Affluent-Dynamics® Investor Survey Q4-2004

Executive Summary

Online Research Conducted With Affluent-Dynamics Panel Members Who Have Investable Assets Of $1 Million Or More

By **Affluent-Dynamics®, LLC**.

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Marketing Research Objectives

To determine key concerns among affluent investors and the implications those concerns have on their investment behavior and confidence in their financial advisors.

Specific issues addressed include...

- Identify key geopolitical and economic concerns.
- Determine who investors rely on most for investment advice and how their concerns about the current investment environment affect their confidence in these advisors.
- Given today's concerns, what are the implications on investment strategies going forward?
- Determine the key online information sources for financial and investment information that these investors use.

Methodology

An online survey was conducted by Affluent-Dynamics with 201 members of the Affluent-Dynamics Panel who have $1 million or more in investable assets (excluding their primary residence).

The survey was conducted over two days: September 30 and October 1, 2004.

Affluent-Dynamics Overview

✧ Affluent-Dynamics is a global marketing research and intelligence company that provides companies with practical insights and strategies to grow their businesses.

Affluent-Dynamics has created the first dedicated Internet Panel of over 4,000 affluent individuals, including the top 1% of U.S. Households.

- Panel Members participate in occasional online surveys and qualitative research for major financial institutions, luxury goods manufacturers and other companies that market products and services to the affluent.

- Affluent-Dynamics has created the Panel through a number of strategic relationships it has with several organizations that serve the affluent.

✧For more information, please visit http://www.affluent-dynamics.com

Summary Conclusions

Conclusions

Key Concerns and Observations about The U.S. Economy

- Overall, the most pressing concerns for this group of affluent individuals are the broader geopolitical forces that could potentially impact the U.S. economy. In particular they are concerned about…
  - The growing U.S. budget deficit (59%), the rising cost of healthcare (59%), and rising oil prices (59%) as well as terrorism (56%) and the upcoming elections (51%).
- In terms of their confidence in the sustainability of the U.S. Economy, only one-third of these affluent individuals are very confident; most (51%) are moderately confident. Less than 20% are not confident.
- Interestingly, regardless of the outcome of the presidential election, this group does not expect a significant difference in the impact on the U.S. economy in either the short or long-term.

Conclusions 2:

How Affluent Investors Assess their Investment Performance

- In spite of their concerns with the geopolitical and economic environment, this group of affluent individuals maintains a somewhat bullish outlook on the long-term growth potential of their investments.

    - On average, this group expects an annual rate of return of 7.3% over the next 12 months and a robust 9.4% over the next five years.

- As a group, these affluent individuals rely heavily on their own financial knowledge and expertise to manage their wealth.

    - Although they use a variety of financial advisors to assist them, 51% consider themselves their "Primary Financial Advisor". After themselves, their primary advisors tend to be full service brokerage firms and independent financial advisors.
    - Overall, this group considers its investment returns (excluding real estate) have been better than the market as a whole since 2000 even though returns may not have been as high as their own personal goals.
    - In terms of real estate, their average returns have beaten the market overall as well as their own financial goals.

Conclusions 3:

Investment Strategies going Forward

- In spite of their indicated willingness to take greater risk in order to realize higher investment returns, this groups' preferred investment strategies tend to be more conservative. They are interested in investing in companies…
    - With higher than average dividends (66%).
    - Which have steady income in good and bad economies, such as the food industry (59%).
    - Or which may benefit from rising interest rates such banks and financial services firms (55%).
    - They are also interested in technology firms (55%)
- In terms of what changes they plan to make in their investment accounts over the next 12 months, most (51%) plan to increase their assets.

Conclusions 4

Assessment of Primary Financial Advisor

- In spite of giving relatively high ratings to their financial advisors in terms of accessibility and attentiveness, a relatively high number (60%) of these affluent investors would consider offerings from other advisors.

Perspective on Estate Planning

- Given that 60% of these investors already have an estate plan and 29% are considering developing one, there may be opportunity for financial advisors to focus on this area.

- However, when asked directly whether they would like their financial advisor involved in <u>all</u> stages of the estate planning process, only 23% said they would. The vast majority (77%) said they would only want their financial advisor involved in the planning stages, not the legal aspects of establishing an estate plan.

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