

# U.S. TRUST

## 2018 U.S. TRUST INSIGHTS ON WEALTH AND WORTH<sup>®</sup>

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### Detailed Findings

FOR MEDIA INQUIRIES, CONTACT:

JULIA EHRENFELD

U.S. TRUST<sup>®</sup> MEDIA RELATIONS

646.855.3267

[JULIA.EHRENFELD@BANKOFAMERICA.COM](mailto:JULIA.EHRENFELD@BANKOFAMERICA.COM)



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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 (HNW) and ultra-high-net-worth individuals and families in the United States.

U.S. Trust has been periodically surveying wealthy households since 1993. The 2018 *U.S. Trust Insights on Wealth and Worth* is the eighth annual survey in a continuation of *Wealth and Worth* studies first conducted in 2011.

Each year, the findings build on previous learnings, adding additional detail or insight on trends to previously explored topics, as well as identifying new topics of emerging interest related to:

- Investing and wealth structuring
- Giving back and making an impact
- Family dynamics and multigenerational wealth
- Planning and advice

### ABOUT THE 2018 STUDY

- U.S. Trust commissioned an independent, nationwide survey of 892 high-net-worth and ultra-high-net-worth households across the country.
- This year's study includes a focus on the experiences, perspectives and behavior of HNW men and women and the extent to which they are **Putting Wealth Into Action** to achieve important goals.
- Insight comes from four generations of respondents:
  - Millennials: Ages 21 – 37 (Born 1981 – 1997)
  - Generation X: Ages 38 – 53 (Born 1965 – 1980)
  - Baby Boomers: Ages 54 – 72 (Born 1946 – 1964)
  - Silent Generation: Ages 73+ (Born before 1946)
- The 2018 study also includes an in-depth exploration of 155 business owners, their experiences and the challenges they face starting, growing and exiting a business.
- Analysis of the quantitative data is augmented by qualitative insights that includes one-on-one conversations with 13 female survey participants who agreed to anonymously share their personal perspectives and experience.

# U.S. TRUST

PUTTING WEALTH INTO ACTION

## IT STARTS WITH THE PURPOSE OF WEALTH

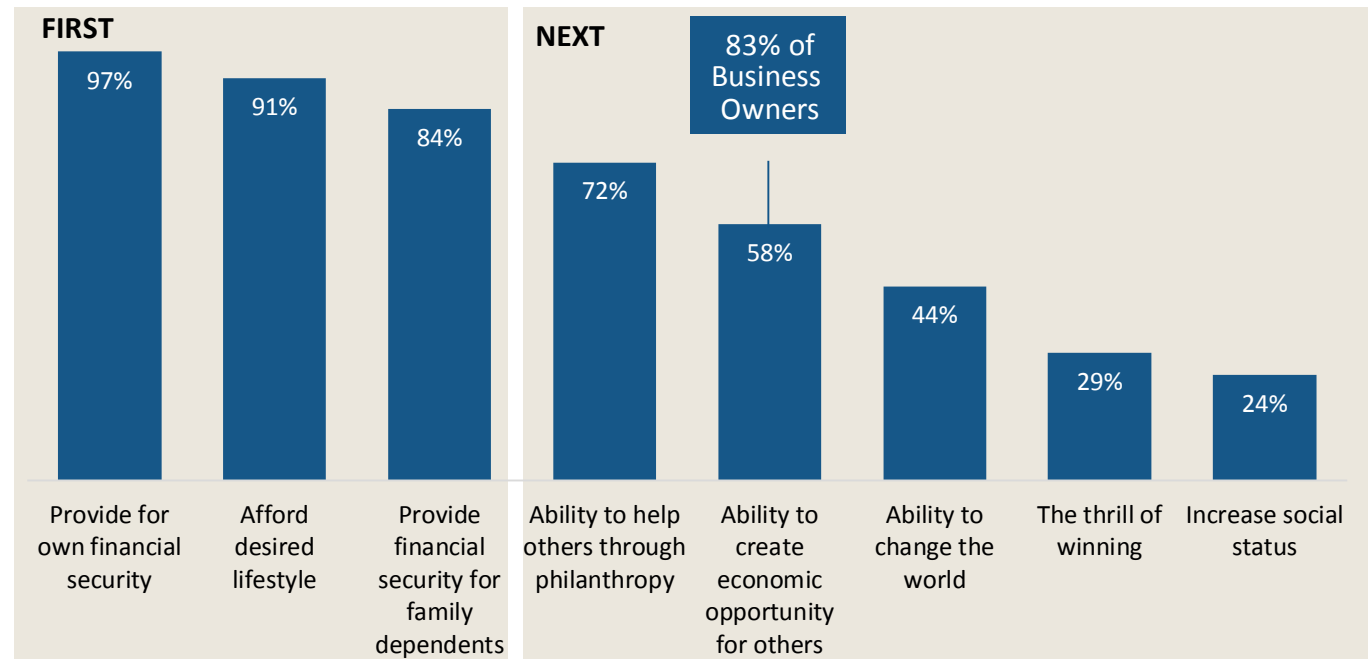
As for most people, the primary motivation for building wealth is to ensure financial security and to afford lifestyle. Beyond that, the purpose of wealth becomes more externally focused.

Nearly three-quarters of the wealthy (72%) are motivated to build wealth in order to have the ability to help others.

Entrepreneurs and business owners are especially driven by a desire to create economic opportunities for others.

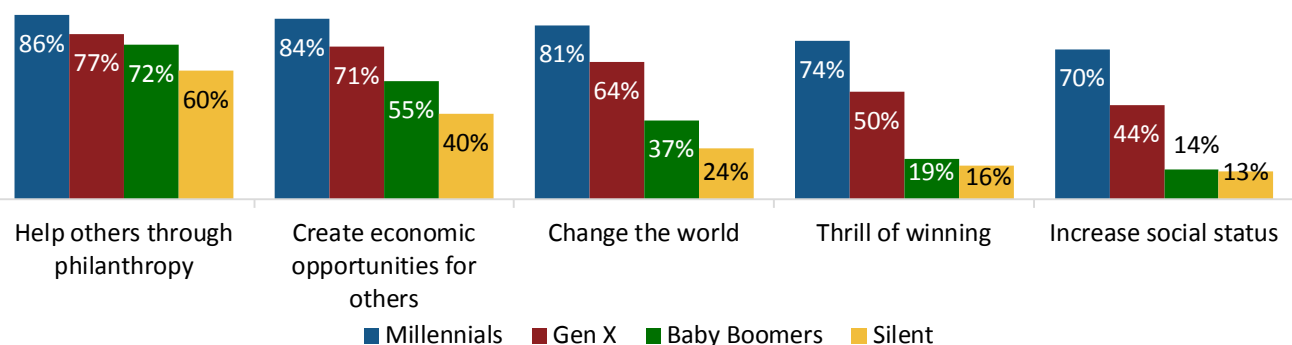
Far fewer are motivated to create wealth simply to increase social status or for the thrill of it; however, those most likely to say this also motivates them are millennials and business owners.

### PERCENT WHO CONSIDER IT AN IMPORTANT MOTIVATION FOR CREATING WEALTH AMONG ALL RESPONDENTS



### MOTIVATION FOR BUILDING WEALTH

BY AGE



Ninety percent agree that increased wealth has provided the freedom to do more with it.

However, with greater wealth and freedom also come increased demands, responsibilities, choices and a level of complexity that may or may not be reflected in wealth planning.

- Six in 10 agree that as wealth has increased, demands on their time also increased.
- About half feel life has gotten more complicated.

When asked what, if anything, would make life better, nearly six in 10 (58%) cited more meaningful connections with friends and family, and nearly half want more time to do all they want to get done.

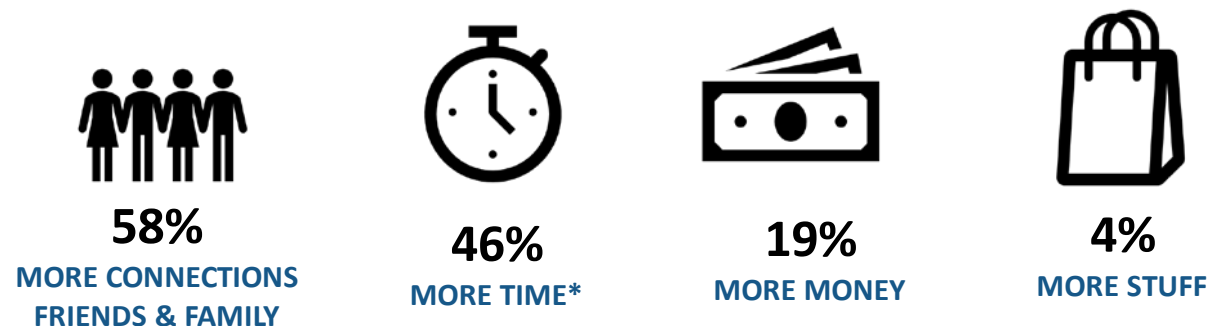
By comparison, 19 percent feel more money would make life better, and a mere four percent want more possessions.

## PERCENT WHO AGREE AMONG ALL RESPONDENTS

### "AS MY WEALTH HAS INCREASED..."



## WHAT WOULD MAKE LIFE BETTER? AMONG ALL RESPONDENTS



\* Among working, not retired respondents

Q36. Which of the following do you agree with: "My life would be much better with more..."

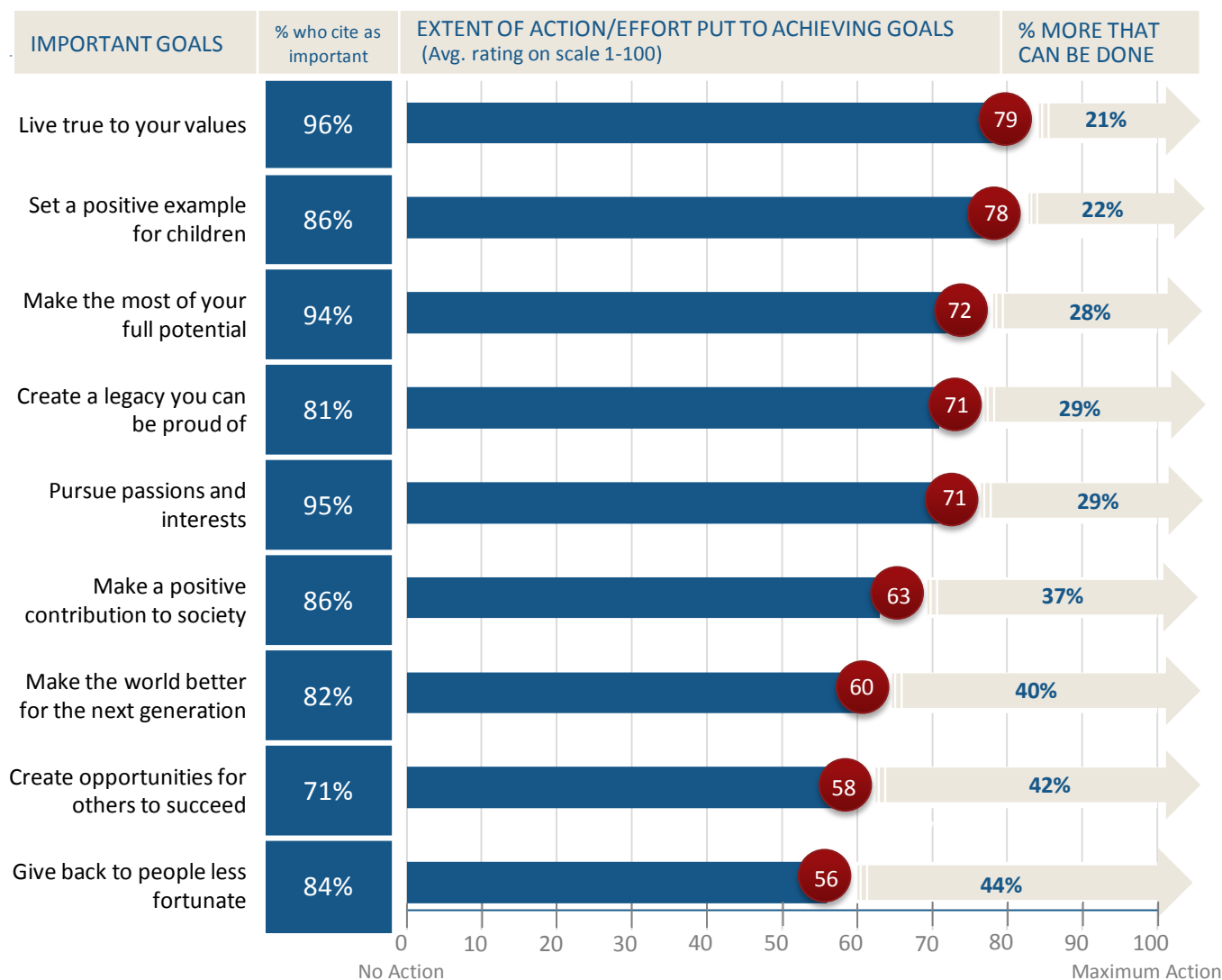
Q37. How much do you agree or disagree with the following statements: "As my wealth has increased...."

As a measure of success and satisfaction in life, certain life goals are universal — to live true to one's values, make the most of talents, set a positive example for children.

On average, the wealthy are doing a lot to make the most of life and the resources to achieve these important goals.

Yet on every measure, they feel there is more they can be doing, particularly when it comes to giving back, helping others and making a positive contribution.

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



## SATISFACTION COMES FROM USE OF WEALTH, NOT WEALTH ITSELF; MANY AREN'T SATISFIED THEY ARE DOING ENOUGH

Despite achieving financial success, many of the wealthy aren't fully satisfied that they are using it to its full potential, or as they hope to, reinforcing the notion that satisfaction comes not from having wealth but from using it with intent and purpose.

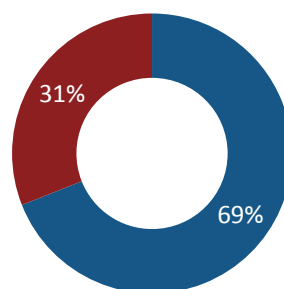
Only about half of the wealthy are fully satisfied with what they spend most of their money on.

Helping others is the area where they feel the greatest potential to do more. Only 31% are fully satisfied that they are doing enough in service to others less fortunate.

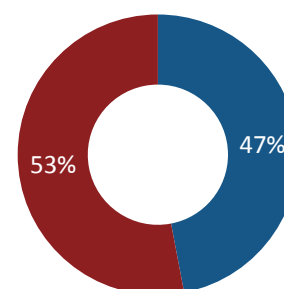
Six in 10 wealthy parents are satisfied that they have sufficiently invested in their children's success; however, four in 10 feel they should be doing more.

### PERCENT WHO ARE FULLY/NOT FULLY SATISFIED AMONG ALL RESPONDENTS

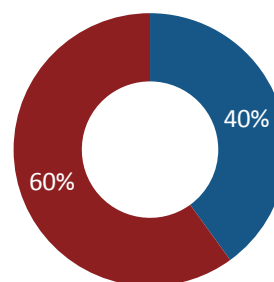
WHAT THEY ARE DOING  
TO HELP OTHERS



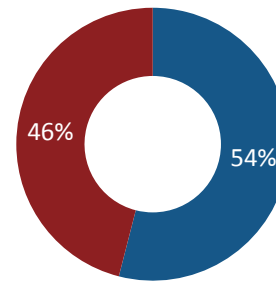
WHAT THEY SPEND MOST  
OF THEIR MONEY ON





WHAT THEY ARE DOING FOR  
CHILDREN'S SUCCESS



WHAT THEY MOST OF THEIR  
TIME DOING



 Fully satisfied

 Not fully satisfied



While 37 percent feel there's nothing standing in the way of doing more with the opportunities created by wealth, many have delayed taking action or are just starting to focus on important goals.

Of the obstacles standing in the way of doing more, competing priorities is Number One.

Millennials are more likely than other age groups to cite lack of money, experience and self-confidence as holding them back from doing more.

The support of a spouse or partner is a key factor in the extent to which people achieve their goals.

**PERCENT WHO SAY THE FOLLOWING IS STANDING IN THE WAY OF DOING MORE TO ACHIEVE IMPORTANT GOALS**  
AMONG ALL RESPONDENTS

**THE TOP 5**  
obstacles to  
doing more to  
reach goals



There's  
nothing  
holding me  
back **37%**

# DIFFERENT STAGES OF PUTTING WEALTH INTO ACTION IS NOT A MATTER OF AGE, GENDER OR WEALTH LEVEL

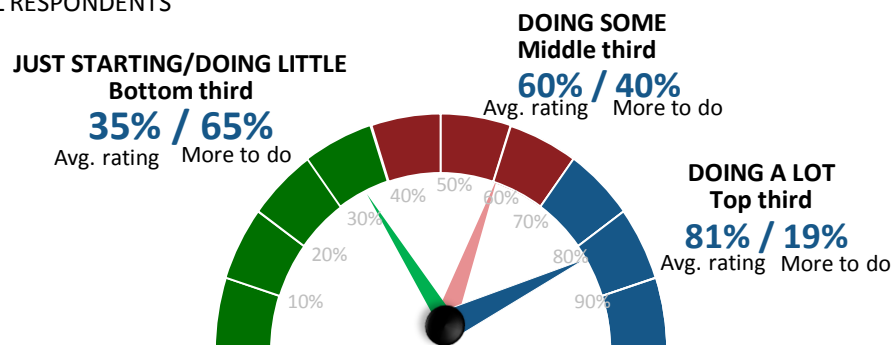
Overall, the wealthy are doing more than half of what they can and want to do across all goals combined; however, they are at very different stages of progress.

Those in the bottom third who are just starting to focus on what's important are doing only a third of what they can, while those in the top third are much closer to achieving what they want.

Why are some people farther along than others? While millennials are doing slightly more than other age groups, the findings show that gender, age and wealth level are not big factors in the extent to which wealth is put into action.

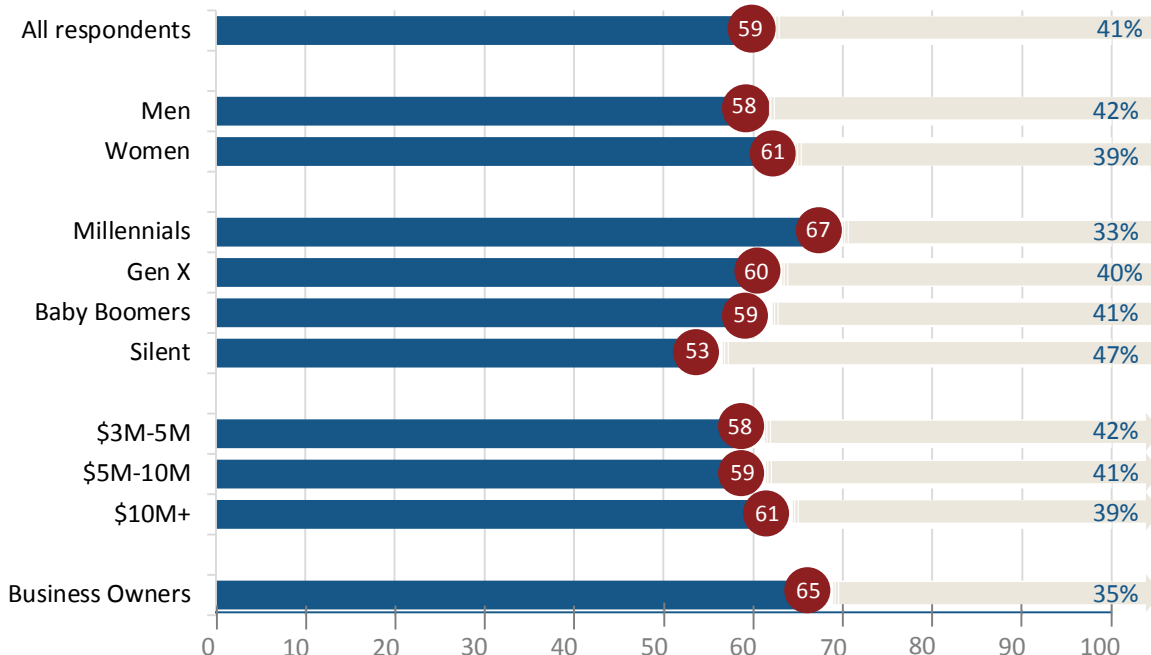
## THREE STAGES OF PUTTING WEALTH INTO ACTION

AVERAGE RATING OF ACTIVITY/EFFORT TOWARD ALL GOALS ON A SCALE OF 1 – 100  
AMONG ALL RESPONDENTS



## WHO IS DOING THE MOST?

EXTENT OF PROGRESS TOWARD ACHIEVING OVERALL GOALS BY AGE, GENDER, WEALTH LEVEL



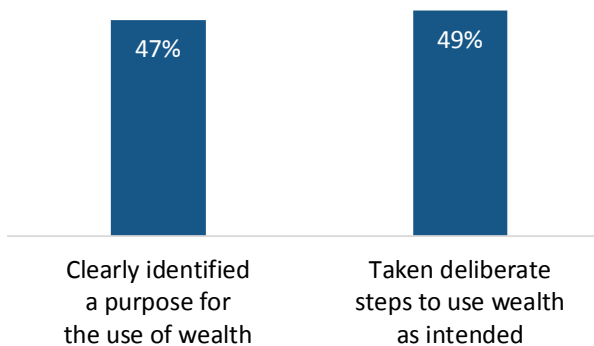
# COMPREHENSIVE WEALTH PLANNING IS A KEY FACTOR IN ACHIEVING GOALS

Fewer than half of the wealthy have clearly identified a purpose for the use of their wealth or taken deliberate steps to use wealth as intended.

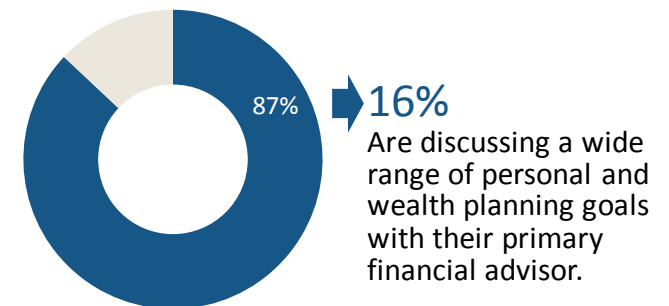
While most have a financial advisor, only 16% are discussing a wide range of personal and wealth planning goals beyond a narrow focus on investing, taxes or estate planning.

Those who use an advisor – particularly an advisor with a more comprehensive approach – have made more progress toward achieving their goals.

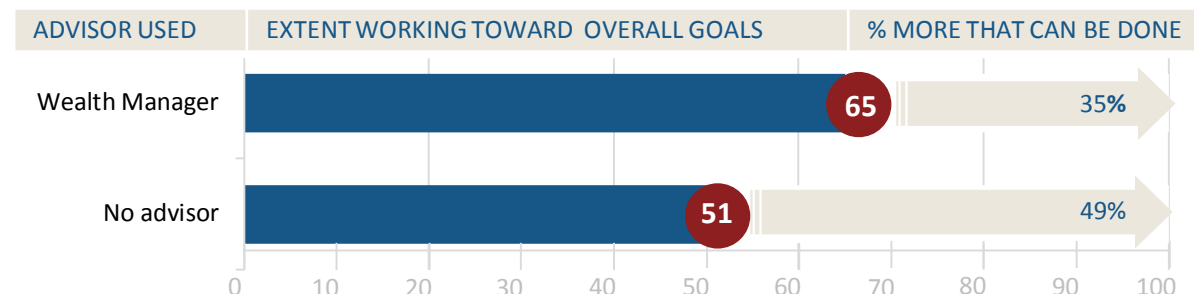
## PERCENT WHO HAVE TAKEN THE FOLLOWING PLANNING STEPS AMONG ALL RESPONDENTS



## PERCENT WHO HAVE A FINANCIAL ADVISOR AMONG ALL RESPONDENTS



## EXTENT OF PROGRESS TOWARD ACHIEVING OVERALL GOALS AVERAGE PROGRESS ON A SCALE OF 1 TO 100 AMONG ALL RESPONDENTS



Q38. To what extent do you feel you are doing all you can at each of the following goals? (Sliding scale of zero to 100%)

Q33. Which of the following do you feel you have adequately done? (Select all that apply.)

Q104. Which of the following professional advisors do you use? (Select all that apply.)

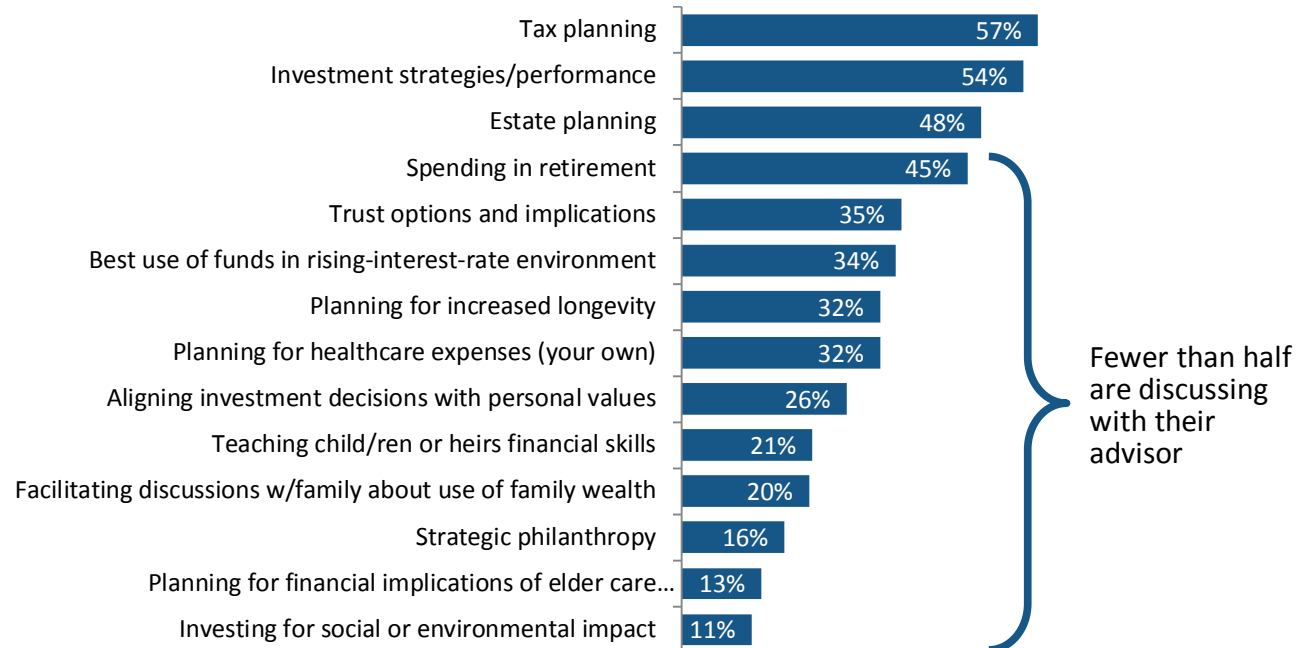
# HNW CLIENTS WANT TO BROADEN THE WEALTH PLANNING DIALOGUE WITH THEIR ADVISOR

Among those who have an advisor, the top two topics they discuss with their primary financial advisor are tax planning and investment strategy or performance.

Fewer than half are having robust conversations that align their wealth with important goals and values.

Topics high-net-worth clients want to discuss include not just estate planning but also the implications of different trust options, strategic philanthropy and preparing the next generation to be responsible stewards of family wealth.

## PERCENT WHO CURRENTLY ARE DISCUSSING TOPICS WITH THEIR ADVISOR AMONG ALL RESPONDENTS WHO HAVE AN ADVISOR



## THE TOP 5 Topics HNW clients say they want to talk more about with their advisor

- 1 Estate planning
- 2 Trust options and implications
- 3 Strategic philanthropy
- 4 Facilitating discussions about the use of family wealth
- 5 Teaching children/heirs financial skills

## MANY HAVE A FINANCIAL PLAN; FEW HAVE THE RIGHT PLAN

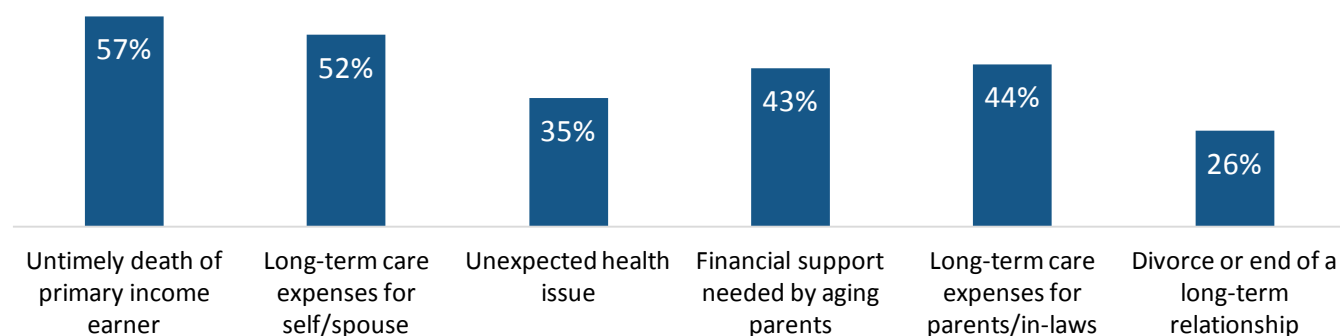
While two-thirds say they have a financial plan to protect their wealth, many don't have a plan for how to use it. Moreover, many have a plan that doesn't match the complexity of their financial lives or distinct circumstances and goals.

- Only 35% feel very well prepared for the financial implications of an unexpected health issue.
- Fewer than half have anticipated the needs of aging parents.

### PERCENT WHO HAVE TAKEN THE FOLLOWING BASIC PLANNING ACTIONS AMONG ALL RESPONDENTS



### PERCENT WHO ARE VERY WELL PREPARED FOR THE FINANCIAL IMPLICATIONS OF UNFORESEEN EVENTS AMONG ALL RESPONDENTS



Q33. Which of the following do you feel you have adequately done? (Select all that apply.)

Q102. How prepared do you feel you are, or were, for the financial implications of each of the following circumstances on you or your family? (Select all that apply.)

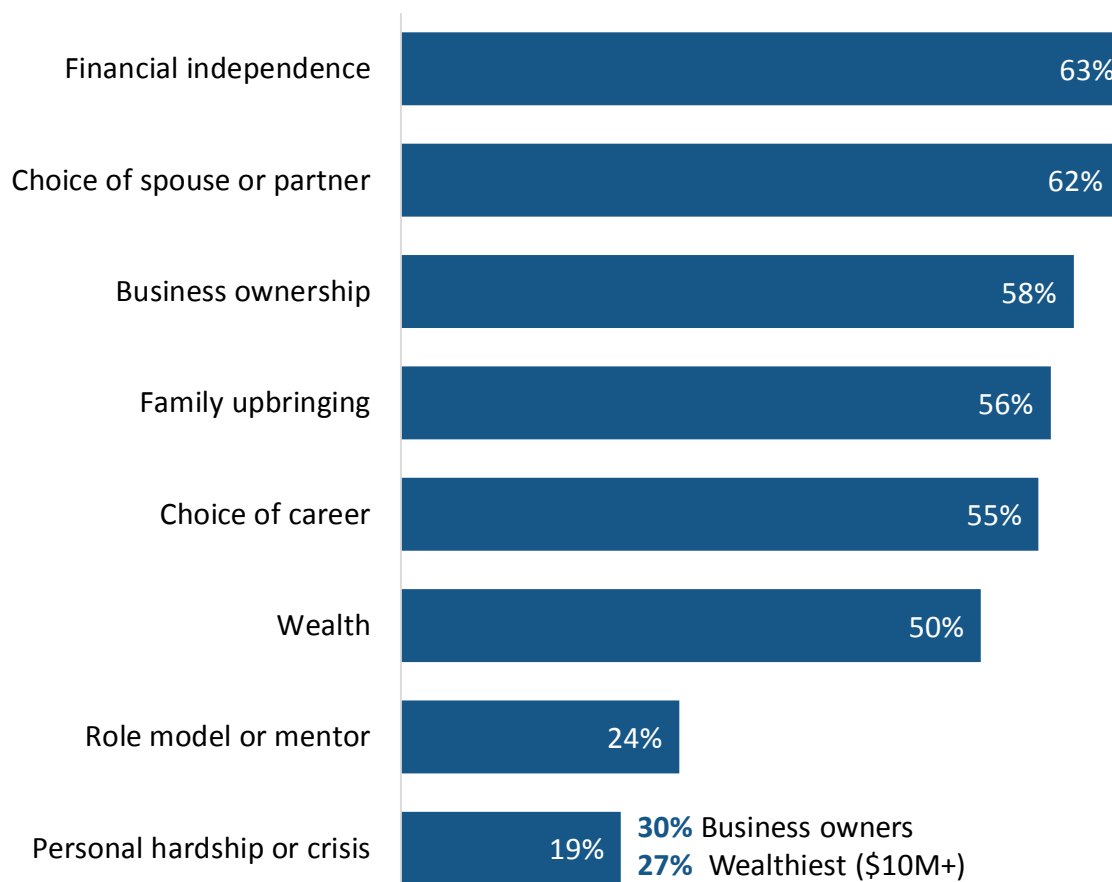
## FINANCIAL INDEPENDENCE, SPOUSE, CAREER ARE KEY TO PUTTING WEALTH INTO ACTION

Achieving financial independence has the biggest effect on being able to accomplish important goals and making the most out of life; however, other influential factors also are very important.

Six in 10 attribute their choice of a spouse – having a supportive or collaborative partner – as having had a big effect on putting wealth into action.

Nearly six in 10 attribute their ownership of a business as having had a big effect on their ability to make the most out of life and achieve goals.

### PERCENT WHO SAY THE FOLLOWING HAD A “BIG EFFECT” ON REACHING GOALS AMONG ALL RESPONDENTS



## THE PURPOSE OF WEALTH IS DIFFERENT AT DIFFERENT STAGES OF LIFE

Most who are over age 50 are focused on using their wealth to gain greater freedom and time, focus on family and help others.

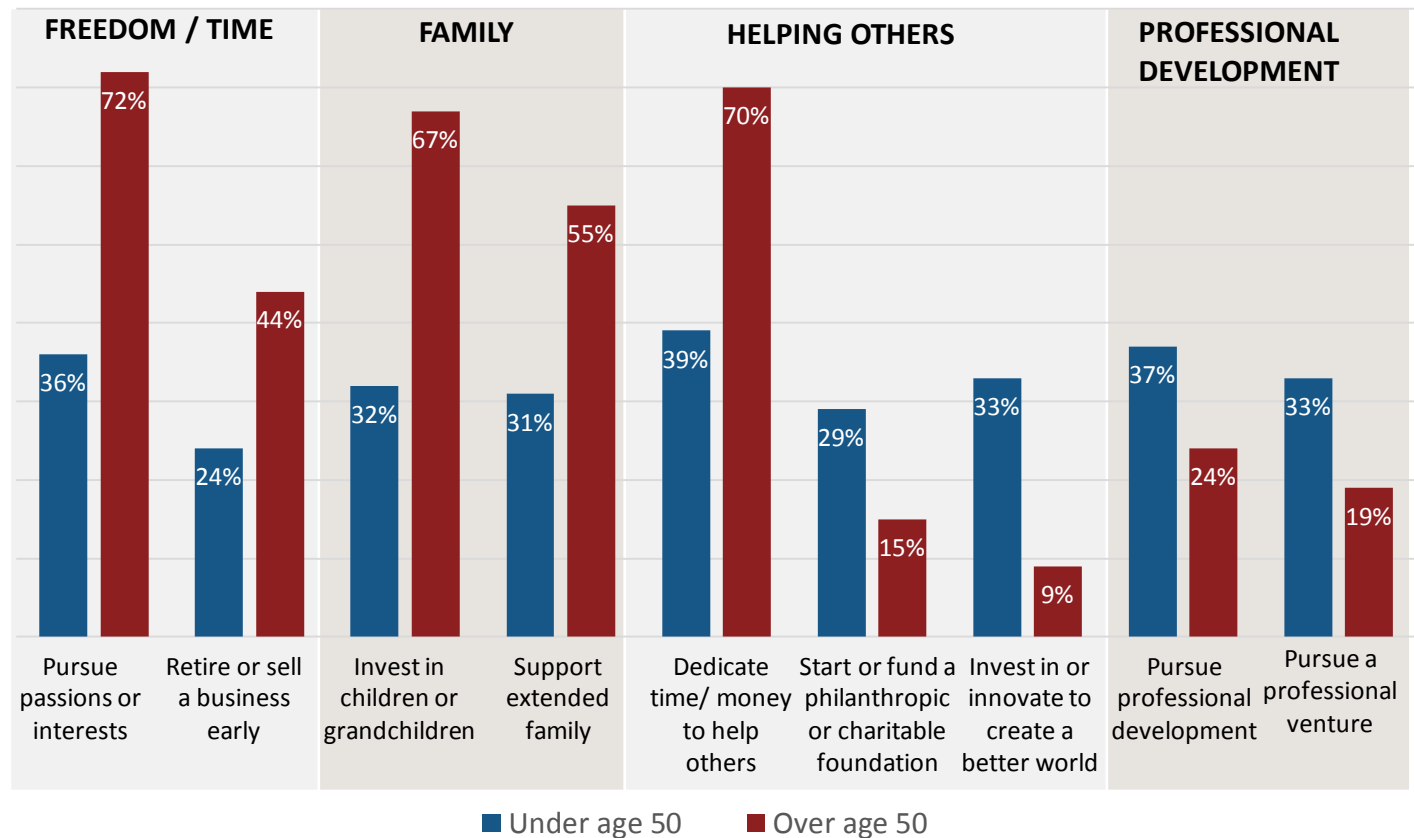
Those under the age of 50 (millennials and Gen X) are focused on achieving their goals through work, investments and professional development.

One-third of those under age 50 have put their wealth to work to create or invest in new innovation that will solve problems and lead to a better world.

Thirty-seven percent of those under age 50 also have used wealth to grow professionally or pursue a professional venture, such as starting a company.

### USE OF WEALTH AMONG THOSE WHO ARE DOING A LOT

YOUNGER (MILLENNIALS AND GEN X) COMPARED TO OLDER (BABY BOOMERS AND SILENT GEN)

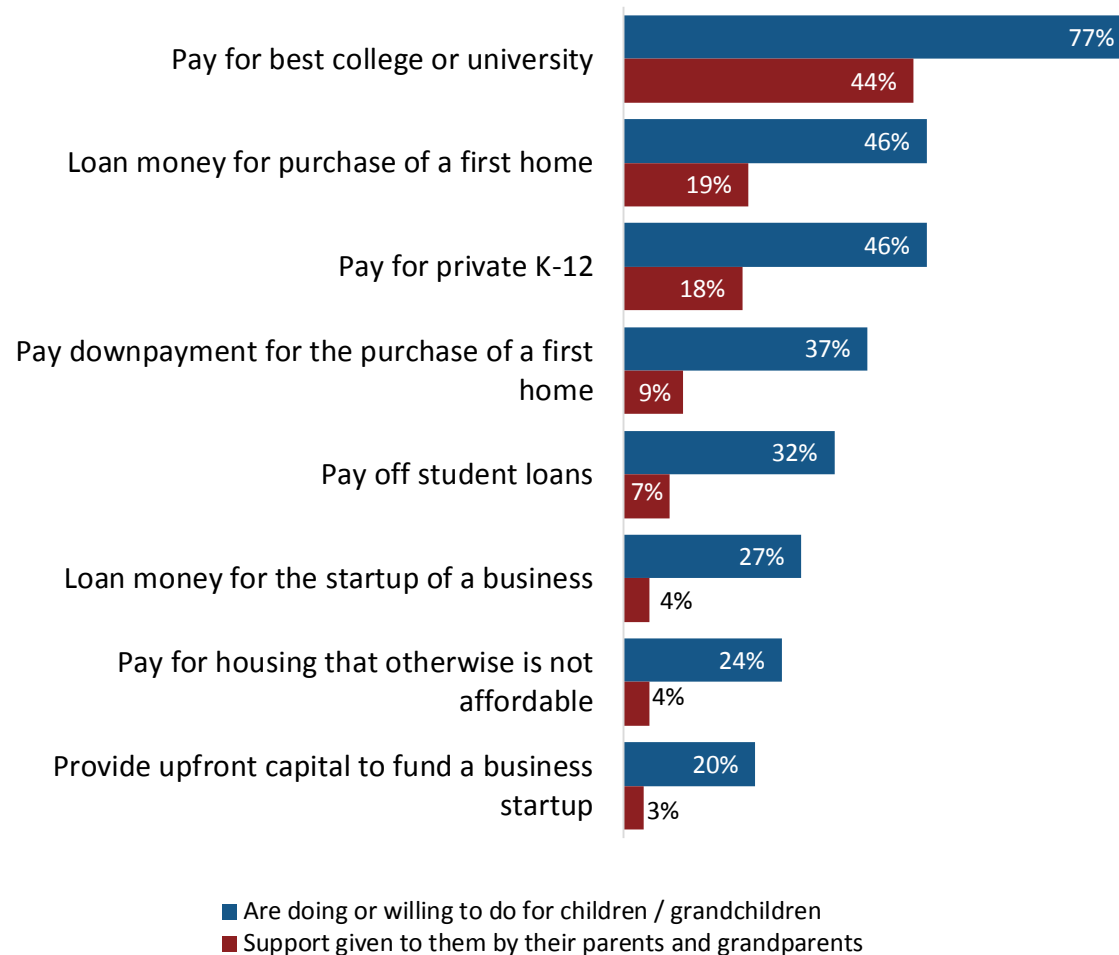


As with most parents, the wealthy want to see their children and grandchildren succeed.

Many are investing in the success of the next generation, largely by paying for education, home ownership and business ownership.

More parents today are investing in the success of their children to a greater extent than they, themselves, were afforded by their parents and grandparents.

## PERCENT WHO ARE OR WOULD BE WILLING TO INVEST IN THE SUCCESS OF THEIR CHILDREN AND GRANDCHILDREN VERSUS THE FINANCIAL SUPPORT THEY RECEIVED AMONG ALL RESPONDENTS



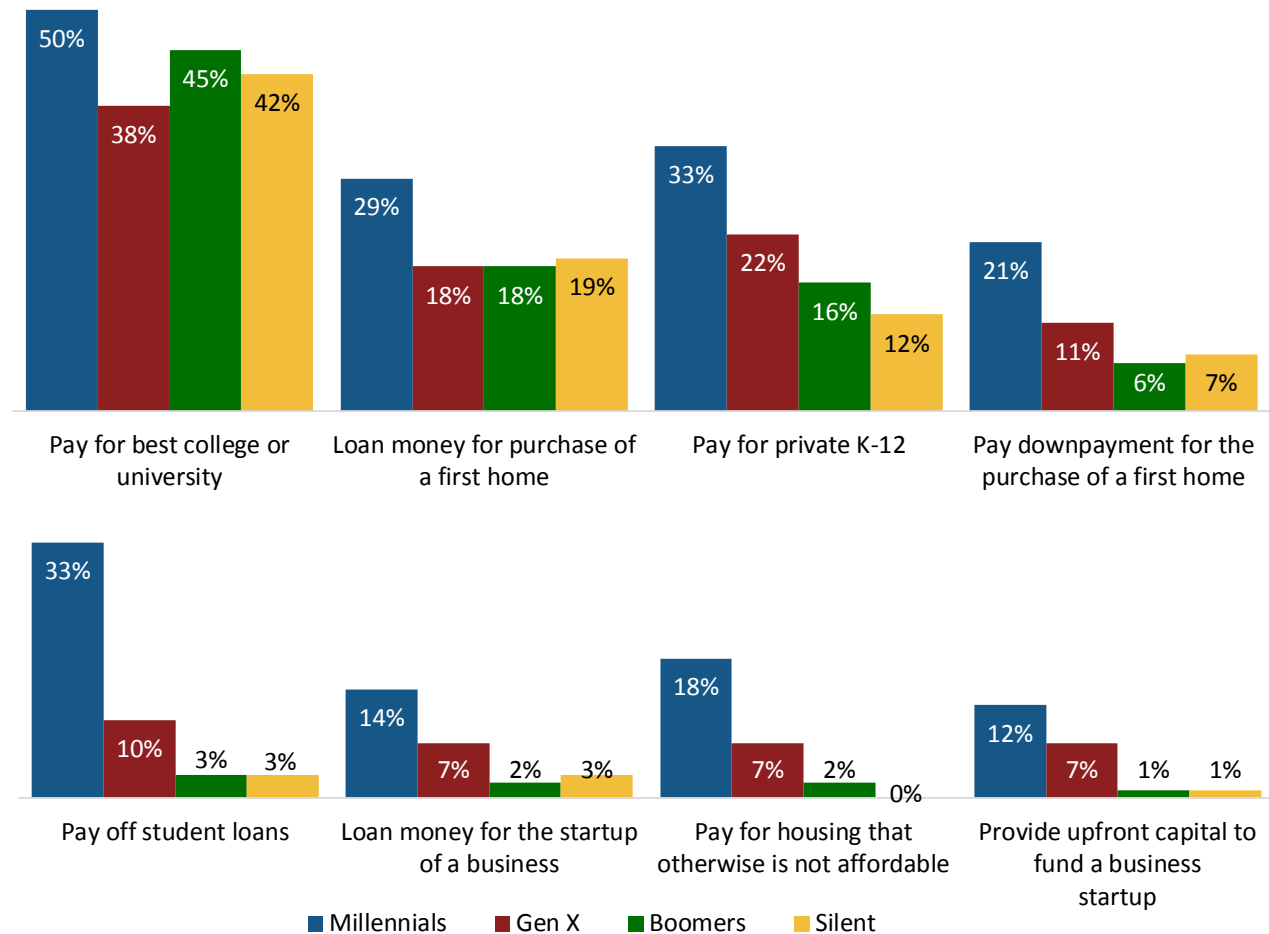


## YOUNGER HNW MORE LIKELY TO RECEIVE INVESTMENT OF FAMILY WEALTH THAN PREVIOUS GENERATIONS RECEIVED

Across all ages, many wealthy people received the benefit of parents and grandparents who invested in their education.

Millennials are the beneficiaries of family wealth created by their parents and grandparents. They are far more likely than previous generations to receive financial gifts or loans toward their success.

**PERCENT WHO ARE THE BENEFICIARIES OF FAMILY WEALTH INVESTED IN THEIR SUCCESS**  
BY AGE/GENERATION

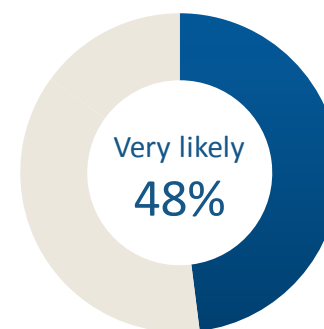


The freedom that comes with financial independence is the opportunity to make decisions without being dictated to by the limitations of money.

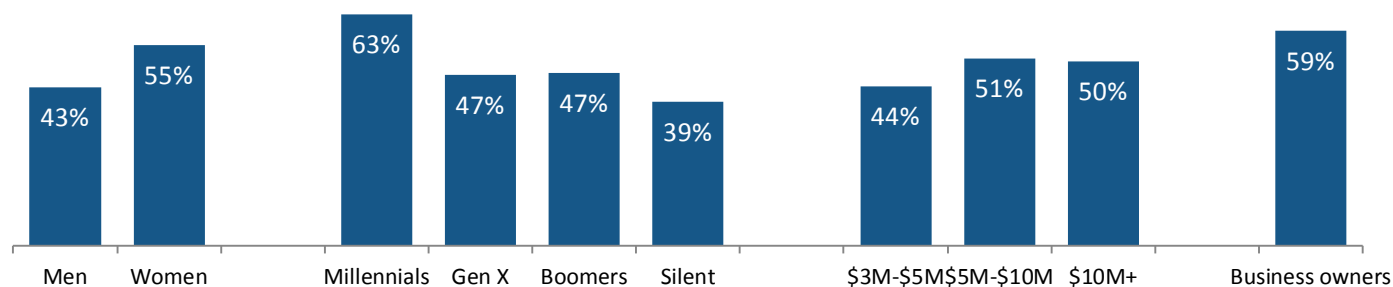
Nearly half of the wealthy say they would be very likely to do whatever makes the most of their talents and contribute what they have to offer the world, regardless of the money.

#### PERCENT WHO WOULD BE “VERY LIKELY”

*“I would choose to do whatever it is that makes the most of my talents regardless of whether I were paid for it.”*



#### BY GENDER, AGE, WEALTH LEVEL, BUSINESS OWNERSHIP



# U.S. TRUST

IMPACTING INVESTING

## WIDESPREAD AGREEMENT IN PRINCIPLE ON CORPORATE RESPONSIBLE GROWTH

Eight in 10 HNW investors — across all ages and wealth levels — agree in principle with the idea that companies should seek responsible growth by making a profit but also taking responsibility for their impact.

Slightly more women than men agree.

The owners of private companies and CEOs/leaders of small, mid-sized and large companies also agree.

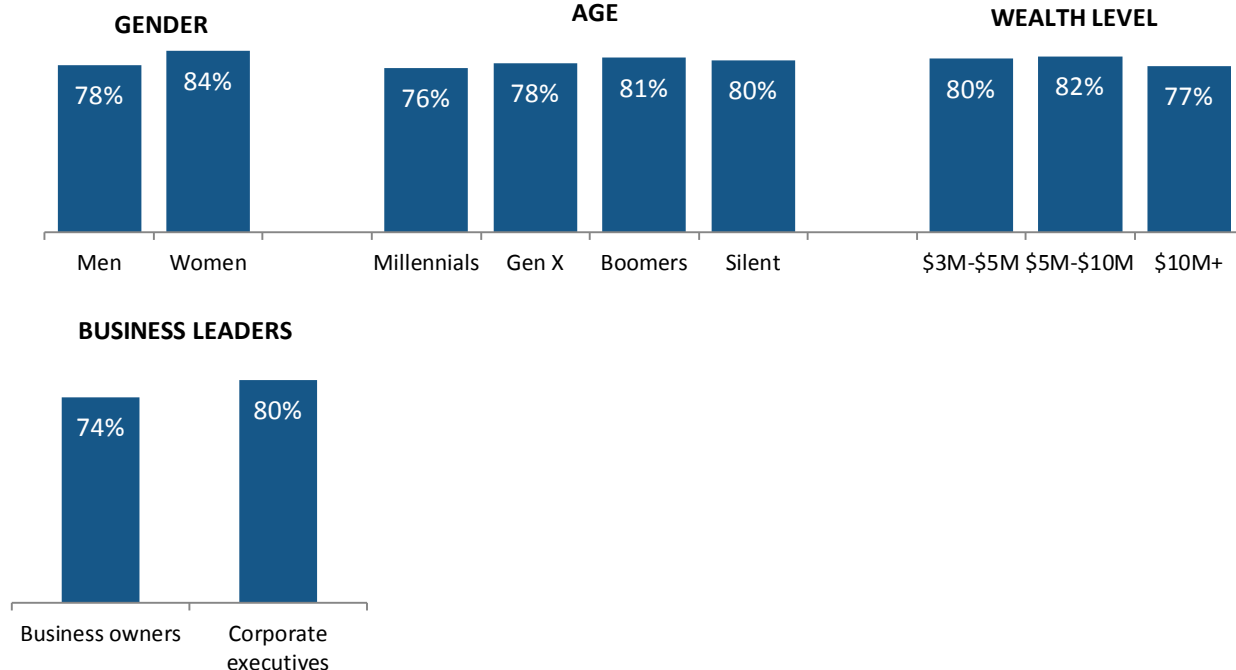
**EIGHT**  
in 10 HNW  
investors  
**AGREE**

AMONG ALL  
RESPONDENTS



“I expect companies to make a profit but also take responsibility for their impact on the environment and social wellbeing.”

### PERCENT WHO AGREE



More than half (53%) of HNW investors say that a company's environmental, social, political and governance track record is important to their decision on whether or not to invest in it.

The vast majority of millennials (87%) and two-thirds of Generation X consider ESG factors important to their investment decision-making.

Women, more than men, consider ESG factors when making investment decisions.

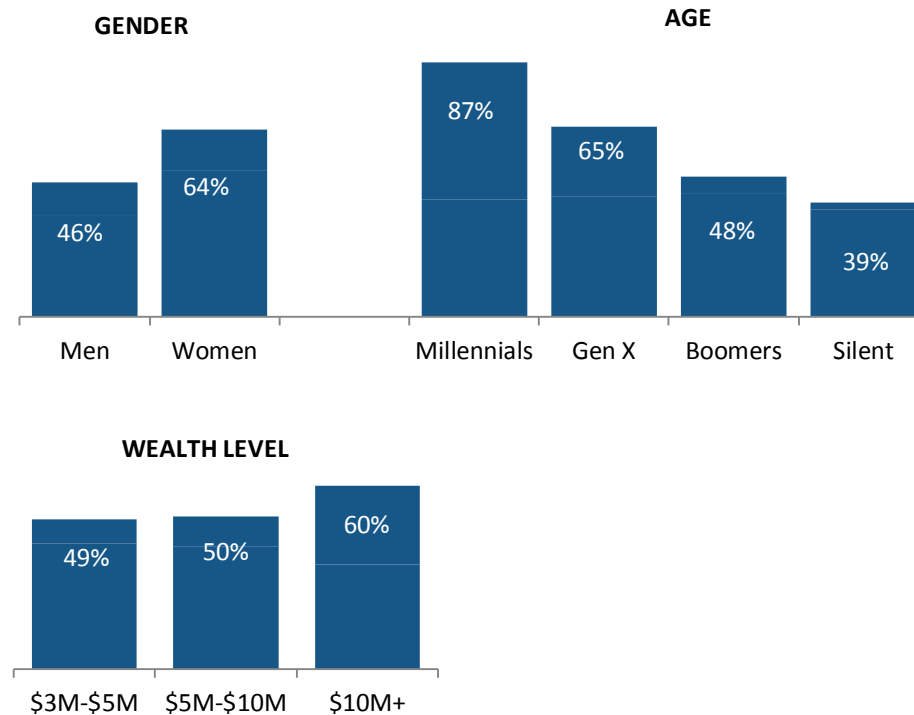


**53%**  
of HNW  
investors  
**AGREE**

AMONG ALL RESPONDENTS

“A company's environmental, social, political and governance track record is important to the decision on whether or not to invest in it.”

## PERCENT WHO AGREE ON IMPORTANCE OF ESG TO INVESTMENT DECISION-MAKING



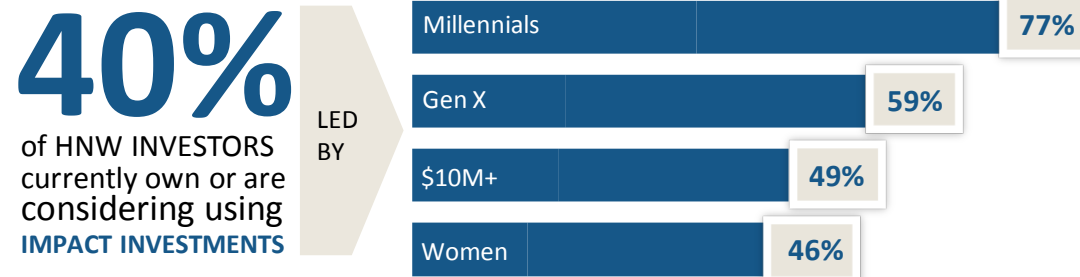
## OVERALL GROWTH IN ESG INVESTING CONTINUES TO INCH UPWARD; GROWTH MOMENTUM AT PLATEAU

Ownership of ESG / Impact investments continues to grow — led by younger investors, women and the wealthiest segment (\$10M+).

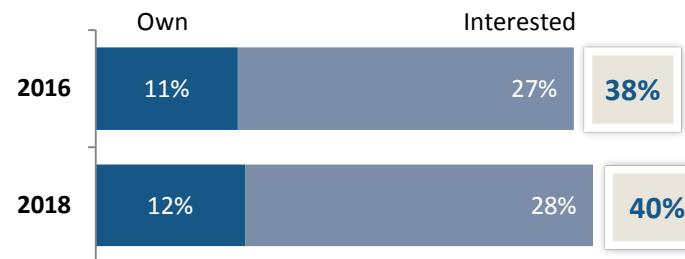
Four in 10 HNW investors overall — including 77% of millennials, 59% of Gen X — either own or are interested in impact investing.

Since 2016, the percent of investors who own ESG / impact investments in their portfolio has remained relatively stable. Overall, ownership and interest has nudged upward.

### PERCENT WHO OWN / ARE INTERESTED IN ESG / IMPACT INVESTING AMONG ALL RESPONDENTS



### CONTINUED STEADY GROWTH IN OWNERSHIP/INTEREST IN ESG / IMPACT INVESTMENTS AMONG ALL RESPONDENTS



## YOUNGEST INVESTORS DRIVE BIGGEST GROWTH IN ESG INVESTING

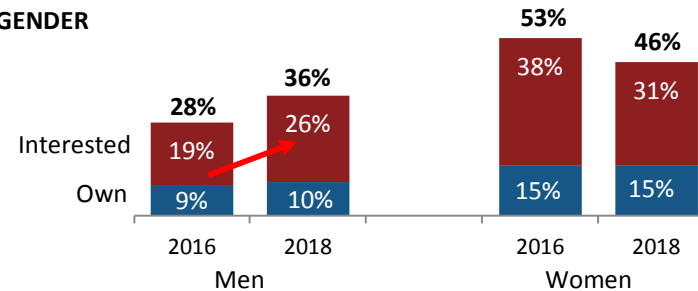
While ownership of impact investments has remained relatively flat since 2016, millennials continue to drive momentum.

The percentage of millennials who currently own impact investments increased by nine percentage points over the past two-year period.

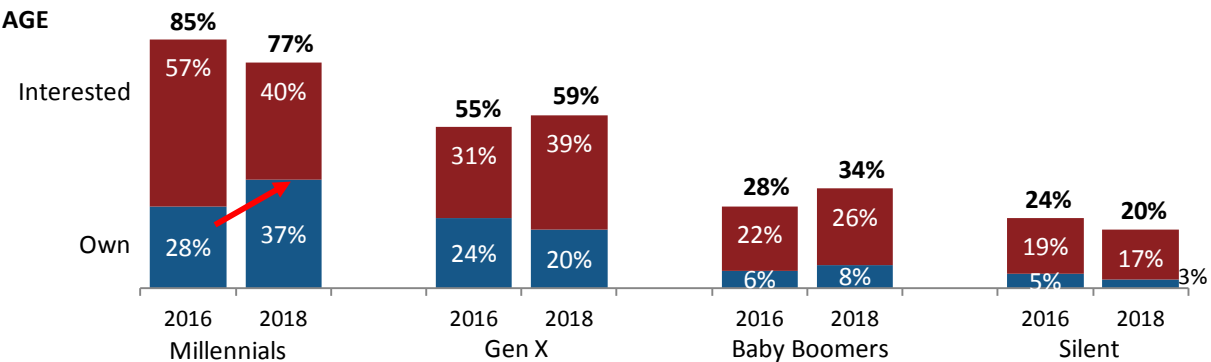
Since 2016, ownership and interest increased among Gen X and Baby Boomers.

### CHANGE IN PERCENT OF THOSE WHO OWN OR ARE INTERESTED IN IMPACT INVESTMENTS 2016 – 2018

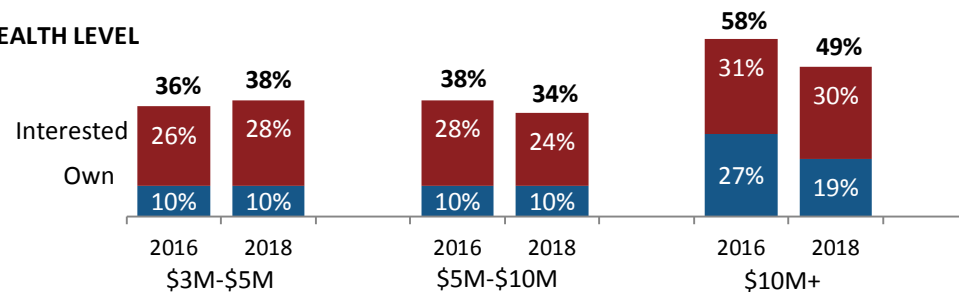
#### GENDER



#### AGE



#### WEALTH LEVEL



Seventy percent of HNWI investors who invest in ESG / impact investments say the return on their investment has met or exceeded their expectations.

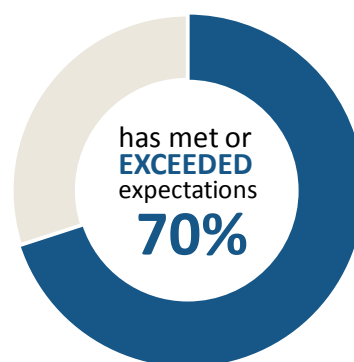
Nearly two-thirds also are satisfied that evidence of positive impact has met or exceeded their expectations.

Given the long-term proposition of positive impact on the environment or society, 18 percent of investors say they aren't looking for near-term results.

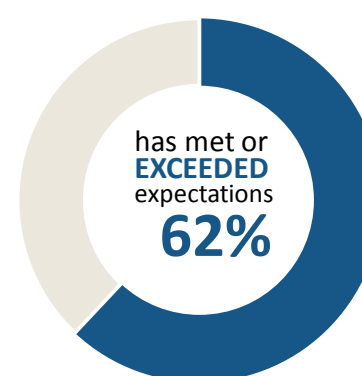
## PERFORMANCE OF ESG INVESTMENTS

AMONG ALL RESPONDENTS WHO CURRENTLY INVEST IN ESG / IMPACT INVESTMENTS

### RETURN ON INVESTMENT



### EVIDENCE OF POSITIVE IMPACT



**18%** Don't expect near-term impact  
**14%** Don't know



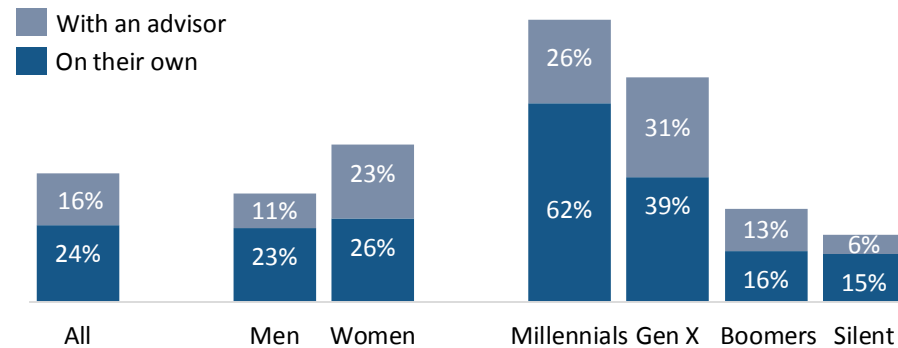
## EVALUATION OF PORTFOLIO HOLDINGS FOR ESG IMPACT GROWS

Nearly four in 10 (37%) of all HNW investors have reviewed their investment portfolios for ESG impact, up from 34% in 2017 and up from 23% in 2015, despite the slight overall decrease in importance placed on ESG impact.

The biggest one-year increase (+14%) was driven by millennials.

Those who own ESG are far more likely than those who don't to have reviewed their portfolios. Eighty-seven percent of those who own ESG / Impact investments reviewed their portfolios for ESG impact in 2018 versus 68% in 2017, a 19 percentage point increase in one year.

### PERCENT WHO HAVE REVIEWED THEIR PORTFOLIO FOR ESG IMPACT



#### YOY CHANGE IN PERCENT WHO HAVE REVIEWED

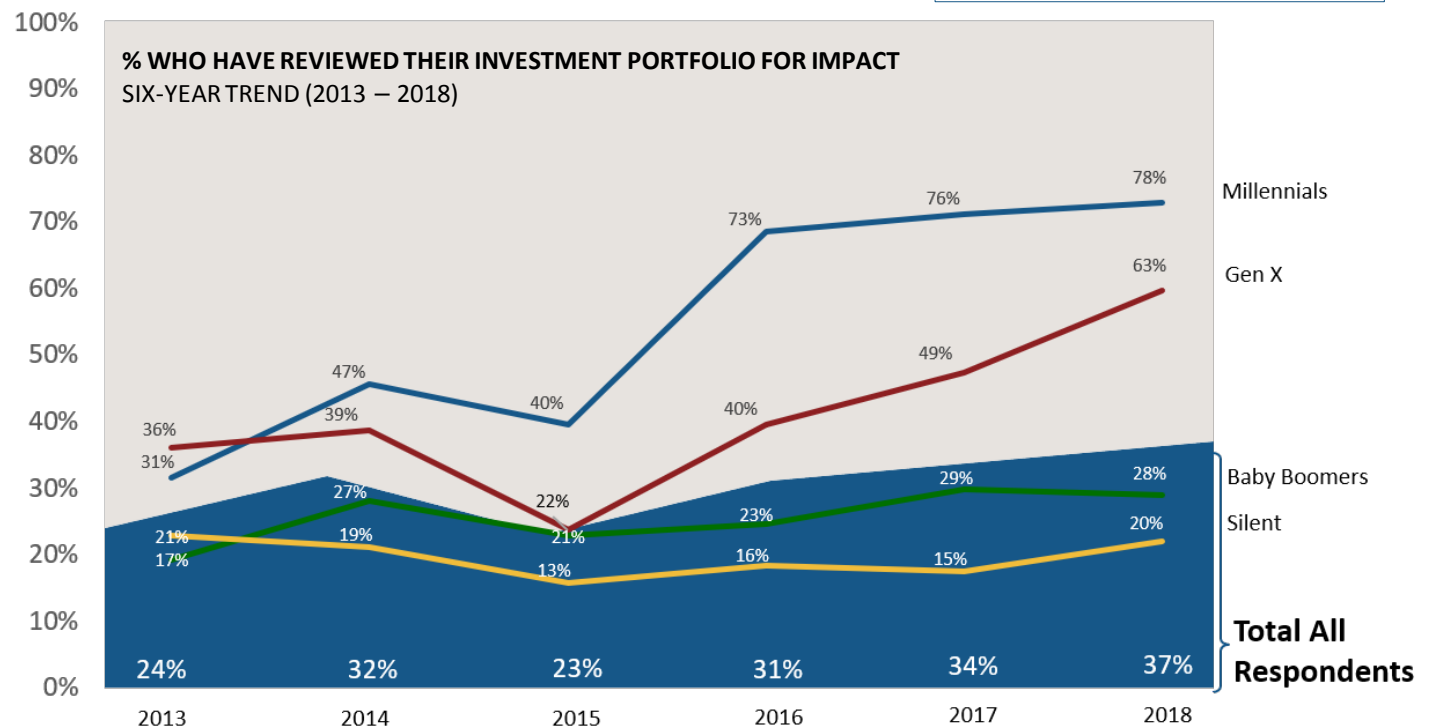
AMONG THOSE WHO USE ESG



AMONG THOSE WHO DON'T USE ESG



■ 2017 ■ 2018



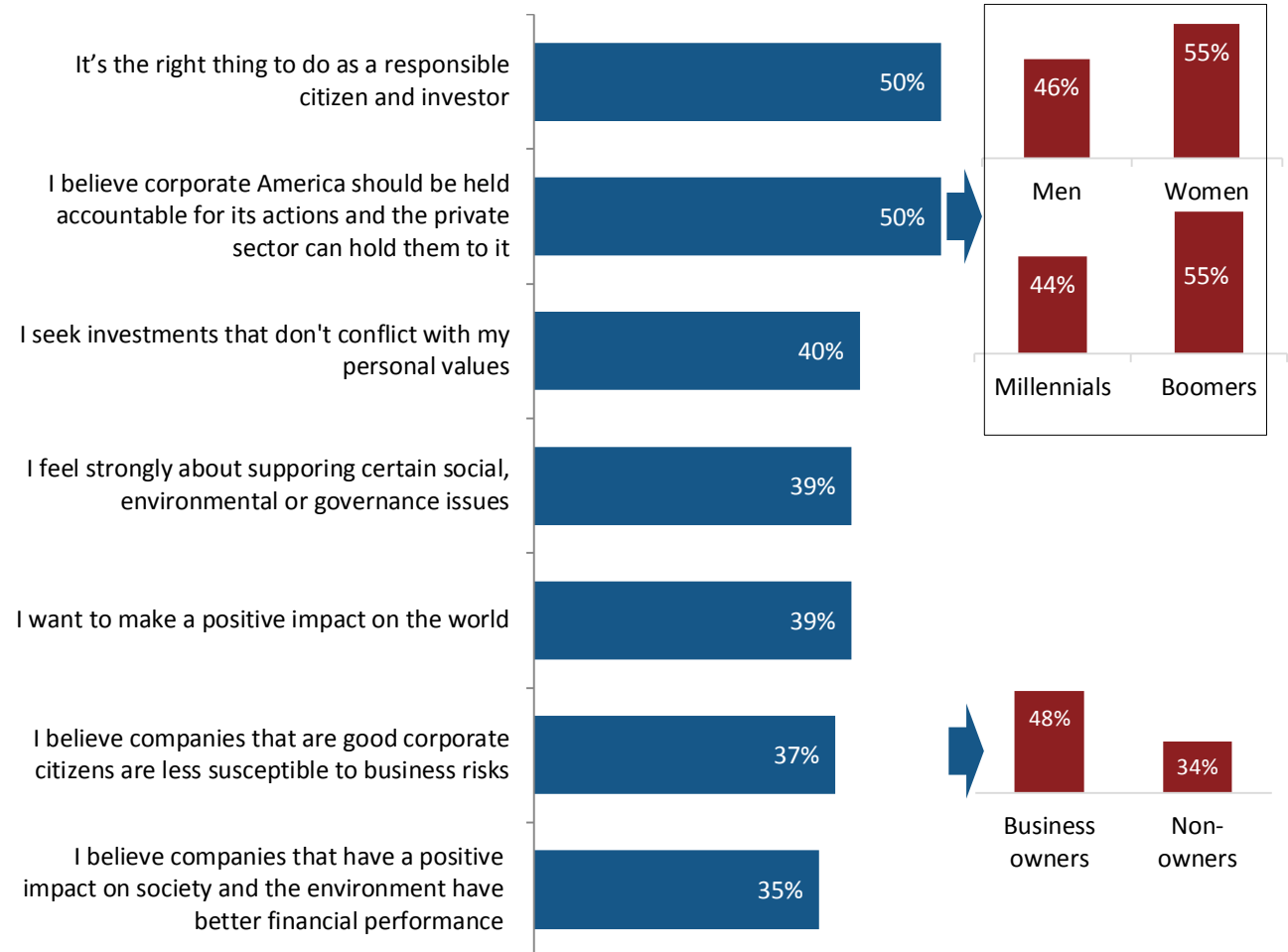
# CORPORATE ACCOUNTABILITY IS A TOP MOTIVATOR FOR INVESTING BASED ON ESG / IMPACT

The top reasons for owning impact investments are the belief that it is the right thing to do as a citizen and to hold corporations accountable.

More women than men and more baby boomers than millennials think corporate American should be held accountable for its actions.

A higher portion of business owners believe companies that are good corporate citizens are less susceptible to business risk.

## REASONS FOR OWNERSHIP/INTEREST IN ESG/IMPACT INVESTING AMONG THOSE WHO OWN OR ARE INTERESTED IN OWNING



Q22. Why are you currently invested in, or interested in investing in, companies based on their social, environmental or governance practices? (Select all that apply.)

# IMPACT INVESTING IS VALUED AS A MEANS OF TRANSFERRING FINANCIAL SKILLS AND VALUES TO THE NEXT GENERATION

Just under half (45%) of all HNW investors and 61% of parents with younger children see impact investing as a way to transfer responsible money-making principles to the next generation.

Women tend to feel more strongly about this than men do.

Those who grew up in wealthy / upper middle-class families are more likely to see the value of impact investing as way to transfer skills, knowledge and values across generations.



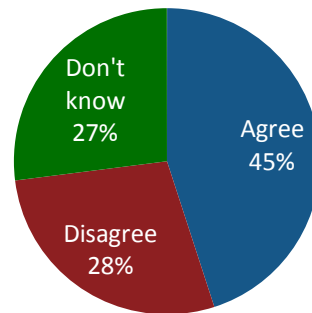
**61%**  
of HNW  
parents  
**AGREE**

“Impact investing is a way to transfer responsible money-making principles to younger generations.”

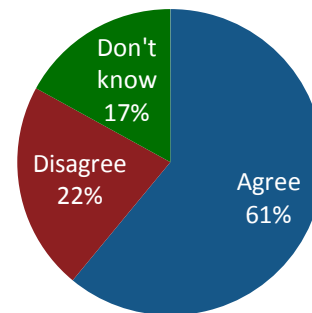
AMONG PARENTS WITH CHILDREN YOUNGER THAN AGE 25

## PERCENT WHO AGREE/DISAGREE

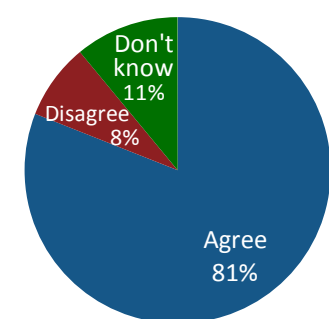
AMONG ALL RESPONDENTS



AMONG ALL PARENTS WITH CHILDREN YOUNGER THAN AGE 25

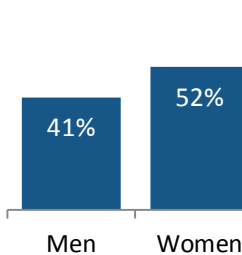


AMONG ALL THOSE WHO INVEST BASED ON ESG FACTORS

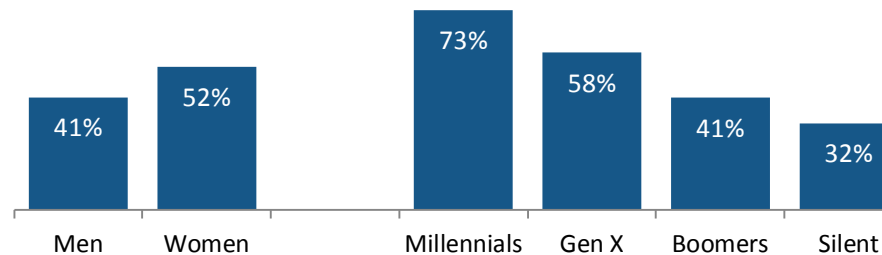


## PERCENT WHO AGREE AMONG ALL RESPONDENTS

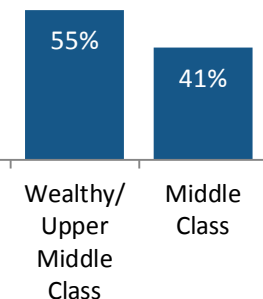
GENDER



AGE



SOCIO-ECONOMIC UPBRINGING



As in previous years, the biggest barrier to adoption of ESG/impact investments is the desire to keep philanthropic and investing goals separate.

This is consistently the top reason given by more men than women and by older investors — baby boomers and older.

However, the trend suggests that this sentiment is declining among all groups.

A higher portion of younger investors says the investment options are limited.

Not shown: The wealthiest are more likely to question the ability to measure the impact of the investments (27%).

What are the main barriers to ESG adoption?

AMONG THOSE NOT INTERESTED IN IMPACT INVESTING

#### PRIORITIES

**44%** "I don't mix philanthropic and investing goals"

**37%** "It's not important to me"

#### PERFORMANCE PERCEPTIONS

**20%** "I am unwilling to accept lower returns on investments"

**20%** "It's not possible to measure the impact"

#### TIME

**15%** "Haven't had time to research investment options"

#### ACCESS

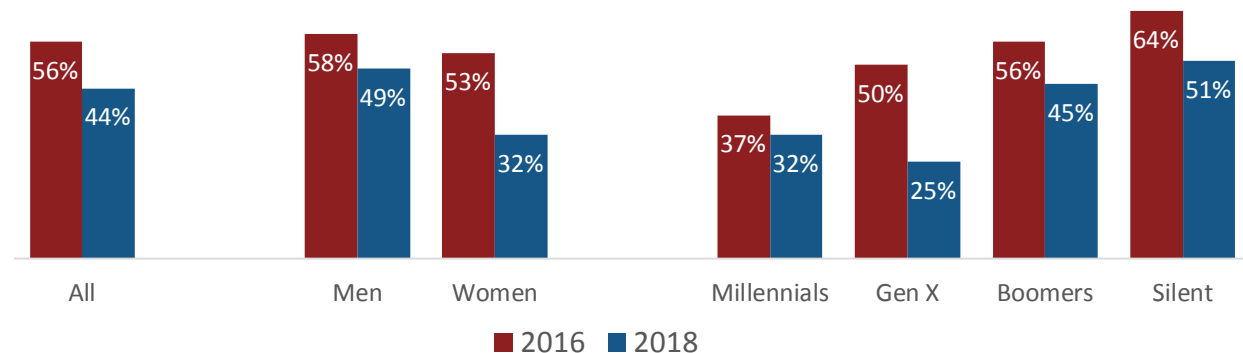
**7%** "The investment options are limited"

**18%** Millennials  
**14%** Gen X

Top barrier

**DECLINE IN THE PERCENTAGE OF RESPONDENTS WHO CITE: "I DON'T MIX PHILANTHROPIC AND INVESTING GOALS."**

2016 – 2018



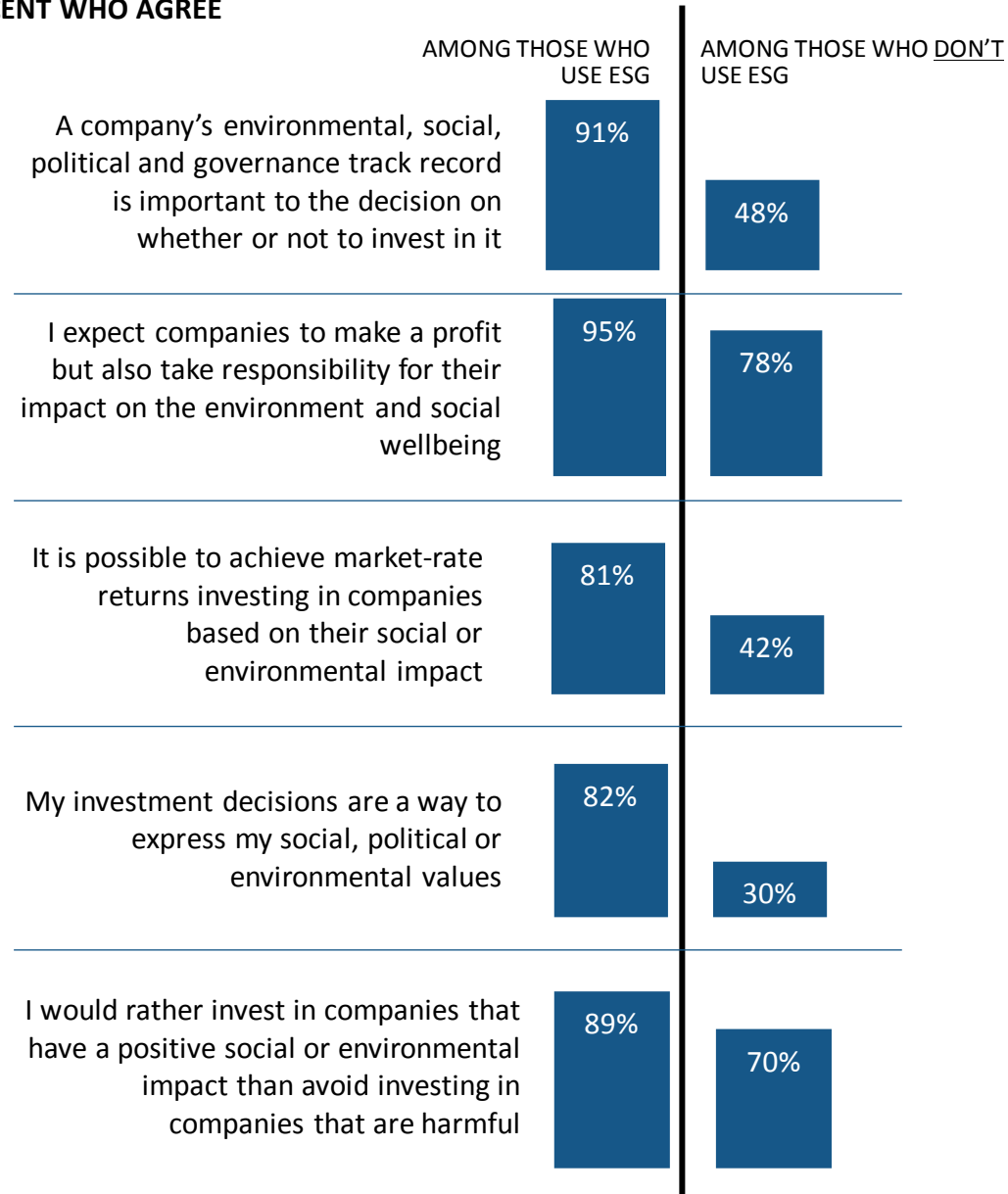
## IMPORTANCE OF ESG IS GREATEST AMONG THOSE WHO INVEST BASED ON IMPACT, YET MANY WHO DON'T USE ESG AGREE IN PRINCIPLE

There are stark differences among those who currently invest based on ESG factors and those who don't in terms of the importance of ESG.

- Nine in 10 of those who invest in ESG, compared to just under half (48%) who don't, consider ESG an important part of their decision-making.
- Eight in 10 of those who own ESG/ impact investments consider their investment decisions as a way to express their values whereas one in three who don't use ESG simply don't think of investing in this way.

There may be significant opportunity for growth in adoption of ESG / impact investing among those who agree in principle but don't yet own ESG investments.

### PERCENT WHO AGREE



## ADVISORS CAN PLAY A CRITICAL ROLE IN OVERCOMING BARRIERS TO ESG ADOPTION

More HNW investors would start or increase ESG / impact investments with better proof of performance (52%) or at least a better understanding of what to expect short-term and long-term (27%).

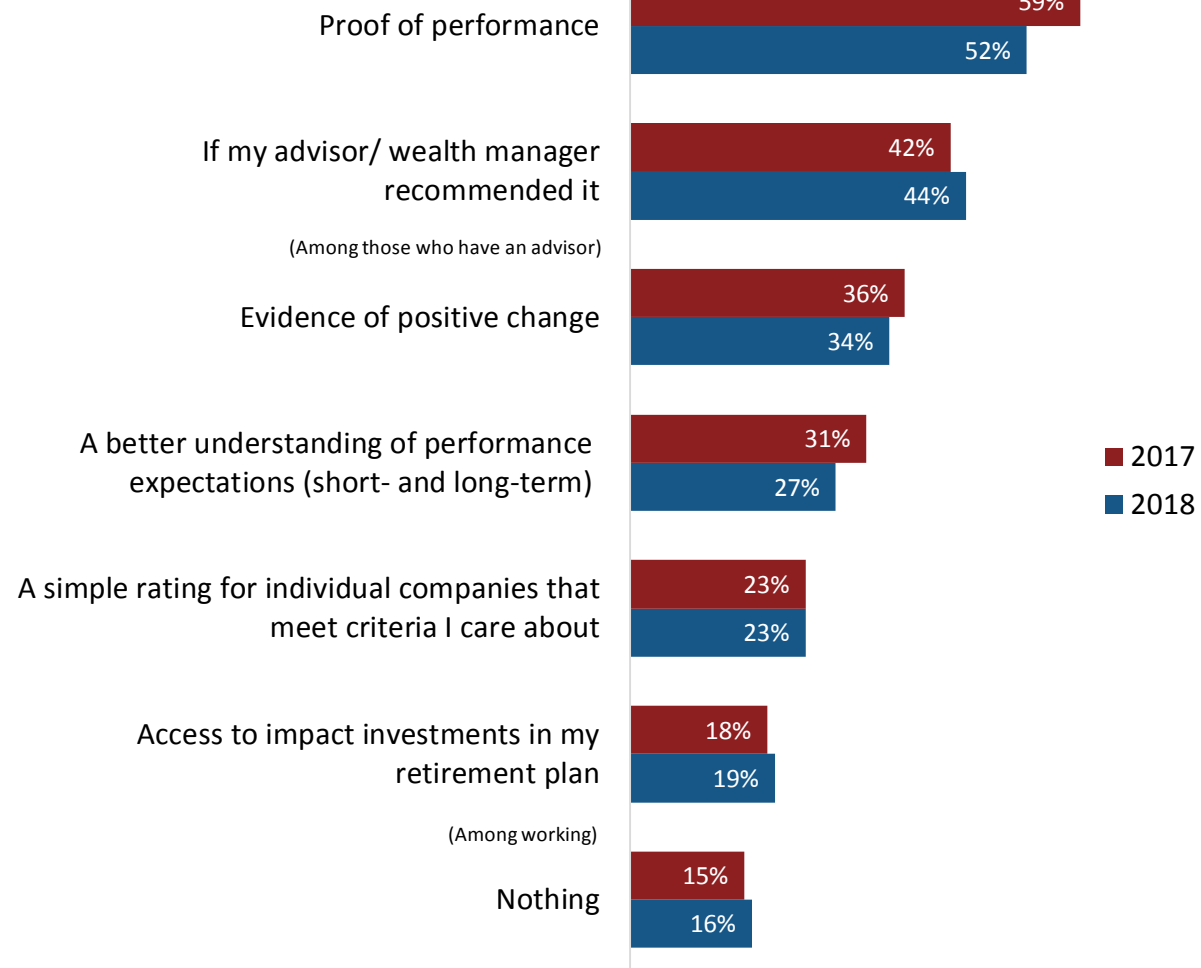
The motivation to invest more in ESG has changed little over the past year, with minor declines in most areas suggesting some progress has been made in demonstrating performance.

The only areas to show a slight increase are among those who say they would start or increase using ESG/impact investments if (1) their advisor or wealth manager recommended it and (2) if they had access to ESG investments in their retirement plan.

### PERCENT WHO WOULD BE MOTIVATED BY THE FOLLOWING TO START OR INVEST MORE BASED ON ESG IMPACT

2017 – 2018\*

AMONG ALL RESPONDENTS



## OLDER INVESTORS MORE LIKELY TO SEEK PROOF OF PERFORMANCE; YOUNGER INVESTORS SEEK EVIDENCE OF POSITIVE IMPACT

Baby boomers would be more motivated to invest in impact investments if there were proof of performance/returns and if their advisor recommended it.

Younger investors — millennials and Gen X — want to better understand performance expectations.

Evidence of positive change to society, a rating system for companies and access to impact investments in retirement plans would further motivate millennials.

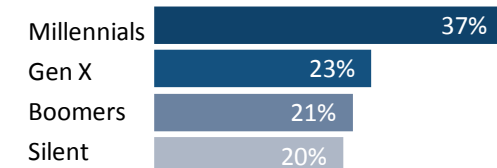
### PERCENT WHO WOULD BE MOTIVATED BY THE FOLLOWING TO START OR INCREASE IMPACT INVESTING

BY AGE

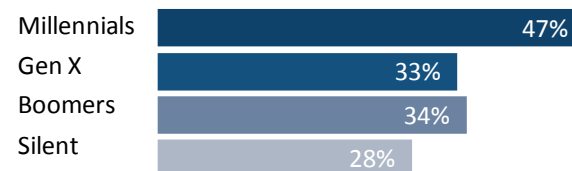
#### PROOF OF PERFORMANCE



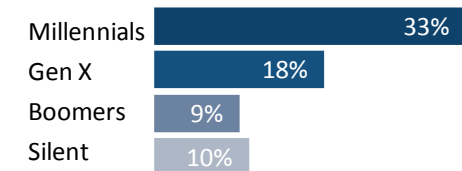
#### A SIMPLE, TRUSTWORTHY SEAL OF APPROVAL FOR COMPANIES THAT MEET CRITERIA I CARE ABOUT



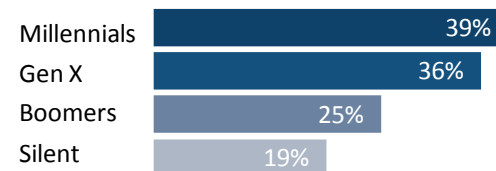
#### EVIDENCE OF POSITIVE CHANGE



#### ACCESS TO IMPACT INVESTMENTS IN MY RETIREMENT PLAN



#### A BETTER UNDERSTANDING OF SHORT- AND LONG-TERM PERFORMANCE EXPECTATIONS



#### IF AN ADVISOR OR WEALTH MANAGER RECOMMENDED IT



## FEW DISCUSSIONS ARE TAKING PLACE WITH ADVISORS ABOUT ESG OR, MORE BROADLY, ALIGNING INVESTING WITH VALUES

Financial advisors and wealth managers have an opportunity to close the gap between demand and adoption of ESG/impact investing.

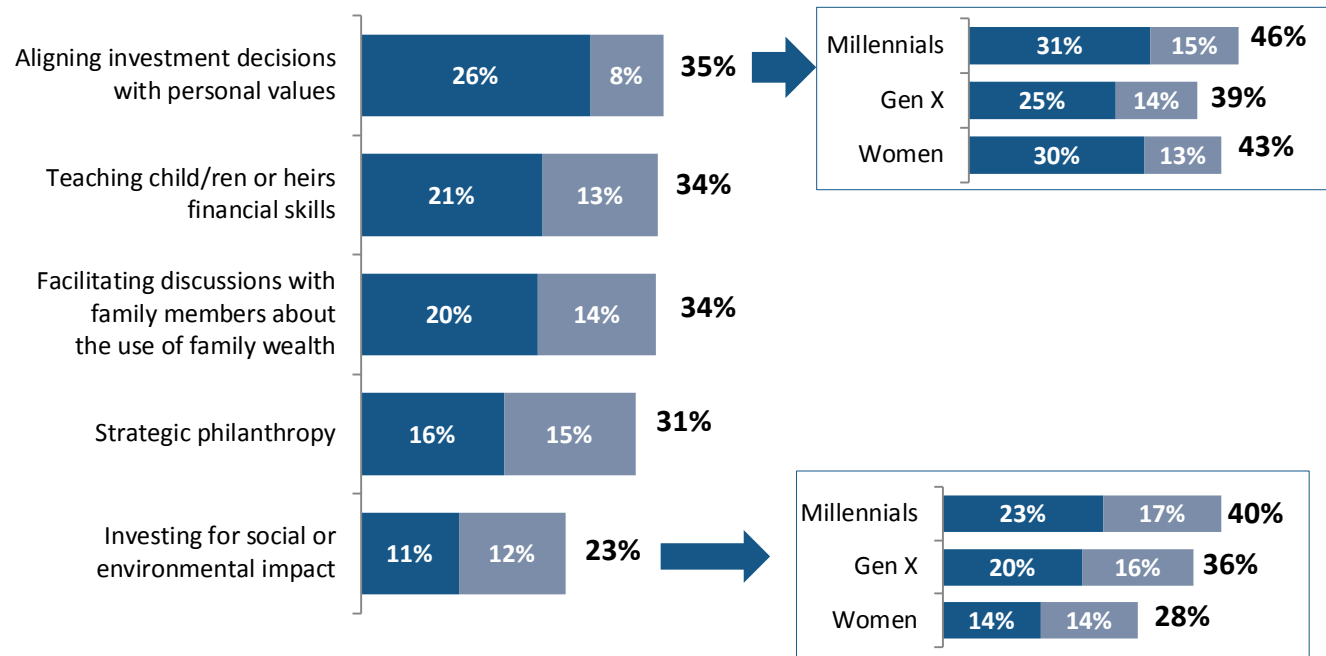
Despite strong interest in ESG principles — and steadily growing adoption — only 11% of HNW investors have had discussions with their financial advisor / wealth manager about them.

Four in 10 millennials, 36% of Gen Xers and more than one-quarter of female investors either are or want to be discussing ESG investing with their advisor.

Though nearly four in 10 investors overall and eight in 10 who own ESG see their investment decisions as a way to express their personal values, only one in four (26%) have talked with their advisor / wealth managers about doing so.

### PERCENT WHO CURRENTLY DISCUSS OR WANT TO DISCUSS MORE WITH THEIR FINANCIAL ADVISOR

AMONG THOSE WHO HAVE A FINANCIAL ADVISOR





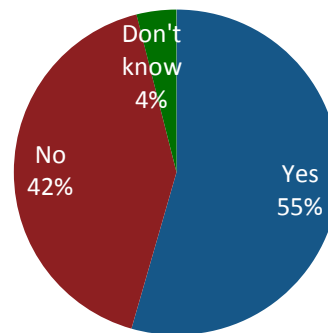
Half of all respondents who are currently actively working say they work for or own a company that actively integrates social, environmental and/or governance practices into the business.

Millennials are most likely to work for a company that incorporates positive ESG values and practices.

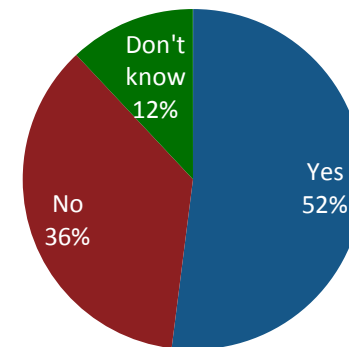
More than half (55%) of business owners say their own company has integrated positive ESG practices into its products, services and / or policies.

## PERCENT WHO OWN OR WORK FOR A COMPANY THAT ACTIVELY INTEGRATES POSITIVE ESG VALUES AND PRACTICES INTO PRODUCTS, SERVICES AND / OR POLICIES

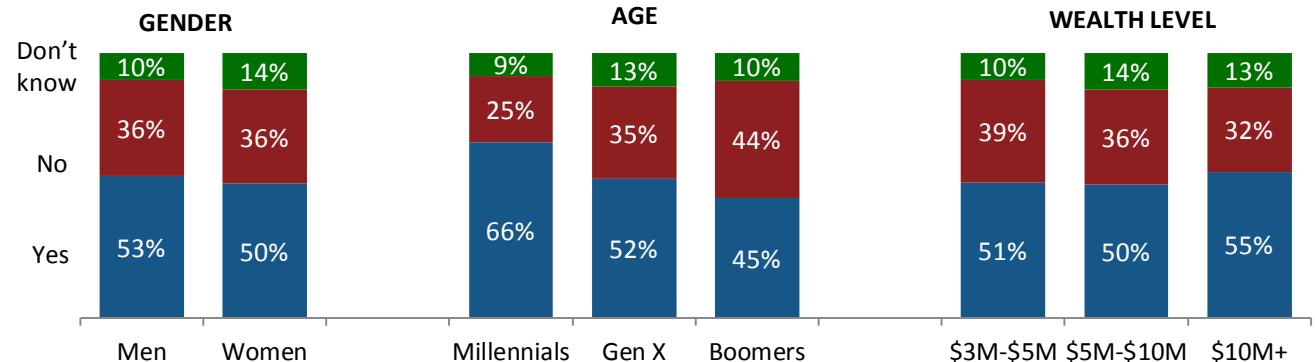
AMONG BUSINESS OWNERS



AMONG THOSE EMPLOYED BY A COMPANY (NON-OWNER)



AMONG ALL WORKING RESPONDENTS



## MOST AGREE THAT GENDER DIVERSITY IS A BUSINESS ADVANTAGE

At least half (51%) of all HNW investors agree that organizations that have gender diversity in leadership positions have a competitive advantage over those that don't.

Those who are most likely to agree are those who already invest based on ESG principles (82%), millennials (70%), Gen X (60%) and the wealthiest segment (\$10M+).

More women than men also agree.

Nearly half of those who don't own ESG investments also agree that organizations with gender diversity have a competitive advantage.

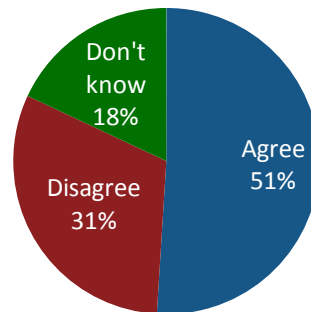


**51%**  
of HNW  
investors  
**AGREE**

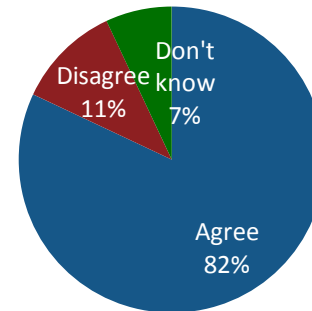
“Organizations that have gender diversity in leadership positions have a **COMPETITIVE ADVANTAGE** over those that don't.”

### PERCENT WHO AGREE/DISAGREE

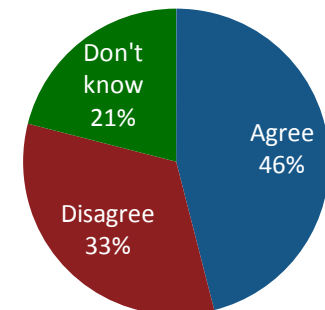
AMONG ALL RESPONDENTS



AMONG THOSE WHO INVEST  
BASED ON ESG FACTORS

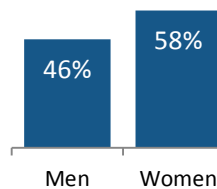


AMONG THOSE WHO DON'T  
OWN ESG INVESTMENTS

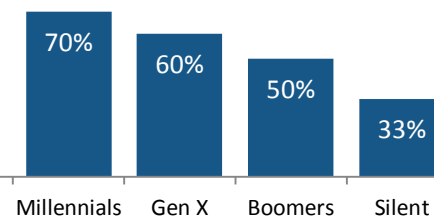


### PERCENT WHO AGREE AMONG ALL RESPONDENTS

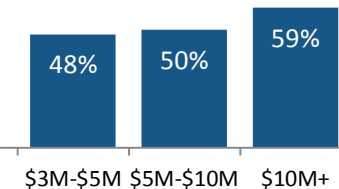
GENDER



AGE



WEALTH LEVEL



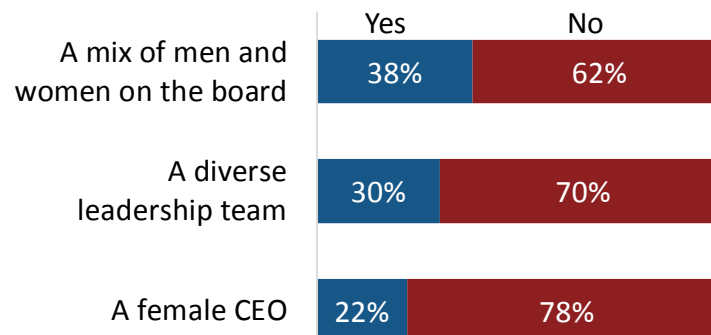
## YOUNGER HNW ARE MORE LIKELY TO OWN OR WORK FOR COMPANIES THAT VALUE DIVERSITY IN LEADERSHIP POSITIONS

Only a little more than one-quarter of all respondents work for or own a company that has a mix of women on the board of directors and one in three says their company has a diverse leadership team.

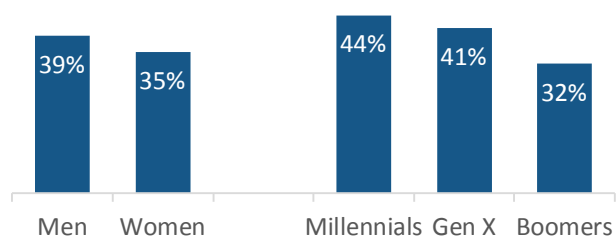
Younger members of the workforce — millennials and Gen X are more likely to work for companies with leadership diversity.

Sixteen percent of all HNW millennials either works for or owns a company that has a primarily female-focused mission, products or service.

### PERCENT OF HNW WHO WORK FOR OR OWN A COMPANY THAT HAS: AMONG ALL BUSINESS OWNERS



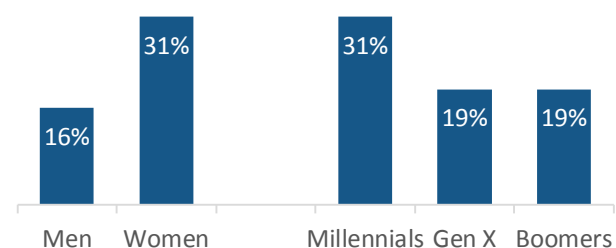
### A MIX OF MEN AND WOMEN ON THE BOARD



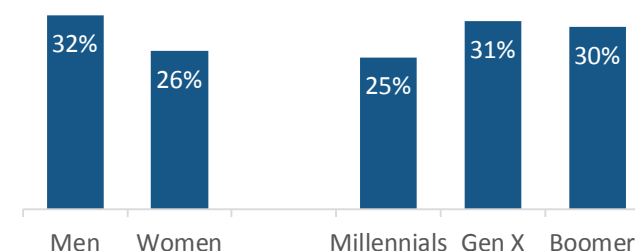
16%

PERCENT OF MILLENNIALS WORKS FOR OR OWNS A COMPANY THAT HAS A PRIMARILY FEMALE-FOCUSED MISSION, PRODUCTS OR SERVICE

### A FEMALE CEO OR CO-CEO



### A DIVERSE LEADERSHIP TEAM (CULTURALLY, ETHNICALLY, RACIALLY, GENDER, SEXUAL ORIENTATION)



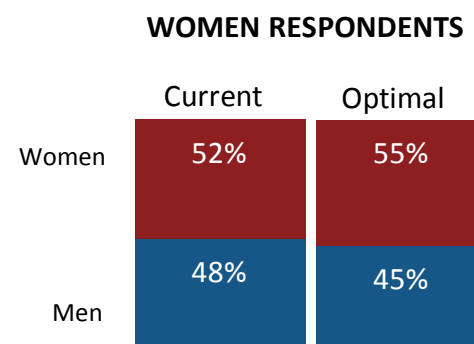
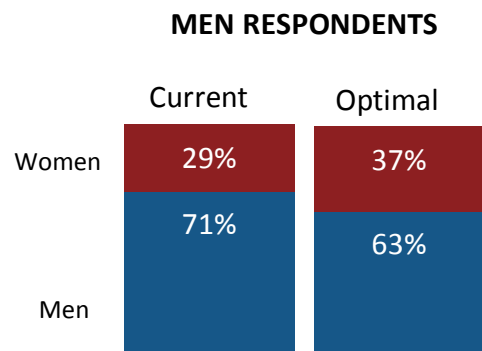
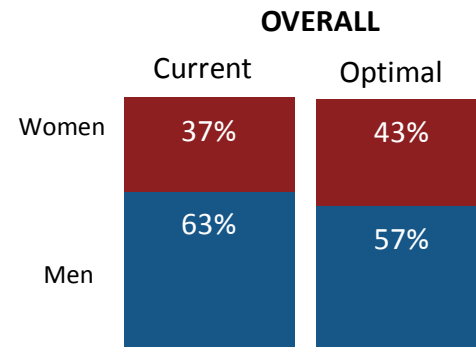
Among the owners of business and corporate executives, men still dominate senior leadership positions.

Men business owners and corporate executives think the optimal gender representations at their companies is a ratio of about 60/40 men to women.

Women think the optimal gender representation should be just about half and half.

## CURRENT AND OPTIMAL GENDER REPRESENTATION IN SENIOR MANAGEMENT AT COMPANY WORKED FOR

AMONG SENIOR EXECUTIVES AND BUSINESS OWNERS



# U.S. TRUST

INVESTING AND WEALTH STRUCTURING

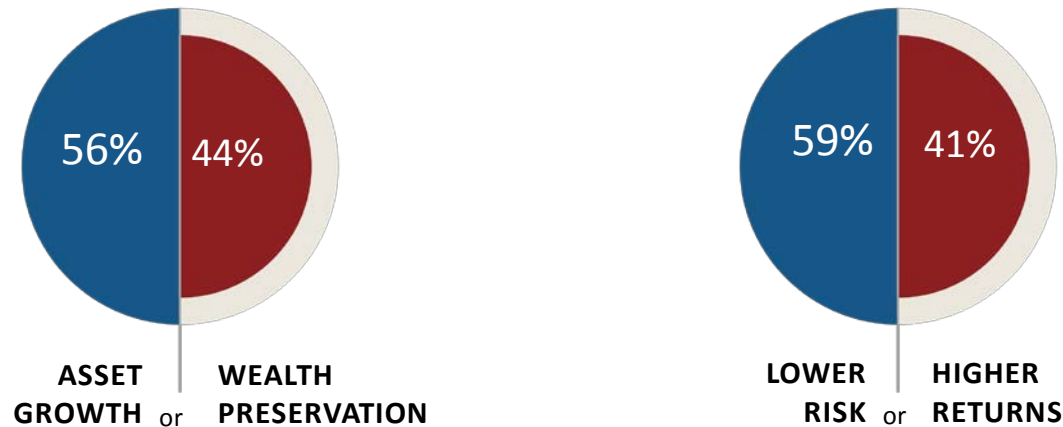
## INVESTMENT PRIORITIES: HNW INVESTORS ARE FOCUSED ON RISK-MANAGED GROWTH

Fifty-six percent of HNW investors say it's a higher priority to grow assets than preserve existing assets in the current market — a slightly greater focus on growth than in the previous two years.

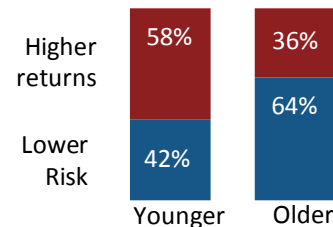
While the wealthy seek growth, they consistently say it's a higher priority to manage risk, even if lower risk means lower returns.

Not surprising, given their age, younger investors — millennials and Gen X — are more comfortable taking higher risks than older investors — baby boomers and silent generation.

**PERCENT OF HNW INVESTORS WHO SAY THEIR HIGHER INVESTMENT PRIORITY IS:**  
AMONG ALL RESPONDENTS



Higher returns are higher priority for younger investors



Lowering risk is more important to older investors

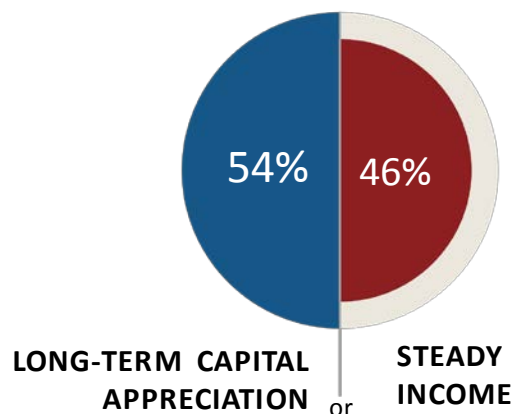
# INVESTMENT PRIORITIES: HNW INVESTORS FOCUS ON LONG-TERM GROWTH AND COMPOUND THEIR WEALTH OVER TIME BY REINVESTING

Slightly more than half of all HNW investors say that long-term appreciation in the value of their assets is a higher priority than their need to generate income.

The long view HNW investors have on investing is shared across all age groups, even among the oldest segment of mostly retirees.

In line with their focus on long-term capital appreciation, eight in 10 (81%) HNW investors reinvest some or all dividend income — compounding their wealth gains over time.

## PERCENT OF HNW INVESTORS WHO SAY THEIR HIGHER INVESTMENT PRIORITY IS: AMONG ALL RESPONDENTS

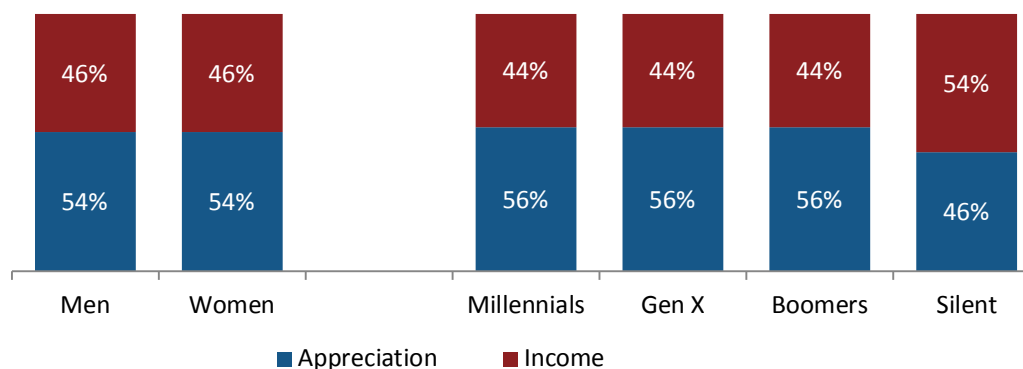


EIGHT  
in 10  
HNW  
investors



Reinvest some or  
all dividend income

## LONG TERM APPRECIATION IN THE VALUE OF ASSETS OR STEADY INCOME



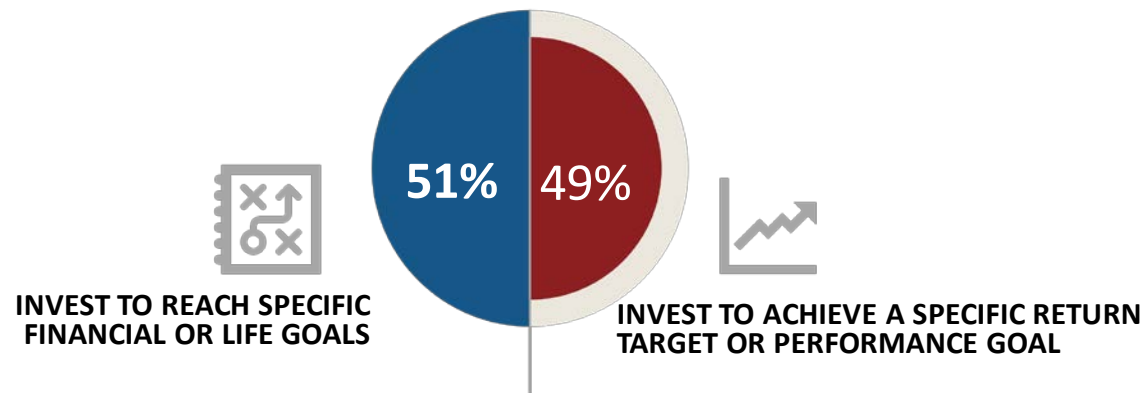
# INVESTMENT PRIORITIES: FINANCIAL GOALS ARE AS IMPORTANT AS PERFORMANCE GOALS

HNW investors are split almost evenly on the importance of investing to reach specific financial goals and investing to achieve performance goals, or market-driven return targets.

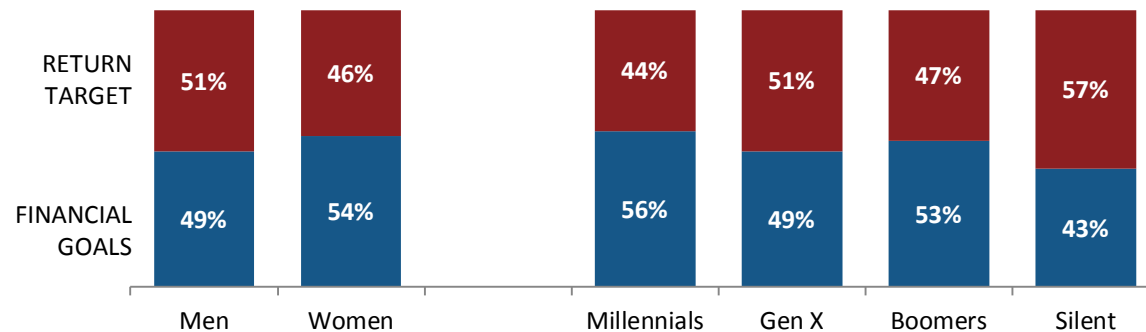
Women are somewhat more likely than men to say it's more important to invest around meeting their financial goals.

Millennials are more likely to place importance on reaching life goals (56%) while the oldest age group (over age 73) and the wealthiest segments (with \$10 million or more in investable assets) prioritize performance goals.

**PERCENT WHO SAY THEIR HIGHER PRIORITY IS.....**  
AMONG ALL RESPONDENTS



BY GENDER AND AGE





## INVESTMENT PRIORITIES: HNW INVESTORS ARE CONSCIOUS OF TAX IMPACT OF INVESTMENT DECISIONS BUT COULD BE MORE SO

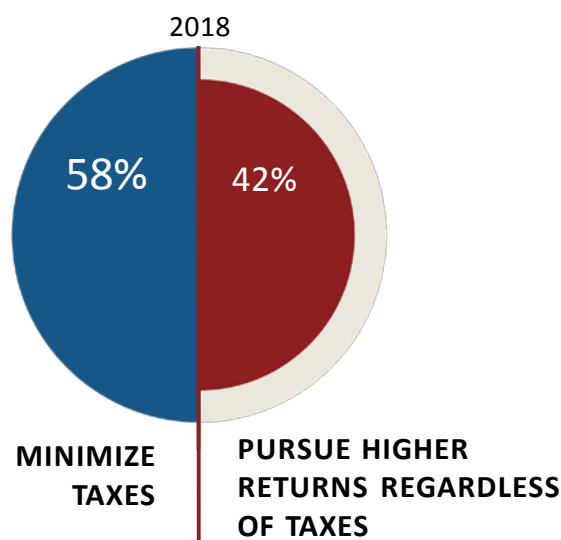
Many of the wealthy know that where their assets are held — taxable or non-taxable accounts — can be just as important as which assets are held and are vigilant about tax efficient investing strategies.

More (58%) place a higher priority on minimizing taxes than on pursuing higher returns (42%), regardless of the tax impact.

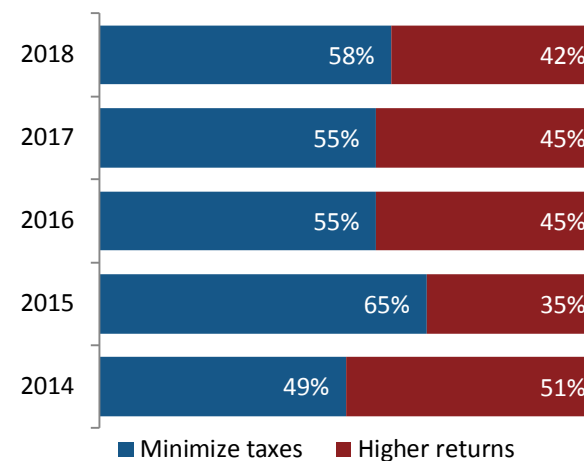
Tax sensitivity among the wealthy has remained fairly constant over the past five years, peaking in 2016.

While most HNW investors consider the impact of capital gains tax before making a decision to buy or sell an investment, only 23% give it “a great deal” of consideration, suggesting an opportunity for many to increase their after-tax returns with greater awareness and advice.

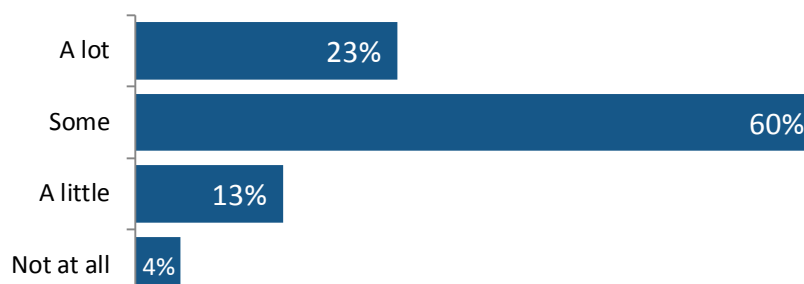
### PERCENT WHOSE INVESTMENT PRIORITY IS MINIMIZING TAXES OR PURSUIT OF HIGHER RETURNS AMONG ALL RESPONDENTS



### INVESTMENT PRIORITY — FIVE-YEAR TREND



### HOW MUCH CONSIDERATION IS GIVEN TO CAPITAL GAINS TAX BEFORE BUY/SELL DECISIONS? AMONG ALL RESPONDENTS



Q10. When it comes to managing your wealth and investment portfolio, which of the following is closest to your investment priority?

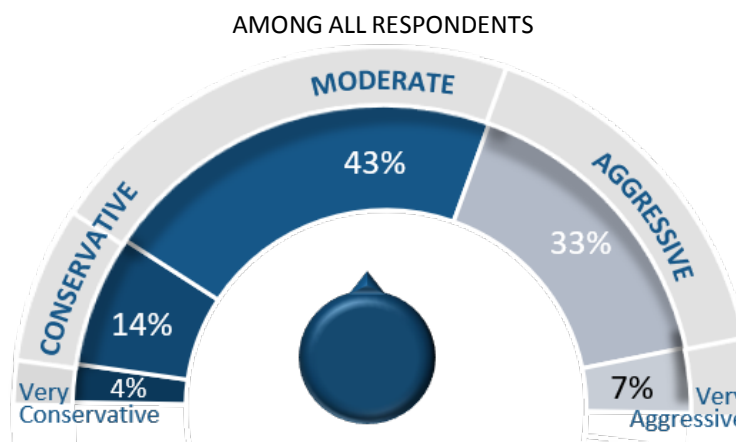
Q15. How much consideration is given to each before making a decision to buy or sell an investment asset?

# THE WEALTHY ARE MODERATELY AGGRESSIVE INVESTORS

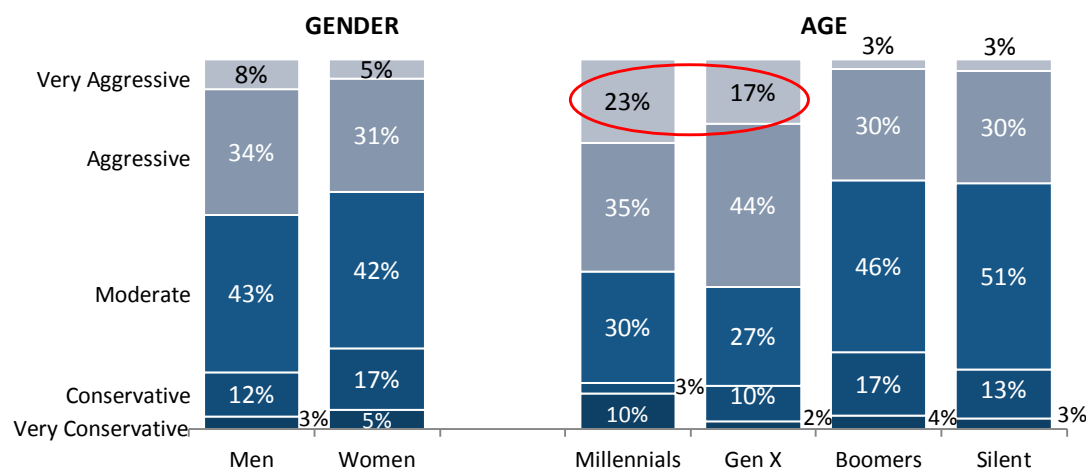
Most HNW investors — more than eight in 10 — describe their investing style as moderate to aggressive, with four in 10 saying they are aggressive.

Nearly six in 10 millennials and more than six in 10 Gen Xers say their risk profile is “aggressive” or “very aggressive.”

## PERCENT OF HNW INVESTORS WHO DESCRIBE THEIR RISK PROFILE AS AGGRESSIVE, MODERATE OR CONSERVATIVE



## RISK PROFILE BY GENDER AND AGE

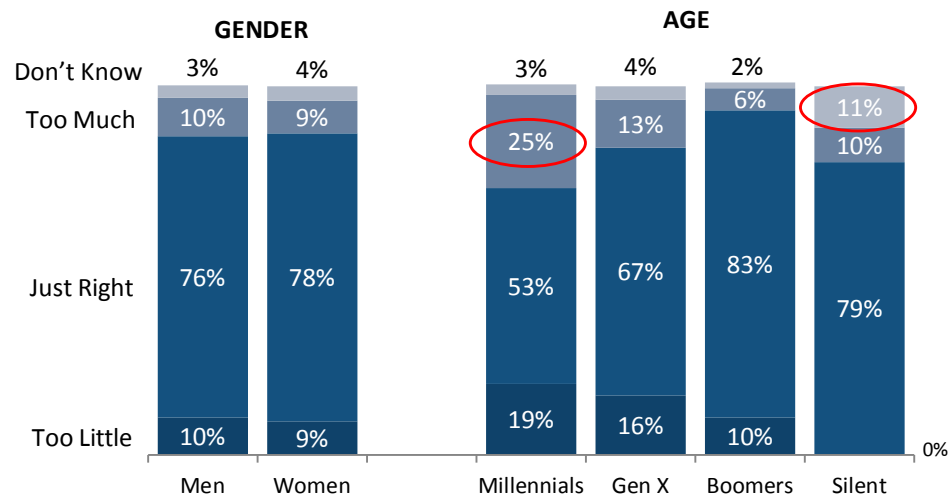
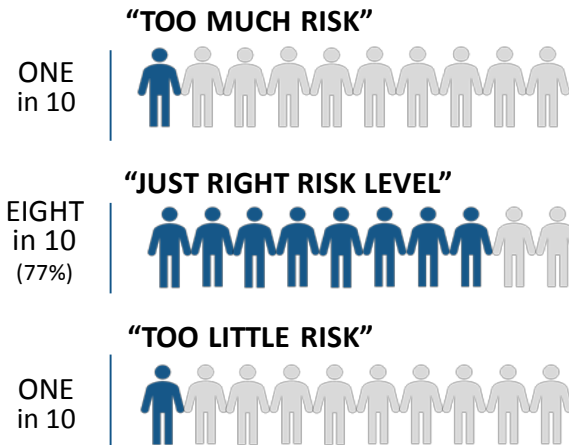


# YOUNGEST AND OLDEST ARE MOST LIKELY TO FEEL THEY HAVE TOO MUCH RISK IN THEIR PORTFOLIOS

While nearly eight in 10 (77%) of all respondents feel the amount of risk in their portfolios is just about right, one in four millennials wonder whether they have taken on too much risk.

One in 10 of those over age 73 think they have too much risk. Another 11% don't know whether the amount of risk in their portfolio is right or not.

## PERCENT WHO SAY THE AMOUNT OF INVESTMENT RISK THEY ARE TAKING IS: AMONG ALL RESPONDENTS



## YOUNGER HNW INVESTORS MAKE BIG SHIFT IN ALLOCATION FROM CASH TO STOCKS

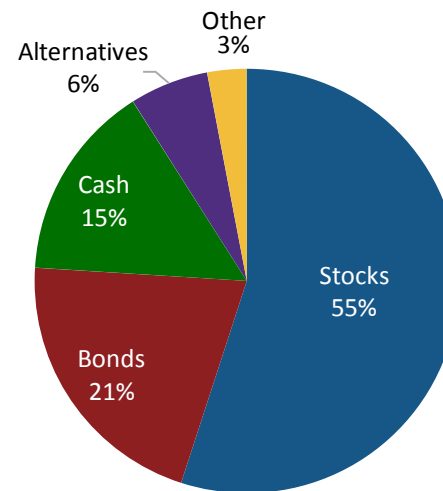
The typical HNW portfolio includes a mix of traditional assets — 55% stocks, 21% bonds and 15% cash — and alternatives.

Overall, average allocations were about the same in the first quarter of 2018 as in 2017.

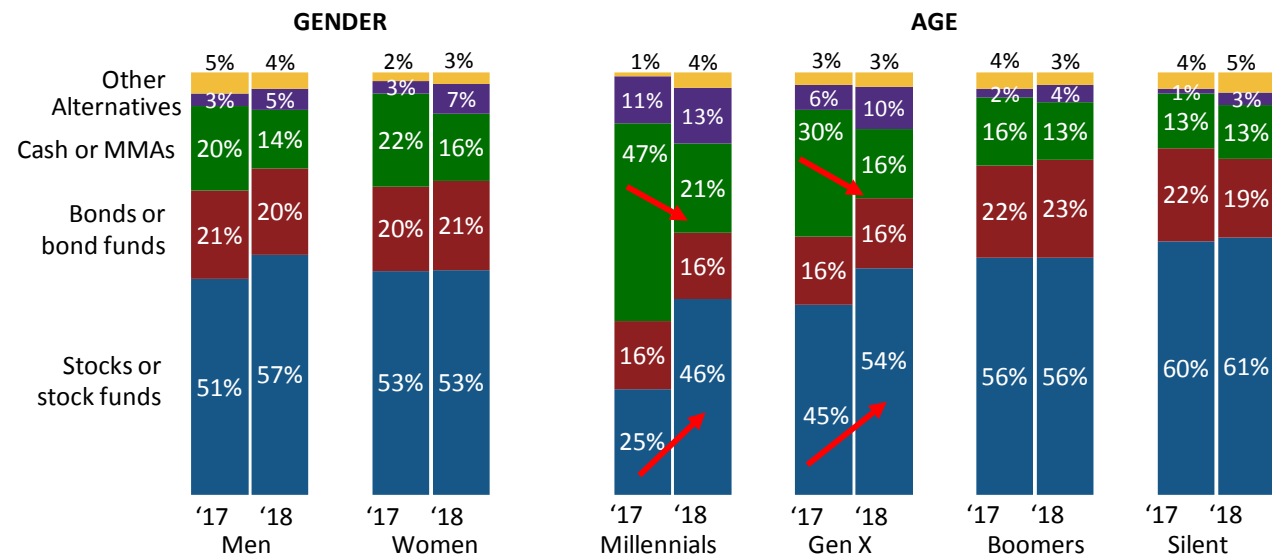
Younger investors — millennials and Gen X — significantly reduced large amounts of cash held in 2017 and put it into the stocks.

- Millennials cut 47 cents of every investable dollar to 21 cents and increased stock allocations from 25% to 46%.
- Even still, millennials allocate the least of all age groups to stocks
- Older investors rely most heavily on traditional stocks and bonds, with the oldest segment having the highest allocation to stocks of all age groups — far more than would be expected of this age group.

### AVERAGE HNW ASSET ALLOCATION AMONG ALL RESPONDENTS



### ASSET ALLOCATION CHANGES MADE: Q1 2018 VS. Q1 2017



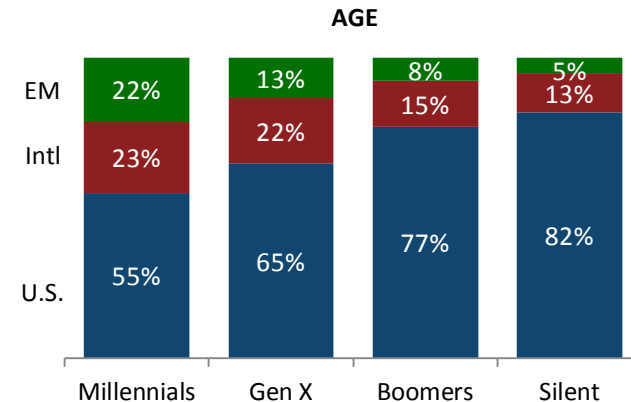
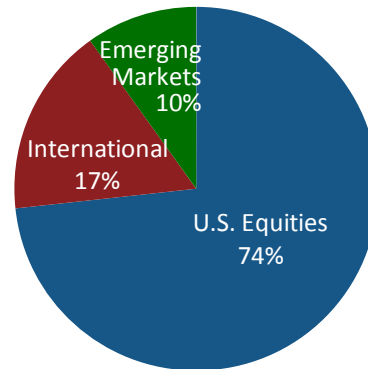
Currently, HNW investors have about three-quarters of their stock portfolios concentrated in U.S. equities.

Older investors have greater U.S. exposure than younger investors. In their reach for yield (given low bond yields by historical measures), retirees' portfolios may be exposed to concentrated risk in their portfolio and are overdue for rebalancing.

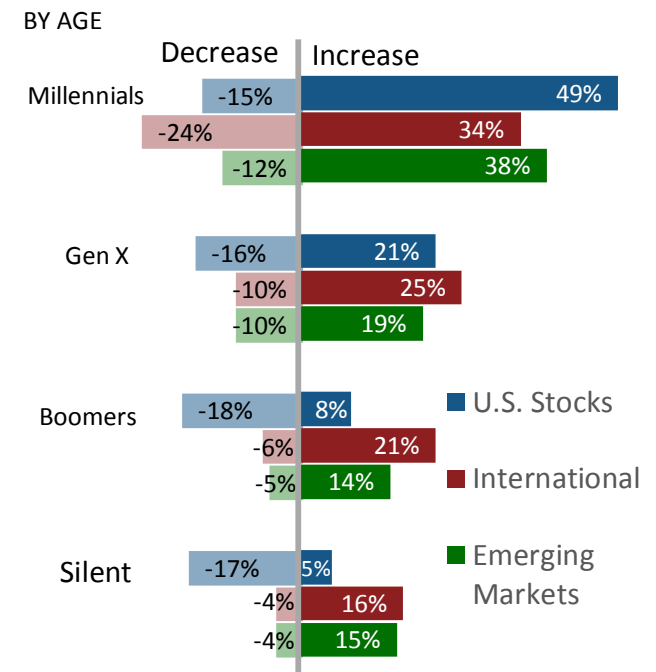
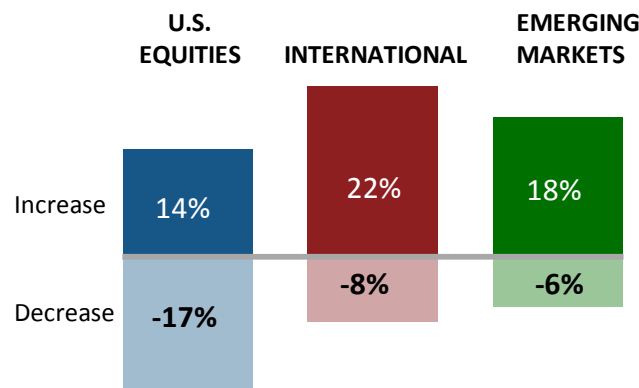
Overall, 17 percent of HNW investors plan to decrease allocations to U.S. equities and increase allocations to international (22%) and emerging market (18%) stocks.

Nearly half (49%) of millennials say they will increase allocations to U.S. equities in 2018, while more than one-third will increase their international and emerging market holdings.

## CURRENT STOCK ALLOCATIONS AS % OF TOTAL STOCK HOLDINGS AMONG ALL RESPONDENTS



## PLANNED CHANGES IN STOCK ALLOCATIONS % OF TOTAL RESPONDENTS WHO PLAN TO INCREASE / DECREASE ALLOCATIONS IN 2018



# HNW INVESTORS INCREASE CASH ON HAND GOING INTO 2018

In 2018, 56% of all HNW investors had more than 10% of their portfolios in cash, up from 50% in 2017.

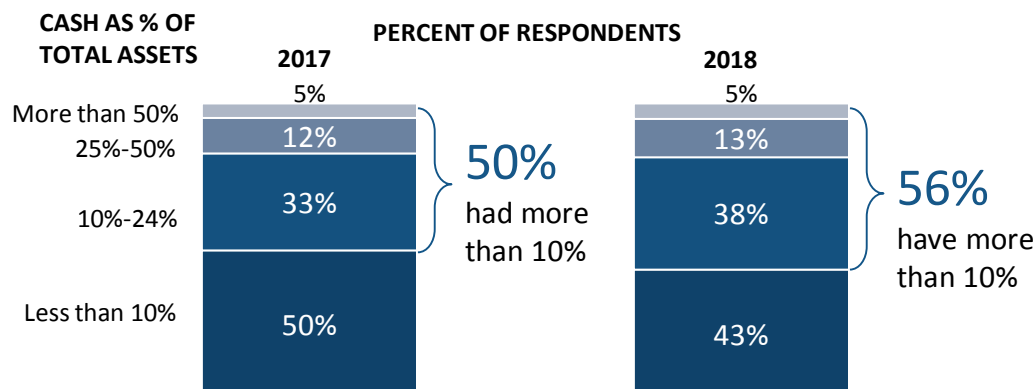
Nearly four in 10 (38%) have between 10% and 24% in cash.

Sixty-two percent of women, compared to 53% of men, hold more than 10% in cash positions.

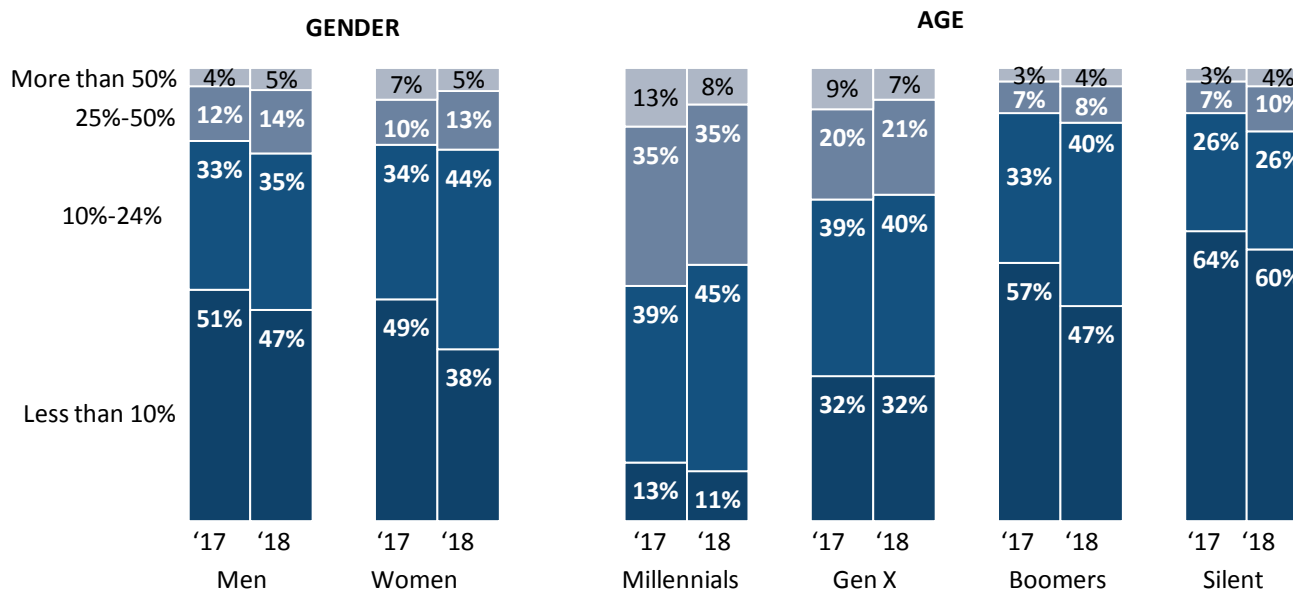
Millennials still hold the largest amount of cash of all age groups.

Previous surveys by U.S. Trust have found that HNW investors use cash for opportunistic acquisitions, such as market dips, and also as a safe haven in volatile markets. This, coupled with portfolio allocation trends, suggest that cash on hand is being quickly invested.

## CASH ALLOCATIONS AMONG ALL RESPONDENTS



## CHANGE IN CASH ALLOCATIONS: 2017-2018



# MOST HNW INVESTORS TAKE MARKET DIPS IN STRIDE; MANY SEE BUYING OPPORTUNITIES

Massive amounts of money have been lost by investors who sell low and buy high in reaction to market dips. The wealthy tend not to make that mistake.

Four in 10 HNW investors say they would not reactively make changes in their portfolio when/if the market drops by 10 percent or more.

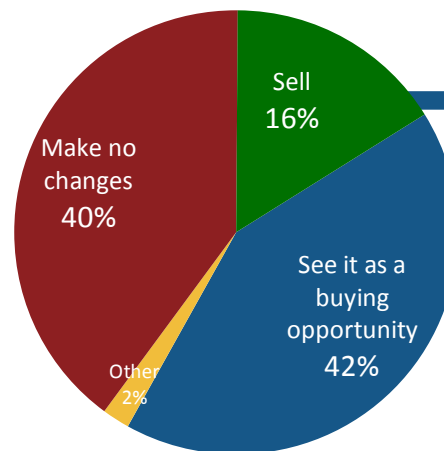
Another four in 10 view short-term market dips as a buying opportunity.

Just under one in five (16%) would sell, including:

- Four in 10 Millennials
- Two in 10 Gen Xers
- One in four in the highest wealth tier (\$10M+)

These segments also tend to be the most aggressive risk-takers, and, for them, de-risking could be a prudent strategy vs. emotional reaction.

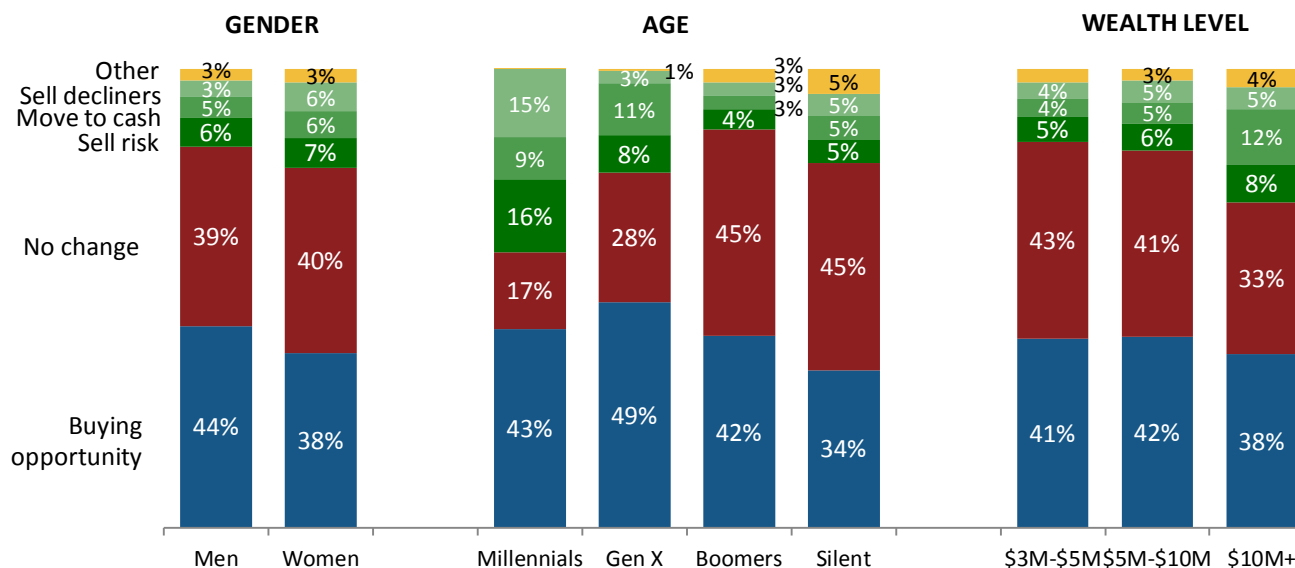
## PERCENT WHO WOULD TAKE THE FOLLOWING ACTIONS IF THE MARKET DECLINED BY 10% OR MORE AMONG ALL RESPONDENTS



### AMONG THOSE WHO WOULD SELL

- 6% Sell risky assets
- 5% Sell assets that decline most
- 5% Move some or all into cash

## MOST LIKELY ACTION/REACTION TO A 10% MARKET DECLINE



Overall, a vast majority (86%) of the wealthy buy and hold stocks, believing more wealth can be built over time than by timing the market.

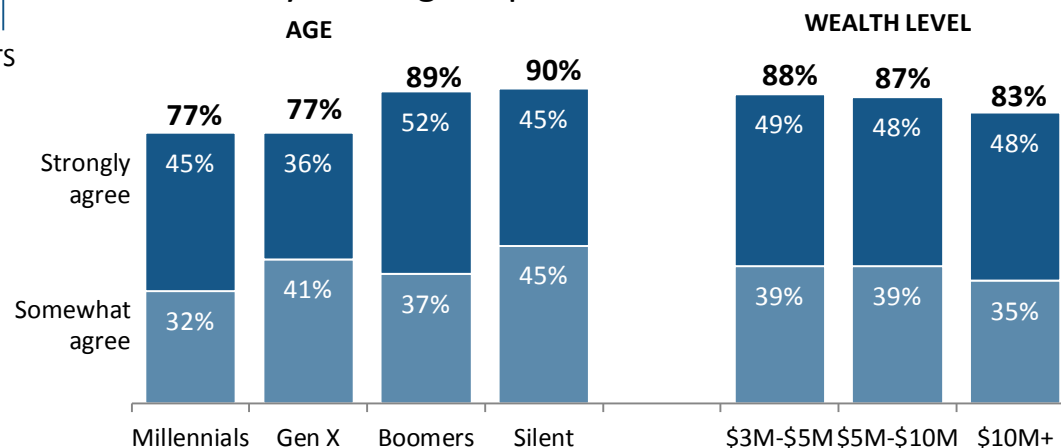
While 90% of older investors — baby boomers and older agree with this, fewer (77%) younger investors share this philosophy.

Despite their overall buy-and-hold investing philosophy, two-thirds of millennials also say that most of the money they've made has come from making big bets on a few stocks.

Approximately four in 10 Gen Xers and the wealthiest segment (those with \$10M or more in investable assets) also agree their biggest gains came from a few big wins.

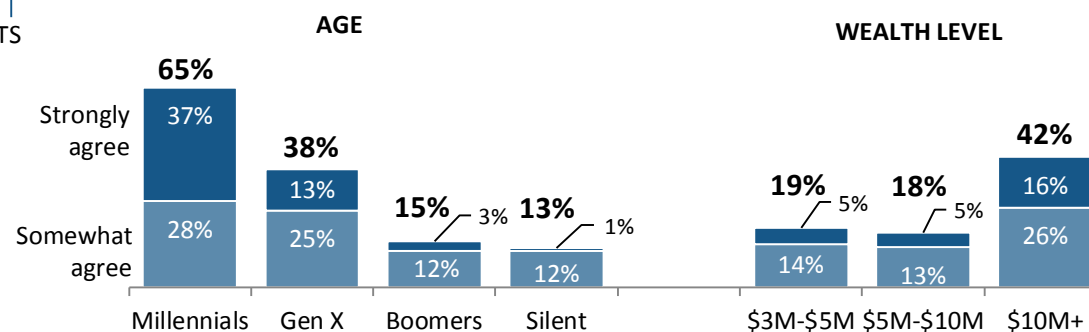
**86%**  
**AGREE**  
AMONG ALL  
RESPONDENTS

“More wealth is created by **buying and holding stocks over time** than by making frequent trades to time the market.”



**23%**  
**AGREE**  
AMONG ALL  
RESPONDENTS

“Most of the money I’ve made through investing comes from **big bets on a few stocks.**”





Nine in 10 HNW investors overall believe diversification is still the best way to maximize returns and minimize investment risk.

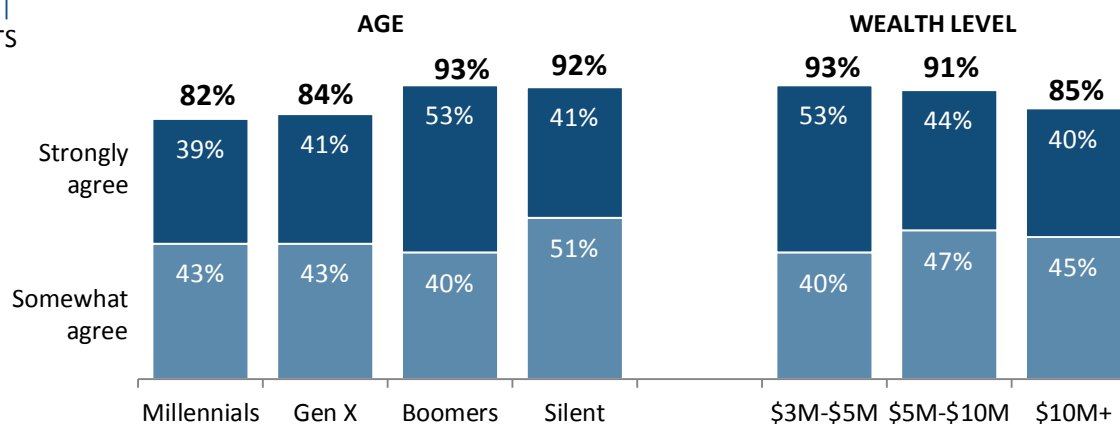
The wealthy diversify not only their stock holdings but also with other assets beyond traditional stocks and bonds. They structure their wealth by investing in assets that don't necessarily correlate to the broader markets.

One in three HNW investors overall — including four in 10 business owners, four in 10 with \$10M+ and six in 10 Millennials — believe it's no longer possible to achieve above-average returns by investing solely in traditional stocks and bonds.

**91%**  
**AGREE**

AMONG ALL  
RESPONDENTS

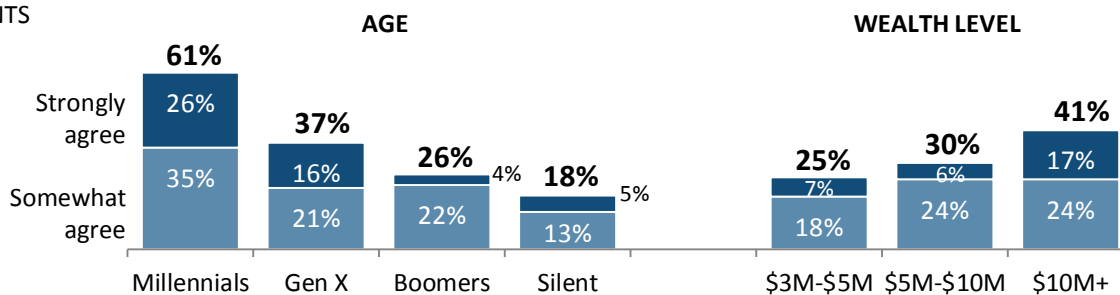
“Diversification is the best way to maximize returns and minimize investment risk.”



**30%**  
**AGREE**

AMONG ALL  
RESPONDENTS

“It is no longer possible to achieve above-average investment returns by investing solely in stocks and bonds.”



# HNW INVESTORS USE THE POWER OF THE PUBLIC AND PRIVATE MARKETS TO BUILD THEIR WEALTH

While two-thirds of HNW investors overall have faith in the public markets, at least one in three believes more money can be made by investing in the private markets, such as private equity, private debt, venture capital and many hedge funds.

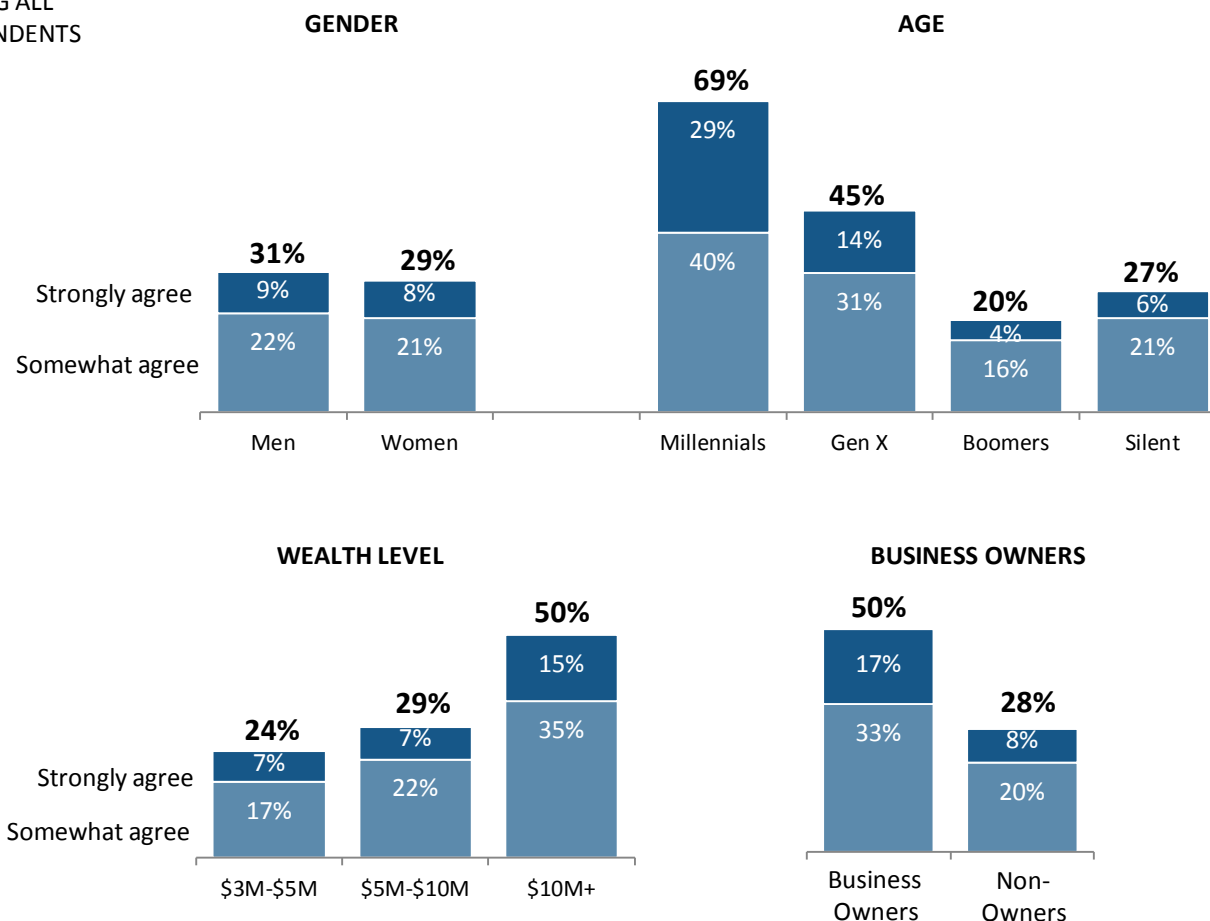
Nearly seven in 10 millennials, and half of business owners and the wealthiest segment (\$10M+) agree with this.

Business owners, who also invest in their own companies, are nearly two times more likely to agree on the wealth-building benefits of private ownership than non-business owners.

**30%  
AGREE**

AMONG ALL  
RESPONDENTS

“More money can be made by investing in the private market than in the public markets.”



## STRONG INTEREST IN ALTERNATIVE AND PRIVATE INVESTMENTS

About one-third of HNW investors own or are interested in hedge funds. Ownership and interest in hedge funds has remained relatively the same over the past five years despite recent under-performance relative to other assets.

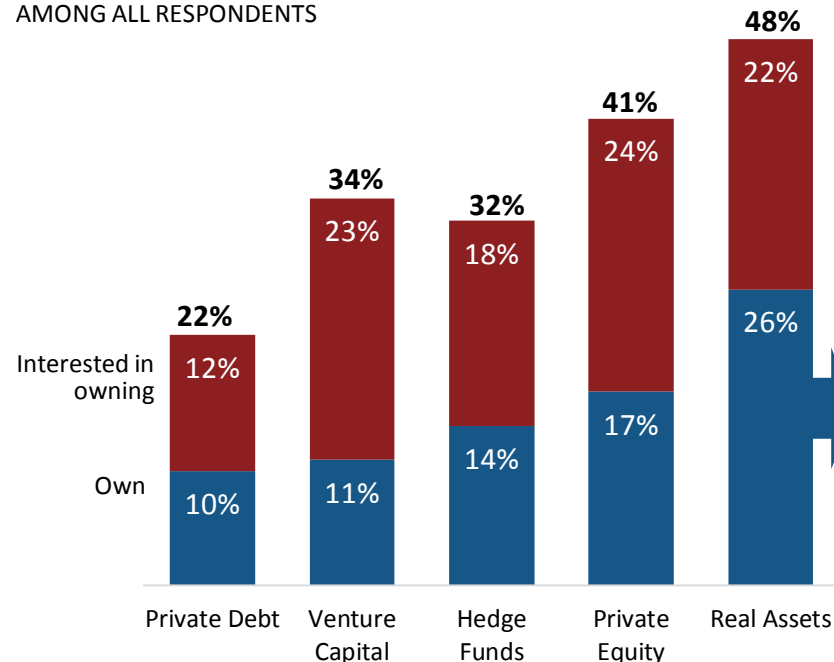
In the private markets:

- 40% own or are interested in private equity
- About one-third invest in venture capital
- One in five owns private debt

Just under half (48%) own or are interested in owning real assets, which have underlying value and may also generate income and tax advantages. Of those who own real assets, investment real estate is most common.

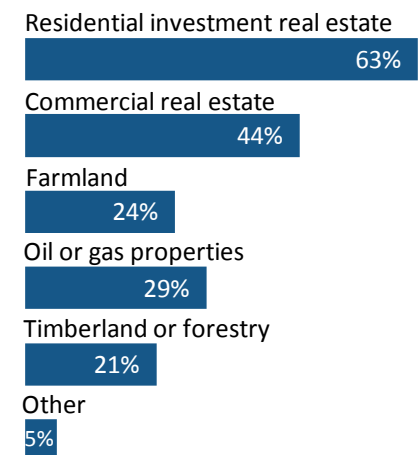
Nearly one in three also owns a valuable art collection or other valuable collectible as part of their overall wealth holdings.

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

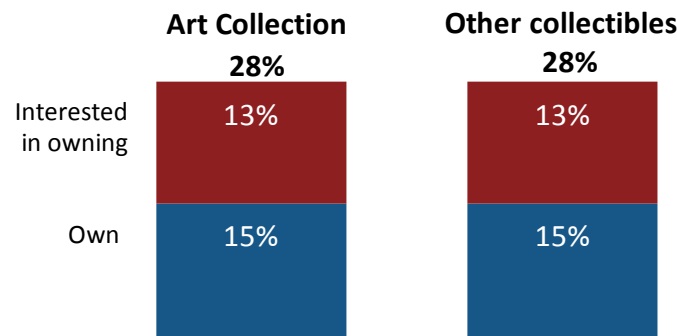


#### TYPES OF REAL ASSETS OWNED AMONG THOSE WHO OWN

AMONG THOSE WHO OWN



### OTHER SPECIALTY ASSETS OWNED OR INTERESTED IN AMONG ALL RESPONDENTS



## OWNERSHIP / INTEREST IN REAL ASSETS REMAINS STRONG, DESPITE SHARP DECLINE IN SOME SECTORS

Ownership in timberland and farmland grew by 6% and 3%, respectively, over the past year.

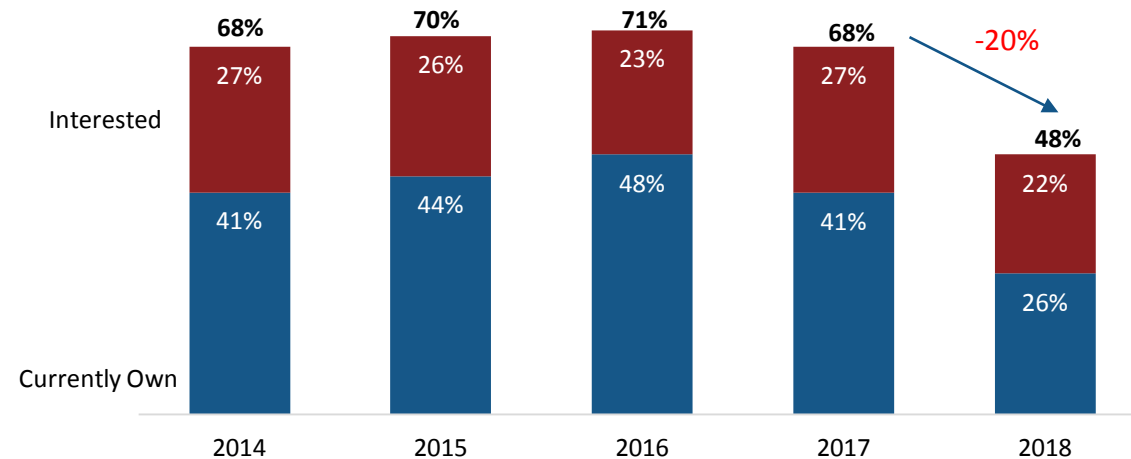
Ownership in commercial real estate properties climbed to 40%, up from 38% in 2017.

A sharp 20% decline in overall ownership of real assets was driven almost entirely by investors who exited REITs after a disappointing performance in 2017 relative to other assets.

Overall, both ownership and interest in real assets continues to remain strong and is growing, particularly among younger investors, business owners and among the highest wealth tiers.

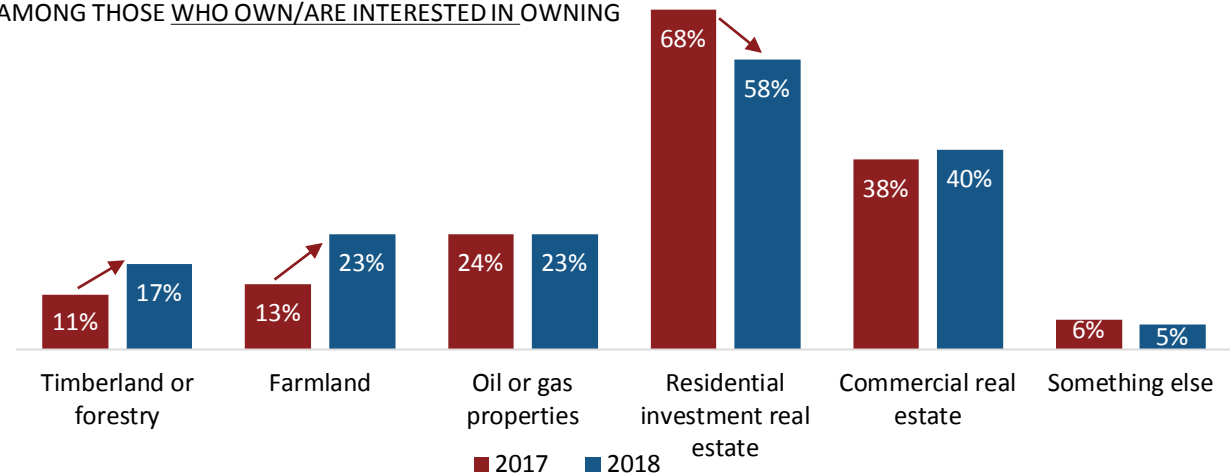
### FIVE-YEAR TREND: REAL ASSETS OWNED OR INTERESTED IN ADDING TO PORTFOLIO

2014 – 2018  
AMONG ALL RESPONDENTS



### CHANGE IN TYPE OF REAL ASSETS OWNED/INTERESTED IN

2017 – 2018  
AMONG THOSE WHO OWN/ARE INTERESTED IN OWNING



# STRONG INTEREST IN INFRASTRUCTURE INVESTMENTS; GENERATIONAL DIFFERENCES IN APPROACH

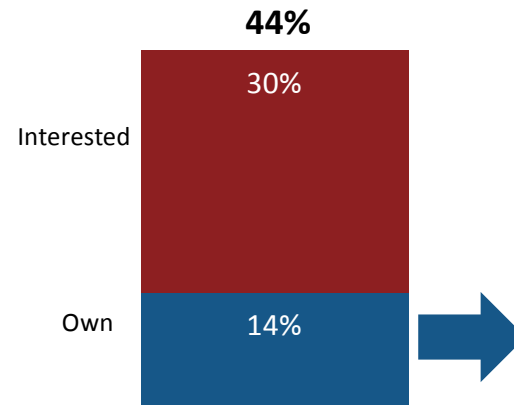
Four in 10 HNW investors either own or are interested in investing in infrastructure, with the greatest interest among younger investors, business owners and the wealthiest segments (\$10M+).

Stocks in infrastructure-related companies and infrastructure ETFs or Index Funds are the most common way to access infrastructure investments.

About one-third invest in infrastructure either directly or through private investment opportunities. Private infrastructure investment opportunities are most attractive to younger investors.

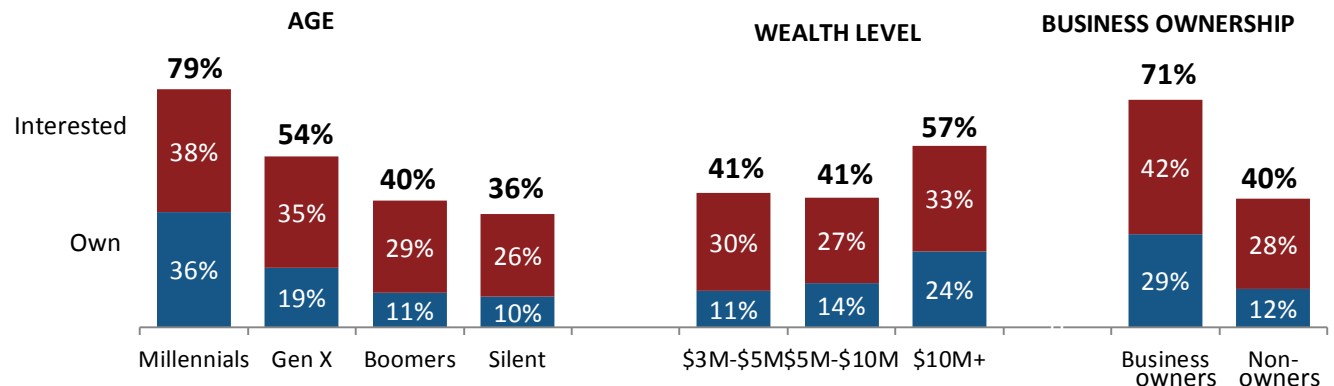
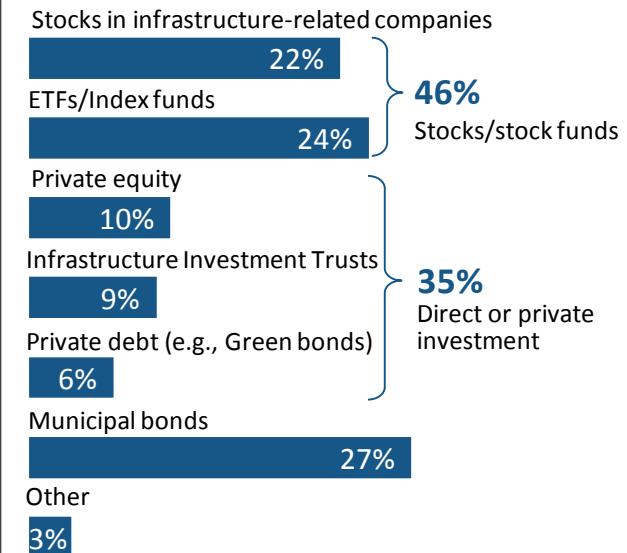
Older investors are most likely to add infrastructure to their portfolios through municipal bonds.

## PERCENT WHO OWN OR ARE INTERESTED IN INFRASTRUCTURE AMONG ALL RESPONDENTS



## HOW ARE HNW INVESTORS INVESTING IN INFRASTRUCTURE?

AMONG THOSE WHO OWN INFRASTRUCTURE



Q19. 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.

Q21. How do you or would you be most interested in investing in infrastructure (Select one)

# U.S. TRUST

ART COLLECTING

Whereas the traditional art world has been largely dominated by men, and still is among current collectors, women's rising presence as collectors is undeniable.

Among all survey respondents, one in three HNW women either owns art (14%) or is interested in collecting (16%), with interest among women higher than among men.

About half of current collectors are baby boomers or older; however, millennials are the fastest growing segment. Their ownership rose by 8 percentage points since last year to 36%.

The globalization of the art world has drawn a new generation of aspiring art collectors — a young, more diverse population of HNW/high-income professionals, many of them drawn to the social engagement with other collectors and artists.

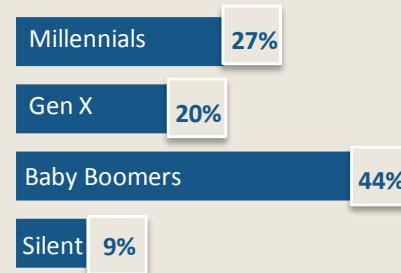
## SNAPSHOT OF ART COLLECTORS

### AMONG CURRENT COLLECTORS

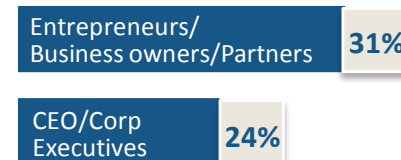
More men than women



### ABOUT HALF OF CURRENT COLLECTORS ARE BABY BOOMERS OR OLDER

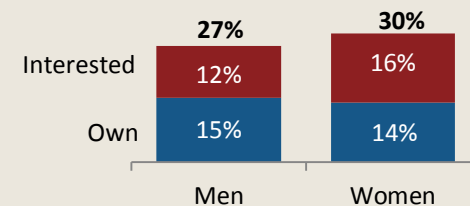


### A HIGH PERCENTAGE ARE BUSINESS OWNERS AND EXECUTIVES AMONG WORKING HNW WHO OWN ART

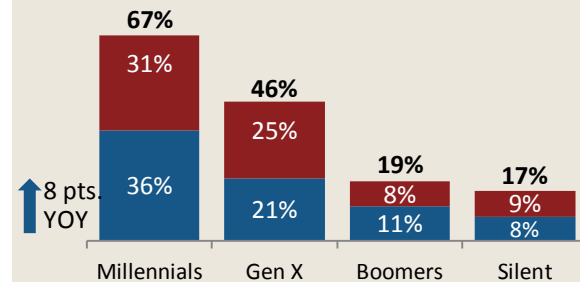


### AMONG ALL SURVEY RESPONDENTS

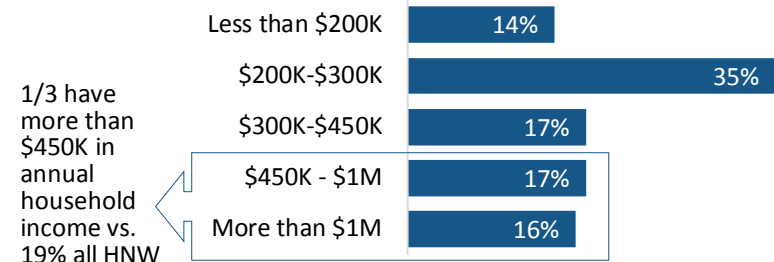
Strong interest from women



### MILLENNIALS ARE THE FASTEST GROWING SEGMENT AMONG ALL SURVEY RESPONDENTS



### HIGH INCOME EARNERS ANNUAL HOUSEHOLD INCOME

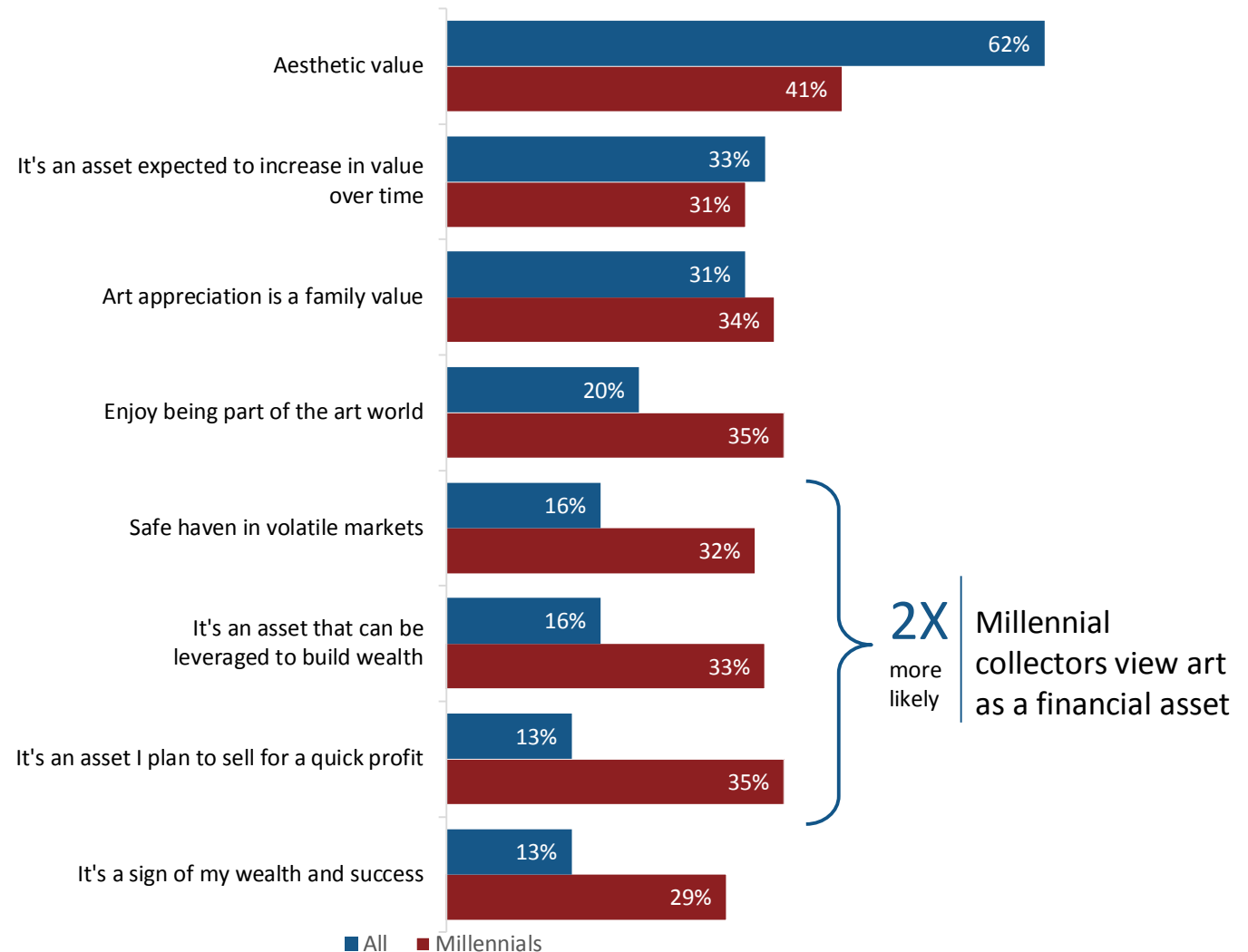


Aesthetic enjoyment continues to be the primary reason for collecting art; however a generational shift now is underway.

Younger collectors tend to be more financially driven and attuned to how their art behaves as a financial asset.

One-third of millennial collectors sees art as an asset that can be leveraged to build greater wealth.

## REASONS FOR COLLECTING ART AMONG CURRENT/INTERESTED ART COLLECTORS





## GENERATIONS HAVE DIFFERENT VIEWS ON THE BENEFITS AND EFFECTS OF ART

Among the many aesthetic reasons for enjoying art is the emotional response it evokes. Art also is a reflection of society, a sign of the times for all ages.

There is generally equal agreement among all age groups that art serves to connect people — a common denominator despite their many differences. In that regard, art also serves as inspiration to think more critically.

Older generations are most likely to appreciate art for its therapeutic and inspirational qualities.

Younger generations are more likely to also view art as a way to raise social consciousness and spark change in the world.

### AGREEMENT WITH STATEMENTS ABOUT ART AMONG CURRENT/INTERESTED ART COLLECTORS

Equal agreement  
across age groups

“Art is a universal language that can help bridge economic, cultural and political differences among people”

“Art inspires critical thinking”

Over age 50  
most likely to agree

“Art is therapeutic for the mind, body and soul”

“Art inspires innovation and creativity”

Under age 50  
Most likely to agree

“Art raises social consciousness”

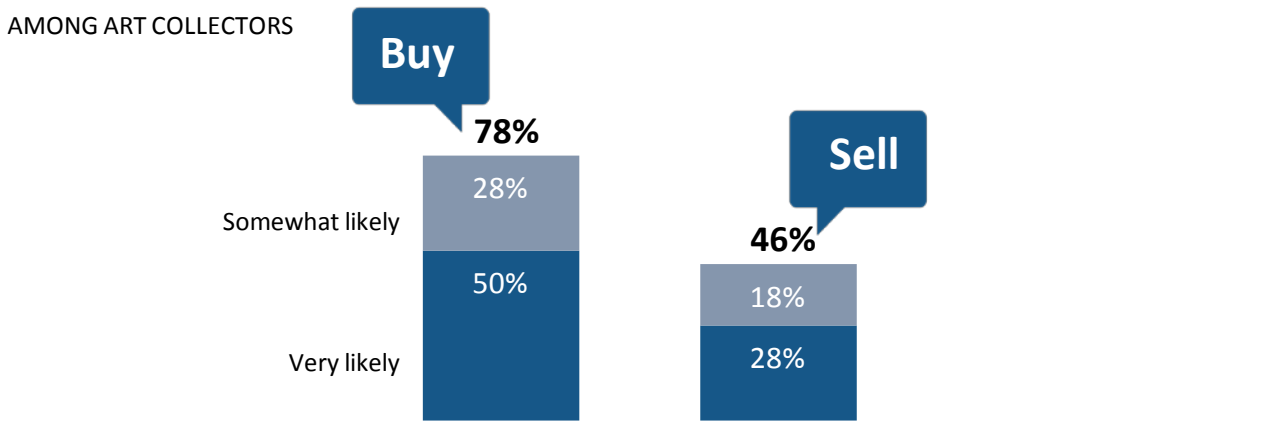
“Art is an agitator that serves as a catalyst for change”

More than three-quarters of art collectors anticipate making a purchase this year, including nearly all (97%) millennial collectors and two-thirds of business owners and nearly six in 10 Gen X collectors.

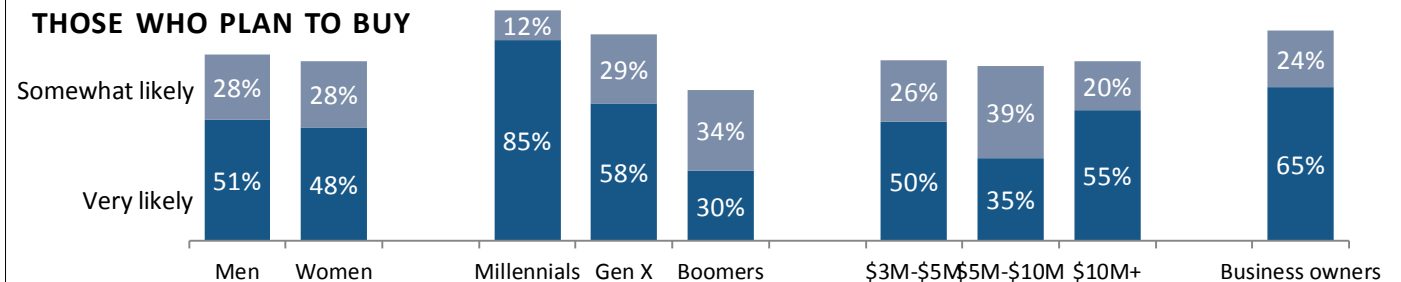
The old adage that collectors aren't sellers is fading. Younger collectors tend to be more dynamic in their collecting, selling works as they build the collection. Expect more market churn going forward, especially via digital channels, which may bode well for auction houses and dealers.

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

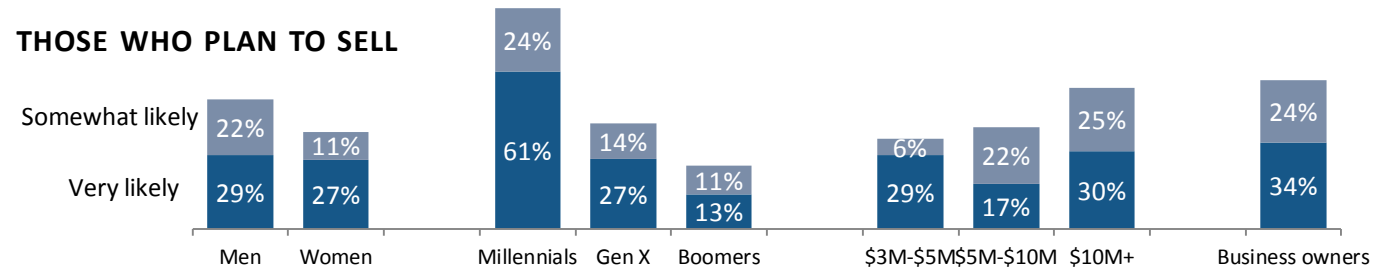
AMONG ART COLLECTORS



### THOSE WHO PLAN TO BUY



### THOSE WHO PLAN TO SELL



## ONLINE ACQUISITIONS GROWING RAPIDLY; WOMEN LEAD GROWTH

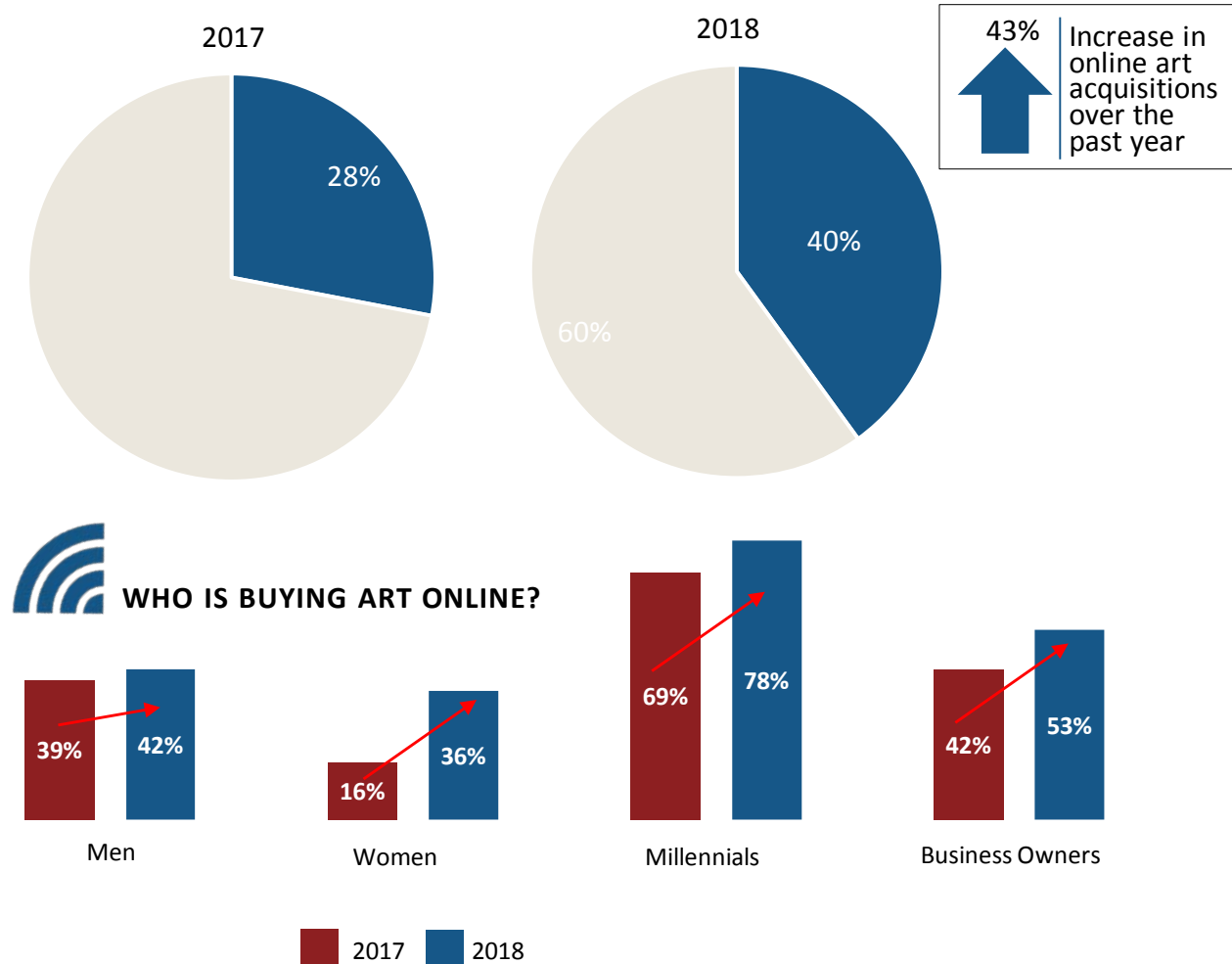
Forty-three percent more art collectors bought art online over the past year compared to a year prior.

Three-quarters of millennial collectors, one in three Gen X and one-fourth of baby boomers have bought fine art online in the past year.

The biggest growth in online acquisitions was driven by women.

The rise of the digital channel for decorative arts in particular has driven more women into the space.

### PERCENT WHO HAVE / HAVE NOT BOUGHT FINE ART ONLINE IN THE PAST 12 MONTHS 2017-2018 AMONG CURRENT ART COLLECTORS



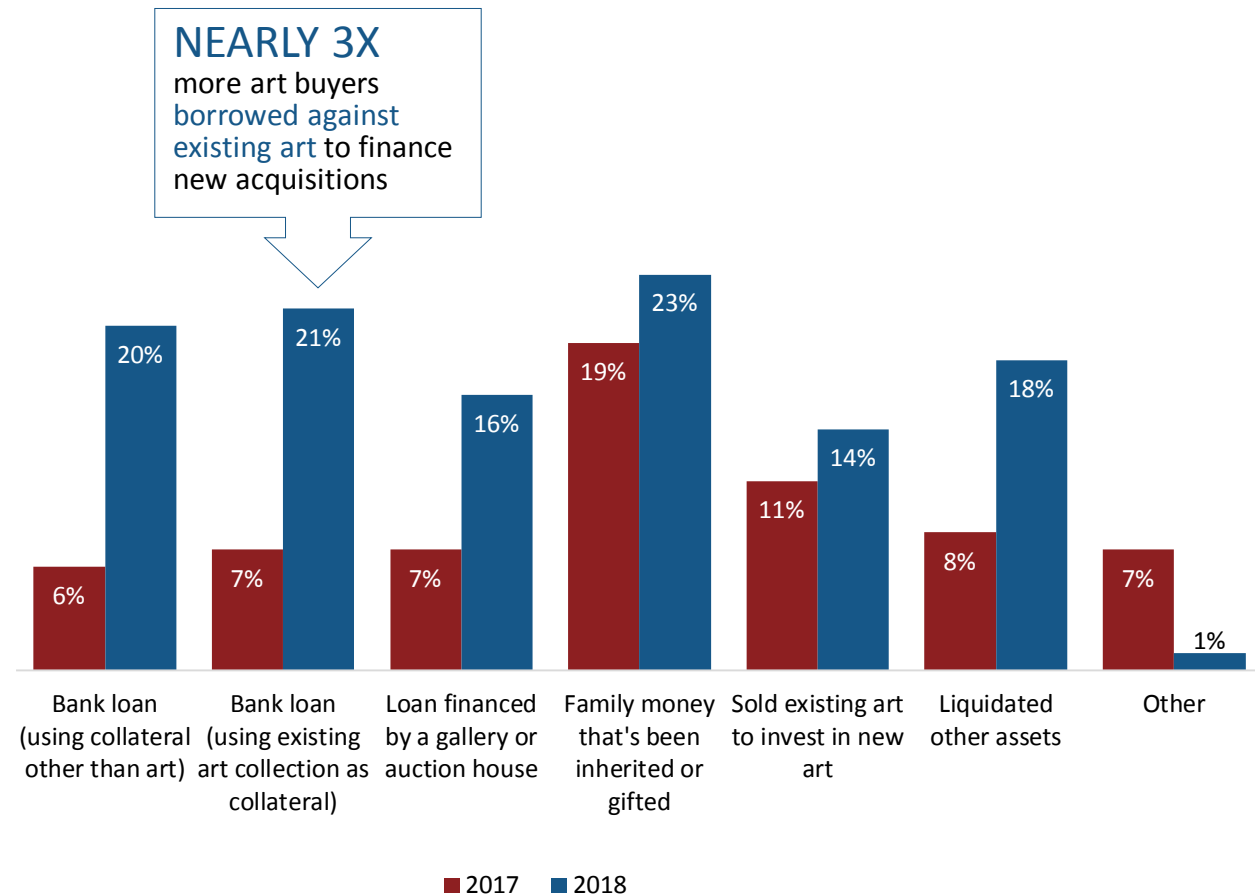
## ART LOANS ARE ON THE RISE

Strong equity markets, low interest rates, and the continued shift to a more financially driven collector base has fuelled the expansion of art-secured lending.

More collectors are using their art to unlock capital to redeploy into other areas of their financial life, like real estate, a private company, or even to fund the purchase of more art.

Twenty-one percent of collectors have used their art as collateral for a loan, up from seven percent just a year ago.

### SOURCES USED TO FINANCE FINE ART ACQUISITIONS AMONG CURRENT ART COLLECTORS 2017 – 2018



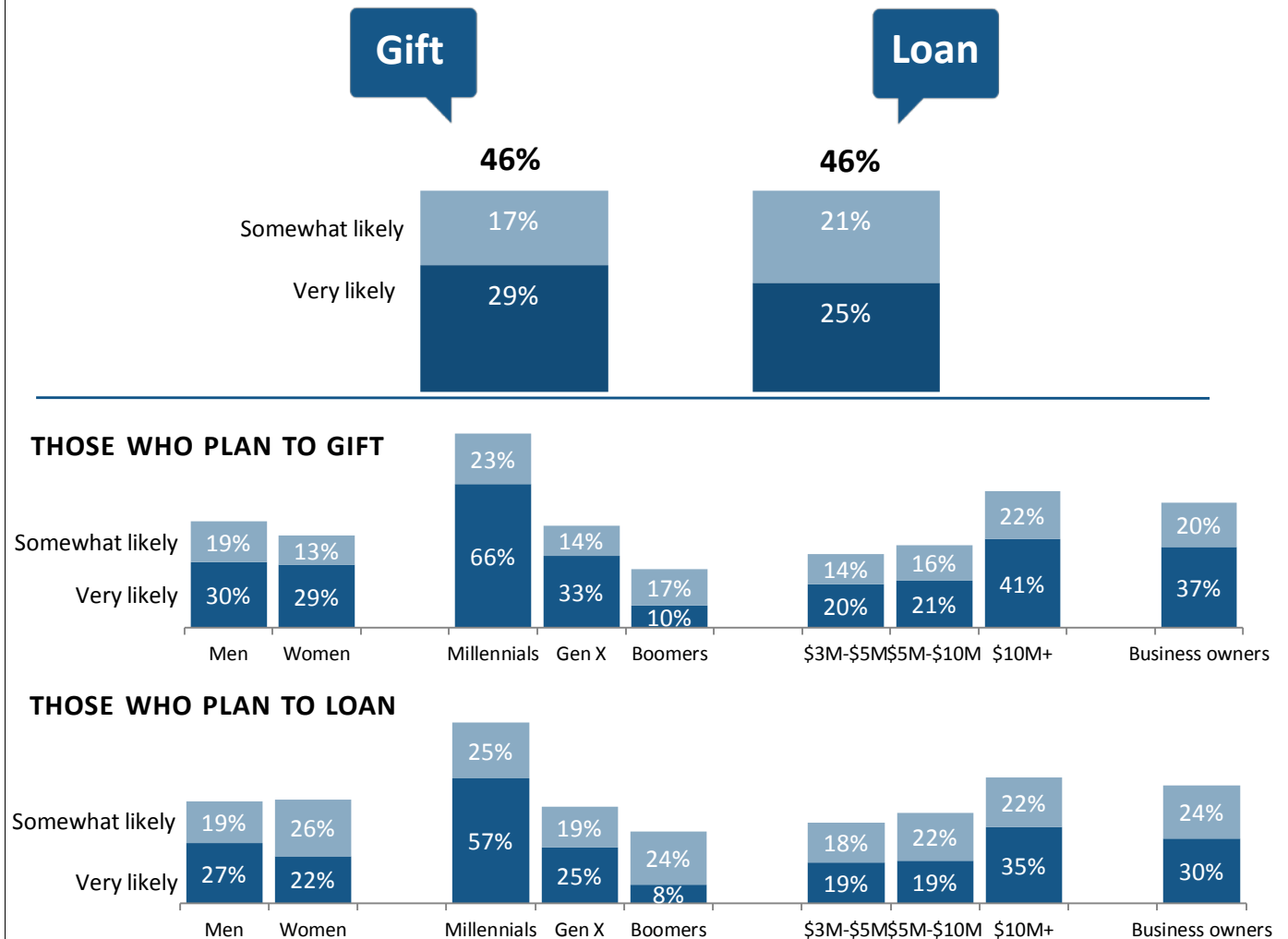
## AMBITIOUS PLANS FOR GIFTING/LOANING FINE ART

About half of collectors overall plan to gift a work of their art this year, and nearly half intend to loan it.

Plans to gift and/or loan fine art generally follow the same patterns as buying and selling, with millennials being most active.

Millennials tend to be more ambitious in their philanthropic aspirations than their actual philanthropic activity.

### PERCENT WHO PLAN TO GIFT OR LOAN ART THIS YEAR AMONG ART COLLECTORS

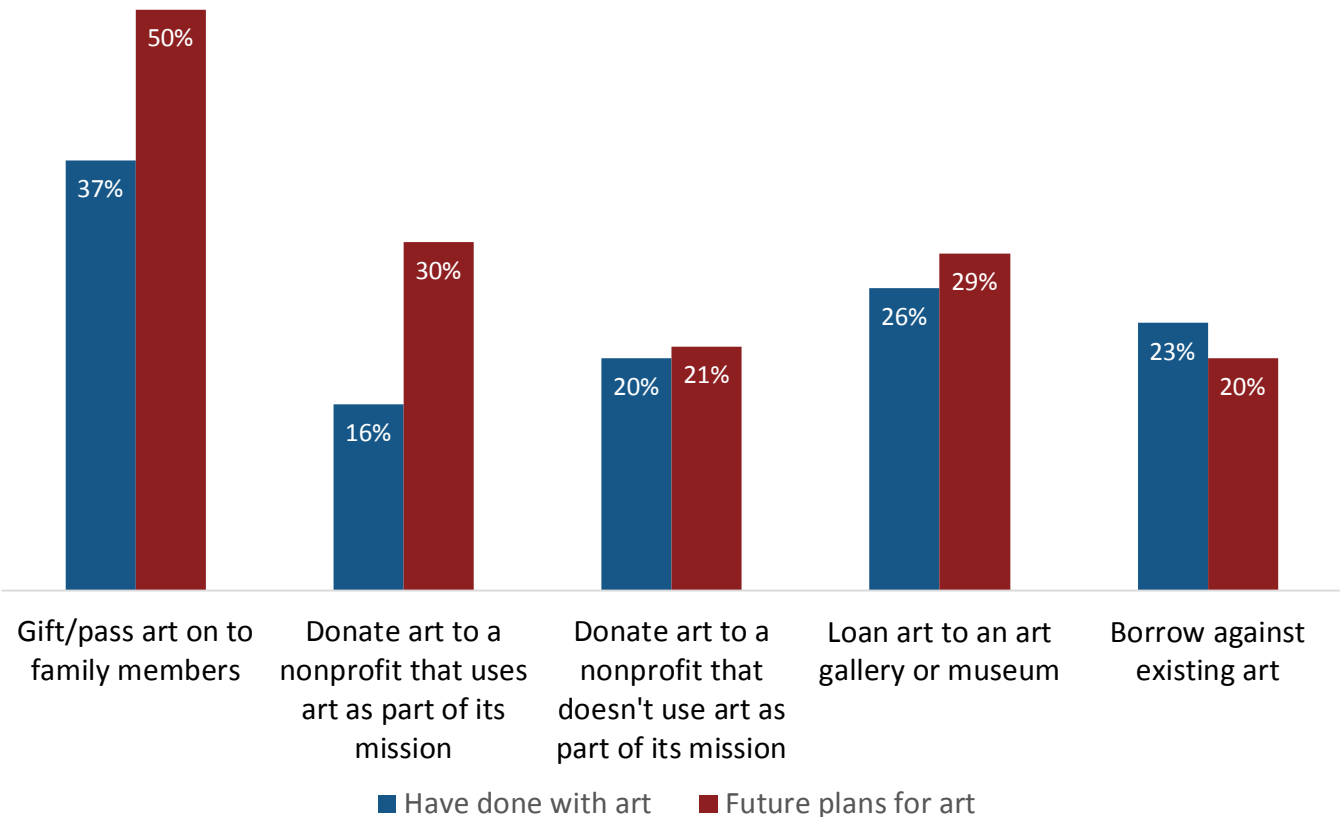


## MORE ART EXPECTED TO BE GIFTED AND DONATED

While 37% of collectors already have gifted art to members of their family, half (50%) plan to gift or pass on one or more pieces to family members in the future.

One in three (30%) plans to donate one or more pieces of art to nonprofit that uses art as part of its mission, and 21% plan to donate to a nonprofit institution that does not have art as part of its mission, a transaction that would have tax implications.

### ACTIONS TAKEN AND FUTURE PLANS FOR ART AMONG CURRENT ART COLLECTORS



Q48. Which of the following, if any, have you ever done with your fine art?

Q49. Which of the following, if any, do you plan to do in the future with your fine art? (Select all that apply.)

As the art market expands and art prices rise, more collectors are incorporating tangible assets like art into their long-term wealth plan.

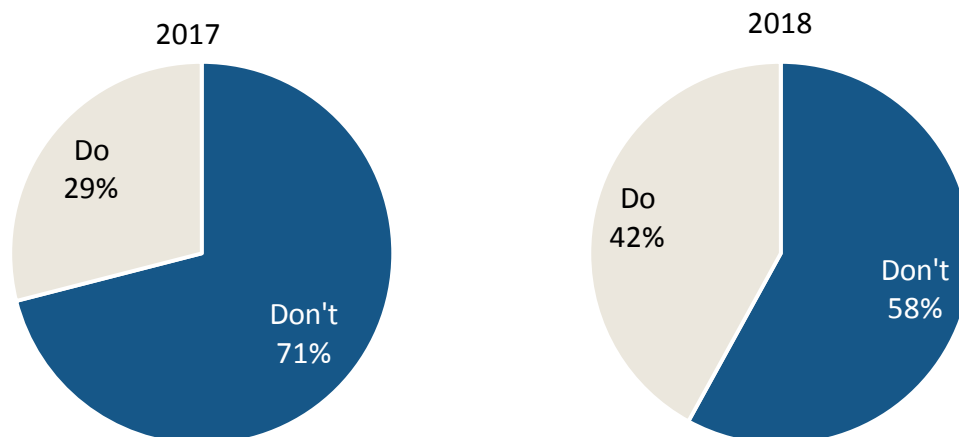
The percent of collectors integrating art into their wealth structuring and wealth planning has increased significantly over the past year — to 42% up from 29% in 2017.

Only 21% of current collectors and 18% of those interested in collecting are talking with a financial advisor about collecting art or integrating it into wealth planning.

## PERCENT OF ART COLLECTORS WHO DO/DON'T THINK OF ART AS PART OF WEALTH MANAGEMENT STRATEGY

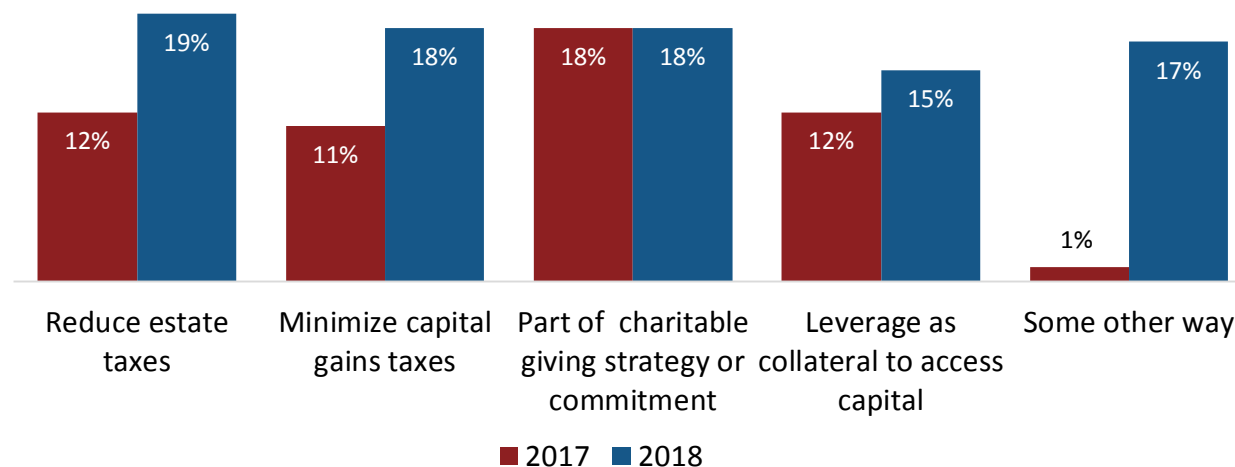
2017 – 2018

AMONG ALL ART COLLECTORS



## HOW ART IS USED IN WEALTH STRUCTURING AND PLANNING

AMONG ALL ART COLLECTORS



# U.S. TRUST

WOMEN AND IMPACT



## WOMEN ARE THE PRIMARY OR EQUAL INCOME EARNER AMONG FOUR IN 10 HNW COUPLES

Women are now the equal or primary income earners among four in 10 HNW couples and half (50%) brought equal or greater financial assets into their relationship.

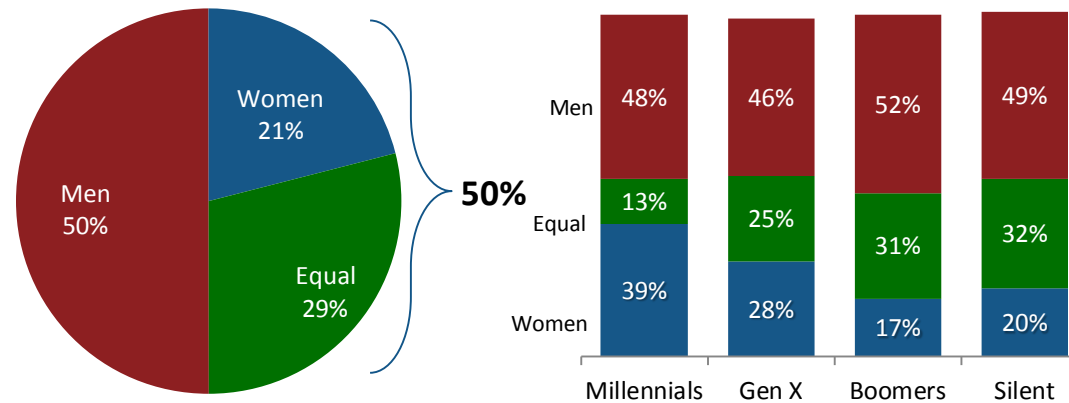
About one in five women overall are the primary income earner (17%) and/or person with the most financial assets (21%) among HNW couples.

Nearly four in 10 millennial women and more than one in four Gen X women entered their relationship with greater financial assets than their spouse or partner, compared to 17% of baby boomer women

Seven in 10 top female executives — business owners or senior corporate executives — are the primary or equal income earner in their relationships, including 50% who are the primary income earner.

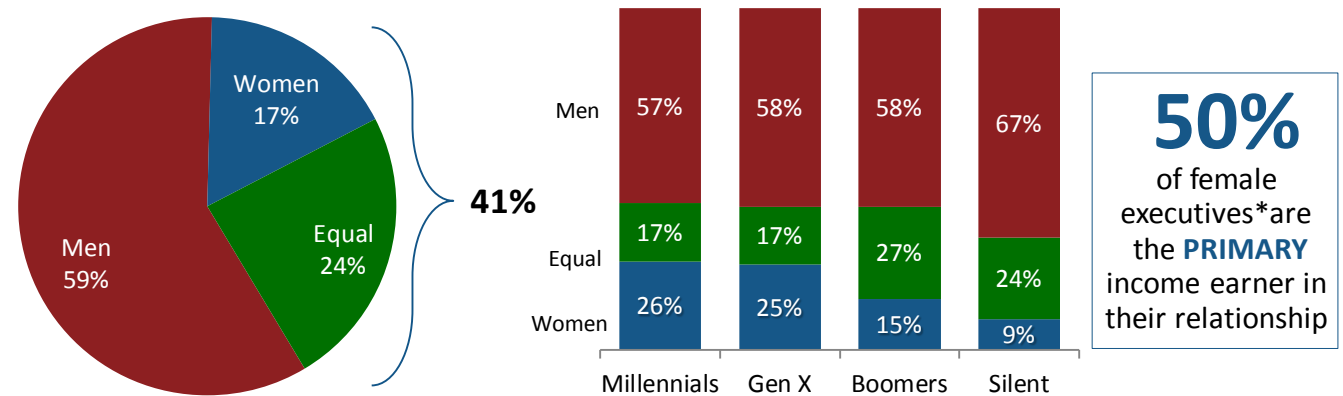
### PERSON WHO ENTERED THE RELATIONSHIP WITH THE MOST FINANCIAL ASSETS

AMONG THOSE MARRIED/IN A PARTNERSHIP



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

AMONG THOSE MARRIED/IN PARTNERSHIP



Q6. Please indicate who in your current household is entered the relationship with the most financial assets; is the primary income earner.

\*Women business owners and senior corporate executives

# MEN VIEW THEMSELVES AS THE SOURCE OF THE MAJORITY OF FAMILY WEALTH; WOMEN ARE MORE LIKELY TO CONSIDER IT CO-CREATED

Men are two and a half times more likely than women to say they have personally created the majority of household wealth.

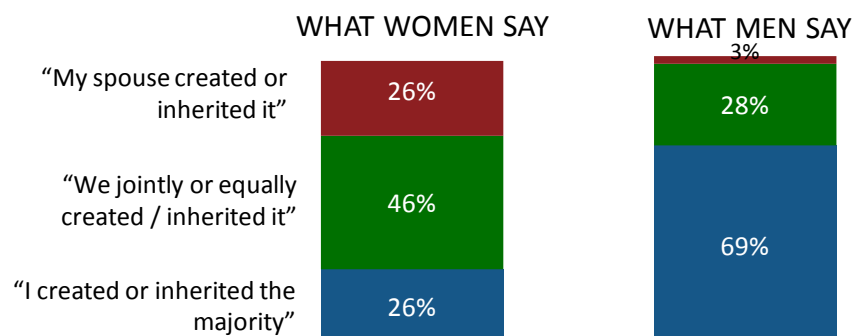
Women are more likely to say that they and their spouse equally or jointly contributed to the majority of their wealth.

More than half of millennial women (52%) and 37% of Gen X women say they created the majority of family wealth themselves, compared to 18% of baby boomer women.

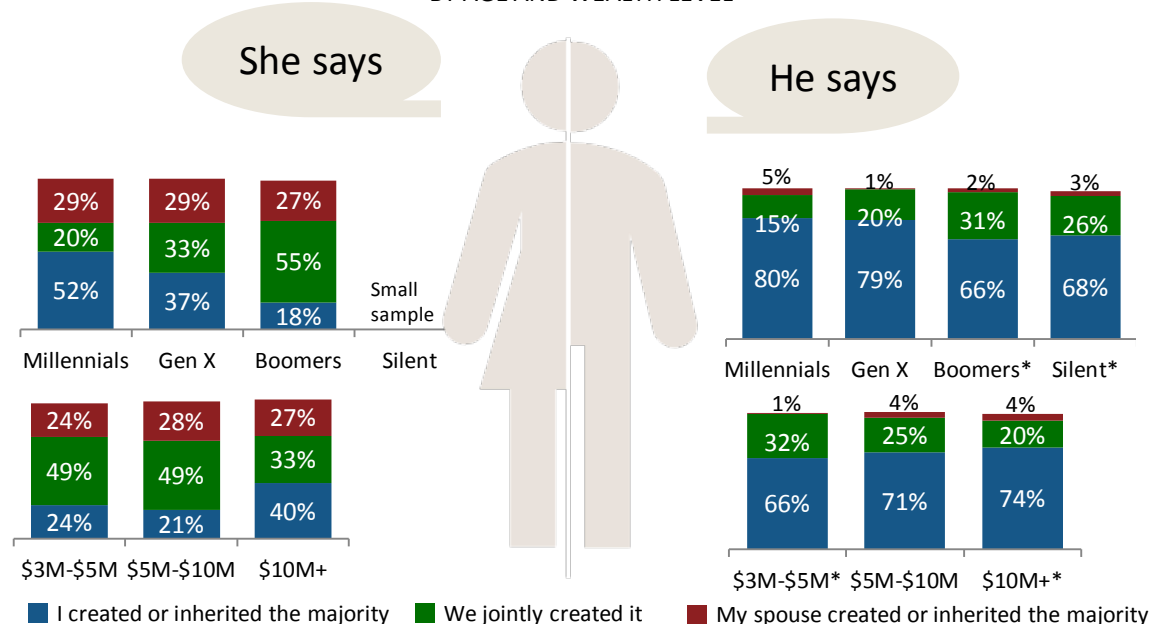
In households with greater than \$10 million in assets, four in 10 women say they are the source of the majority of family wealth.

## WHO CREATED/INHERITED MAJORITY HOUSEHOLD WEALTH?

AMONG THOSE MARRIED OR LIVING IN RELATIONSHIP



## SOURCE OF MAJORITY OF WEALTH BY AGE AND WEALTH LEVEL



# WOMEN ARE LESS LIKELY TO LEAD OR SHARE INVESTMENT DECISION-MAKING THAN THEY DO HOUSEHOLD FINANCIAL DECISIONS

Women lead or equally make decisions about household finances in half (50%) of HNW households.

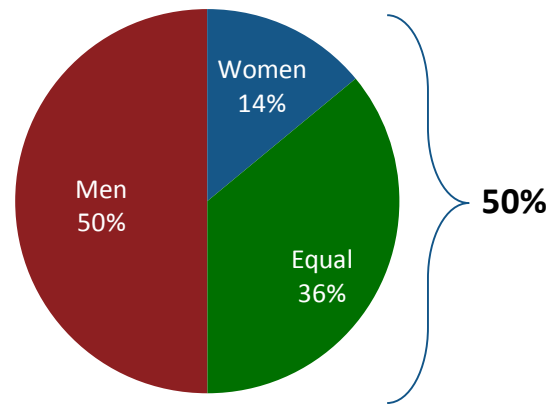
Men continue to dominate investment decision-making. Only 38% of women overall lead or share in investment decision-making.

Three-quarters of top female executives, many of whom are the primary income earner, lead or share equally in investment decision-making, including 44% who are the primary investment decision-maker.

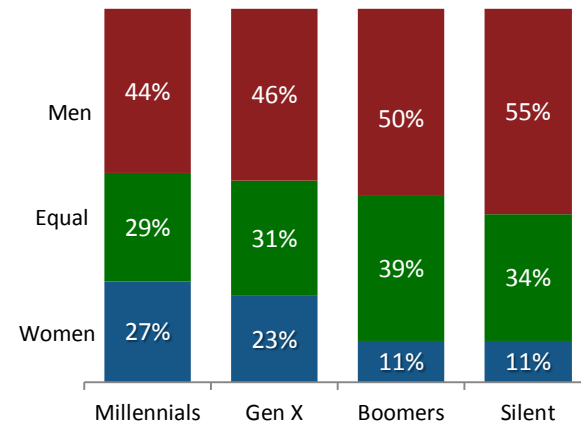
Women's participation in investment decision-making is greater among younger generations. Nearly one in three millennial women and one in five Gen X women are the dominant investment decision-makers, compared to 9% of baby boomers and 8% of older women.

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

AMONG ALL MARRIED/IN A PARTNERSHIP

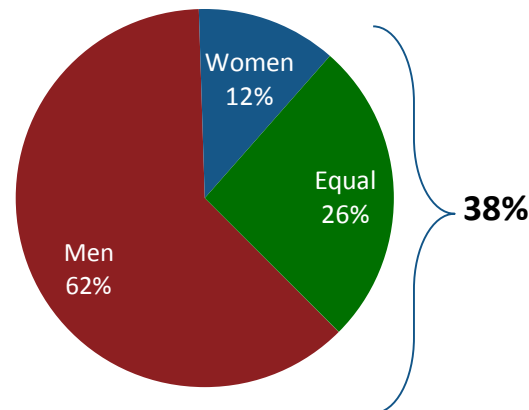


BY AGE

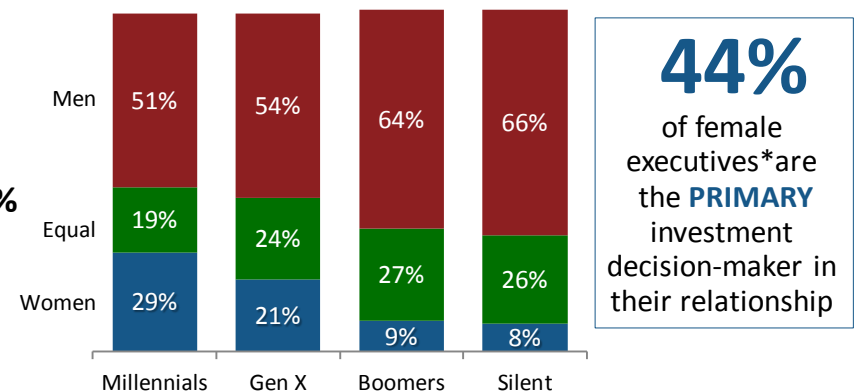


## PERSON IN THE HOUSEHOLD WHO IS THE DOMINANT INVESTMENT DECISION-MAKER

AMONG ALL MARRIED/IN PARTNERSHIP



BY AGE



## MILLENNIAL MOMS AND DADS DIVIDE CAREGIVING ROLES

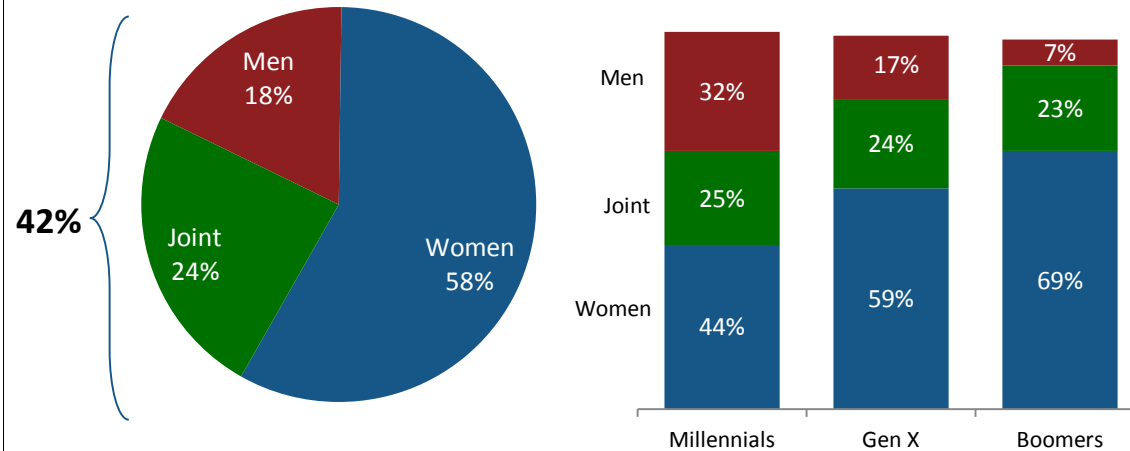
While women continue to be the primary caregivers for children, millennial parents are more likely than their older counterparts to divide, versus share, this role.

One-third of millennial dads are the primary caretakers to young children, and another quarter share caregiving responsibilities with their spouse.

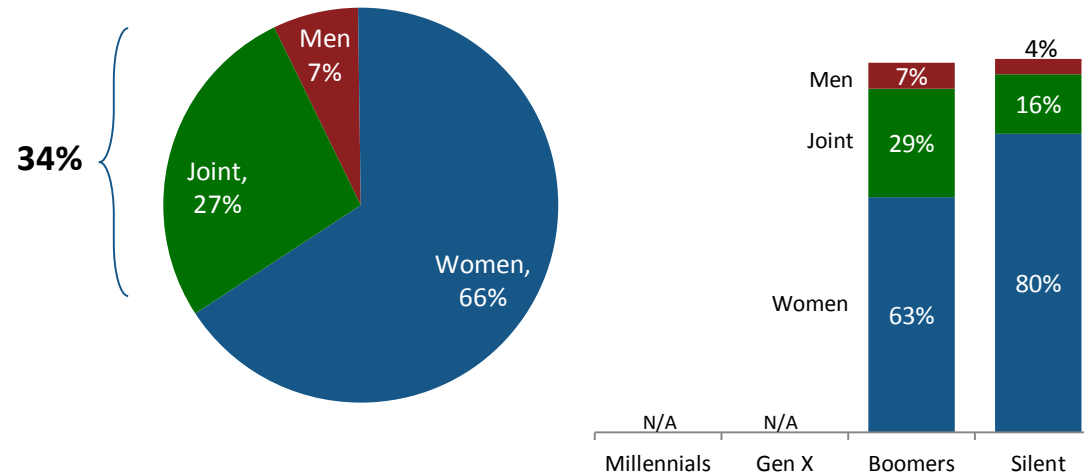
By comparison, two-thirds of baby boomer women were the primary caregiver when their children were growing up.

*Insight:* Millennials are the first generation in which at least half grew up with a mother who worked full-time outside the home. Forty-two percent of Millennials, compared to 19% of baby boomers, grew up with two parents who worked full-time jobs outside the home.\*

### PERSON IN HOUSEHOLD WHO IS PRIMARY CAREGIVER TO CHILDREN AMONG PARENTS WHO ARE MARRIED/IN PARTNERSHIP WITH CHILDREN YOUNGER THAN AGE 25



### PERSON IN HOUSEHOLD WHO IS PRIMARY CAREGIVER TO GROWN CHILDREN WHEN CHILDREN WERE YOUNG AMONG PARENTS WHO ARE MARRIED/IN PARTNERSHIP WITH CHILDREN OLDER THAN AGE 25



Q6. Please indicate who in your current household is the primary caregiver to children:

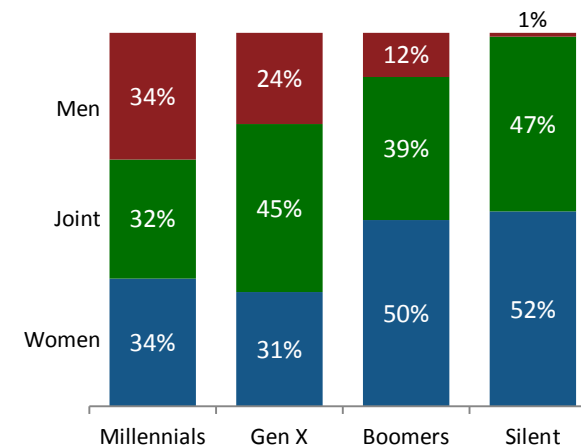
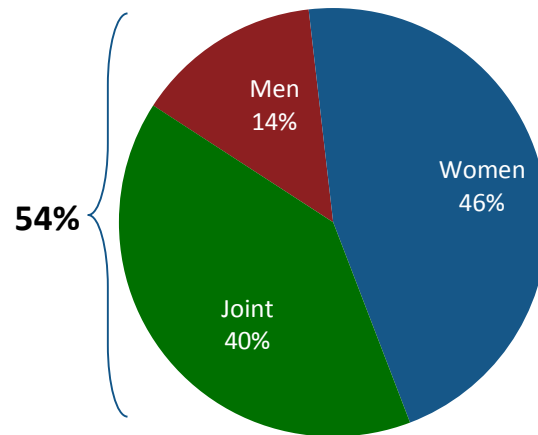
\*2017 U.S. Trust Insights on Wealth and Worth (Q40 Work status when growing up: Mother/Father ( 2017 UST\_Wealth and Worth.)

## WOMEN MOST OFTEN PROVIDE CARE FOR AGING PARENTS BUT YOUNGER COUPLES ARE MORE LIKELY TO DIVIDE OR SHARE THE RESPONSIBILITY

In a little more than four in 10 HNW households, women are or have been the primary caregivers to aging parents, including half of baby boomer women and nearly six in 10 older women.

Millennial couples are more likely to divide this responsibility equally or share it.

**PERSON IN THE HOUSEHOLD WHO IS OR WAS THE PRIMARY CAREGIVER TO AGING PARENTS/ GRANDPARENTS**  
(AMONG THOSE MARRIED/IN PARTNERSHIP WHO SAY CIRCUMSTANCE APPLIES)



## WOMEN ARE MORE LIKELY THAN MEN TO MAKE CAREER CHANGES TO MEET THE NEEDS OF THE FAMILY

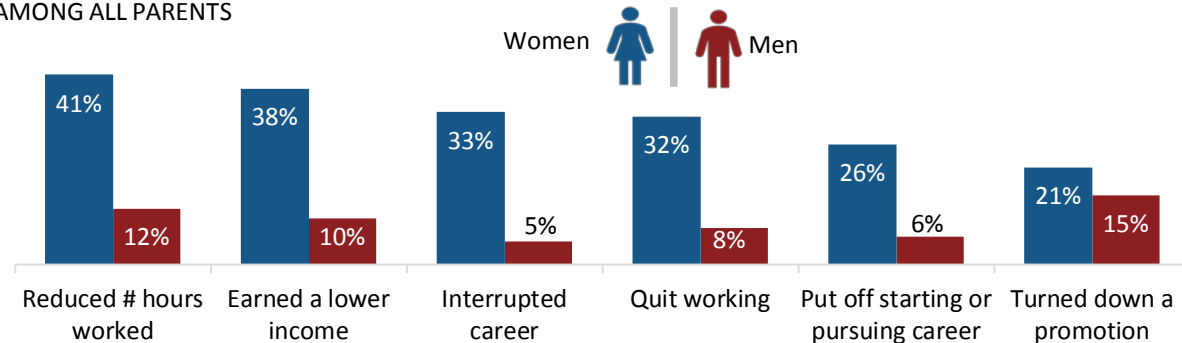
Women are at least three times more likely than men to make career changes in order to meet the needs of their children and family, including earning a lower income (38%), interrupting their career (33%) or quitting work altogether (32%)

Millennial dads are far more likely than dads in previous generations to balance the needs of the family with their career responsibilities or earnings potential.

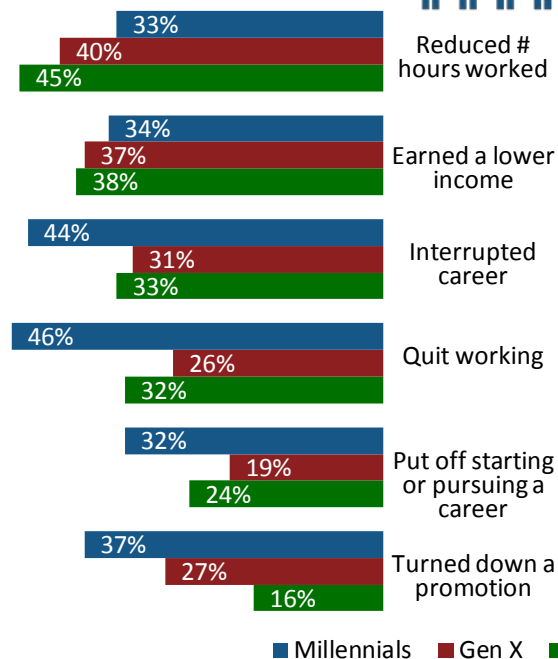
At the same time, millennial women are more likely than older women to say they quit working or put their career on hold to meet the needs of the family. This mirrors the actions of women in households with \$10M or more in assets (not shown) who are more likely than women in lower wealth tiers to quit working.

### PERCENT OF WOMEN AND MEN WHO HAVE EVER TAKEN THE FOLLOWING ACTIONS TO MEET THE NEEDS OF CHILDREN/FAMILY AT HOME

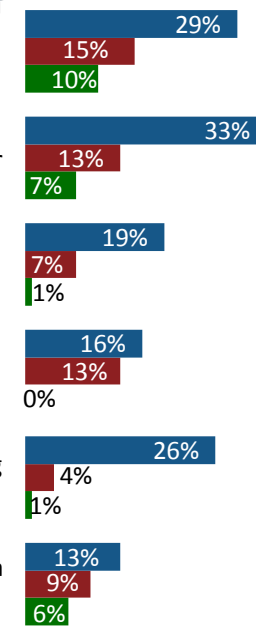
AMONG ALL PARENTS



### WHAT WOMEN SAY THEY HAVE DONE TO MEET THE NEEDS OF CHILDREN/FAMILY



### WHAT THOSE SAME WOMEN SAY THEIR SPOUSE/PARTNER HAS DONE



■ Millennials ■ Gen X ■ Boomers

# FEMALE EXECUTIVES SAY: “GENDER NEVER HELD ME BACK”; MANY CONSIDER IT AN ADVANTAGE

More than three-quarters of executive women don’t believe that their gender has been a barrier to their success or expected career path.

Nearly one-quarter say that being female has been an advantage.

The top career challenges female executives have faced is maintaining work-life balance.

*Qualitative insight:* While HNW women cited discrepancy in pay between men and women as well as inequitable treatment in the workplace, few felt less empowered as a result. Rather, they felt more motivated to prove themselves, and believe that the challenges they have faced as women ultimately made them stronger. They claim to have worked hard to become self-sufficient and have shown the determination and fortitude to succeed in a male-dominated society.

## PERCENT OF EXECUTIVE WOMEN WHO AGREE AMONG WOMEN BUSINESS OWNERS AND CORPORATE EXECUTIVES

**THREE**  
out of 4

WOMEN (78%)



“Gender has not been a barrier to career advancement”

**ONE**  
out of 4

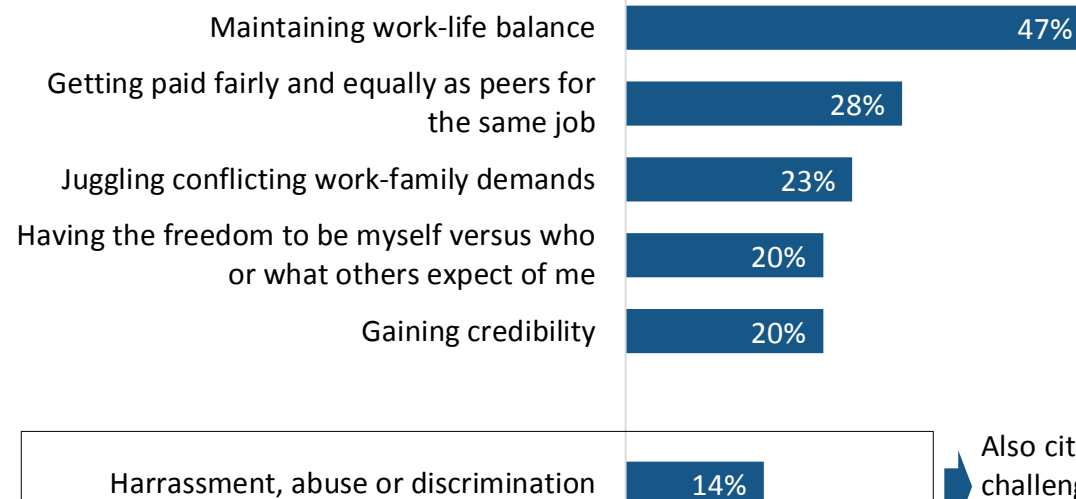
WOMEN (23%)



“Gender has been an **advantage** to career advancement”

## WOMEN’S TOP FIVE CAREER CHALLENGES

PERCENT WHO CITED AS AMONG TOP THREE CHALLENGES  
AMONG ALL WOMEN BUSINESS OWNERS AND CORPORATE EXECUTIVES



## IN THEIR OWN WORDS

*“I feel more empowered because I’m a woman. More of us are being heard and being taken seriously.”*

- Survey respondent, HNW Millennial female, \$3M – \$5M

*“I was never told that as a woman I could not achieve my goals.”*

- Survey respondent, HNW Gen X female, \$5M – \$10M

➡ Also cited as a top challenge by 8% of male executives

# MOST HNW COUPLES SHARE PHILANTHROPIC DECISION-MAKING; WOMEN ARE MORE ACTIVELY ENGAGED

In most HNW marriages, philanthropic contributions and volunteering is done jointly.

Men and women equally make philanthropic or charitable financial contributions.

Women are two times more likely than men to volunteer or engage actively with nonprofit or philanthropic organizations.

Slightly more women than men make decisions about which philanthropic organizations or causes the couple will support.

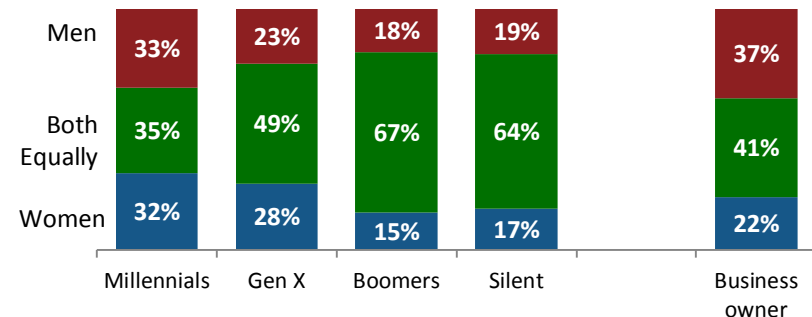
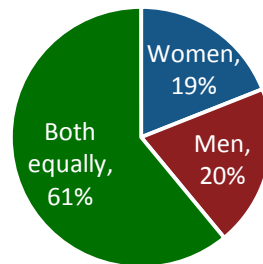
Millennials are an exception, where one of the partners tends to take the lead.

Millennial women are more likely than older women to take the lead on which philanthropic organizations to support.

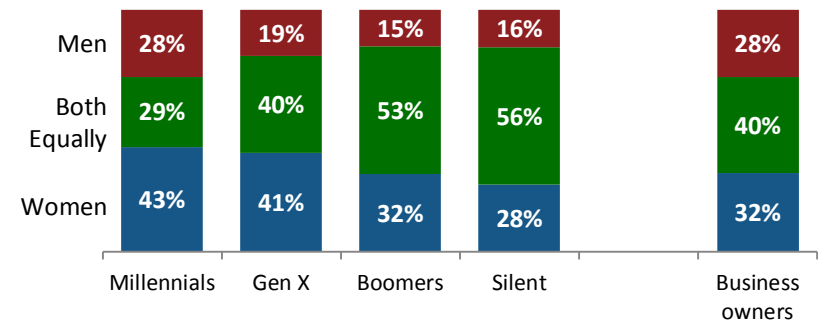
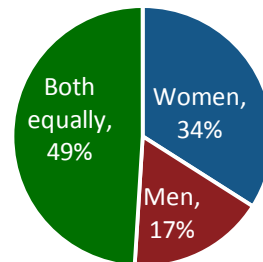
## SPOUSE OR PARTNER WHO IS MOST LIKELY TO....

AMONG COUPLES (MARRIED/PARTNERS)

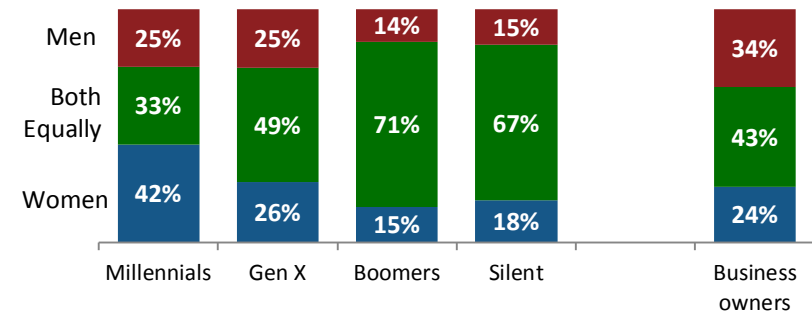
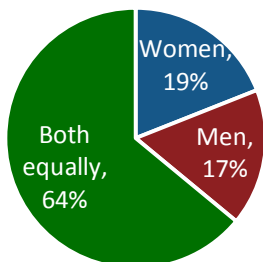
### MAKE PHILANTHROPIC OR CHARITABLE FINANCIAL CONTRIBUTIONS



### VOLUNTEER OR ACTIVELY ENGAGE WITH PHILANTHROPIC / NONPROFIT ORGANIZATIONS



### MAKE DECISIONS ABOUT WHICH PHILANTHROPIC ORGANIZATIONS OR CAUSES TO SUPPORT





# EIGHT IN 10 WOMEN LEAD OR PARTICIPATE IN DECISIONS ABOUT FAMILY WEALTH TRANSFER

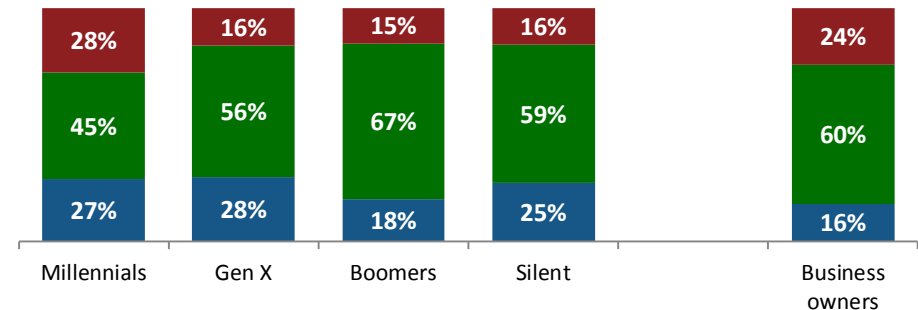
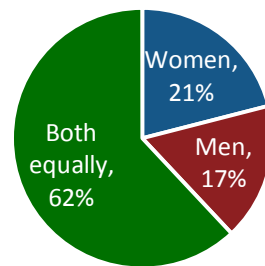
Eighty-three percent of women lead or jointly play a role in teaching children about giving back. While women have long taken the lead on passing on this value to the next generation, millennial men and women are equally discussing the importance of giving back.

Most couples jointly make decisions about gifting or passing on wealth to family members. Fewer than 10% of women say they are most likely to lead the decision-making, despite statistical evidence that women outlive their spouses.

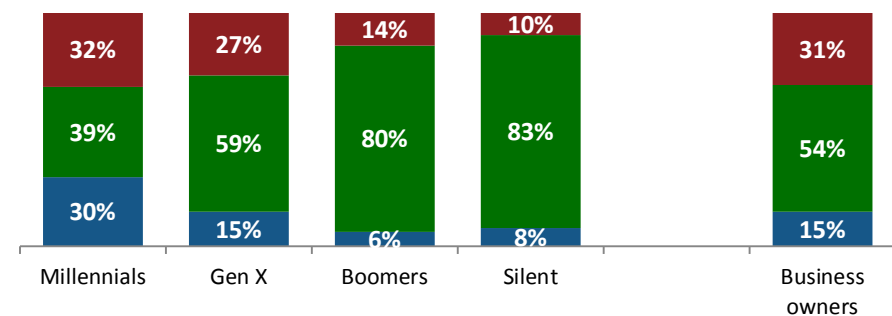
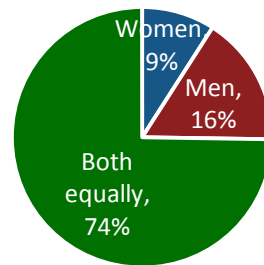
Women place slightly less importance than men on leaving a financial inheritance to children or heirs.

## SPOUSE OR PARTNER WHO IS MOST LIKELY TO.... AMONG COUPLES (MARRIED/PARTNERS)

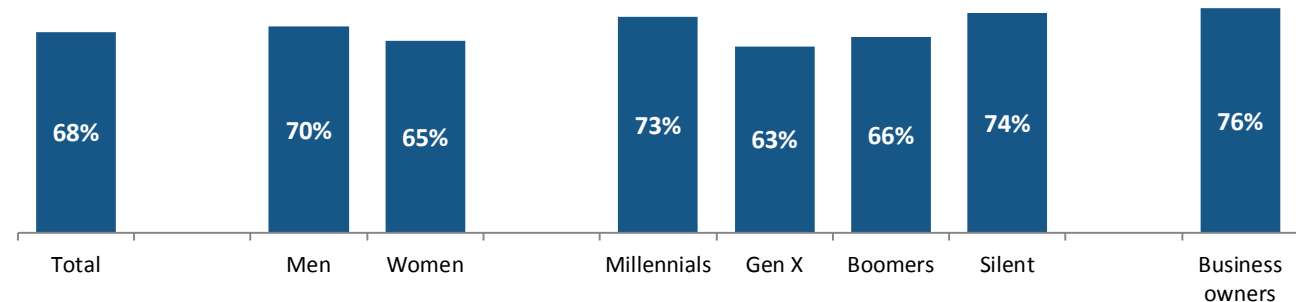
### TEACH OR TALK WITH CHILDREN ABOUT GIVING BACK / CHARITY



### MAKE DECISIONS ABOUT GIFTING OR PASSING ON WEALTH AND/OR ASSETS TO FAMILY MEMBERS



### PERCENT WHO CONSIDER IT IMPORTANT TO LEAVE A FINANCIAL INHERITANCE TO CHILDREN OR HEIRS



Q8. Who is more likely to do each of the following in your household?

Q101. Do you consider it important to leave a financial inheritance to your children or heirs?

# WOMEN ARE HALF AS LIKELY AS MEN TO PROVIDE FINANCIAL SUPPORT BUT EQUALLY WILLING TO INVEST IN SUCCESS OF ADULT CHILDREN

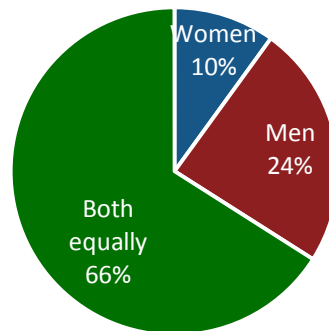
The decision to provide financial support to adult children or extended adult family members is mostly a joint decision among couples.

Women and men are equally willing to invest in the success of children and grandchildren by providing them with financial assistance.

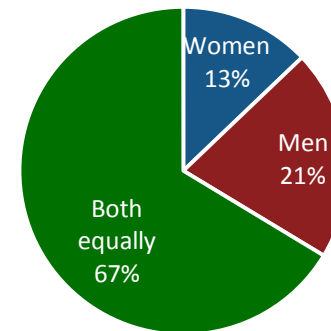
Women are somewhat more willing than men to loan money or provide upfront capital to fund a business startup for their children or grandchildren

## SPOUSE OR PARTNER WHO IS MOST LIKELY TO.... AMONG COUPLES (MARRIED/PARTNERS)

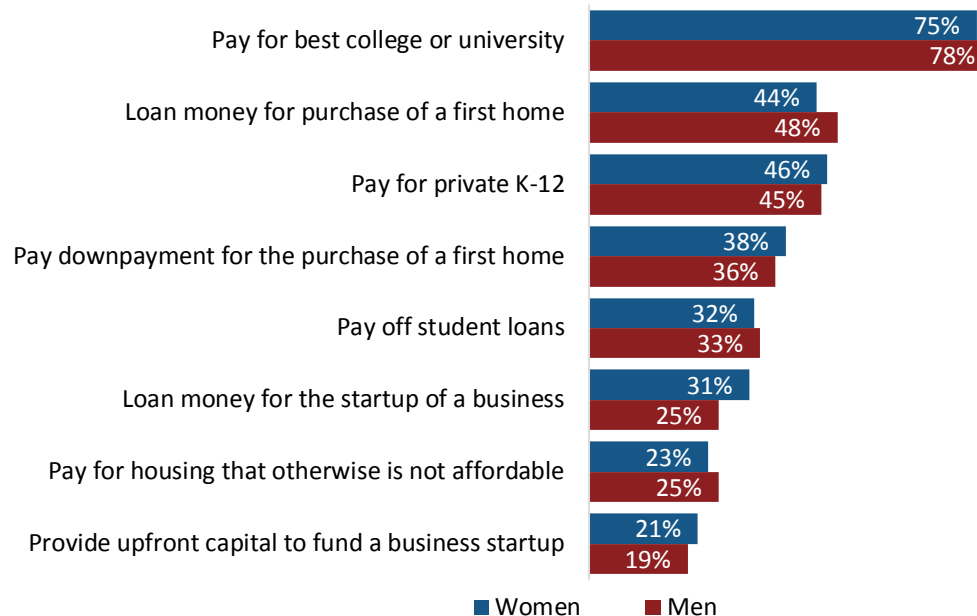
### PROVIDE FINANCIAL SUPPORT TO ADULT CHILDREN, IF NEEDED



### PROVIDE FINANCIAL SUPPORT TO EXTENDED ADULT FAMILY MEMBERS, IF NEEDED



## PERCENT OF MEN AND WOMEN WHO HAVE OR ARE WILLING TO INVEST IN THE SUCCESS OF THEIR CHILDREN OR GRANDCHILDREN



Q8. Who is more likely to do each of the following in your household?

Q42. Which of the following have you done or would be willing to do to ensure the success of your children?

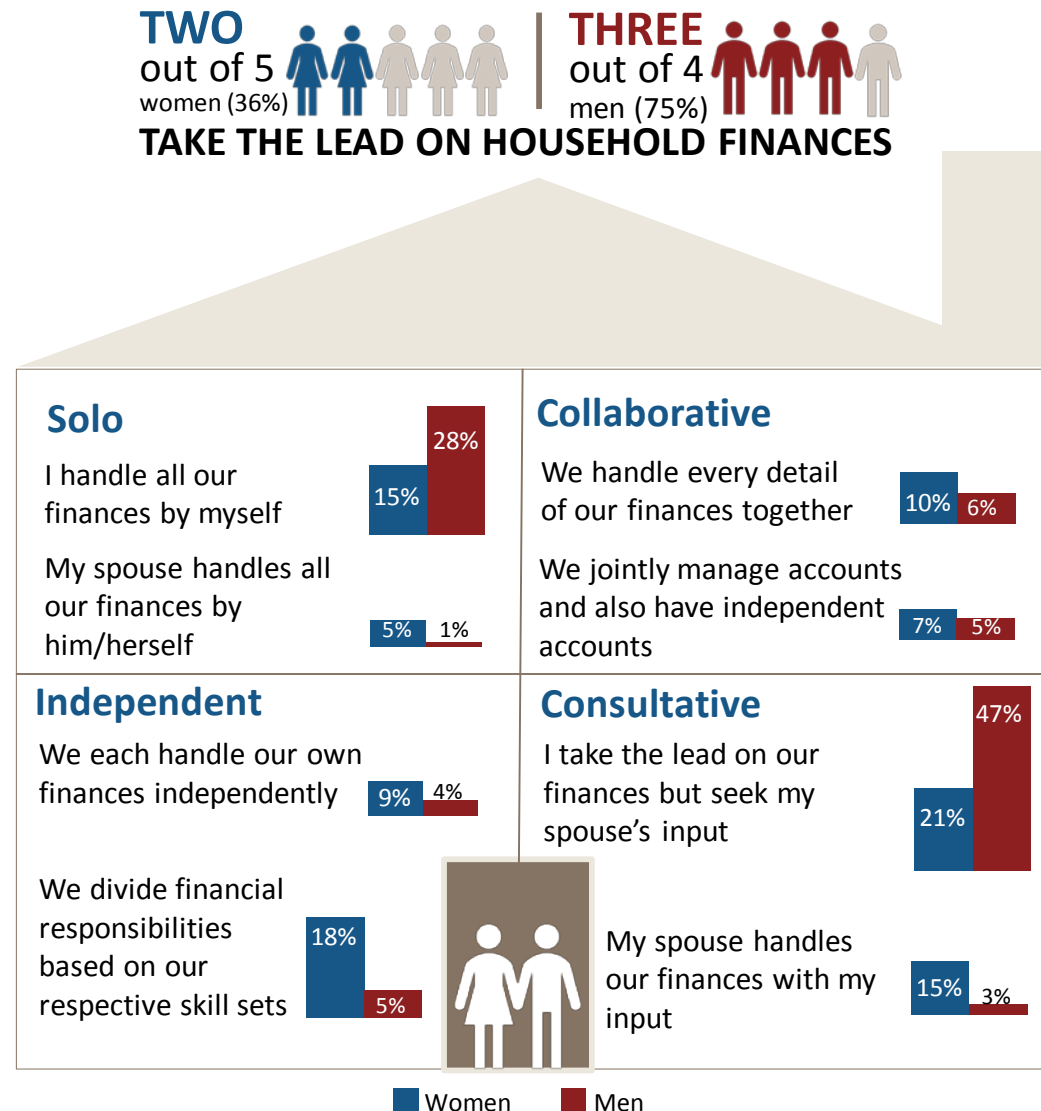
# ONE SPOUSE TAKES THE LEAD BUT MOST COUPLES CONSULT WITH EACH OTHER ON HOUSEHOLD FINANCES

Seventy-five percent of married men say they take the lead on household finances either with input from their spouse or by themselves. Just 4% of men say their spouse handles the finances (with input, 3%, or spouse handles alone, 1%).

In contrast, just 36% of married women take the lead on household finances, with input or by themselves, and 20% say their spouse handles the finances (with input, 15%, or spouse handles alone, 5%).

Thirty-two percent of millennial women, compared to 25% of Gen X and 7% of baby boom women say they handle all of the household finances themselves. Older couples tend to be more consultative, with one or the other spouse taking the lead but seeking input.

## FINANCIAL ARRANGEMENTS WITH SPOUSE/PARTNER: WOMEN VS MEN AMONG ALL COUPLES (MARRIED / IN PARTNERSHIP)



## SPOUSES GENERALLY AGREE WITH EACH OTHER ABOUT FAMILY WEALTH AND PHILANTHROPY

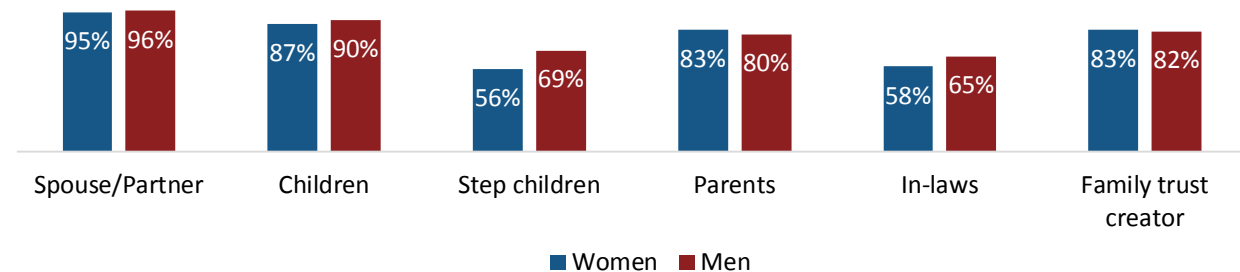
Men and women generally agree with each other, their children and parents about the use and purpose of family wealth.

Most also generally agree with their stepchildren and with in-laws; however, in both cases, women are less likely than men to do so.

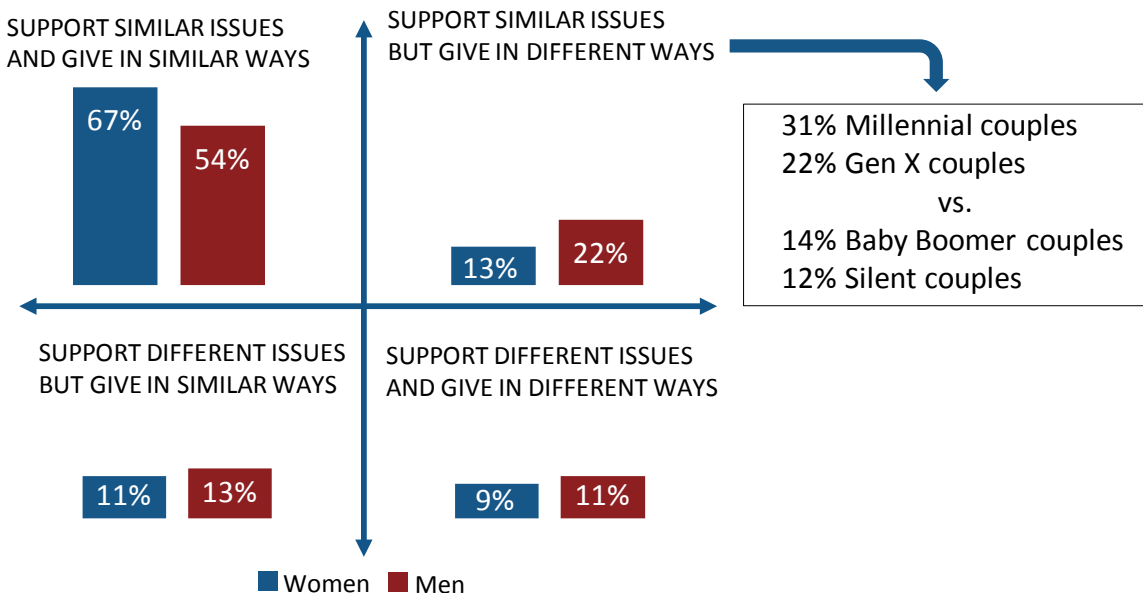
Spouses and partners tend to mostly agree on issues and causes to support philanthropically and on approaches to giving back.

Men, more than women, and younger couples more than older couples are more apt to say their approach to giving back differs from their spouse, even if they support similar issues.

### PERCENT WHO AGREE WITH OTHERS ABOUT FAMILY WEALTH MEN VS. WOMEN



### AGREEMENT / DISAGREEMENT WITH SPOUSE / PARTNER ON APPROACHES TO PHILANTHROPY/GIVING BACK MEN VS. WOMEN



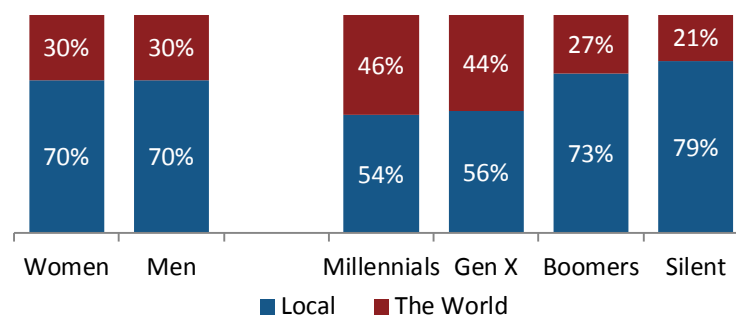
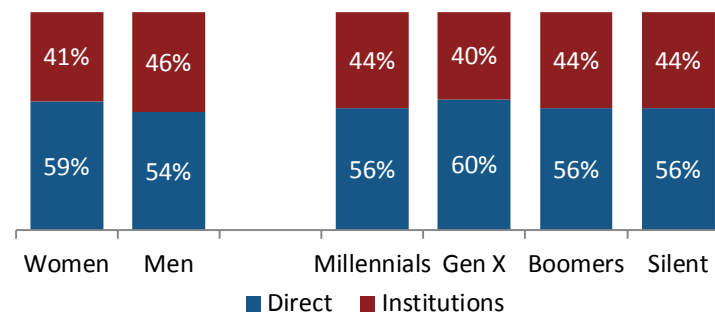
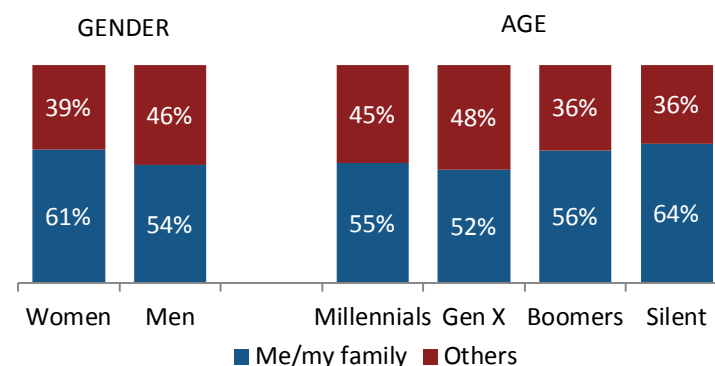
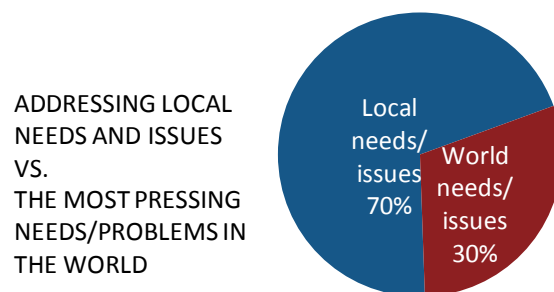
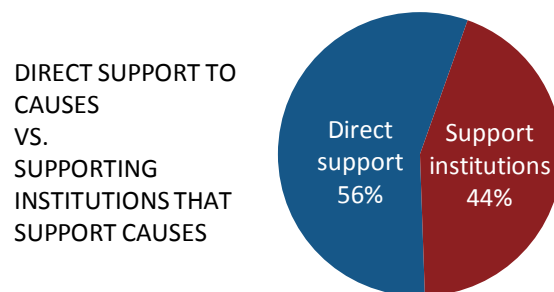
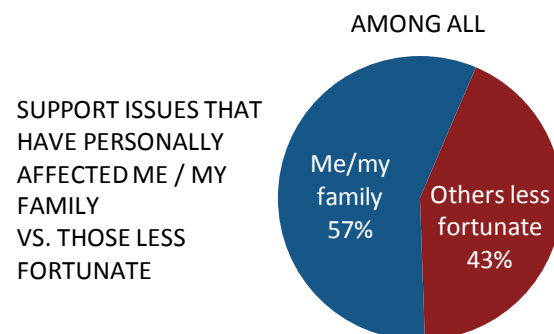
# WOMEN ARE MORE LIKELY TO SUPPORT ISSUES THAT HAVE DIRECTLY AFFECTED THEM OR THEIR FAMILIES

Men and women have similar philanthropic priorities, especially about the importance of addressing local needs and issues.

The most notable difference in priorities is that women are more likely than men to support issues that have personally affected them or their families.

Philanthropic priorities also are fairly similar across all age groups, with the exception of younger HNW (millennials and Gen X) who place greater importance than baby boomers and older on addressing the most pressing issues anywhere.

## PRIORITIES AROUND PHILANTHROPIC IMPACT



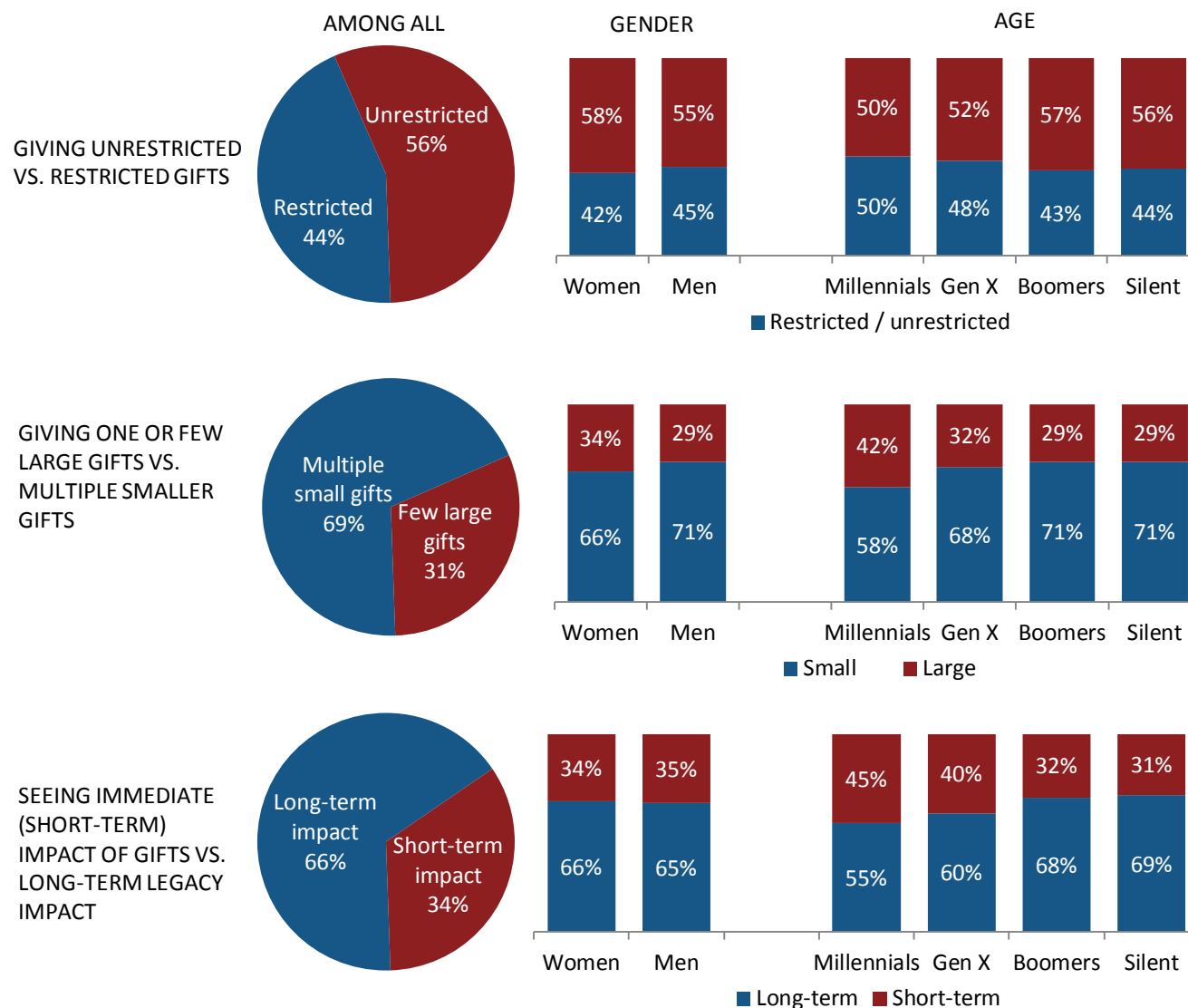
# HNW PHILANTHROPISTS SHIFT FOCUS TO UNRESTRICTED GIFTING; WOMEN AND MILLENNIALS FEWER, LARGER GIFTS

More than half of HNW philanthropists consider it important to make unrestricted gifts, giving discretion over use of funds to the organizations they support. The percent who say unrestricted giving is their higher priority increased to 56% from 48% in 2017, with growth driven primarily by women.

Women are somewhat more likely than men to prefer giving one or a few large gifts versus multiple smaller gifts to one or more organizations.

Millennials are most likely to place greater importance on long-term impact and bigger impact from fewer, larger gifts.

## PRIORITIES AROUND PHILANTHROPIC IMPACT



# U.S. TRUST

**BUSINESS OWNERS**

## PROFILE OF BUSINESS OWNERS

About half of business owners surveyed own mid-sized to large companies greater than \$10 million in annual revenue.

Senior level executives more often work for large corporations, while more business owners are small business owners.

Half (50%) founded their companies. Men are more likely to have founded or acquired a company than women.

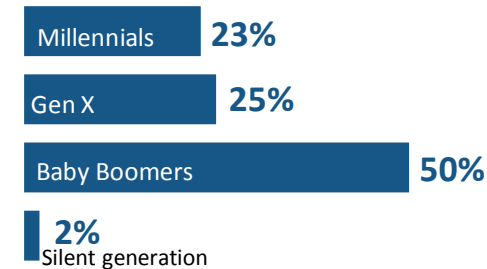
Women are three times more likely than men to have inherited a business.

Younger business owners are equally likely to be founders as baby boomers and older owners.

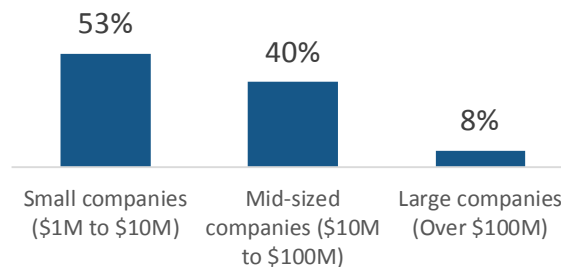
### GENDER



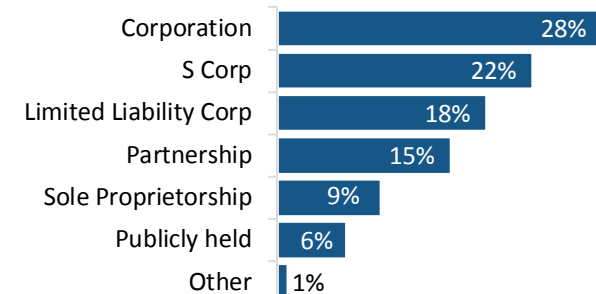
### AGE



### SIZE OF BUSINESS OWNED

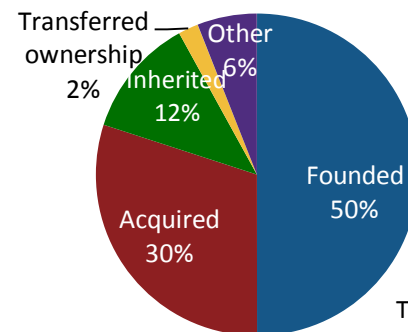


### LEGAL STRUCTURE

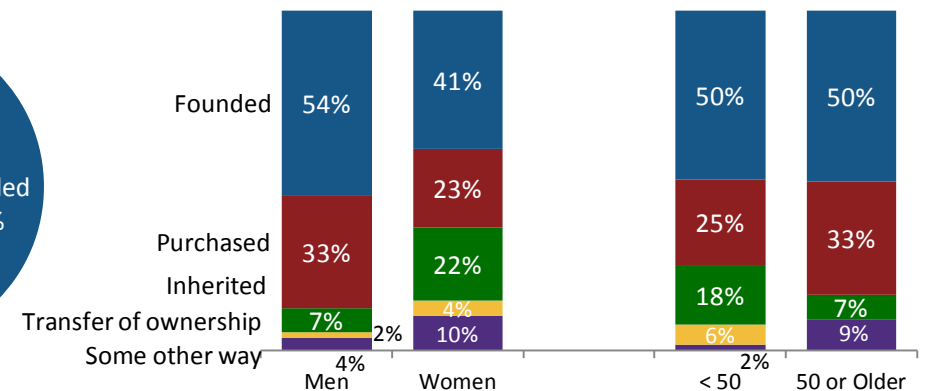


### MEANS OF OBTAINING OWNERSHIP

AMONG ALL OWNERS



BY GENDER AND AGE



Q58. Which of the following best describes the size of the company you currently own or work for?

Q59. Which best describes the ownership structure of your business or company?

Q65. How did you gain ownership of your business?



## PATH TO OWNERSHIP OF CURRENT BUSINESS

Prior to their current company, 49% of owners were employed by a company owned by someone else, while one in five owned another business, including 28% of owners under the age of 50 and 14% of those over age 50.

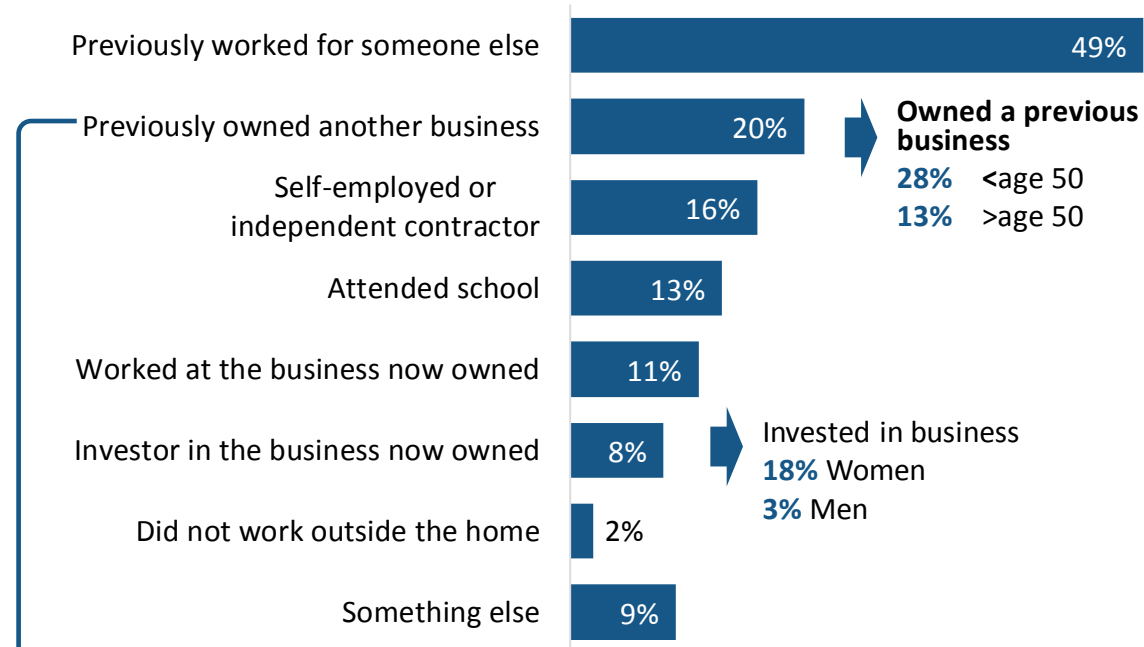
Thirteen percent of current owners came into business ownership directly from school.

Women are six times more likely than men to have invested in the company they now own.

Almost half of business owners have owned just one company, while a greater share have owned at least one other company, including 58% of younger owners and 48% of older owners.

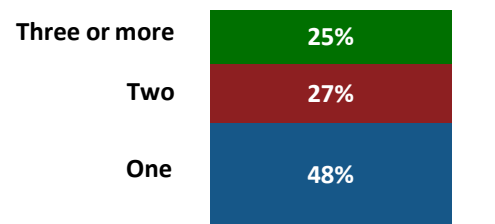
One in three has founded more than one company, including 45% who own small companies and 35% who own mid-sized / large companies.

### WORK PRIOR TO OWNING CURRENT BUSINESS AMONG ALL CURRENT BUSINESS OWNERS



### NUMBER OF COMPANIES EVER OWNED

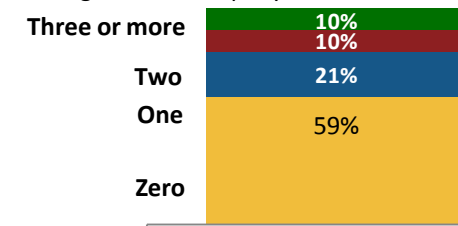
Including current company



Total

### NUMBER OF COMPANIES EVER FOUNDED

Including current company



Total

Q66. What type of work did you do before owning your current or last business? (Select all that apply)

Q67. How many companies have you owned (including your current or last company)? Q68. How many companies have you founded (including your current or last company)?

## DISTRIBUTION OF BUSINESS OWNERSHIP

Four in 10 business owners own 100% of their companies, including nearly half of men owners and about one-quarter of women owners.

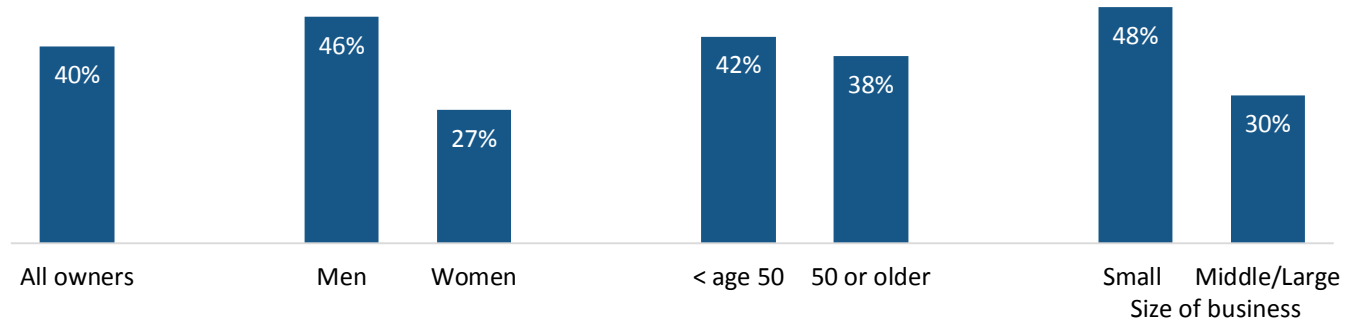
Younger owners are more likely to own 100% of their business than older owners.

Among those who don't own 100% of their company, just under 40% of the business is co-owned with others, on average.

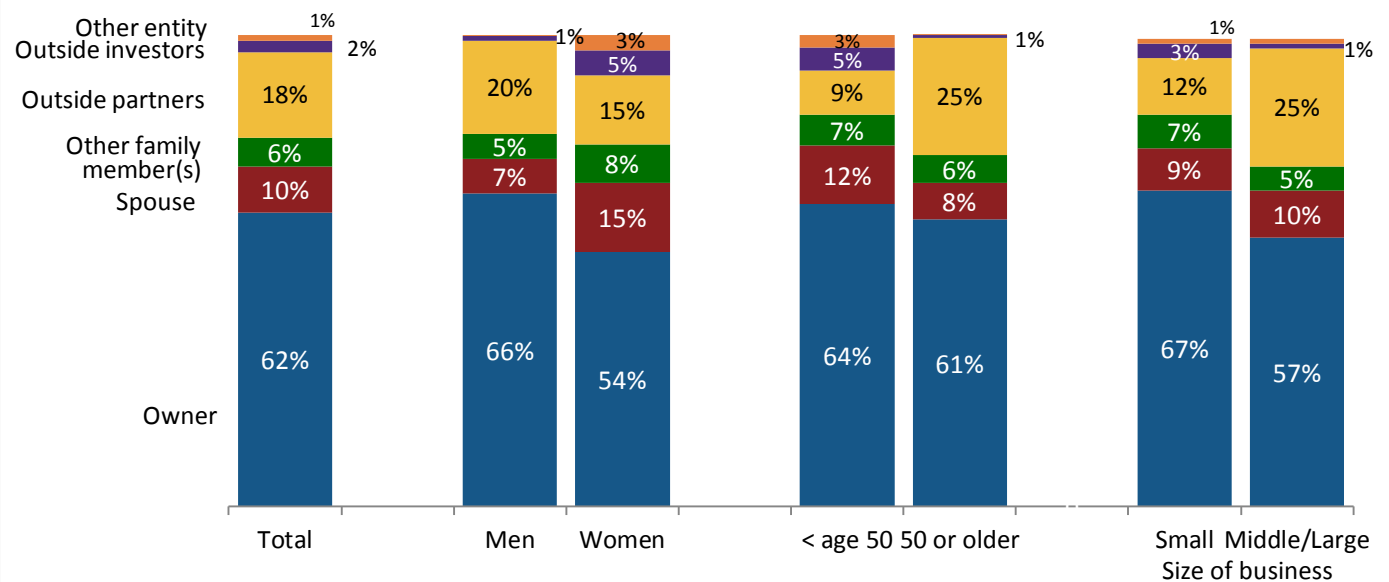
Women who share ownership of their companies tend to own less of the business than men owners, and they are more likely to co-own with a spouse or other family member.

Older owners are more likely to share ownership with outside partners whereas younger owners have a mix of outside partners and investors.

**PERCENT OF BUSINESS OWNERS WHO OWN 100% OF THEIR COMPANY**  
AMONG ALL BUSINESS OWNERS



**OWNERSHIP DISTRIBUTION AMONG THOSE WHO DON'T OWN 100% OF THEIR COMPANY**  
OWNERSHIP SHARE AS A PERCENTAGE OF TOTAL BUSINESS



## FOR MANY, OWNING A BUSINESS MEANS WORKING WITH FAMILY

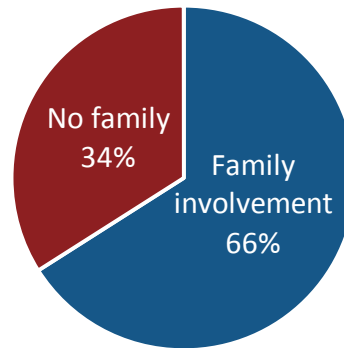
Two-thirds of business owners say other members of their family are involved in the management of the business.

Not shown: Half of large companies with over \$100 million in annual revenue have family members involved.

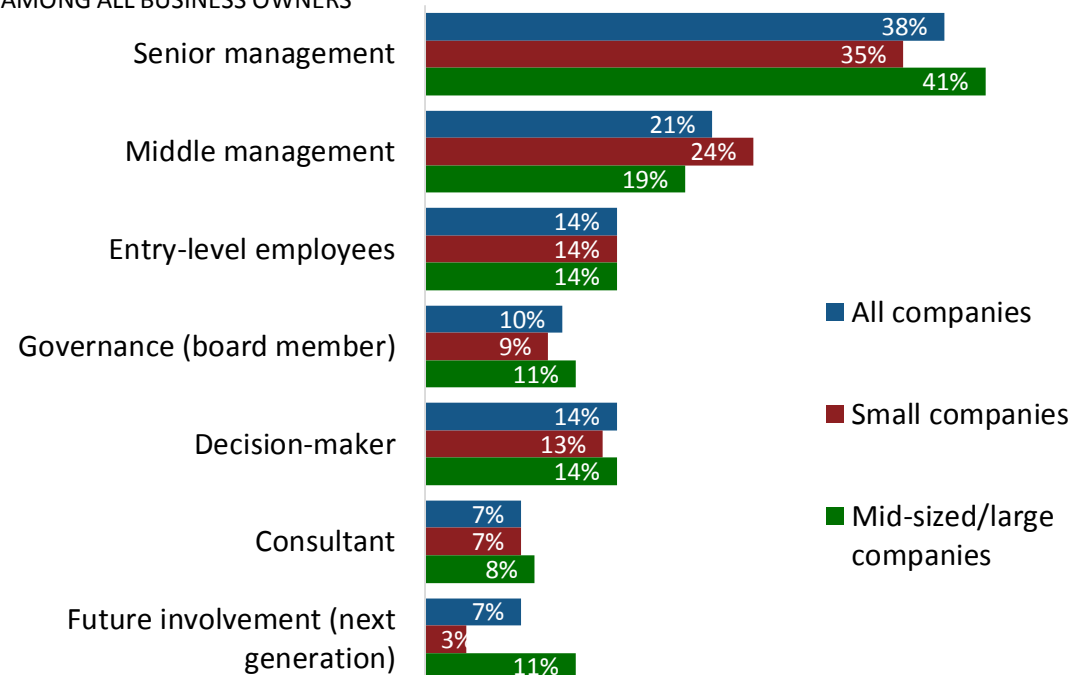
Most family members are involved in senior or middle management of the company.

At least one in 10 has a family member serving in a governance capacity, and another 14% say a family member is a key decision-maker for the business.

### PERCENT OF BUSINESSES WITH OWNER'S FAMILY MEMBERS INVOLVED/NOT INVOLVED AMONG ALL BUSINESS OWNERS



### ROLE OF FAMILY MEMBERS INVOLVED IN BUSINESS AMONG ALL BUSINESS OWNERS



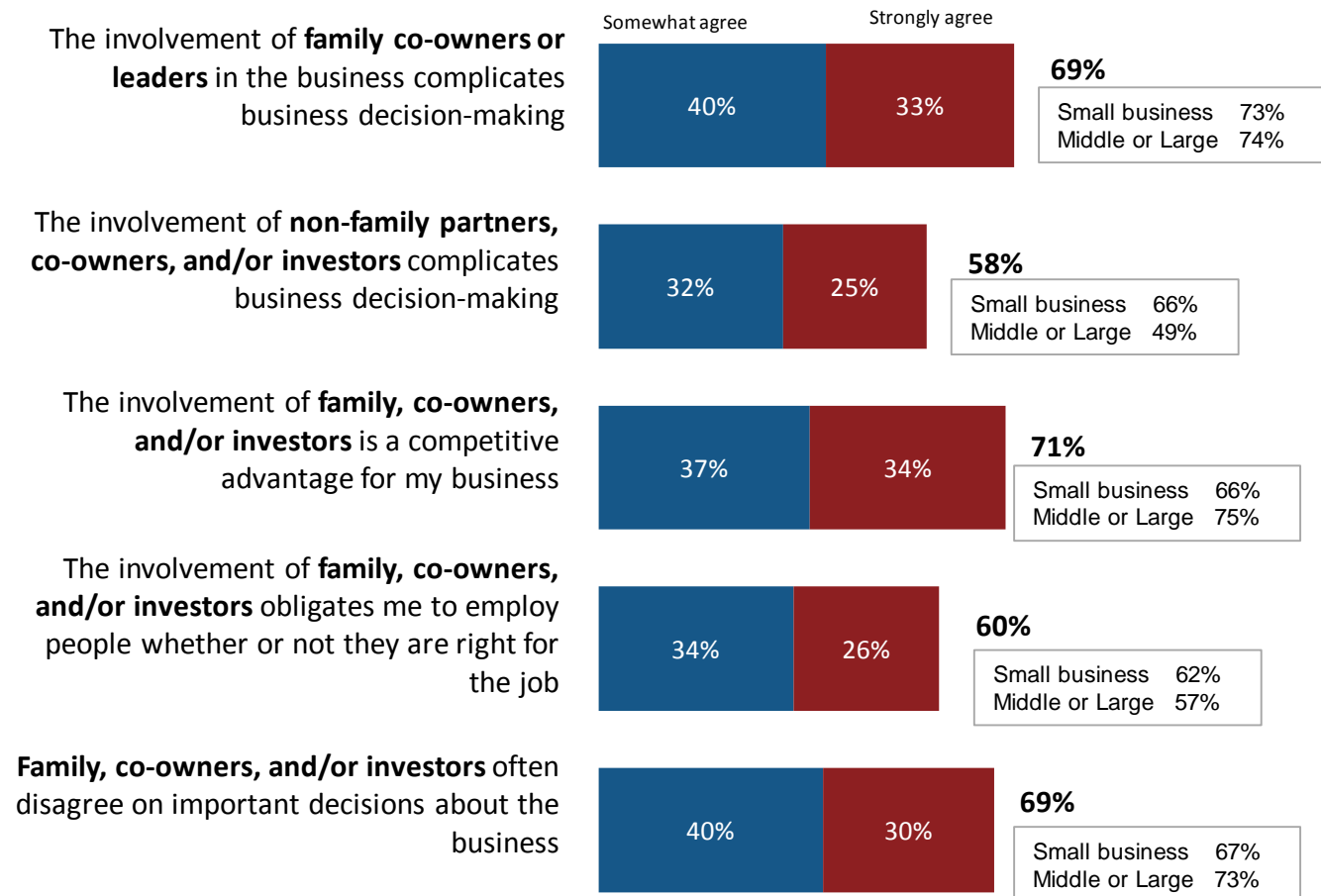
## ATTITUDES TOWARD INVOLVEMENT OF FAMILY IN RUNNING BUSINESS

Most business owners with co-owners or family involvement believe that their involvement provides a competitive advantage.

However, a similar portion find this involvement to complicate decision-making and cause disagreement.

### PERCENT WHO AGREE

AMONG OWNERS OF COMPANIES WITH INVOLVEMENT OF FAMILY MEMBERS



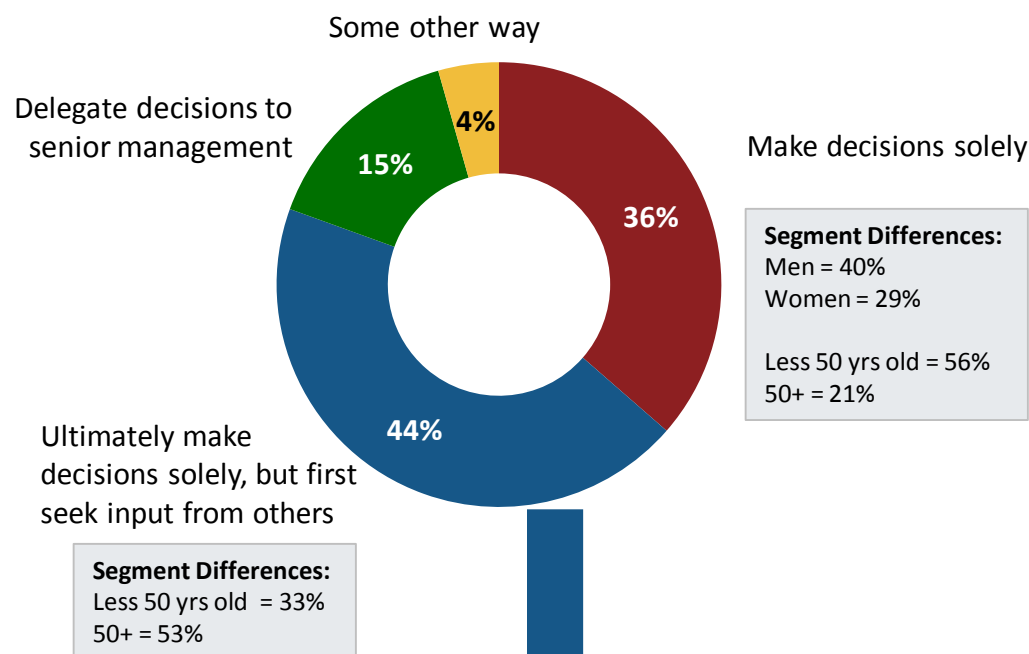
## MOST BUSINESS DECISIONS MADE ULTIMATELY SOLO; MANY SEEK INPUT

The vast majority of business owners make decisions solely but many first seek input from others beforehand.

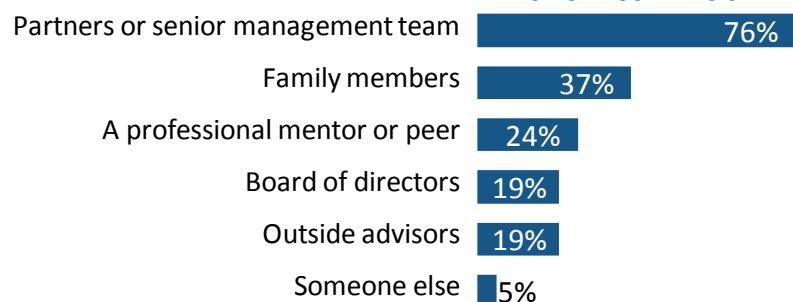
Most often this input is sought from partners and senior managers; one-third seek input from family members.

Men are significantly more likely than women, and younger owners more so than older owners, make decisions on their own without seeking input from others.

### HOW IMPORTANT DECISIONS ARE MADE ABOUT BUSINESS AMONG ALL BUSINESS OWNERS



### WHO PROVIDES INPUT? AMONG THOSE WHO SEEK INPUT



## TOP CONCERN IN DECISION TO OWN A BUSINESS WAS FEELING RESPONSIBLE FOR OTHER PEOPLE'S LIVELIHOOD

While owners are motivated by their ability to create opportunities for others to thrive, their top concern when contemplating the decision to own a business was taking on the awesome responsibility for the livelihood of other people.

Business owners are aware of the fact that decisions they make about the business affect not only the business but also the people who work for and depend on it. It was their second top concern.

Business ownership appeals to those who want better control over their lives, but for many the business is so much of their lives, and they worried about work-life balance.

Younger owners are more likely than older owners to be concerned about compromising their personal wealth.

### THE 7 TOP Concerns about deciding to own a business

- 1 Responsibility for the livelihood of other people
- 2 Being ultimately responsible for the consequences of business decisions
- 3 Work-life balance
- 4 Not being able to simply walk away
- 5 Fear of compromising personal wealth
- 6 Fear of failure
- 7 Possibility of not having a steady paycheck

## YOUNGER OWNERS ARE MOST LIKELY TO SEEK PRIVATE INVESTORS FOR STARTUP FUNDS

The majority of business owners rely on personal and family money to fund the start-up and early growth of their business.

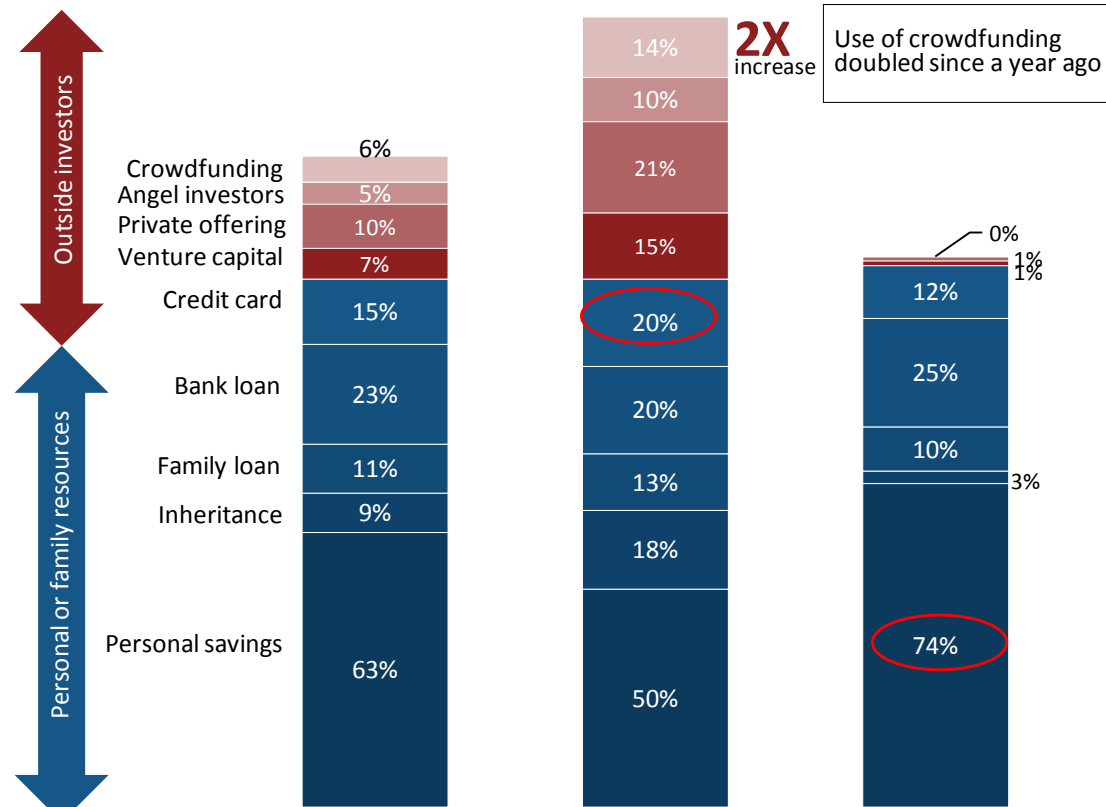
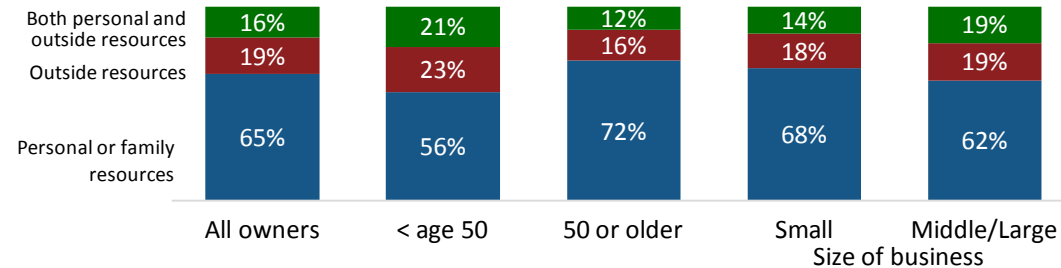
Older owners (age 50 or older) were most likely to rely on their own savings, while younger owners also receive support from family money (receipt of an inheritance or family loan).

Nearly one-quarter (23%) overall seek funding from private investors, with younger owners far more likely to do so than older owners.

Among owners under the age of 50, use of crowdfunding doubled to 14% in 2018 up from 7% in 2017.

### FUNDING SOURCES USED TO START BUSINESS

#### AMONG ALL CURRENT OWNERS



Q78. How did you fund the startup of your company (if retired business owner: How did you fund the startup of your last company)?

Q79. Which of the following financial resources did you use to fund the startup of your business?

## RANGE OF FINANCING SOURCES TO FUEL GROWTH PHASE

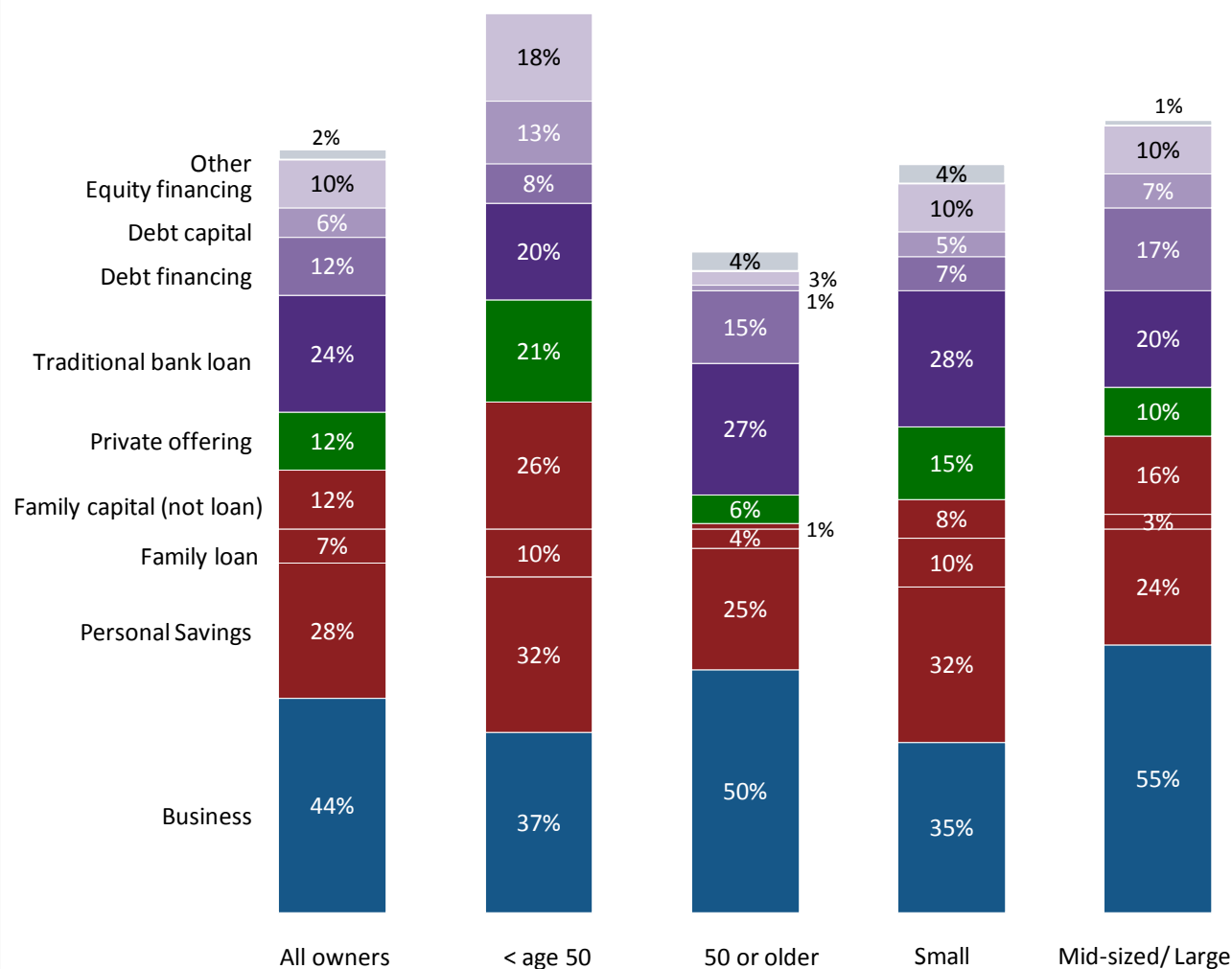
Reinvestment of profits is most often used to fund business growth.

Personal savings and bank loans are the next most common sources of funding.

Family capital, private offerings, equity financing and debt capital are more common among younger business owners and owners of mid-size to large companies.

Mid-sized to large companies also are more likely to fund their expansion by reinvesting profits from the business than small business owners, who are most likely to tap into their personal savings or family resources.

### FUNDING SOURCES USED FOR GROWTH OF THE BUSINESS AMONG ALL CURRENT OWNERS





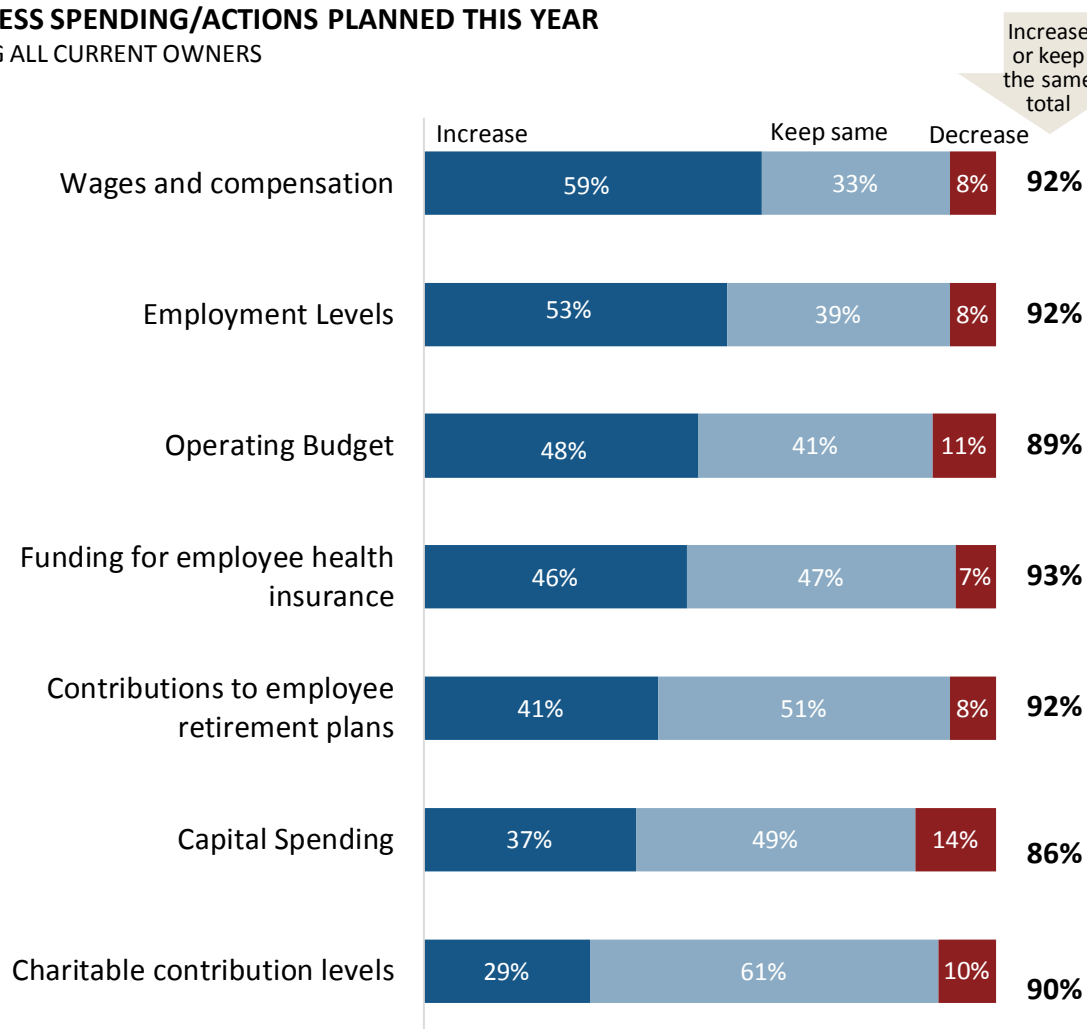
## MOST BUSINESSES ARE INVESTING IN EMPLOYEES, INCREASING JOBS, WAGES AND BENEFITS

Most business owners are either maintaining or increasing business spending this year, including more than half (53%) who plan to increase employment levels and nearly six in 10 increasing wages and compensation.

Four in 10 business owners plan to increase contributions to employee retirement plans, and 46% expect to increase funding for employee health insurance.

Ninety percent of business owners intend to either maintain or increase their charitable contribution levels this year.

### BUSINESS SPENDING/ACTIONS PLANNED THIS YEAR AMONG ALL CURRENT OWNERS



## BUSINESS OWNERS FOSTER A CULTURE OF GIVING BACK, PHILANTHROPIC ENGAGEMENT

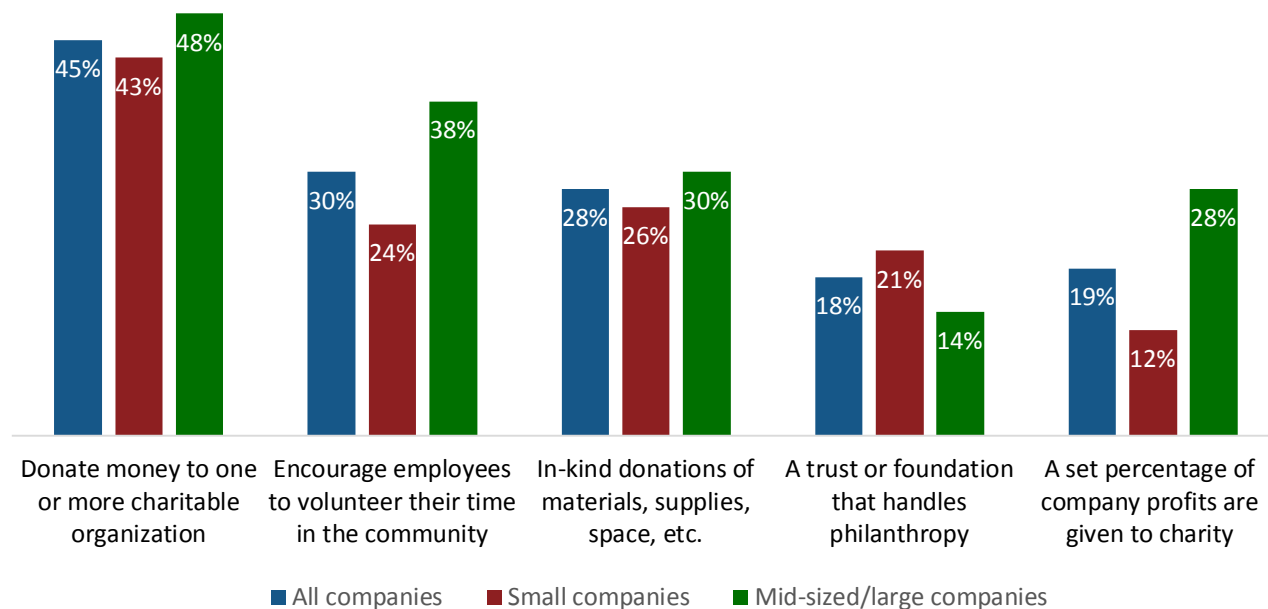
The vast majority of business owners engage in philanthropy through their companies and encourage engagement among employees. The most common ways are financial donations and encouraging employee volunteering.

Small business owners are most likely to establish a trust or foundation.

Larger businesses are two times more likely than small businesses to give a percentage of company profits to charity.

One in three businesses overall encourage employees to volunteer their time in the community.

### WAYS BUSINESSES CREATE A CULTURE OF GIVING BACK/PHILANTHROPIC ENGAGEMENT AMONG ALL CURRENT OWNERS



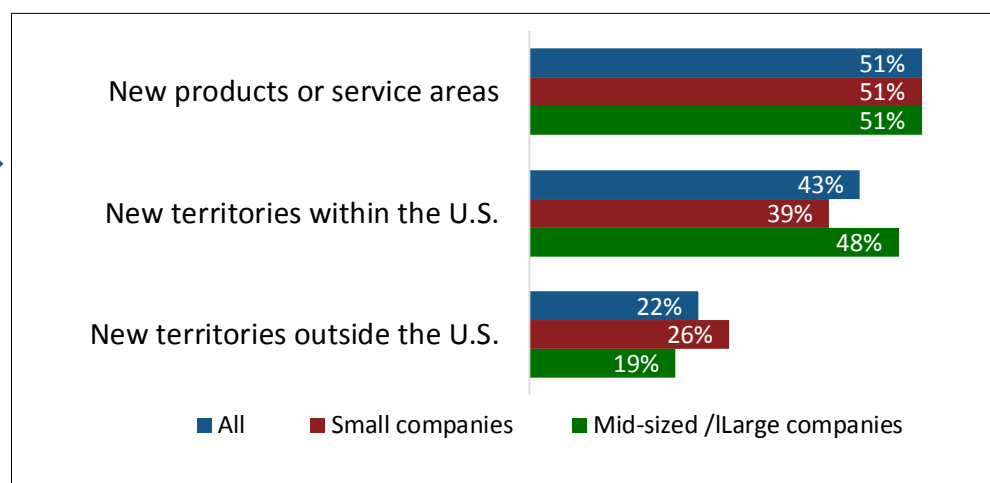
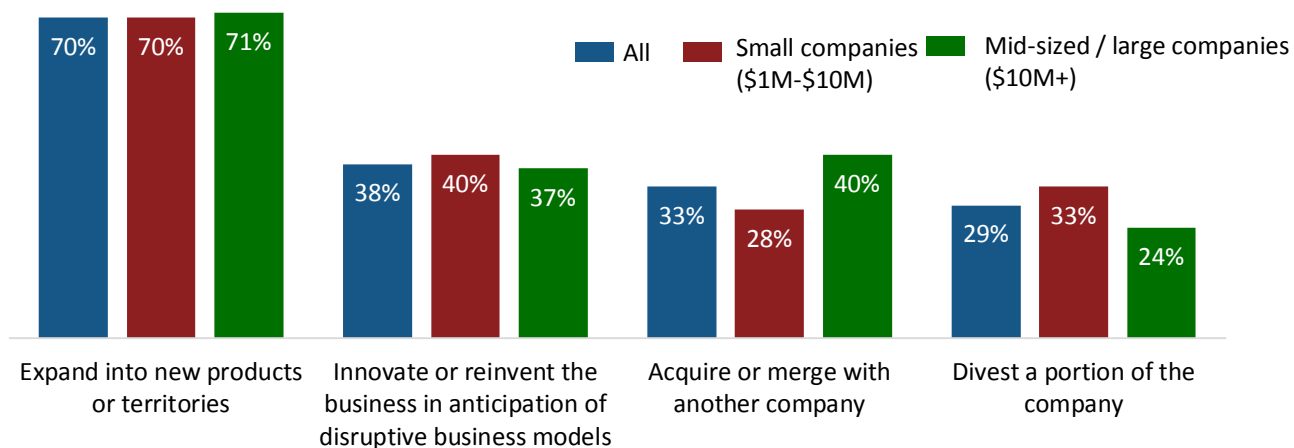
Business owners, regardless of size of business, are focused on what they need to do to continue to compete and grow in the coming years.

- Seven in 10 plan to expand products or services as well as into new territories.
- Two in five will expand into new territories within the U.S. while one in five will expand outside the U.S.

One-third overall plan to acquire or merge with another company, with mid-size / larger companies more likely than small companies to pursue this.

## STRATEGIC PLANS OVER THE NEXT THREE YEARS

ALL CURRENT OWNERS AND BY SIZE OF COMPANY (ANNUAL REVENUE)



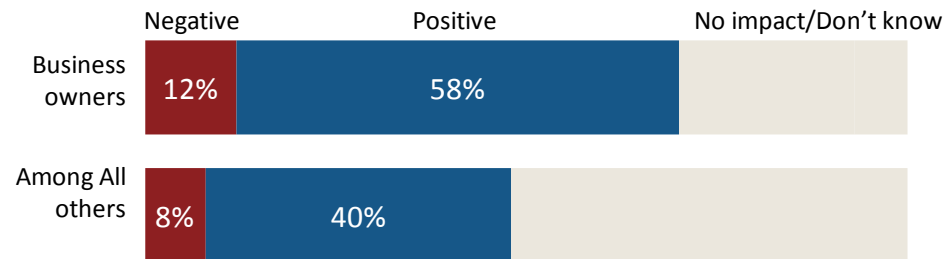
A reduction in the tax rate for corporations and small, or pass-through, businesses is viewed as a positive by nearly six in 10 business owners (59%) and as a negative by one out of 10 (12%). Another one-fourth don't think it will have any impact on them personally.

Four in 10 non-business owners also see the reduction in corporate tax rates as a positive, while just under half think it will have no impact.

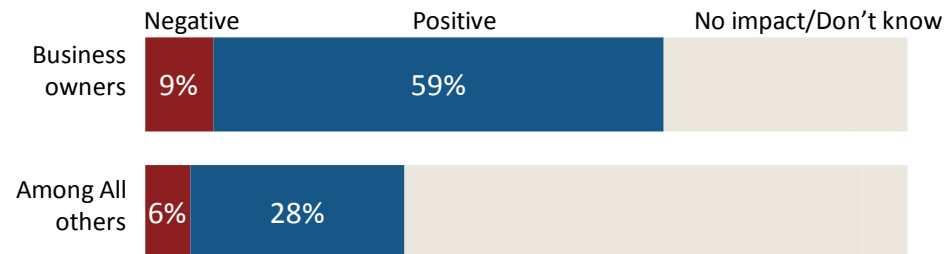
A lower tax rate for pass-through businesses is expected to be a boost to small businesses and start-ups, which are an engine of job creation across the country.

## EXPECTED IMPACT OF TAX LAW CHANGES ON PERSONAL WEALTH AMONG ALL BUSINESS OWNERS AND NON-BUSINESS OWNERS

### REDUCTION IN CORPORATE TAX RATE



### REDUCTION IN TAX RATE FOR SMALL OR PASS-THROUGH BUSINESSES



Attracting talent and retaining key employees are the two biggest challenges to business growth, ahead of other operational, regulatory and financial issues.

By comparison, managing cash flow ranked #8 on the list, while obtaining working capital didn't even make the top 10 (It was #12).

Two of the top five challenges to business growth are related to the cost and compliance of regulations.

While the challenges are felt fairly equally by small and larger companies, small business owners are three times more likely to cite management of taxes as a challenge to their growth.

Women-owned firms are more likely than men-owned firms to struggle with managing the original mission and values of their companies as they grow.

## THE TOP 10 Challenges to business growth

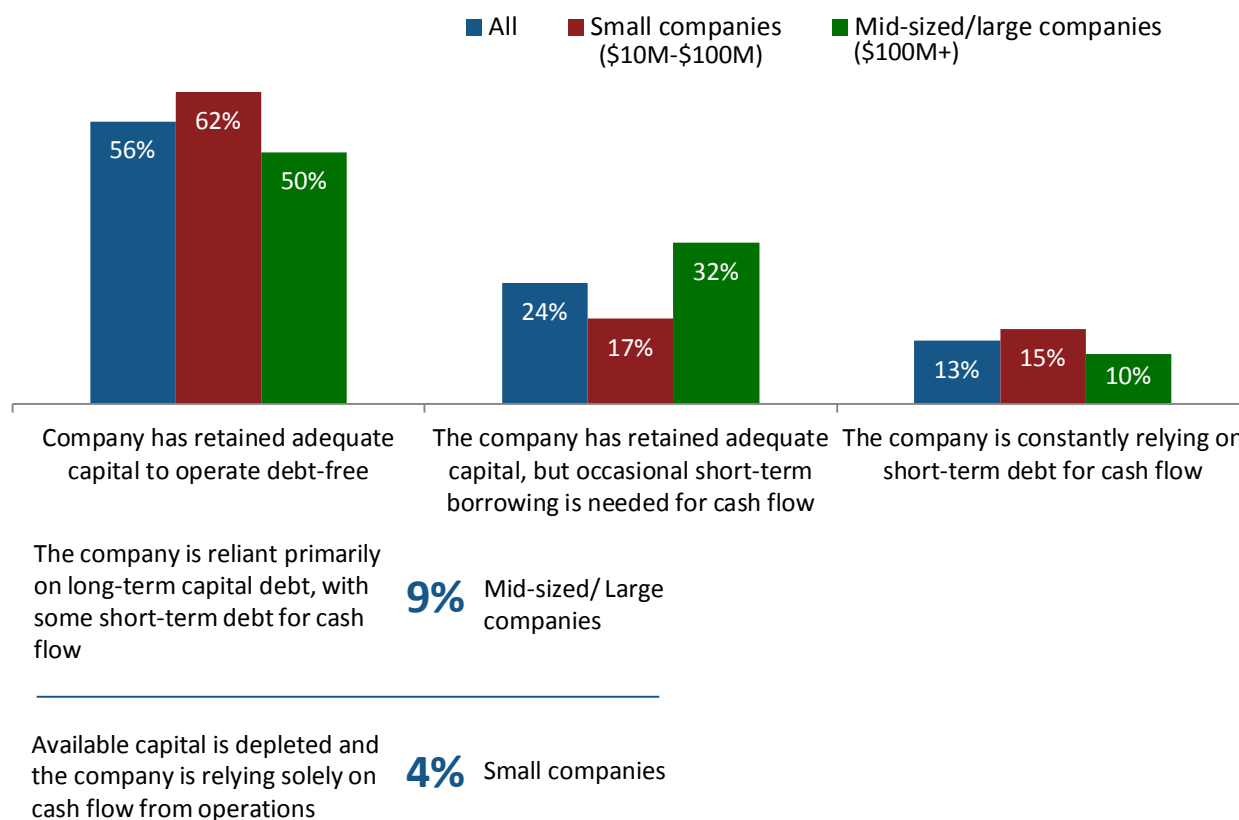
- 1 Attracting talent
- 2 Retaining key employees
- 3 Regulatory costs and compliance
- 4 Scaling up operations
- 5 Complying with employment laws and regulations
- 6 Keeping pace with cutting edge technology and market trends
- 7 Delegating responsibility to others
- 8 Managing cash flow
- 9 Maintaining the mission and values on which the company was founded
- 10 Lack of business/leadership skills

## MOST COMPANIES HAVE SUFFICIENT CAPITAL TO FUND OPERATIONS

Most business owners say their companies have adequate capital to operate debt-free.

Larger companies are more apt to manage cash flow with short-term funds.

### PERCENT OF BUSINESS OWNERS WHO BORROW/DON'T BORROW TO FUND OPERATIONS BY SIZE OF BUSINESS



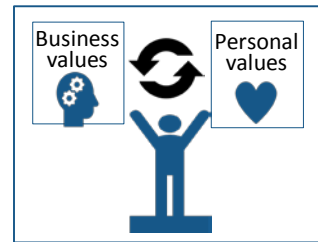
# FAMILY DYNAMICS, ALIGNING PERSONAL AND COMPANY VALUES IS CHALLENGING TO RUNNING A BUSINESS

Half of all business owners, and 70% of millennial owners, report that it's a challenge to align their personal values with the values and the mission of the business.

Seven in 10 business owners who own companies where family members are involved admit that it's difficult to separate the needs and dynamic of the family from the needs and goals of the business.

The readiness of the next generation also is an issue, including their interest in leading the business as well as how to best prepare them.

Most with family involvement in the business say it is challenging to manage relationships at work, boundaries and conflicts.



Aligning personal values with the mission and values of the business is a challenge

**51%**

AGREE

All business owners

**70%**

AGREE

Owners under age 50

**43%**

AGREE

Owners age 50 or older

## PERCENT WHO CITE AS SOMEWHAT/VERY CHALLENGING

AMONG BUSINESS OWNERS WITH FAMILY INVOLVED IN MANAGEMENT/LEADERSHIP OF THE COMPANY

Separating the needs and dynamic of the family from the needs and goals of the business

40%

30%

**70%**

Next-generation readiness to assume the family business

41%

25%

**66%**

Managing unresolved work or business-related conflicts within the family dynamic

36%

28%

**64%**

Managing unresolved conflicts within the family at work

36%

27%

**63%**

Setting personal boundaries with family members who work together

36%

27%

**63%**

Keeping a professional relationship with family members while at work

37%

26%

**63%**

■ Somewhat challenging ■ Very challenging

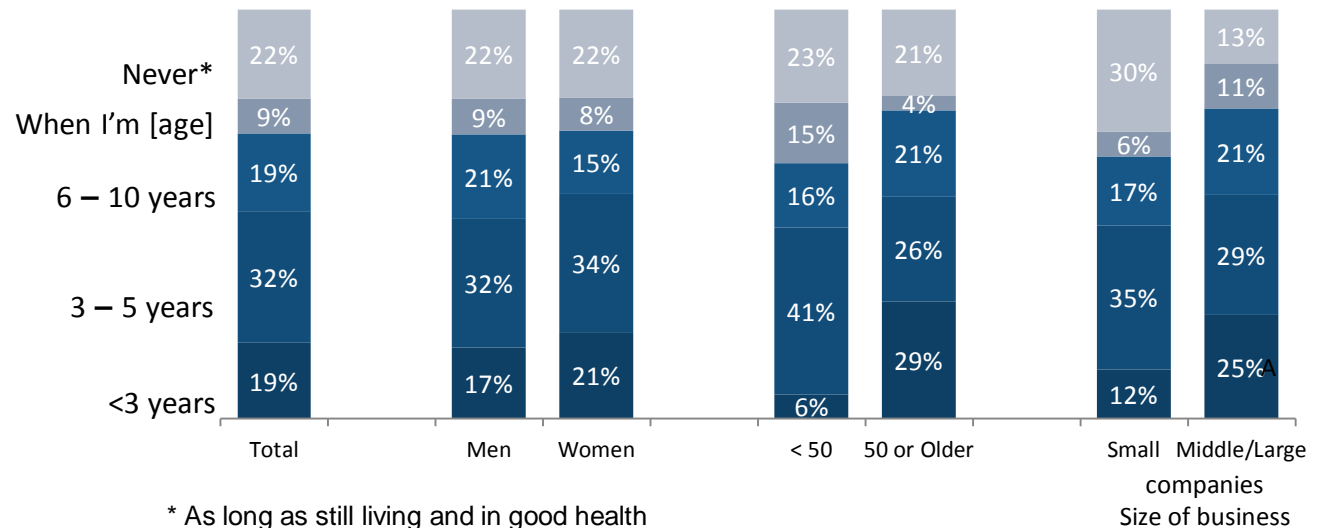
## HALF PLAN TO EXIT CURRENT BUSINESS WITHIN FIVE YEARS

Half (51%) of business owners plan to exit or give up control of their current business within the next five years.

One in five (22%) business owners say they will never leave their business.

Small business owners are two times more likely than owners of larger companies to say “never, as long as I am alive.”

### YEARS BEFORE PLANNING TO EXIT / GIVE UP CONTROL OF THE BUSINESS AMONG ALL BUSINESS OWNERS



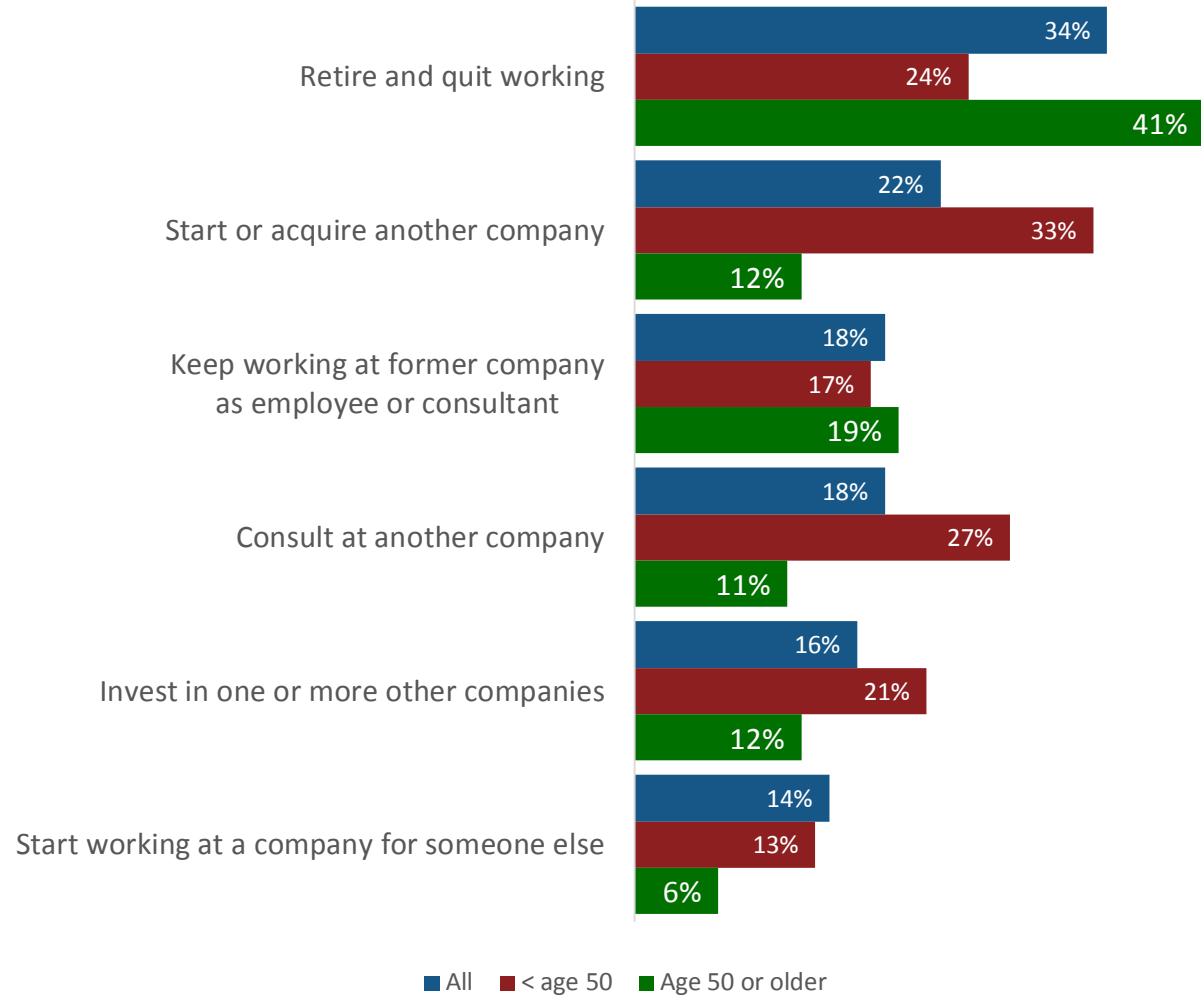


## THE NEXT PHASE: PLANS UPON EXITING THE BUSINESS

About one-third of business owners, including four in 10 who are over the age of 50 and about a quarter of those under age 50, plan to retire and quit working when they leave their current business.

Younger owners are more likely than older owners to start or acquire another business.

### PLANS AFTER EXITING CURRENT BUSINESS AMONG ALL BUSINESS OWNERS



Q95. Exiting or giving up control of a business is an opportunity to move to a new phase of one's life and career. Which of the following are you doing, or plan to do, after exiting your business? (Select all that apply.)

## SALE OR TRANSFER OF BUSINESS TO FAMILY IS THE MOST CITED EXIT STRATEGY

Twenty-eight percent of business owners plan to sell or transfer ownership of their company to family members.

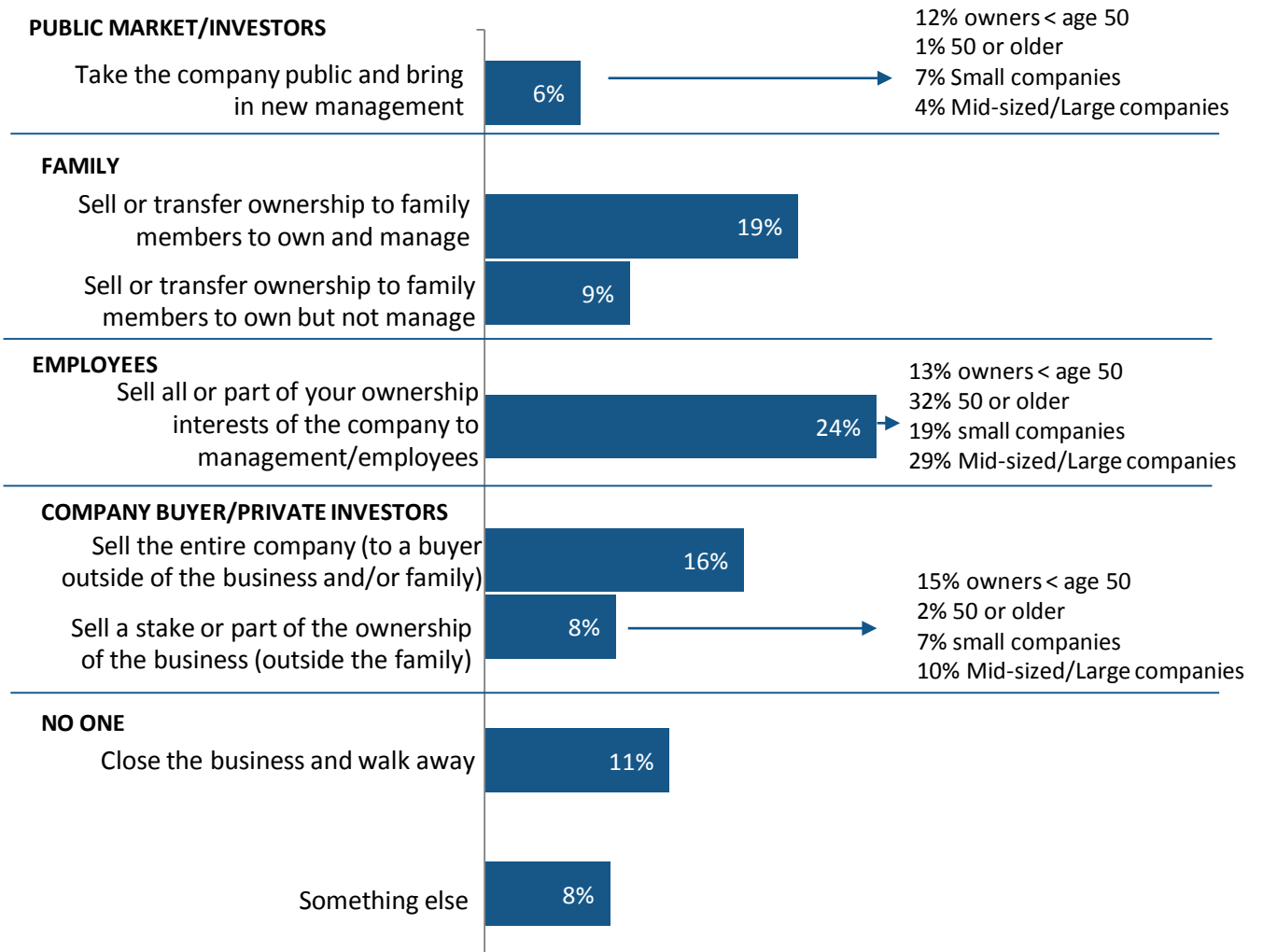
- 19% for family to own and manage
- 9% for family to own but not manage

Older business owners are notably more likely to plan to sell to employees, while younger are more likely to take the company public or sell a stake of the business to a buyer outside of the family.

About one-quarter hope to sell the entire company or a stake in the company to an entity outside the family.

One in 10 business owners plan to simply close the business and walk away.

### PLANS FOR THE COMPANY UPON GIVING UP OWNERSHIP INTERESTS/ CONTROL AMONG ALL BUSINESS OWNERS



When considering an exit strategy, business owners need to consider a lot of factors, first and foremost being to make sure family is financially cared for and to realize the maximum value of the business for the effort and money put into it.

Strategies to minimize the tax impact of a sale or transfer is a big part of realizing the maximum value.

Beyond that, owners consider how their decision will affect other people who depend on or have a vested interest in the company.

It can be difficult to negotiate the perfect exit with multiple and, in some cases, potentially conflicting priorities.

## THE TOP 10 Goals when planning an exit

- 1 Make sure family is financially cared for
- 2 Get the best price / maximum value
- 3 Minimize taxes owed on sale or transfer
- 4 Ensure the ongoing reputation of the company heritage/name
- 5 Protect the company's ongoing success under new owners
- 6 Protect jobs for key employees
- 7 Protect jobs for family members
- 8 Keep the business in the family
- 9 Keep the business private
- 10 Protect the best interests of the community

# INFORMAL SUCCESSION PLANNING PUTS IMPORTANT RELATIONSHIPS AND VALUED ASSETS AT RISK



While just about two-thirds of all business owners, including those already retired, say they have or had a succession plan for their business upon leaving it, only one-third have a robust, documented plan that's been communicated to those it affects.

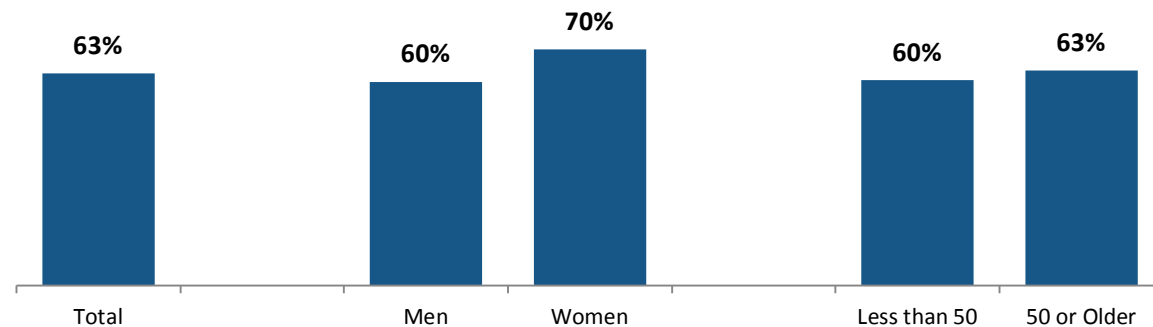
Twenty-two percent of owners have an informal plan that includes nothing more than a verbal agreement, a simple written memorandum or a general idea in mind.

A little over one-third have a contractual agreement.

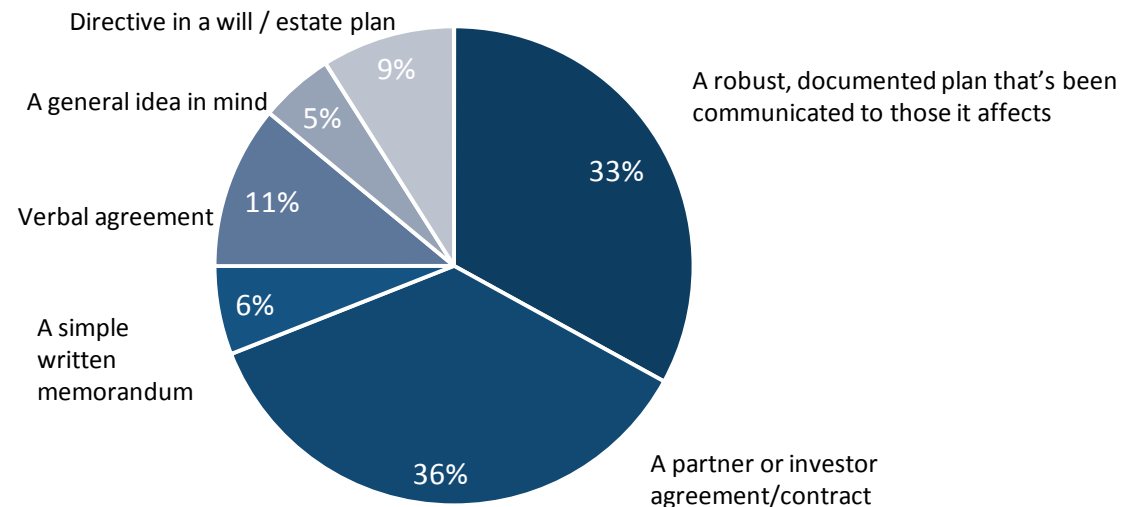
One-third have a formal, documented plan and a similar portion have a contractual agreement.

The owners of mid-sized and large companies are more likely than small business owners to have a robust plan or contractual agreement.

## PERCENT WHO HAVE A SUCCESSION PLAN AMONG WORKING AND RETIRED BUSINESS OWNERS



## DESCRIPTION OF SUCCESSION PLAN AMONG THOSE WITH PLAN



Q92. Do you, or did you, have a succession plan for the transfer of ownership and leadership of your business?

Q93. Which of the following best describes your succession plan?

## WITHOUT A PLAN, MANY FAMILIES WOULD NOT HAVE ACCESS TO BUSINESS ASSETS OR INCOME

Owning a business without a plan to ensure ongoing income for a spouse or family members or a way for them to gain access to business interests is like a game of roulette.

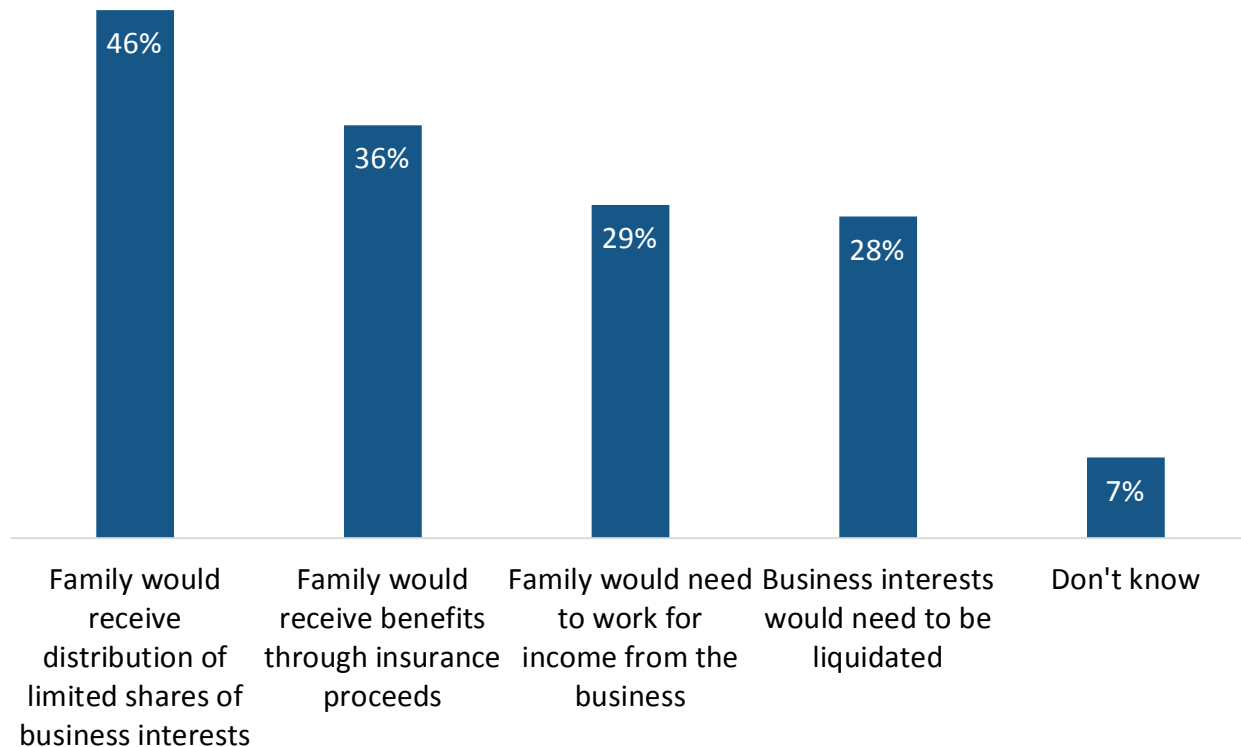
In the event of their unexpected death or disability, just under half of business owners have ensured that their family would receive a distribution of limited shares of their business interests.

A little over a third have an insurance policy from which their family could receive benefits.

Nearly one in three business owners says:

- Their business interests would need to be liquidated.
- Or their family would have to go to work to generate an income from the business.

**PERCENT WHO SAY THEIR SPOUSE/FAMILY COULD CONTINUE TO RECEIVE AN INCOME OR GAIN ACCESS TO BUSINESS ASSETS IN THE EVENT OF THEIR DEATH/DISABILITY**  
AMONG ALL BUSINESS OWNERS



# U.S. TRUST

## APPENDIX

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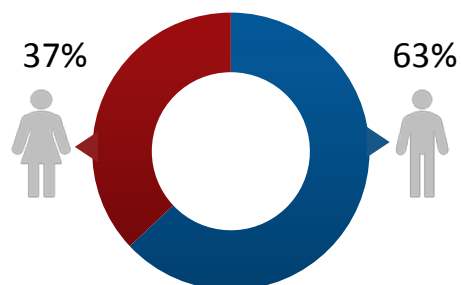
Respondent profiles

## RESPONDENT PROFILE

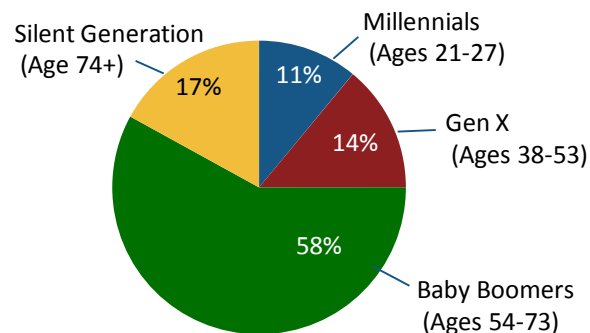
**892 TOTAL RESPONDENTS**

**203 BUSINESS OWNERS (155 CURRENT; 48 RETIRED)**

### GENDER

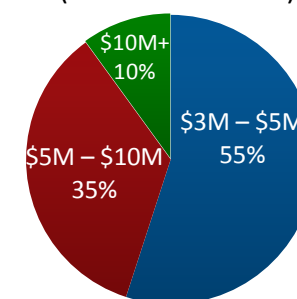


### AGE

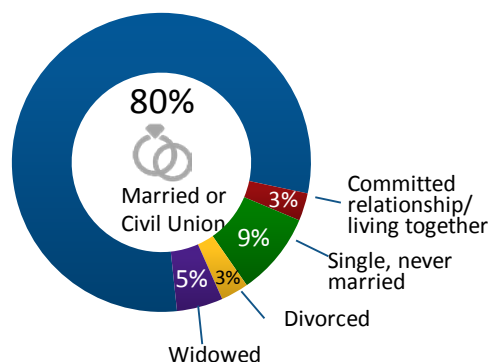


### WEALTH LEVEL

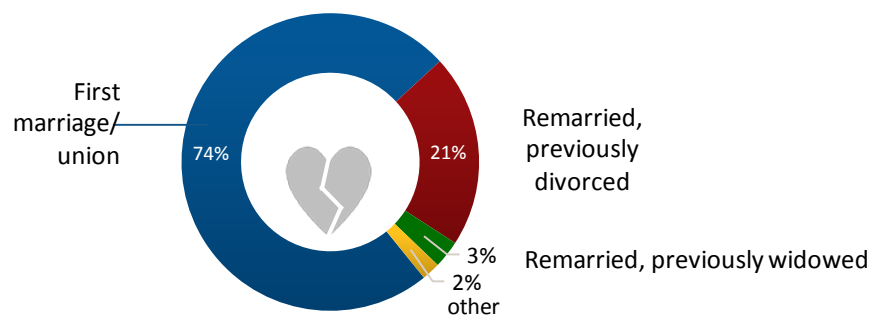
(investable assets)



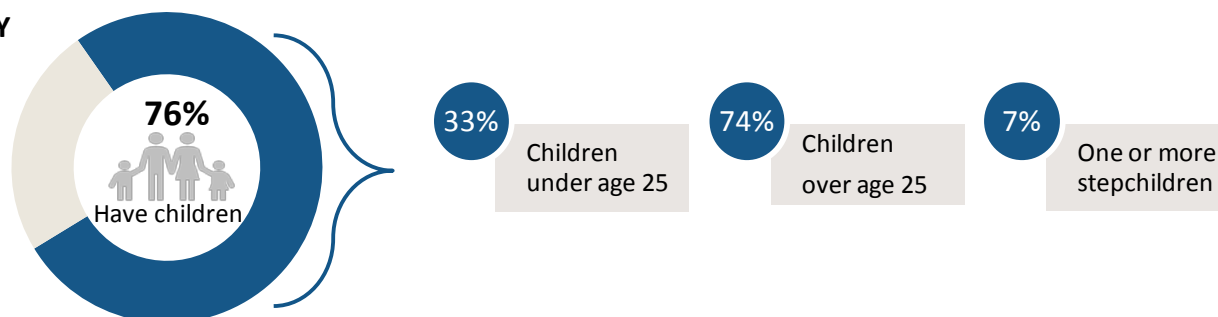
### CURRENT RELATIONSHIP STATUS



### AMONG THOSE MARRIED OR IN A COMMITTED RELATIONSHIP



### FAMILY



The 2018 U.S. Trust survey of High Net Worth investors is based on a nationwide survey of 892 high-net-worth and ultra-high-net-worth adults across the United States. A total of 892 HNW individuals with \$3 million or more in investable assets, not including the value of their primary residence, completed the survey.

U.S. Trust commissioned the independent research firm Phoenix Marketing International to administer the online survey, analyze the data and test for statistical relevance. The double-blind survey was fielded over a six-week period, beginning in January and completed in February 2018. Quotas were established by age, investable asset size, and for business ownership 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 not representative of U.S. Trust clients.

Asset information was self-reported by the respondents. 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.

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