

# 2018 U.S. Trust Insights on Wealth and Worth®

June 2018

## Putting wealth into action: Competing priorities and lack of time to comprehensively plan are top reasons why good intentions fall short

Financial success ought to come with some measure of freedom — to take risks, pursue passions, give back and make a bigger impact. Yet life and wealth are complicated, and the top reason best intentions fall short is competing priorities, finds the [2018 U.S. Trust Insights on Wealth and Worth®](#) survey. While increased wealth provides the means to do more, it also means juggling increased obligations, expectations and demands. The study found that those who don't, won't or don't know how to plan their wealth goals trail those who do in putting their wealth into action.

U.S. Trust surveyed nearly 1,000 high net worth (HNW) and ultra high net worth (UHNW) men and women across the country about their approach to building wealth and the extent to which they are using it to achieve important goals. The findings point to notable shifts in how HNW individuals are structuring and deploying their assets and the importance of having the right plan that accounts for their distinct and diverse needs and expectations. The study also reveals that HNW millennials are taking an approach to investing and using financial assets that differs from other generations; women of all ages have growing impact as wealth creators and decision-makers; and the widespread expectation among HNW investors of corporate accountability is driving continued demand for impact investing.

### HIGHLIGHTS

- Ninety percent of people who have accumulated significant wealth say they have gained the freedom to do more with it, but competing priorities are the biggest obstacles standing in their way. Fewer than half have a clear purpose (47 percent) or plan (49 percent) for their wealth.
- HNW millennials jumped into the stock market over the past year, cutting their large cash allocations from 47 percent to 21 percent of total portfolio holdings. Still, they have the lowest stock allocations of any age group. Instead, they are pursuing alternative strategies in both the public and private markets.
- Eighty percent of HNW investors say they expect companies to make a profit but also take responsibility for their impact on the environment and society. A growing number are basing investment decisions on environmental, social and governance (ESG) track records.
- A new breed of financially driven art collectors is actively transacting in the art world — 78 percent of collectors, including 97 percent of millennials, plan to buy, while 46 percent plan to sell art this year.
- Women are now the equal or primary income earners among four in 10 HNW couples; and 38 percent overall, including 48 percent of millennial women, take the lead on or contribute equally to important investment decisions.

# 90%

“Ninety percent of people who have accumulated significant wealth say they have **GAINED THE FREEDOM** to do more with it...”

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*“Life is a balancing act of personal, professional and family needs and goals that requires comprehensive financial planning. Effective wealth management, built on listening to our clients and working with them as their priorities change, is how we help clients make the most of their wealth and build a legacy for future generations.”*

Katy Knox, President  
U.S. Trust, Bank of America Private Wealth Management

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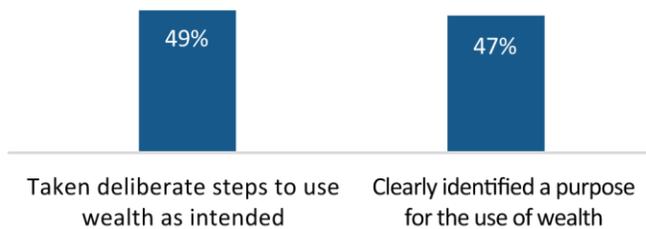
From investment management to art services and strategic philanthropy, U.S. Trust helps clients and their families put their wealth into action for the causes and goals they care about most. A personalized wealth strategy is key to overcoming common challenges such as those identified in the study.

## PUTTING WEALTH INTO ACTION

- On achieving universally important life goals — to live true to one’s values, make the most of individual talents, make a positive contribution to the world — the wealthy feel they are doing a lot, and 90 percent agree they’ve gained freedom to do even more as their wealth has increased. Yet on every measure, across nine important goals, they feel they aren’t doing as much as they can.
- When asked what’s standing in the way of their ability to do more of what matters, the top reason cited was competing priorities.
- One reason may be that, while 72 percent have a financial plan to protect their assets, fewer than half have clearly identified what they want to use their money for (47 percent) or have taken deliberate steps to make the most of it (49 percent).

## PERCENT WHO HAVE TAKEN THE FOLLOWING BASIC PLANNING ACTIONS

AMONG ALL RESPONDENTS

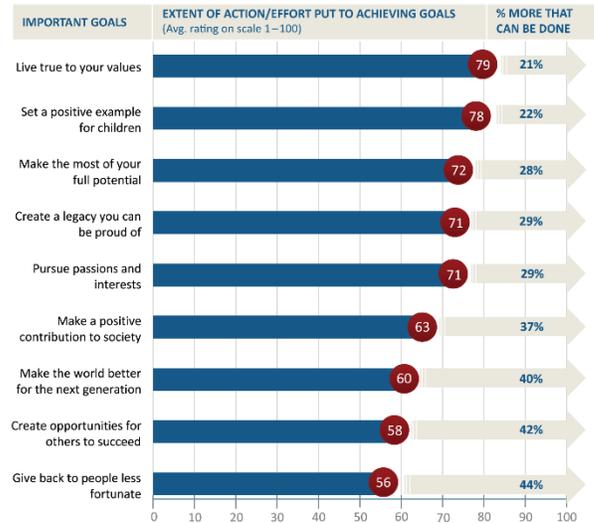


- Only 53 percent are very satisfied with what they spend most of their money on, and only 46 percent are very satisfied with what they spend most of their time doing.
- When asked, “What would make life better?” 46 percent said “more time,” and 58 percent said “more connections with family and friends.” Far fewer (19 percent) cited “more money,” and “more stuff” came in dead last (4 percent).
- Sixty percent agree that the demands on their time have increased as their wealth has increased, and 51 percent agree they also are dealing with more complicated issues and decisions. People who own a business are even more likely to feel under time pressure (72 percent).
- While 87 percent have a financial advisor, those who use an advisor with a more comprehensive planning approach are doing about two-thirds of what they could to achieve their goals. By comparison, those who don’t have an advisor are only doing about half.
- Financial independence is cited as having the biggest effect on being able to reach important goals and aspirations in life, followed by the important role that a spouse or partner plays (or doesn’t play) and family upbringing.

- Eighty-four percent of the wealthy consider giving back to those less fortunate an important personal or family goal. Only one in three is very satisfied that they are doing enough to help others. On a scale of one to 100, they feel they are doing just 56 percent, on average, of what they want to in terms of giving back and could be doing 44 percent more or better. Giving back has the biggest gap between intent and action among important goals.

## GOALS AND EXTENT OF ACTION/EFFORT PUT TO ACHIEVING THEM

AMONG ALL RESPONDENTS



## IMPORTANCE OF THE RIGHT PLAN

Comprehensive wealth planning was found to play a crucial role in the extent to which respondents are making the most of their wealth. Many want to be having more in-depth discussion on a broader range of wealth planning topics.

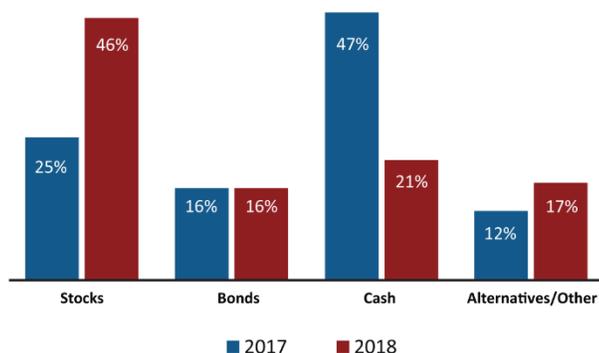


- Effective planning is having the right plan that not only aligns goals, priorities and values but also provides protection from unforeseen events that might jeopardize plans.
- Two-thirds of the wealthy say they have a financial plan that anticipates unexpected events that might negatively affect their financial security, and not all feel very well-prepared for the financial implications of a major health crisis (35 percent), long-term care expenses they might need (52 percent) or aging parents might need (44 percent), or the unexpected death or disability of a primary income earner (57 percent). Only 26 percent feel well-prepared should their marriage or long-term relationship end.

## INVESTMENT MANAGEMENT: SHIFTS IN ASSET ALLOCATION AND WEALTH STRUCTURING

- Over the past year, HNW millennials made a dramatic shift in asset allocation, cutting their cash holdings as a percentage of total portfolio holdings from 46 percent to 21 percent. They moved most of it into stock, nearly doubling their stock allocations from 25 percent to 46 percent.

### MILLENNIALS' ASSET ALLOCATION CHANGES: Q1 2017 VS. Q1 2018



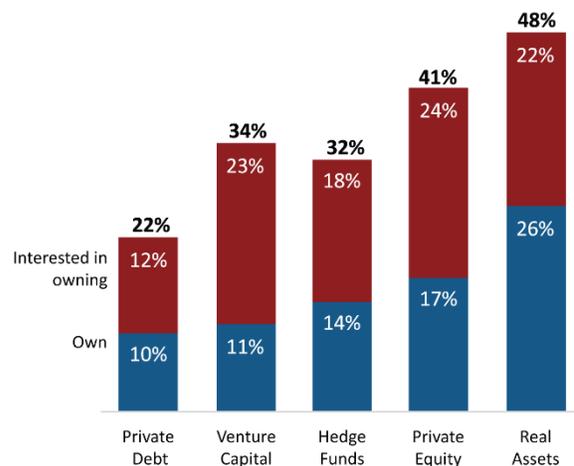
- Millennials still have the lowest allocation to stocks compared to Gen X (54 percent), baby boomers (56 percent) and the oldest segment (age 75+), who are mostly retired yet have the highest allocations to stocks (61 percent) and just 19 percent in bonds.
- While baby boomers and older investors rely primarily on traditional stocks and bonds, younger investors, especially millennials, are more likely to incorporate alternative strategies into their investment portfolios. Millennials allocate 17 percent to alternatives and assets other than stocks, bonds and cash.
- Sixty-one percent of HNW millennial investors think it's not possible to achieve above-average returns by investing solely in stocks and bonds anymore. Sixty-nine percent agree they can make more money by investing in the private markets than in the public markets.
- Among the non-traditional investments HNW millennials are currently invested in are:
  - Private equity: 41 percent
  - Tangible assets: 39 percent
  - Private debt: 34 percent
  - Hedge funds: 33 percent
  - Venture capital: 31 percent
- HNW millennials are also a rapidly growing segment of the art market and are two times more likely than traditional investors to treat art as a financial asset. Thirty-six percent of millennials currently own fine art, up from 28 percent last year. One-third collect art because they see it as an asset that can be leveraged to build wealth, compared to 16 percent of all other art collectors.
- The distinct approach HNW millennials are taking to structure

and build wealth is reflected in their use of professional advisors. Contrary to perceptions about them, millennials are as likely to have a professional advisor (88 percent) and, of those, 95 percent say it's important that their various advisors communicate and coordinate across their wealth planning needs.

- Overall, 48 percent of all HNW investors own or are interested in owning real assets, which have underlying value and potential to also generate income. Of those who own real assets, residential investment real estate (63 percent) and commercial property (44 percent) are most frequently cited, followed by oil and gas properties (29 percent), farmland (24 percent) and timberland (21 percent).

### PERCENT OF HNW INVESTORS WHO OWN OR ARE INTERESTED IN ADDING REAL ASSETS TO THEIR PORTFOLIOS

AMONG ALL RESPONDENTS



### HNW INVESTORS TO CORPORATE AMERICA: TAKE RESPONSIBILITY FOR YOUR IMPACT

ESG factors are an important consideration for investment decision-making among HNW investors. They recognize it not only as a way of holding companies accountable for actions but also as a competitive advantage for companies.

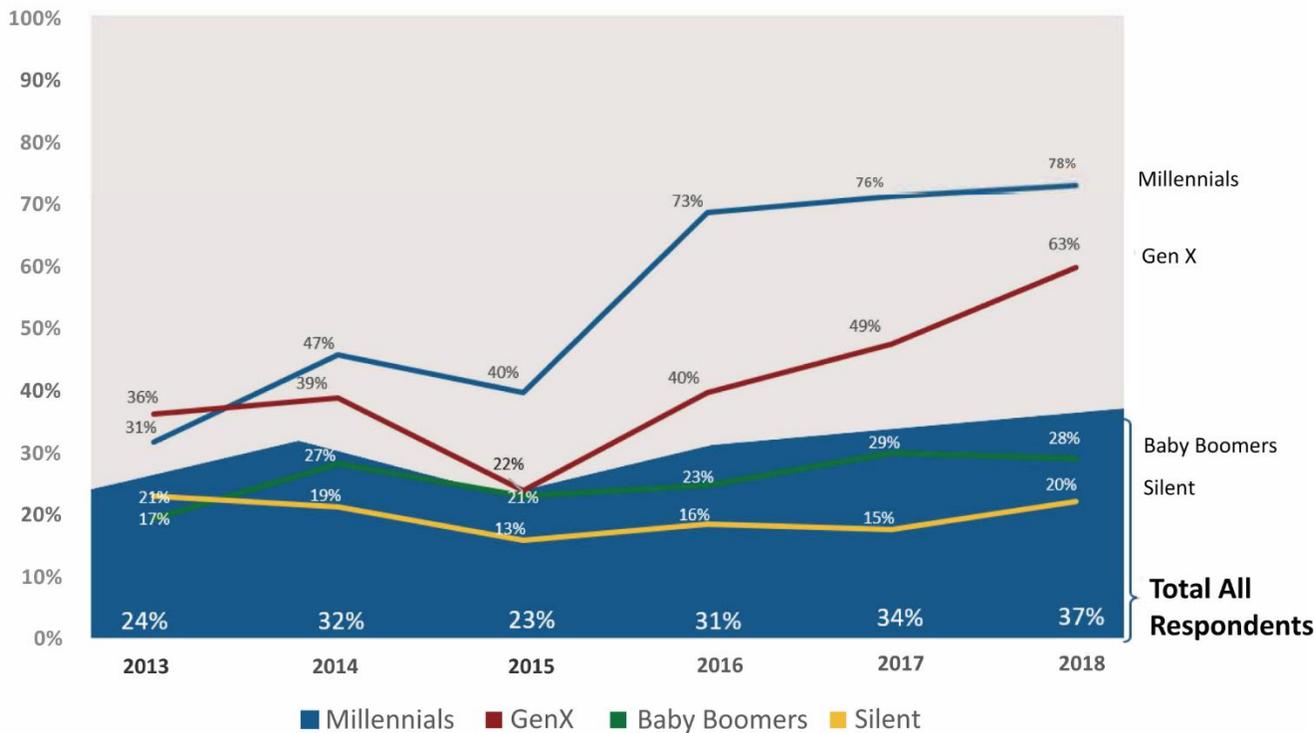
- Eighty percent of all HNW investors say they expect companies to make a profit but also take responsibility for their impact on the environment and society.
- Fifty-two percent of all HNW respondents, and 66 percent of HNW millennials, work for or own a company that is actively integrating positive ESG values into products, services and/or policies.
- Fifty-one percent overall also agree that companies that have gender diversity in leadership positions have a competitive advantage over those that don't.



“Organizations that have gender diversity in leadership positions have a **COMPETITIVE ADVANTAGE** over those that don't.”

- Fifty-three percent of all HNW investors say a company’s ESG trade record is an important consideration in their decision about whether to invest in it or not. Those most likely to consider this important are millennials (87 percent), Gen X (65 percent) and women (64 percent).
- While 91 percent of investors who already have impact investments say a company’s ESG impact is an important part of investment decision-making, 48 percent of those who don’t own impact investments also agree it’s important.
- A growing percentage of HNW investors have reviewed the ESG track record and ratings among their investment holdings. Thirty-seven percent of all HNW investors said they have reviewed their portfolios for ESG impact, up from 23 percent three years ago.
- Younger HNW investors are most likely to review the ESG impact of their investment holdings, including 88 percent of millennials and 70 percent of Gen X.
- The overwhelming majority (81 percent) of those who currently have impact investments in their portfolios believe they can achieve market-rate returns by investing in companies based on their ESG track record.
- Eighty-two percent of HNW investors who make investment decisions based on ESG factors see investing as one way of expressing their personal values. Thirty-five percent overall, and 46 percent of millennials who have a professional advisor, currently discuss and would like to discuss even more ways of aligning their wealth goals and strategy with personal values.
- For HNW parents, impact investing is a way for families to discuss values and responsibilities of wealth. Six in 10 parents with children under the age of 25 agree that it’s a way to teach responsible money-making principles to younger generations.

**PERCENT WHO HAVE REVIEWED THEIR INVESTMENT PORTFOLIO FOR IMPACT**  
SIX-YEAR TREND (2013–2018)



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## AN ACTIVE ART MARKET: DRIVEN BY FINANCIALLY DRIVEN COLLECTORS

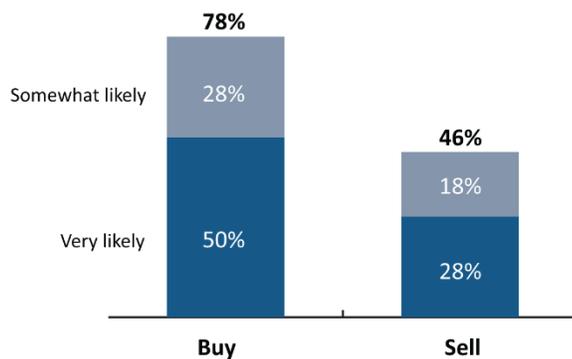
While the primary reason for collecting art is for the love of art and aesthetic enjoyment of it, a new breed of financially driven, mostly younger collectors, are attuned to how art behaves as a financial asset. They are actively buying, selling and gifting their art.

- Seventy-eight percent of all collectors and 97 percent of millennial collectors say they are likely to buy a piece of art this year, and 46 percent are likely to sell.

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### PERCENT OF ART COLLECTORS WHO PLAN TO TAKE THE FOLLOWING ACTIONS WITHIN THE NEXT 12 MONTHS

AMONG ART COLLECTORS



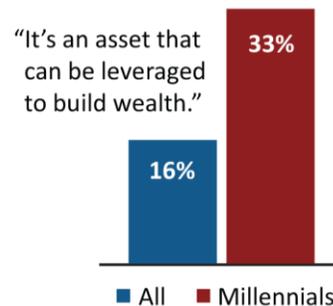
- Four in 10 collectors acquired art online this year — a 43 percent increase from the previous year. While millennials are the most prolific online buyers (78 percent), the biggest increase was driven by women collectors (36 percent, up from 16 percent last year).
- Whereas the vast majority of art collectors previously haven't considered art as part of their wealth planning strategies, that's changing. Forty-two percent of all collectors, and 72 percent of millennial collectors, now incorporate art into their wealth structuring and wealth planning, up from 29 percent who were doing so a year ago.
- Nearly one-quarter (23 percent) of collectors have accessed capital by borrowing against existing art as collateral. Another 20 percent say they have plans to do so.
- Nearly three times more collectors borrowed against existing art to finance new art acquisitions in the past year (21 percent in 2018 versus 7 percent in 2017).
- Twenty-six percent of art collectors have previously loaned their art to an art gallery or museum, and another 29 percent say they plan to lend pieces of their collection in the future.
- Art plays a prominent role in charitable giving among HNW collectors, a strategy that comes with significant, highly complex tax implications. One in five say they have donated one or more pieces of their art to a nonprofit organization for which art is not a part of its mission, while 16 percent have donated pieces to nonprofits with a focus on art.

- Thirty-seven percent of art collectors say they already have gifted pieces of their art to family members, and half, including 57 percent of baby boomers, plan to pass their collection on to family heirs.

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### REASONS FOR COLLECTING ART

AMONG CURRENT/INTERESTED ART COLLECTORS



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### WOMEN AND IMPACT

Women of all ages, regardless of their career, are making their influence known on the economy, workforce and future direction of the next generation.

- Millennials are the first generation of women to grow up with mothers who primarily worked full time outside the home. They are more likely than any other age group to:
  - Work full time (outside the home) and to have created the majority of their own wealth
  - Say companies that have gender diversity have a competitive advantage over those that don't
  - Agree their greatest financial success comes from investing in their own earning potential
- Women are the primary or equal income earner in four in 10 households; half entered their relationship with greater assets than their husband/partner.
- Women take the lead or contribute equally with their spouse/partner to decisions about:
  - Major investments (50 percent)
  - Charitable organizations to support (83 percent)
  - Gifting or passing on wealth (83 percent)
- Women are driving momentum in impact investing; 46 percent of all HNW women, and 68 percent of women executives, own or are interested in ESG investments.

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Detailed findings from the 2018 U.S. Trust Insights on Wealth and Worth can be found at [www.ustrust.com/survey](http://www.ustrust.com/survey), along with separate findings from business owners from the 2018 study.

#### **SURVEY METHODOLOGY**

The 2018 U.S. Trust Insights on Wealth and Worth<sup>®</sup> survey is based on a nationwide survey of nearly 1,000 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 and completed in February 2018. 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**

U.S. Trust, Bank of America Private Wealth Management is a leading private wealth management organization providing vast resources and customized solutions to help meet clients' wealth structuring, investment management, banking and credit needs. Clients are served by teams of experienced advisors offering a range of financial services, including investment management, financial and succession planning, philanthropic and specialty asset management, family office services, custom credit solutions, financial administration and family trust stewardship.

U.S. Trust is part of the Global Wealth and Investment Management unit of Bank of America, N.A., which is a global leader in wealth management, private banking and retail brokerage. U.S. Trust employs more than 4,000 professionals and maintains 93 offices in 31 states.

As part of Bank of America, U.S. Trust can provide access to a broad range of banking solutions for individuals and businesses, and an extensive retail banking platform.

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