

2016 U.S. TRUST INSIGHTS ON WEALTH AND WORTH®

Annual survey of high-net-worth and ultra-high-net-worth Americans



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INTRODUCTION

U.S. Trust Insights on Wealth and Worth[®] is one of the most in-depth studies of its kind, exploring the attitudes, behaviors, 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 perspectives of wealthy individuals and families for over 20 years.

In its sixth generation, this year's survey looks at common traits shared by wealthy Americans around upbringing, outlook and financial approaches to provide a portrait of the wealthy today. Strong family values emerge as important foundations in achieving success. Generational, gender and asset levels reveal unexpected trends and new approaches to building and sustaining wealth. Business ownership — and entrepreneurial sentiments — is a central element in this modern profile of wealth, as growing successful businesses are an increasingly important driver of both personal wealth and economic momentum. Finally, the commitment to giving back is strong, and the wealthy today contribute to a wide array of causes in many ways.

From giving back and working hard, to saving well and investing wisely, the wealthy in America today are driven by a contemporary set of principles and compose a new picture of wealth in America.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Please see end for additional important disclosure information.

OVERVIEW

The picture of today's wealthy reflects an increasingly diverse group of men and women spanning a spectrum of ages and backgrounds. With only one in ten coming to money by inheritance, this modern portrait reveals a majority of wealth has been built through hard work, ambition and discipline. Long-term marriage is also common, with three in four married and never divorced; in addition, the wealthy are more likely to be married to partners who agree on important financial principles (97%).

Building their wealth over time, the majority of affluent Americans have pursued disciplined investment strategies, while still exploring more sophisticated alternatives, such as art, private equity and venture capital. And those who work with financial advisors are even more likely to use a range of sophisticated and alternative financial strategies than those who don't — enabling greater financial growth and preservation. Often driven by a desire to be agile in pursuing opportunistic investments, wealthy investors are also more likely to hold large cash positions — more than half of high-net-worth portfolios are over 10% liquid.

Millennials, establishing the blueprint for the future of wealth, exhibit unique behaviors and values when it comes to money. The next generation is powering their optimism with alternative investment types, including asset classes that support positive social and environmental impact as well as tangible assets, such as commercial real estate, farm and timberland.

Giving back is a shared priority across the wealthy. From fulfilling a family tradition of philanthropy to investing in companies that align with their values, many of America's wealthy are motivated to make a positive impact on their communities, the causes that matter to them, and the world at large.

Many of today's wealthy are business owners, and for them, entrepreneurship is more than a career — it's a calling. Motivated by a desire to take control of their destiny, it's no surprise that 7 in 10 owners are founders. But the complexity of building and sustaining personal net worth while focusing on the growth of a business leaves many owners with missed opportunities in integrating the management of professional and personal wealth.

A PROFILE OF SURVEY RESPONDENTS

There are 2,023,518 households in the U.S. with \$3 million or more, including 987,930 households with \$3 million to \$5 million, 716,611 households with \$5 million to \$10 million, and 318,978 households with more than \$10 million in assets.¹

For our 2016 *Insights on Wealth and Worth* survey, we surveyed 684 individuals with at least \$3 million in investable assets as follows:

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

These wealthy individuals represented four distinct generations:

- Millennials or Generation Y (age 18–34): 13%
- Generation X (age 35–51): 24%
- Baby Boomers (age 52–70): 42%
- Mature (71+): 21%

Men represented 64% of our sample and women 35%. Two hundred forty two were business owners and 109 were senior corporate executives.

¹ Cerulli Associates, Cerulli Lodestar — Retail Investor Subscription, 2014

HIGHLIGHTS

Portrait of wealth: modern attributes of success

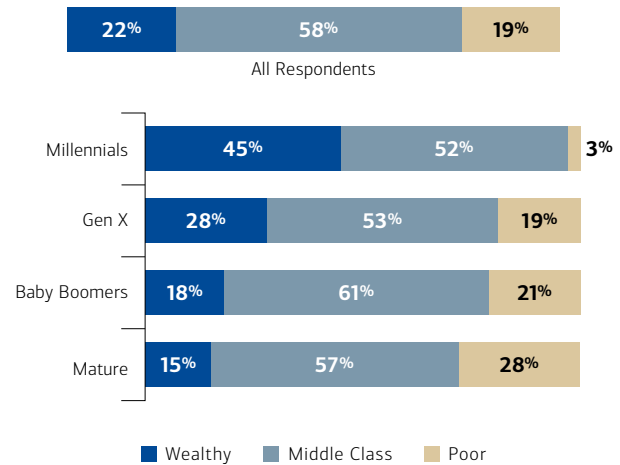
The demographic composition, financial strategies and personal priorities of today's wealthy are changing particularly as a rising generation of serial entrepreneurs pursues new business models and seeks active engagement in wealth management. Exploring dimensions including upbringing, personal principles, motivations for success and investment approaches, U.S. Trust reveals a new portrait of wealth, drawn from a fresh palette of perspectives and influences.

Wealth is not necessarily the starting point

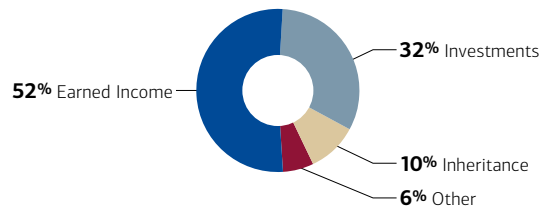
Overall, today's wealthy Americans come primarily from middle class backgrounds, although one in five grew up poor. However, Millennials contrast sharply with this profile, as nearly half (45%) come from wealthy families, offering this generation an accelerated start to wealth.

Contrary to common perceptions, 10% of wealth, on average, was inherited. Over half of wealth was earned through corporate careers or entrepreneurial success, revealing the importance of work over birth in the sources of wealth today. Parallel to the more affluent start many Millennials had, they are also twice as likely to have inherited their wealth than the broader audience.

Socio-economic status growing up



How wealth was accumulated



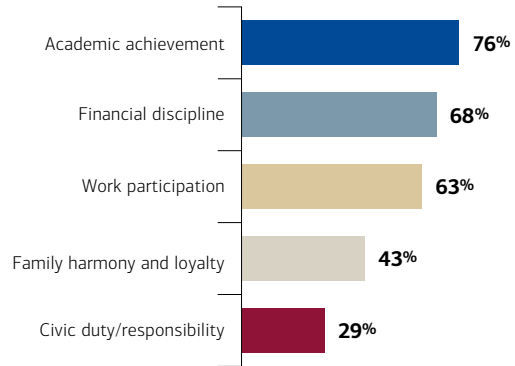
Parents plant seeds for success

Many of the wealthy grew up in strict but supportive households. Eight in ten describe their parents as firm disciplinarians who also encouraged individual interests and talents. Nearly two-thirds say their parents were tolerant of their mistakes and failures. The three most important values stressed in these families were academics (79%), financial discipline (68%) and work participation (63%). In light of these principles, it's not surprising that habits of financial responsibility were adopted early in life — on average, the wealthy began saving money at 14, and by age 15 were earning money for work outside the home.

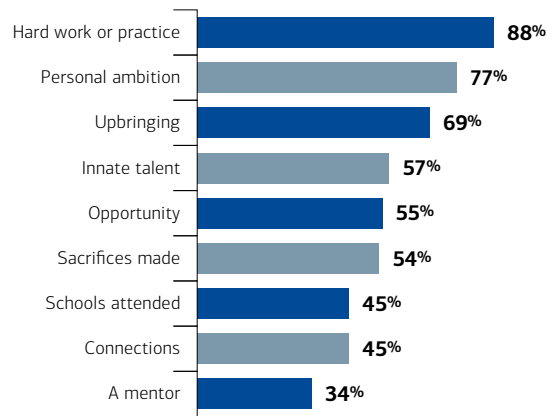
Shaped by a strong foundation in their formative years, today's wealthy are most likely to attribute their success to hard work (88%), personal ambition (77%) and their upbringing (69%).

The importance of hard work, discipline and achievement is consistent among the wealthy — across generations, gender and diverse backgrounds.

Family values emphasized while growing up



Top 10 attributes cited as important to success



Investing approaches: from discipline to innovation

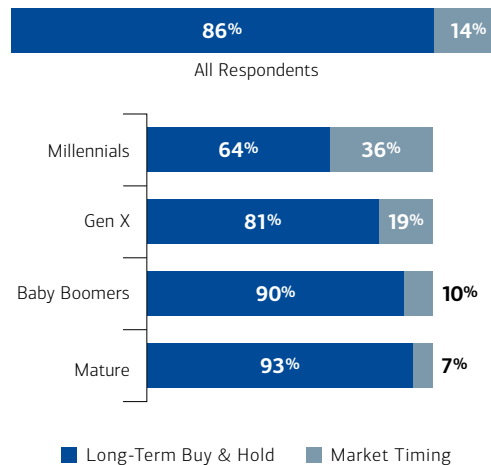
Disciplined investing has built wealth over time

When it comes to investing, the wealthy tend to focus on long-term goals and careful balancing of risk and growth. While broadly optimistic about the markets, high-net-worth investors are generally guided by a disciplined approach, learned early in life, that helps minimize abrupt reactions to rapidly shifting conditions.

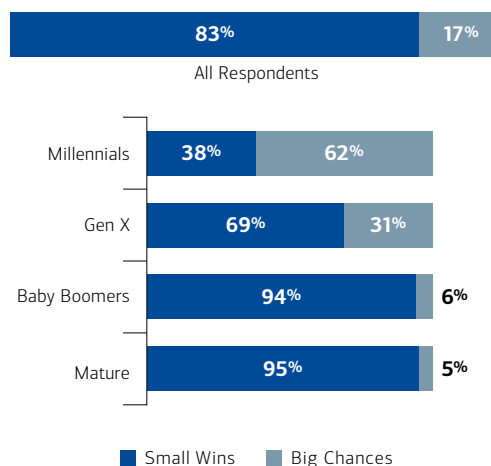
A majority of the wealthy — nearly 9 out of 10 — have achieved their most significant investment gains by applying “buy and hold” strategies over the long term, rather than trading in and out of investments based on timing the market. Younger investors are more likely to practice market timing, with more than a third of Millennials citing this as the source of their biggest investment gains to date.

Given the prevalence of a long-term view and moderate investment style, it’s not surprising that 83% of the wealthy say their largest investment gains have come from smaller wins over time rather than taking big risks. Again, however, in contrast with older demographics, Millennial and Gen X investors are more likely to have succeeded in taking big chances with their investments.

Buy and hold strategies dominate, although younger investors are more likely to apply market timing



Most focus on investing for small wins, but Millennials have profited by taking big chances



Large cash positions signal investment readiness

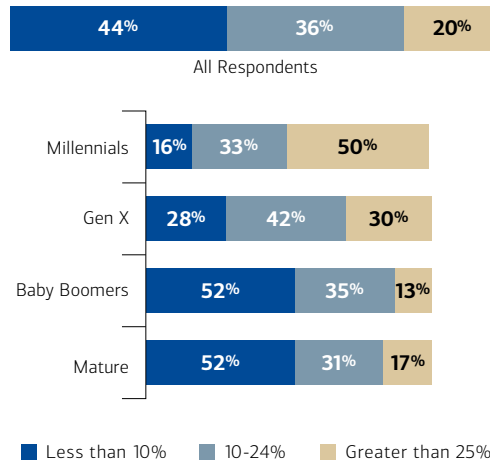
Nearly six in ten of the wealthy have more than 10% of their portfolios in cash.

On first impression, significant cash holdings might be interpreted as a sign of concern about the markets. However, the top reason respondents offered for holding cash in their portfolio was to enable fast action on an investment opportunity, such as buying in a down market or taking advantage of a rising trend.

Consistent with their more frequent use of market timing and big chance investment strategies, younger high-net-worth investors are most likely to be holding more cash. Half of Millennials and three in ten of Gen X respondents are holding 25 percent or more of their investments in cash.

The presence of significant cash positions is also related to the importance of liquidity. Two-thirds of the wealthy acknowledge a need for quick access to liquidity — whether it’s needed to fund a large purchase such as acquisition of fine art, or to make an opportunistic investment.

Percent of portfolio held in cash



Use of non-traditional assets is increasing

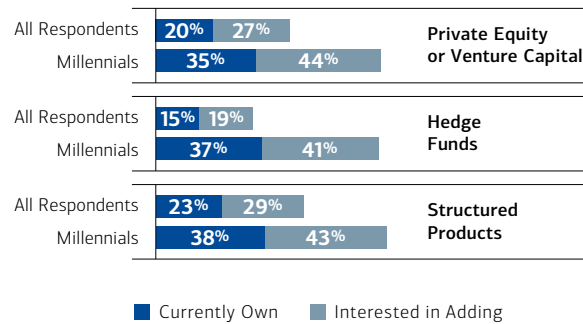
Although 89% of respondents say their biggest investment gains have come from traditional stocks and bonds, more sophisticated strategies are present in the portfolios of the wealthy. One in five own private equity or venture capital, and a similar proportion are invested in structured products, such as linked or convertible bonds and securities.

Younger investors, in particular Millennials, exhibit higher ownership and interest in these asset classes. Use of these non-traditional strategies is also higher among investors who have a professional financial advisor and those with more than \$10 million in assets.

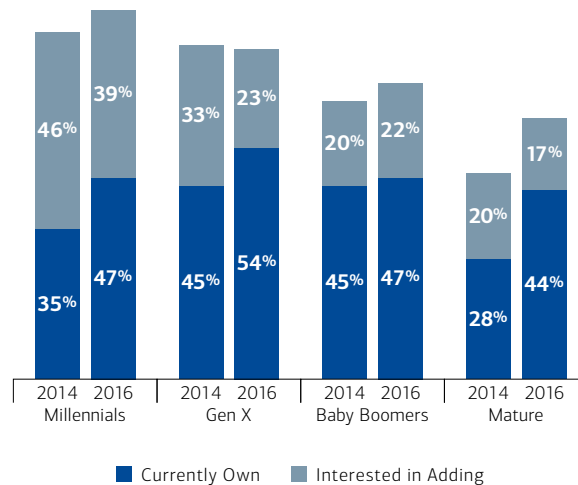
Use of tangible assets — such as investment in real estate, farmland and timber properties — is substantial and increasing. Nearly half of the wealthy (48%) currently own tangible assets, up from 41 percent in 2014. Market volatility, asset protection objectives and the lack of correlation with traditional investments are all driving interest. Also attractive is the asset category’s ability to provide favorable risk return profiles, current income, historic long-term growth and the opportunity to use property to create a family legacy.

Millennials are attracted by the opportunity to create a long-term, sustainable portfolio or play a part in offsetting the impact of global population growth, so it’s not surprising they show the highest interest in these assets. Ownership has also grown significantly among Mature investors, who benefit not only from the increasing value of tangible assets in legacy planning, but also from the income that is generated.

Millennials lead Alternative Assets interest and ownership



Tangible assets have greatest adoption at both ends of the age spectrum



Art as an alternative asset

One in five of the wealthy collect fine art, the majority of which (73%) are motivated by enjoyment of the aesthetic value.

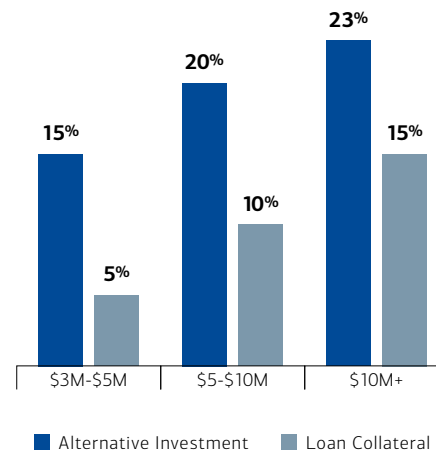
However, collectors are increasingly interested in looking at art as a capital asset. Ultra-high-net-worth investors are most likely to invest in art as a diversification strategy, and even use fine art as loan collateral.

Credit is a wealth-building strategy

Although many Americans might think of borrowing as a sign of financial need, nearly two-thirds of high-net-worth investors see credit as an important wealth-building strategy. Millennial, Gen X and the wealthiest investors are most likely to hold this view.

And the wealthy are confident in their knowledge of credit — nearly 8 in 10 say they know when and how to strategically use credit to their financial advantage.

How the wealthy are using Art as a capital asset



WHAT TO CONSIDER

- High-net-worth individuals who have emphasized traditional stocks and bonds in their portfolio may wish to consider discussing the value of tangible assets and other alternative investments with their financial advisor. These non-traditional investing strategies may enable important diversification, current income or long-term growth opportunities.
- For art collectors, working with qualified specialists can help inform choices that further an overall wealth strategy. Collectors might consider using their art to gain liquidity for financing business goals, timely investments or acquiring additional artwork.
- High-net-worth investors typically consider liquidity important to their financial well-being, whether needed to meet unexpected expenses or to make an opportunistic investment. To avoid opportunity costs and tax consequences of liquidating assets, your advisor can help structure a plan for liquidity needs.

Making a difference: 360 degrees of impact

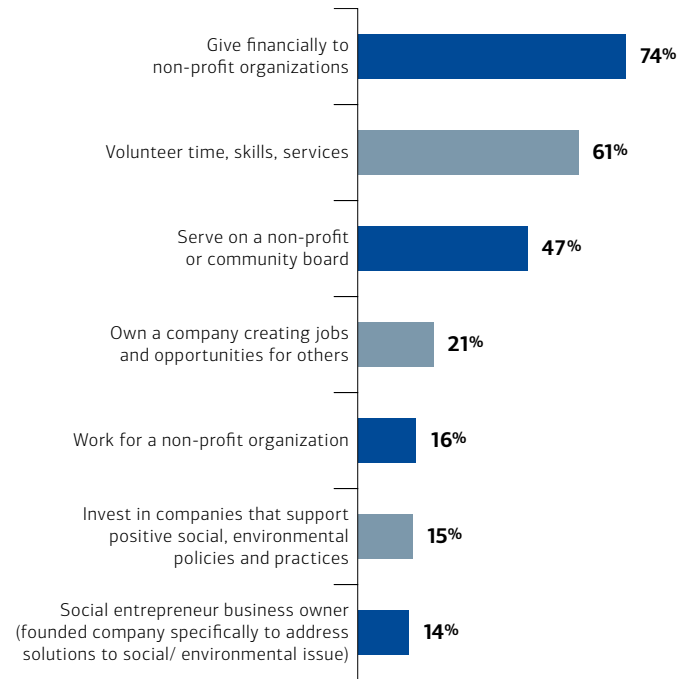
Giving back is a priority for the wealthy. From setting a good example for the next generation to fulfilling a family tradition of philanthropy, many of America's wealthy are motivated to make a positive impact on their communities, the causes that matter to them, and the world at large. Through giving, volunteering and investing in companies with progressive social and environmental policies, wealthy individuals are working to make a difference.

Consistent contributors

Nearly three in four high-net-worth individuals feel they make the greatest contribution to society through financial donations. The majority of Mature and Baby Boomer respondents cite donations as their primary means of contributing to non-profit organizations.

However, across demographics, the wealthy are contributing time, energy and influence in a variety of ways — from providing skills and expertise, to fundraising and board service. Overall, more than 6 in 10 volunteer their time and nearly half serve on a non-profit board — with Millennials twice as likely as others to actually work for a non-profit organization.

Ways the wealthy give back



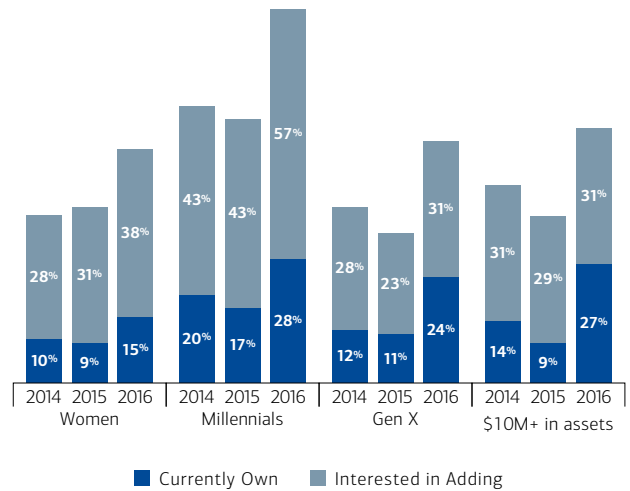
Investing strategies are being shaped by the desire for positive impact

Impact Investments, as defined by the Global Impact Investing Network, are those “made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.” While this concept isn’t new, interest in it is increasing, especially among high-net-worth women, Millennials, Gen X and those with at least \$10 million in investable assets.

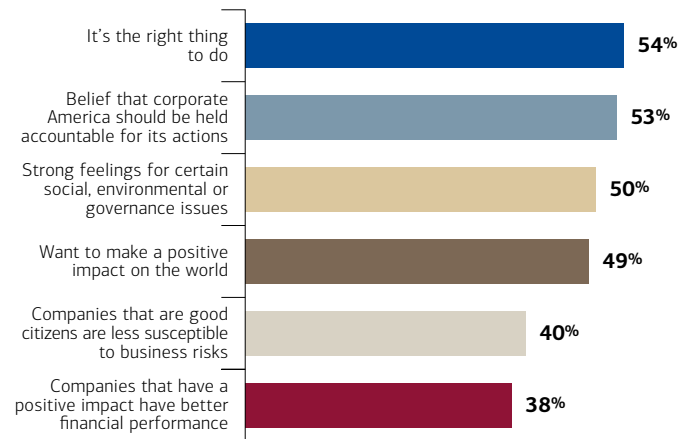
What’s more, the majority of these segments say that the social, political or environmental impact of investments is an important factor when choosing funds.

Of those who own or are interested in owning Impact Investments, more than half do so because it’s the right thing to do or because they feel it’s the responsibility of American corporations to make socially and environmentally responsible choices. But interest in and use of this strategy is also driven by wealth creation objectives. Four in ten believe companies with good social and environmental practices are less susceptible to business risks, and nearly the same number believe these good corporate citizens deliver superior financial performance.

Momentum builds for Impact Investing in bellwether segments

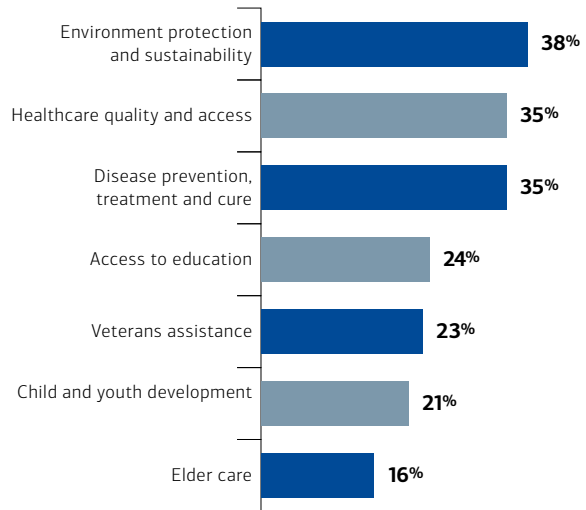


Top reasons for owning Impact Investments



Areas of investment are as diverse as the individuals. Environmental protection and sustainability tops the list of issues that matter most to high-net-worth investors, followed closely by healthcare and disease prevention and treatment. Also of high importance are access to education and support for vulnerable members of society — veterans, children and elders.

Top Impact Investment Interests



WHAT TO CONSIDER

- The first step in aligning investments with beliefs is to determine motivations and interests. In preparation for a conversation with an advisor on how to embark upon an Impact Investment strategy, consider the following questions:
 1. Where is my passion? Which global or local challenges motivate me?
 2. How can I identify the organizations working to address these challenges? What role can my investment strategy play in contributing to solutions?
 3. What are my investment objectives? Am I satisfied by financial returns or am I driven to affect issues I am passionate about through investment?
- Individuals involved in family wealth management might discuss how Impact Investing can align with and further existing charitable or philanthropic priorities.
- Work with an advisor to determine the dollar amount or percentage of the portfolio an individual is most comfortable dedicating to Impact Investments.

Building wealth through business ownership

Business ownership is seen as a path to greater wealth than working for someone else, but it is also more challenging. Despite the adversity, 8 in 10 would still prefer to own a business, motivated primarily by a desire to control their own destiny. Entrepreneurship is more than a career — it's a calling.

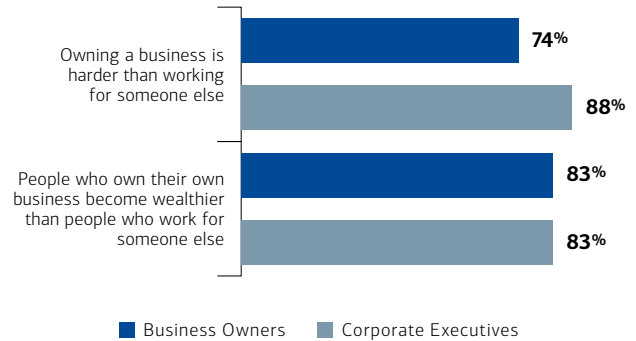
Most high net worth business owners built their wealth from the ground up

Two in three of today's wealthiest business owners worked their way up from middle class or poor backgrounds. They were raised in households that valued discipline (87%), encouraged talents (78%) and emphasized work participation (60%).

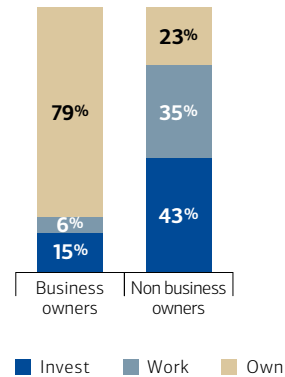
Makers of their own success, founders account for 77% of all business owners. And, among these, 3 in 10 have owned at least one business previously — demonstrating the continuing role of serial entrepreneurs in driving growth and building wealth.

Despite their youth, Millennials tend to have had previous entrepreneurial experience — 71% have owned at least one other business.

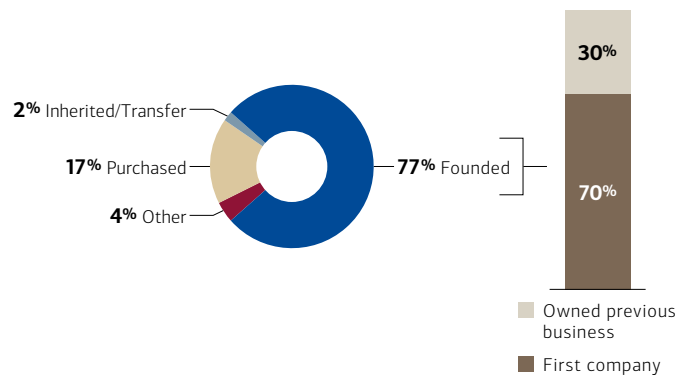
Business ownership is more challenging...



...but for business owners, the challenge is by choice



Path to business ownership



Owning a business is a family affair

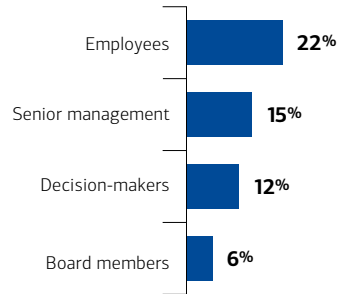
Given the demands of the business owner’s journey, families often pull together to achieve success. Four in ten business owners have family members involved in their business, most commonly as employees or senior managers. Younger owners are even more likely to involve family directly in their businesses — 63% of Millennial and Gen X entrepreneurs do so.

Three out of four owners see the involvement of family members as a competitive advantage.

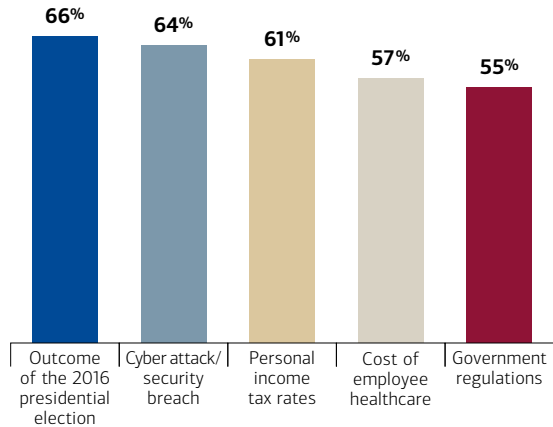
What worries business owners most

Most concerned about the items outside of their control, business owners cite the 2016 Presidential election (66%), cybersecurity (64%), personal income taxes (61%) and employee healthcare costs (57%) as top worries. All of these have implications for personal wealth, business value and societal well-being — the top motivating issues for wealthy business owners. Beyond these concerns, more than half of business owners are also thinking about their next move.

How business owners’ family play a role



Business owners’ top concerns



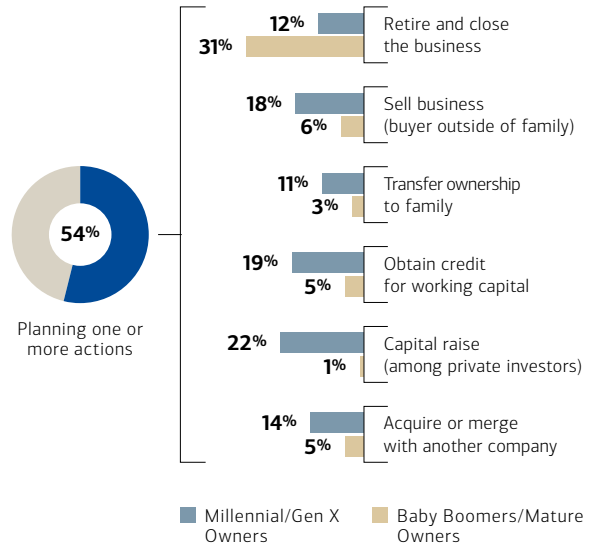
Many business owners lack a plan for changes ahead

More than half (54%) of all business owners expect to take one or more significant actions within the next three years — from retiring to raising capital for growth.

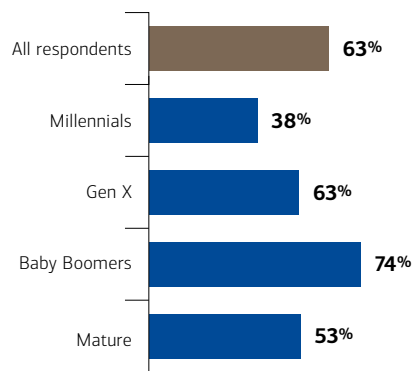
Younger entrepreneurs — Millennials and Gen X — are mostly considering their next endeavor, while older generations are readying for retirement. Despite expressed intentions for business transitions, a surprising 63% of business owners have not developed formal exit strategies. More unexpected is that Millennial and Gen X segments are more likely to have exit strategies compared to only 3 in 10 Baby Boomers and Mature respondents — the generations closest to retirement.

Their focus on business priorities has distracted some (12%) from creating a formal plan, while others believe their wishes have been communicated through a will (24%) or conversation with family (12%). While thinking about retirement may not be appealing for the independent-minded business owner, even those who don't intend to exit the business (40%) could benefit from formal exit planning.

Percent taking business actions within next three years



Percent with no exit plan



Many business owners miss the full picture of wealth

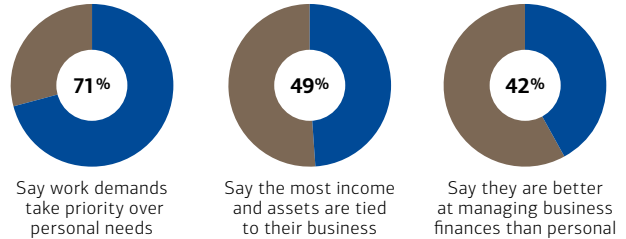
For most entrepreneurs, personal needs and financial matters take a backseat to the business. Professional and personal lives are intertwined. Almost half (49%) reported that the majority of their income and financial assets are tied to their business. And, more business owners have used personal or family savings to finance their business than any other source of capital.

Despite the overlap, more than two-thirds use different financial firms for professional and personal needs. More than a third say they don't believe any one firm can meet their diverse needs. Another 21% say their personal financial advisor doesn't offer the services their business requires. Yet six in ten business owners consider it important that a financial advisory firm understand and serve both their personal wealth and business banking needs.

Clearly, not all business owners are being well-served across their professional and personal interests by their providers. A firm that combines strong wealth management expertise with deep commercial banking capabilities is better equipped to help business owners manage the complexity of integrating the two sides of their wealth and worth.

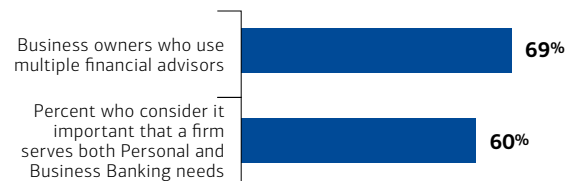
With a holistic view of both professional and personal financial objectives and assets, business owners may be able to capture greater value from their hard work.

Business outweighs personal priorities for owners



Creating an integrated view of wealth

Business owners have both professional and personal needs, however the majority use different financial firms...



...Therefore, there is an opportunity to connect the dots between professional and personal goals



Please visit ustrust.com/survey for more information.

Important disclosures

All sector recommendations must be considered by each individual investor to determine if the sector is suitable for their own portfolio based upon their own goals, time horizon and risk tolerances.

Alternative investments are intended for qualified and suitable investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity, and your tolerance for risk. Alternative investments are speculative and involve a high degree of risk.


Investments in structured products involve risk including, in the case of notes which are not 100% principal protected, the risk of loss of principal. The return on a principal protected note is linked to the performance of the underlying basket of securities and will depend on the performance of that asset. An investor in a principal-protected note may receive under certain conditions no more than the principal amount of the note, and will have taken the risk of the opportunity cost of not having invested in an asset which would have generated a positive return during that time.

Tangible assets can fluctuate with supply and demand, such as commodities, which are liquid investments unlike most other tangible investments.

Diversification does not ensure a profit or protect against loss in declining markets.

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Always consult with your independent attorney, tax advisor, investment manager and insurance agent for final recommendations and before changing or implementing any financial, tax or estate planning strategy.

Credit and collateral subject to approval. Terms and conditions apply. Programs, rates, terms and conditions subject to change without notice. Equal Housing Lender. 

METHODOLOGY

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. Respondents were equally divided among those who have between \$3 million and \$5 million, \$5 million and \$10 million, and \$10 million or more in investable assets. The survey was conducted online by the independent research firm Phoenix Marketing International in January 2016. 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% confidence level.

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Bank of America, N.A., Member FDIC.



MANAGING YOUR WORTH WITH U.S. TRUST

Your wealth is not measured by numbers alone, but by the extraordinary opportunities and complex challenges that define your life. At U.S. Trust, we apply our deep insight and broad expertise to help you make the most of the things that matter most to you.

We begin by listening to you, learning about your life, and we work with you to understand your priorities. Your advisor and your team of specialists then build a wealth plan that aligns with your personal values and family goals.

Whether we are managing your portfolio, serving as trustee, or administering an estate, our focus is what best meets your objectives. Together, we develop personalized solutions that address the dimensions of your worth today and the legacy you're building for future generations.

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