

# Millionaires indicating confidence

## Summary of 2010 research findings

Buoyed by strong 2010 stock market results, American millionaires have a more optimistic economic outlook. Although they still are taking a cautious approach to investing and spending, the latest Fidelity Millionaire Outlook research reveals that overall confidence among millionaires is significantly higher in 2010 than in 2009. Further, this group expects to have even higher levels of confidence by the fourth quarter of 2011.

Research findings indicate that millionaires are emerging from the economic crisis feeling more knowledgeable than before, and appear ready to increase their investments in the stock market over the next 12 months. However, despite this confidence, there is an undercurrent of caution. Millionaires remain concerned about the real estate market, with pessimism continuing as the norm relative to both their current views and expected outlook for the fourth quarter of 2011. Top financial priorities for millionaires have also changed since our 2009 study. Securing ample resources to support their lifestyle during retirement is now the number one most pressing financial concern for millionaires.

This initial brief is designed to provide an overview of the millionaire mindset discovered by Fidelity Investments (Fidelity) from its most recent research. In the coming months, we plan to deliver additional Millionaire Outlook communications that will focus on findings that financial advisors may consider when thinking about how to build a thriving practice.

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### About the survey and our respondents

Each year Fidelity conducts a survey of U.S. households with investable assets of at least \$1 million, excluding workplace retirement accounts and any real estate holdings. Northstar Research Partners conducted this year's survey online during the period of October 18 to 29, 2010.<sup>1</sup> The results reflect responses from 1,011 financial decision makers in U.S. millionaire households. The data reflects a margin of error of +/-3%.

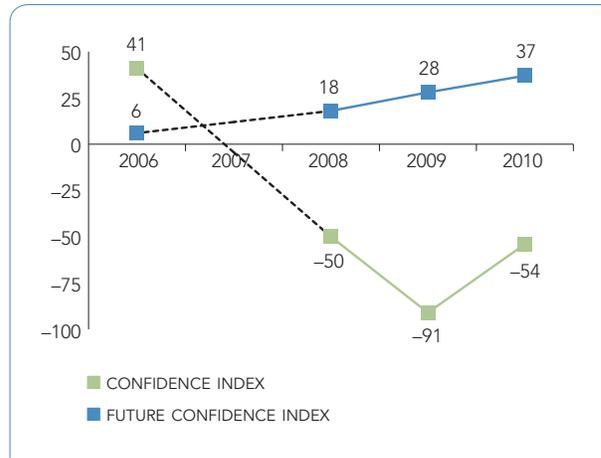
<sup>1</sup>Northstar Research Partners is an independent third-party research firm and is not affiliated with Fidelity Investments.

## FORCES BEHIND THE CONFIDENCE INDEX

Overall confidence among millionaires improved dramatically from 2009 to 2010, despite continuing to trend in negative territory, and millionaires expect continued improvements in the coming year (see Figure 1). A closer look at the data behind Fidelity's Confidence Index<sup>2</sup> reveals the following:

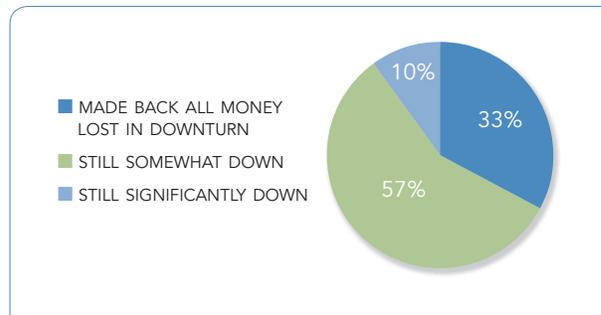
- Stock market acting as positive catalyst.** The stock market is the strongest, and the only positive, component of the index. These positive feelings are not surprising, as one in three millionaires (33%) recouped losses occurring during the latter part of 2008 and the first six months of 2009. However, one in 10 (10%) report their wealth being significantly down from precrisis levels (see Figure 2).
- Economic optimism driving 12-month overall outlook.** Millionaires are reporting optimism about the future of the U.S. economy. Their expectation about business spending for the forthcoming year is more positive than in 2006, and their outlook for consumer spending is just shy of the highs registered during that same year.<sup>3</sup>
- Real estate eroding overall results.** Despite favorable views of the stock market and business spending, millionaires are pessimistic about the strength of real estate values, and indicate low expectations for improvements one year from the study date.<sup>3</sup>
- Women more pessimistic than men.** Millionaire women displayed lower levels of overall confidence, with the stock market, business spending, and the economy accounting for the differing views. These differences disappeared, for the most part, when women were asked about their 12-month outlook (see Figure 3).

Figure 1: Overall confidence and outlook of millionaires improves



Source: Fidelity Millionaire Outlook, October 2010. (Data unavailable for 2007.)

Figure 2: Millionaires beginning to recover stock market losses

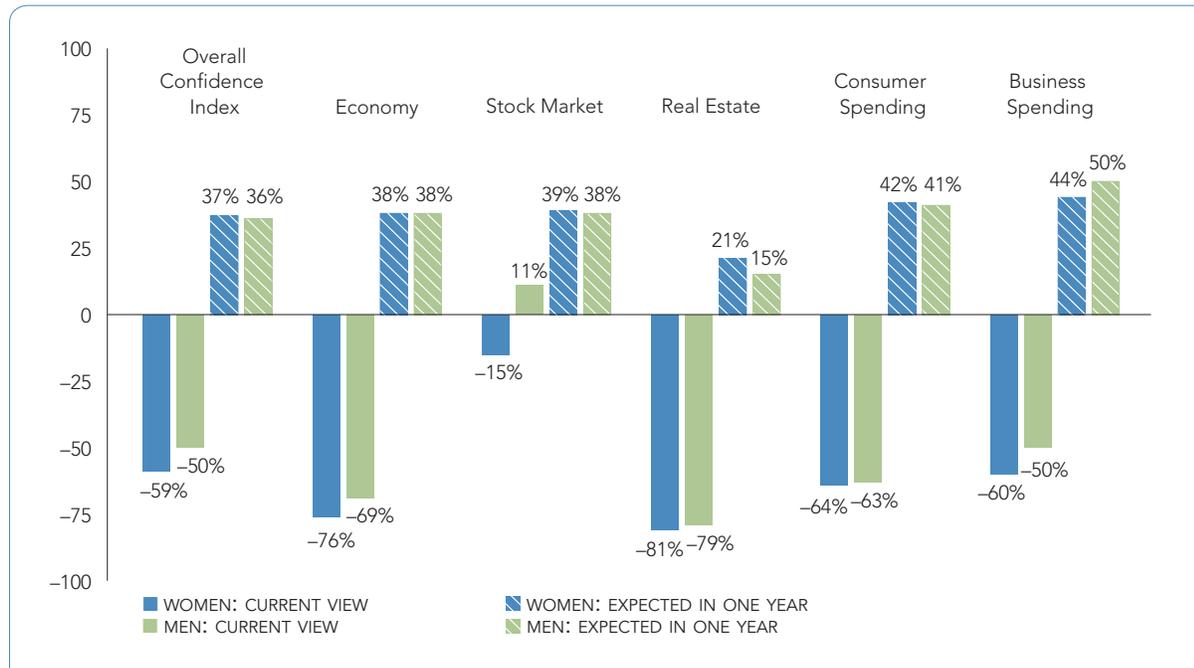


Source: Fidelity Millionaire Outlook, October 2010. (Downturn defined as Fall 2008 and first six months of 2009.)

<sup>2</sup>Fidelity's Confidence Index combines the results of five measures, which individually examine the economy, stock market, real estate values, consumer spending, and business spending. The index is calculated using a scale of -100 to 100, where a scale of 100 would represent the most favorable outlook.

<sup>3</sup>The reported 12 month outlook on the future of the economy, business and consumer spending, and real estate, was derived based on the answers to related questions in this years millionaire survey.

Figure 3: Women millionaires less confident than men about the current climate



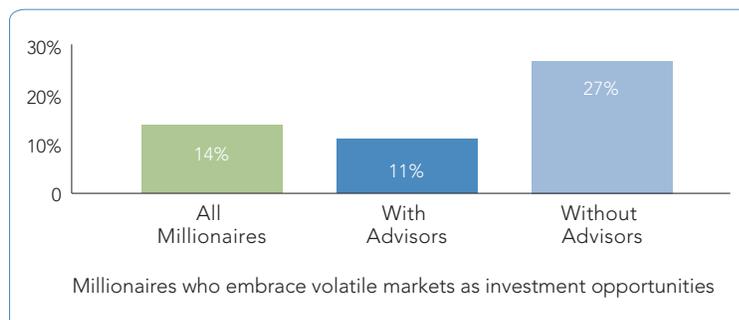
Source: Fidelity Millionaire Outlook, October 2010.

### IMPACT ON MILLIONAIRE ATTITUDES AND PLANS

The survey revealed that, in general, millionaires:

- Increasingly feel more wealthy.** Nearly six out of 10 millionaires (58%) feel wealthy, slightly more than 2009 levels (54%). Among all millionaire age groups surveyed, individuals over the age of 50 reported the highest percentage (60%) of those feeling wealthy. Our research indicates that those who reported feeling wealthy began to do so when they accumulated at least \$1.75 million in investable assets. Conversely, the 42% of millionaires who do not feel wealthy believe they need to attain \$7.5 million in investable assets to feel rich.
- May increase their investments in the market.** Three out of four millionaires (75%) feel financially secure and four out of 10 (43%) indicate they are likely to invest more in the stock market over the next 12 months. Despite an overall attitude of caution, only 17% stated that the financial crisis had shaken their confidence in investing.
- Remain risk averse.** Nearly four out of 10 millionaires (38%) report they are far more cautious now than before the economic crisis. Only 11% of millionaires with advisors have viewed the volatile markets as an opportunity to invest vs. 27% of millionaires without advisors (see Figure 4). Contributing factors to this investment attitude may include higher asset levels for millionaires with advisors, a lower level of concern about increasing

Figure 4: Millionaires with advisors are more cautious



Source: Fidelity Millionaire Outlook, October 2010.

Figure 5: Contributing factors to investment attitudes among millionaires

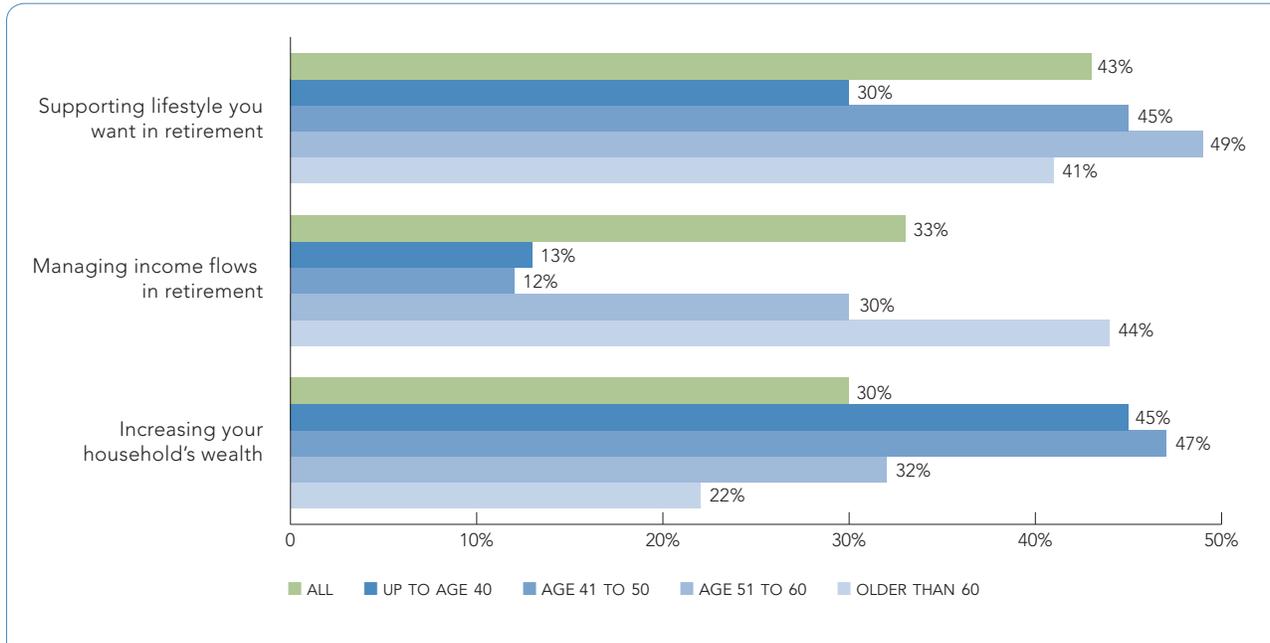
|   | With Advisors | Without Advisors |
|---|---------------|------------------|
| Investable assets                       | \$3.8 million | \$2.3 million    |
| Concern about increasing wealth         | 28%           | 38%              |
| Enjoyment in managing one's investments | 39%           | 59%              |

Source: Fidelity Millionaire Outlook, October 2010.

wealth by millionaires with advisors, and a lower level of enjoyment in managing one's investments by millionaires with advisors (see Figure 5).

- **Emphasize prudence and planning.** Millionaires surveyed are careful about spending (81%), have a well-developed financial plan (69%), and feel more knowledgeable today than before the crisis (43%).
- **Have concerns about meeting lifestyle needs in retirement.** Despite feeling financially secure, four out of 10 millionaires (43%) report that their most pressing financial need is ensuring they have ample resources to support their desired lifestyle in retirement (see Figure 6).
- **Remain reluctant to delegate decisions.** The study reaffirmed that millionaires are becoming more knowledgeable investors who are active participants and tend to validate the advice they are given. Only 32% of all respondents considered their decision-making style as that of a delegator.

Figure 6: Retirement issues dominate as top millionaire financial concerns



Source: Fidelity Millionaire Outlook, October 2010.

### IMPLICATIONS FOR YOUR PRACTICE

The purpose of this initial summary is to help you better understand the cautious confidence, emerging financial priorities, and intended actions of millionaire clients. Consider using the findings in this brief to help:

- Initiate conversations and create plans to address millionaire concerns about retirement
- Take extra steps to clearly articulate your investment strategy when clients invest new money with your firm to help them feel confident about their decisions
- Understand differences in perceptions among men and women regarding current economic views so you might tailor future communications with that knowledge

Over the coming months, Fidelity will provide you with a series of communications highlighting additional findings from our Millionaire Outlook study. Our goal is to offer information you might consider to help create effective strategies for building client trust and loyalty for your firm.



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