



Northern Trust

## News Release

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### **FOR IMMEDIATE RELEASE**

#### **Young Millionaire Investors Best Positioned to Survive Market Volatility**

*Northern Trust Study Finds Significant Asset Allocation Differences Among Millionaire Generations*

CHICAGO — January 25, 2008 — Due to broader diversification in their investment portfolios and a willingness to own more alternative assets and newer, non-traditional investment products, younger millionaires may be more likely than older generations to limit the impact of potential market turbulence over the coming year, according to “Wealth in America 2008.” The survey, released today, is the third annual report on wealth management issues facing U.S. high net worth<sup>1</sup> households conducted by Northern Trust, a leading provider of wealth management services to affluent individuals and families.

With well-diversified investment portfolios and a larger allocation to newer, non-traditional investment products and alternative assets, young millionaires in the Gen X segment (ages 28 to 42) are proving to be more sophisticated in their investment style than older millionaire generations. Twenty-three percent of Gen X portfolios are allocated to alternative asset classes, such as hedge funds, private equity, investment real estate and commodities. In contrast, the Baby Boomer Generation (ages 43 to 61) allocates only 14 percent to alternatives and the Silent Generation (ages 62 to 77) allocates only 10 percent. Younger millionaires are also more diversified within their equity holdings; more than half of their equities (55 percent) are allocated to international and mid- and small cap investments. Gen X millionaires’ diversification among various asset classes, and their higher allocation to alternatives, serves to dampen investment portfolio volatility and potentially produces higher returns in the long term. Overall, Gen X millionaires’ investment strategy suggests that they are at the forefront of adopting institutional approaches to asset management, an emerging trend among high net worth investors.

“Historically, investments in alternative asset classes have generated superior returns and provided important diversification benefits, given that their return profiles are less correlated with traditional asset classes,” commented John Skjervem, chief investment officer of Personal Financial Services for

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<sup>1</sup> High net worth in this study is defined as households having \$1 million or more in non-real estate liquid or “investable” assets. This excludes 401k and other retirement plan assets, as well as most real estate holdings.

Northern Trust. “But these benefits come at the cost of reduced yield and liquidity. In fact, many alternative investments pay no current income and are characterized by lock-up periods that range from months to years. Older investors, many of whom rely on their investment portfolios to produce some or all of their income needs, often find these income and liquidity “costs” financially prohibitive. Younger millionaires, however, are often still working and can use wage income to support their current lifestyle needs, allowing this group to capitalize on alternatives’ favorable return and diversification benefits.”

With a long term investment horizon and a broad diversification strategy that protects their portfolios from market volatility, Gen X millionaires have less need to make tactical changes to their portfolios in 2008. Entering the new year, sixty-three percent planned to maintain their current asset allocation, compared to 54 percent of Boomers and 49 percent of the Silent Generation.

“With equity indices now more than 10 percent off their Fall 2007 highs and daily financial headlines increasingly dire, investors of all ages and wealth levels will be tested in terms of their fortitude and commitment to long-term investment objectives,” said Skjervem. “Diversification is often the best protection against financial market volatility, so perseverance will likely come easier for those investors with broad asset class exposure, including investments in alternatives.”

### ***Additional Survey Highlights:***

- Consistent with their more sophisticated approach to investing, Gen X millionaires appear to be enthusiastic adopters of new investment products. For example, among Gen X millionaires who are aware of such products, 52 percent own exchange traded funds, 42 percent own structured notes and 41 percent own socially responsible investments. The latter provided the biggest gap among generations in the rate of new product adoption: among older millionaires who were familiar with socially responsible investments, only 18 percent of Boomers and 13 percent of the Silent Generation include them in their portfolios.
- In addition to their broader diversification strategy and greater allocation to alternatives, Gen X millionaires further reduce volatility in their portfolios with a larger allocation to cash. Seventeen percent of Gen X millionaires’ assets are allocated to cash, compared to 12 percent of Boomers’ and 11 percent of the Silent Generation’s portfolios.
- Gen X millionaires were much more satisfied with investment performance than older generations across a number of asset classes, most notably regarding hedge funds and private equity. Sixty percent of Gen X millionaires reported that returns on hedge fund investments exceeded expectations, compared to 23 percent of Boomers and 33 percent of the Silent Generation. Similarly, 56 percent of Gen X millionaires said returns on private equity exceeded expectations, while only 35 percent of Boomers and 42 percent of the Silent Generation were more than satisfied with their returns.

- When compared to older generations, Gen X millionaires prefer a collaborative relationship with their investment advisors, as opposed to relying solely on them or doing it all themselves. Sixty-one percent of Gen X millionaires prefer a collaborative relationship with advisors, while only 50 percent of Boomers and 53 percent of millionaires in the Silent Generation prefer to work together with advisors when making investment decisions.

For additional detail on Northern Trust's "Wealth in America 2008" survey findings, please visit [www.northerntrust.com/wealthinamerica](http://www.northerntrust.com/wealthinamerica) where you can download the full survey summary.

Northern Trust will also discuss the survey findings today Friday, January 25 at 2 PM CT during a media Webcast. Please paste the following link in an Internet browser to attend: <http://nocache-phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=219171&eventID=1738656>

Northern Trust's nationwide survey of millionaire households seeks to highlight important wealth management issues among high net worth investors. A total of 1,014 online questionnaires were completed among households with self-stated \$1 million or more in investable assets in the fourth quarter of 2007. The data contained in this report has a margin of error of +/- 3.1 percentage points at a 95% level of confidence.

**Northern Trust Personal Financial Services (PFS)** is one of the largest U.S. providers of integrated wealth management solutions for high net-worth individuals, families and family offices, including more than 20 percent of the *Forbes 400 Richest Americans*. As of December 31, 2007, Northern Trust PFS had assets under custody of \$332.3 billion, while assets under investment management totaled \$148.3 billion.

**Northern Trust Corporation (Nasdaq: NTRS)** is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for corporations, institutions and affluent individuals worldwide. Northern Trust, a multibank holding company based in Chicago, has a growing network of 85 offices in 18 U.S. states and has international offices in 13 locations in North America, Europe and the Asia-Pacific region. As of December 31, 2007, Northern Trust had assets under custody of US\$4.1 trillion, and assets under investment management of US\$757.2 billion. Northern Trust, founded in 1889, has earned distinction as an industry leader in combining high-touch service and expertise with innovative products and technology. For more information, visit <http://www.northerntrust.com>.

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