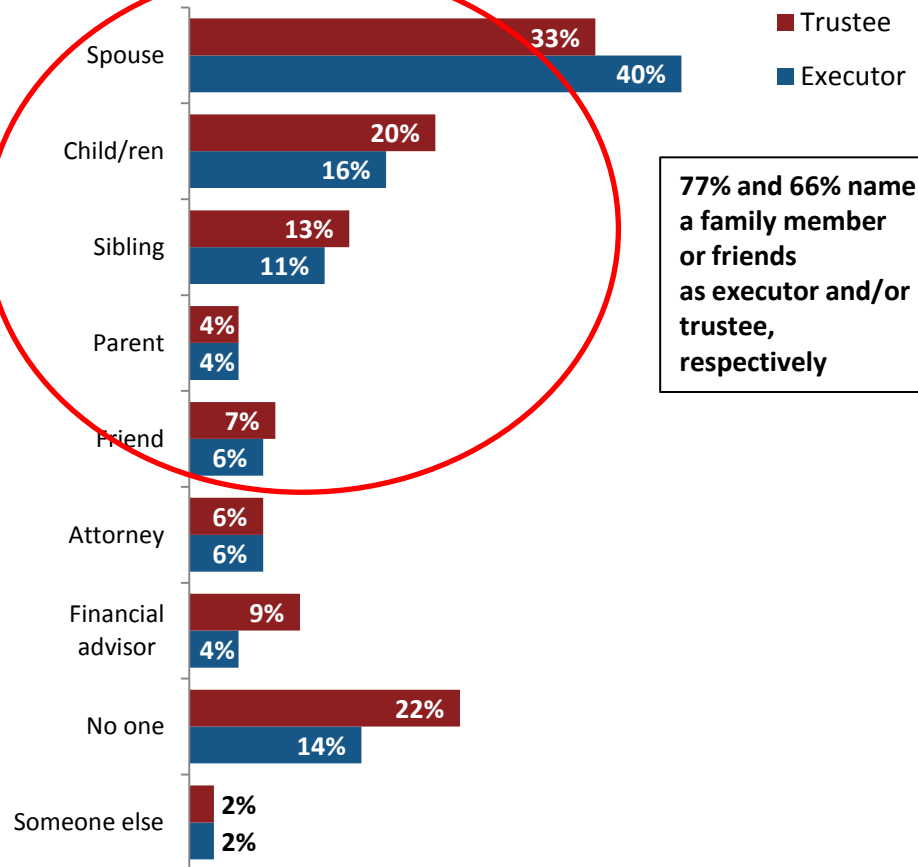


# Family and friends named as executors and trustees

- More than three-quarters of HNW people name a family member or friend as the executor of their estate, while two-thirds name a family member or friend as a trustee
- Most often, a spouse is chosen as executor or trustee. More men appoint their spouse than women do, who statistically tend to outlive their husbands. Women, in turn, are twice as likely to appoint a friend.
- Nearly one in four (22%) have not established a trust, leaving their final wishes to a will, or worse, no will

## % WHO HAVE NAMED THE FOLLOWING AS EXECUTOR/TRUSTEE OF THEIR ESTATE

Among all



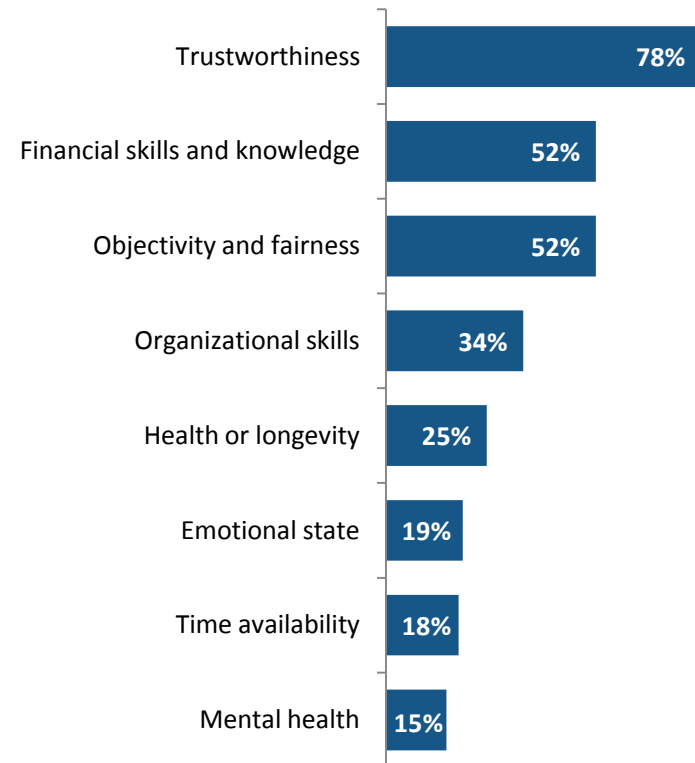
Q41. Who have you named as your trustee?

Q42. Who have you named as your executor?

# Few consider capacity of appointed executor or trustee

- While most people consider the trustworthiness and financial skills or knowledge of the person they name to settle their final affairs, less than 20 percent consider the emotional state, mental health or availability of time that person has to fulfill responsibilities
- Only one in four have sufficiently considered the health or longevity of the person they name as executor or trustee of their estate

## CONSIDERED IN NAMING EXECUTOR AND/OR TRUSTEE



**Q43.** Which of the following factors do you feel you have sufficiently considered in deciding who to name as your executor or trustee? (Among those who have named one)

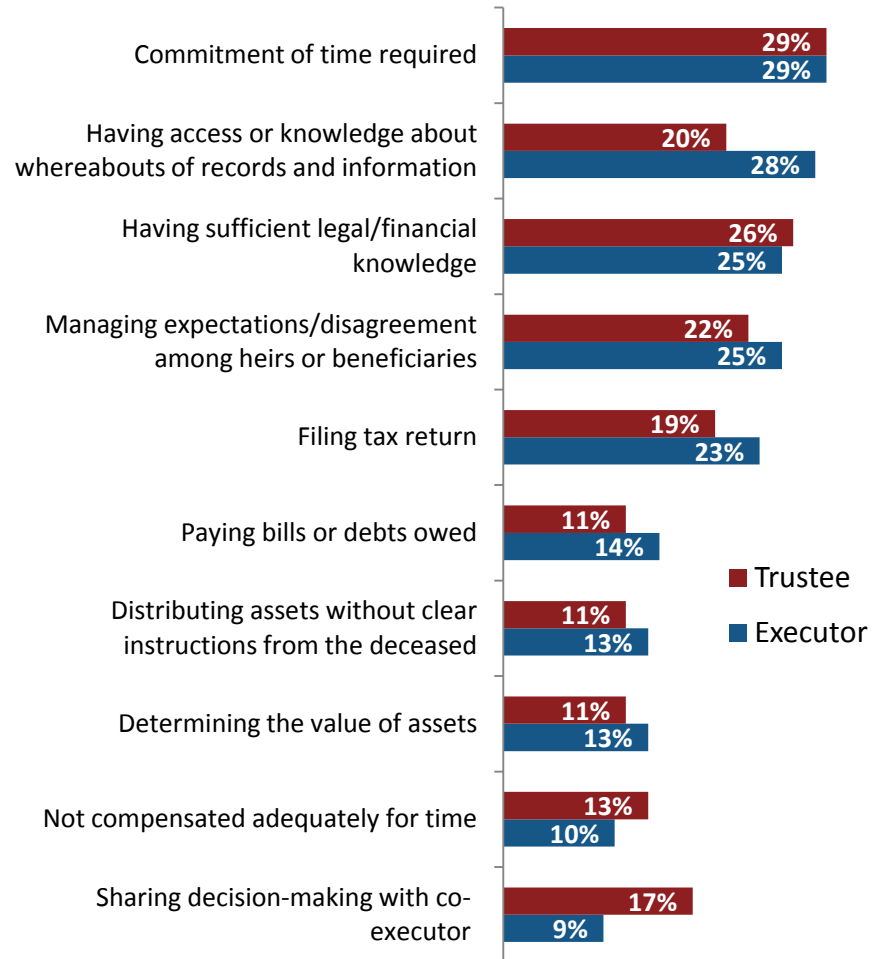
# Time, information and knowledge are most difficult

- The final act most people leave their family and friends is a responsibility to settle their affairs, that requires a commitment of time, access to information and skills or knowledge that many don't have
- The most difficult part of serving as both an executor or trustee is the commitment of time, which is only exacerbated when the appointed person doesn't know the whereabouts of information or have access to records

**Q45.** Which of the following was the most difficult part of serving as an executor of an estate? (Among those who have served as an executor of an estate)

**Q45.** Which of the following was the most difficult part of serving as a trustee of an estate? (Among those who have served as a trustee)

## **MOST DIFFICULT PART OF SERVING AS EXECUTOR OR TRUSTEE** Among those who have served



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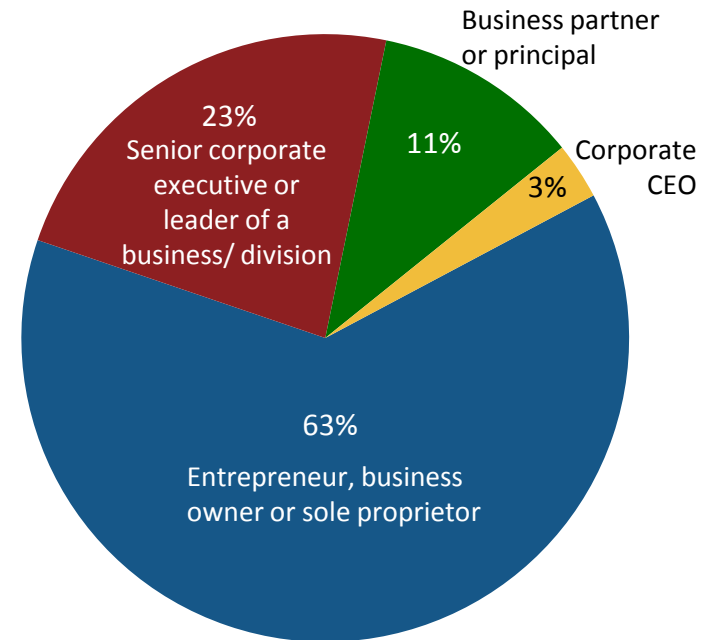
## WOMEN EXECUTIVES

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# Profile of the HNW Power Female Executive

- More than half (63%) are business owners or entrepreneurs. The rest are CEOs, business partners and senior executives.
- Average age: 44 years old
- **Marital status:**
  - 77 percent are married or living with a spouse/partner, of which 6 percent are with a same-sex spouse/partner
  - 5 percent are currently divorced or separated; 18 percent of married power women were previously divorced
- **Children**
  - Nearly two-thirds (64%) have biological children; of those who have children, 18 percent have three or more children
  - 17% have step children
  - Of those who have children and step children, nearly half (49%) have children under age 18
- **Assets**
  - Nearly one-third (30%) inherited a significant portion of their wealth
  - 29 percent have a total annual household income, before taxes, of greater than \$1 million, and half of those (14%) have household income greater than \$3 million a year
  - Eight in 10 (83%) have between \$3 million and \$25 million in investable assets; 17 percent have greater than \$25 million in investable assets
  - 42 percent grew up in middle class; 14 percent came from lower middle-class or poor families
- **Financial advice:**
  - One in ten (11%) has a private banker and 14 percent have a wealth manager
  - Six in 10 (62%) say that it is “very important” that a financial advisor shows interest in understanding her family needs and dynamics

**BUSINESS PROFILE OF HNW POWER WOMEN EXECUTIVES**

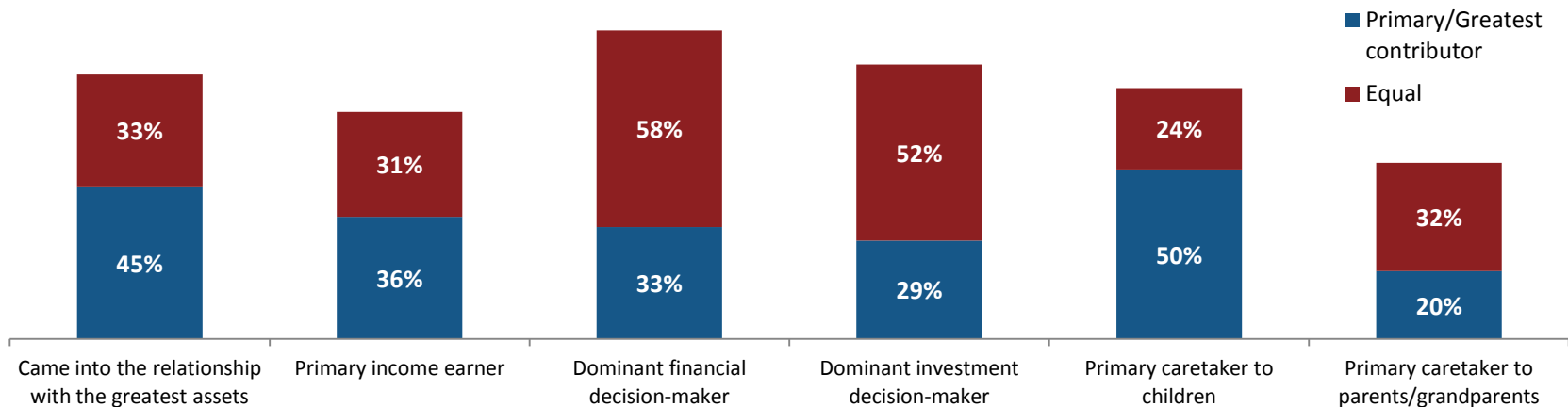


# Female executives' contributions to the family

- Powerful, HNW female executives and business owners are changing the role that women contribute to family wealth and dynamics
  - Nearly eight in 10 (78%) entered their current relationship with greater or equal financial assets as their spouse or partner
  - Two-thirds earn as much, if not more than their spouse
  - One-half (52%) participate equally in investment decision-making and 29 percent are the dominant decision-maker in their relationship
- Yet, at least half of senior women executives also are the primary caretaker to children, and one in five is the primary caretaker of aging parents or grandparents

## CONTRIBUTION OF WOMEN EXECUTIVES TO FAMILY WEALTH

Among HNW women business owners and senior executives

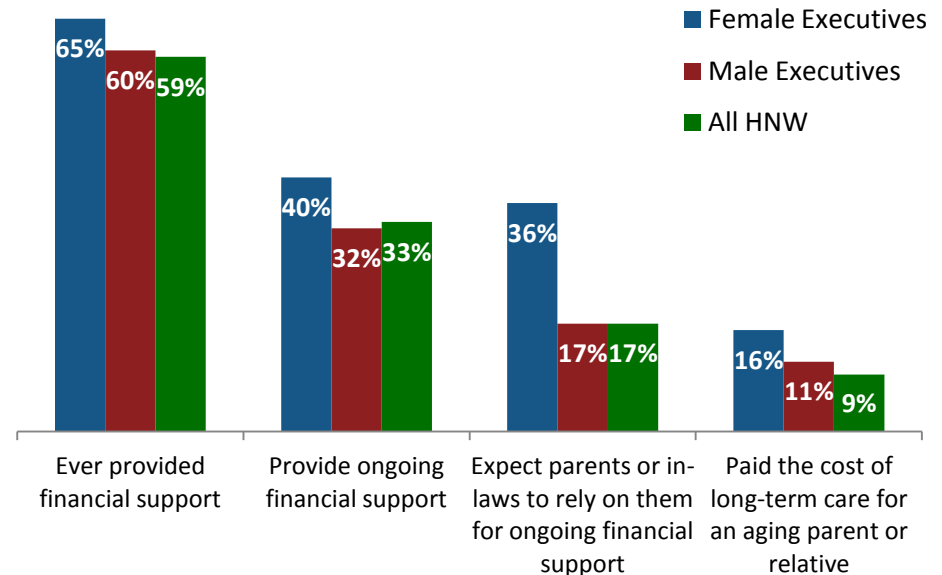


**Q3\_3.** Who in your household is the primary income earner, dominant decision-maker, dominant financial decision-maker and came into the relationship with the greatest assets?

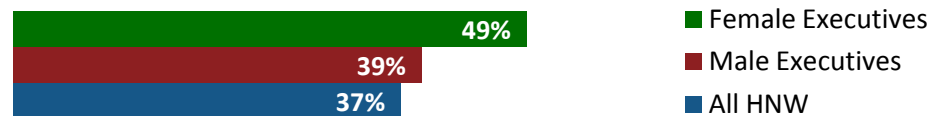
# Female executives face heightened family pressures

- Women business owners and senior executives more often have/plan to provide financial support to multiple generations or extended family than men. Women executives are also more likely to feel that the financial needs of their family have negatively impacted their own personal financial goals.
  - 65 percent of female executives have provided financial assistance to an adult member of their family, and four in 10 have provided ongoing support
  - 36 percent of female executives anticipate their parents or in-laws will rely on them for ongoing financial support or assistance to help meet their expenses and income needs
- Nearly half of female executives' personal financial goals have been negatively affected by the financial assistance they have provided an adult member of their family

**% WHO HAVE PROVIDED FINANCIAL SUPPORT OR A SUBSTANTIAL LOAN TO AN ADULT FAMILY MEMBER**



**% WHOSE PERSONAL FINANCIAL GOALS HAVE BEEN NEGATIVELY AFFECTED BY THE FINANCIAL ASSISTANCE THEY HAVE PROVIDED AN ADULT MEMBER OF THEIR FAMILY**



**Q32.** Do you, or have you ever, provided substantial financial support (not a loan) to any of the following adult family members?

**Q33.** At any point in your lifetime, do you expect your parents or in-laws to rely on you for ongoing financial support or assistance to help meet their expense and income needs?

**Q34.** Which of the following have you ever done?

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## BUSINESS OWNERS AND SENIOR EXECUTIVES

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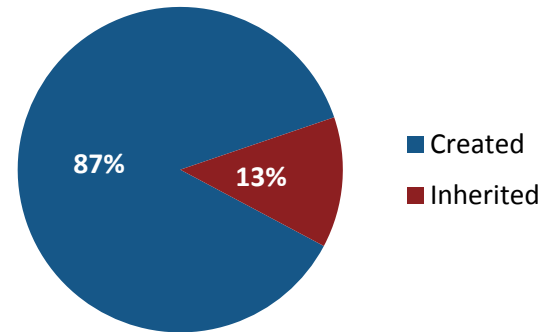


# Most business owners created their business

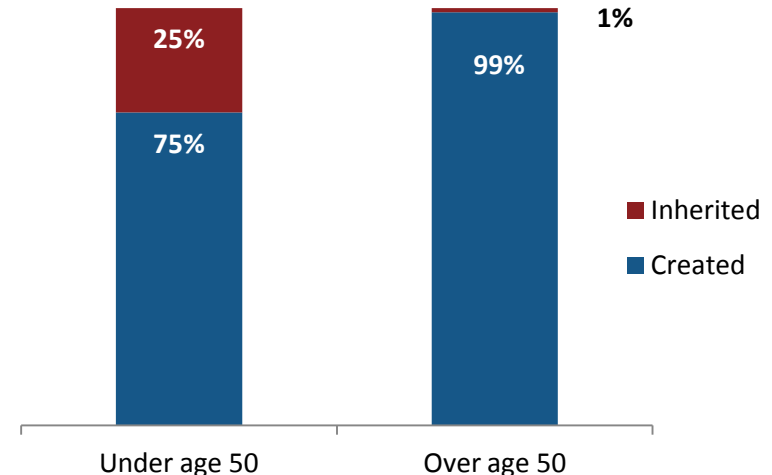
- Nearly nine in 10 people who own their own business created it on their own, either because they founded or co-founded it (69%), acquired all or part of an existing business started by someone else (11%) or bought out other partners or owners (7%)
- Only 13 percent inherited a family business
- Nearly all business owners over the age of 50 created their own business, whereas one in four businesses owned by those under age 50 was an inherited family business

## % OF BUSINESS OWNERS WHO CREATED VS. INHERITED THE BUSINESS

By working business owners



By age

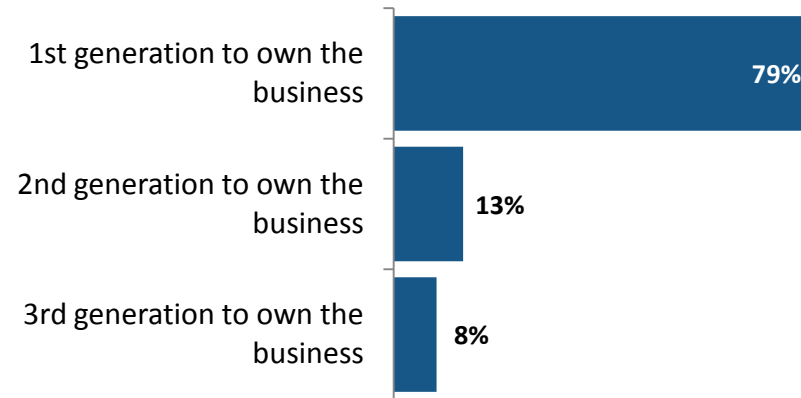


**Q50.** Since you indicated you were an owner or leader in a business...  
How did you gain ownership of your business? (Among working and retired business owners)

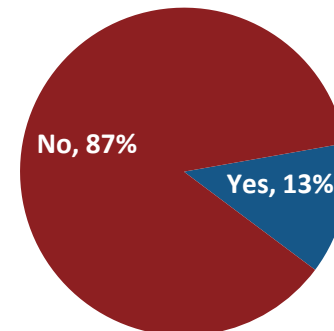
# Few business owners expect children to continue business

- More than three-quarters of business owners are the first generation to own the business
- Fewer than one in 10 business owners are operating a family business that is three generations or older
- Just over one in 10 business owners expect their children or heirs to inherit the business

## FOR HOW MANY GENERATIONS HAS THE BUSINESS BEEN IN YOUR FAMILY?



## % WHO EXPECT THEIR CHILDREN OR HEIRS TO CONTINUE THE BUSINESS?



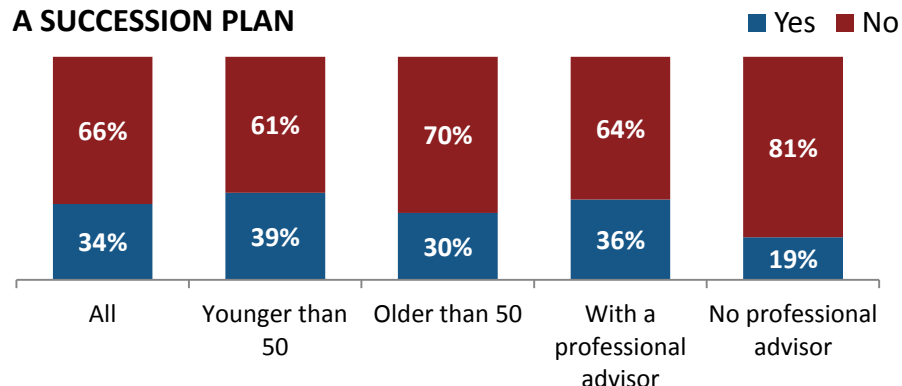
**Q51.** For how many generations has the business been in your family?  
(Among working and retired business owners)

**Q52.** Do you expect your children or heirs to continue the business?  
(Among working and retired business owners)

# The value of succession planning is not well understood

- Two-thirds of business owners do not have a formal succession plan, including seven in 10 business owners over age 50
- Business owners who have a professional financial advisor are almost twice more likely to have a business succession plan than those who don't have an advisor
- The reasons given for not having a succession plan suggest more than procrastination. Many business owners haven't made important decisions and/or believe that a will, or verbal discussion, will be sufficient.

**% OF BUSINESS OWNERS WHO HAVE/DON'T HAVE A SUCCESSION PLAN**



## Reasons for not establishing a succession plan

I have no intention of retiring in the near future	<input checked="" type="checkbox"/>	54%
I haven't made important decisions about management of my business after I retire	<input checked="" type="checkbox"/>	23%
My family and colleagues are aware of my plans for the future	<input checked="" type="checkbox"/>	15%
I have outlined my wishes in my will	<input checked="" type="checkbox"/>	14%
I am too busy with day-to-day operations to worry about something that far in the future	<input checked="" type="checkbox"/>	7%

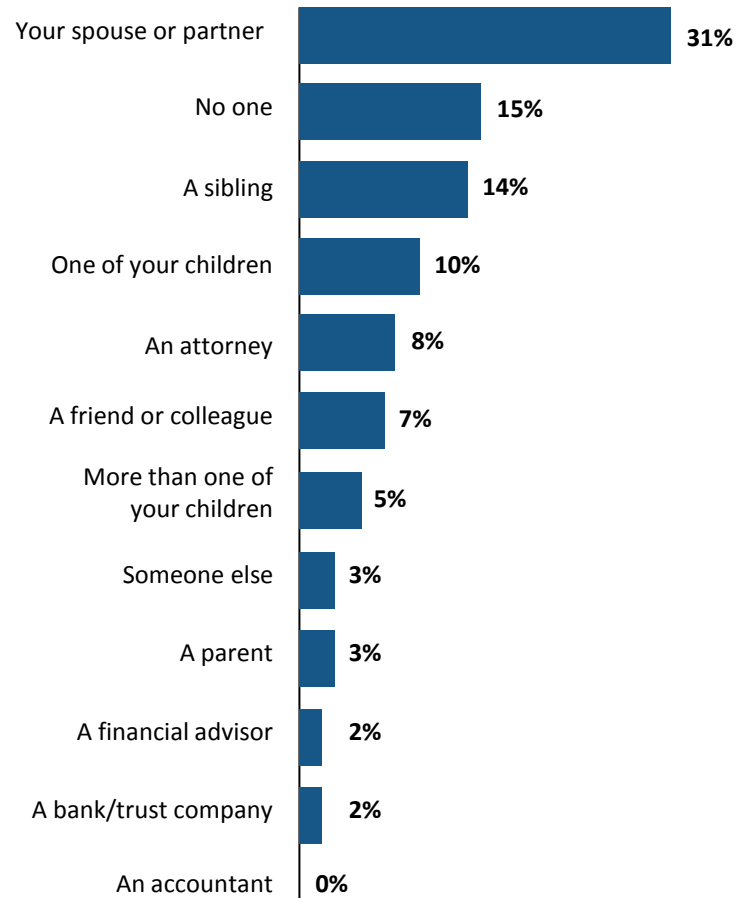
**Q53** Do you have a formal succession plan in place? (Among working business owners)

**Q54** Why haven't you established a business succession plan? (Among those business owners who don't have a plan)

# Business succession planning left to heirs

- Though two-thirds of business owners don't have a formal succession plan for the business, most will leave it to family members to sort out
- Six in 10 business owners have named a family member as executor of their estate, most often their spouse or partner
- Only eight percent have named an attorney and only two percent have named a financial advisor

## % OF BUSINESS OWNERS WHO HAVE NAMED THE FOLLOWING AS EXECUTOR OF THEIR ESTATE



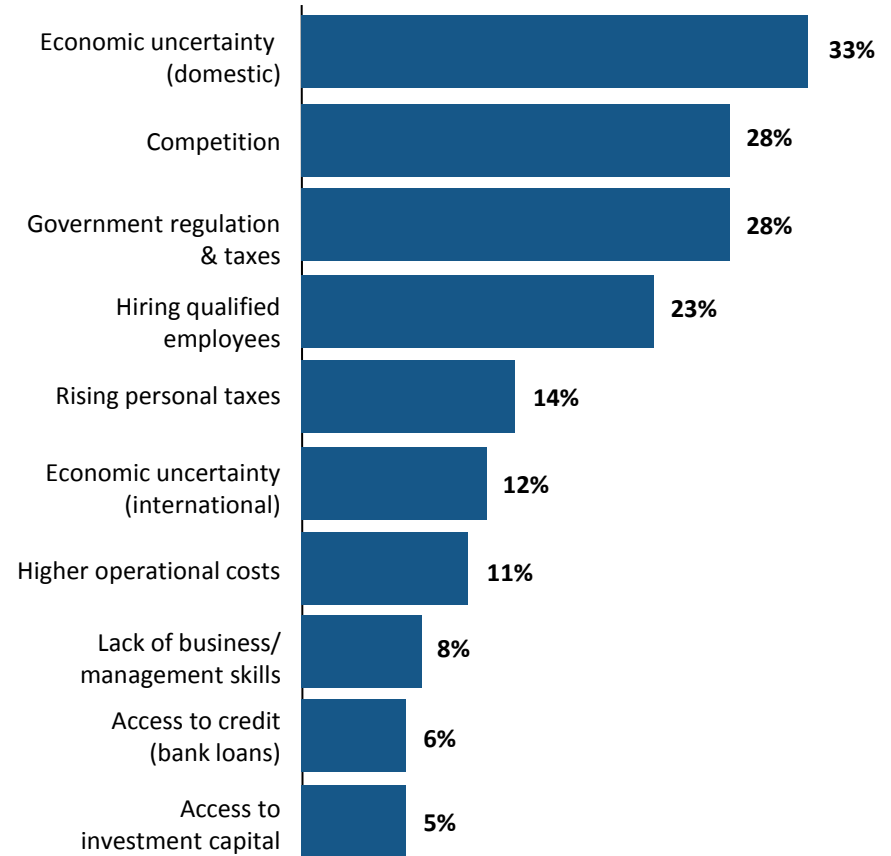
**Q41.** Who have you named as your executor? (Among business owners)

# Business growth challenges

- Business owners and corporate executives are alike in the challenges they face with business growth
- The biggest challenge both business owners and corporate executives face is an uncertain economy, complicating or hampering other important business decisions, such as hiring, expanding and investing capital in the business
- Business owners and corporate executives who are over the age of 50 are much more likely than those under age 50 to rank competition and taxes as a challenge
- Few rank bank credit or access to capital as a challenge

## WHAT ARE THE BIGGEST CHALLENGES TO GROWING YOUR BUSINESS?

Among business owners and corporate executives

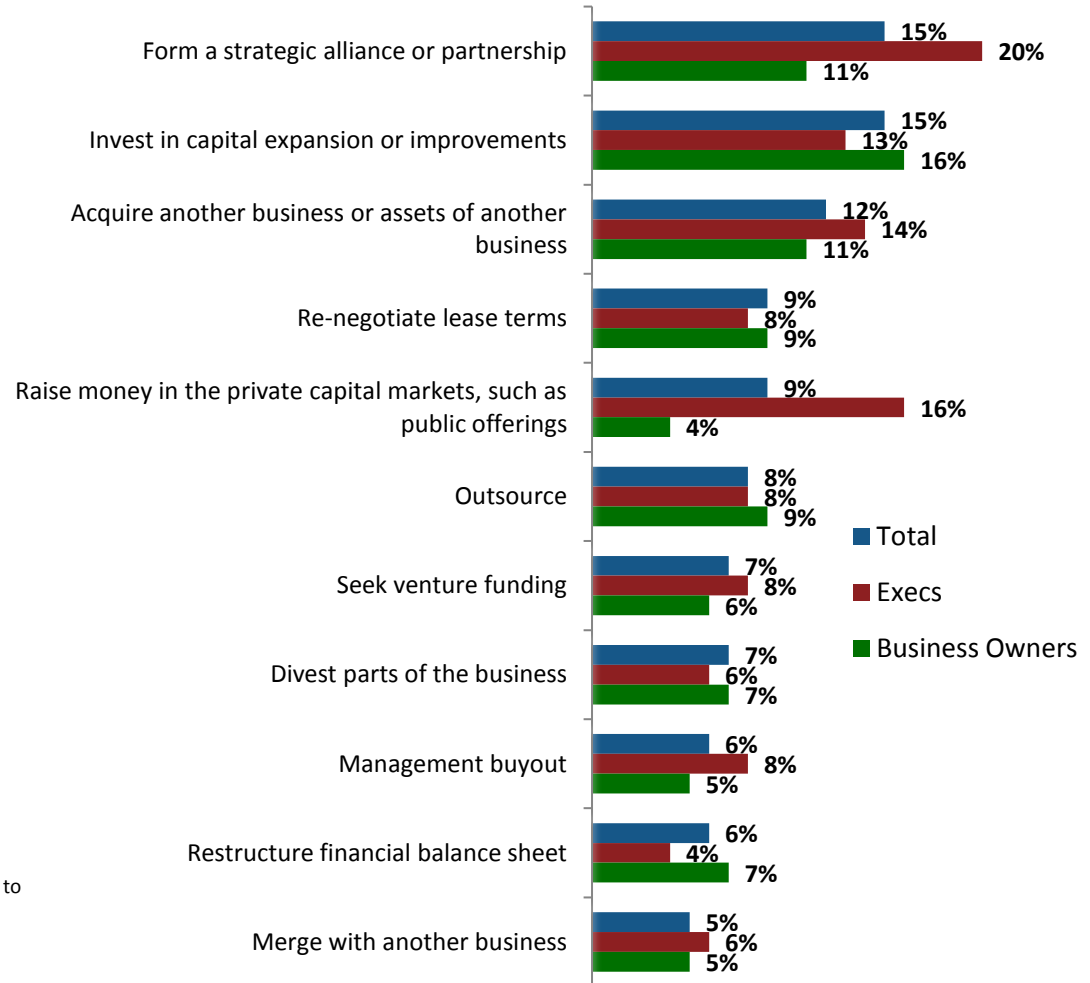


Q58. What are the biggest challenges to growing your business? (Among working business owners, partners, principals and executives)

# Investments in business growth in 2013 and 2014

- In 2013 and 2014, business owners and corporate executives both were focused on business growth, with 55% saying they have taken or plan to adopt at least one growth-oriented action
- Corporate executives are most often engaged in raising private capital and forming strategic partnerships
- 10 percent over all (both business owners and corporate executives) raised capital in the private capital markets, such as through a public offering, or are considering it

## % WHO TOOK ACTION IN 2013 OR ARE CONSIDERING TAKING ACTION IN 2014 TO GROW THE BUSINESS

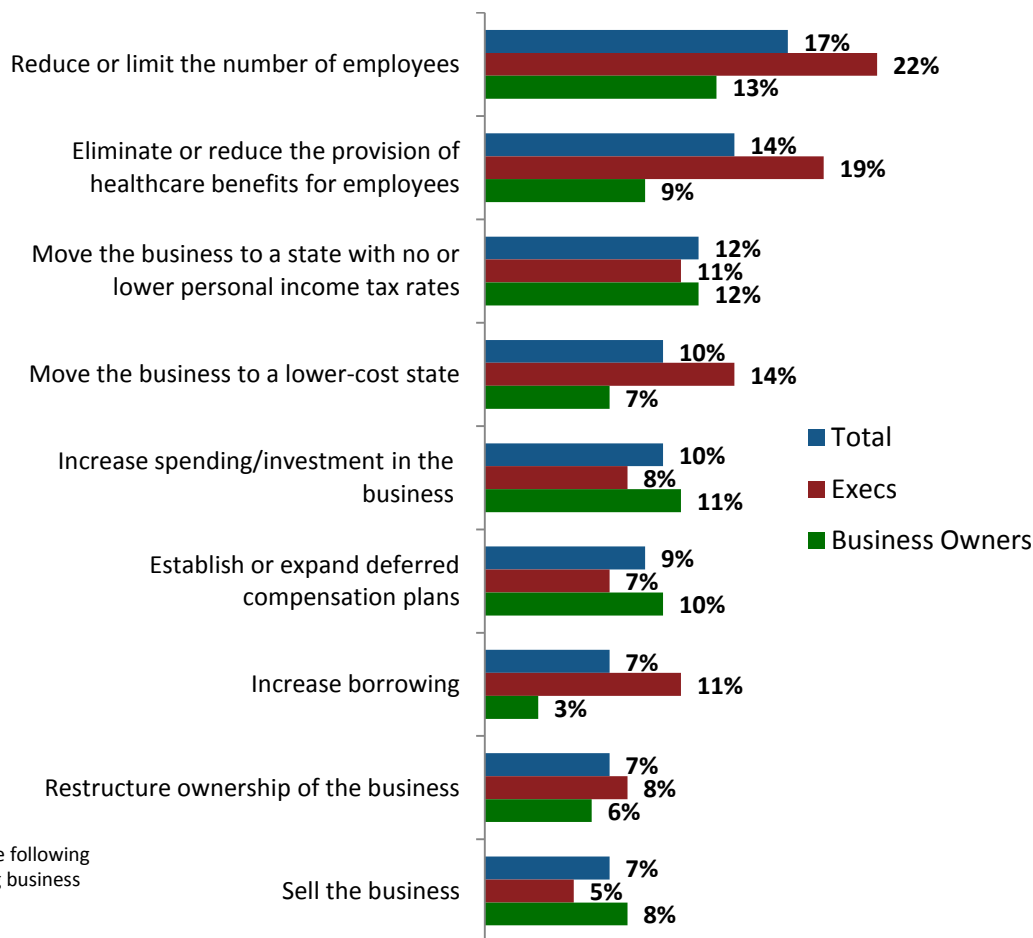


**Q57.** Which of the actions did you take in 2013 or are considering taking in 2014 to grow your business? (Among working business owners, partners, principals and executives)

# Impact of taxes

- Despite the fact that taxes were ranked as among the biggest challenges to business growth, nearly half (46%) of business owners and corporate executives did not take, and aren't considering, any actions in their business to reduce taxes
- Of those who are taking action, corporate executives are twice more likely than business owners to eliminate or reduce employee healthcare benefits
- Only about one in 10 have or would move the business to a different state, despite aggressive state competition
- Corporate executives are more apt than business owners to access credit for the purposes of reducing taxes

## THINKING ABOUT THE CUMULATIVE IMPACT OF FEDERAL/STATE/LOCAL TAXES, WHICH OF THE FOLLOWING ACTIONS HAVE YOU TAKEN OR ARE CONSIDERING TAKING FOR YOUR BUSINESS?



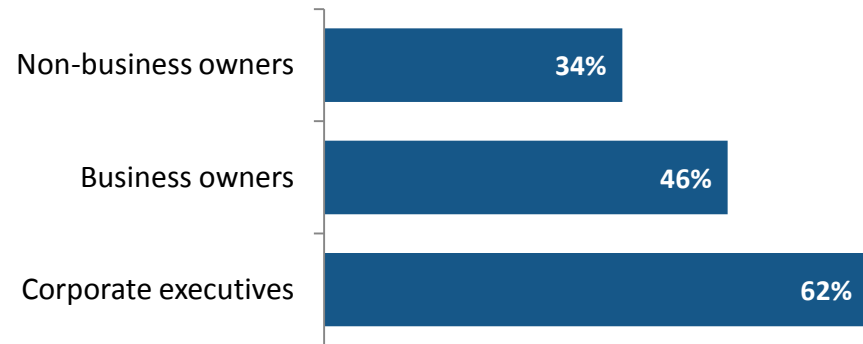
**Q59.** Thinking about the cumulative impact of federal/state/local taxes, which of the following actions have you taken or are considering taking for your business? (Among working business owners, partners, principals and executives)

# Corporate executives most likely to use credit for liquidity

- Business owners and corporate executives are both more likely than all other respondents to borrow against their personal assets in order to gain liquidity
  - Corporate executives are most likely to do so
  - Six in 10 (62%) executives compared to just under half of business owners (46%) have borrowed against their assets to gain liquidity

## % WHO HAVE USED CREDIT TO GAIN LIQUIDITY

By business owners, non-business owners and corporate execs



Q21. Which of the following have you borrowed against to gain liquidity?



# Work comes first, especially for corporate executives

- The majority of business owners and corporate executives agree that needs of the business often take first priority
- However, business owners are less likely than corporate executives to say that they focus more on business finances than personal finances
- Only about one-third of business owners and corporate executives agree that they are better at managing business finances than personal finances

## % WHO AGREE

Among business owners and corporate executives

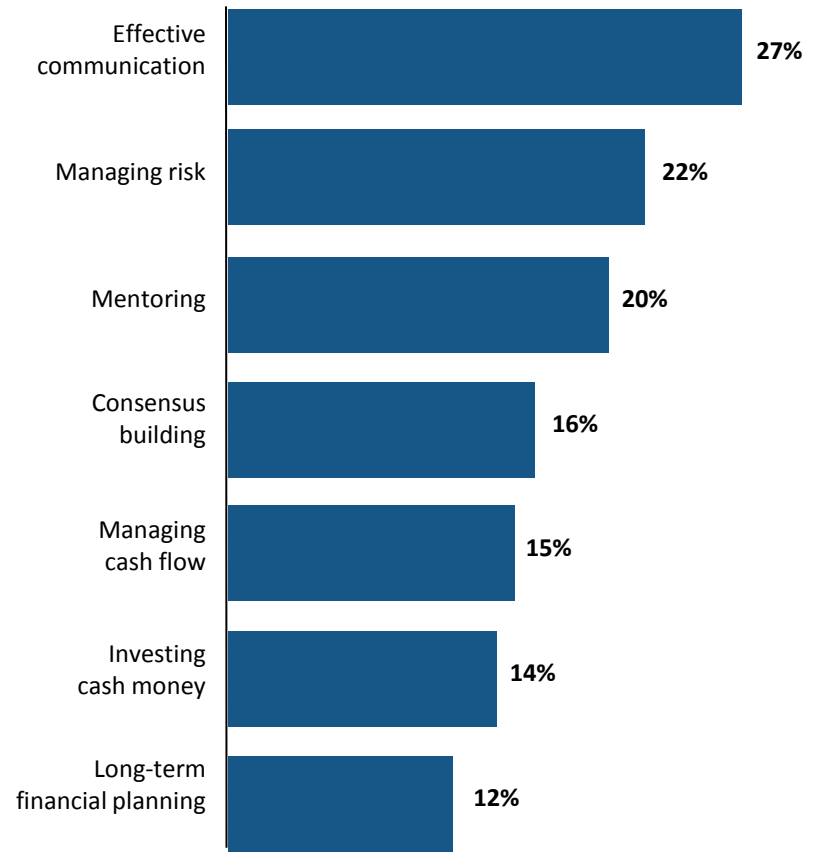
		Combined	Business owners	Execs
The needs of the business often take priority over my personal needs and obligations	<input checked="" type="checkbox"/>	63%	59%	68%
The majority of my income and financial assets is tied to my business	<input checked="" type="checkbox"/>	52%	53%	50%
I focus more on the finances of the business than on my own personal finances	<input checked="" type="checkbox"/>	45%	41%	51%
I am better at managing a business than at managing my personal finances	<input checked="" type="checkbox"/>	35%	33%	38%

**Q60.** To what extent do you agree with the following statement? I focus more on the finances of the business than on my own personal finances. (Among working business owners, partners, principals and executives)

# One in 4 business owners and executives consider themselves more effective communicators at work versus in their personal life

- Many of the skills needed to effectively manage family wealth are the same business owners and senior executives need to succeed at work
- At least one quarter of business owners and executives feel they are better at managing effective communication and risk at work than in their personal life

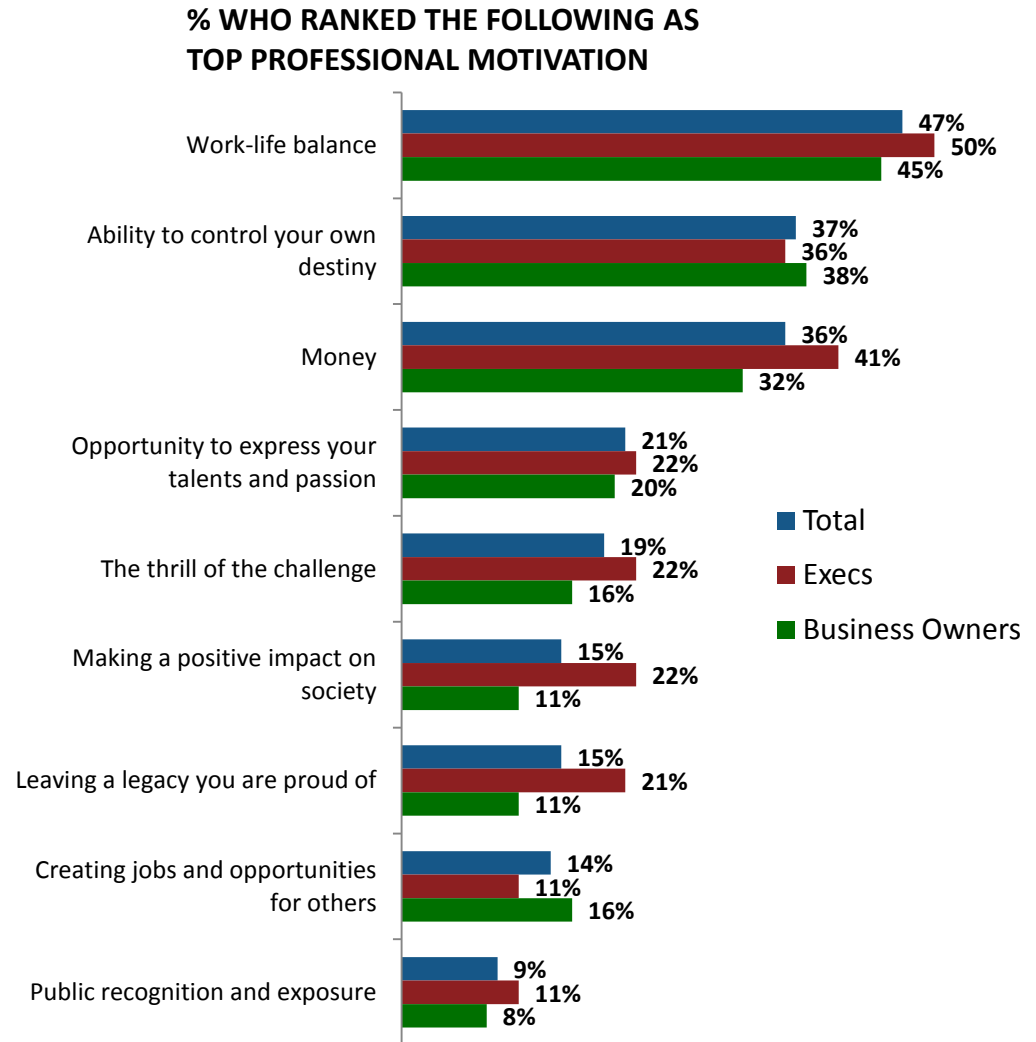
## WHICH OF THE FOLLOWING SKILLS ARE YOU BETTER AT MANAGING IN YOUR BUSINESS THAN IN YOUR PERSONAL LIFE?



**Q55.** Which of the following skills are you better at managing in your business than in your personal life? (Among working and retired business owners, partners, principals and executives)

# Business owners and corporate execs similarly motivated

- Business owners and corporate executives are similarly professionally motivated, with work-life balance and the ability to control their own destiny being most highly ranked
- At least 20 percent of executives and 11 percent of business owners ranked leaving a legacy and making a positive impact on society as their top professional motivation



**Q56.** Which of the following is the most important professional motivation for you? (Among working business owners, partners, principals and executives)

# Important Disclosures

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## Methodology

The 2014 *U.S. Trust Insights on Wealth and Worth*® survey is based on a nationwide survey of 680 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 February and March of 2014. 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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