
Wealth in America 2006

Executive Summary Findings



Northern Trust

December, 2005



Background and Objective

In support of its ongoing research objectives, Northern Trust commissioned Phoenix Marketing International to conduct a nationwide survey of households with \$1 million or more in investable assets. The objective of the research was to focus on issues of importance to wealthy investors in order to gain a better understanding of this segment. Areas covered by the research include: investment attitudes and behaviors, asset allocation, use of advisors, issues in retirement, philanthropy, and attitudes about success.

A total of 1,014 online questionnaires were completed among households with self-stated \$1 million or more in investable assets. The research was completed in November, 2005.

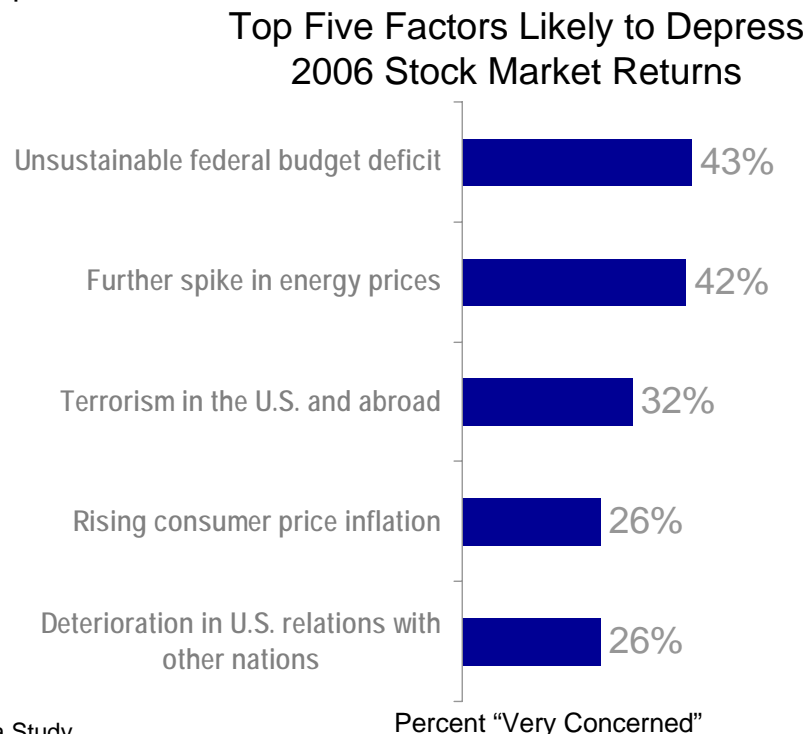
The data contained in this report have a margin of error of +/- 2.65 percentage points at a 95% level of confidence.

Executive Summary / Attitudes



The federal budget deficit and energy prices headed the list of factors that HNW investors felt would depress stock market returns in 2006.

- Terrorism, rising inflation, and the deterioration in U.S. relations with other nations rounded out the top five factors that would be likely to negatively influence stock market prices.
 - HNW investors in New York were more likely to feel that rising inflation (37%), deterioration in U.S. relations (33%), slowing economic growth (31%), and lower corporate earnings (19%) would have a negative influence on stock market returns.
 - Corporate executives were more likely to place terrorism (40%) high on their list of negative influencers of stock market prices.



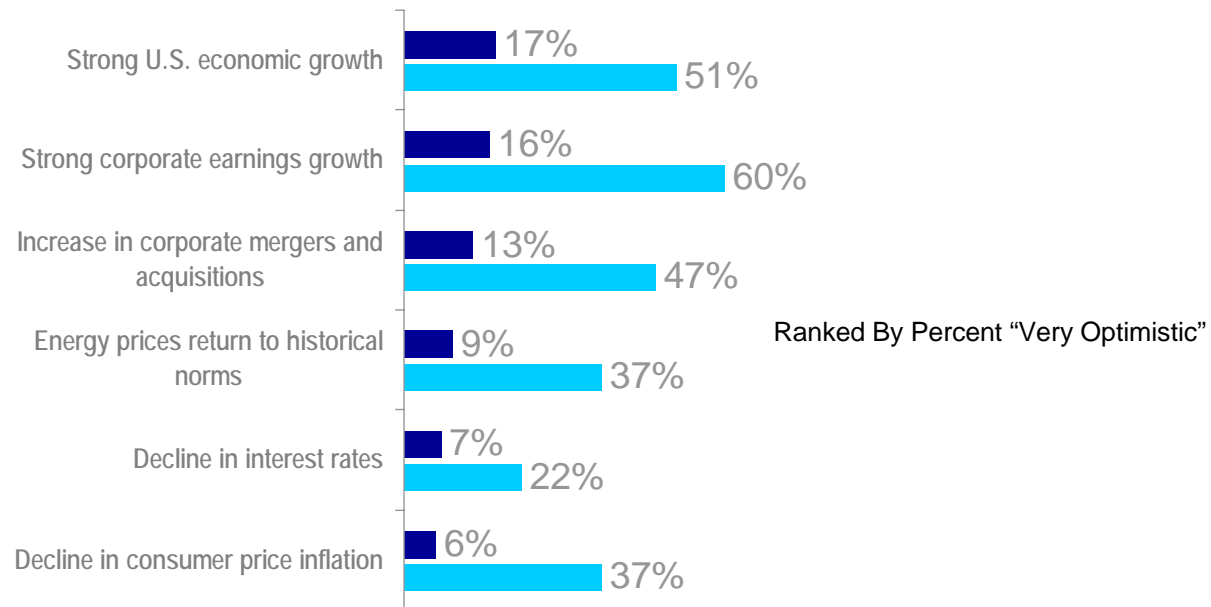
Executive Summary / Attitudes



Regarding external factors that might have a positive impact on stock market returns in 2006, HNW investors were most optimistic about the potential for strong U.S. economic growth and growth in corporate earnings. They were least optimistic about the impact of consumer price inflation and interest rates on market returns.

- Senior corporate executives were most optimistic about the impact of increases in corporate mergers and acquisitions (18% top box).
- California investors were least optimistic about the impact of energy prices (61% “not at all optimistic”).
- New York investors were least optimistic about U.S. economic growth (42% “not at all optimistic”).

Level of Optimism Regarding External Factors and Impact on Stock Market Returns



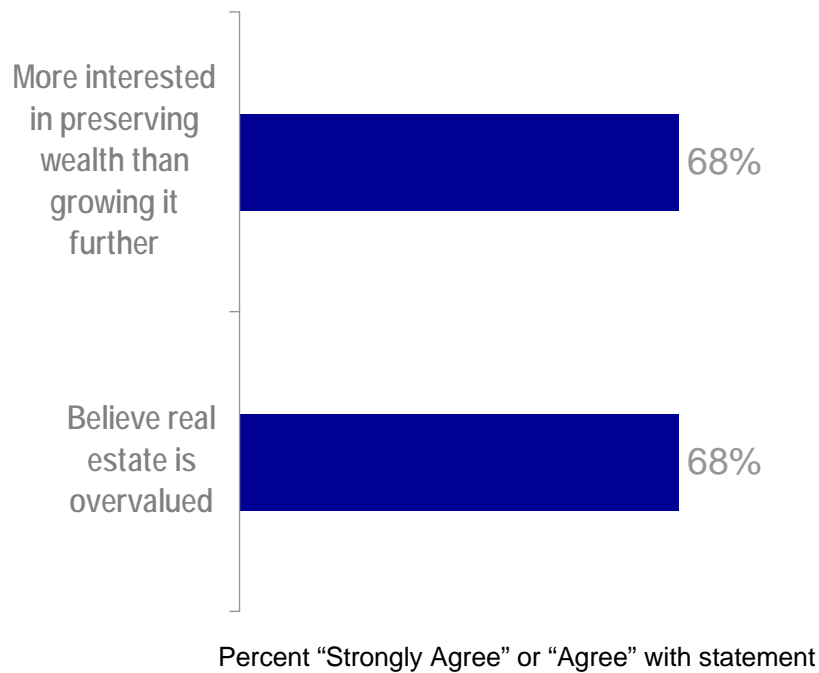
Executive Summary / Attitudes



As a result of their concerns about things like inflation, interest rates, and the deficit, over two-thirds of HNW investors were attitudinally oriented towards preserving their wealth over growing it further.

- Paralleling the media attention focused on a possible real estate bust, a similar percentage of these households also feel that real estate is overvalued.

Attitudes Toward Investing – HNW Investors



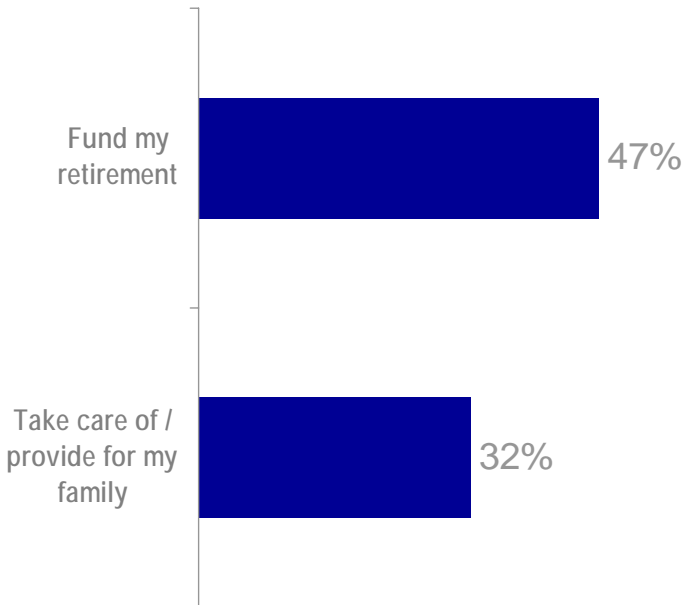
Executive Summary / Attitudes



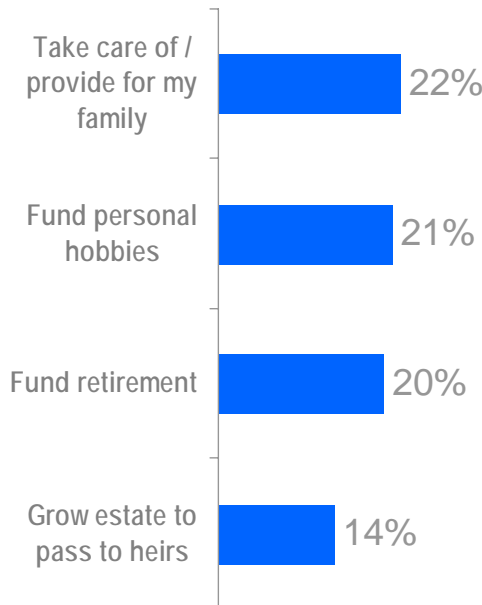
As is always the case among affluent consumers, when given a list of goals to rank, funding retirement is always the number one goal. Providing for their family was narrowly in second place, followed by funding personal hobbies.

- Not surprisingly, HNW investors approaching retirement, aged 55-64, placed an even higher level of importance to retirement funding.
- With its high concentration of retirees, funding hobbies was rated higher by HNW households in Florida (32%).
- Growing an estate to pass to heirs assumes more importance for HNW investors aged 65+ (21%).

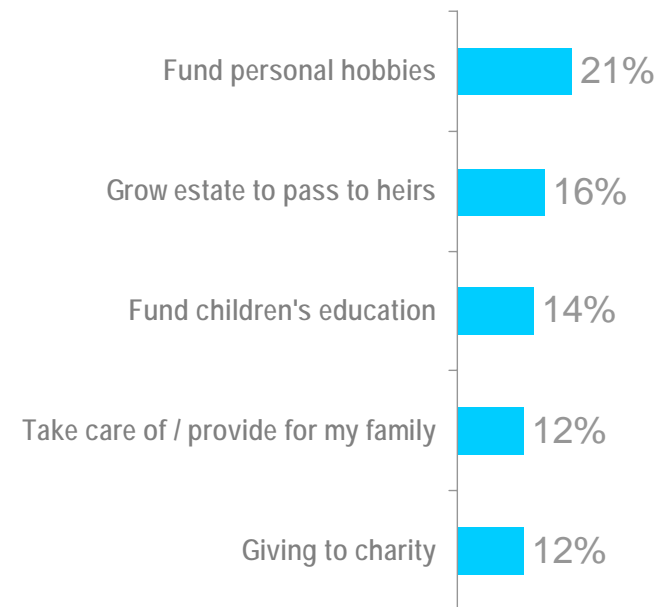
1st Most Important Goal



2nd Most Important Goal



3rd Most Important Goal



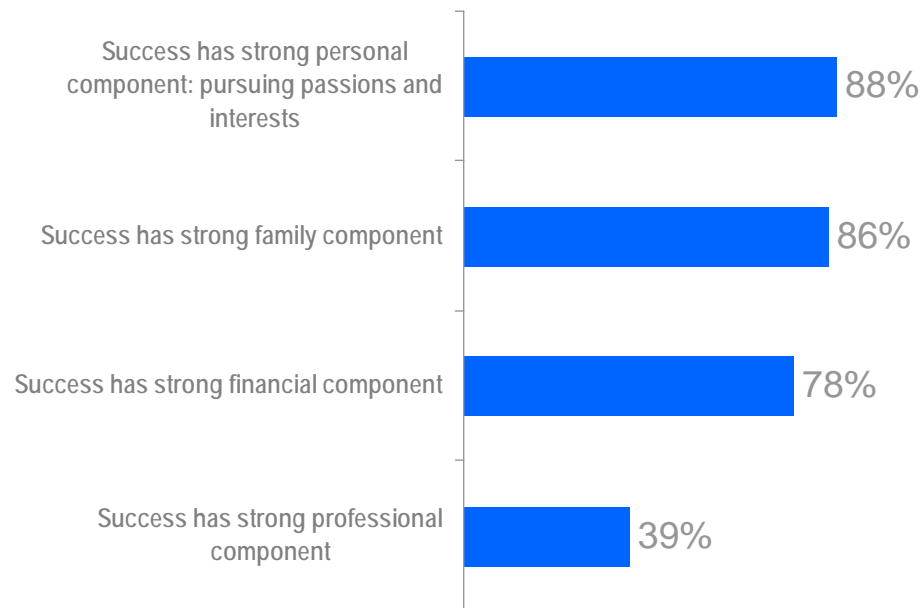
Executive Summary / Attitudes



For the vast majority of HNW households, “success” is, first and foremost, measured by their pursuit of personal passions and interests, or their family life. The financial yardstick for success, however, is still very important for most of these households.

- The financial measure of success was strongest among HNW male decisions makers (82%) as well as those aged 44 or younger (82%).
- The professional component of success—within a corporation or as an entrepreneur—was not as important as the other components. The obvious exception was among business owners, where nearly 60% agreed that success has a strong professional component. Additionally, investors in New York were more likely to link success to their profession (57%).

Attitudes Toward “Success”



Percent “Strongly Agree” or “Agree”

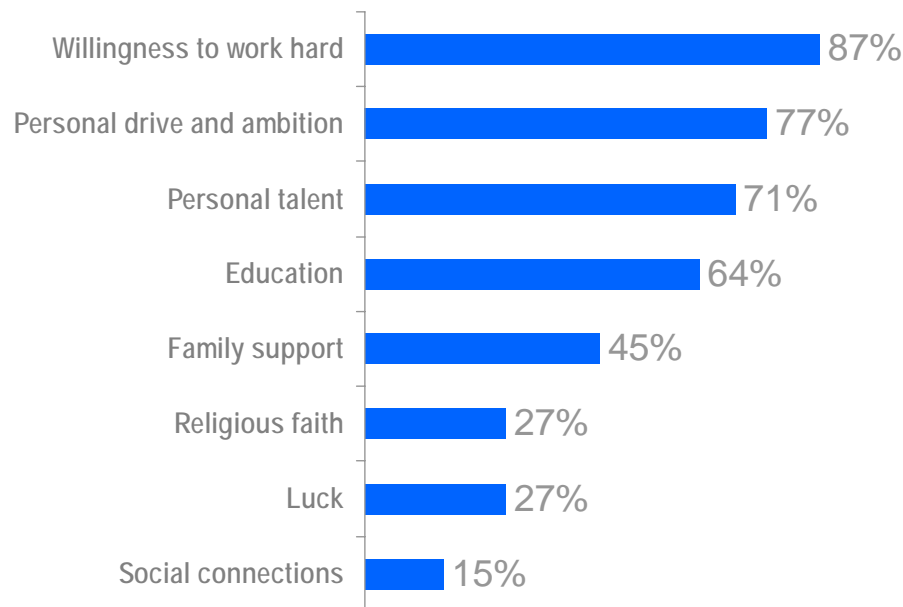
Executive Summary / Attitudes



HNW households attributed their success to the old-fashioned virtues of hard work and personal ambition. Talent and education were the next most important ingredients to success for most of these households.

- Senior corporate executives were more likely than HNW investors in general to rate personal talent (84%) and hard work (96%) as factors in their success.
- Family support (59%) and social connections (22%) were stronger components for success for Pentamillionaire households.

Factors Contributing to Success



Percent Saying Factor Was "Major Factor in My Success"

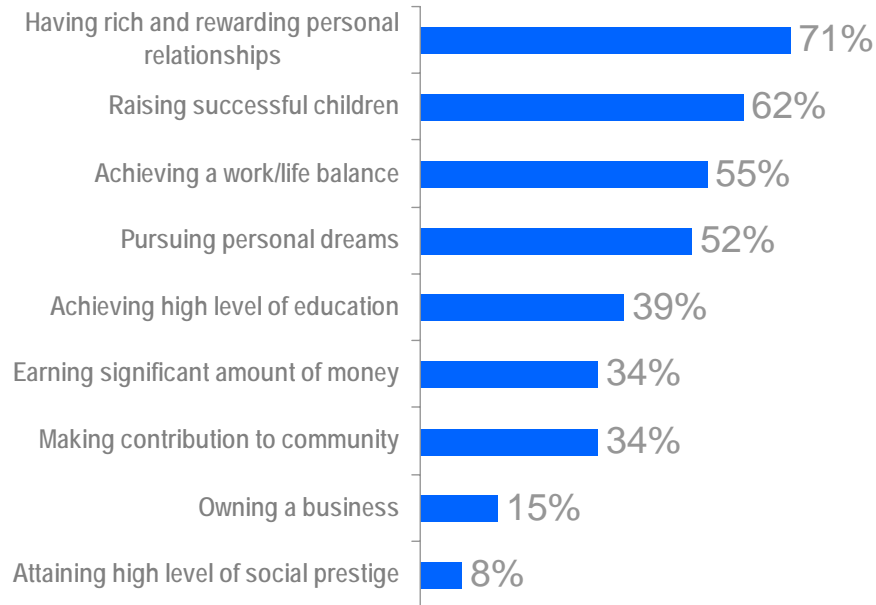
Executive Summary / Attitudes



Having rich and rewarding personal relationships is the most important goal contributing to HNW households' sense of personal accomplishment, closely followed by raising successful children and achieving a positive work/life balance.

- There was a clear contrast between younger millionaires (those 44 or under) and older millionaires (those 65 or older), indicative of the greater optimism and idealism of youth. Compared to their older counterparts, younger millionaires placed greater importance on earning a high income (46% vs. 30%), making a positive contribution to their community (52% vs. 31%), and pursuing their personal dreams (63% vs. 38%).
- Relative to millionaires with less than \$5 million, pentamillionaire households placed greater importance on pursuing their personal dreams (61% vs. 50%) and owning their own business (27% vs. 13%).

Goals Contributing to Sense of Personal Accomplishment



Percent Saying Goal Is "Very Important" to Their Sense of Personal Accomplishment

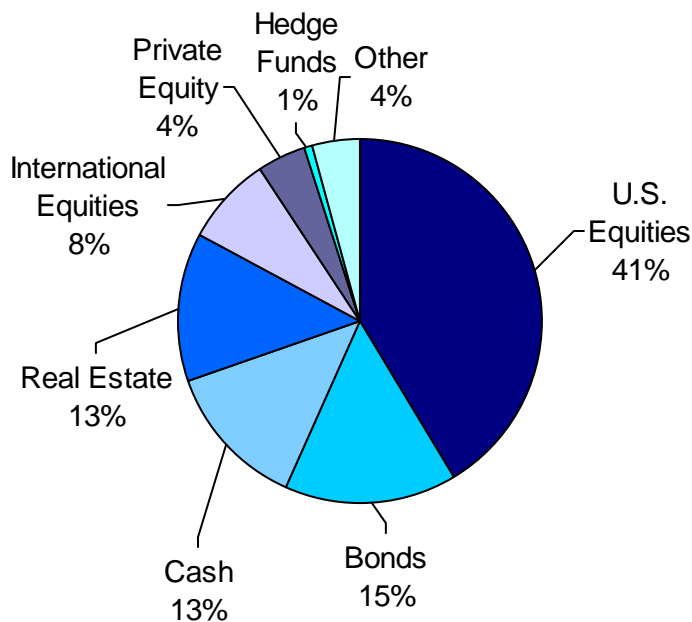
Executive Summary / Asset Allocation



HNW investor portfolios are heavily weighted in U.S. equities (41%). Bonds make up 15% of their portfolios, followed by real estate (13%), and cash (13%).

- Alternative investments such as private equity or hedge funds make up about 5% of their portfolios.

Portfolio Allocation – HNW Investors

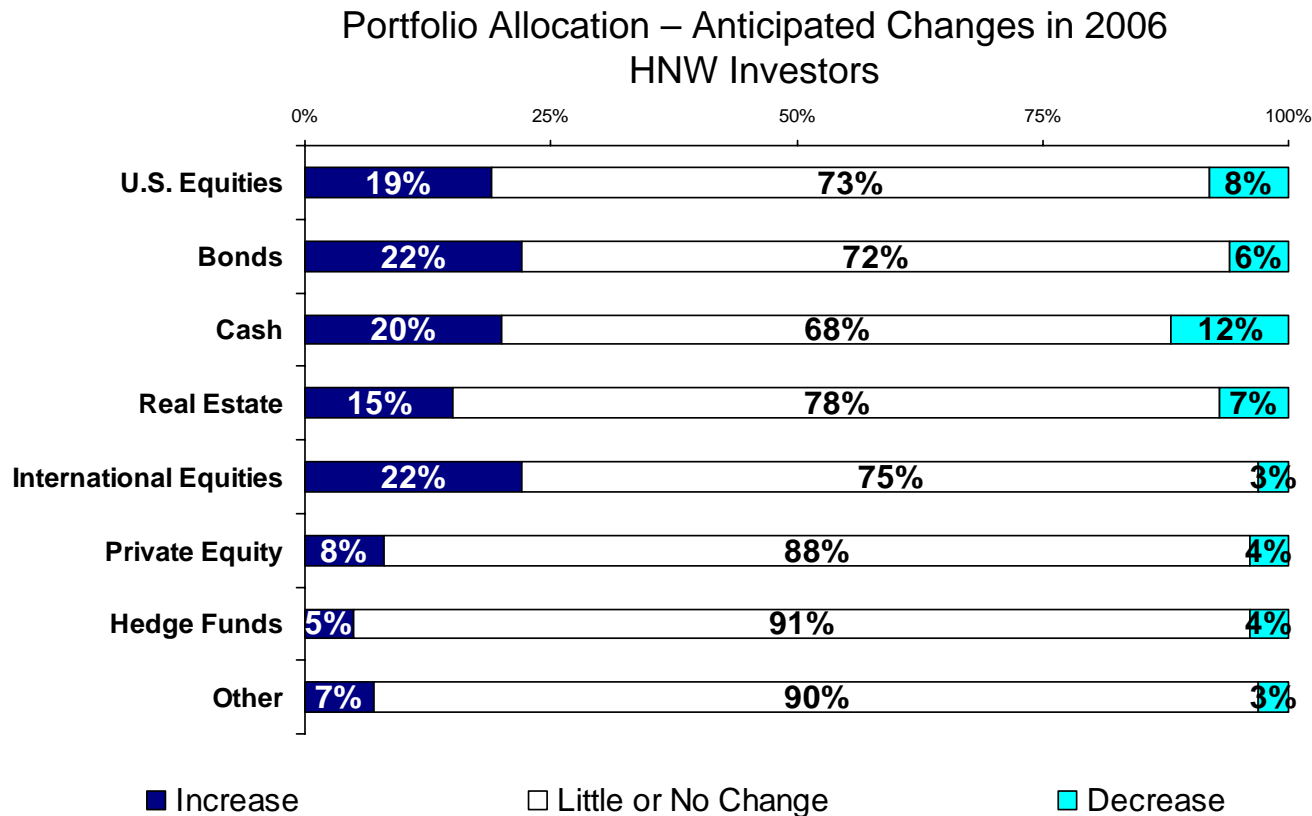


Executive Summary / Asset Allocation



In 2006, in general, HNW investors are not planning major structural changes to their portfolios. The largest anticipated increases are in bonds (22%) and international equities (22%). Twenty percent plan increases in their cash positions, and 19% plan to increase their positions in U.S. equities.

- Fifteen percent plan increases in their real estate holdings, while few changes are anticipated for private equity or hedge funds.



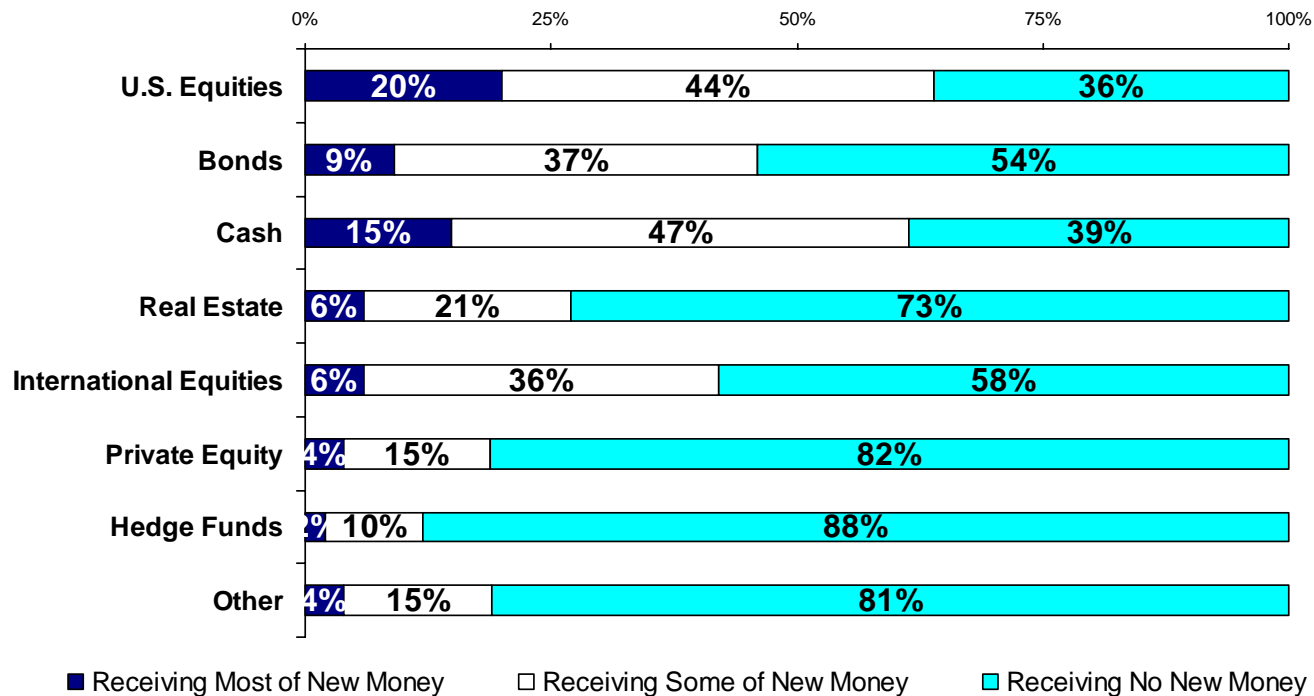
Executive Summary / Asset Allocation



For the HNW market, any new savings is largely going to U.S. equities, cash, and bonds. Reflecting their feeling that the real estate market is overvalued, relatively little new money is going to that sector.

- A modest amount of new savings is anticipated going to private equity or hedge funds.

How Putting New Savings to Work
HNW Investors



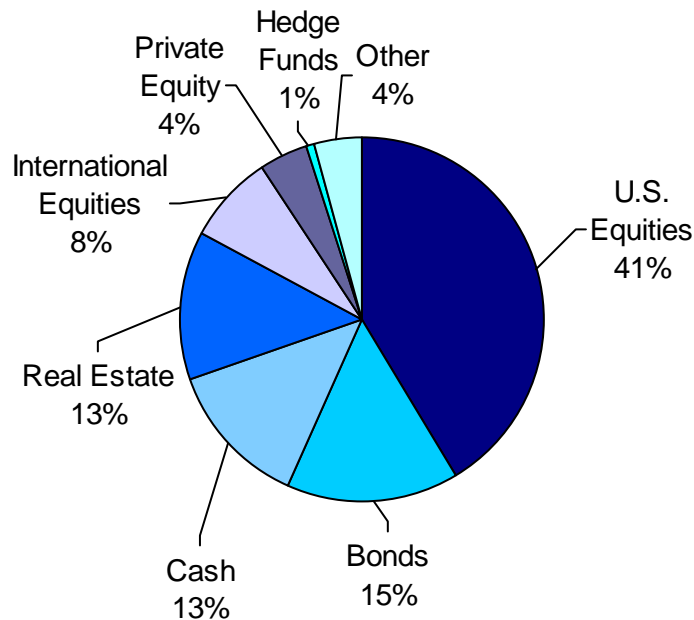
Executive Summary / Asset Allocation



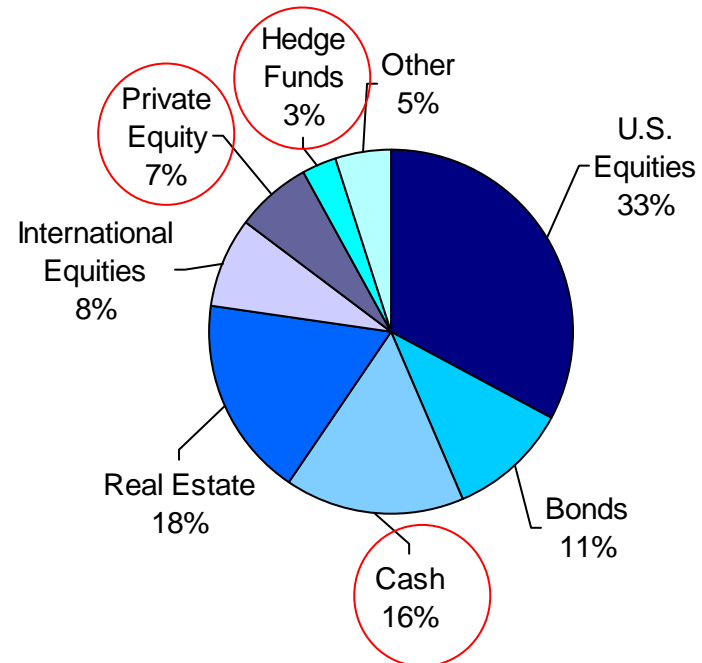
Indicative of their interest in further growing their wealth, Pentamillionaire investors have stronger portfolio weightings in private equity and hedge funds than the overall HNW market, with less emphasis on U.S. equities and bonds.

- Interestingly, Pentamillionaire households also have larger percentage allocations in cash compared with the overall HNW market, suggesting a “wait-and-see” orientation.

Portfolio Allocation – HNW Investors



Portfolio Allocation – Pentamillionaire Investors



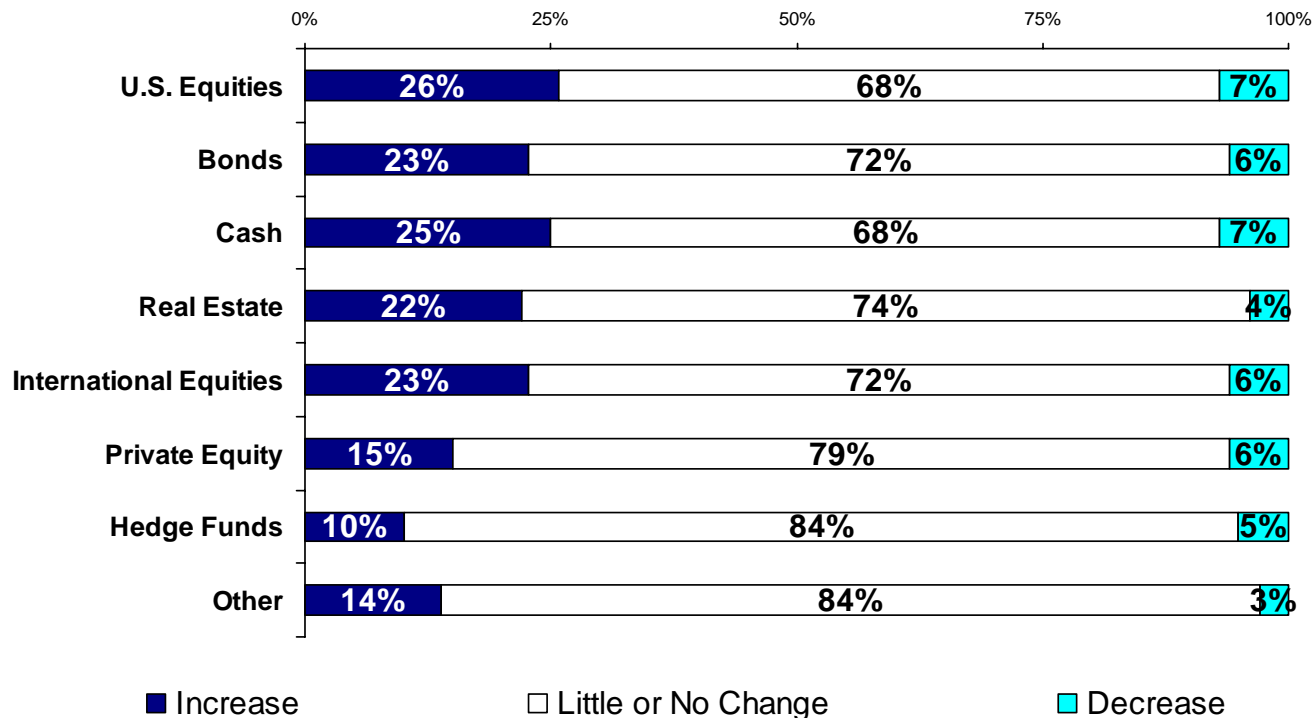
Executive Summary / Asset Allocation



Pentamillionaire households are planning on more robust increases to their portfolios in 2006 than the overall HNW market, with strong increases in U.S. equities, real estate, bonds, and international equities.

- They also plan relatively strong increases in private equity and hedge funds.
- Suggestive of a defensive strategy, over 25% also anticipate increases in their cash position in 2006.

Portfolio Allocation – Anticipated Changes in 2006 - Pentamillionaire Investors



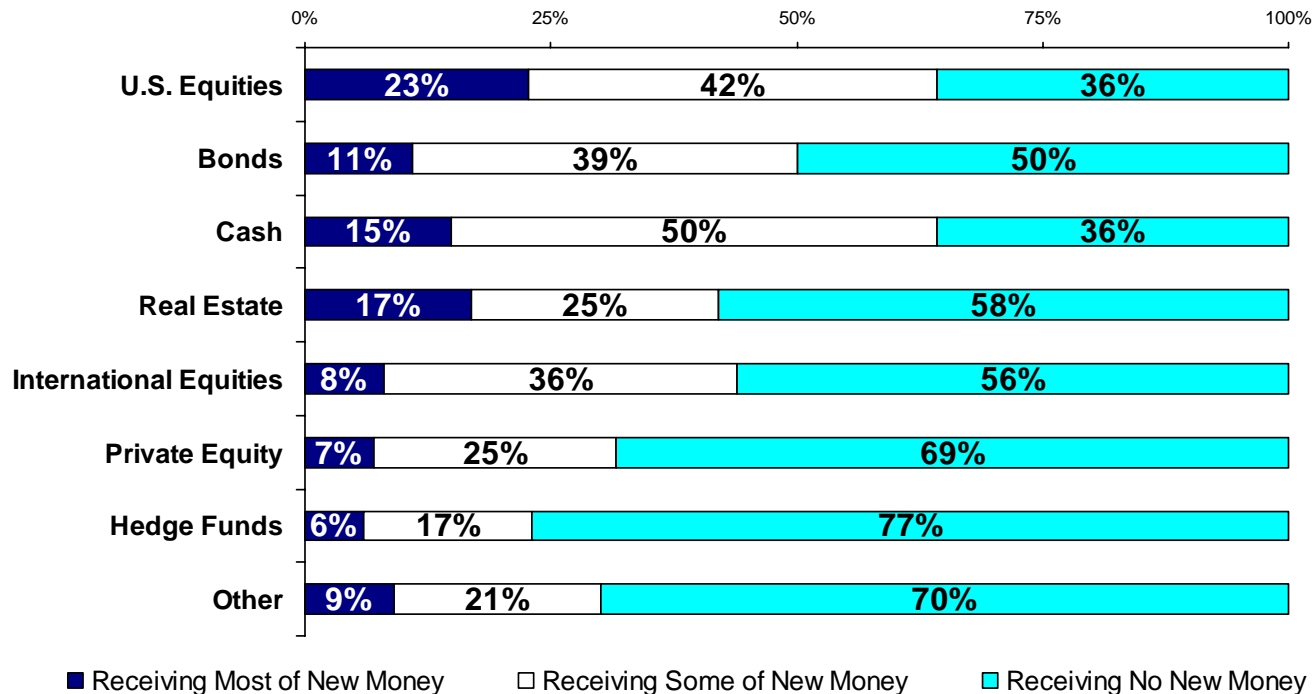
Executive Summary / Asset Allocation



Also reflecting their relative bullish attitude towards real estate, seventeen percent of Pentamillionaire investors anticipate putting most of any new savings towards this sector. U.S. equities and cash are also relatively strong contenders for new savings.

- International equities, private equity and hedge funds also are likely candidates for new money allocations among Pentamillionaire investors.

How Putting New Savings to Work
Pentamillionaire Investors

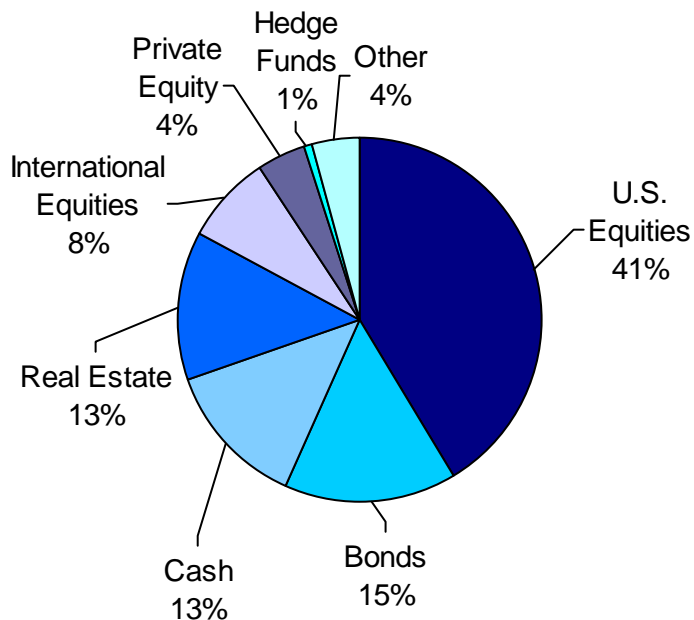


Executive Summary / Asset Allocation

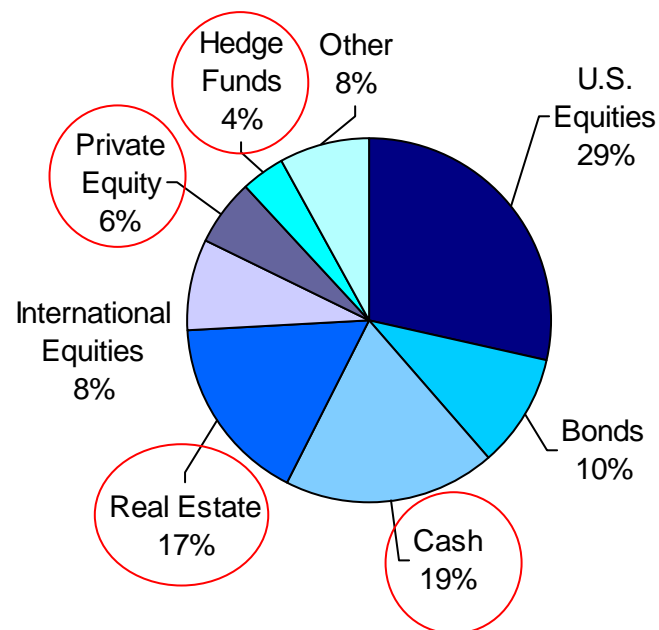


Younger HNW investors place less weighting on U.S. equities and bonds, and greater emphasis on cash, real estate, hedge funds, and private equity.

Portfolio Allocation – HNW Investors



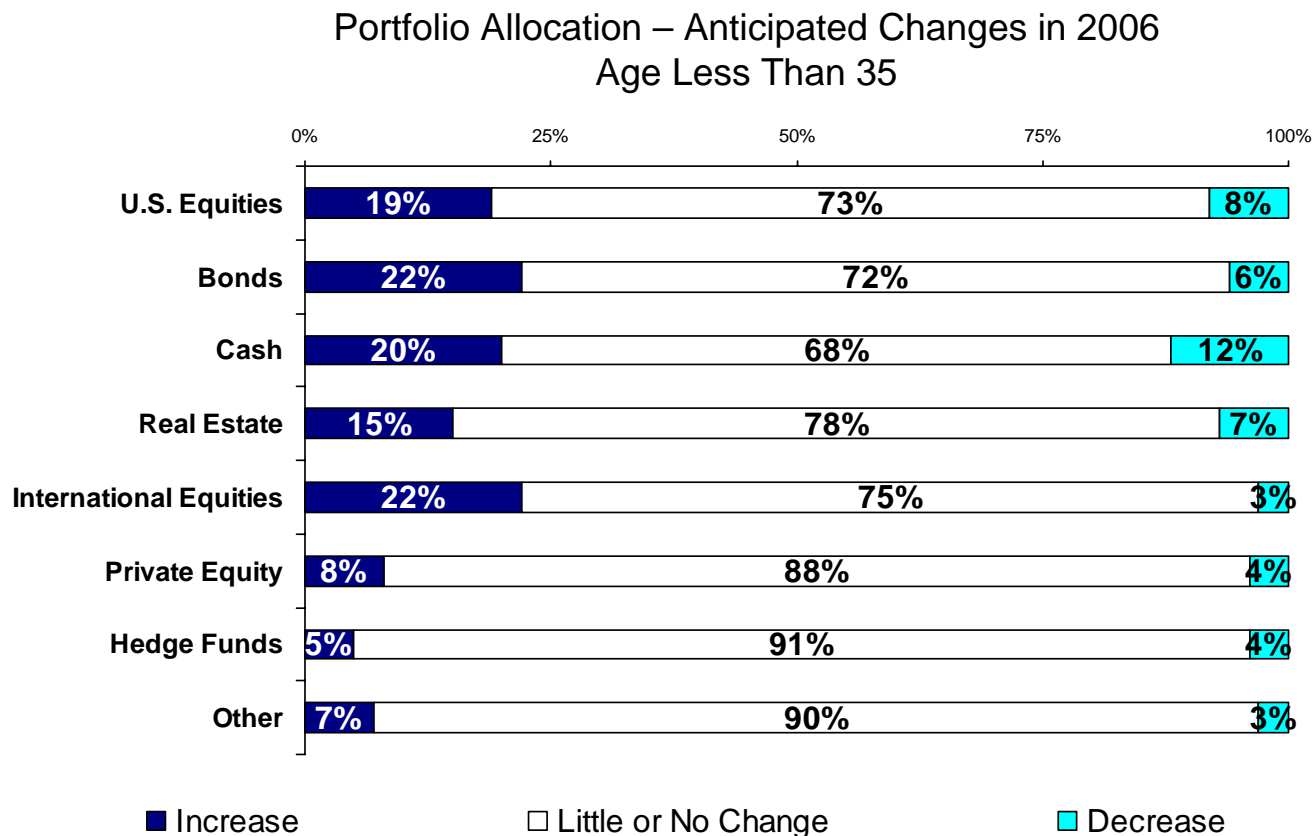
Portfolio Allocation – Age Less Than 35



Executive Summary / Asset Allocation



Younger HNW households' strongest anticipated portfolio increases in 2006 are in bonds and international equities (22%), cash (20%), and U.S. equities (19%).

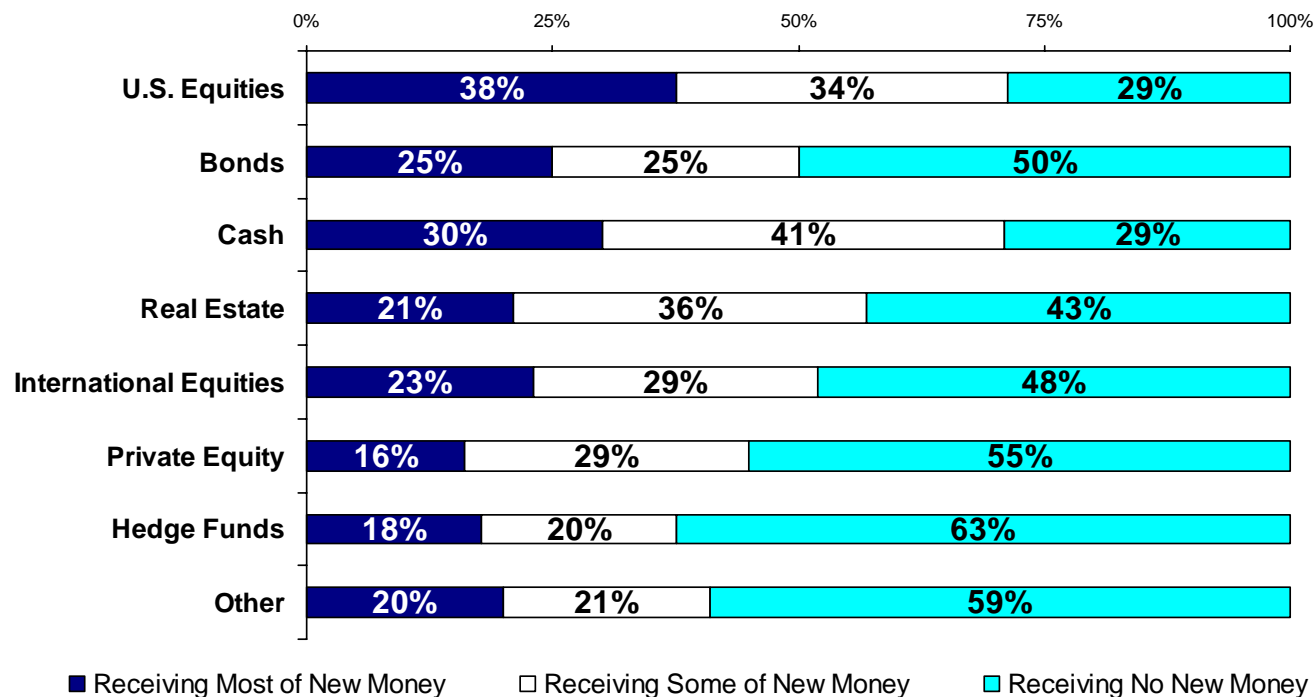


Executive Summary / Asset Allocation



The youngest HNW investors will most likely put new money into U.S. equities, cash, bonds, international equities and real estate.

How Putting New Savings to Work
Age Less Than 35



Executive Summary / Use of Financial Services Providers



Full-service brokerages are the dominant provider type among the HNW, with 33% of investors relying on these firms as their primary provider. Reflecting the large percentage of HNW who are self-directed, discount brokerages serve as the primary provider for 19% of HNW households.

Preference for private banks and trust companies increases with wealth; 16% of Pentamillionaire households use private banks / trust companies as their primary provider, second only to full-service brokerages (31%).

Primary Provider Type
HNW Investors

Type of Provider	PERCENT
Full-Service Brokerage	33%
Discount Brokerage	19%
Financial Planning Firm	11%
Private Bank / Trust Company	10%
Mutual Fund Company	10%
Investment Manager / Advisor (Non-Mutual Fund)	9%
Other	1%
Don't Have a Primary Provider	8%

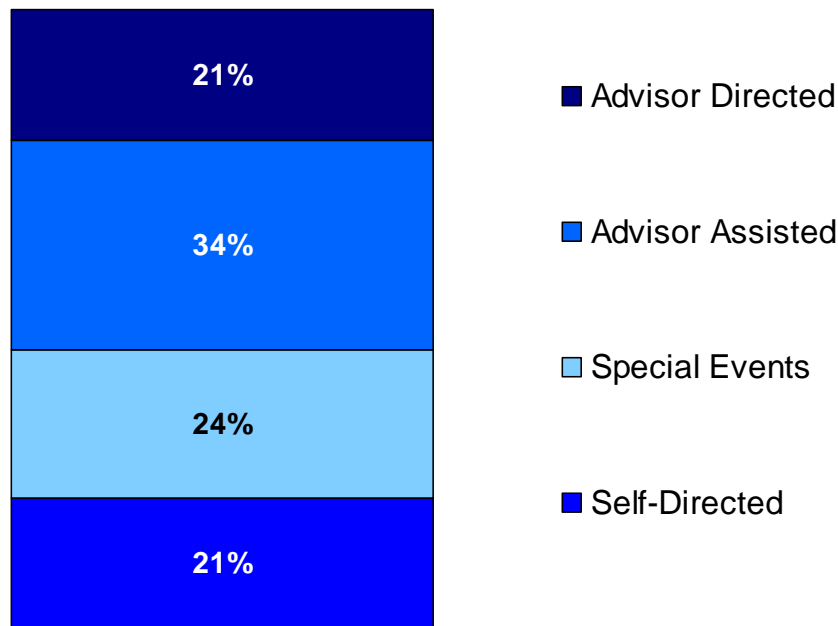
Executive Summary / Advisors



In describing their orientation towards advice, the majority (55%) of HNW investors collaborate with a professional advisor (either advisor-directed or advisor-assisted). One-quarter use an advisor for specific life events, while 21% call themselves “self-directed”.

- The oldest HNW investors, aged 75+, are most likely to describe themselves as advisor-assisted (49%).
- Male primary decision-makers are more likely than females to describe themselves as self-directed (25% versus 16% respectively).

Orientation Towards Advice
HNW Investors



Self Directed: Make all my own investment decisions without advisor

Special Event: Most investment decisions on own; use advisor for specialized needs

Advisor Assisted: Regularly consult with advisor but make final investment decisions

Advisor Directed: Rely on investment pro for all investment decisions

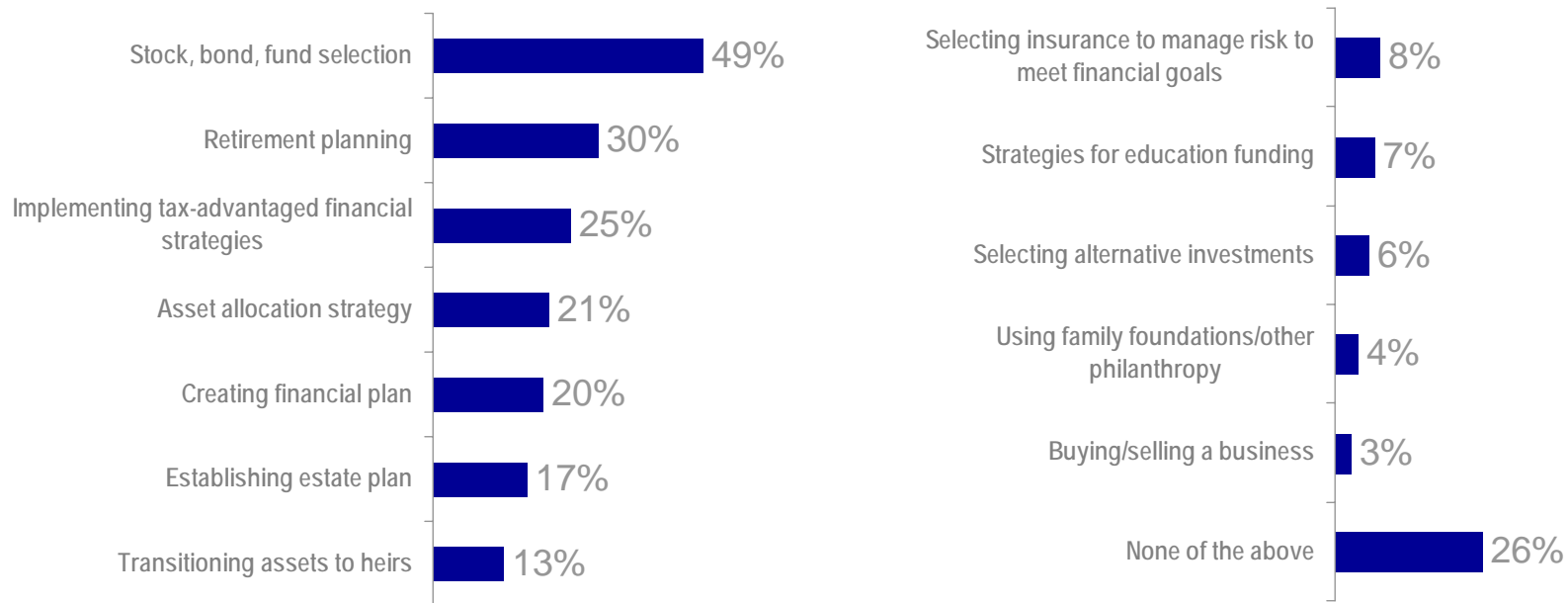
Executive Summary / Advisors



Despite their complex financial needs, HNW investors are not frequently receiving the more complex advisory services to support these needs.

- Basic stock, bond or mutual fund selection is the most frequently received advice received in the past 12 months.
- Deeper services such as retirement planning, tax strategies, asset allocation, and financial or estate plan creation were received by less than 30% of HNW households in the past year.

Types of Advice Received In Past 12 Months
HNW Investors



Executive Summary / Advisors



“Deeper” advisory services such as financial plan creation, asset allocation strategies, and estate planning are more commonly received in the financial planning, portfolio manager or private banker channels rather than the broker/investment advisor channel.

Types of Advice Received in Past 12 Months
By Advisory Channel

	Advisor Channel			
	Broker / Investment Advisor	Financial Planner	Portfolio Manager	Private Banker / Banker
Creating a financial plan	20%	38%	41%	31%
Establishing an investment or asset allocation policy	25%	35%	41%	19%
Selecting individual stocks, bonds, or mutual funds	74%	54%	56%	44%
Planning for retirement	34%	45%	43%	25%
Establishing an estate plan	18%	20%	22%	25%
Selecting insurance to manage risk to meet financial goals	7%	14%	17%	13%

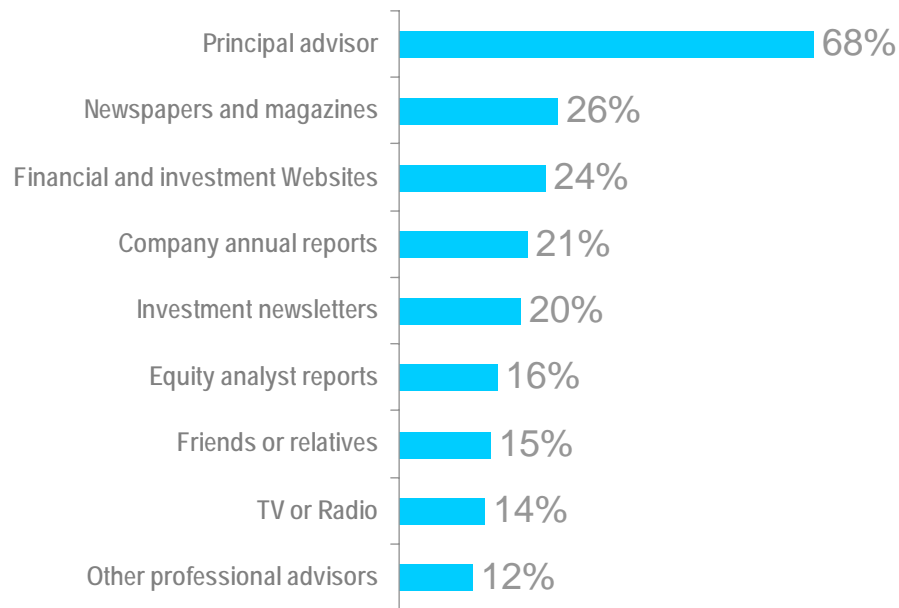
Executive Summary / Advisors



Among HNW investors who have a principal advisor other than themselves, their principal advisor is their source turned to most frequently for consultation about investment decisions.

- Newspapers and magazines are the next more frequently used source, followed by financial Websites, annual reports, and investment newsletters.

Percent Consulting Various Advice Sources “Always” or “Often”
Among HNW Investors That Have Principal Advisor Other Than Themselves



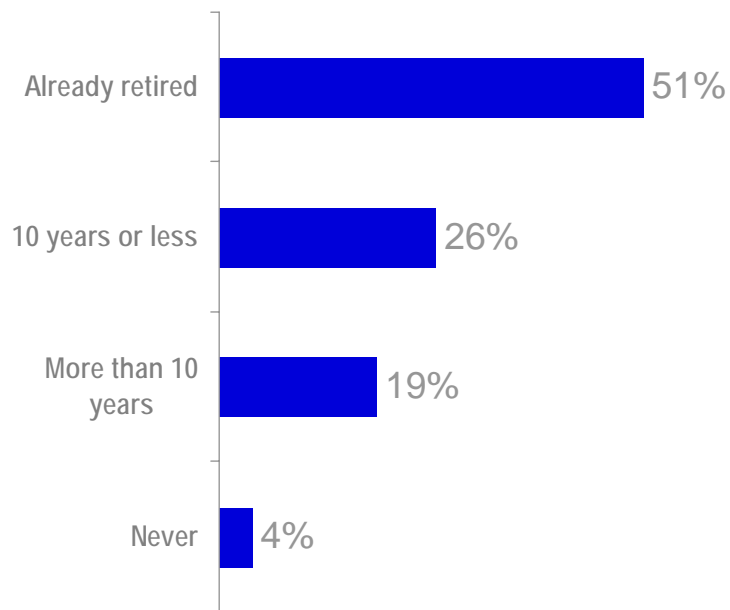
Executive Summary / Retirement



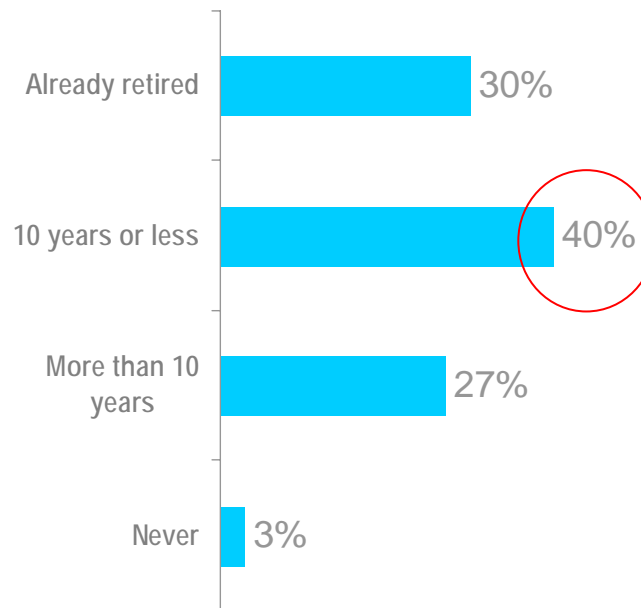
Over half of HNW investors are currently retired. One-quarter of these households plan to retire with the next ten years.

- While only 30% of HNW Baby Boomers are currently retired, 40% will be retiring within the next ten years, presenting substantial opportunities and needs for professional financial services.

When Plan to Retire
HNW Investors



When Plan to Retire
“Baby Boomer” HNW Investors



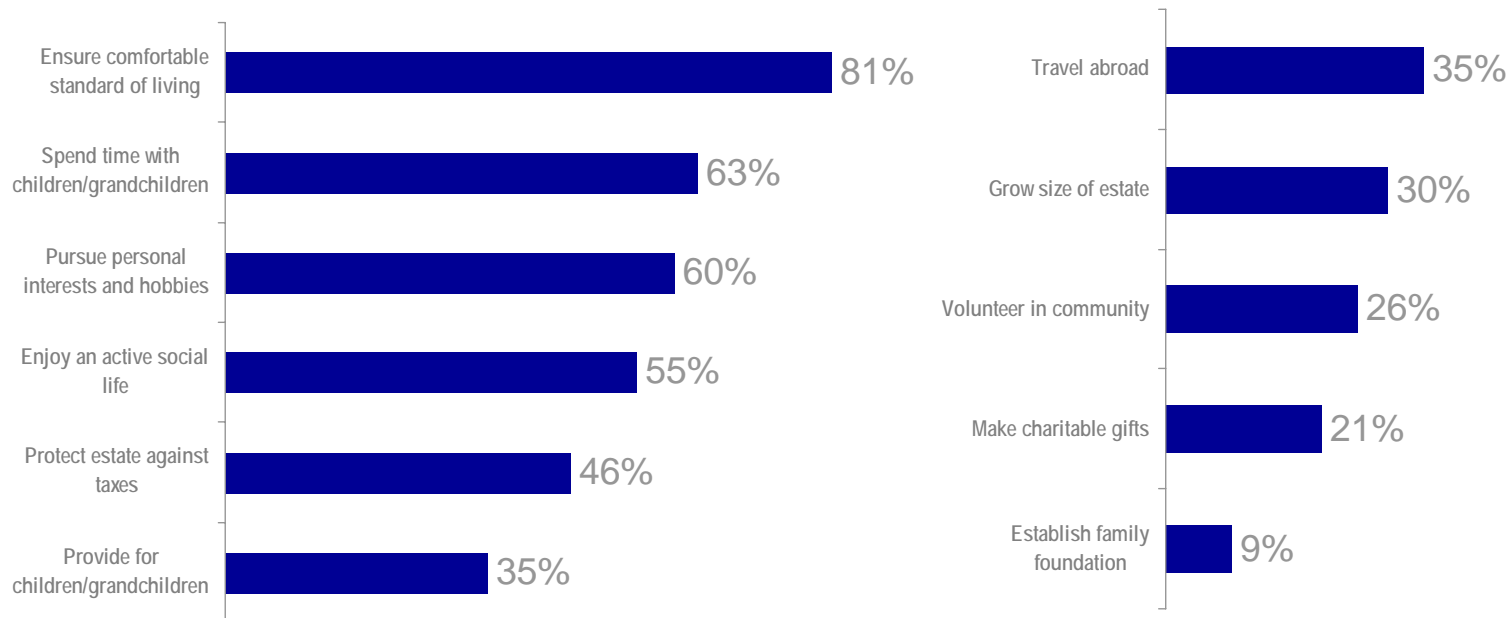
Executive Summary / Retirement



As it is in general, ensuring a comfortable standard of living in retirement is the leading goal in retirement for HNW investors. The next three most important goals in retirement are related to social activities: spending time with children or grandchildren, pursuit of personal interests, and having an active social life.

- Younger HNW investors place even more importance on being able to enjoy an active social life (61%) or traveling abroad (48%) in retirement.
- Protecting their estate against taxes is more important for business owners (54%).
- Investors in New York place more importance on ensuring a comfortable standard of living in retirement (87%) and enjoying an active social life (66%) than investors in other targeted states.

Goals in Retirement - Percent “Very Important”



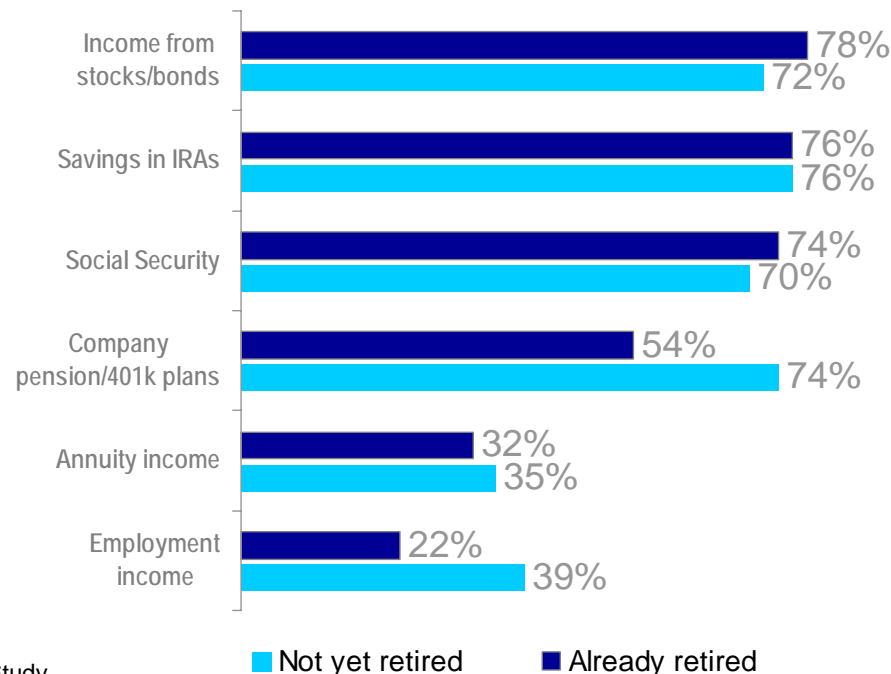
Executive Summary / Retirement



For HNW investors who are already retired, the top three sources of income are from stocks and bonds, IRAs, and social security. For HNW investors who are not yet retired, they anticipate that income from company pension or 401k-type plans will be a major source of income, along with IRAs, stocks and bonds, and social security.

- Additionally, HNW investors who are not yet retired are much more likely than their retired counterparts to anticipate receiving income from some type of employment in retirement.

Top Sources of Retirement Income
Current Retirees Vs. Not Yet Retired



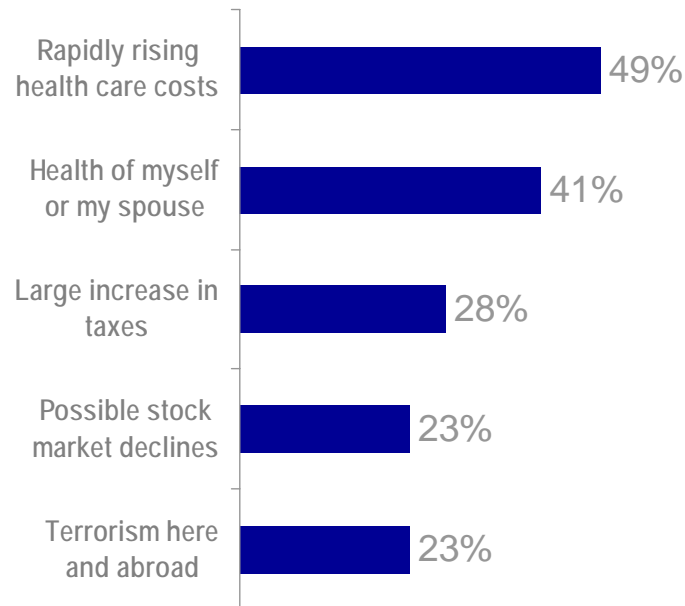
Executive Summary / Retirement



Health-related issues, in the form of rising health care costs and personal and spousal health, were the top retirement concerns of HNW investors. Tax increases, potential stock market declines, and terrorism round out the top five retirement concerns.

- Pentamillionaire investors were particularly concerned about tax increases (37%), possible stock market declines (31%), and the possibility of outliving their savings in retirement (24%).
- The potential of Social Security/Medicare insolvency (45%), costs of college (38%), and caring for an elderly parent (36%) were retirement-impacting issues of particular concern to younger HNW households.
- Investors in New York and California were most concerned about tax increases in retirement (33% and 36%, respectively).

Top Concerns That Might Impact Ability to Enjoy Retirement
Percent “Very Concerned”



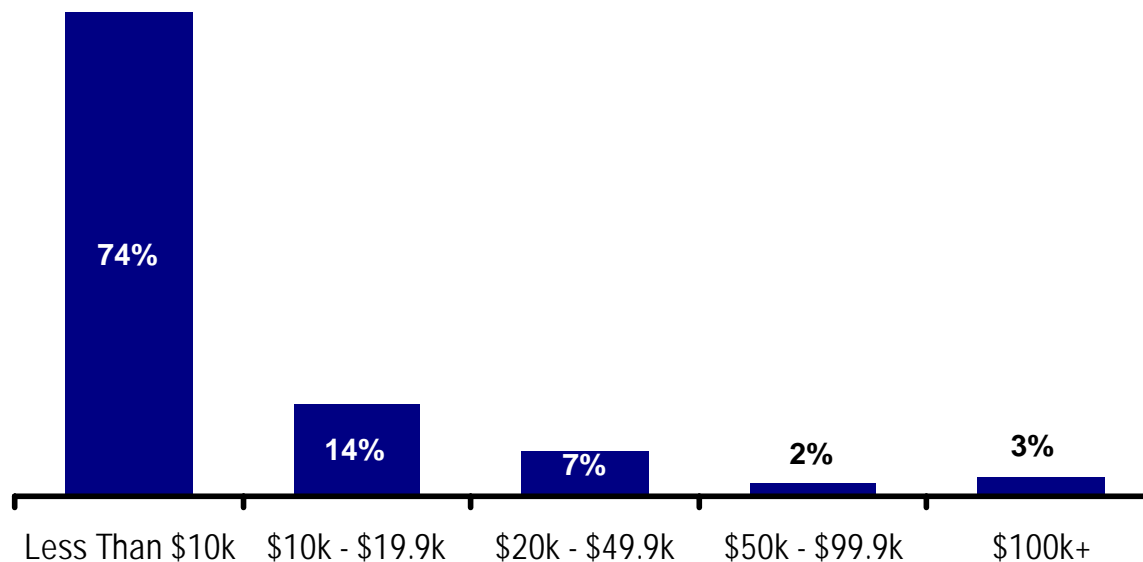
Executive Summary / Philanthropy



The large majority of HNW households donated less than \$10,000 to charity in 2005, with higher amounts donated among Ultra HNW households.

- Most (52%) spent less than 25 hours in volunteer activities in 2005, with the highest amounts also among Pentamillionaire households (26% spent 100+hrs in 2005).
- HNW households in New York were somewhat more generous than their counterparts in 2005 (18% donated between \$20-\$50k).

Average Charitable Donations in 2005

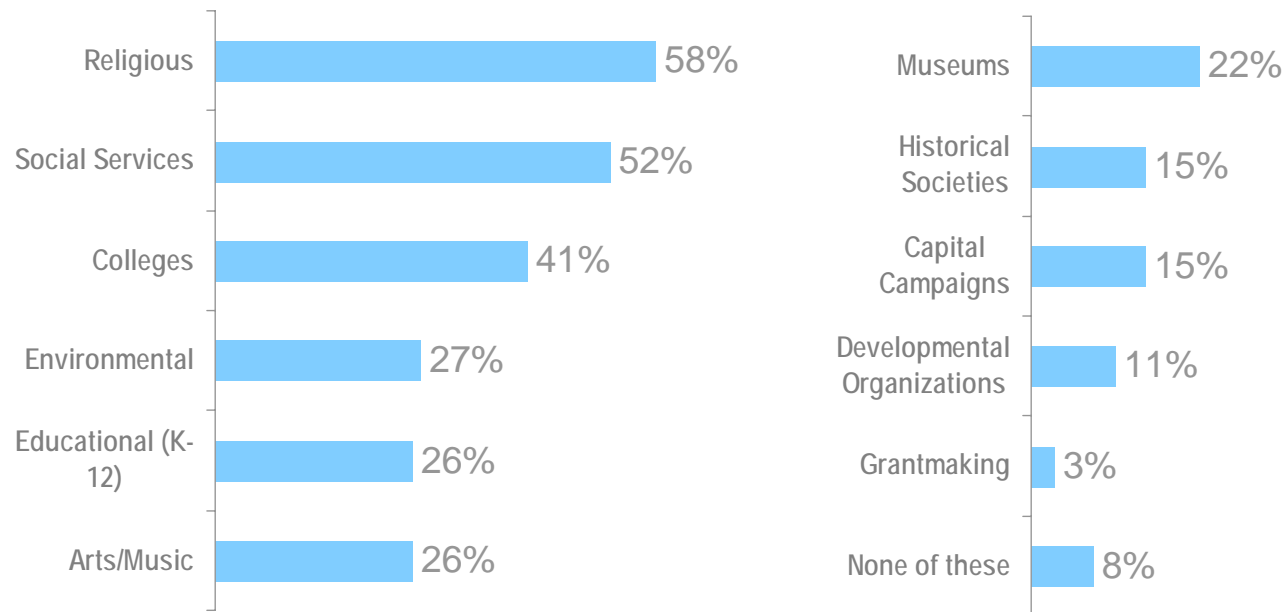


Executive Summary / Philanthropy



Religious and social services organizations head the list of organizations to which HNW households donated in 2005. Colleges and universities were the third most popular type of institution for donations.

Types of Organizations Donated To in Past 3 Years



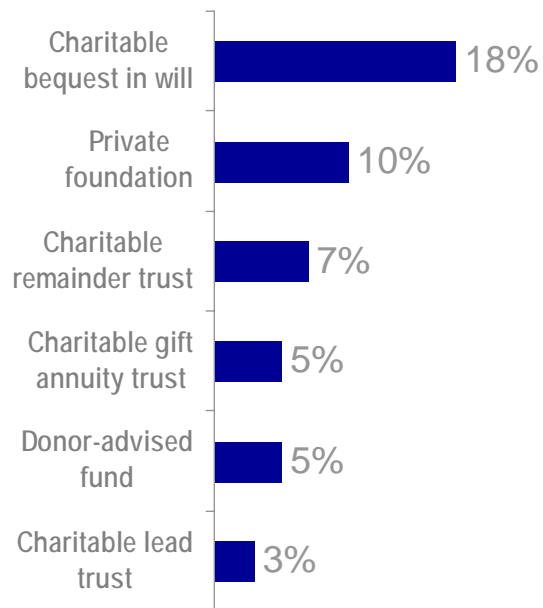
Executive Summary / Philanthropy



Basic charitable bequests in their will are the most popular charitable giving vehicle among HNW households.

- HNW investors in professional occupations are most likely to have a charitable bequest in their will (24%).
- Private foundation vehicles are more popular among Pentamillionaire households (19%) and business owners (19%).

Charitable Giving Vehicles



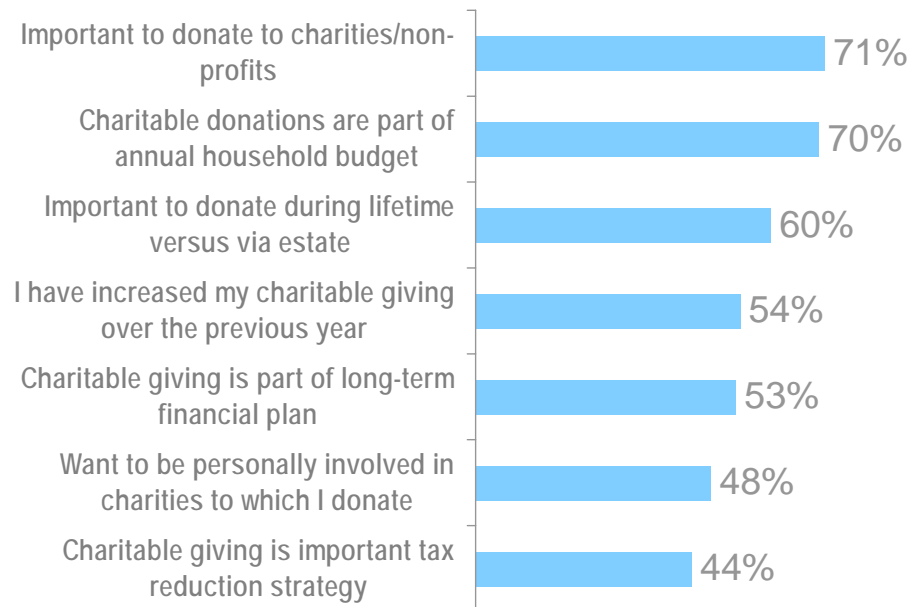
Executive Summary / Philanthropy



Philanthropy is an important part of the lives of HNW households. Charitable donations are woven into both the budgets and financial plans of most of these investors, any nearly half want to be personally involved in the charities to which they donate.

- HNW investors in New York were more likely to want to be personally involved in their charities (55%) or feel that charitable giving is an important component of their tax reduction strategy (55%).
- Private foundation vehicles are more popular among Pentamillionaire households (19%) and business owners (19%).

Most Prevalent Attitudes Toward Charity



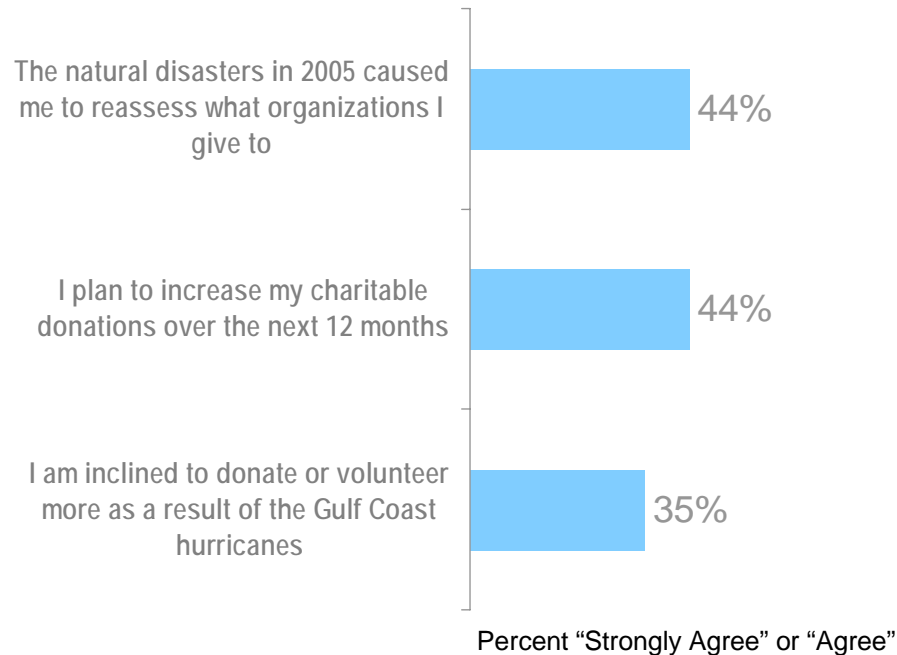
Executive Summary / Philanthropy



The natural disasters of 2005 influenced the attitudes and behaviors toward charitable donations for a large percentage of HNW households.

- The natural disasters in the U.S. Gulf coast had a particularly strong impact on Pentamillionaire households and HNW households in Texas, who were significantly more likely to donate or volunteer more as a result of these storms (47% and 46%, respectively).
- HNW households in New York were more likely to plan to increase their charitable donations over the next 12 months (57%).

Natural Disasters' Influence on Charitable Attitudes



Wealth in America 2006

Executive Summary Findings

Appendix



Northern Trust

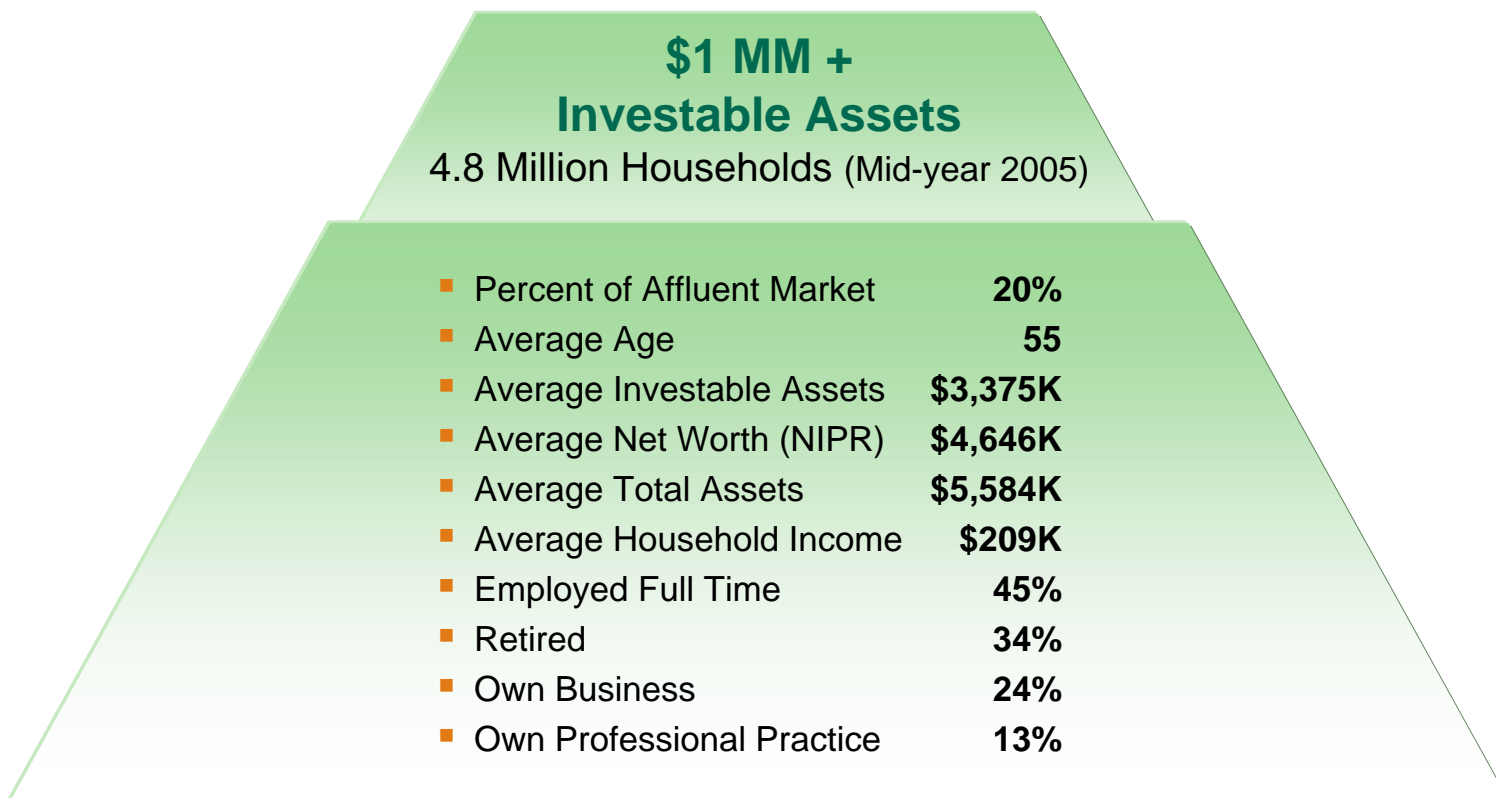
December, 2005

Appendix / Demographics



OCCUPATION	PERCENT
SENIOR CORPORATE EXECUTIVE	14%
BUSINESS OWNER / ENTREPRENEUR	12%
CONSULTANT	8%
EDUCATOR	7%
SALES PROFESSIONAL	6%
HOME MAKER	5%
ACCOUNTANT	4%
PHYSICIAN / DENTIST	4%
ACTIVE INVESTOR	3%
ATTORNEY	2%
OTHER	35%

Appendix / Demographics



*Data from Phoenix Affluent Marketing Service, 2004-05
Data is 2004 unless noted