

# U.S. TRUST

## 2016 U.S. TRUST INSIGHTS ON WEALTH AND WORTH<sup>®</sup> SURVEY

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### Key Findings

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Bank of America Private Wealth Management

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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 2016 STUDY

- The 2016 *U.S. Trust Insights on Wealth and Worth* is the sixth annual survey in a continuation of *Wealth and Worth* studies first conducted in 2011.
- This year, U.S. Trust commissioned an independent, nationwide survey of 684 high-net-worth and ultra-high-net-worth adults across the country.
- The findings build on previous insights, adding additional detail or trend to previously explored topics, as well as delving into new topics of emerging interest including:
  - Common success traits in upbringing, outlook and behavior that provide a robust, modern portrait of the wealthy today
  - The path to business ownership and what's on the minds of business owners, entrepreneurs and senior corporate executives

### PROFILE OF SURVEY RESPONDENTS

684 high-net-worth adults

Investable assets:

- 40% have between \$3M and \$4.9M
- 30% have between \$5 and \$9.9M
- 30% have \$10M or more (including half with > \$25M)

Age of respondents:

- 13% Millennials (Age 18-35)
- 24% Generation X (Age 36-51)
- 42% Baby Boomers (Age 52-71)
- 21% Mature Generation (Age 72+)

Gender

- 65% men
- 35% women

Business Owners and Professionals

- 242 Business Owners
- 109 Senior Corporate Executives

# U.S. TRUST

## KEY FINDINGS

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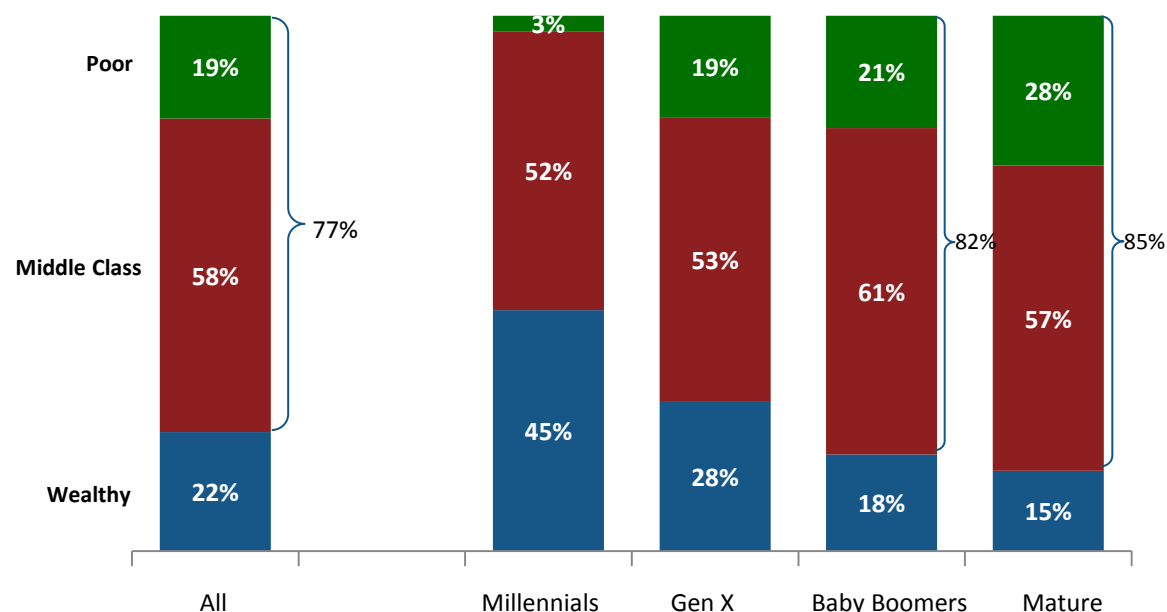
Family background and upbringing

# MOST GREW UP MIDDLE CLASS OR POOR AND EARNED WEALTH

- Approximately three-quarters (77%) of all those surveyed grew up middle class or lower, including nearly two in five (19%) who grew up poor
- More than eight in 10 Baby Boomers (82%) and the older mature generation (85%) came from middle-class or lower backgrounds
- The Millennial generation is more likely to have grown up in families with higher levels of wealth. Fifty-five percent of Millennials grew up middle class or lower, whereas 45 percent grew up in wealthy families
- Overall, about half of current wealth was accumulated through earned income, while one-third comes from investment returns.
- Just 10 percent of wealth was inherited overall, while 20 percent of Millennials' wealth came from an inheritance
- [Not shown] Millennials are notably more likely to say that 50 percent or more of their wealth was inherited (13% of Millennials versus 5% for other generations)

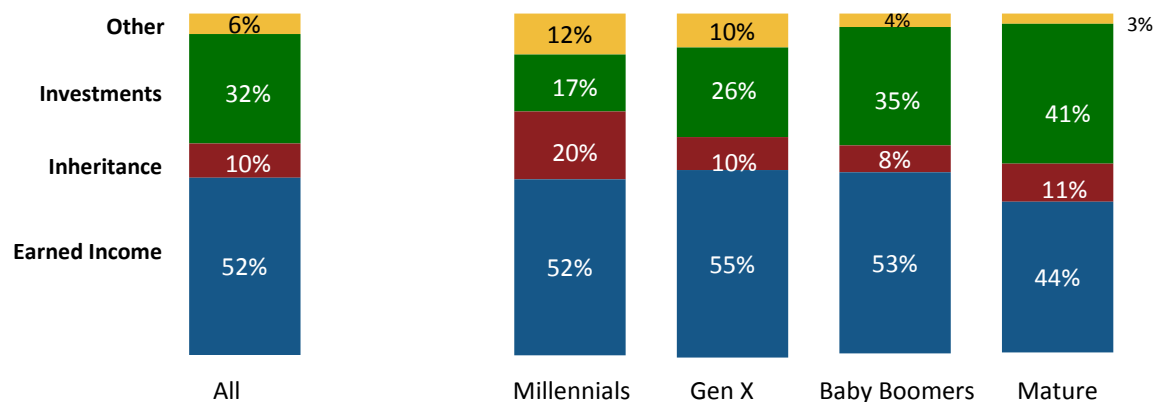
## SOCIOECONOMIC STATUS GROWING UP

ALL RESPONDENTS AND BY AGE



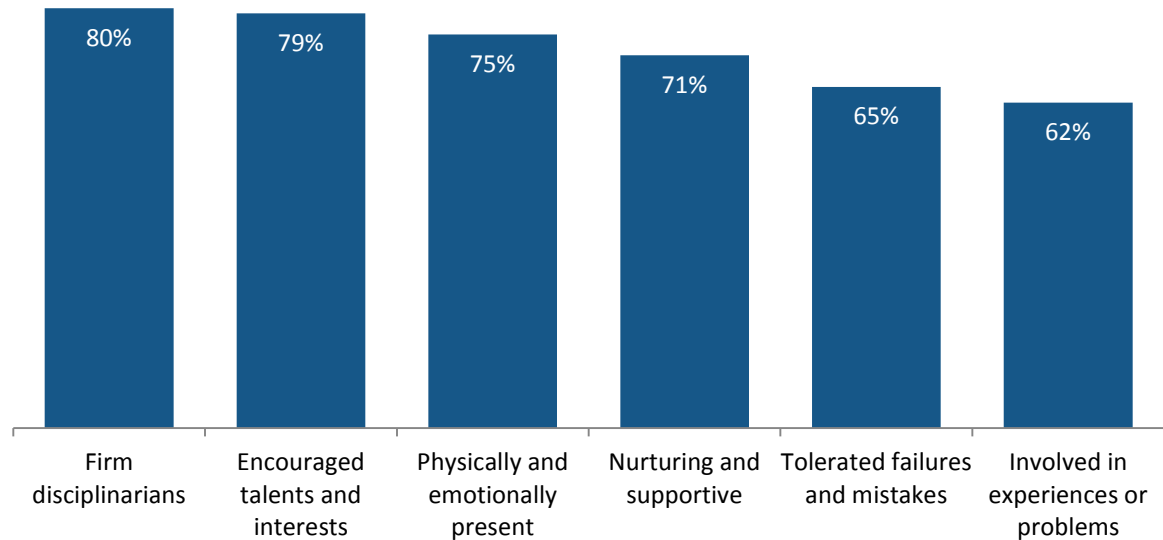
## HOW WEALTH WAS ACCUMULATED (AVERAGE PERCENT BY TYPE)

ALL RESPONDENTS AND BY AGE



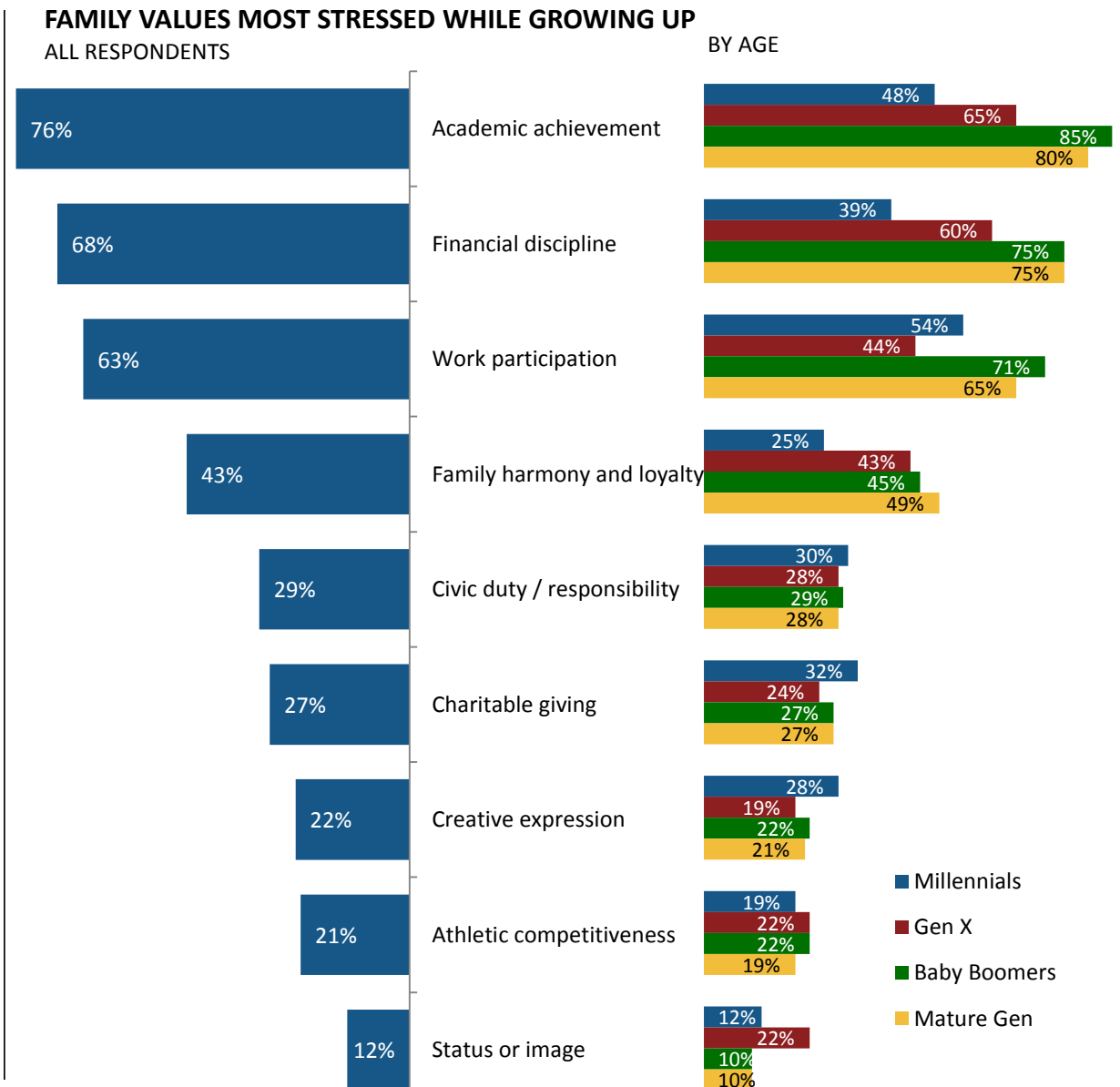
- The parents of the wealthy set clear boundaries but encouraged exploration of individual interests and talents. They pushed their children and supported them but tolerated mistakes made along the way
  - Eight in 10 of those surveyed say their parents were firm disciplinarians but also encouraged them to pursue their own talents and interests
  - Three-quarters had parents who were present, physically and emotionally, in their lives
  - Two-thirds say their parents tolerated inevitable mistakes or failures

**% WHO DESCRIBE THE PARENTING THEY GREW UP WITH AS...**  
ALL RESPONDENTS



## PERSONAL RESPONSIBILITY AND DISCIPLINE STRESSED GROWING UP

- The three most important values stressed in their families when growing up were:
  1. Academic achievement
  2. Financial discipline
  3. Work participation
- After that, civic duty and a responsibility to help others through charitable giving were the next most important values encouraged in the family
- There are a number of differences in values emphasized based on gender and age:
  - Men more often say they were encouraged to aspire to achieve academically, athletically and in the areas of work, financial discipline and maintaining family harmony
  - Women more often say creative expression was valued
  - Millennials are less likely to have had academic achievements and financial discipline strongly encouraged than Baby Boomers and older respondents
  - Work participation was emphasized more in the upbringing of Baby Boomers and the Mature Generation

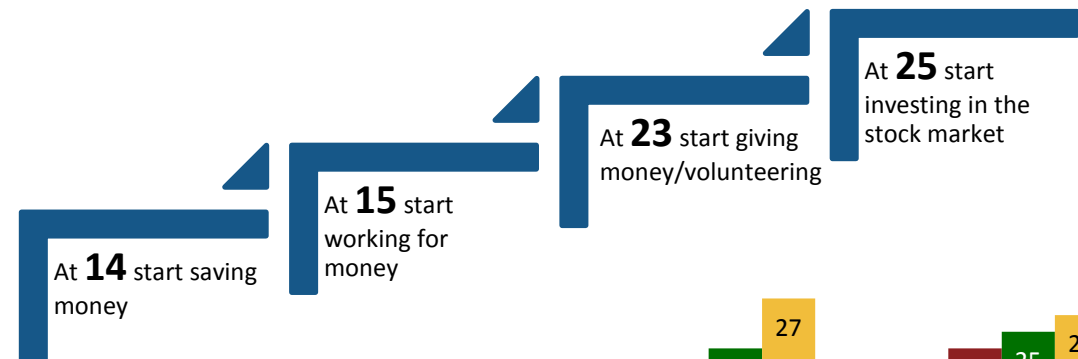


## STARTED FINANCIAL DISCIPLINE AND RESPONSIBILITY AT A YOUNG AGE

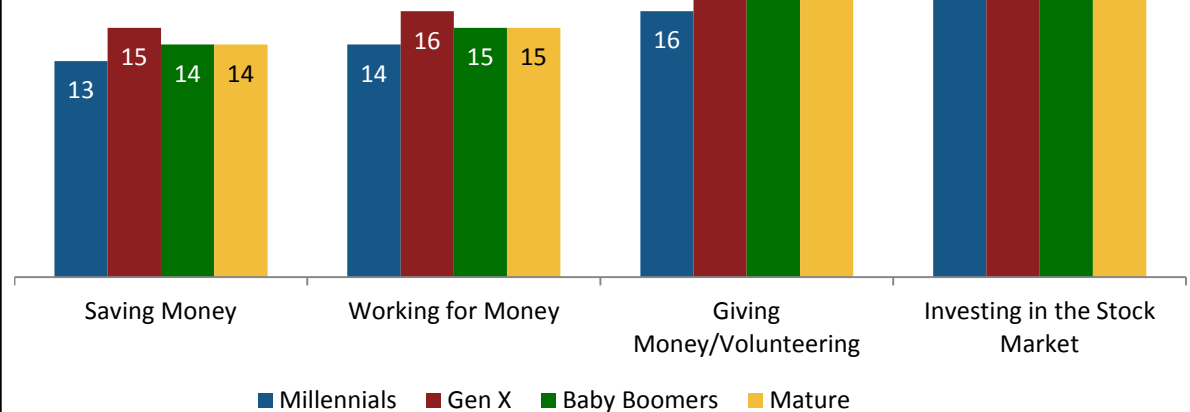
- The emphasis on financial discipline and work is apparent by the young ages they began practicing financial responsibility.
- On average, the wealthy began saving money by the age of 14 and were earning money for work other than an allowance or for household chores by age 15
- Baby Boomers and Mature Gen started contributing money, volunteering and investing at a somewhat older age than Millennials and Gen X

### AVERAGE AGE WHEN FIRST STARTED FINANCIAL RESPONSIBILITY

ALL RESPONDENTS



### AVERAGE AGE WHEN FIRST STARTED BY GENERATION



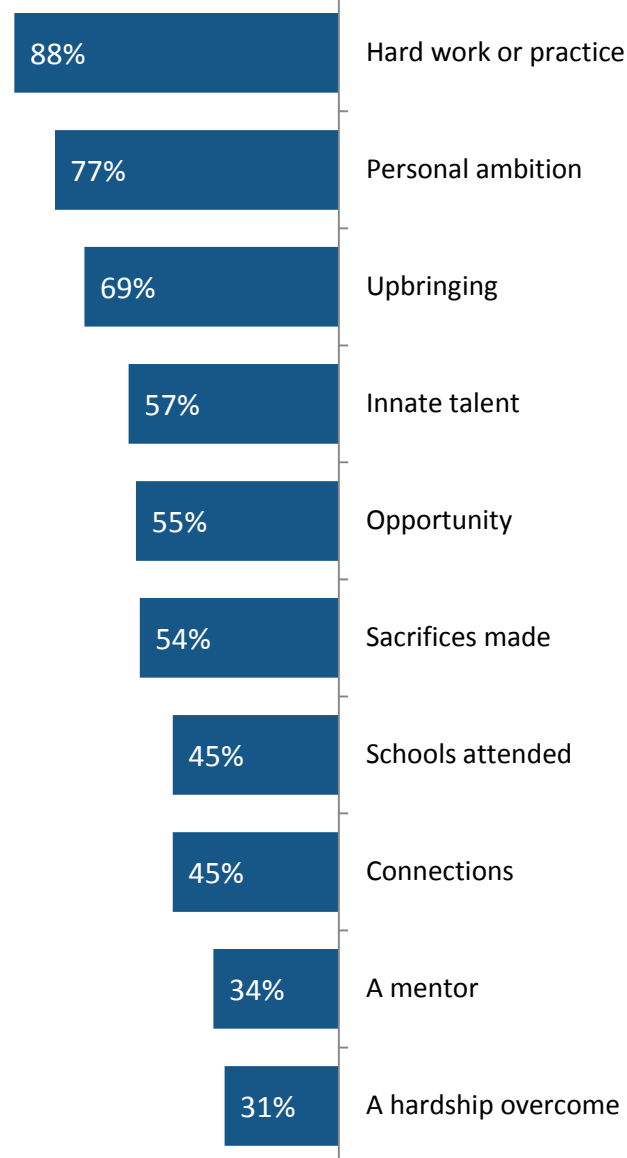


# HARD WORK, AMBITION, UPBRINGING ARE BIGGEST FACTORS IN SUCCESS

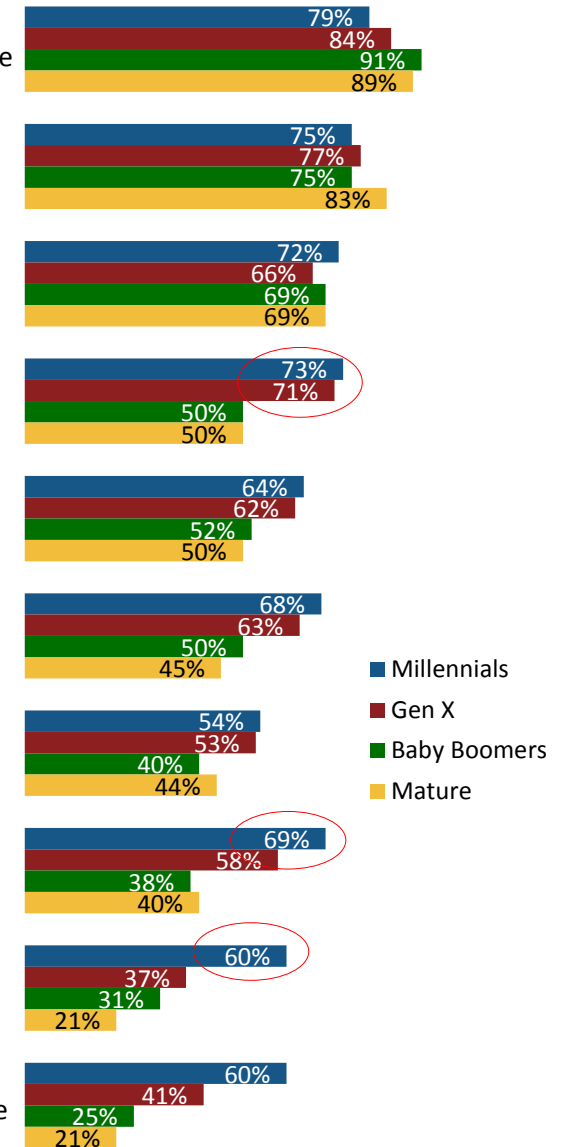
- The wealthy attribute their success- whether it's financial success, work achievements, personal happiness or making a positive difference in the world - to three key factors:
  1. Hard work
  2. Ambition
  3. Family upbringing
- Millennials and Gen X are far more likely than older respondents to attribute their success to their own innate talents
- Also important are the opportunities that presented themselves and being in the right place at the right time to take advantage of them
- Millennials are most likely to attribute their success to connections or a mentor, reflective of the importance they place on community

## % WHO ATTRIBUTE THEIR SUCCESS

ALL RESPONDENTS



BY AGE



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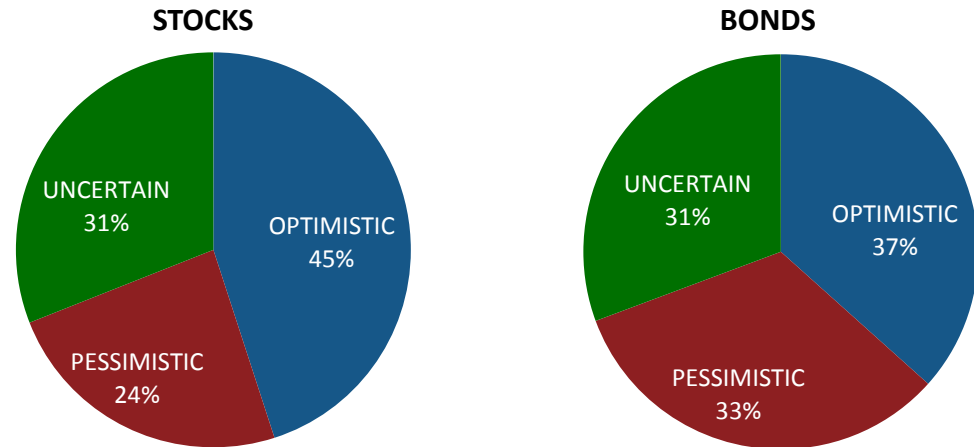
## MONEY AND MARKETS

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- High-net-worth (HNW) investors are uncertain about the markets, but more are optimistic than pessimistic about returns in 2016
- Equally uncertain about both stocks and bonds, HNW investors are more pessimistic about bond returns than any other asset class
- HNW investors are most optimistic about their return on tangible assets, such as land, timber and investment real estate, which don't necessarily correlate to the broad market and can provide stability through changing market cycles
- The wealthy are most uncertain about hedging strategies and private equity returns in 2016

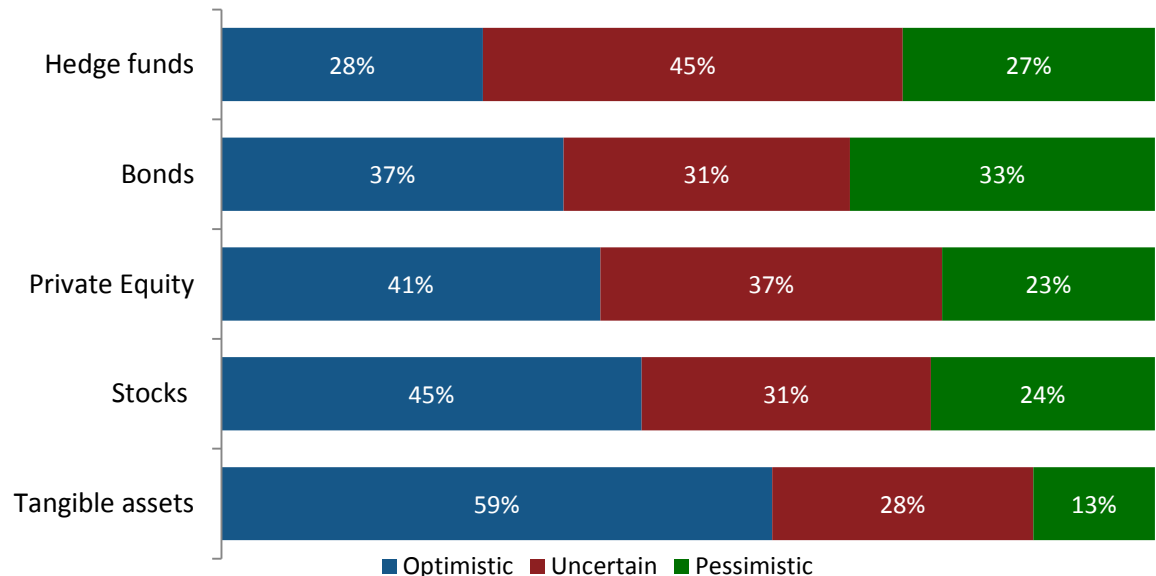
## EXPECTATION FOR STOCK AND BOND RETURNS IN 2016

ALL RESPONDENTS



## EXPECTATION FOR RETURNS IN 2016 RELATIVE TO OTHER ASSET TYPES

ALL RESPONDENTS



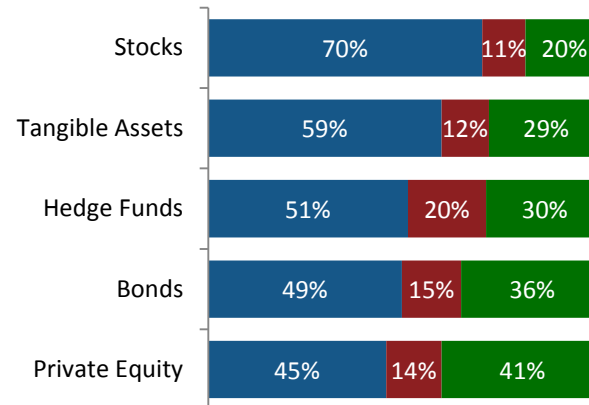
## YOUNGER INVESTORS MOST BULLISH

- Contrary to some perceptions that Millennials are overly conservative investors and fearful of the markets, young HNW investors are distinctly optimistic about the future in the markets and their ability to navigate it
- Millennials are more optimistic than any other age group about returns for all asset classes, including seven in 10 who are optimistic about stock returns
- Baby Boomers and older investors are more optimistic about tangible assets than about stocks, bonds, private equity and hedge funds

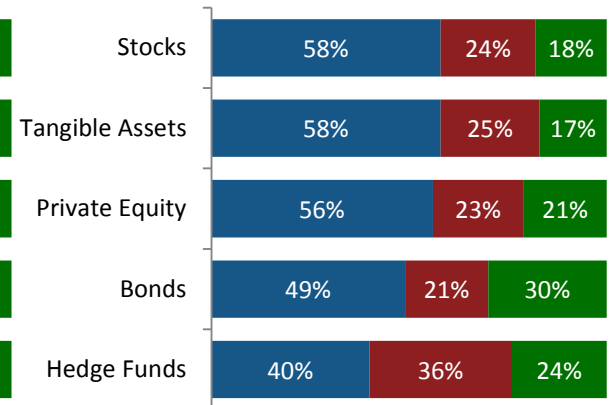
### EXPECTATION FOR RETURNS IN 2016

BY AGE

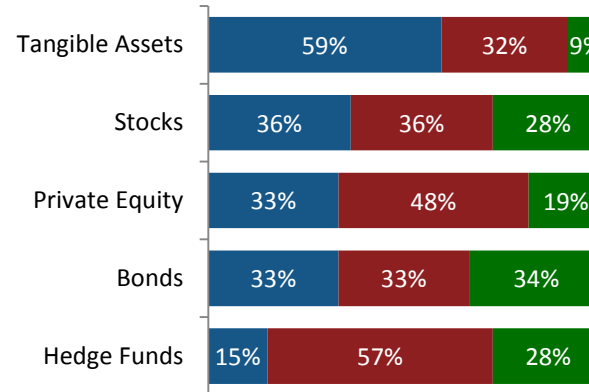
#### MILLENNIALS



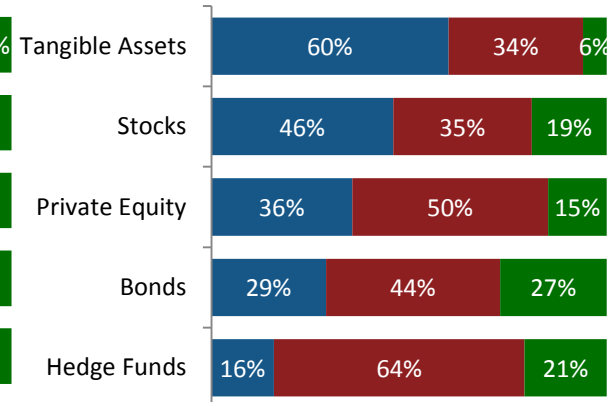
#### GEN X



#### BABY BOOMERS



#### MATURE



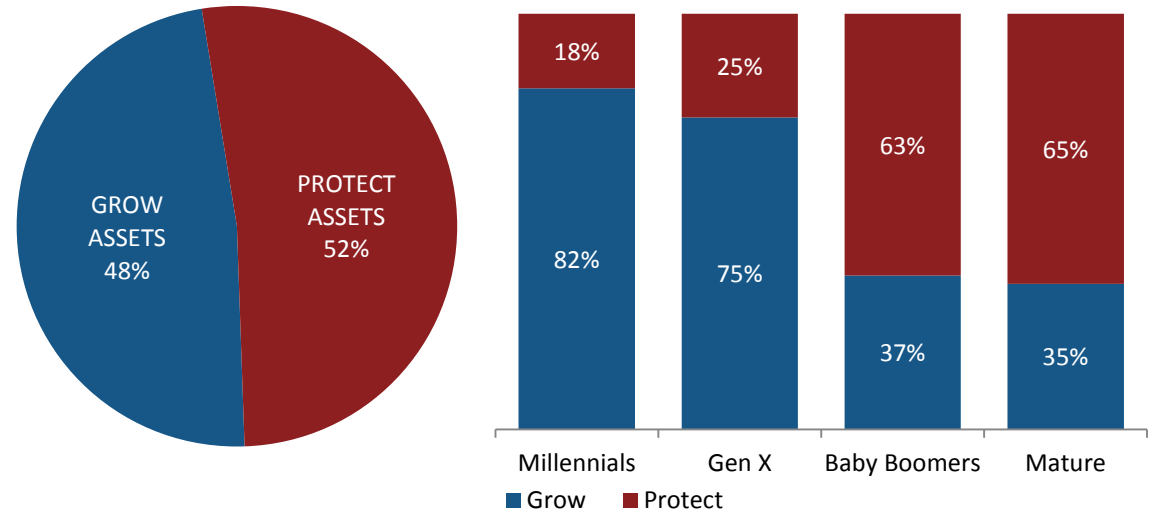
■ Optimistic ■ Uncertain ■ Pessimistic

## ASSET PROTECTION OVERTAKES GROWTH AS A PRIORITY (FOR SOME)

- Given recent market turbulence, the pendulum has not surprisingly swung into asset protection as a higher investment priority for the first time since 2012
- However, the shift is driven primarily by older investors – Baby Boomers and the Mature Generation. Younger investors – Millennials and Gen X – remain focused primarily on growth
- HNW investors have remained fairly evenly split on those focused on growth versus protection of existing assets over the past five years, through the extended bull market and recent slow down in the markets

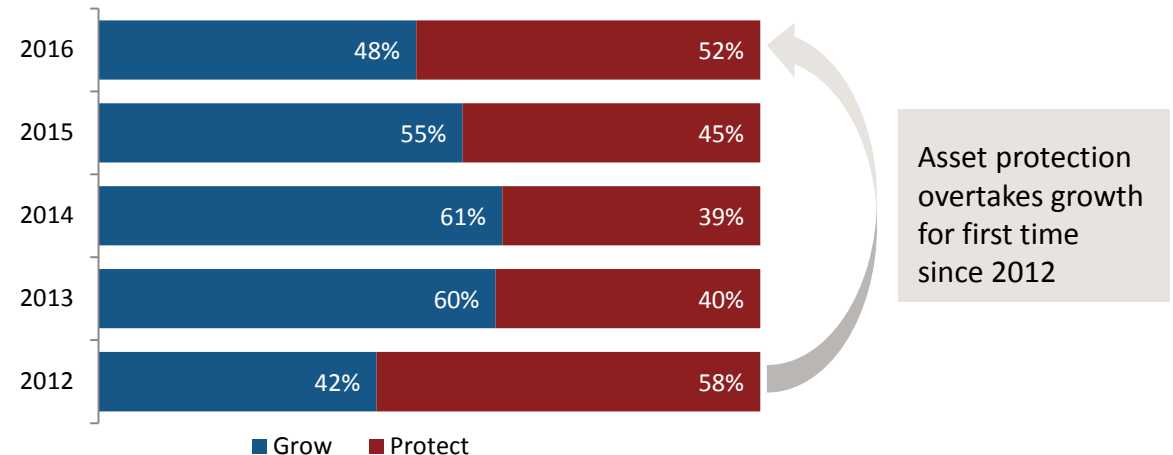
### INVESTMENT PRIORITY: GROWTH OR PROTECTION

ALL RESPONDENTS



### GROWTH OR PROTECTION TREND: (2012-2016)

ALL RESPONDENTS

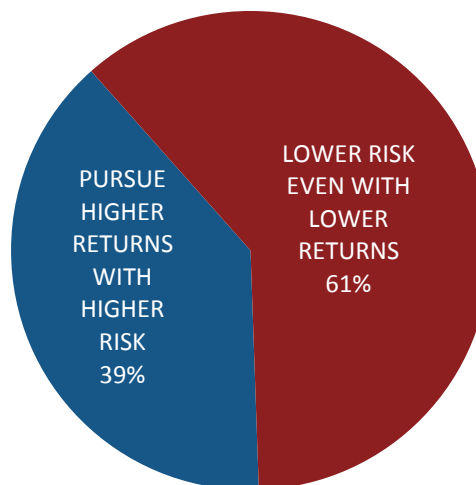


## HNW INVESTORS SEEK BALANCED, RISK-MANAGED GROWTH

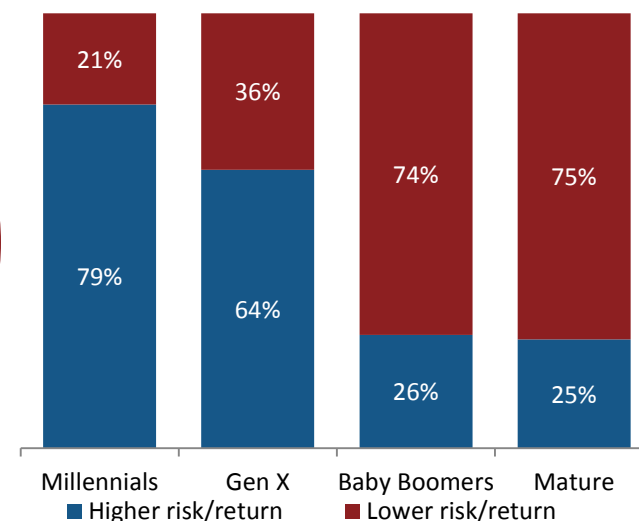
- Six in 10 HNW investors say it's more important to reduce their risk even if it means lower returns
- This disciplined, risk-managed approach to investing has been fairly consistent over the past five years
- Still two in five are willing to take on more risk in pursuit of higher returns
- Younger investors, notably eight in 10 Millennials, say their priority is higher returns

### INVESTMENT PRIORITY: RISK OR RETURN

ALL RESPONDENTS

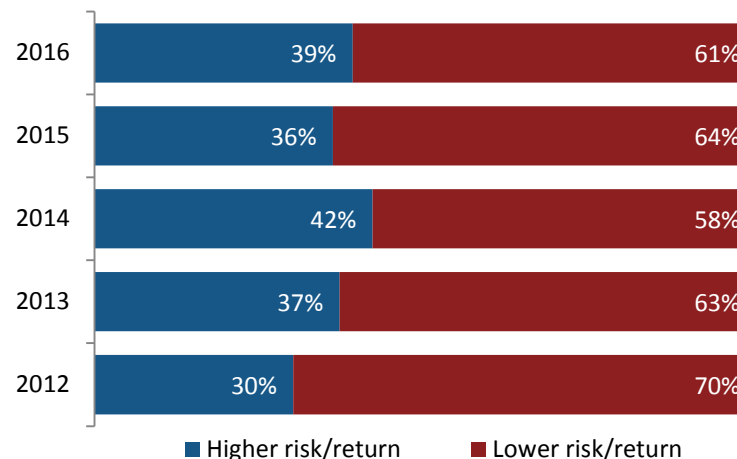


BY AGE



### RISK OR RETURN PRIORITY: TREND (2012-2016)

ALL RESPONDENTS

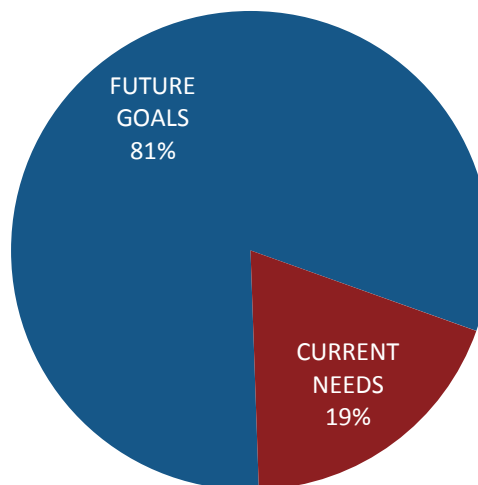


## FOCUS IS ON LONG-TERM GOALS, NEAR-TERM OPPORTUNITIES

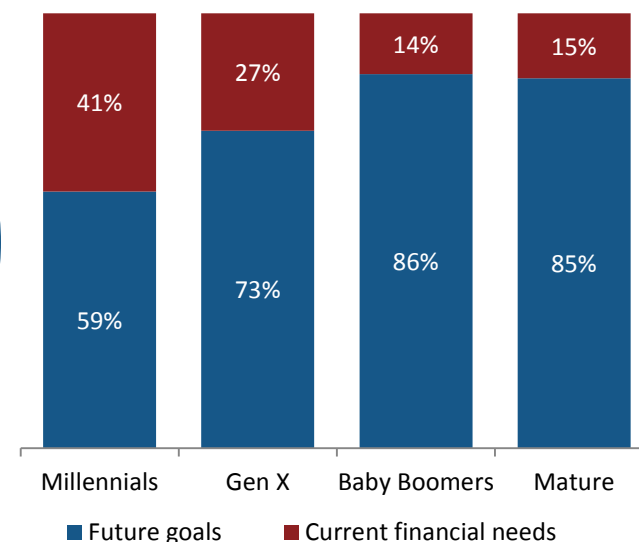
- The wealthy keep their focus on funding long-term goals including their financial security and lifestyle expectations in retirement, legacy plans and next generation wealth transfer
- This disciplined approach to saving and investing, instilled in them from an early age, helps minimize emotion and market noise from saving, investing and investment decision-making
- Wealth affords the financial freedom to focus on the long-term versus the pressures of living expenses. The current needs they have are typically more aspirational than out of necessity.
- Four in 10 Millennials and a little over one-third of the ultra-high-net-worth (UHNW) say their investment priority is about funding current needs more than meeting long-term goals. Both segments are highly opportunistic in the near-term when it comes to building and spending wealth.

### INVESTMENT PRIORITY: FUNDING LONG-TERM GOALS OR CURRENT NEEDS

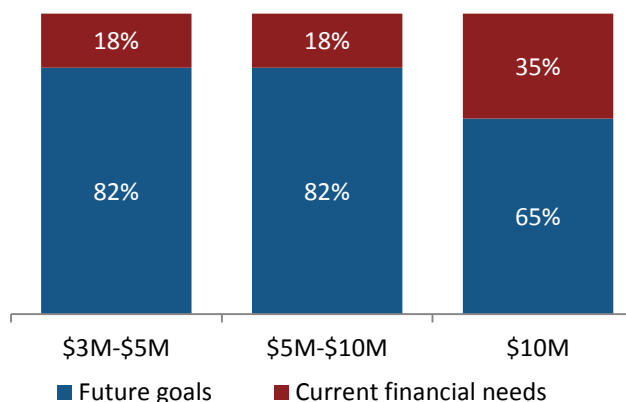
ALL RESPONDENTS



BY AGE



BY ASSET LEVEL

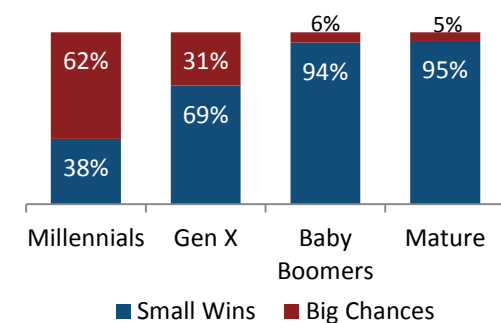
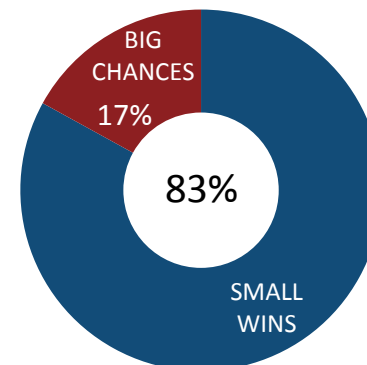
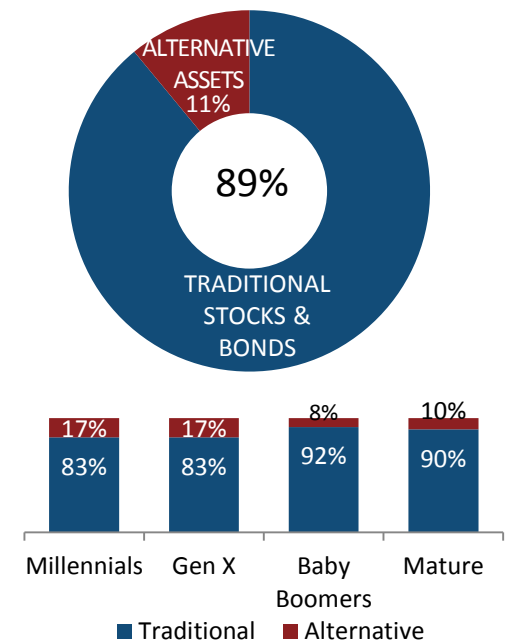
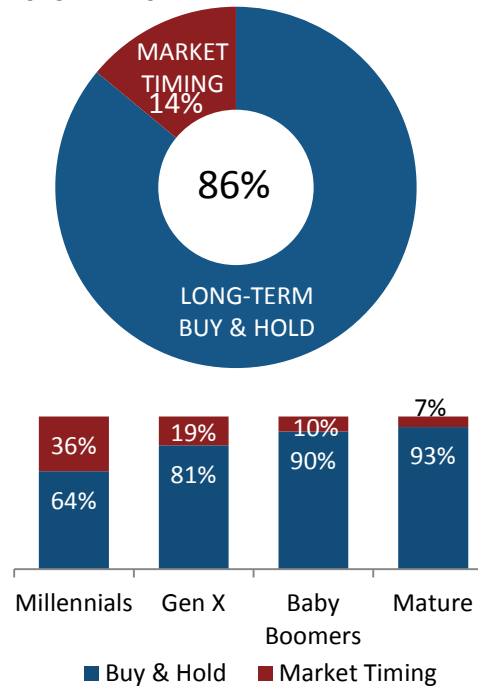


## BASIC APPROACH TO THE BIGGEST INVESTMENT GAINS

- The vast majority of HNW investors have made the bulk of their investment gains through traditional stocks & bonds (89%) and long-term buy & hold strategies (83%) and long-term buy & hold strategies (83%)
- Despite perceptions that the greatest gains come from taking great personal risks, the majority of HNW investors have grown their investments over time through a series of many smaller wins in the market versus taking big chances
- HNW Millennials are somewhat more skeptical about the merits of traditional, long-term investing:
  - They are more likely than older generations to trade in and out of investments with one-third (36%) who say their biggest investment gains have come from timing the market
  - Sixty-two percent have made their biggest gains by taking big chances
  - Somewhat less likely to place their faith in long-term buy and hold investing strategies, there are signs that Millennials are more likely to pursue other wealth-building strategies, including entrepreneurship and tangible assets

### PERCENT WHO MADE BIGGEST INVESTMENT GAINS

ALL RESPONDENTS

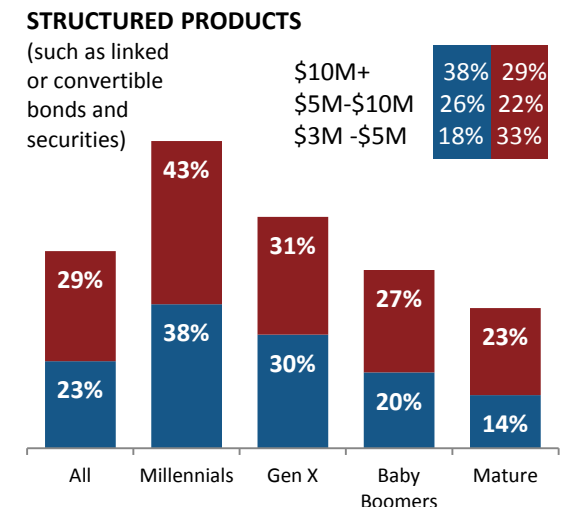
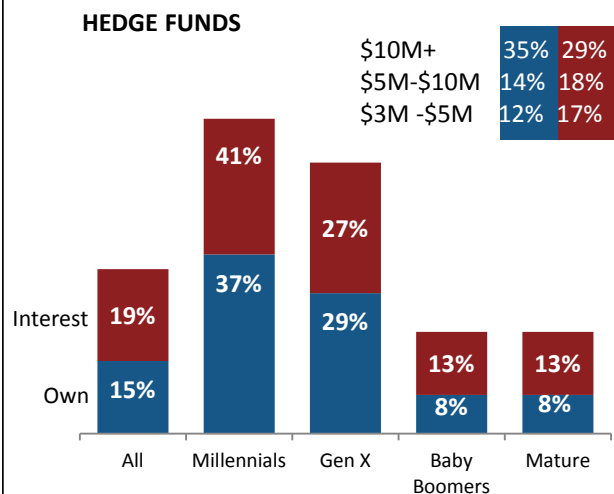
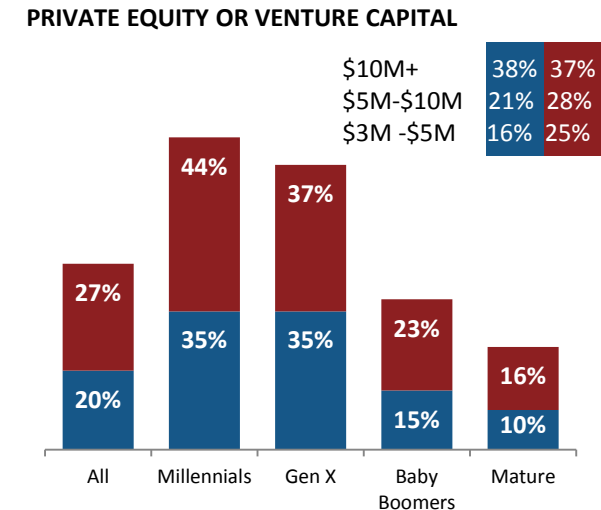
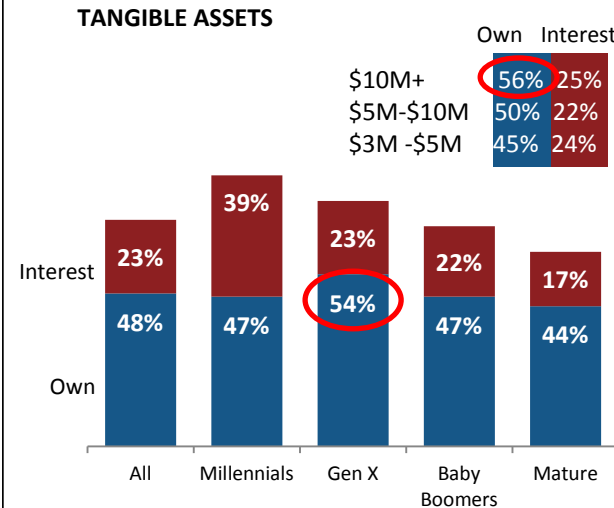




# USE OF MORE SOPHISTICATED INVESTING STRATEGIES INCREASES WITH YOUTH, WEALTH AND ADVICE

- Over the past five years, HNW investors have used about the same mix of alternative, non-correlated strategies, private and structured investments, with the greatest interest continuing to be driven by younger and wealthier investors and business owners
  - Almost half (48%) of HNW investors own tangible assets such as land, investment real estate, timber and farmland
  - Ownership of tangible assets is highest among business owners (59%), UHNW investors (56%) and Gen X (54%)
- The youngest and wealthiest investors are more likely to invest in more sophisticated, non-traditional assets such as private equity funds, venture capital and structured products.
- Investors who have a professional financial advisor are about 10 percentage points more likely to use each of these more sophisticated financial strategies than those who don't

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

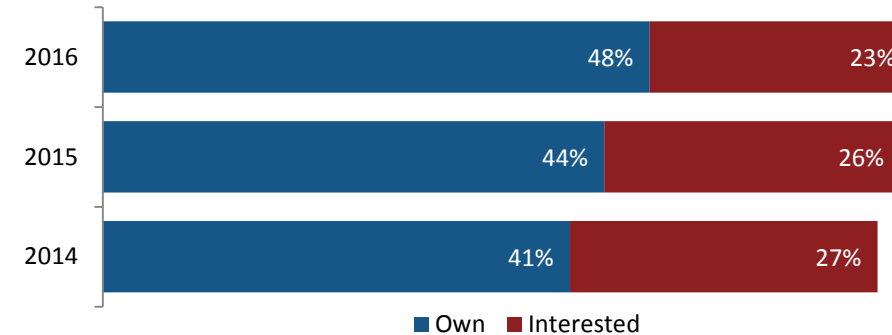


## INVESTMENTS IN TANGIBLE ASSETS ARE GROWING

- Investment in and retained ownership of tangible assets has increased across all segments over the past two years, a reflection of asset protection objectives
- Overall, ownership of tangible assets increased to 48%, up from 41% in 2014
- Ownership grew by double-digit percentage points among:
  - Women: +10%
  - Millennials: +12%
  - Gen X: + 11%
  - Mature Gen: +16 %
  - UHNW (\$10M+): +17%
  - Business owners: + 11%
- Interest in tangible assets remains strongest among Millennials, characteristic of their entrepreneurial mindset and alternate approach to building wealth

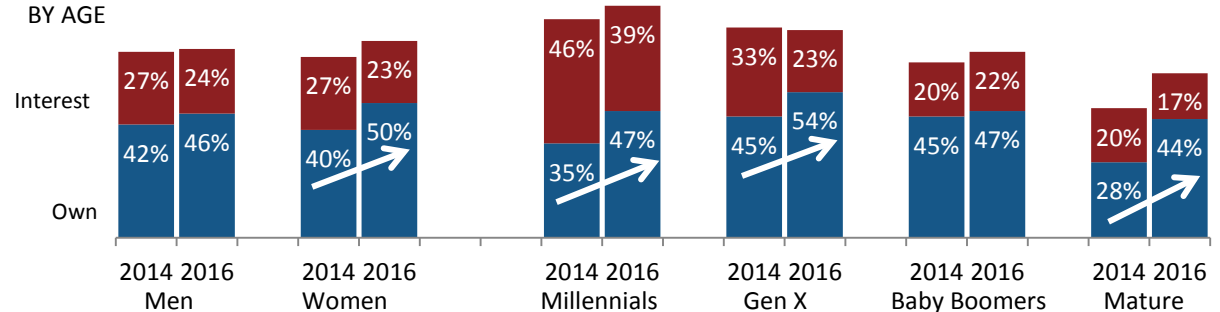
### % WHO OWN OR ARE INTERESTED IN ADDING TANGIBLE ASSETS TO THEIR PORTFOLIOS

ALL RESPONDENTS (2014-2016)

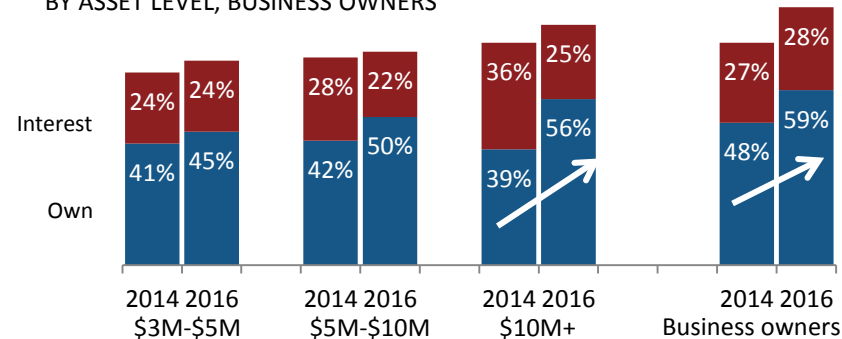


### GROWTH IN OWNERSHIP / INTEREST IN TANGIBLE ASSETS (2014 – 2016)

BY AGE



BY ASSET LEVEL, BUSINESS OWNERS



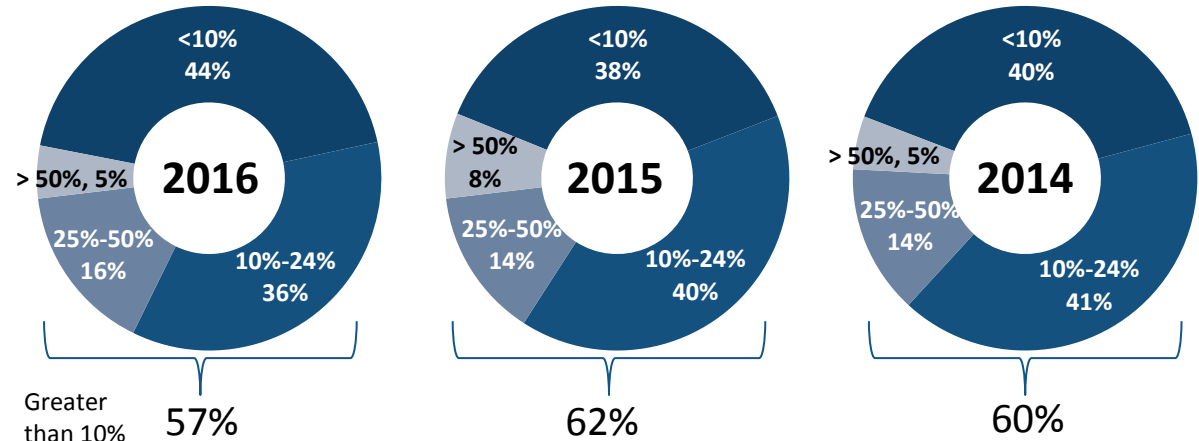
Q10. For each of the following assets, investments or strategies, please indicate if you currently own, don't own but are interested in, or have no interest.

YOY Trend: Phoenix Excel (2016 UST Wealth and Worth Trends)

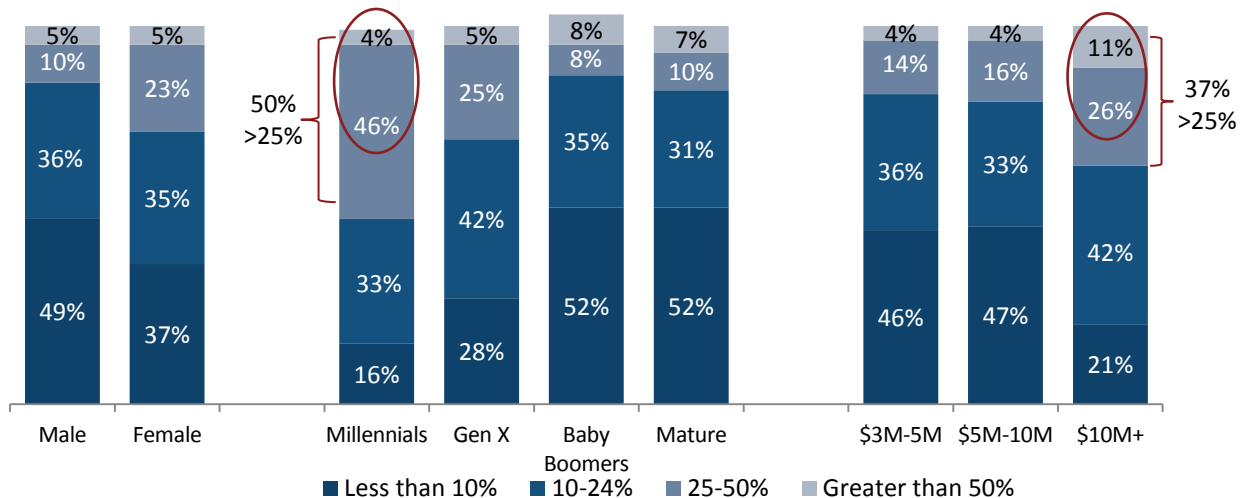
## LARGE CASH POSITIONS CONTINUE TO BE HELD IN HNW PORTFOLIOS

- Nearly six in 10 (57%) HNW investors have more than 10 percent of their investment portfolios in cash positions.
- The total amount of cash held has nudged down from 62% in 2015 and 60% in 2014
- Overall, two in five (21%) have more than 25% in cash, holding at about the same level as in 2015 (22%) and 2014 (19%)
- Half (50%) of Millennials and 37 percent of the UHNW have more than 25 percent of their investment portfolios in cash positions, with one in 10 of the UHNW holding more than 50 percent in cash

**PERCENT OF PORTFOLIO HELD IN CASH**  
ALL RESPONDENTS, BY YEAR (2014-2016)



**PERCENT OF PORTFOLIO HELD IN CASH**  
BY GENDER, AGE AND ASSET LEVEL



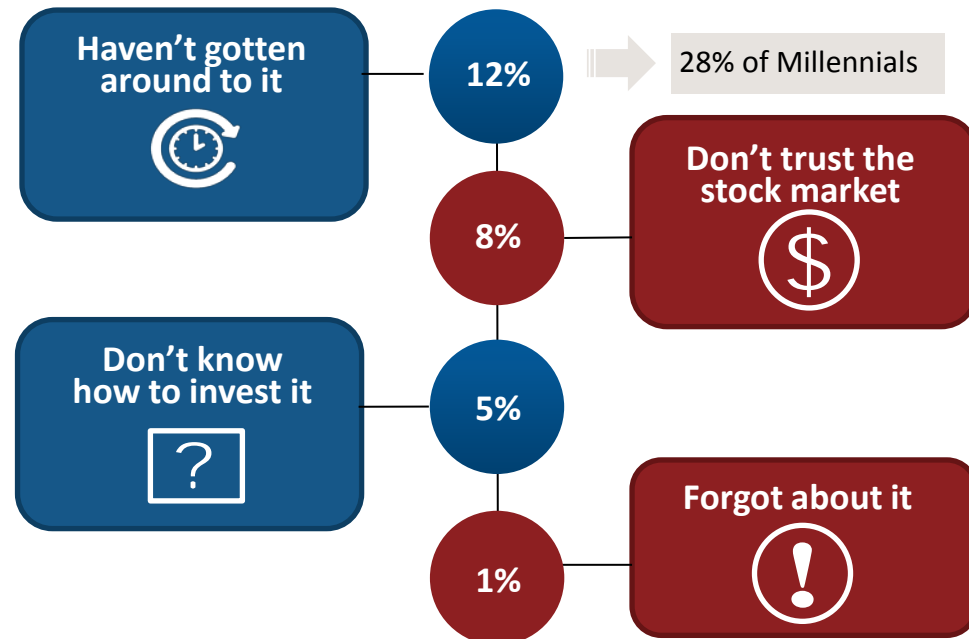
- While substantial amounts of cash might be interpreted as a sign of extreme conservatism and uncertainty about the markets, the more likely motivation for HNW investors appears to be just the opposite
- The top reason HNW investors keep substantial cash on hand is for opportunistic purposes. They are in a position to act quickly whether it's buying in a down market or on a rising trend
  - More than half (54%) keep cash on hand for opportunistic purposes
  - Those most likely to use cash for opportunistic purposes are Gen X (64%), business owners (61%) and the UHNW (58%)
  - Four in 10 also see cash positions as a strategic safe haven from market losses
- Very few report reasons such as indecision, forgetting to reinvest or lack of investing knowledge
  - Millennials are two times more likely to say they haven't gotten around to it

## TOP REASONS FOR KEEPING CASH ON HAND ALL RESPONDENTS



Gen X: 64%  
Business owners: 61%  
UHNW: 58%

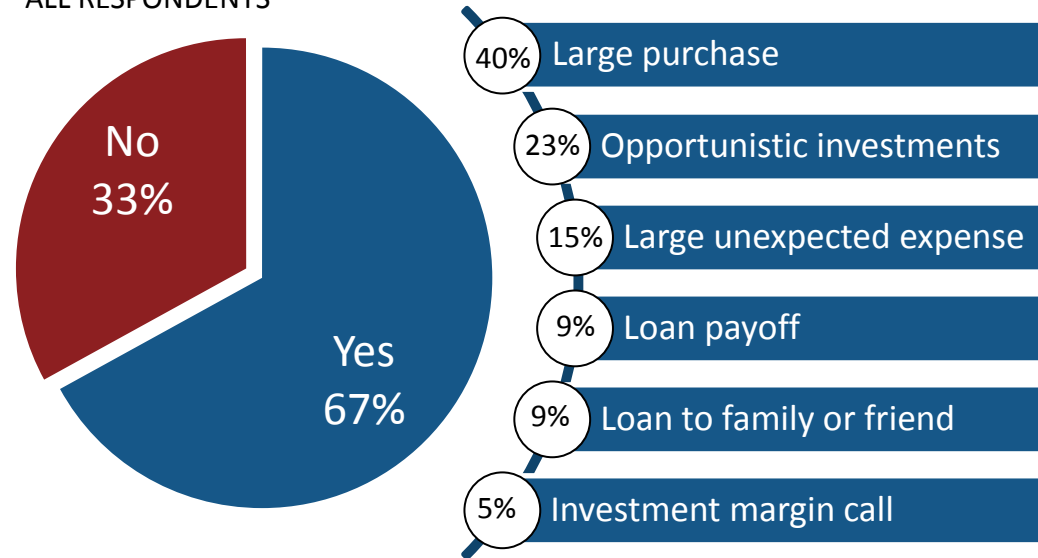
## LESS LIKELY REASONS FOR KEEPING CASH



# LIQUIDITY IS A KEY TO AGILITY AND OPPORTUNISTIC ACTIONS

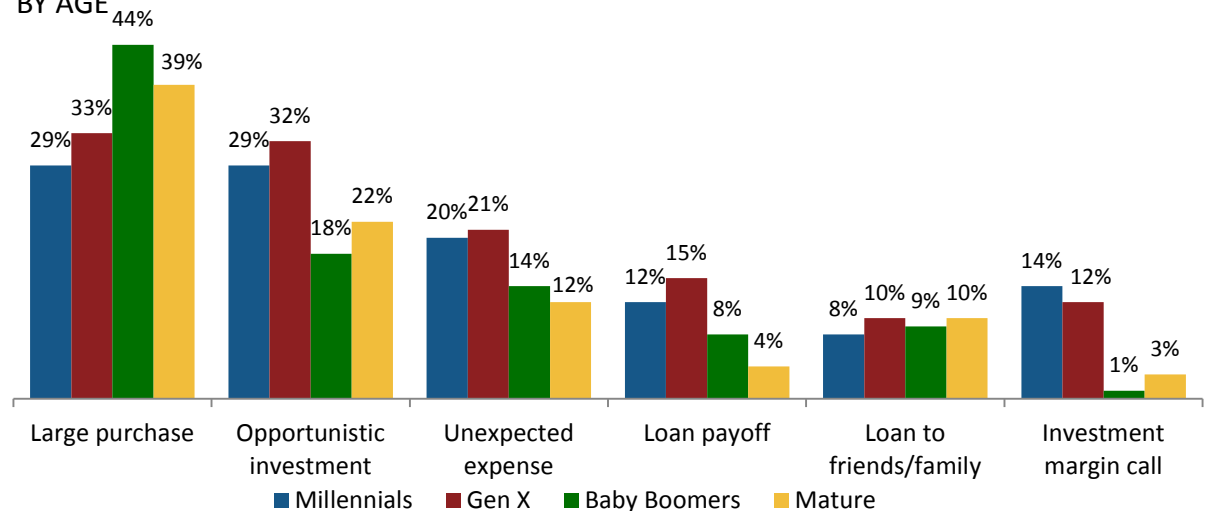
- Two-thirds of the wealthy say they have reason to need quick access to liquidity, primarily for large purchases and opportunistic investments
- Segments most likely to need liquidity for opportunistic investing are:
  - Men (28%) more than women (16%)
  - Millennials (29%), Gen X (32%) and Business owners (33%)
- Forty-four percent of Baby Boomers need liquidity for large purchases, compared to Millennials (29%), Gen X (32%) and Mature Gen (39%)
- Unexpected expenses, such as healthcare costs or legal expenses, are more often cited by the UHNW (25%), business owners (22%) and Gen X (21%) compared to 15% overall
- Nearly one in 10 have needed liquidity to lend money to friends or family

## % WHO HAVE EVER NEEDED QUICK ACCESS TO LIQUIDITY AND REASONS WHY\* ALL RESPONDENTS



\*Among those who have had ever needed

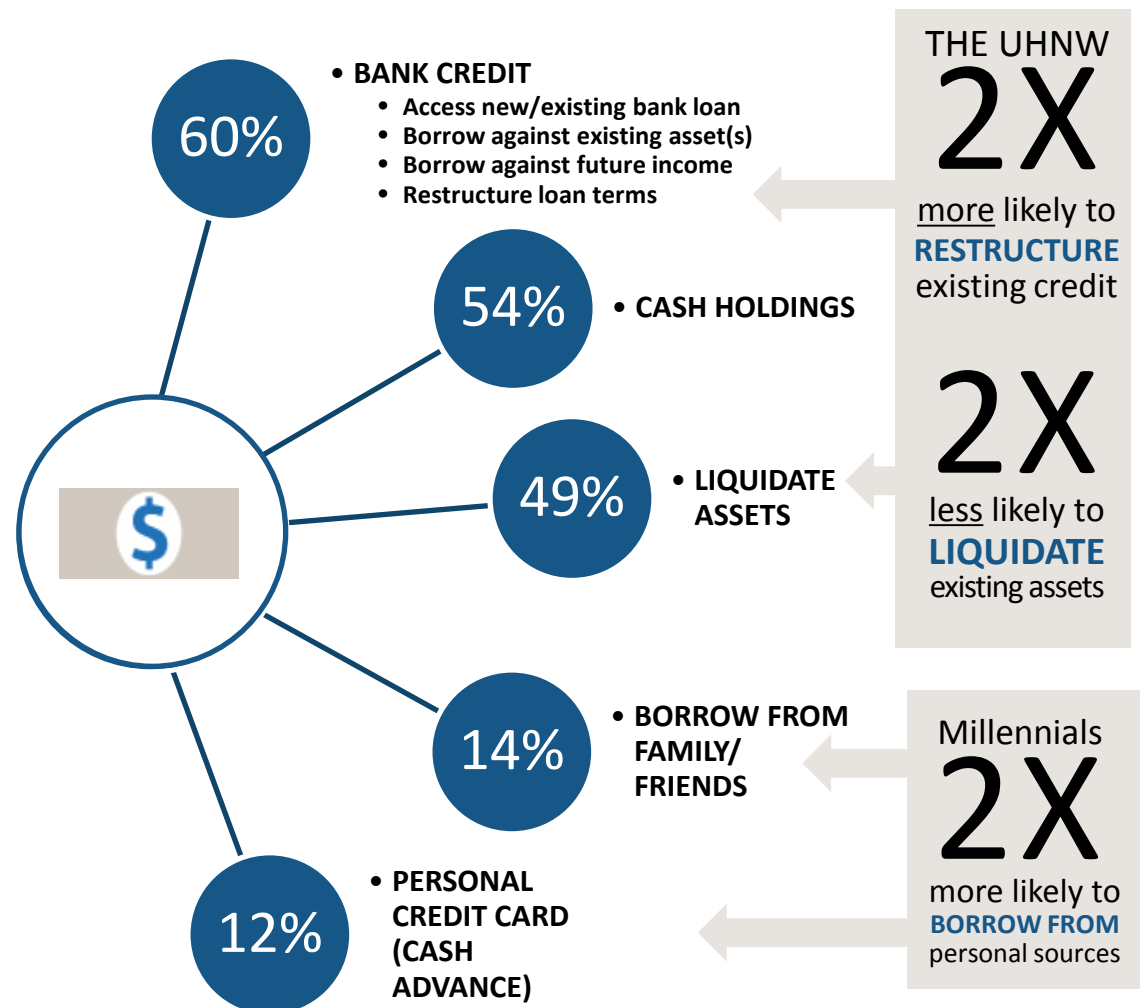
## REASONS FOR NEEDING LIQUIDITY BY AGE



## THE WEALTHY HAVE MULTIPLE SOURCES OF LIQUIDITY

- HNW investors tend to ensure that they have access to liquidity before they need it. The right funding strategy depends on the need and may include:
  - Borrowing funds
  - Using cash on hand
  - Selling investments or other assets
- Given the opportunity costs and tax consequences of liquidating assets, the majority turn first to a bank (60%), then their own cash holdings (54%) to quickly access cash
- The UHNW are two times more likely than other wealth segments to restructure an existing loan facility and two times less likely to liquidate investment assets when they need liquidity, reinforcing the notion that the wealthy use credit strategically
- Millennials are most likely to borrow money from friends and family (30% of Millennials compared to 14% overall) or to take a cash advance on a personal credit card (26% of Millennials compared to 12% overall)

### SOURCES OF IMMEDIATE OR SHORT-TERM LIQUIDITY AND % WHO HAVE USED ALL RESPONDENTS



# U.S. TRUST

## WEALTH STRUCTURING AND STRATEGY

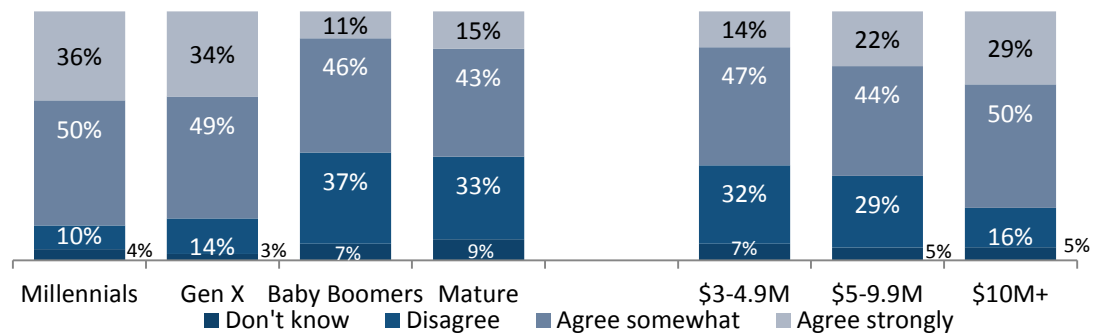
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## CREDIT IS A WEALTH BUILDING STRATEGY

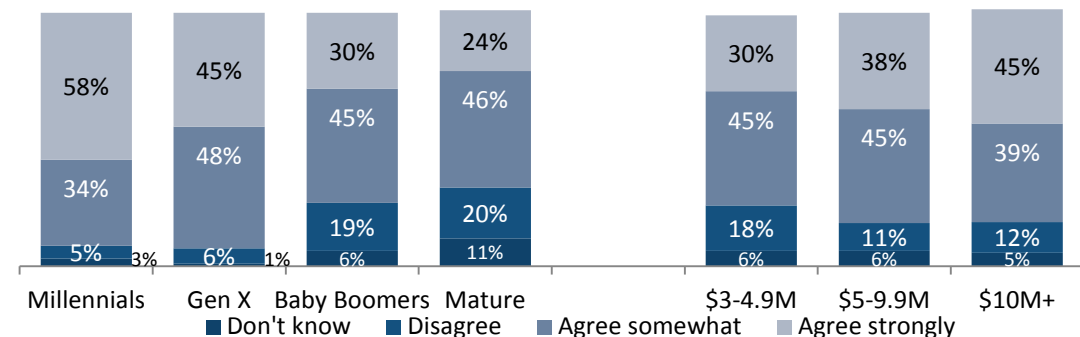
- The wealthy are characteristically knowledgeable about using credit to strategically to build wealth
- Nearly two-thirds (65%) overall agree that credit is a wealth building strategy. Those most likely to agree are:
  - Millennials (86%)
  - Gen X (83%)
  - UHNW (79%)
- Eight in 10 (79%) overall say they know how to use credit to their financial advantage, though only about one-third (34%) agree strongly with this
- Those most confident in their knowledge about strategically using credit are:
  - Men (83%) vs. women (74%) Not shown
  - Millennials and Gen X (both 92%)
  - UHNW (84%)
  - Business owners (89%)



% WHO AGREE BY AGE AND ASSET LEVEL



% WHO AGREE BY AGE AND ASSET LEVEL

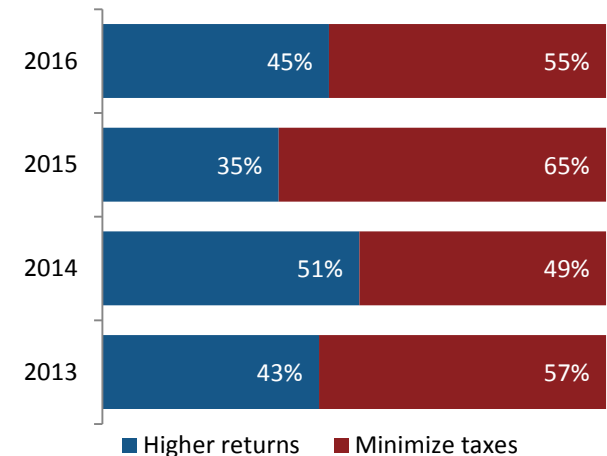
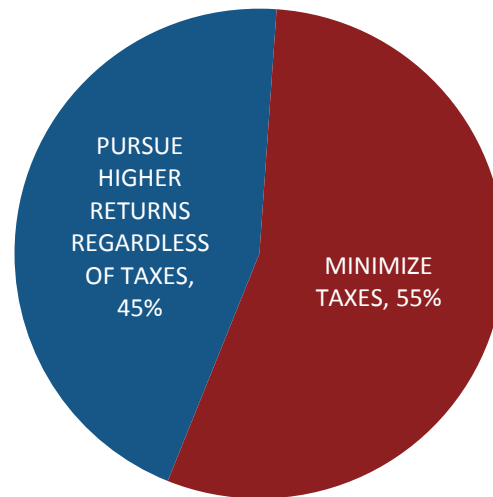




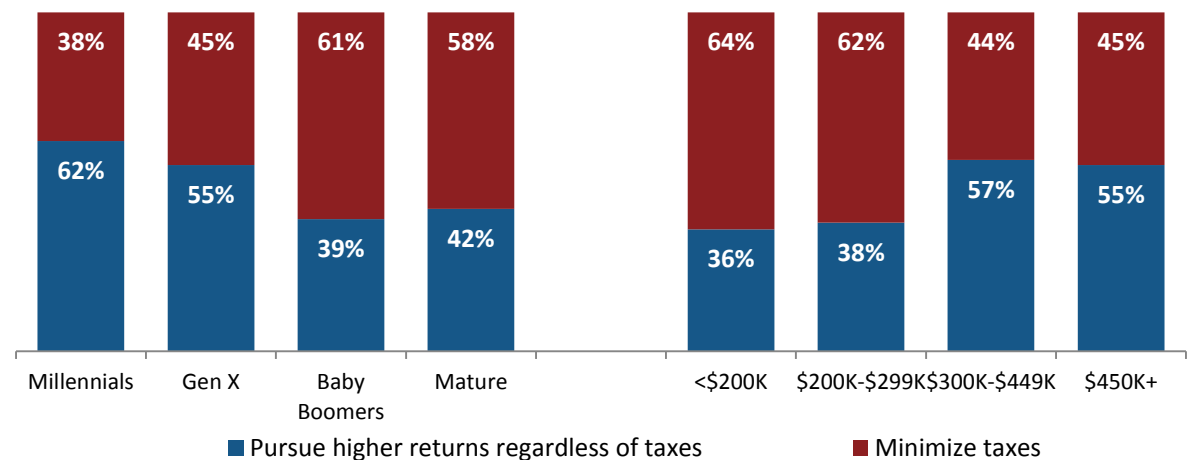
# MANAGING THE IMPACT OF TAXES ON REAL RETURNS

- HNW investors are keenly aware of the negative effect taxes can have on the real return on their investments
- More than half (55%) say it's more important to minimize the impact of taxes when making investment decisions than it is to pursue the highest possible returns regardless of the tax consequences
- HNW investors became more conscious of the tax-efficient investing after passage of the American Taxpayer Relief Act of 2012, which addressed expiration of certain provisions of the "Bush tax cuts" by increasing tax rates on capital gains and dividends among high-income earners (\$400K for individuals/\$450K married couples)
- A sharp increase in tax sensitivity can be seen after the full-year effect of tax increases were felt
- HNW investors with lower HH incomes (less than \$300K) are more likely than those with higher incomes to be conscious of taxes impacts on investments

## INVESTMENT PRIORITY: TAX IMPACT ALL RESPONDENTS



## INVESTMENT PRIORITY BY AGE, HOUSEHOLD INCOME

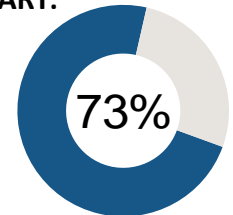


## CULTURAL SHIFT IN THE FINE ART WORLD

- One in five (22%) of the wealthy is a collector of fine art
- The vast majority (73%) of art collectors agree that the primary reason for collecting is the aesthetic value
- Less wealthy or Baby Boomer and older collectors are more likely to collect art primarily for the aesthetic value than younger and wealthier art collectors
- Younger art collectors (Millennials and Gen X) are more socially engaged and far more involved in the experience that has become central to the art market (e.g., art fairs, art weeks, art hotels).
- The UHNW (\$10M+) crowd is most likely to enjoy the community of other collectors on the “global circuit”

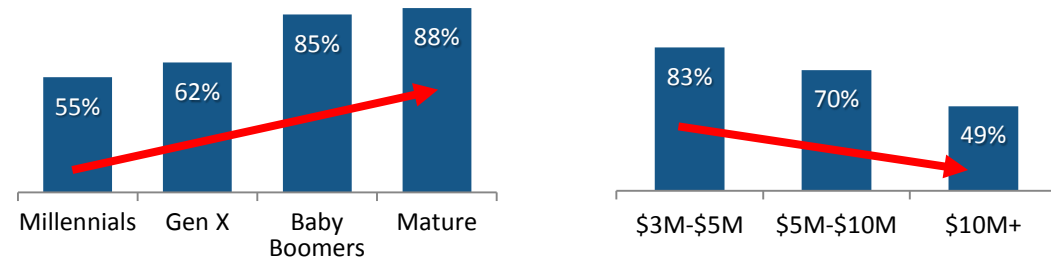


**TOP REASON FOR COLLECTING ART:**  
Aesthetic value



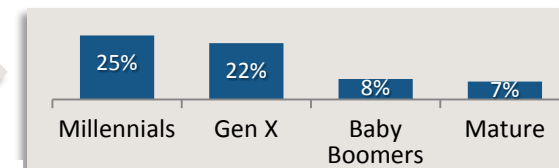
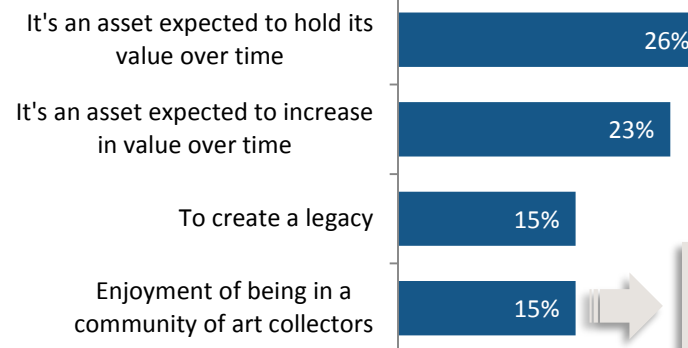
### % WHOSE REASON FOR COLLECTING FINE ART IS ENJOYMENT OF ITS AESTHETIC VALUE

AMONG THOSE WHO COLLECT OR ARE INTERESTED IN COLLECTING ART



### OTHER REASONS FOR COLLECTING FINE ART

AMONG THOSE WHO COLLECT OR ARE INTERESTED IN COLLECTING FINE ART



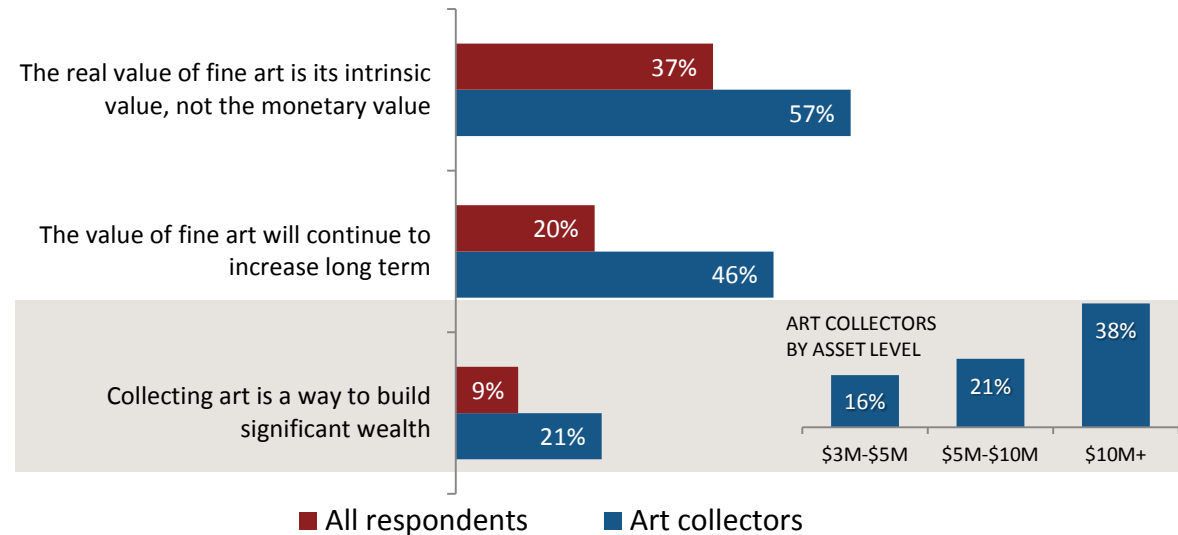
Q10. For each of the following assets, investments or strategies, please indicate if you currently own, don't own but are interested in, or have no interest.

Q18. Which of the following are reasons why you own or are interested in owning fine art?

- UHNW and younger art collectors (Millennials and Gen X) are most likely to consider art a way to build significant wealth
- Overall, one in five art collectors, including 38 percent of UHNW, 36 percent of Gen X and 29 percent of Millennials agree that art investing can help build wealth
- All groups continue to derive real intrinsic value from their art collections; however, younger collectors are less likely to agree the real value of art is intrinsic not monetary
- At least four in 10 art collectors expect the value of fine art will continue to increase long term

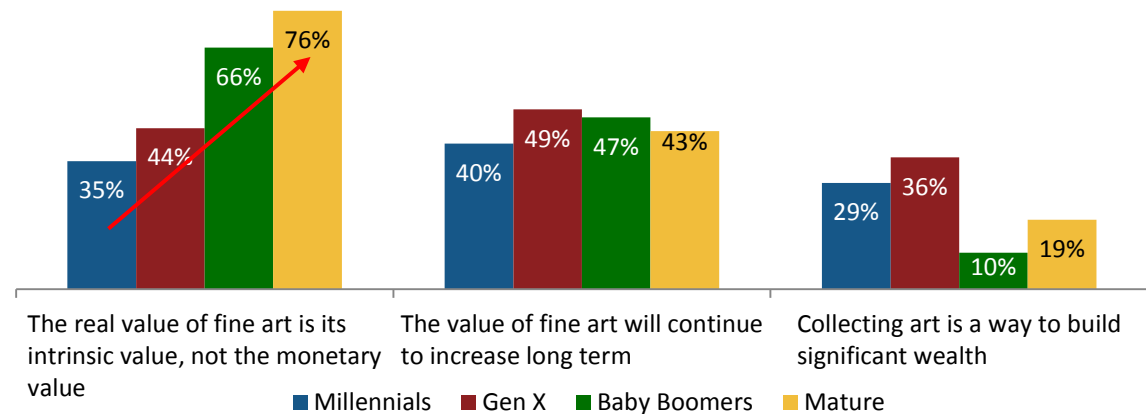
## % WHO BELIEVE TO BE TRUE ABOUT ART COLLECTING

ALL RESPONDENTS VERSUS ART COLLECTORS



## % WHO BELIEVE TO BE TRUE ABOUT ART COLLECTING

AMONG ART COLLECTORS BY AGE

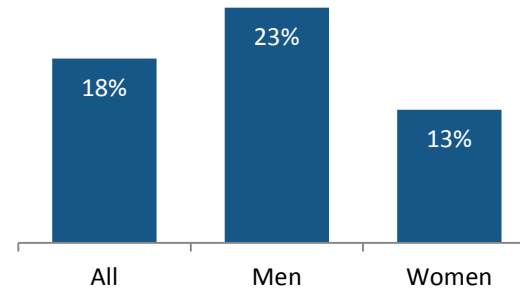


- A cultural shift continues to change the dynamics of the art world. Collectors still overwhelmingly buy art for aesthetic and lifestyle reasons but they are increasingly interested in how their art behaves as a capital asset
- Of this group men are nearly twice more likely than women likely to treat art as an alternative investment
- Younger collectors and UHNW collectors are notably more apt to use their collection as collateral for a loan

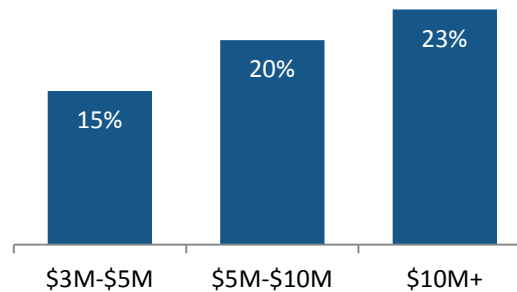
**ONE**  
in five  
invests in art as a  
**DIVERSIFICATION STRATEGY**



**% WHO INVEST IN ART AS AN  
ALTERNATIVE**  
ALL ART COLLECTORS AND BY GENDER



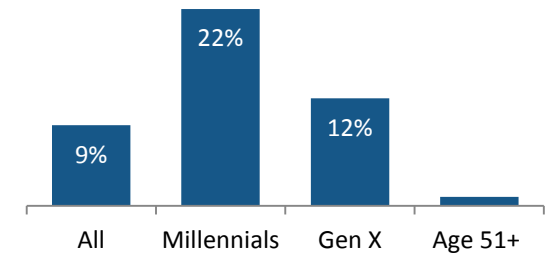
BY ASSET LEVEL



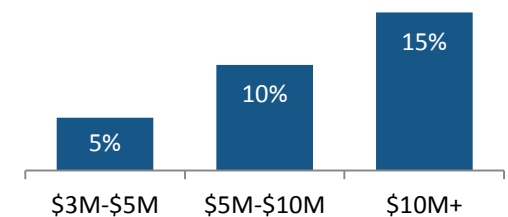
**ONE**  
in ten  
Leverages art  
**AS A FINANCE  
STRATEGY**



**% WHO USE FINE ART AS LOAN  
COLLATERAL**  
BY AGE

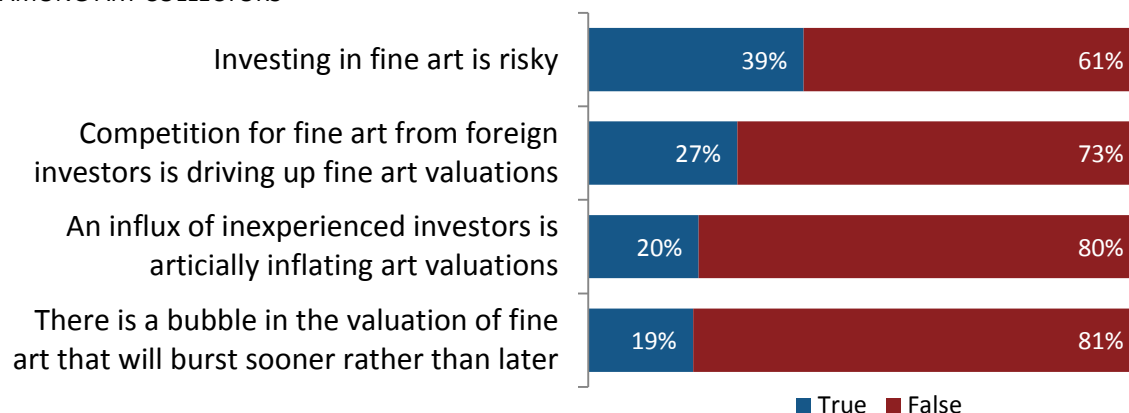


BY ASSET LEVEL

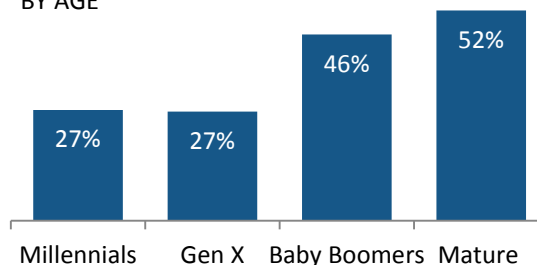


- The majority (61%) of art collectors don't consider investing in fine art to be risky
- Older or less wealthy collectors are more likely than younger or wealthier collectors to believe investing in fine art is risky
- Though Millennials are less likely to think of art as a risky investment, they are more likely than any other age group to believe there is a bubble in art valuations that will burst sooner rather than later
- This suggests that Millennials have a level of sophistication about the dynamic art market to confidently navigate potential risks

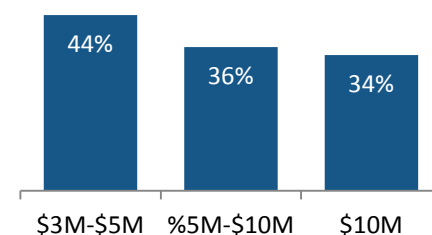
## % WHO BELIEVE OR DON'T BELIEVE TO BE TRUE ABOUT ART COLLECTING AMONG ART COLLECTORS



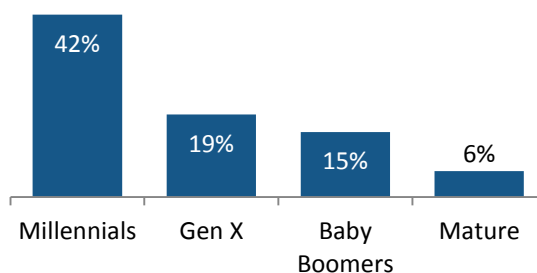
## % WHO BELIEVE INVESTING IN ART IS RISKY BY AGE



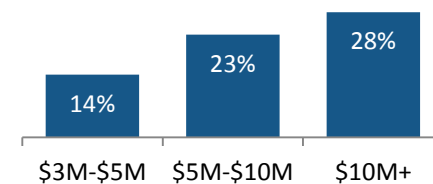
## BY ASSET LEVEL



## % WHO BELIEVE THERE IS AN ART BUBBLE THAT WILL BURST SOONER THAN LATER BY AGE

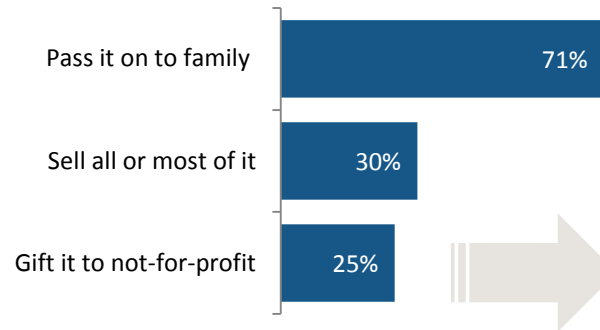


## BY ASSET LEVEL

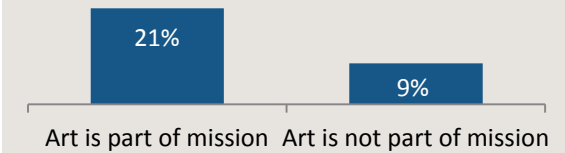


- The majority of art collectors (71%) plan to pass their collection on to family members
- The old adage “collectors aren’t sellers” is shifting with the younger generation
  - More than half (52%) of Millennials plan to sell their art while 49 percent plan to pass on to family
  - Millennials are far more comfortable de-accessioning works as they build their own collections and wealth
  - Perhaps due to the prevalence of on-line sales channels, the ubiquity of art advisors, and the expansion of the auction market, younger collectors are more dynamic in their collecting (willing to buy, sell, trade as they collect)
- Art plays a role in philanthropic gifting strategies
  - One in four art collectors plan to gift their art, led by younger collectors and the UHNW
  - Nearly one in 10 art collectors (mostly Gen X) plan to gift to a non-profit that doesn’t use art as part of its mission

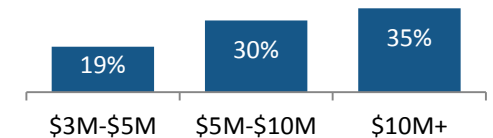
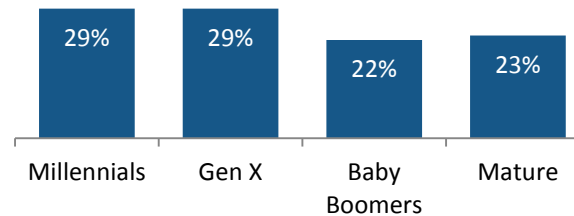
## % WHOSE FUTURE PLANS FOR ART ARE TO ALL ART COLLECTORS



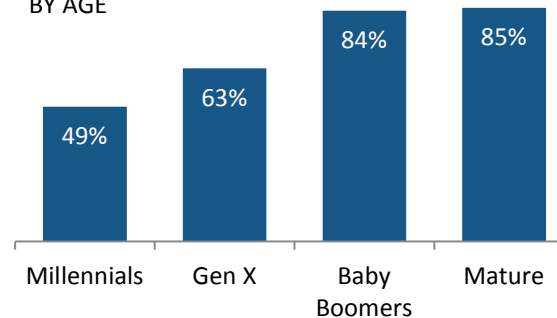
## TYPE OF NOT-FOR-PROFIT ALL RESPONDENTS



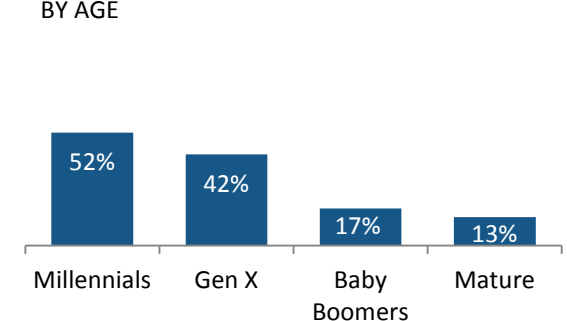
## % WHO PLAN TO GIFT TO NOT-FOR-PROFIT BY AGE AND ASSET LEVEL



## % WHO PLAN TO PASS TO FAMILY BY AGE



## % WHO PLAN TO SELL ALL/MOST BY AGE



# U.S. TRUST

## POLICY, IMPACT AND INFLUENCE

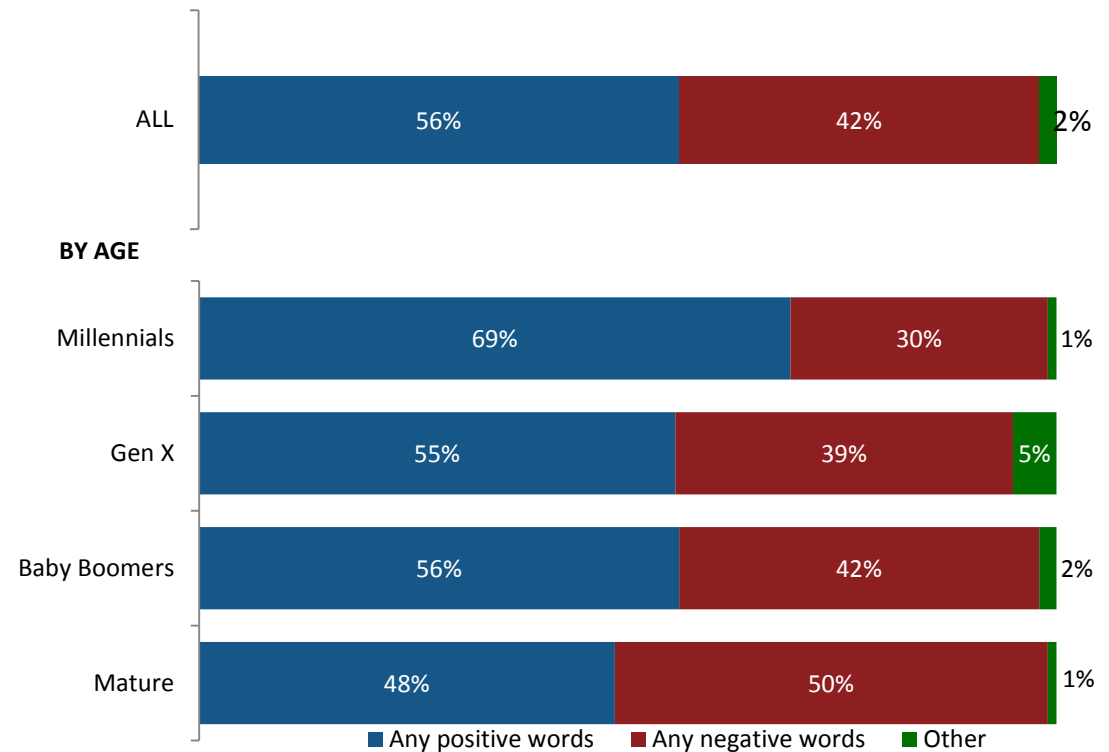
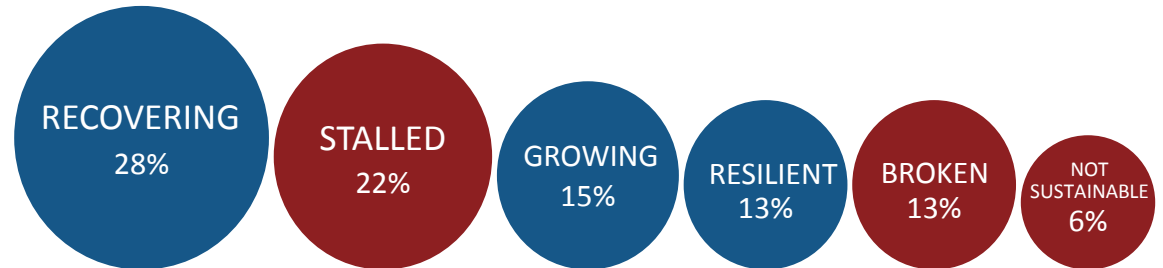
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## OUTLOOK ON THE ECONOMY IS MOSTLY POSITIVE, BUT STILL IN RECOVERY

- When asked what “one word” best describes their thoughts on the economy, the top answer was “recovering”
- More than half chose positive words to describe the economy. While they see an economy that’s growing in recovery mode, they also believe it is recovering too slowly.
- The second most frequent word chosen was “stalled”

### WORDS THAT DESCRIBES THE STATE OF THE U.S. ECONOMY

ALL RESPONDENTS

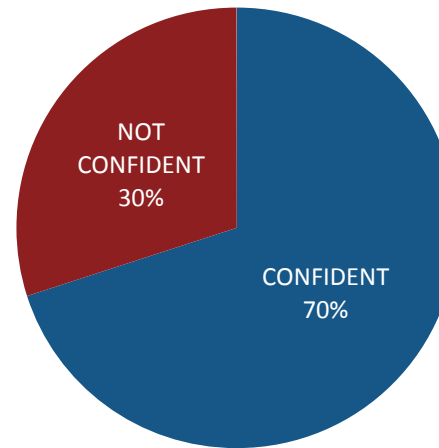




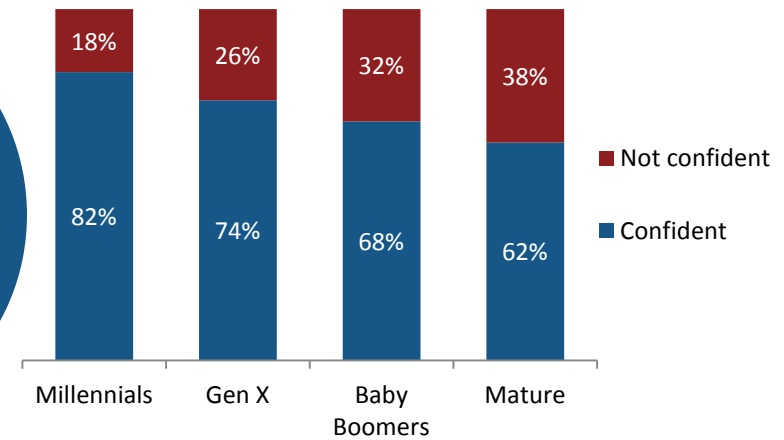
- Growth of the economy is crucial for business expansion, creating jobs and opportunities for more people and improving standards of life in the community
- The wealthy are generally confident in the growth of the economy
- They are more likely to be confident about the growth in their local economy than about the national economy. This sentiment may reflect their sense of personal empowerment to make a difference within their own sphere of influence.
- As they are in their outlook on the markets, Millennials are most likely to be confident about future growth of the economy

## CONFIDENCE IN GROWTH OF NATIONAL ECONOMY IN 2016

ALL RESPONDENTS

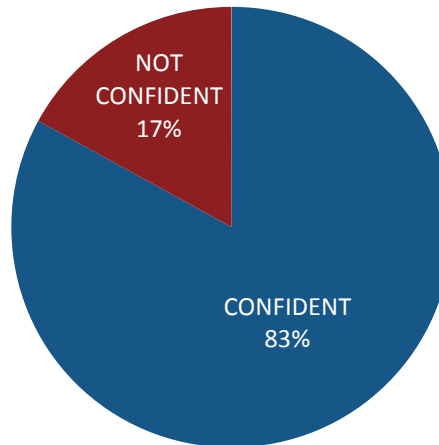


BY AGE

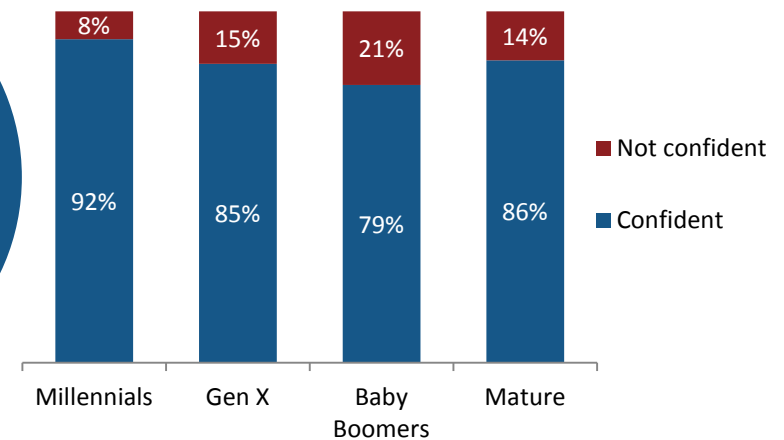


## CONFIDENCE IN GROWTH OF LOCAL ECONOMY IN 2016

ALL RESPONDENTS



BY AGE



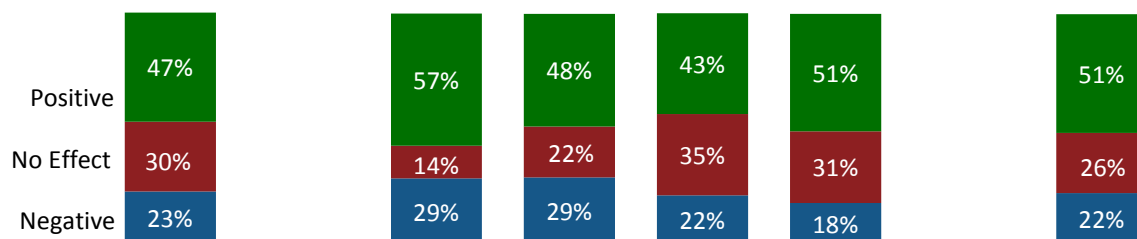
## EXPECTATIONS ON GOVERNMENT'S ROLE IN EFFECTING CHANGE

- Nearly half of the wealthy believe the 2016 Presidential election will have a positive effect on the economy and business growth
- Millennials are most optimistic, as they are about the markets and economy in general
- Only about one-third believe that regardless of who is elected the next President, it will have little effect on closing the wealth and income gap in the United States
- This sentiment reflects their strong opinion that it's up to the private sector, particularly small businesses, to create the greatest economic opportunities for the most people

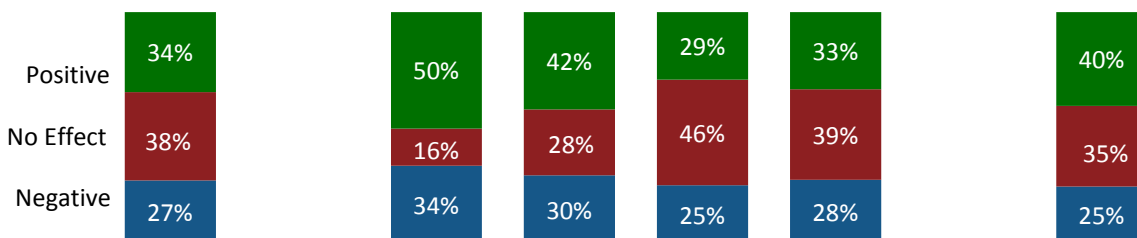
### % WHO EXPECT POSITIVE/NEGATIVE IMPACT OF THE PRESIDENTIAL ELECTION

ALL RESPONDENTS

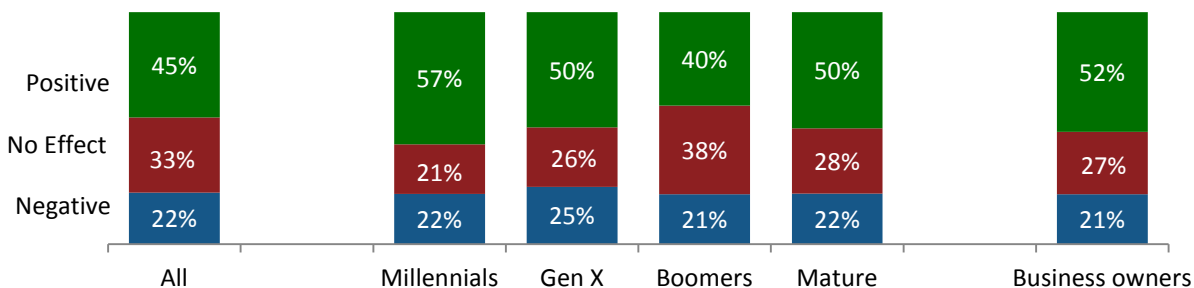
#### ECONOMIC EXPANSION IN THE U.S.



#### INCOME/WEALTH EQUALITY



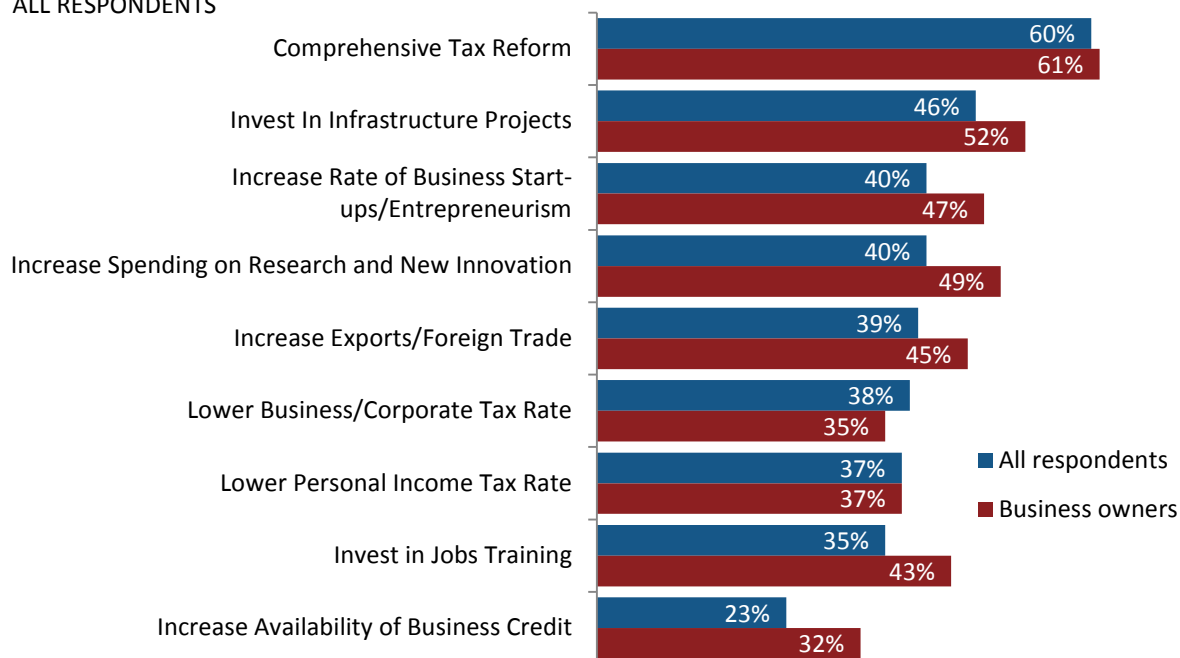
#### BUSINESS GROWTH



- The most effective strategies for stimulating the economy are seen as those that will reduce the burden on businesses – especially small businesses – and making new investments that will create jobs and increase competitiveness for American companies, workers and their families
- The wealthy believe the three most effective ways of stimulating the economy is through:
  - Comprehensive tax reform
  - Investing in infrastructure such as rebuilding the nation’s roads, tunnels and bridges
  - Increase the business start-up rate
- Small businesses are considered to be most effective at creating better economic opportunities and a higher standard of living for more Americans
- More than other age groups, Millennials are confident in what they can do as individuals as well as the non-profit sector
- Business owners and Baby Boomers are most likely to believe that small businesses are the engine of growth in the economy

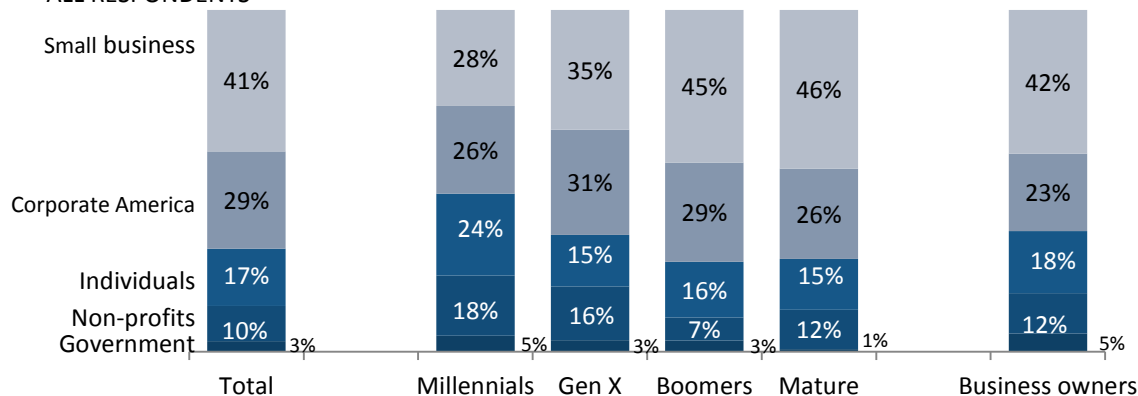
## % WHO CONSIDER “VERY EFFECTIVE” STRATEGIES FOR STIMULATING THE ECONOMY

ALL RESPONDENTS



## % WHO CONSIDER MOST EFFECTIVE AT CREATING BETTER ECONOMIC OPPORTUNITIES

ALL RESPONDENTS



Q23. How effective or not do you believe each of the following would be at stimulating growth of the U.S. economy?

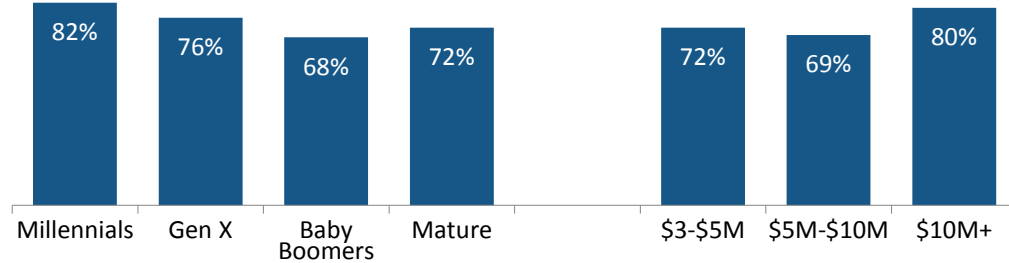
Q25. Which of the following do you believe is most effective at creating better economic opportunities and a higher standard of living for Americans?

- The wealthy believe that private industry and private capital is the key to economic growth and opportunity for more people. They want to use their wealth to express their values and support causes they feel strongly about
- Seven in 10 have more confidence in the private sector's ability to solve society's problems than the public or not-for-profit sector
- Six in 10 believe private capital invested in public works and social programs can produce superior outcomes

**SEVEN**  
in ten 

HAVE GREATER CONFIDENCE IN THE PRIVATE SECTOR'S ABILITY TO SOLVE TOUGH SOCIAL AND ENVIRONMENTAL PROBLEMS THAN IN THE GOVERNMENT'S

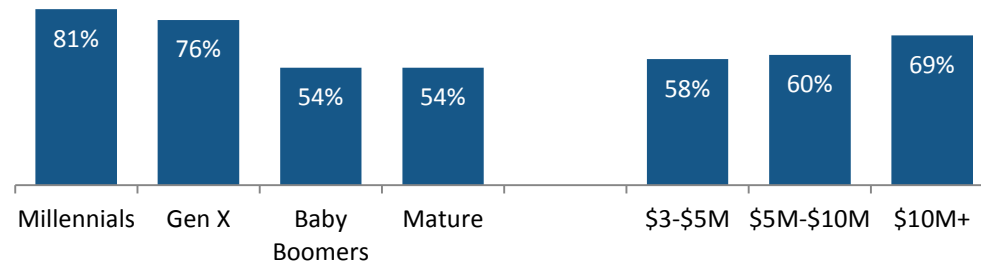
% WHO AGREE  
BY AGE AND ASSET LEVEL



**SIX**  
in ten 

BELIEVE PRIVATE MONEY INVESTED IN PUBLIC WORKS AND SOCIAL PROGRAMS CAN PRODUCE SUPERIOR OUTCOMES

% WHO AGREE  
BY AGE AND ASSET LEVEL




## 360 DEGREES OF IMPACT: THE WEALTHY CONTRIBUTE TO SOCIETY AND THE ECONOMY IN ALL AREAS OF THEIR LIVES

- Finding solutions to tough problems in the world, giving back to others less financially fortunate, fueling growth in the economy – making a positive impact --- is a core value among wealthy individuals and families. They look for opportunities to make a meaningful difference and do so with intent in all areas of their lives – at home, work and in the community.
- Financial contributions to charitable and non-profit organizations is the No. 1 way the wealthy feel they make the greatest contribution
- Nearly six in 10 serve on multiple boards or committees from schools and community organizations to non-profit and corporate boards

### % WHO CONTRIBUTE IN THIS WAY TO SOCIETY / ECONOMIC OPPORTUNITY

ALL RESPONDENTS



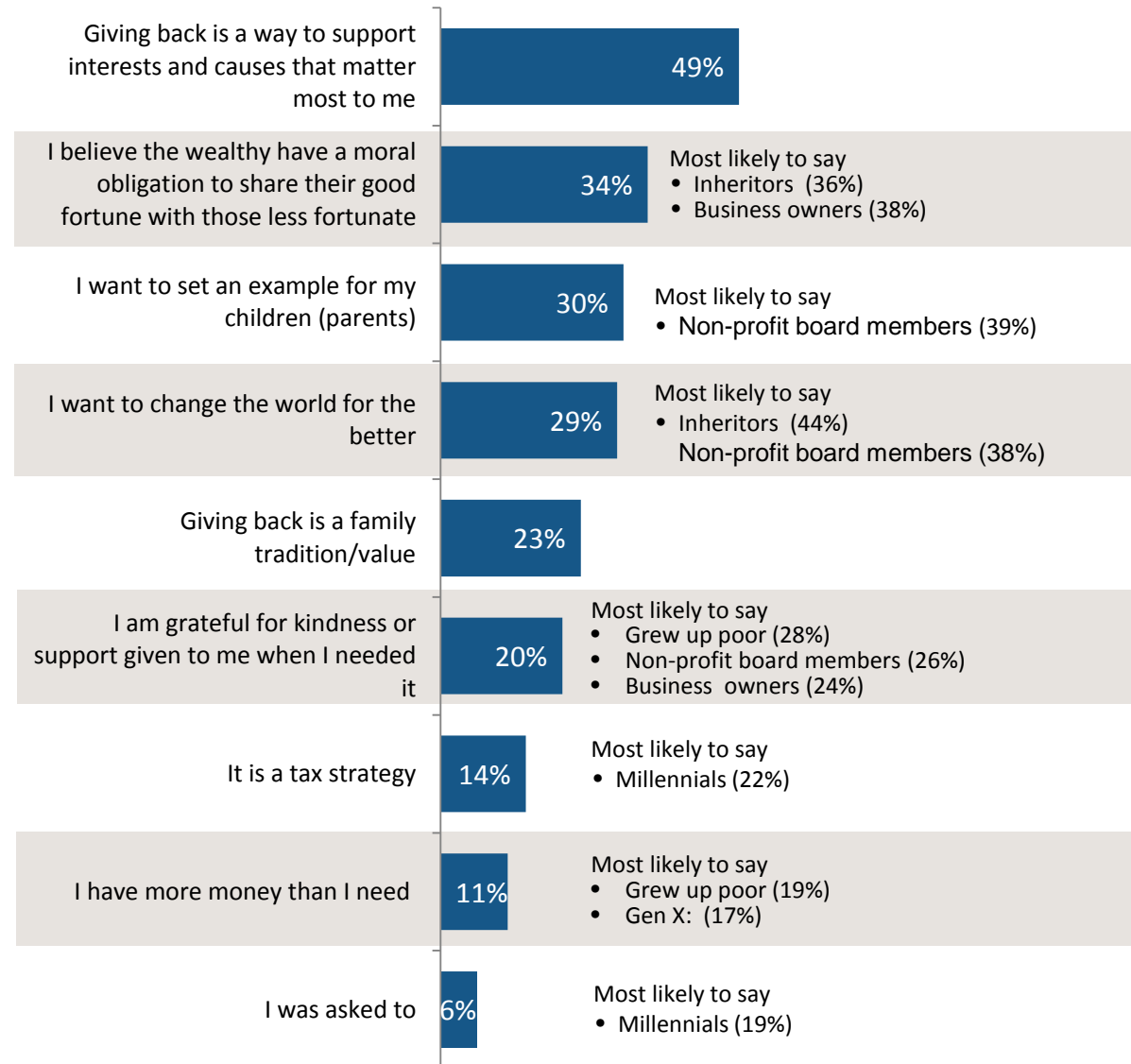
 No. 1 way most feel they make the greatest contribution

## MULTIPLE REASONS FOR GIVING BACK

- The primary reason for wanting to give back to society is to support the interests and causes that matter most
- Nearly one in three overall say they want to change the world for the better
  - Those who inherited a significant portion of their wealth (more than one-third) are most likely to be motivated by this
  - Only 19% of Millennials say they want to change the world, the least of all age groups and a marked decrease from 31% in 2015
  - Millennials are more likely than a year ago to say they have more money than they need and that they want to set an example for their children (among those with children)
  - They are more likely to want to align their actions with their values around interests and causes that matter most
- Business owners and those who grew up poor are most likely to say they give back to society out of a sense of gratitude for what they have and kindness shown to them

### % WHOSE REASONS ARE TO GIVE BACK

ALL RESPONDENTS



Q29. Which of the following describes your primary motivation for giving back to society? (Select up to three)

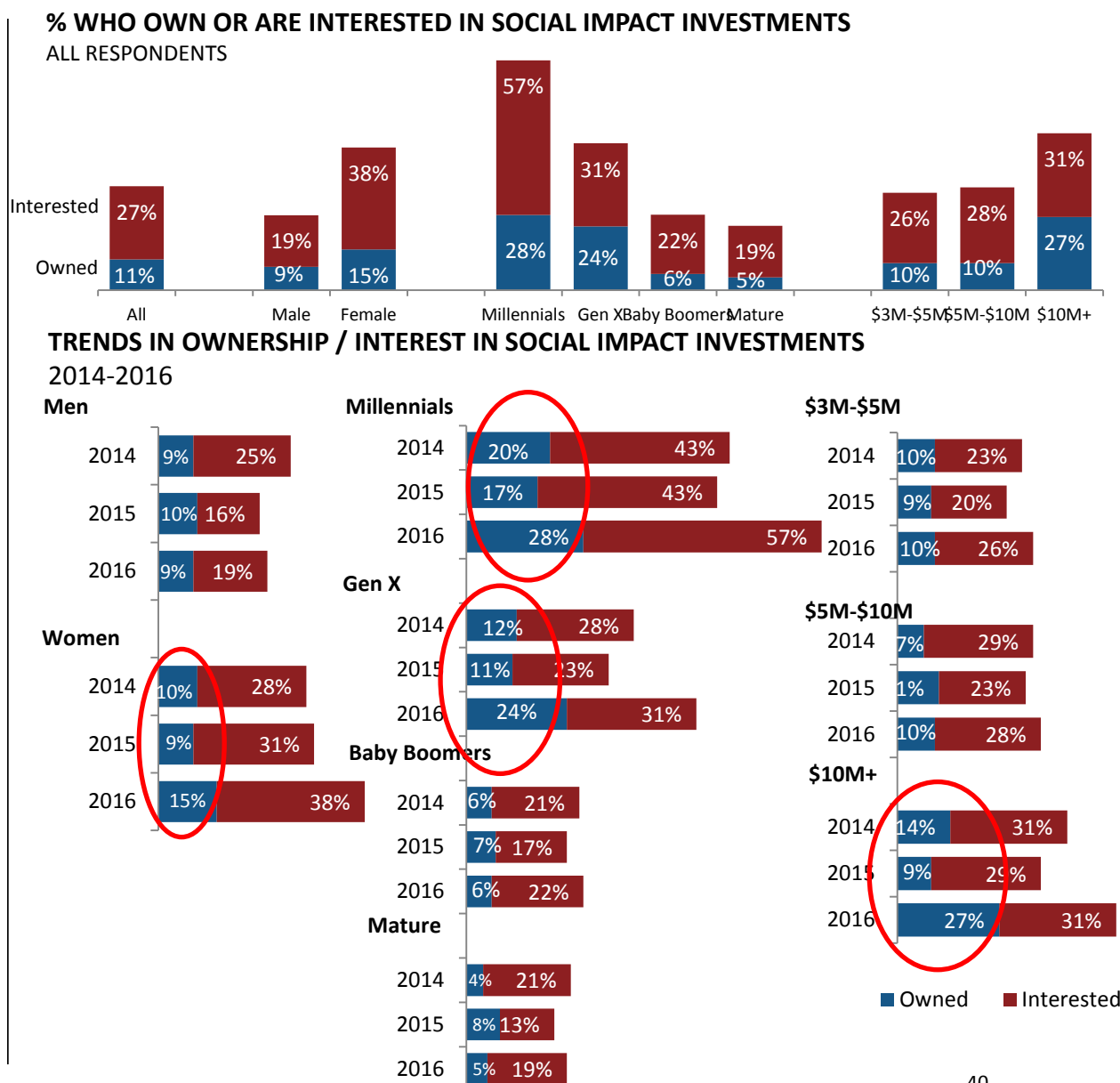
- A wide variety of issues and causes matter to different people, reflecting their individual values. This underscores the need for personalization and sophisticated research and reporting capabilities to meet the growing demand for impact investments.
- Environmental protection and sustainability tops the list of issues that matter most to today's investors, followed closely by healthcare and education
- Also of high importance are solutions and services for vulnerable or needy members of society – our veterans, children and elders

### TEN TOP SOCIAL, ENVIRONMENTAL ISSUES THAT MATTER MOST TO HNW INVESTORS

ALL RESPONDENTS



- Overall, 11% of HNW investors currently own impact-focused investments in their portfolio. However use and interest in impact investments is growing in key segments, namely women, Millennials, Gen X and the UHNW
- Ownership of impact investments remains strongest among women (15%), Millennials (28%) and the wealthiest investors (27%)
- The highest interest still comes from Millennials – nearly six in 10
- Over the past year, the percentage of UHNW investors who own impact investments tripled
- Ownership among men, older investors and those with less wealth have remained flat for three years





- In addition to feeling that investing for positive social impact is just the right thing to do, HNW investors are motivated by wanting to support issues they care about strongly
- Four in 10 believe companies that adhere to good social and environmental policies and practices are less susceptible to risks
- Nearly as many think positive impact leads to improved financial performance
- Lack of reliable performance measures or proof of impact remains a barrier for many investors, particular men and Baby Boomers
- Until performance is proven, these investors prefer to keep what they see as philanthropy and investing separate

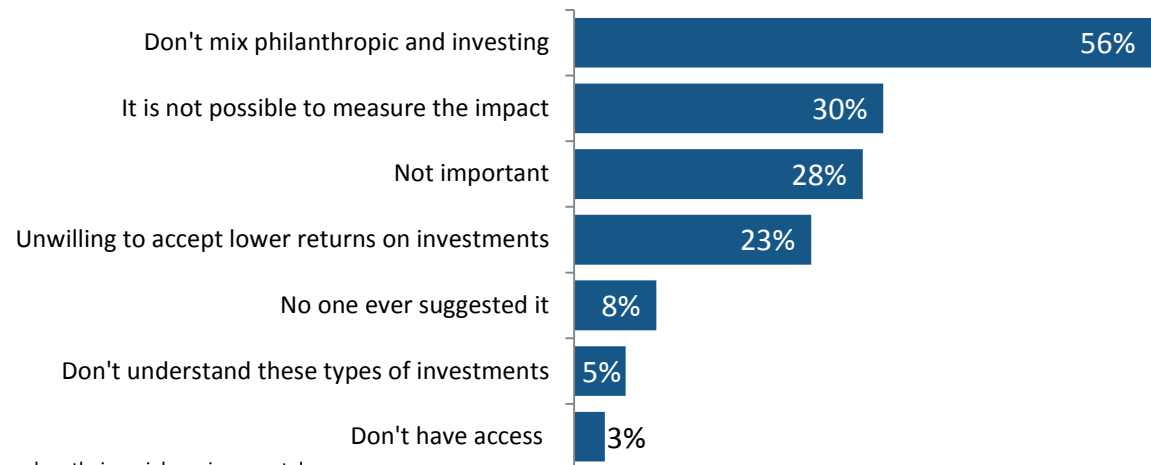
## MOTIVATION FOR SOCIAL IMPACT INVESTING

AMONG RESPONDENTS WHO OWN OR ARE INTERESTED IN OWNING



## BARRIERS TO SOCIAL IMPACT INVESTING

AMONG RESPONDENTS WHO AREN'T INTERESTED IN OWNING



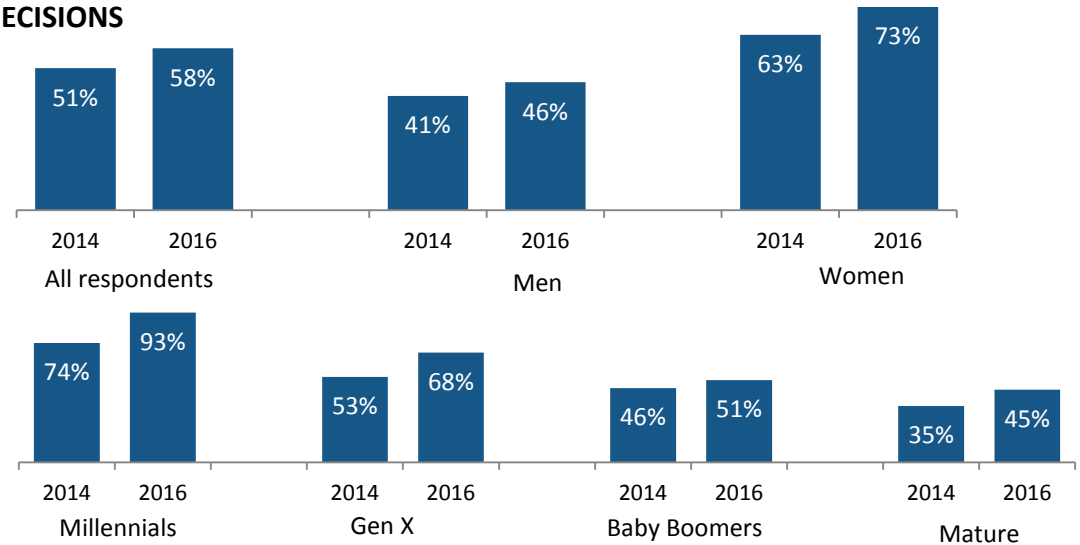
Q13a. Why are you currently invested in, or interested in investing in, companies based on their social, environmental or governance practices?

Q13b. Why aren't you interested in investing in companies based on their social, environmental or governance practices?

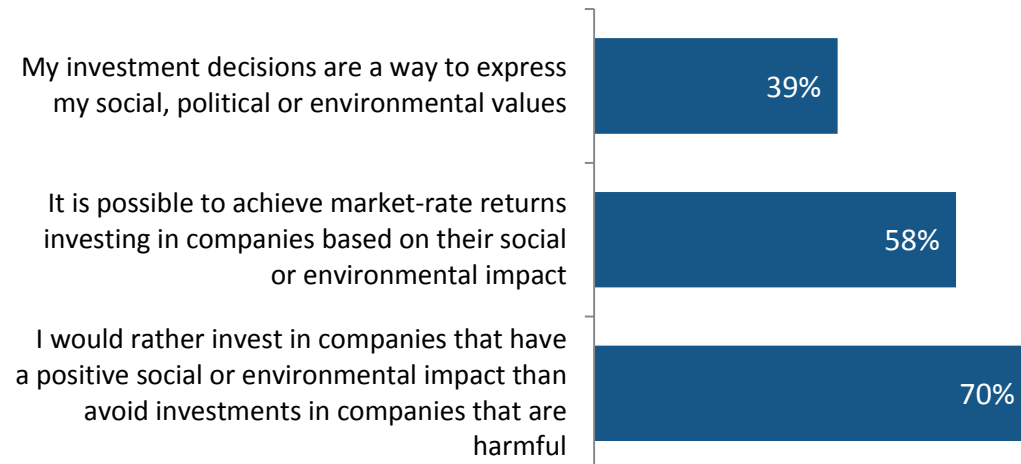
## SIX IN 10 EXPECT TO DO WELL WHILE DOING GOOD

- Nearly six in 10 (58%) HNW investors, up from 51% in 2014, agree that social and environmental impact of the companies they invest in is important to their investment decisions.
- The majority of respondents would rather invest in companies that make a positive impact than avoid harmful ones
- Most also think that they can achieve market-rate returns investing in these types of companies
- The younger HNW, women and the wealthiest are most likely to feel that investment decisions are a way to express values

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



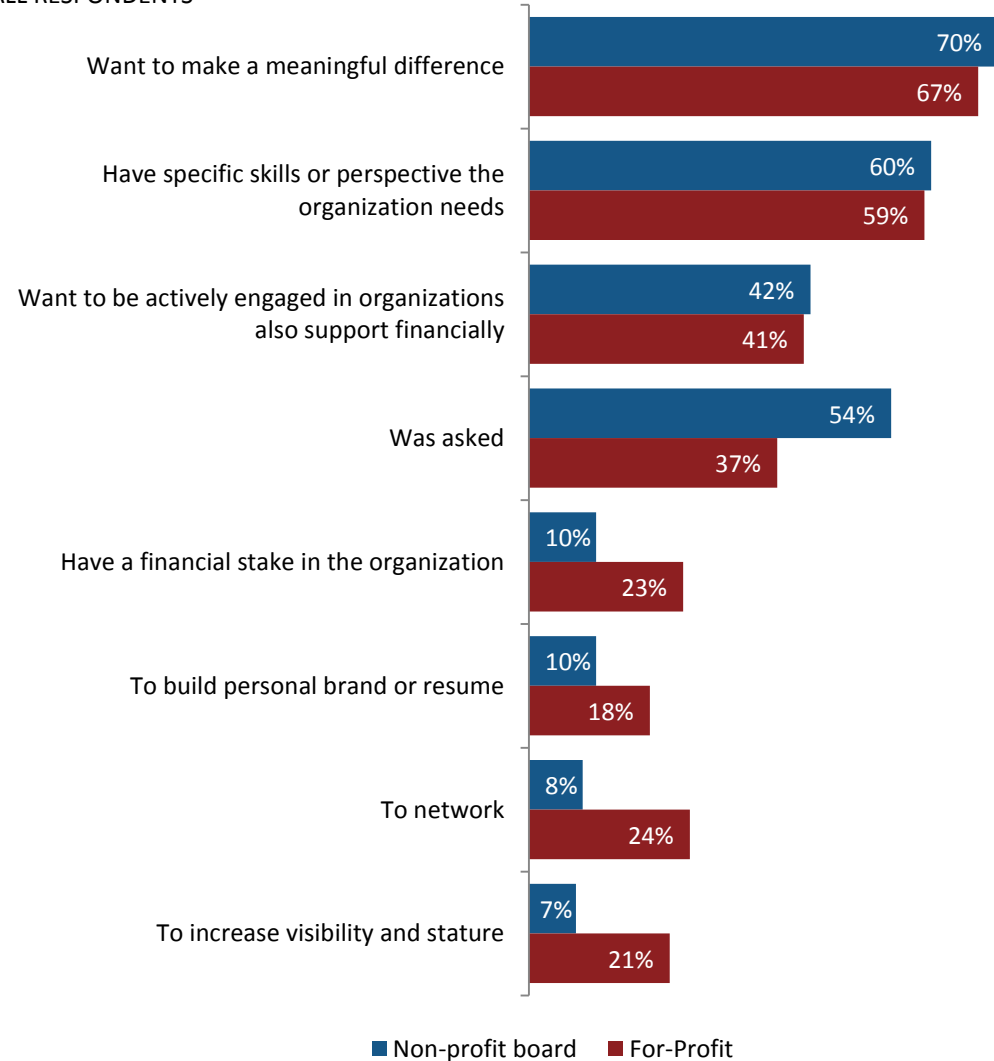
### % WHO AGREE AMONG ALL RESPONDENTS



- One in four of the wealthy serve as a board member for a non-profit organizations
- Their reasons are multiple and varied but primarily driven by a desire to make a meaningful difference and because they have specific skills they believe the organization needs
- The primary reasons for serving on a non-profit board versus a for-profit board are similar
- Those who serve on a for-profit board are more likely to consider the value it adds to their own stature and visibility
- Like all HNWI, business owners' top reason for serving on a board is to make a positive impact; however more business owners than other segments say that networking, building their personal brand and increasing their visibility is a reason to serve

## REASONS FOR SERVING AS BOARD OR COMMITTEE MEMBER

ALL RESPONDENTS



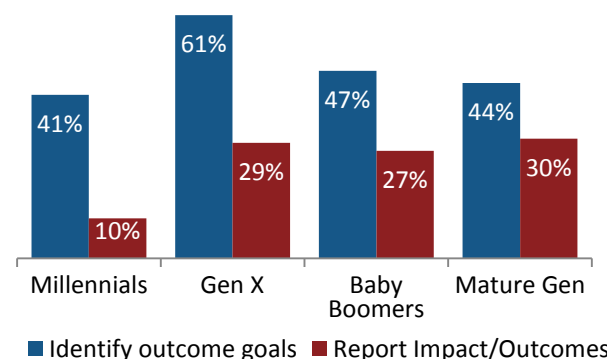
# BOARD INSIGHT ON STRENGTHENING NON PROFIT OUTCOMES

- Those who serve on the board of non-profit organizations can offer valuable insight to help strengthen the impact and outcomes of the organization's mission
- The top area where non-profits have the greatest opportunity to do better is clearly identifying their outcome goals. Identifying outcomes is even more important than reporting on outcomes to donors
- UHNW board members especially see the need for non-profits to do a better job of identifying high-impact donors and then to manage cash flow from donor contribution
- Non-profit organizations need to attract top talent to the leadership and management of their organizations
- Business owners and corporate executives who serve on boards say non-profits can do better at seeking advice and adopting best practices used by for-profit organizations

## OUTCOMES AND MISSION

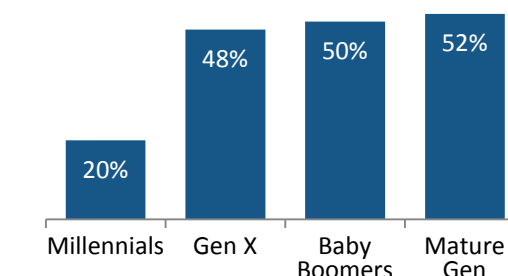
### IDENTIFY OUTCOME GOALS

BY AGE



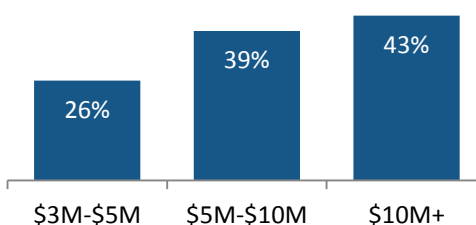
### BALANCE SHORT-TERM FUNDING NEEDS AND LONG-TERM MISSION

BY AGE

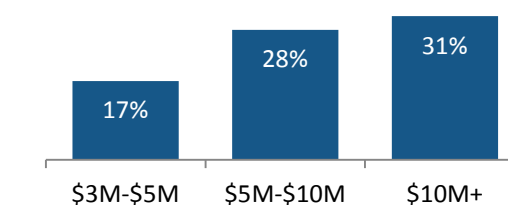


## DONOR CONTRIBUTIONS AND OUTREACH

### IDENTIFY HIGH-IMPACT DONORS

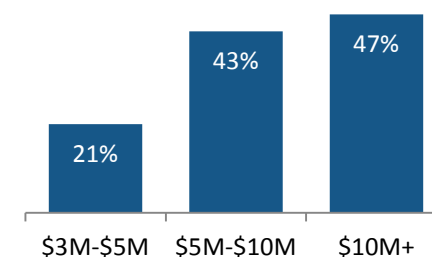


### MANAGE DONOR CONTRIBUTION CASH FLOW AND TIMING

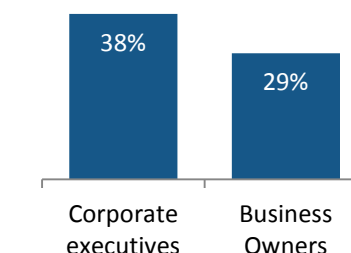


## OPERATIONAL

### ATTRACT TOP TALENT



### SEEK BEST PRACTICES FROM FOR-PROFIT ORGANIZATIONS



# U.S. TRUST

WEALTH AND FAMILY

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# MARRIAGE AS A FINANCIAL PARTNERSHIP

- Eighty-six percent of survey respondents are currently married or living with a partner. Of those who are married, three-quarters (75%) are in their first marriage
- Among the oldest group, 31% have divorced, and 26% have divorced and are currently remarried
- Ninety-seven percent of couples who are married or living with a partner say they agree on important values about how to use and manage their wealth
- Agreement on financial values may be a contributing factor in marital status

- *The national divorce rate has declined from a high of about 50% in the 1970's as women have gained economically. Today, a young couple marrying for the first time has a lifetime divorce risk of approximately 45%<sup>1</sup>*
- *Financial disagreement between spouses has been found to be the best indicator of marital discord. While disagreements over money are not the No. 1 conflict in marriages, money conflicts are inherently more stressful, more enduring and have more important short-term and long-term implications for a relationship than any other conflict between spouses, regardless of wealth status<sup>2</sup>*

<sup>1</sup> Scott M. Stanley, Ph.D., "What is the Real Divorce Rate," University of Denver, updated January 2015 ; last accessed 4/8/16  
<https://app.box.com/s/8rh4wyby5j8lwed98jon>

<sup>2</sup> Amato and Rogers (1997). Jeffrey P. Dew, "Financial issues as predictors of divorce." Paper presented at the annual conference of the National Council on Family Relations (November 2009). San Francisco, CA

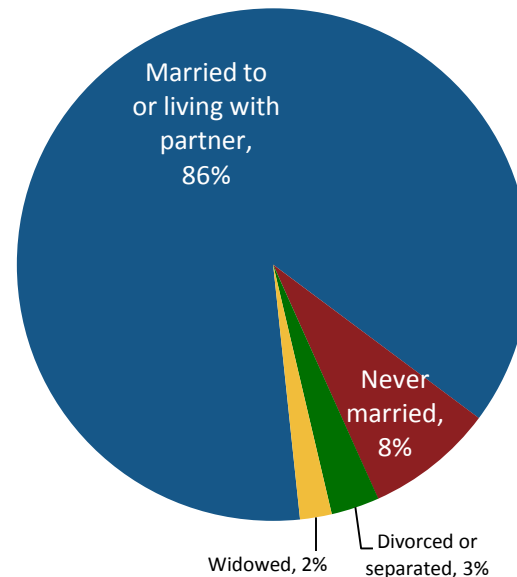
Q56. Which of the following best describes your current relationship status?

Q57. And which of the following best describes your relationship?

Q44. Please indicate the extent to which you agree or disagree with each of the following statements.

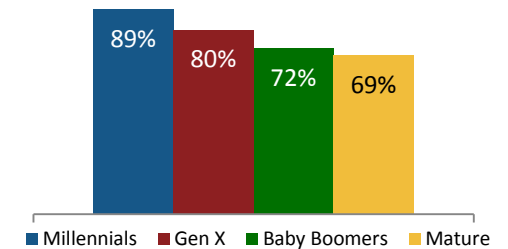
## MARITAL STATUS

ALL RESPONDENTS

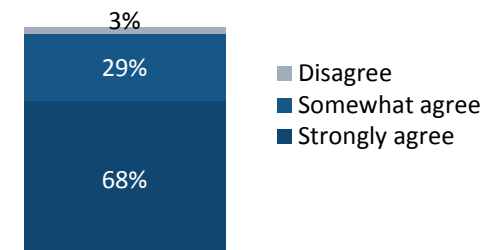
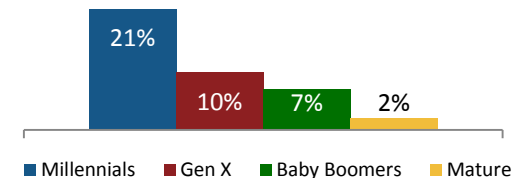


## % IN FIRST MARRIAGE BY AGE

AMONG ALL THOSE MARRIED



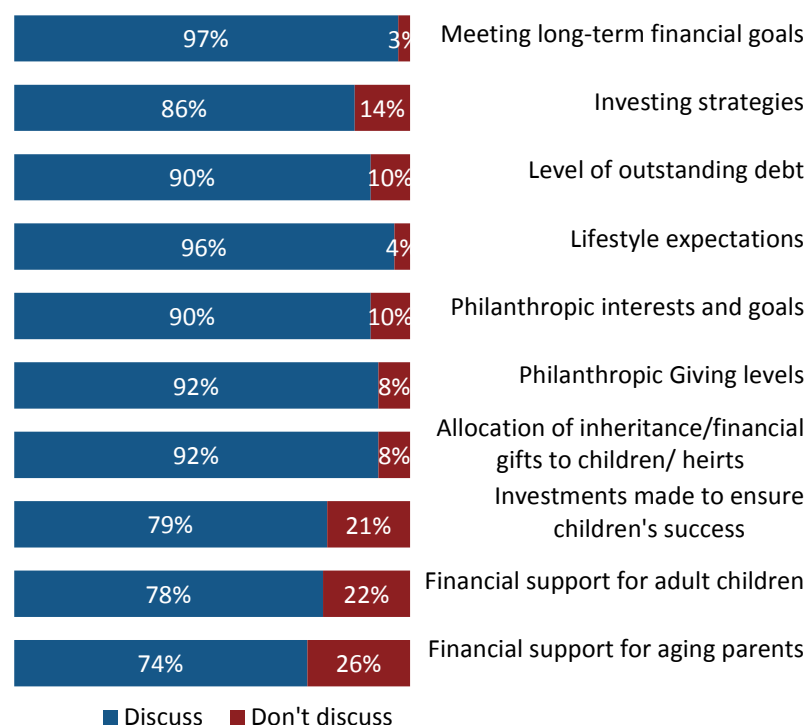
## % NEVER MARRIED BY AGE



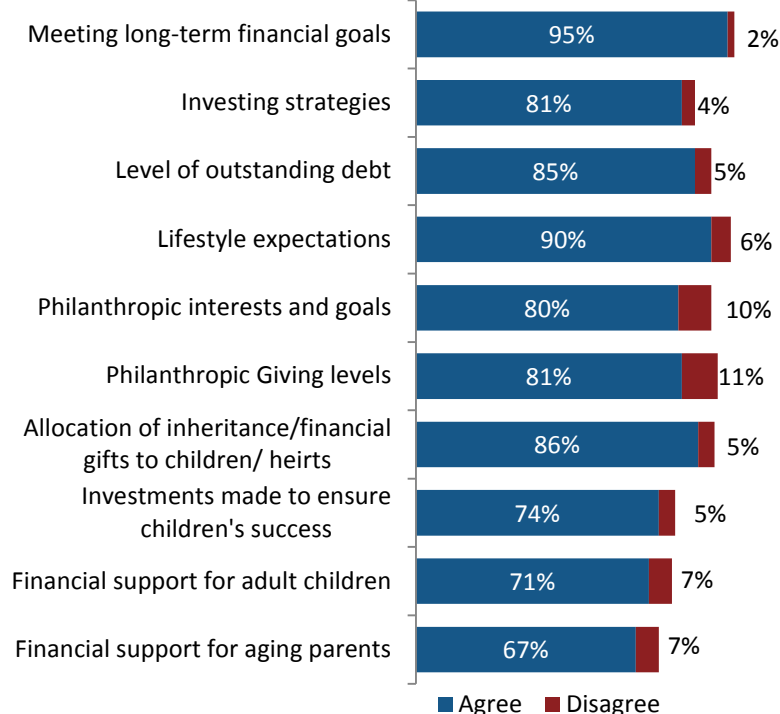
# MOST COUPLES DISCUSS AND AGREE ON IMPORTANT FINANCIAL MATTERS

- The vast majority of couples discuss important financial matters including meeting long-term financial goals, lifestyle expectations and estate planning related to the allocation of financial gifts to children.
- They are somewhat less likely to discuss investing strategies and financial support for children and aging parents.
- There is a notable difference in perception between men and women when it comes to discussing investing strategies, level of outstanding debt and philanthropic interests.
  - Men are twice more likely than women to report that these discussions are not taking place.
  - Of those couples who do discuss these topics, men and women are least likely to agree on investing strategies.

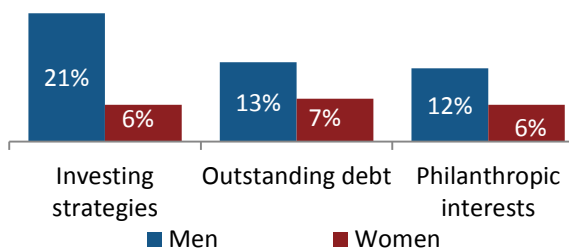
## % WHO DISCUSS / DON'T DISCUSS AMONG MARRIED / LIVING WITH PARTNER



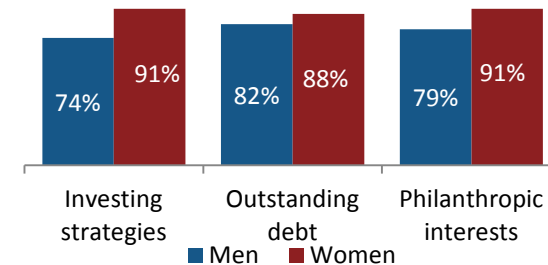
## % WHO AGREE/ DISAGREE AMONG MARRIED / LIVING WITH PARTNER WHO DISCUSS



## % OF MEN VS. WOMEN WHO SAY THEY DON'T DISCUSS THESE TOPICS



## % OF MEN VS. WOMEN WHO DISCUSS AND SAY THEY AGREE

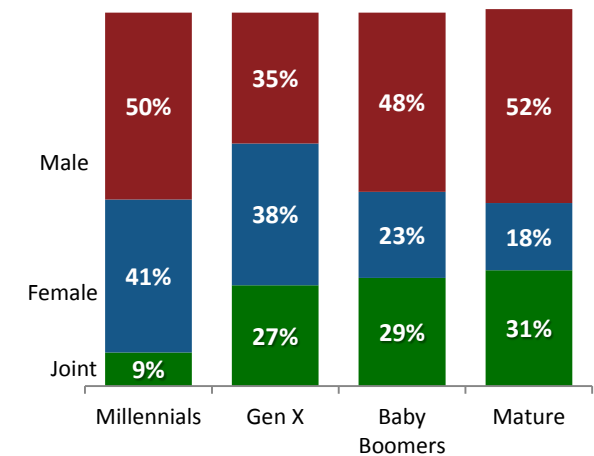
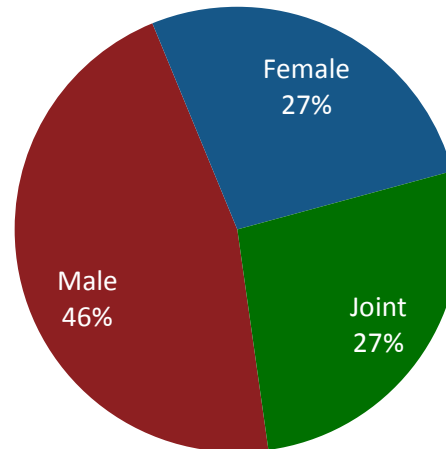


## CONTRIBUTION TO FAMILY WEALTH IS INCREASINGLY SHARED

- A little over one-quarter of couples overall say both partners contributed equally to the household's initial financial assets
- Women enter about half (54%) of relationships with at least equal, if not greater, financial assets
- In nearly six in 10 HNW households overall, men continue to be the primary income earner
- However, there is clear evidence in Millennial households that roles are shifting toward greater balance among partners in their contribution to family wealth
  - More Millennial women are primary income earners than women in other generations
  - Women are the primary, or equal, income earner in more than two-thirds (67%) of Millennial relationships

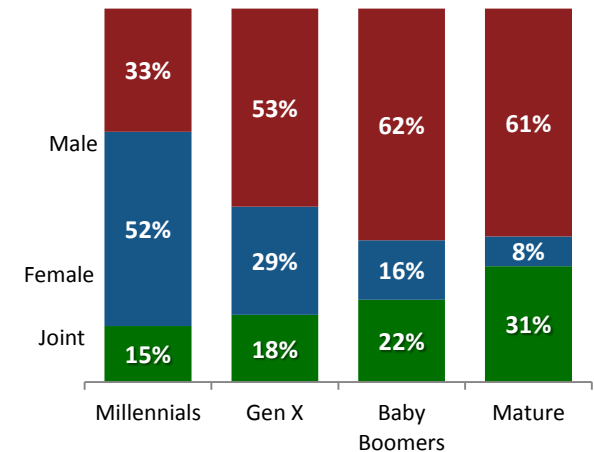
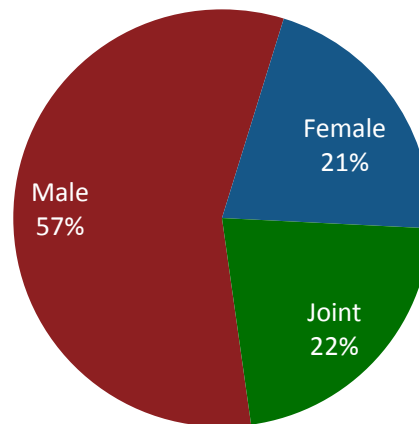
### PERSON WHO ENTERED THE RELATIONSHIP WITH THE MOST FINANCIAL ASSETS

AMONG THOSE MARRIED/IN A PARTNERSHIP



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

AMONG THOSE MARRIED/IN PARTNERSHIP)

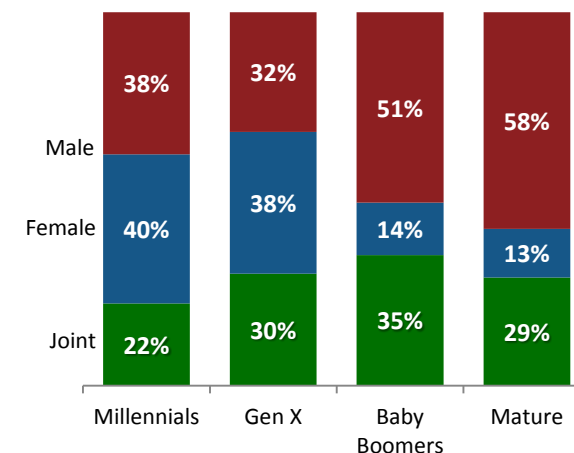
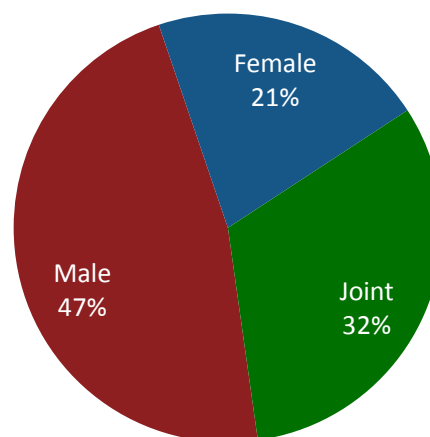




- Men and women share decision-making about household finances and investments in one out of three HNW households
- There is generally joint decision-making on household financial decisions across all generations, though less among Millennials (perhaps because they keep their finances separate)
- Men continue to dominate investment decisions in older families. The percentage of older households where joint decision-making is taking place has increased in recent years
- In Millennial and Gen X households, men and women are more likely to take the lead on their own investment decisions
- One-third of Millennials women and 38% of Gen X women are the dominate investment decision-maker in their households

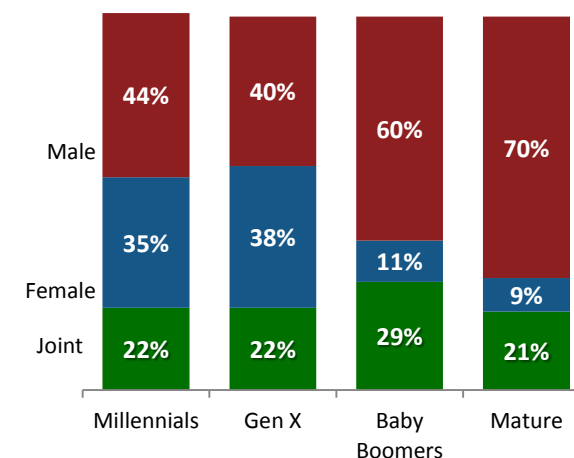
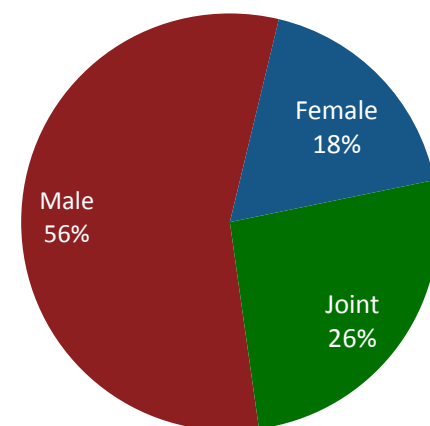
## PERSON IN HOUSEHOLD WHO IS THE DOMINANT HOUSEHOLD FINANCIAL DECISION-MAKER

AMONG THOSE MARRIED/IN A PARTNERSHIP



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

AMONG THOSE MARRIED/IN PARTNERSHIP

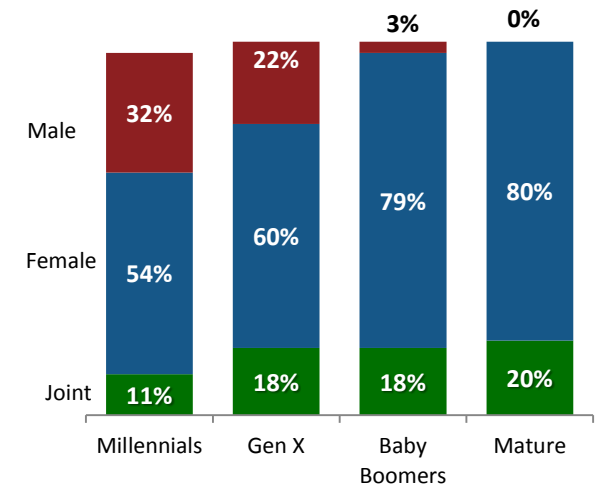
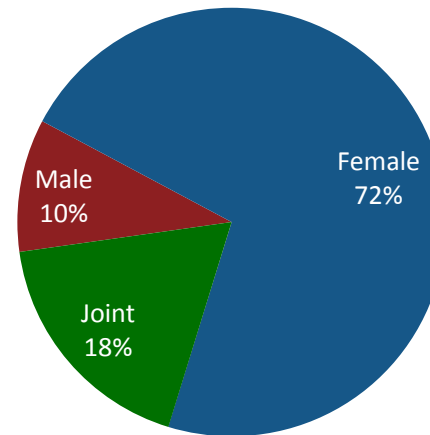


## MILLENNIAL MEN MORE THAN OTHER GENERATIONS ASSUME PRIMARY RESPONSIBILITY FOR CHILDREN

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

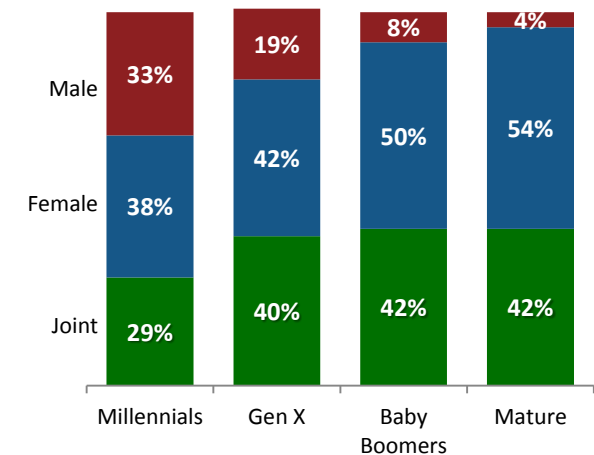
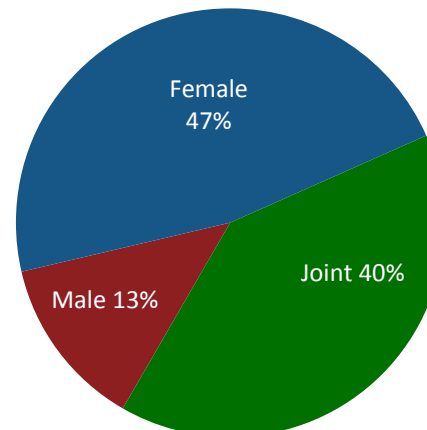
### PERSON IN HOUSEHOLD WHO IS PRIMARY CARETAKER TO CHILDREN

(AMONG THOSE MARRIED/IN A PARTNERSHIP AND PARENTS WHO SAY CIRCUMSTANCE APPLIES)



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

(AMONG THOSE MARRIED/IN PARTNERSHIP WHO SAY CIRCUMSTANCE APPLIES)



# U.S. TRUST

## BUILDING WEALTH BY BUILDING A BUSINESS

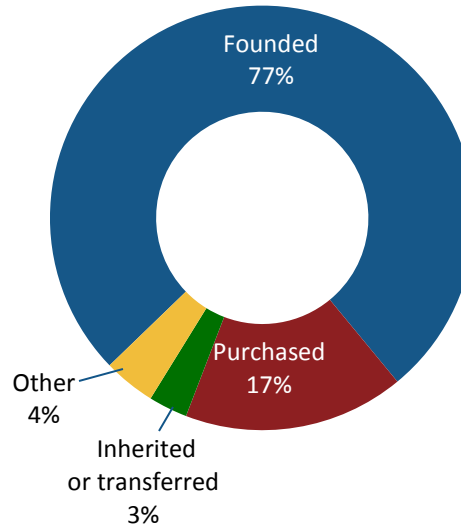
PORTRAITS OF WEALTH : BUSINESS OWNERS / ENTREPRENEURS

## MOST BUSINESS OWNERS FOUNDED THEIR COMPANIES

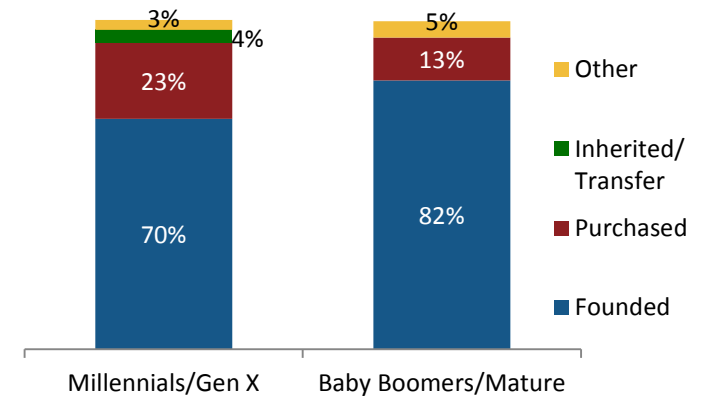
- The vast majority (95%) of business owners surveyed founded or acquired their business
- Very few – only 3 percent overall – inherited or were transferred ownership of a family business
- Nearly one-third previously owned at least one other company or were self-employed before owning their present business
- Of those who previously owned another company, nearly four in 10 have owned three or more companies prior to their present business
- On average, business owners surveyed were 39 years old when they founded their companies.

### HOW OWNERSHIP OF THE BUSINESS WAS GAINED

ALL BUSINESS OWNERS

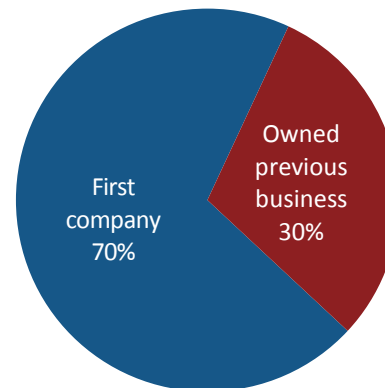


BY AGE OF OWNER

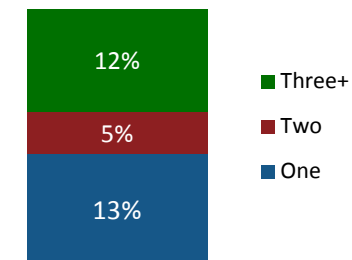


### % WHO PREVIOUSLY OWNED ANOTHER BUSINESS

ALL BUSINESS OWNERS



# OF PREVIOUSLY OWNED COMPANIES  
AMONG ALL BUSINESS OWNERS



Q53. How did you gain ownership of your company?

Q59. What type of work did you do before owning your current business?

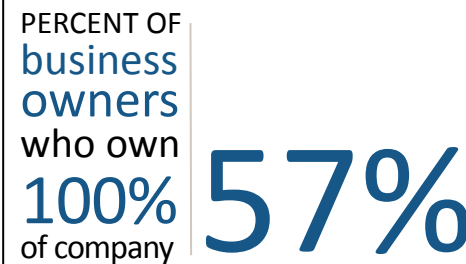
Q60. How many companies have you owned prior to your current business?

Q55. Approximately what year was the business established?

## NEARLY SIX IN 10 HAVE A 100% STAKE IN THEIR BUSINESS AND HAVE RELIED ON PERSONAL OR FAMILY MONEY FOR FINANCING

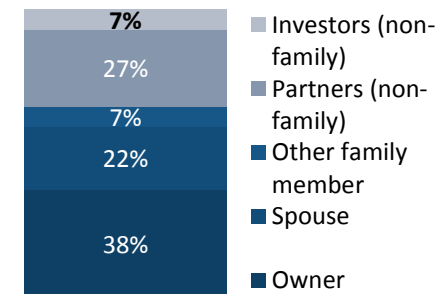
- Nearly six in 10 business owners (57%) own 100 percent of their business
- Among those who don't solely own their company, approximately 30 percent of ownership interest is shared, on average, with a spouse or other family member and about one-quarter is shared with a partner outside the family
- Business owners have relied mostly on personal or family savings for financing
- Many owners also seek outside funding from private investors or grants. Younger entrepreneurs are most likely to seek outside funding, such as private equity, venture capital and angel investments
- Crowdsourcing has emerged as a way younger entrepreneurs are raising capital online.
  - One in four (24%) Millennial and 8 percent of Gen X owners have used crowdsourcing, while no older entrepreneurs have

### SHARE OF BUSINESS OWNED ALL BUSINESS OWNERS

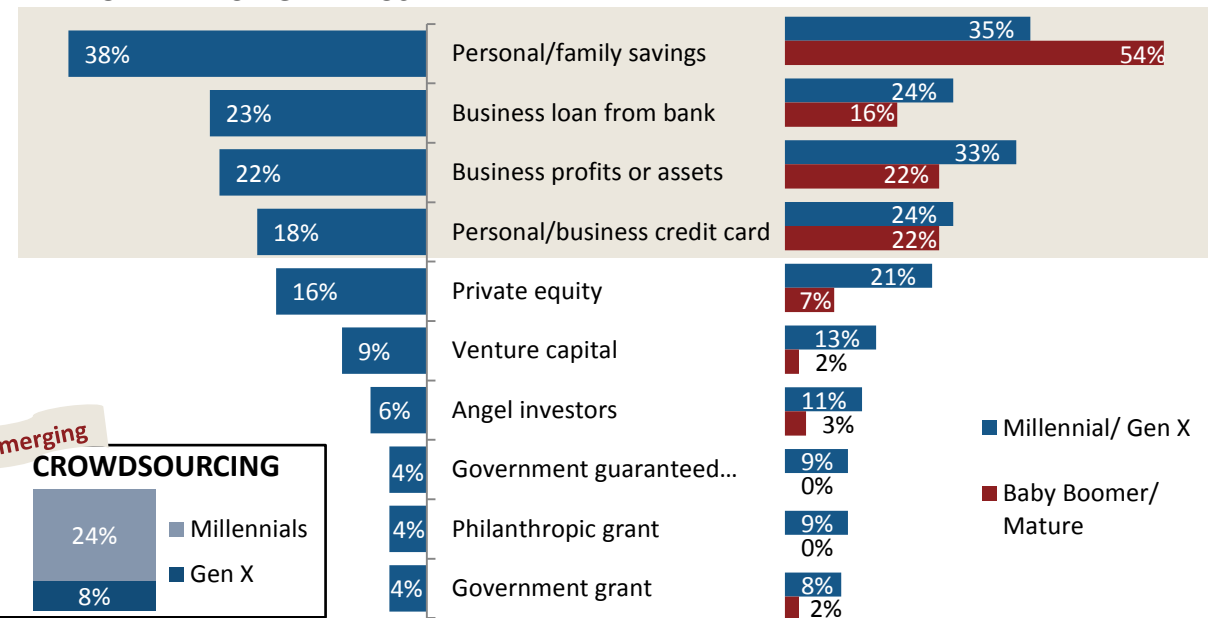


### AVG. SHARE OF OWNERSHIP INTERESTS BY SELF/OTHERS

AMONG THOSE NOT 100% OWNED

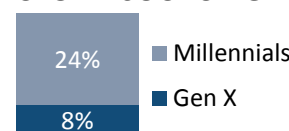


### TYPE OF FINANCING EVER USED



Emerging

### CROWDSOURCING



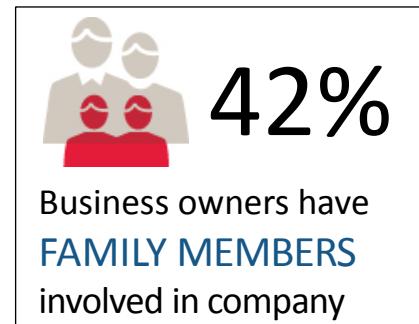
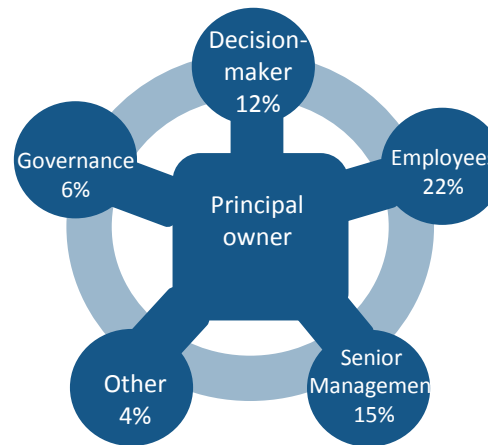
Q56. What percentage of your business is owned by each of the following?

Q68. Which of the following sources of capital have you ever used to finance your business?

- Four in 10 (42%) owners – including two-thirds (65%) of Millennials / Gen X owners -- have family members involved in their business, playing multiple roles as employees, influencers and decision-makers
- One in five (18%) overall has a family member who is a decision-maker or has a governance role
- Involvement of family – or any outside entity including partners and investors – can both complicate and be a benefit to business ownership
  - Six in 10 business owners agree that the involvement of family and other partners or investors is a competitive advantage
  - Three out of four (77%), however, also agree that the involvement of multiple stakeholders complicates decision-making, with 68 percent confirming that co-owners, investors and family members often disagree on important decisions
  - At least half of business owners feel compelled to employ family members or others even if they aren't right for the job

## ROLES OF FAMILY MEMBERS INVOLVED IN COMPANY

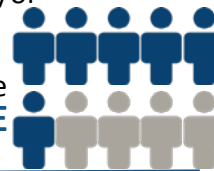
ALL BUSINESS OWNERS



## BUSINESS OWNERS WHO AGREE

"The involvement of family, co-owners and/or investors..."

Is a competitive **ADVANTAGE**  
**6 OUT OF 10**



**COMPLICATES**  
decision-making  
**3 OUT OF 4**



"I feel the involvement of family, co-owners and/or investors obligates me to employ people whether or not they are right for the job."

**52%**

"Family, co-owners and/or investors often disagree on important decisions about the business."

**68%**

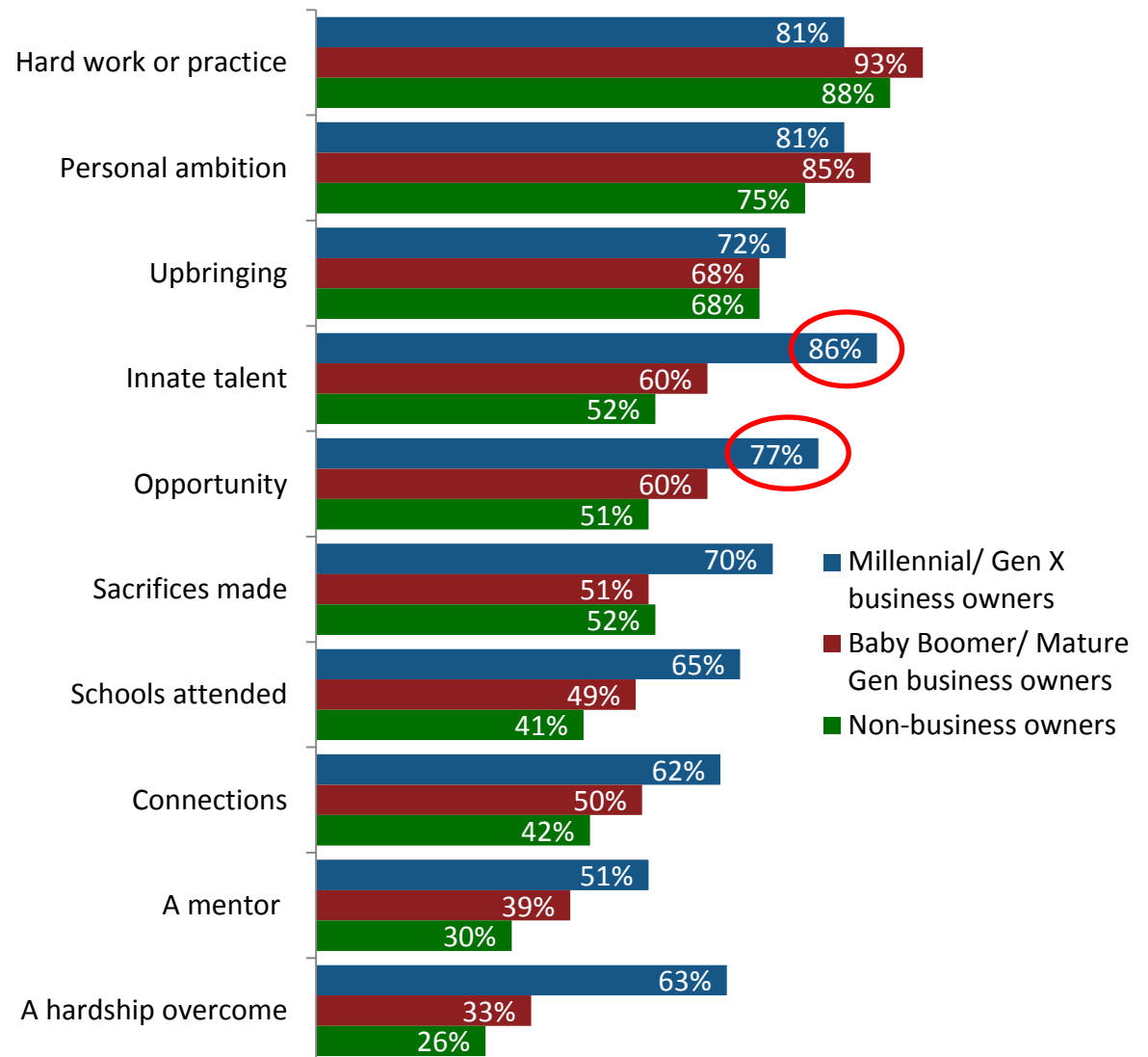
Q57. In which of the following ways are members of your family involved in your business?

Q58. To what extent do you agree or disagree with the following statements

## SEVEN IN 10 ATTRIBUTE SUCCESS TO FAMILY UPBRINGING; ENTREPRENEURS MORE LIKELY TO FEEL THEY HAVE INNATE TALENT

- Business owners, like non-business owners, attribute their success to a combination of:
  - Hard work
  - Ambition
  - Family upbringing
- However, many more business owners than non-business owners attribute their success to innate talents
- Young entrepreneurs – Millennials and Gen X business owners – especially feel they were born with talents (86%) that contributed to their success
- Young entrepreneurs are more likely than Baby Boomer and older business owners (and far more likely than non-business owners) to also credit:
  - Opportunities, for which they were in the right place at the right time
  - The schools they attended
  - The connections they've made or association with the right people
  - A mentor
  - Sacrifices they've made
  - Overcoming a hardship

**% WHO CONSIDER EACH OF THE FOLLOWING VERY INFLUENTIAL IN THEIR SUCCESS**  
BUSINESS OWNERS BY AGE VERSUS NON-BUSINESS OWNERS



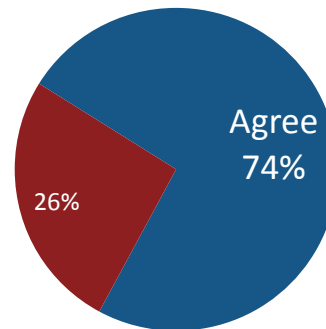
## DESPITE HARD WORK, MOST WOULDN'T TRADE BUSINESS OWNERSHIP

- Owning a business takes a certain type of person. And for those types, starting and building a business is in their DNA. But it's not for everyone
- Three quarters (74%) of business owners agree it's harder to own a business than to work for someone else
- More than eight in 10 agree that it's possible to become wealthier as a business owner than by working for someone else (though few go into it primarily for the money)
- Given the choice in an ideal world:
  - Nearly eight in 10 (79%) business owners would prefer to own their own business
  - Only about one-quarter of people who don't own a business would choose to

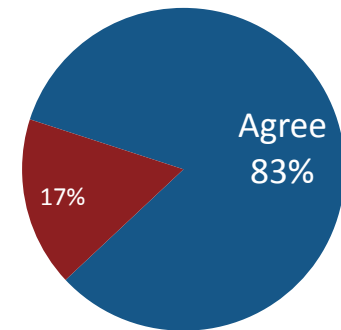
### PERCEPTIONS OF BUSINESS OWNERSHIP

ALL BUSINESS OWNERS

Owning a business is harder than working for someone else

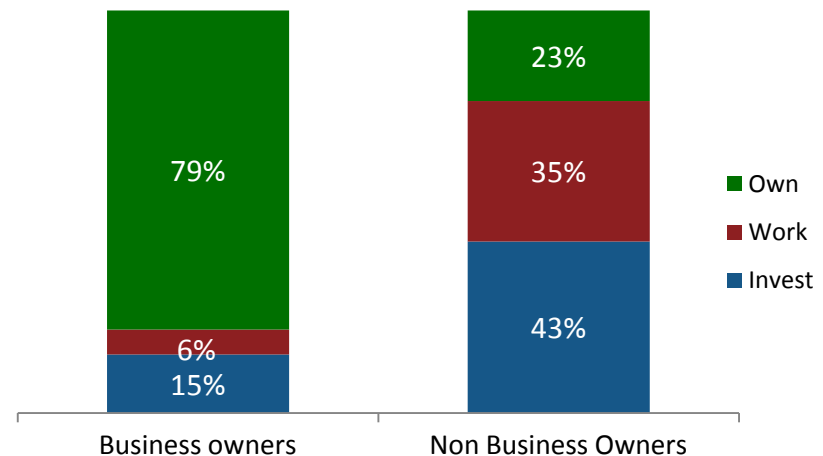


People who own their own business become wealthier than people who work for someone else



### % WHO WOULD PREFER TO OWN A BUSINESS

BUSINESS OWNERS VERSUS NON-BUSINESS OWNERS



Q77. To what extent do you agree or disagree with the following statements?

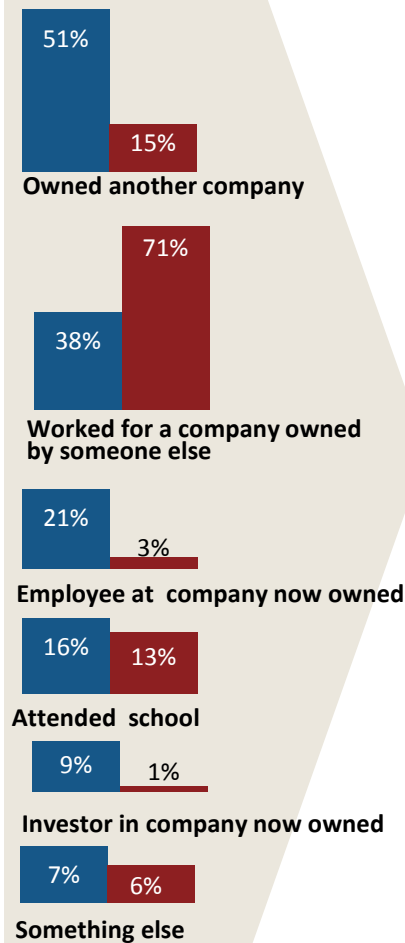
Q78. In an ideal world, which of the following would you prefer for yourself?



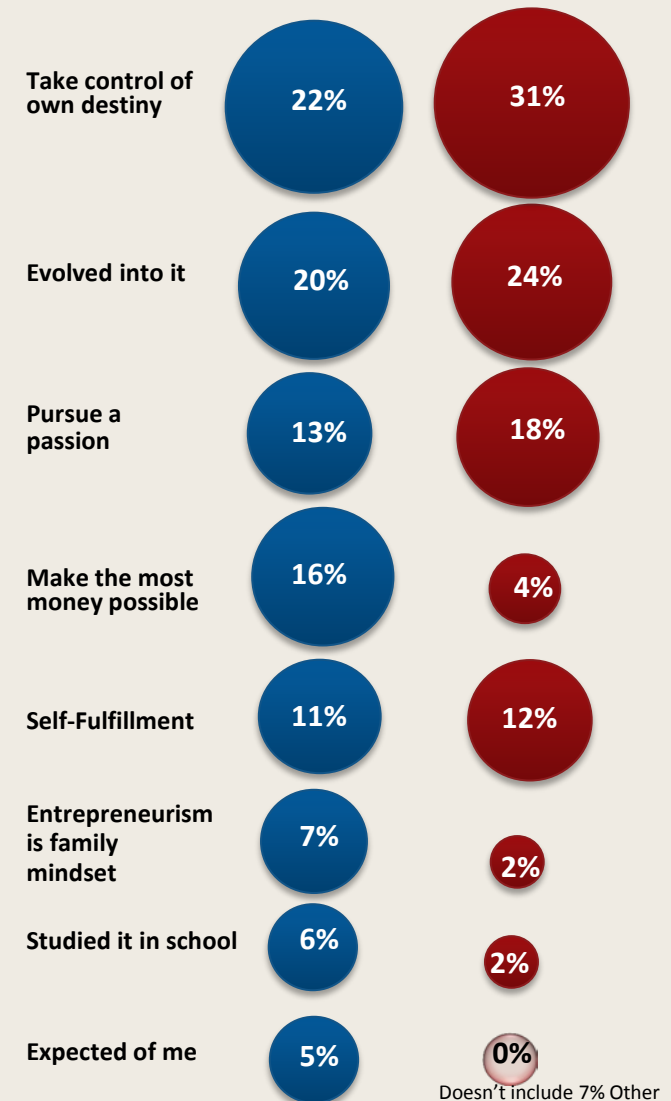
## MULTIPLE PATHS TO BUSINESS OWNERSHIP; SIMILAR MOTIVATION

- Many business owners know they want to start their own company. Others evolve into it.
- Young entrepreneurs – Millennials and Gen X owners – are more apt to start their careers with entrepreneurial plans in mind
  - 16 percent came right from school into business ownership
  - Only 38 percent worked for someone else
  - Half have owned at least one other company or were self-employed before starting their current business
- Conversely, seven in 10 Baby Boomer and Mature business owners worked for someone else before becoming an owner
- Regardless of the path that led them there, the top reasons for starting or owning a business are similar:
  - To take control of their own destiny
  - Evolved into it
  - To pursue a passion
- Few overall were drawn to business ownership primarily for the money, though younger entrepreneurs are more likely to be motivated by the potential to build their own wealth

### PREVIOUS WORK PRIOR TO CURRENT BUSINESS MILLENNIAL/GEN X OWNERS VS BABY BOOMER/MATURE OWNERS



### REASONS FOR STARTING/OWNING A BUSINESS

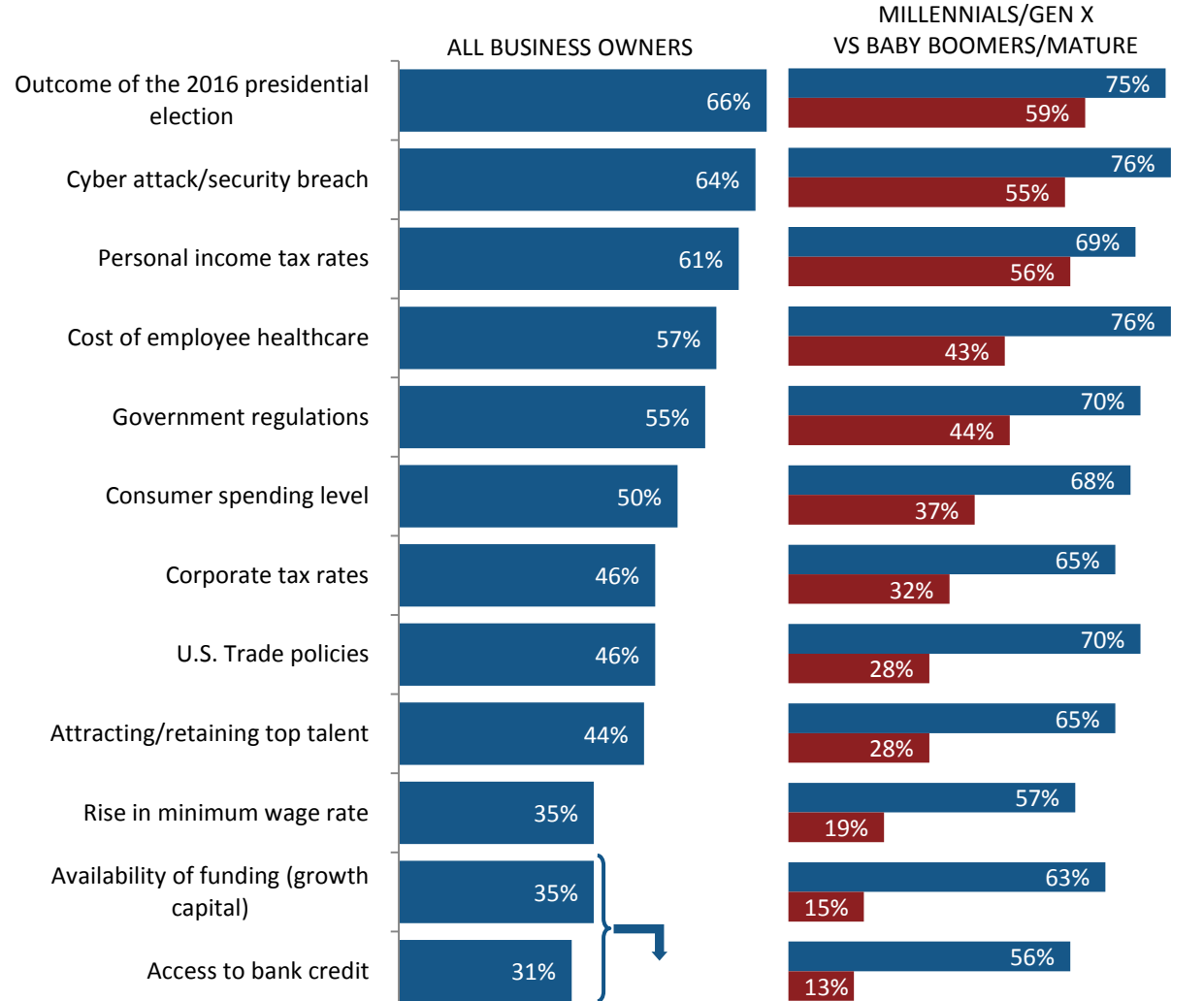


Q59. What type of work did you do before owning your current business

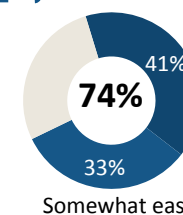
Q61. Which of the following describes your primary motivation for starting/owning your own business?

- The top concerns keeping business owners up at night are the outcome of the Presidential election and risk of a cyber security breach, both of which could have significant implications for their business
- Personal income tax rates and the cost of employee healthcare also are high on their list of concerns
- Younger business owners are generally more concerned about almost everything affecting their businesses, and particularly about government regulations and policies
- Only 35 percent of business owners are concerned about a rise in the minimum wage rate. In fact, 52 percent overall say they are “not at all concerned” about how a higher minimum wage would affect their business
- Business owners are least of all worried about access to capital and bank credit
  - 74 percent of all business owners, including 82 percent of Millennials and Gen X owners, say it has been at least somewhat easy to obtain capital

## % WHO ARE VERY OR SOMEWHAT CONCERNED



**3 OUT OF 4 SAY**  
**ACCESSING CAPITAL**  
**has been easy**



Very easy

Somewhat easy

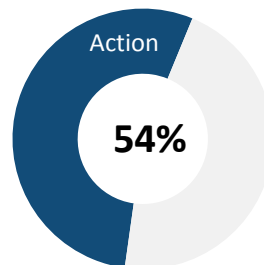
Q52. How concerned are you about the following for your business?  
Q69. How easy or not easy has it been for you to access capital to finance your business?

## HALF OF OWNERS ANTICIPATE UPCOMING BUSINESS ACTIONS

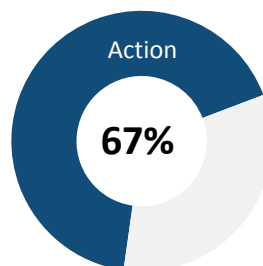
- More than half (54%) of business owners expect to take some significant business action within the next three years, including a sale, merger or acquisition, divestiture or capital raise in either the public markets or from private investors or bank
- Two-thirds (67%) of young entrepreneurs and 45 percent of older owners have at least one of these actions on their radar
- Younger owners are more likely to be planning for a sale, merger or capital raise
- One in three Baby Boomer and older business owners plans to retire and close their business within the next three years
- The majority (55%) of Baby Boomer and older business owners are maintaining their current course with none of these additional business actions planned in the near term

### % TAKING BUSINESS ACTIONS WITHIN NEXT THREE YEARS

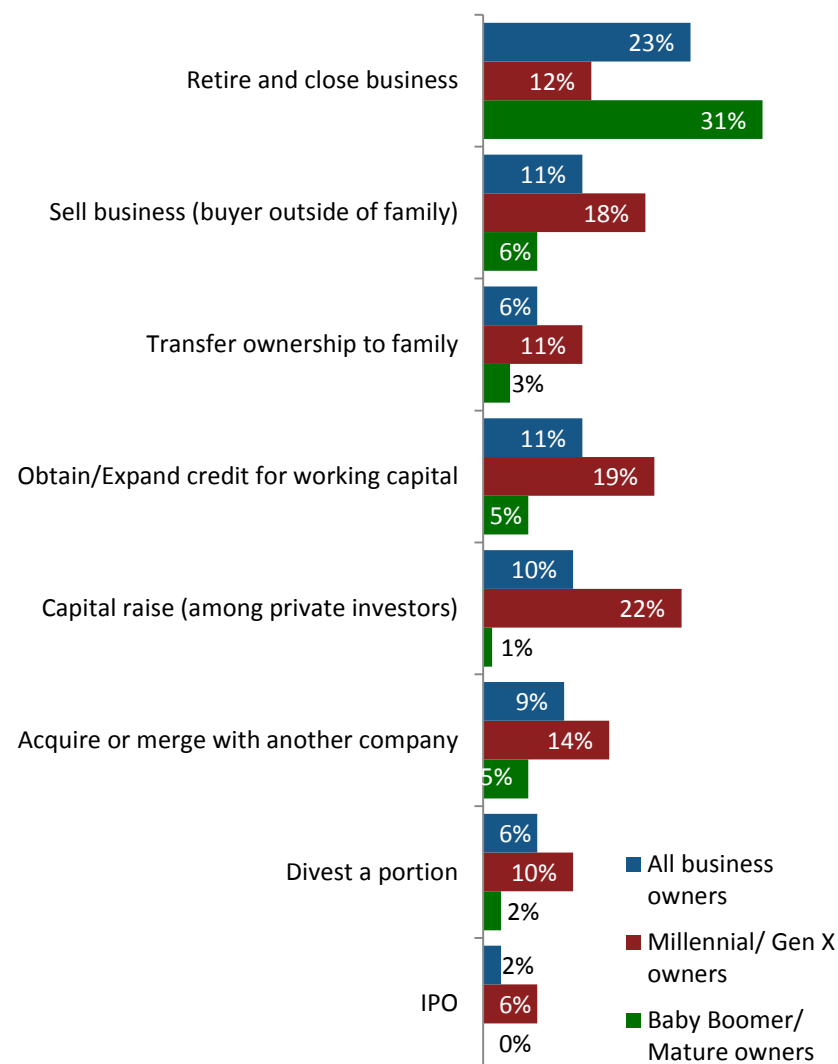
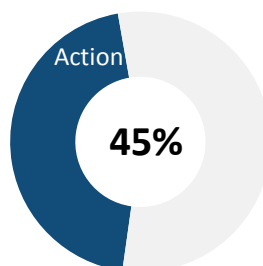
ALL BUSINESS OWNERS



MILLENNIAL/GEN X BUSINESS OWNERS



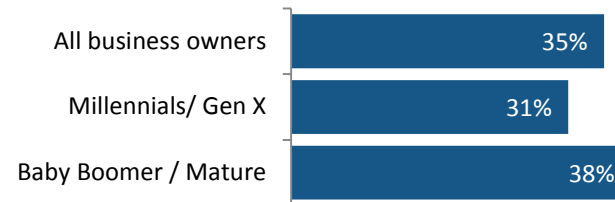
BABY BOOMER/MATURE BUSINESS OWNERS



# ONE-THIRD PLANNING AN EXIT; NEARLY TWO-THIRDS HAVEN'T DEVELOPED A FORMAL EXIT STRATEGY

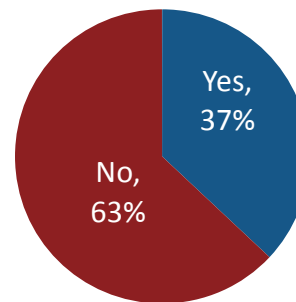
- More than one-third (35%) of all business owners, including one in three Millennials / Gen X owners and nearly four in 10 Baby Boomers or Mature owners expect to exit their business within three years, by either selling it, transferring ownership to other family members or closing it and retiring
- As many as 63 percent overall haven't developed a formal, proactive exit strategy, including 71 percent of Baby Boomer and Mature business owners
- Young entrepreneurs, particularly Millennials, are most likely to have an exit strategy in place, part of proactive planning for their business interests and the next stage of their life and career
- Top reasons for not developing an exit strategy, particularly among older owners, reflect long-held perceptions that exit planning is synonymous with "quitting" or "retiring" or even end of life. Many avoid, put off or put plans for their business assets and succession into a will or estate plan

## % OF BUSINESS OWNERS PLANNING AN EXIT WITHIN THREE YEARS



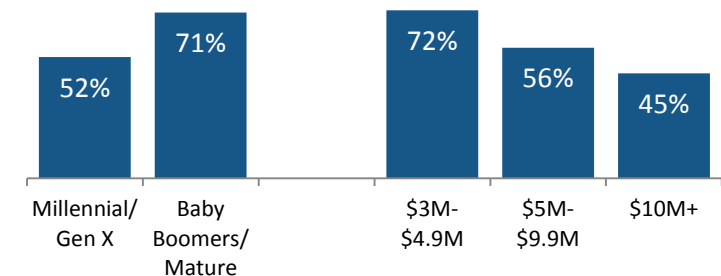
## % WHO HAVE/ DON'T HAVE A FORMAL EXIT STRATEGY

ALL BUSINESS OWNERS



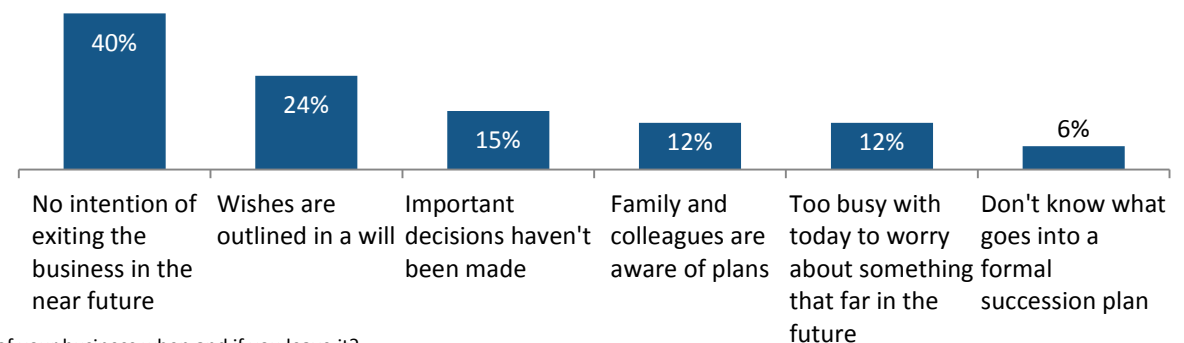
## % WHO DON'T HAVE AN EXIT STRATEGY

BY AGE AND BY ASSET LEVEL



## REASONS FOR NOT HAVING AN EXIT STRATEGY

ALL BUSINESS OWNERS



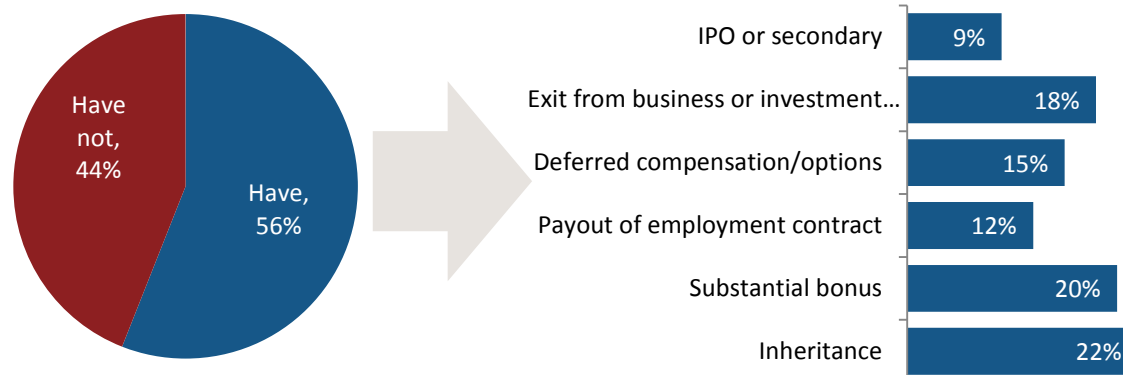
Q62. Do you have a formal succession plan for the transfer of ownership and leadership of your business when and if you leave it?

Q63. Why haven't you established a business succession plan?

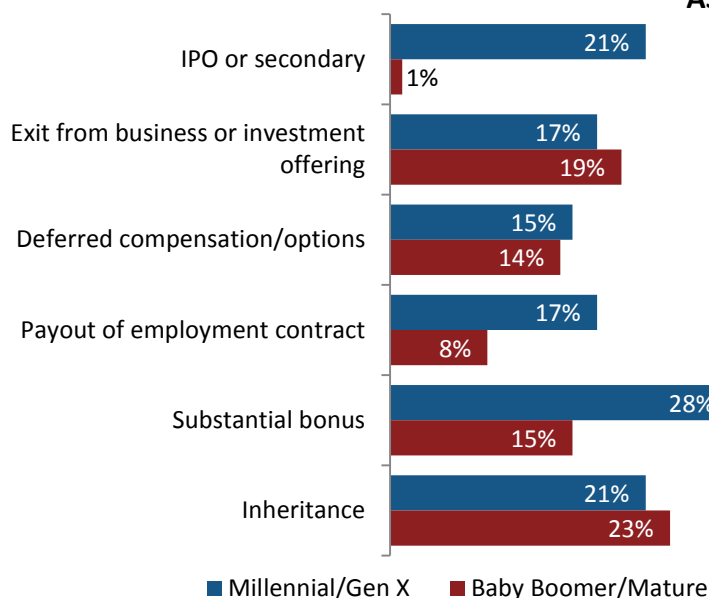
## LIQUIDITY EVENTS ARE COMMON; MANAGING LIQUIDITY IS ISN'T

- More than half of all business owners have or expect to experience a significant liquidity event ranging from the proceeds of a sale or payout of special compensation arrangements
  - 69 percent of younger entrepreneurs and 47 percent of older business owners, have or expect a significant liquidity event within three years
  - Nearly one-quarter (22%) expect to receive an inheritance
- For owners whose business represents the majority of their financial assets, a sudden influx of liquidity can have significant implications for taxes, estate planning and even the risk of concentrated investment risk if not carefully and proactively planned
- Only 44 percent of business owners have discussed the management of liquidity events with a professional advisor. Another 21 percent either want to have this discussion with an advisor or want further discussions about it

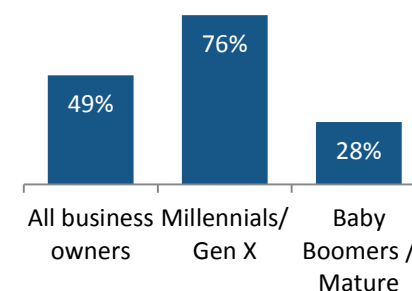
### % WHO HAVE OR EXPECT ANY OF THESE LIQUIDITY EVENTS WITHIN THREE YEARS BUSINESS OWNERS



### LIQUIDITY EVENTS BY AGE



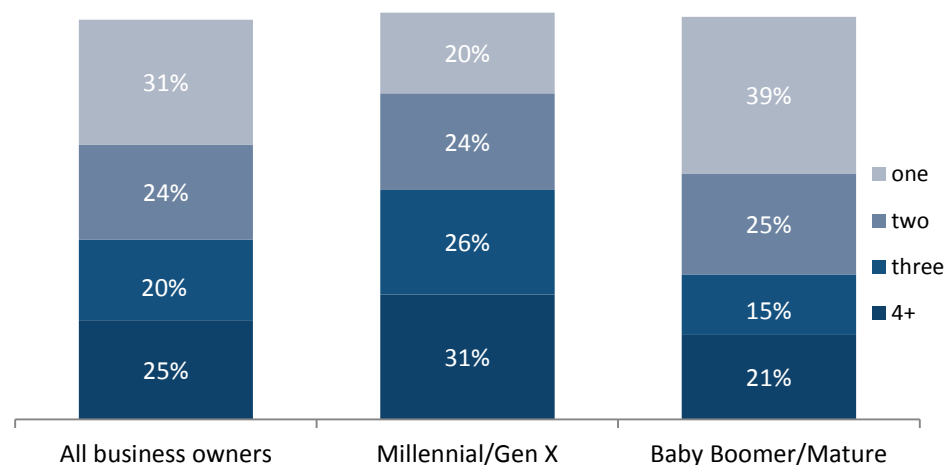
### % WHOSE MAJORITY OF FINANCIAL ASSETS ARE TIED TO THE BUSINESS



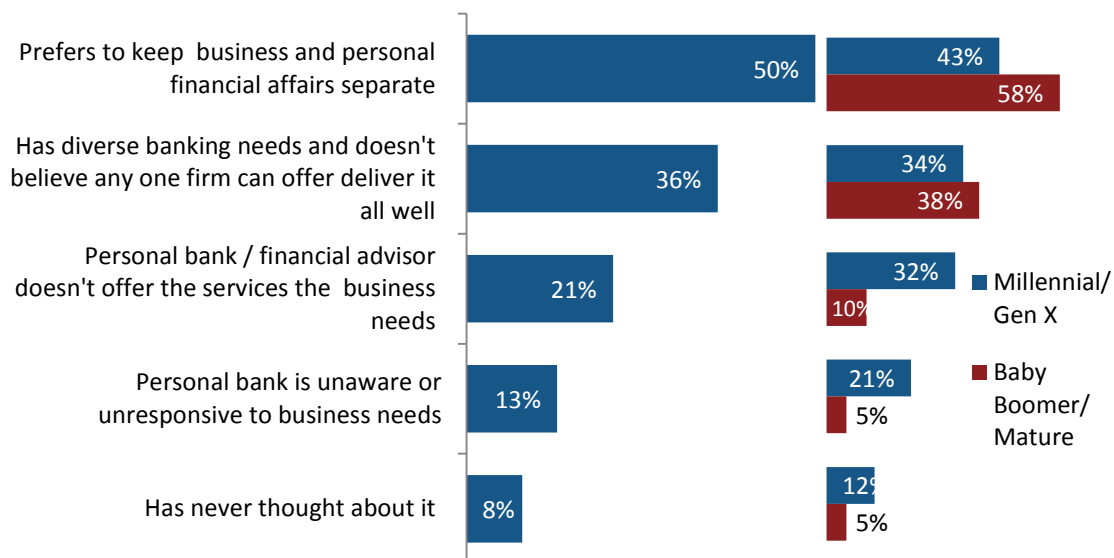
# LACK OF INTEGRATION BETWEEN PERSONAL AND PROFESSIONAL FINANCIAL MANAGEMENT

- Nearly seven in 10 business owners (69 percent) use different financial firms to manage their personal and business finance affairs
- The main reasons for using multiple firms are:
  - Half *prefer* to keep their business and personal affairs separate
  - Many have a perception that no one financial firm can deliver the range of services to meet their diverse needs well
  - Personal advisor or bank doesn't offer or is unresponsive to business services needed

## NUMBER OF FINANCIAL FIRMS USED



## REASONS FOR USING MULTIPLE FIRMS



Q73. How many different financial firms do you use to meet your business and personal banking needs?

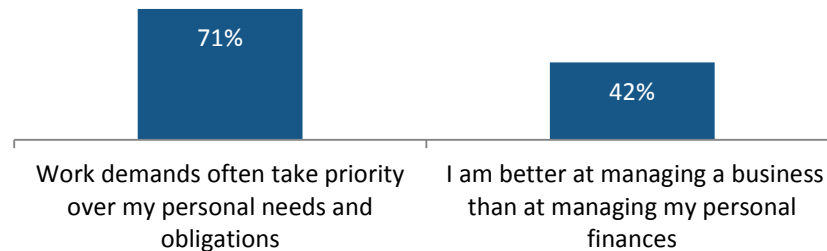
Q74. Why don't you use one financial firm to manage both your business banking and personal banking needs?

## BUSINESS OWNERS' PERSONAL AND FINANCIAL LIVES ARE INTERTWINED AND COMPLEX; MANY SEE NEED FOR GREATER INTEGRATION

- Seven in 10 business owners agree that work often takes priority over their personal needs and obligations. For many owners, there is no clear, bright line separating their personal and business financial lives
- About four in 10 (42%) admit they are better at managing their business than their personal finances
- Many important conversations aren't taking place
  - Only 44 percent of business owners discuss the management of liquidity events with a professional advisor
  - Only one in five has discussed proactive planning for an exit
  - Only 37 percent are discussing how to strategically use credit or philanthropic strategies
- Despite using multiple financial firms, six in 10 business owners say they consider it important that a financial advisory firm can serve both their personal wealth and business banking needs

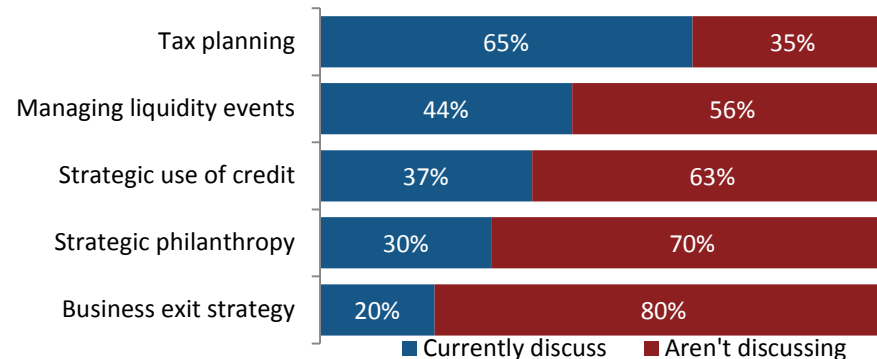
### % WHO AGREE

ALL BUSINESS OWNERS



### % OF OWNERS WHO ARE / AREN'T DISCUSSING TOPICS WITH AN ADVISOR

ALL BUSINESS OWNERS



### BUSINESS OWNERS WHO CONSIDER IT IMPORTANT FOR

Financial advisory firms  
to serve both

**PERSONAL WEALTH AND  
BUSINESS BANKING NEEDS**

SIX  in 10

Q77. To what extent do you agree or disagree with the following statements?

Q82. How important are each of the following to you with regard to financial advisory firms?

Q86. Which of the following topics do you currently discuss with your primary financial advisor, and which topics would you like to discuss (or discuss more

# U.S. TRUST

## APPENDIX

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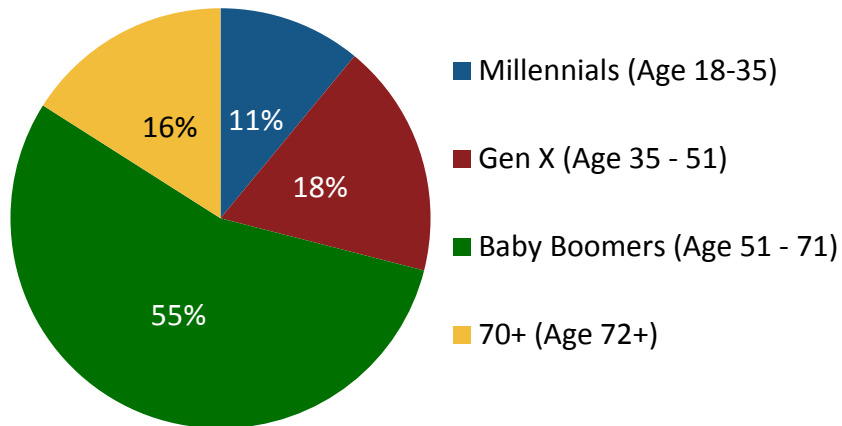
Respondent profiles



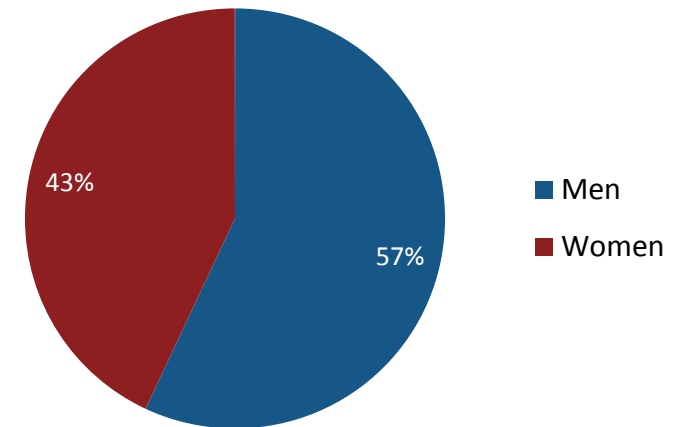
## PROFILE OF RESPONDENTS

684 HNW ADULTS WITH AT LEAST \$3 MILLION IN HOUSEHOLD INVESTABLE ASSETS

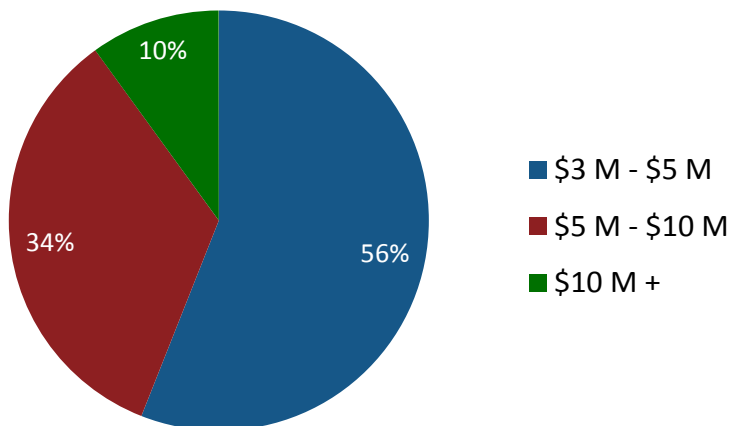
### AGE



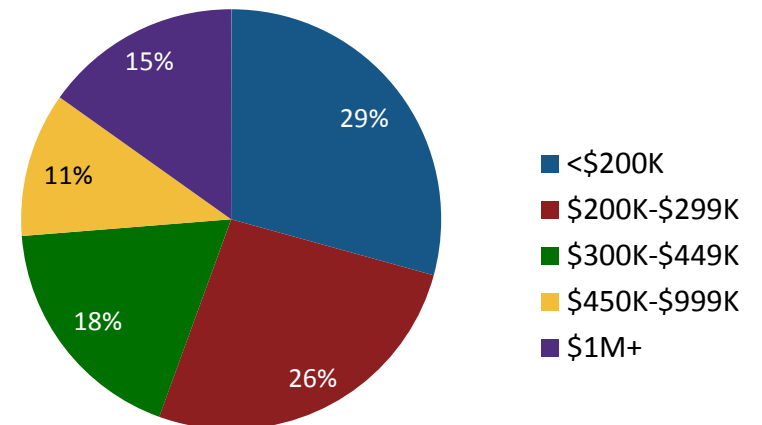
### GENDER



### HOUSEHOLD INVESTABLE ASSETS

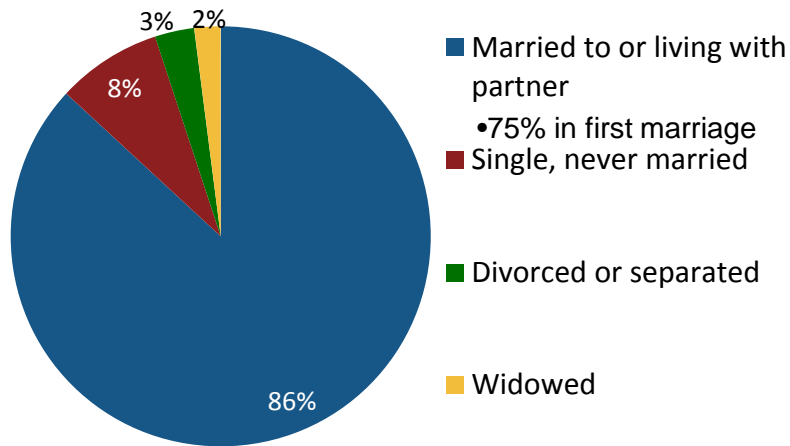


### HOUSEHOLD INCOME

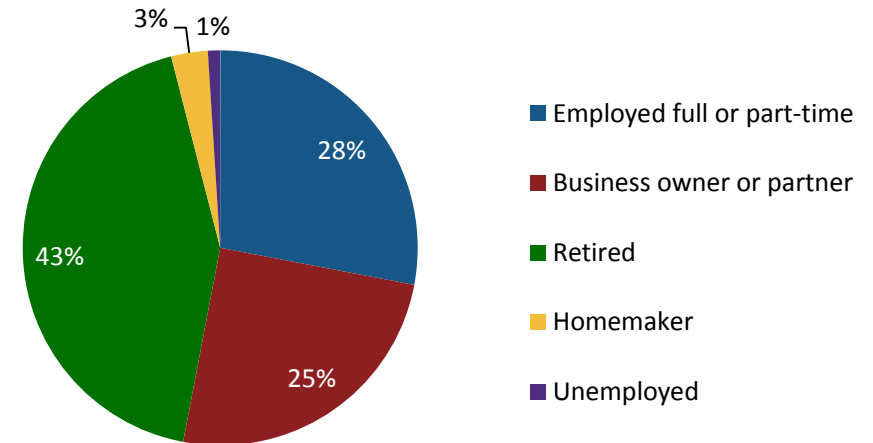


## PROFILE OF RESPONDENTS

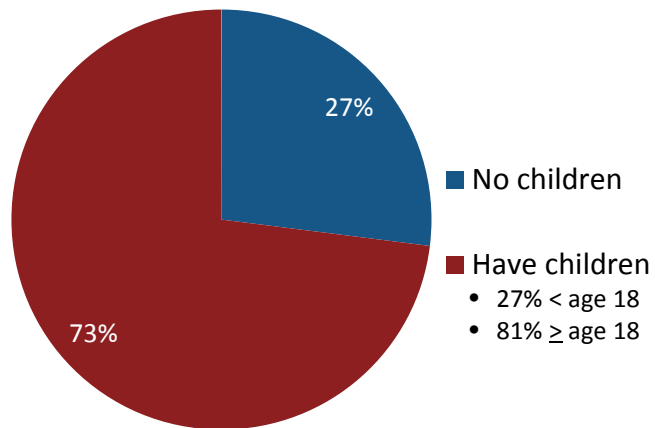
### RELATIONSHIP STATUS



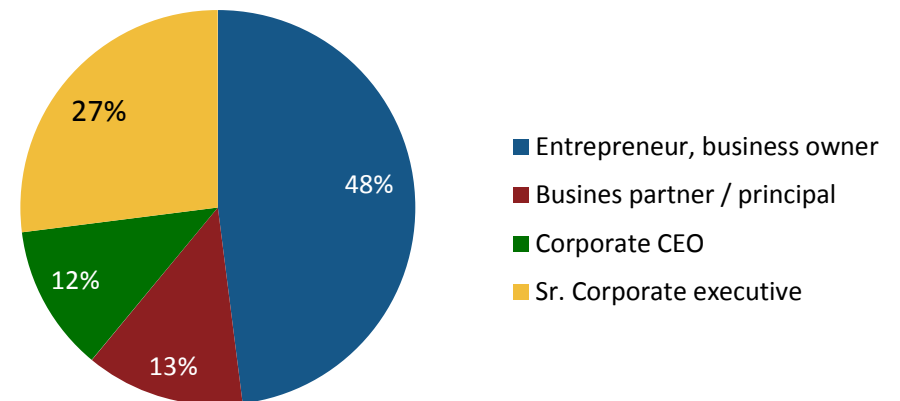
### EMPLOYMENT STATUS



### PARENTAL STATUS



### PROFESSIONAL STATUS (among business owners and senior executives)



The 2016 *U.S. Trust Insights on Wealth and Worth*® survey is based on a nationwide survey of 684 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. Of those, 60% have greater than \$5 million, 40% have greater than \$10 million and 20% have greater than \$25 million.

U.S. Trust commissioned the independent research firm Phoenix Marketing International to conduct the survey and compile findings. The double-blind survey was administered online over a six-week period, beginning in January and completed in February 2016. Quotas were established by age, investable asset size and for business owners to ensure sufficient representation of groups of interest. The final sample was weighted to the true representation of HNW households by age, asset level and business ownership and are not representative of U.S. Trust clients.

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.

U.S. Trust operates through Bank of America, N.A., and other subsidiaries of Bank of America Corporation. Bank of America, N.A., Member FDIC.

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