THE FREEDOM TO FOCUS ON WHAT REALLY MATTERS

Building Generations of Success

DreamMakers' FORUM® 2008

# Wealth in Black America

**Moderator:**
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**Panelists:**
**Linda Johnson Rice, President and CEO, Johnson Publishing Company**
**John W. Rogers, Jr., Chairman and CEO, Ariel Investments**

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# Wealth in Black America Survey

- Dream*Makers’* is a biannual forum that provides a unique venue for successful Black business owners, corporate executives and professionals to discuss the issues and opportunities that arise through the creation, preservation and transfer of wealth.
- An important part of managing wealth is staying on top of current trends.
- In July 2008, Northern Trust conducted a groundbreaking survey, *Wealth In Black America*, to gain insight into the financial attitudes and preferences of affluent Blacks. Survey questions were focused on:
  - Use of Advisors
  - Financial Planning/Investing
  - Charitable Giving
  - Interest in Financial Education Programs

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# Understanding The Affluent Black Experience

- What are Blacks looking for in an advisor?
- Who are their advisors?
  - What expectations do they have of their advisors?
  - How do they interact with advisors?
- What are their attitudes or behaviors toward investing?
- How do affluent Blacks view charitable giving?
- What are their views on financial support of family members?
- How do affluent Blacks handle estate planning and wealth transfer?
- How do they network?
- What generational differences exist among affluent Blacks when it comes to investing?

# Wealth in Black America - Survey Methodology

| | |
|---|---|
| ***Population Studied:*** | Affluent Blacks who:<br>■ Are U.S. residents<br>■ Are 18 years of age or older<br>■ Have either $250,000 or more in household income or have at least $1 million in investable assets in 2007<br>■ Participate in the household financial decision making |
| ***Sample Size & Data Collection:*** | ■ E-mail surveys were conducted between July 2 to July 25, 2008<br>■ A total of 164 surveys were collected |
| ***Sub-groups:*** | Generations are defined as:<br>■ Generations X & Y (ages 18-42)<br>■ Baby Boomers and Silent Generation (age 43 or older) |

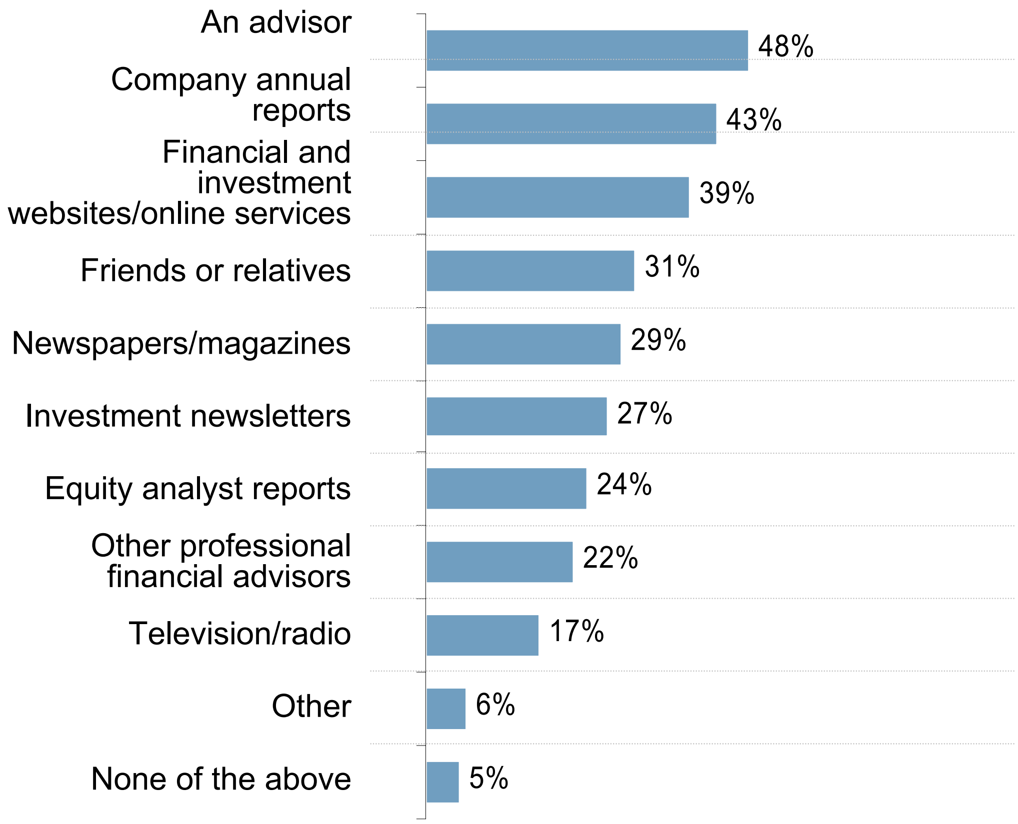
# Relationship with Advisors

- Among affluent Blacks, almost half frequently rely on advisors over other sources of information for investment advice.
- Like other affluent households, they seek advice, when needed, on creating financial plans and establishing an investment or asset allocation strategy.
- Even when they consult with investment professionals, most affluent Blacks make the final investment decisions themselves.
- Affluent Blacks want to be understood by their advisors; however, fewer than two in five (38%) feel their advisor's ability to relate to their race or ethnic background is important when choosing a principal advisor.

# Investment Advisors

***Almost half (48%) of affluent Blacks consult with an advisor when making decisions about investing.***

**Typical Sources for Investment Information**

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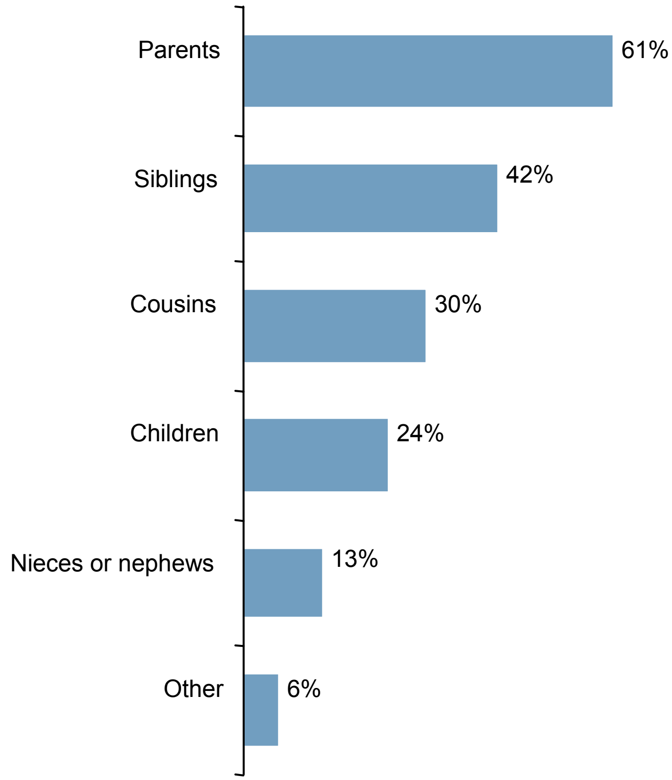
# Financial Support of Family Members

- Approximately half of affluent Blacks feel a responsibility to provide financial support to family members.
  - Six in ten currently provide support to parents.
  - Two in five provide support to siblings.
- Long-term care or disability is the most important need affluent Blacks believe will be met through their financial support of adult family members.
- More than three in five affluent Blacks say they are extremely or very concerned about ensuring the next generation of family members lead productive, meaningful lives amidst affluence.

# Financial Support of Family Members

***Approximately half of affluent Blacks feel a responsibility to provide financial support to family members, specifically to their parents.***

**Currently Provide Financial Support to...**



# Estate Planning & Wealth Transfer

- More than half of affluent Blacks think it is extremely or very important to leave an estate to their heirs.
  - More than half have a will in place and among those who don't, most say they will have one within the next year.
  - Of those who already have a will, more than half have updated it in the last three years.
- Affluent Blacks most commonly name a family member as the executor of an estate.
  - About half have worked with a financial advisor to establish an estate plan or wealth transfer plan in the last five years.
  - Approximately half have established personal trusts primarily for estate planning purposes.

# Charitable Giving

- The number one goal affluent Blacks hope to accomplish in their charitable giving is supporting a cause in which they personally believe.
- The majority believe it is much more important to give during their lifetime rather than through a will.
- Charitable giving is focused on domestic organizations.
- On average, affluent Blacks donated $35,400 to religious organizations or charitable causes in 2007.

# Charitable Giving

***On average affluent Blacks donated $35,400 to religious organizations or charitable causes in 2007 with younger generations donating more.***

**% Dollar Amount of Donations in 2007**

| | Total | Generation X & Y | Boomer & Silent |
|---|---|---|---|
| Less than $25,000 | 51% | 33% | 72% |
| $25,000 to $49,999 | 14% | 14% | 18% |
| $50,000 or more | 34% | 53% | 10% |
| **Mean** | **$35,400** | **$49,100** | **$19,300** |

# Financial Educational Program

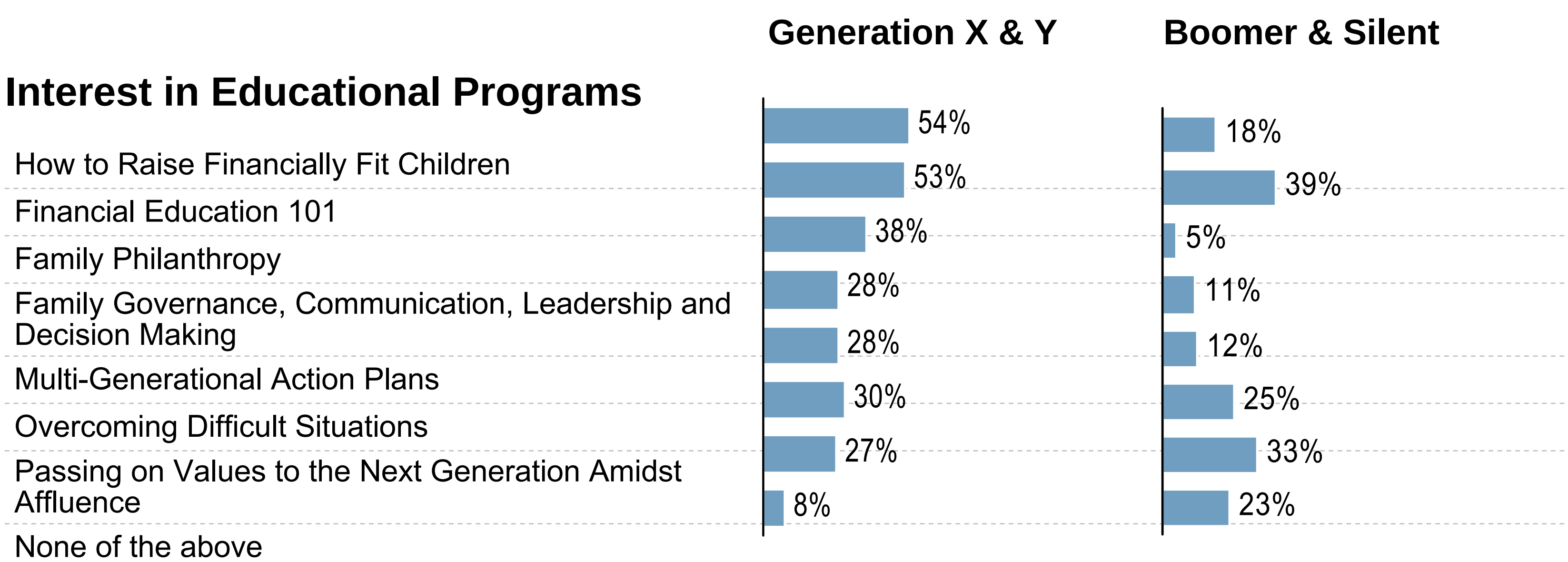
***When asked what type of education programs they would be interested in receiving from their financial services provider:***

- Almost half of affluent Blacks indicated that they would be interested in a "Financial Education 101" program.
  - How to raise "financially fit" children is especially important to Generations X and Y.
  - Effective strategies for passing on values to the next generation was especially important to the Silent and Baby Boomer Generations and to approximately one-third of all affluent Blacks.

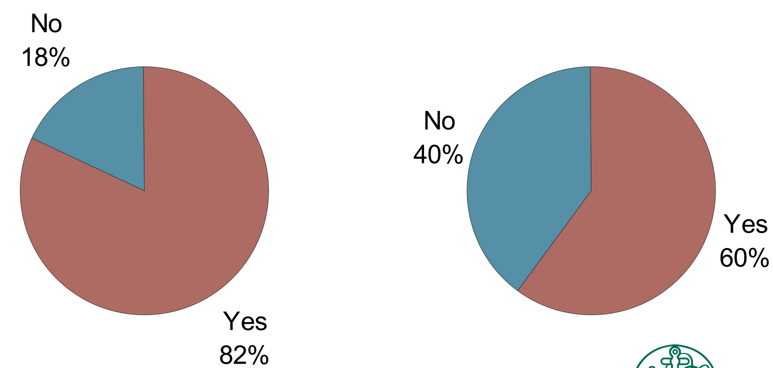
# Financial Educational Program

***Affluent Blacks of all ages would be interested in a basic financial education program.***

## Interest in Educational Programs




## Expect Programs to Be Offered by Financial Service Provider(s)

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# Networking

- Two in five affluent Blacks consider networking with peers and others who are in similar financial circumstances extremely or very valuable.
- Generations X and Y prefer online discussion groups while all generations are interested in small local networking meetings.

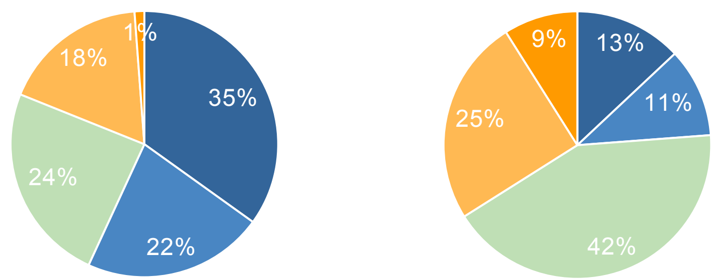
# Networking

***While the majority place a value on networking with peers, younger generations tend to place a higher value than older generations.***

## Value In Networking With Peers and Others in Similar Financial Circumstances

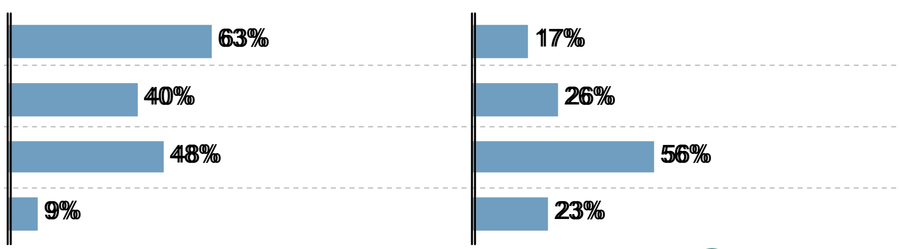
- Extremely valuable
- Very valuable
- Valuable
- Somewhat valuable
- Not at all valuable

**Generation X & Y** | **Boomer & Silent**




## Best Format to Facilitate Networking

Online Discussion Groups
Conferences
Small local networking group meetings
None of these

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# Generational Differences

- Older generations are more likely than younger generations to use an advisor.
- While younger generations are less likely to consult advisors, when they do, they are more likely than older generations to let advisors make most or all of their investment decisions.
- Younger generations use different resources to get information on investing and for different reasons than older generations.
  - Generations X and Y are more likely to consult online sources for financial information, but consult with advisors to get information on charitable giving strategies.
  - Older generations are more likely to consult with advisors and seek their advice on creating a financial plan.
- Generations X and Y place a greater importance on the race of their advisor than their older counterparts.

# Generational Differences

- Younger generations feel more responsible to provide financial support to family members than their older counterparts.
  - Generations X & Y provide almost equal financial support to their parents (59%) and siblings (52%), while Boomers and the Silent Generation provide more support to only their parents (65%).
- Younger generations are more likely to leave their estate to their heirs.
- The Silent Generation and Baby Boomers are more likely to establish trusts for estate planning purposes. Generations X and Y are more likely to establish trusts for tax planning purposes, safeguarding assets and estate planning.
- Older generations are more likely to name a family member as a trustee while younger generations are likely to name themselves or an attorney as trustee.
- Older generations are more likely to volunteer, but younger generations are more likely to contribute financially to charitable organizations.

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# Generational Differences

***An advisor's ability to relate to their clients' race or ethnic background is more important for Generations X and Y than it is for the older generations. Among the younger group, three-in-five (60%) say this ability is extremely or very important.***

**Extremely/Very Important Abilities in a Financial Advisor**