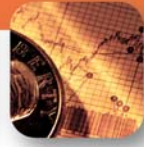


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**Affluent Market  
Practice**

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# Affluent & Millionaire Sentiment About the Economy & Investing

September, 2009



### Affluent & Millionaire Investment Sentiment and Behavior

Every other month, the Phoenix Marketing International **Affluent Marketing Service<sup>sm</sup>** (AMS) tracks changes that Mass Affluent and Millionaire (Wealth) households anticipate making to their investment portfolios in the next three months. Because of the unprecedented events in the financial markets over the past six months, we added questions to our survey to gauge the reactions of affluent investors, and to track changes in their investment attitudes and behavior as the crisis continues to unfold.

As in the past, this article examines trends in planned changes to *overall* investments, and recent changes made in *specific* asset categories (three months prior to August, 2009). These questions were fielded in late August and early September, 2009, using an online questionnaire. Responses were received from 1,254 qualified panelists.

### Key Findings

- Both mainstream affluent and high net worth investors continued to increase their near-term optimism about the U.S. economy.
  - Positive economic outlook trends are now the highest in well over a year.
- Affluent investors continued to be cautiously optimistic in their investment outlook over the near term as well.
- Mass Affluent investors became a bit more guarded in their overall risk profile in late August, while Wealth investors have leaned toward a more moderate and less conservative approach.
- High net worth investors showed renewed interest in increasing their allocations to equities as well as insurance (cash value life and annuities).
- Mass Affluent increased allocations to fixed income assets, business investments and cash value life insurance.

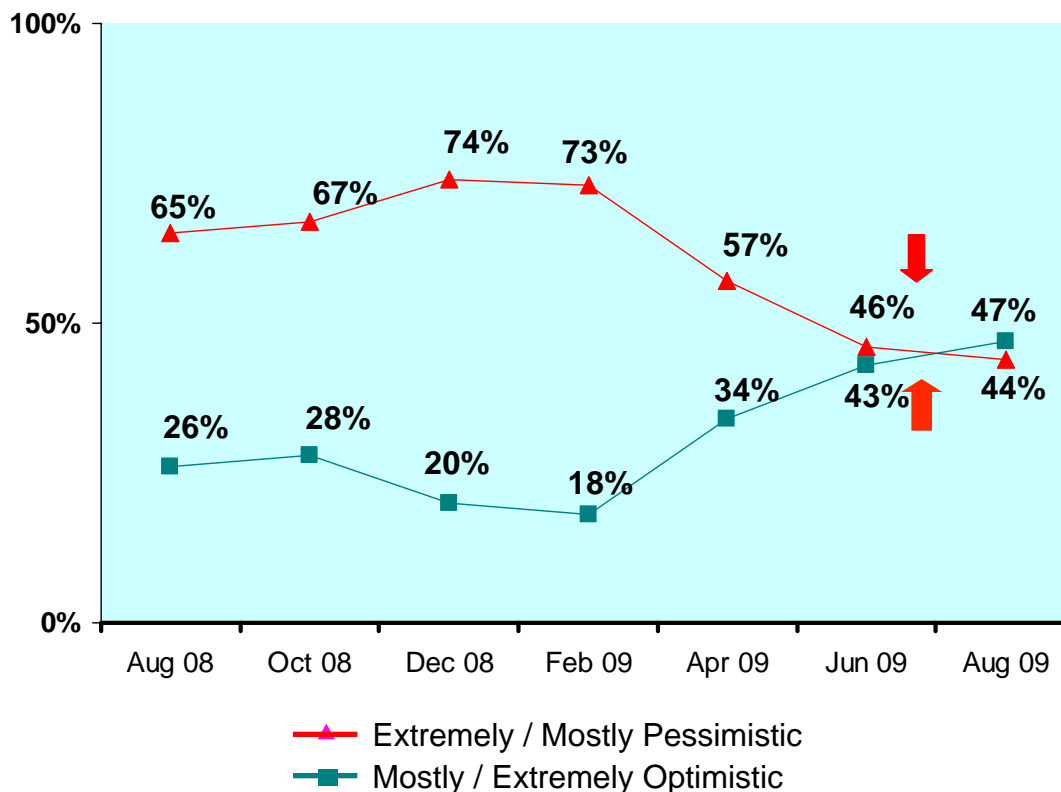
## Mass Affluent (\$250K - \$999K Investable Assets)

### Optimism Continues

In late August and early September, mainstream affluent investors continued to increase their levels of optimism about the U.S. economy. Forth-seven percent (47%) of these investors are now mostly or extremely optimistic, up from 43% in June and 34% in April. This level of optimism is higher than any level recorded by the AMS program in the past year.

### Economic Outlook Next 3 Months Mass Affluent

*How would you characterize your feeling about the economic outlook in the U.S. over the next 3 months?*

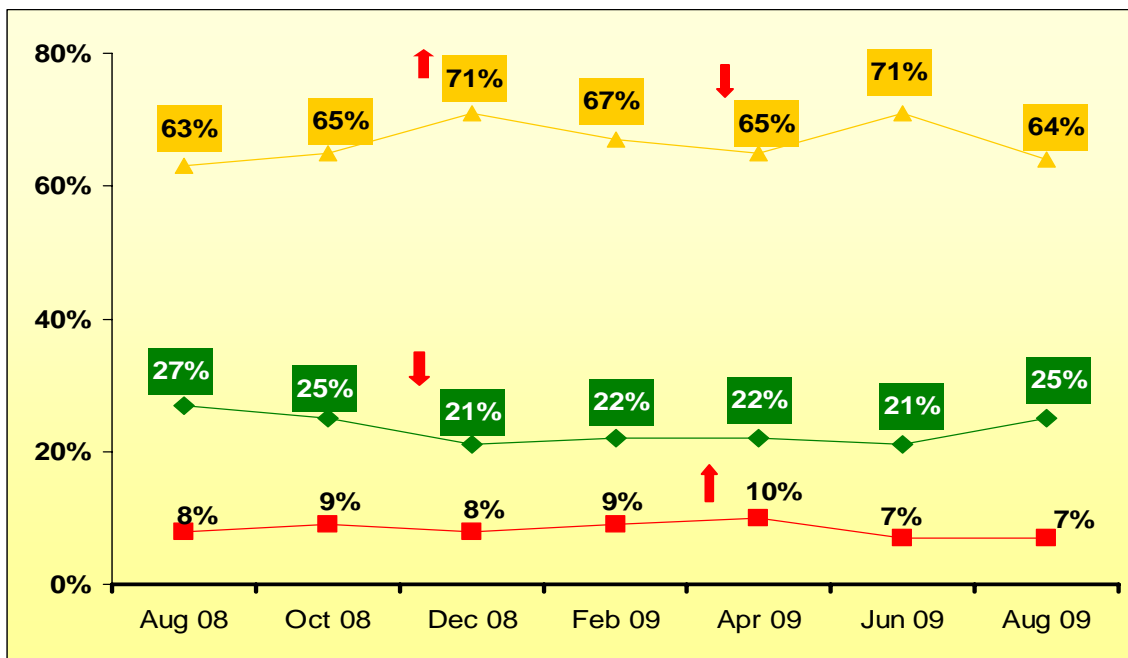


Note: remainder of respondents were "not sure" in each period

### Investment Outlook: Cautiously Optimistic

In late August / early September, paralleling their sentiment towards the economy, Mass Affluent investors were a little less cautious in their 3-month investment outlook. The “make net increase” trend line increased to 25%, up from 21% in June and 22% in April, and the “make no change” trend line fell to 64%, down from 71% in the preceding tracking period.

**Planned Changes to Investments  
Mass Affluent Market – 2008-09**



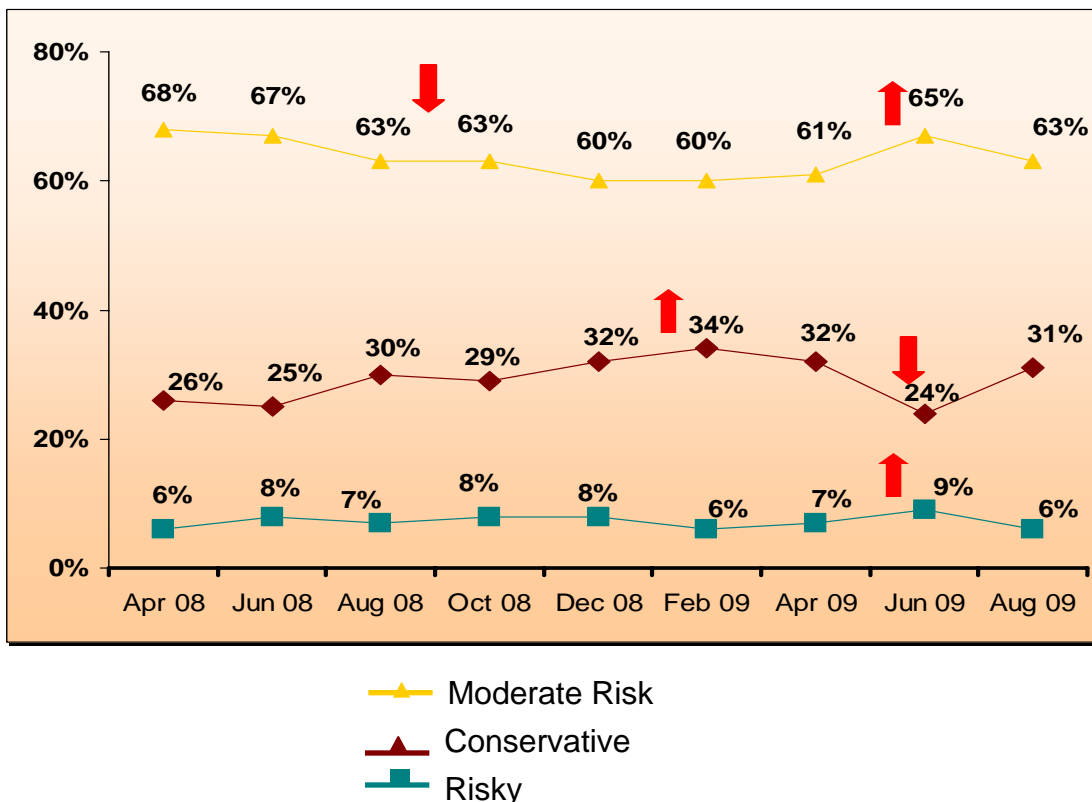
*In the next 3 months, which of the following changes are you and your household likely to make regarding your overall financial investments?*

- ▲ Make No Changes
- ◆ Net Increases
- Net Decreases

## Still Guarded in Risk Acceptance

Regarding the overall risk appetite of affluent investors, in June we showed an increase in the “risky” trend line, and a concurrent decrease in “conservative”. However, in late August / early September, Mass Affluent investors pulled back somewhat on the risk line. Whether this presages a pull-back in risk again or just a one-wave anomaly remains to be seen.

**Overall Investment Approach  
Mass Affluent**

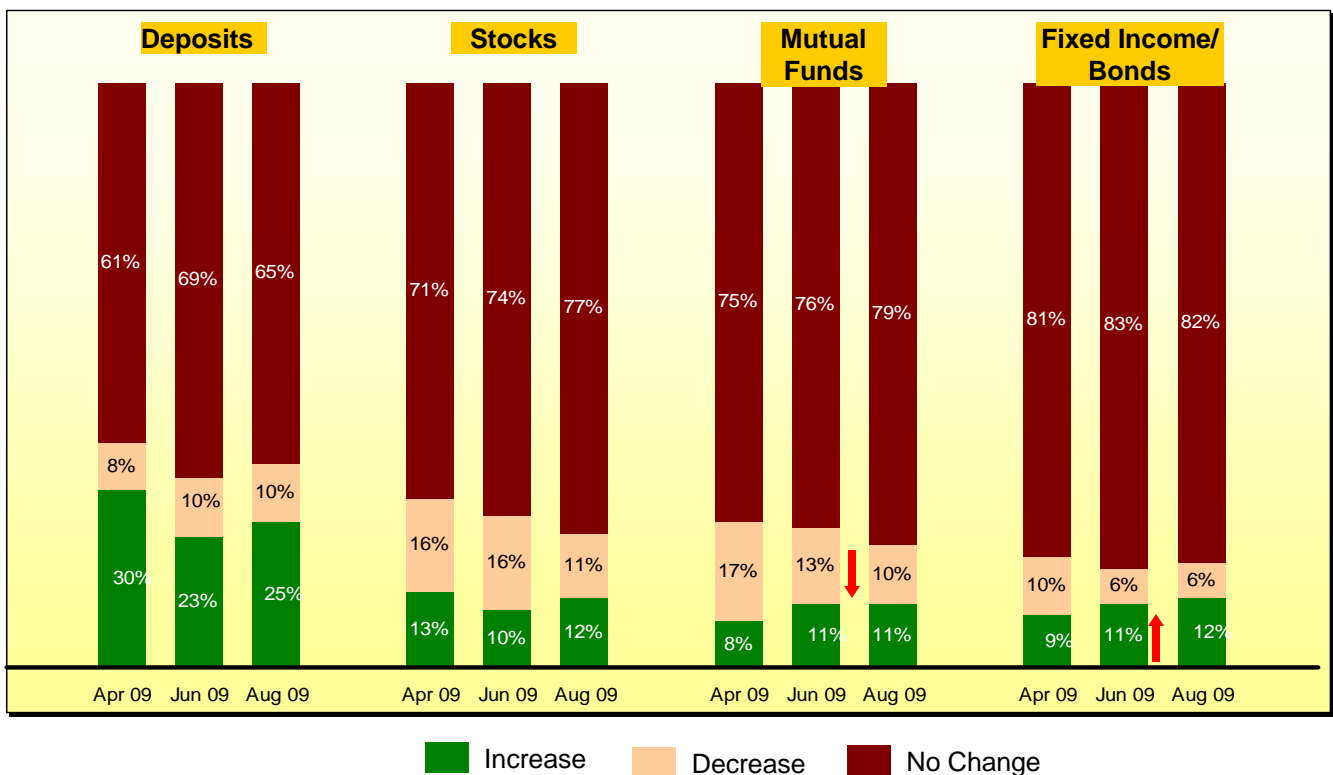


*Which of the following best describes your investment approach?*

### Portfolio Changes

Following the trend throughout much of 2009, deposit accounts continued to receive the most net asset inflows among affluent investors in late August. Investors cut back somewhat on increases to mutual funds but recorded slight increases to fixed income assets.

**Actual Investment Changes In Past 3 Months  
Mass Affluent Market : April – August, 2009**



*In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?*

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Affluent Market  
Practice

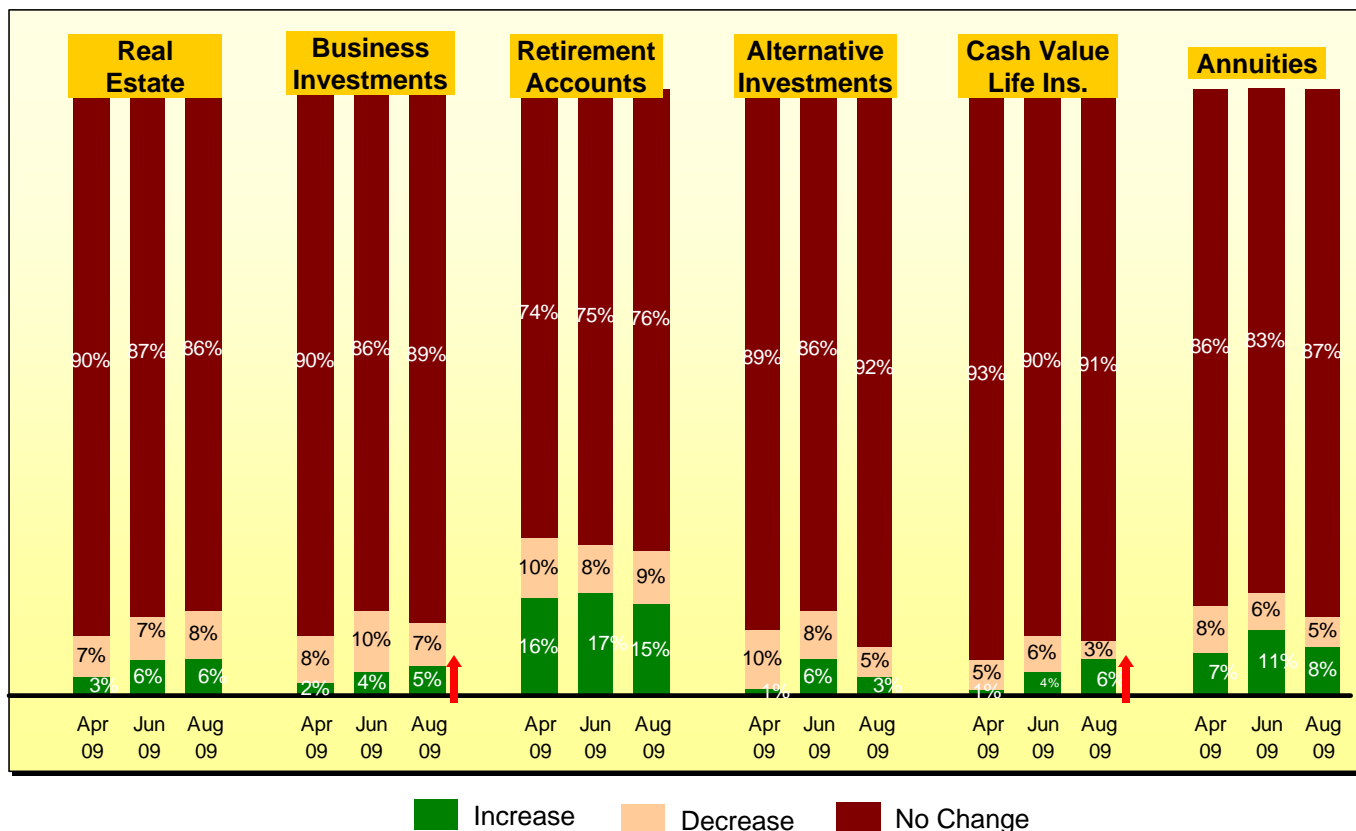
↑↓ 3 period trend

## Mass Affluent (\$250K - \$999K Investable Assets)

### Portfolio Changes

Among Mass Affluent, there was little discernable movement either into or away from other asset classes such as real estate, retirement, alternative investments, or annuities. Business investments and cash value life insurance saw a jump in investment activity during the late August recording period.

**Actual Investment Changes In Past 3 Months**  
**Mass Affluent Market: April – August, 2009**



*In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?*



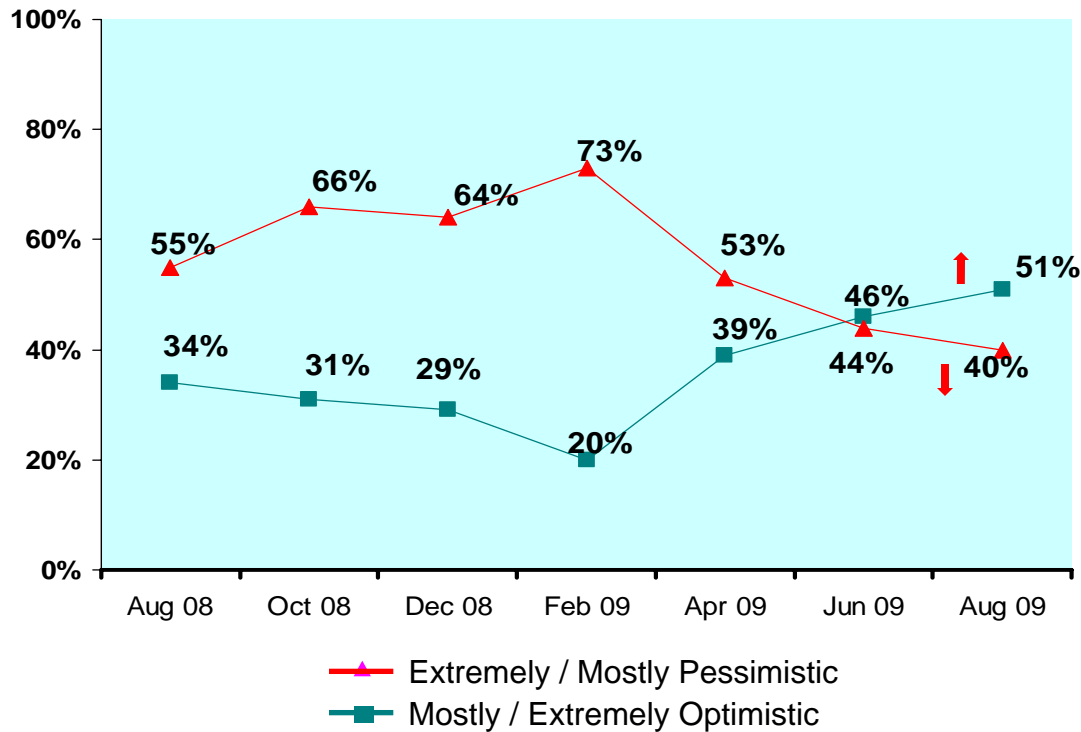
↑↓ 3 period trend

### Optimism Also Soars Among Millionaires

The economic outlook of millionaire investors continued to soar in late August. Those who are now optimistic about the U.S. economy over the next three months (51%) outnumber those who are still pessimistic (40%). The level of optimism is the highest recorded over the past 12 months in this segment.

#### Economic Outlook Next 3 Months Wealth Market

*How would you characterize your feeling about the economic outlook in the U.S. over the next 3 months?*

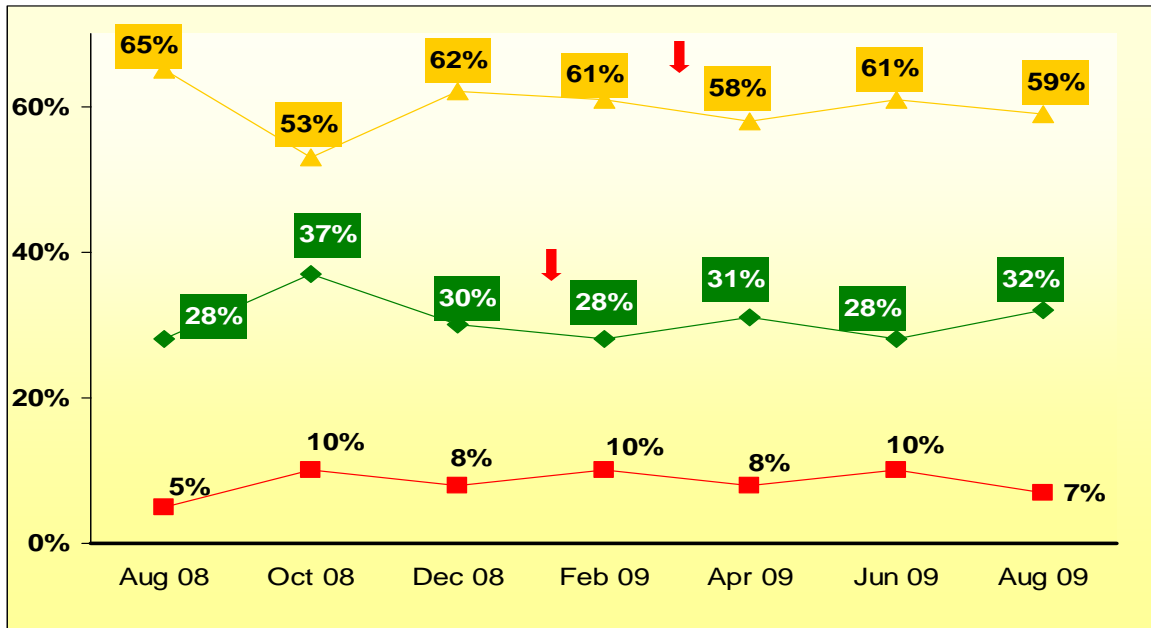


Note: remainder of respondents were "not sure" in each period

### Investment Outlook: Not Much Change

In the high net worth market, nearly 60% of investors planned no net changes to their investments in the near term, little changed from June. The “net increase” trend line tracked up slightly in late August (32%), up from 28% in June.

**Planned Changes to Investments  
Wealth Market – 2008-09**



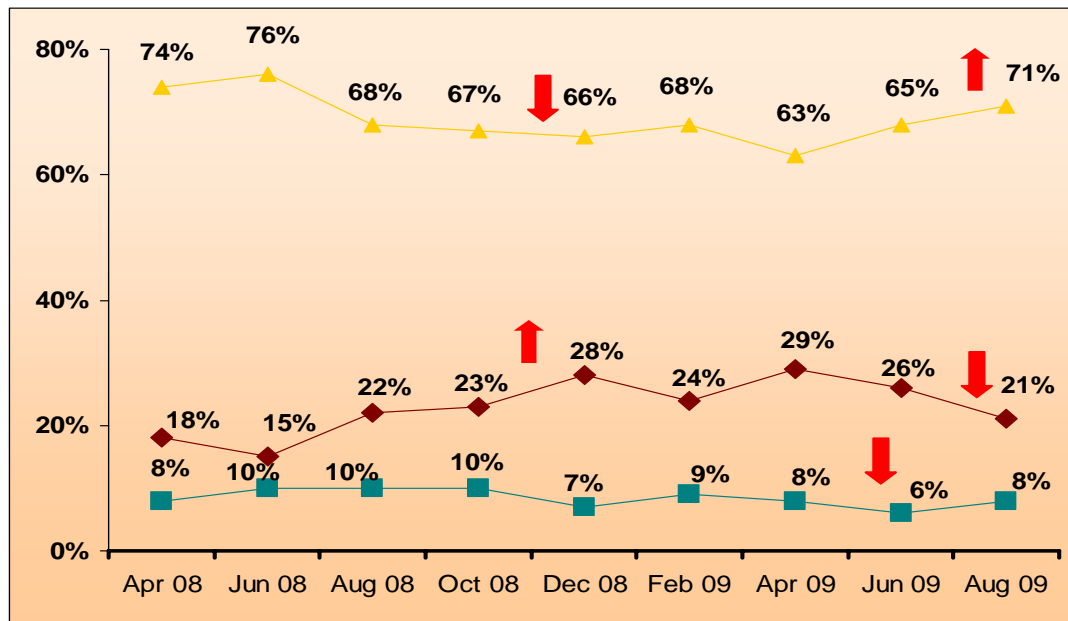
*In the next 3 months, which of the following changes are you and your household likely to make regarding your overall financial investments?*

- ▲ Make No Changes
- ◆ Net Increases
- Net Decreases

**Trend in Risk: Less Conservative, More Moderate**

Since April 2009, Wealth investors have leaned toward a more moderate and less conservative approach towards their investments. Over 70% now describe themselves as mostly “moderate” in their risk appetite, the highest level since June of 2008.

**Overall Investment Approach  
Wealth Market**



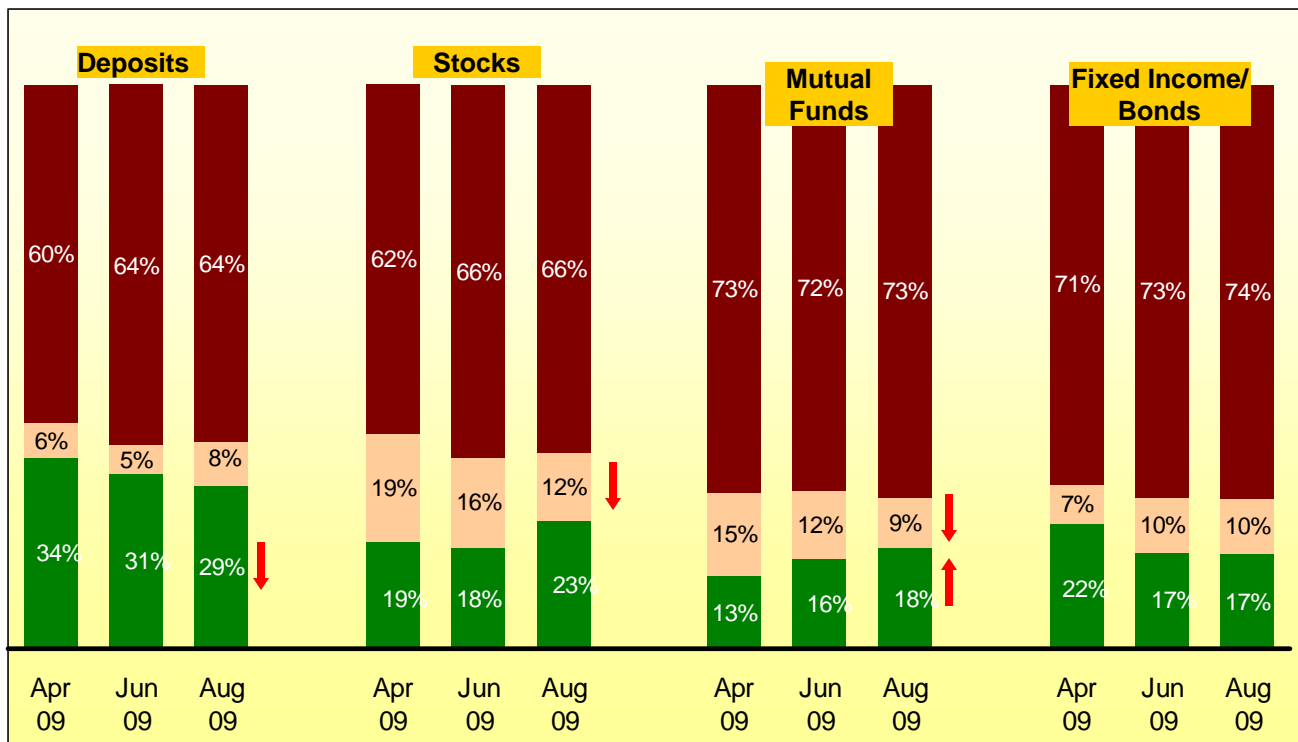
- ▲— Moderate Risk
- ◆— Conservative
- Risky

*Which of the following best describes your investment approach?*

### Getting Back Into Equities

While deposit accounts received the largest portion of Wealth investor assets over the past three months, trend lines indicate renewed interest in mutual funds and stocks. In late August there were no net changes to the fixed income/bond category.

**Actual Investment Changes In Past 3 Months  
Wealth Market – April - August, 2009**



■ Increase   
 ■ Decrease   
 ■ No Change

*In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?*

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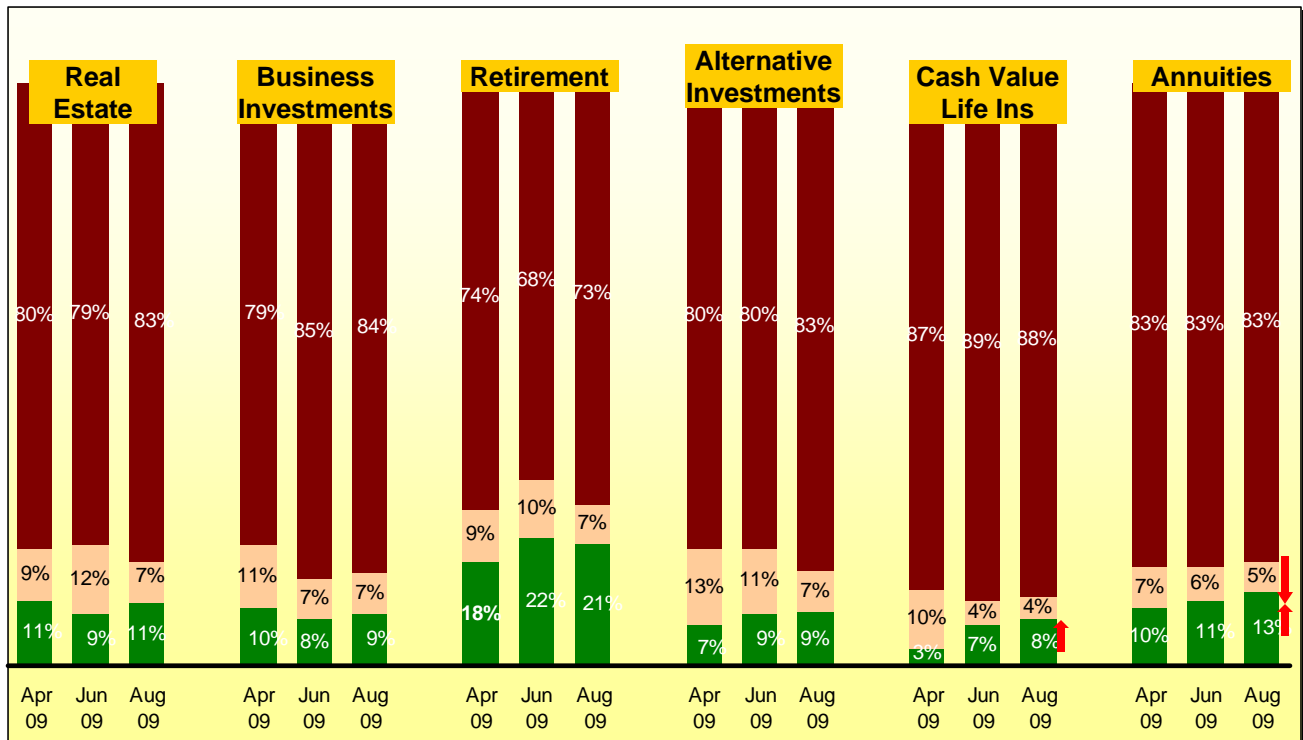


↑↓ 3 period trend

### Other Assets

Establishing a three-period trend, late August / early September high net worth investors continued to increase their allocations to insurance categories (cash value life and annuities). Increases to retirement assets also remained strong.

**Actual Investment Changes In Past 3 Months  
Wealth Market: April - August, 2009**



■ Increase    
 ■ Decrease    
 ■ No Change

*In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?*



↑↓ 3 period trend