

Dream*Makers'*

A Network of Affluent Blacks

Building Legacies, Preserving Dreams

2010 FORUM

Wealth and Influence: Establishing a Living Legacy



Wealth in Black America

2010 Study of Financial Attitudes and Preferences of Affluent Blacks

Moderator:

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Panelists:

Dennis Kimbro, Ph.D., Author, Motivational Speaker

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Objectives and Methodology

Overview and Objectives

- Northern Trust conducted the first Wealth in Black America study in 2008 to better understand the financial attitudes and preferences of affluent Blacks. The survey focused on: investing, philanthropy, financial planning, use of advisors and interest in financial education programs. The study was conducted again in 2010 with the following objectives:
 - ◆ Review affluent Blacks' perceptions of the current economy and the impact on their wealth
 - ◆ Compare investment preferences of affluent Blacks and affluent non-Blacks
 - ◆ Provide an update on key differences in investment attitudes and behaviors between the 2008 and 2010 study

Methodology

- The participants are affluent Blacks and non-Blacks who:
 - ◆ Are U.S. residents
 - ◆ Are aged 18 years or older
 - ◆ Have either \$250,000 or more in household income or \$1 million or more in investable assets in 2009
 - ◆ Participate in the household financial decision making process
- A total of 361 affluent Blacks participated in the online survey
- Select questions were asked of 256 affluent non-Blacks
- The survey was conducted between June 14 and July 9, 2010

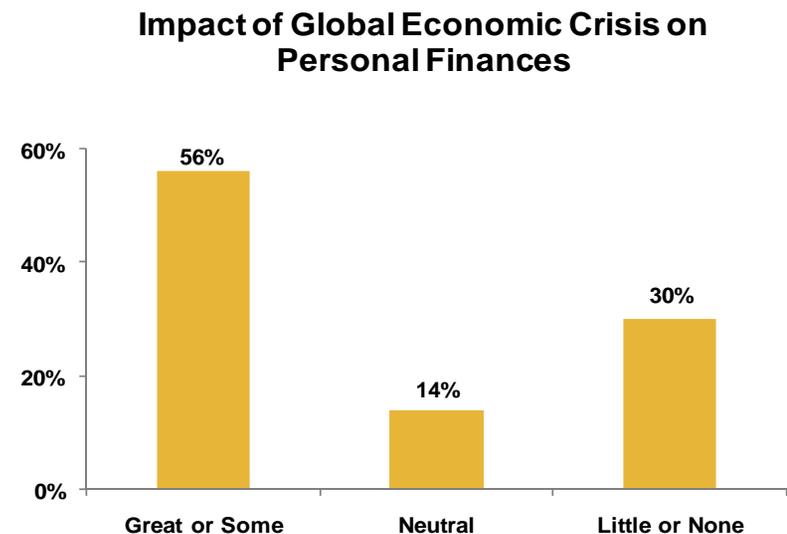
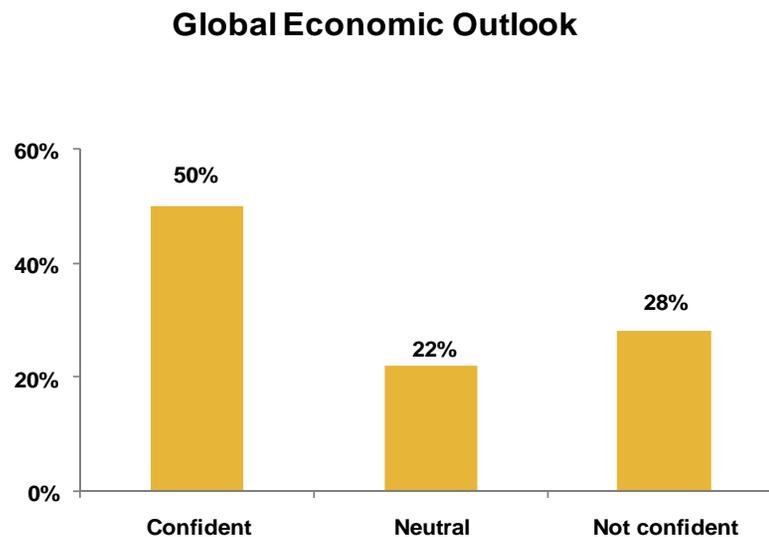


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Economic Outlook

- Affluent Blacks have a positive economic outlook – 50% believe the global financial crisis will improve within the next two years or sooner.
 - ◆ A significant number of Blacks with incomes of \$1 million or more (56%) are optimistic about the global economy improving.
- Nonetheless, more than half (56%) of affluent Blacks believe the global economic crisis has had a negative impact on their finances.
 - ◆ Sixty percent with incomes of \$1 million or more indicate that the crisis has negatively affected them.



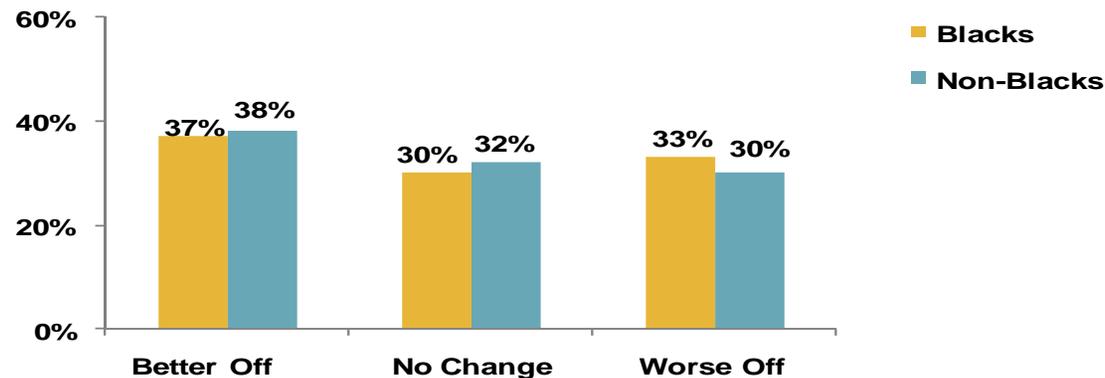
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Economic Outlook

- A number of affluent Blacks indicate concerns about their current financial status:
 - ◆ Thirty-three percent believe their financial situation is currently worse.
 - ◆ Thirty percent say their wealth has not changed compared to 2008.
- Thirty-seven percent of affluent Blacks indicate they are now financially better off than they were in 2008.
- Fifty-six percent of affluent Blacks with incomes over \$1 million say they are financially better off in 2010.
- Affluent Blacks (60%) believe the economic crisis has had a greater negative impact on Black Americans than non-Blacks.

Current Financial Status



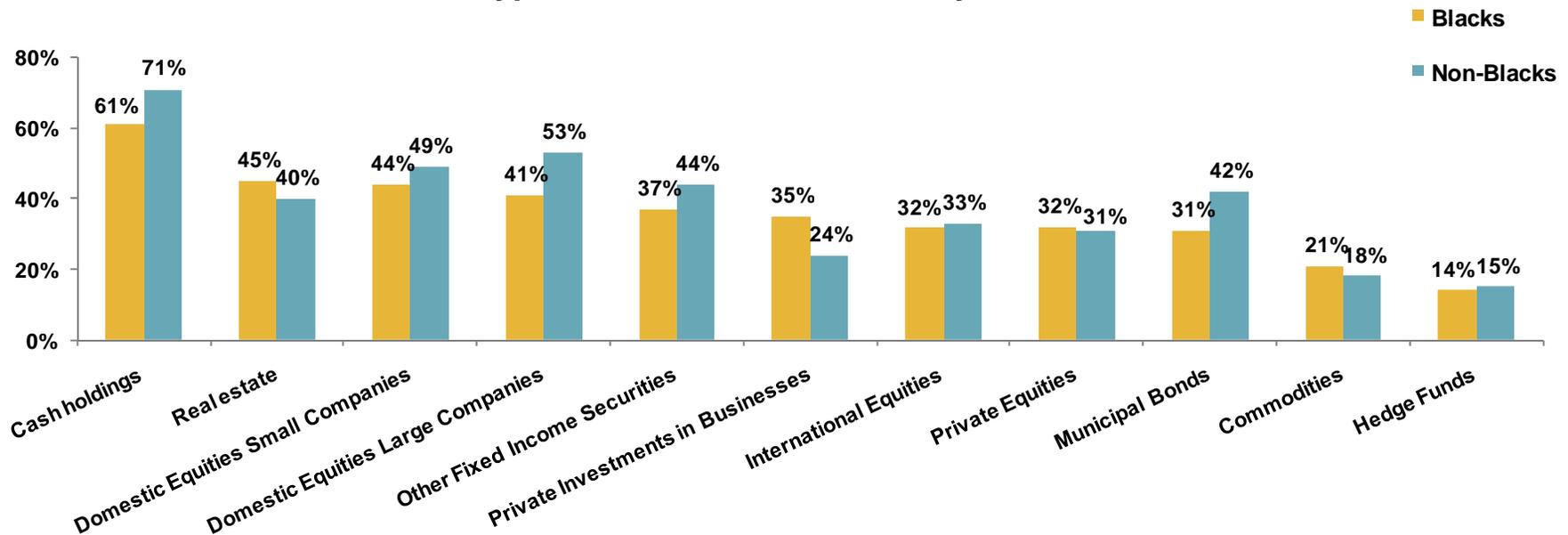
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Investment Preferences

- There are differences in the assets held by Blacks compared with non-Blacks.
 - ◆ Affluent Blacks are significantly more likely to hold private investments in closely held businesses (35% vs. 24%).
 - ◆ Affluent non-Blacks are more likely to hold cash (71% vs. 61%), large domestic company equities (53% vs. 41%) and municipal bonds (42% vs. 31%).

Types of Investments Currently Held





Investment Preferences

- Forty-four percent of affluent Blacks indicate they will keep their cash holdings at the same level over the next 12 months compared with 62% of affluent non-Blacks.
- Over one-third (38%) of affluent Blacks say they will increase their cash holdings compared with 22% of affluent non-Blacks.
- A small percent of affluent Blacks (18%) and non-Blacks (16%) plan to decrease and re-invest their cash holdings in the next 12 months.

Changes to Cash Holdings in the Next 12 Months

Increase cash holdings by...	Blacks	Non-Blacks
Over 50%	5%	3%
26%-50%	7%	4%
5%-25%	26%	15%
Keep the same (less than 5% in either direction)	44%	62%
Decrease cash holdings by...		
5%-25%	12%	11%
26%-50%	4%	3%
Over 50%	2%	2%



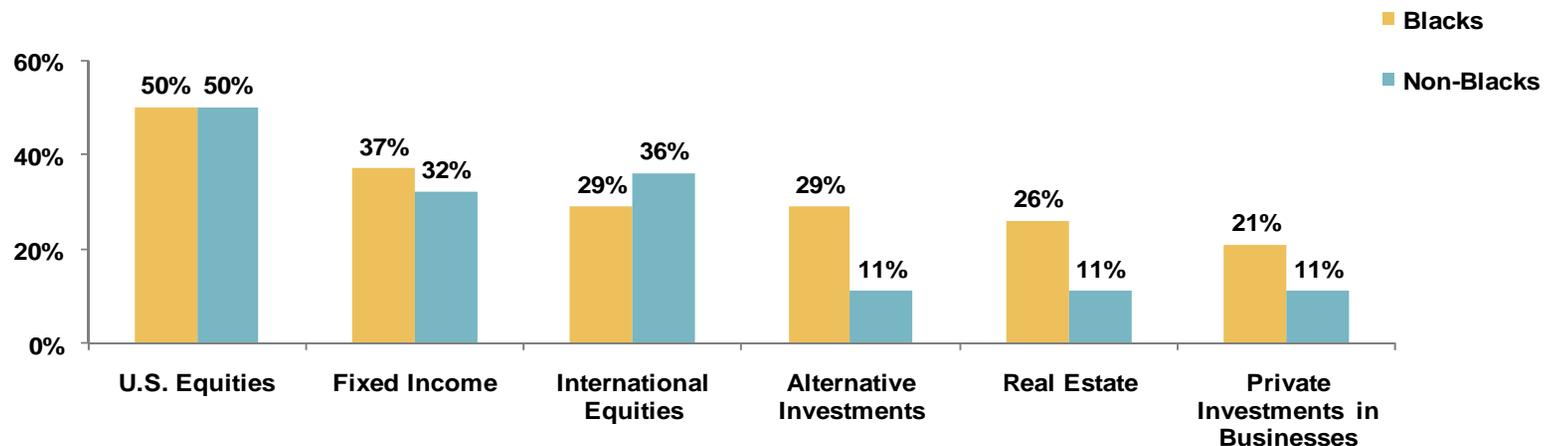
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Investment Preferences

- Affluent Blacks who plan to decrease their cash holdings will re-invest in alternative investments (29% vs. 11%) and real estate (26% vs. 11%) whereas affluent non-Blacks show more interest in re-investing in international equities (36% vs. 29%).
- Both groups of investors plan to re-invest their cash holdings in U.S. equities (50%) and fixed income instruments (37% and 32%).

How Cash Holdings Will Be Re-Invested

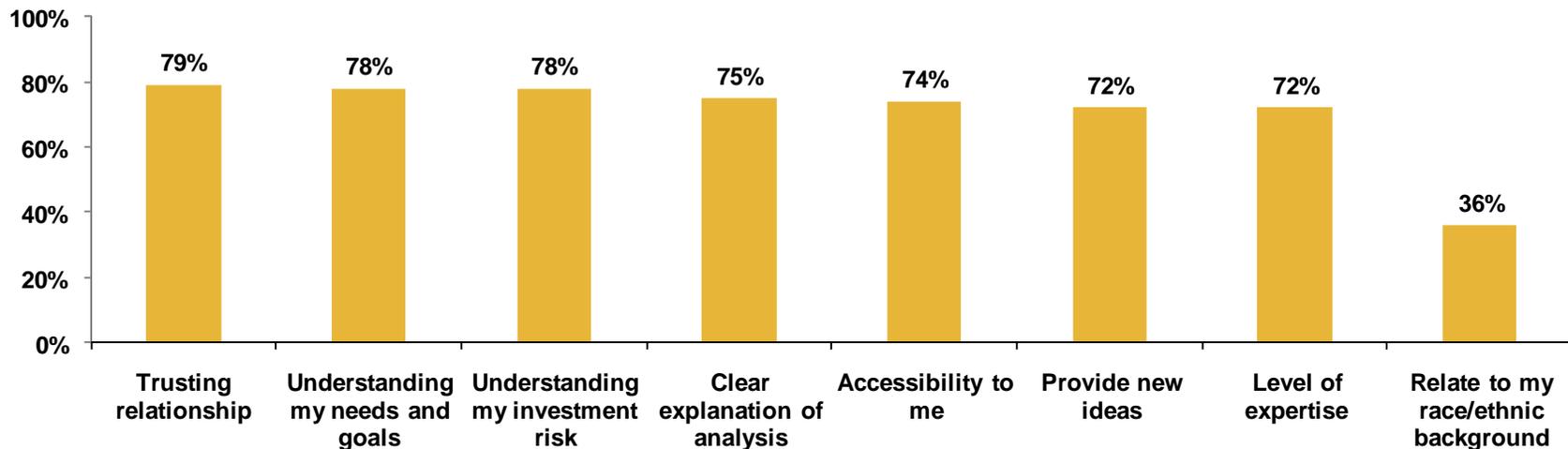




Selecting and Using Advisors

- Affluent Blacks place emphasis on advisors' ability to establish a trusting relationship, understand their needs and goals, as well as their investment risk.
- While race is not a major consideration in selecting a provider, the financial advisor's ability to relate to one's race or ethnic background is important to 36% of affluent Blacks.
- Half of affluent Blacks indicate the financial expertise and reputation of the firm are key criteria in selecting a financial services provider or advisor.

Important Capabilities When Choosing a Primary Financial Advisor

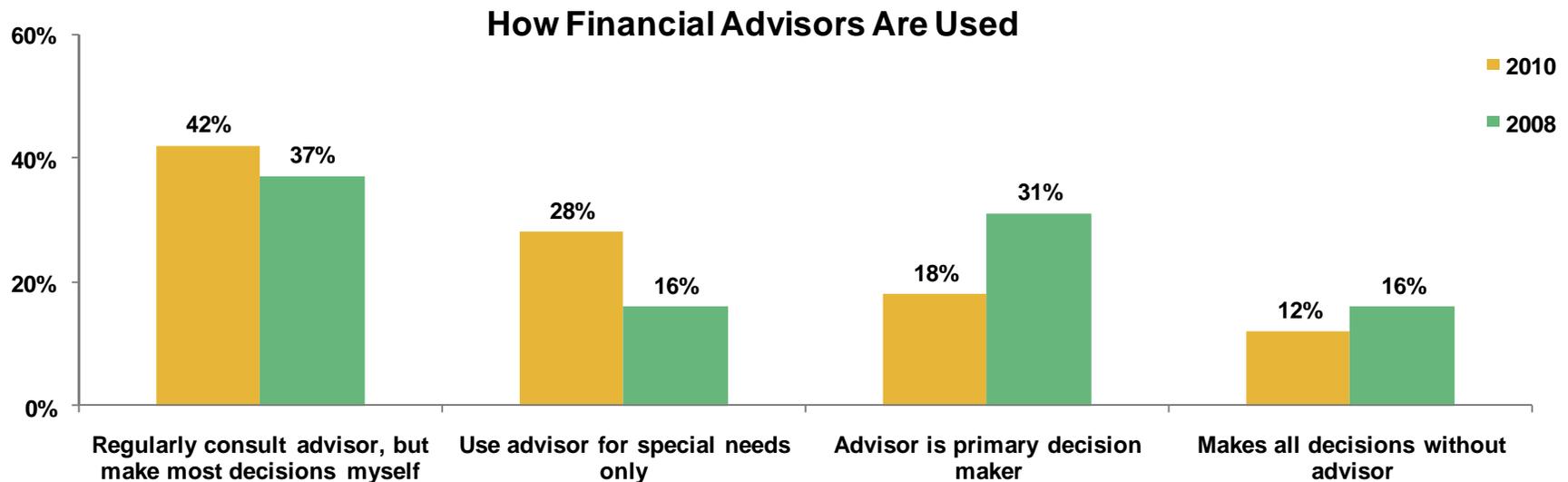


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Selecting and Using Advisors

- Forty-two percent of affluent Blacks say they consult with a financial advisor, but make final financial decisions themselves.
 - ◆ Far fewer affluent Blacks make all their investment decisions without using an advisor (12%).
 - ◆ Compared to 2008, affluent Blacks appear to be less reliant on advisors.



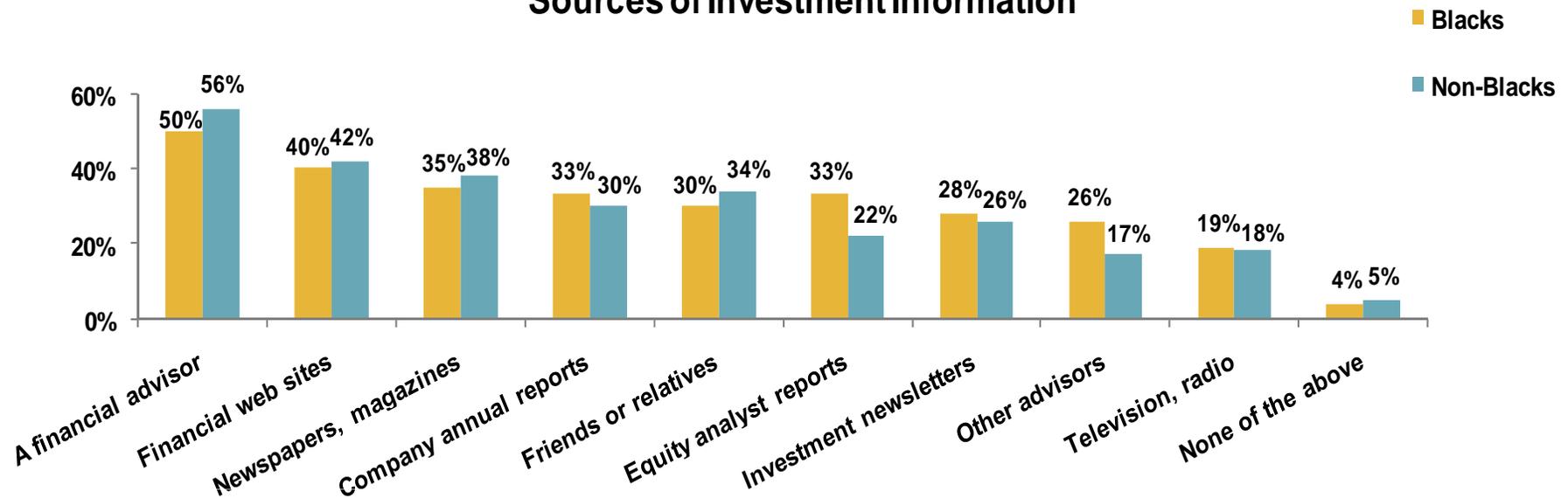
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Selecting and Using Advisors

- Affluent Blacks and non-Blacks rely on similar sources of investment information.
 - ◆ Non-Blacks are more likely to use a financial advisor than Blacks.
 - ◆ However, affluent Blacks are significantly more inclined to consult equity analyst reports, as well as newsletters and other advisors.

Sources of Investment Information

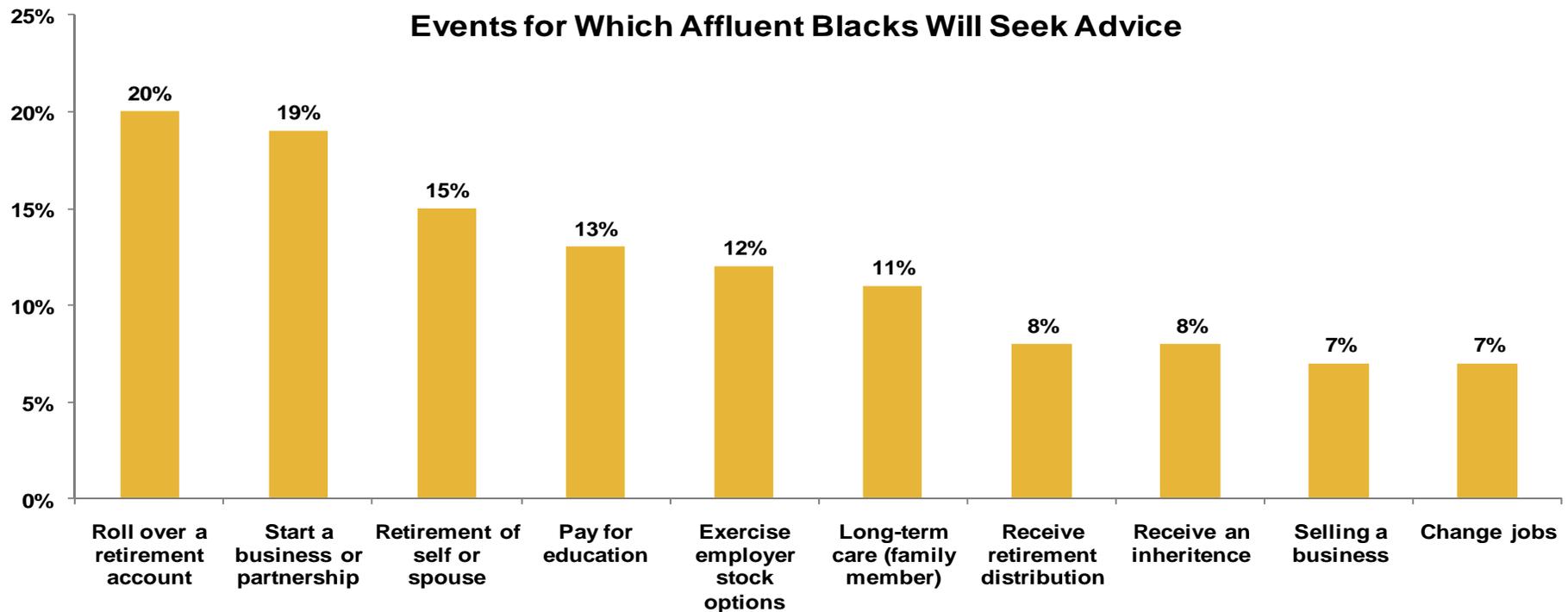


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Selecting and Using Advisors

- In the next three years, affluent Blacks expect to experience various events for which they will consider the services of a financial advisor. The top four events include:
 - ◆ Rolling over a retirement account
 - ◆ Starting a business or partnership
 - ◆ Retirement of self or spouse

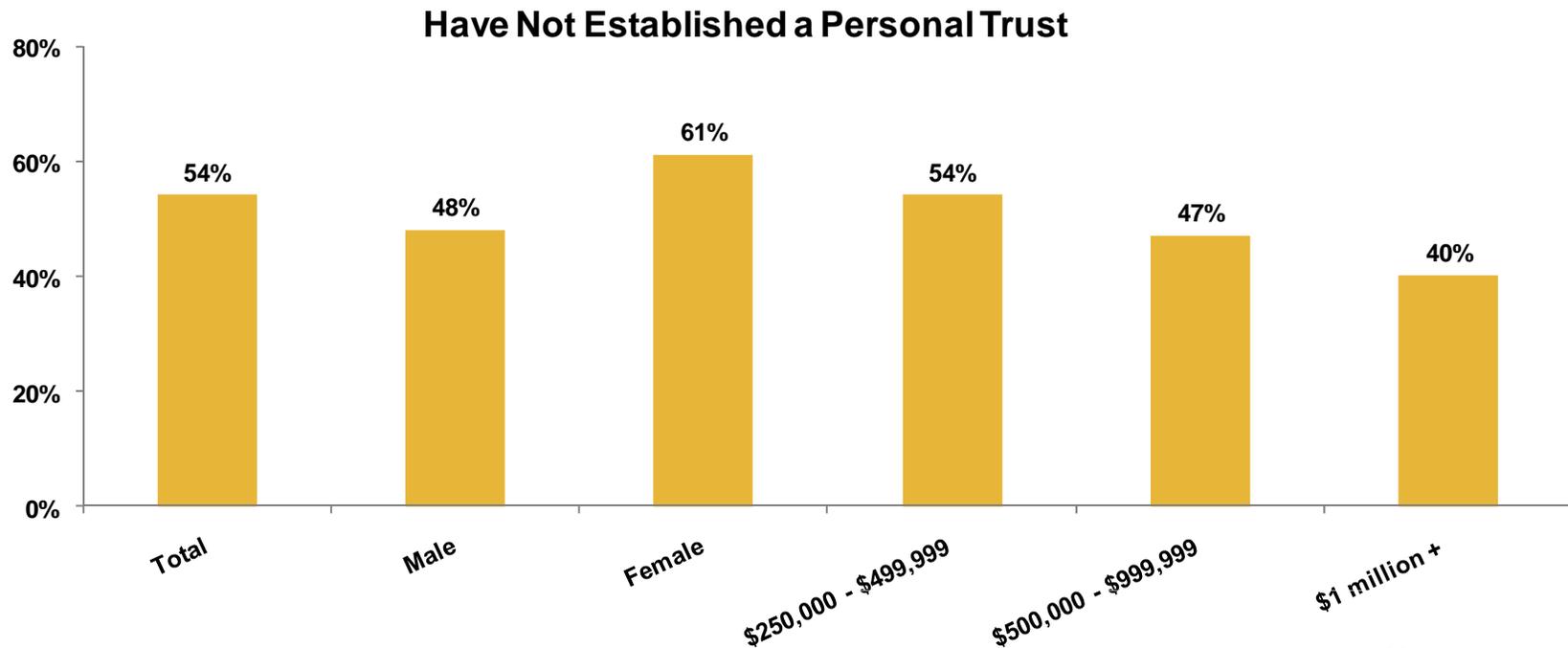


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Estate Planning

- Fifty-four percent of affluent Blacks have not established a personal trust.
 - ◆ Affluent Blacks with household incomes more than \$1 million are more likely to have established a trust compared with those with household incomes less than \$1 million.
 - ◆ Men are more likely than women to have established a trust.
- A majority of affluent Blacks (58%) have not worked with a financial advisor to establish an estate plan or wealth transfer plan during the past five years.

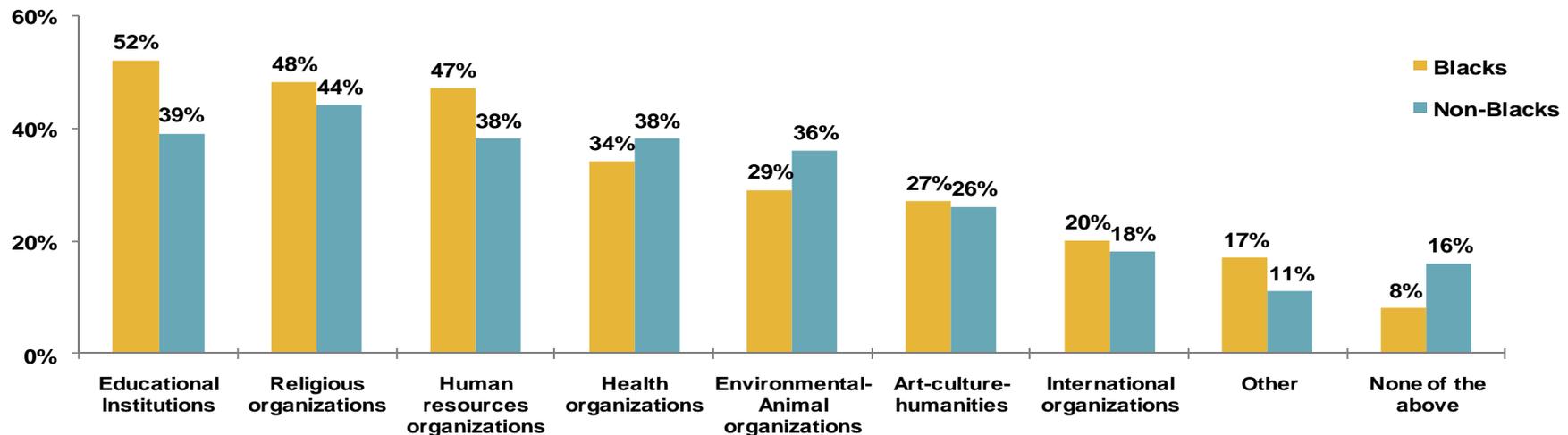




Charitable Giving

- Affluent Blacks support numerous charitable organizations with educational (52%), religious (48%) and human services (47%) topping the list.
 - ◆ They are more likely to donate to educational institutions and human services organizations compared with affluent non-Blacks who are more inclined to donate to environmental or animal organizations.
- On average, in 2009, affluent Blacks donated \$30,350 to religious organizations or charitable causes – a 14% decrease from 2007.
- For the most part, affluent Blacks made donations directly to charitable organizations. Other methods such as trusts and private foundations are used to a much smaller extent.

Types of Organizations Financially Contributed to in 2009

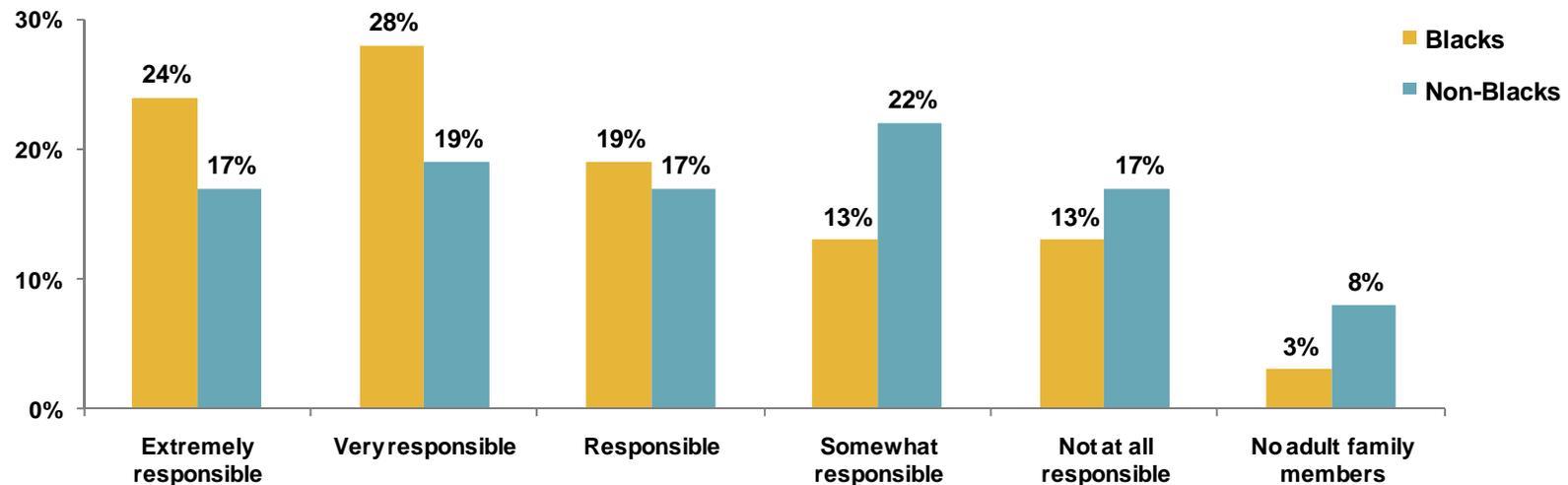




Family Care

- Affluent Blacks (71%) feel they are responsible for providing financial support to adult family members.
- A key difference between affluent Blacks and affluent non-Blacks surveyed is that affluent Blacks feel significantly more responsible for supporting adult family members compared to non-Blacks (52% vs. 36%).

Responsibility to Provide Financial Support



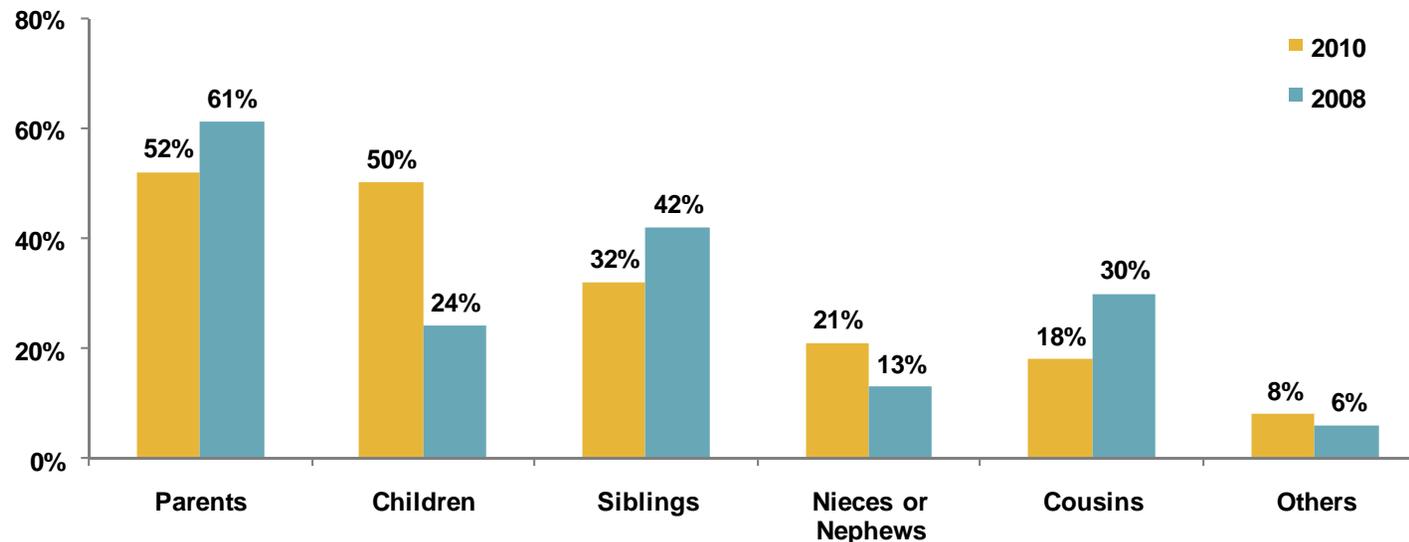
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Family Care

- Fifty-two percent of affluent Blacks currently provide financial support to their parents.
 - ◆ This year, they also provided more financial support to younger adult family members (such as children, nephews and nieces) than in 2008.
- Insufficient living expenses is the main reason almost two-thirds (59%) of affluent Blacks say they provide financial assistance to their family members.
 - ◆ Those who are retired (aged 55+) are significantly more likely to provide support for general living expenses for adult family members.

Family Members Currently Supported Financially



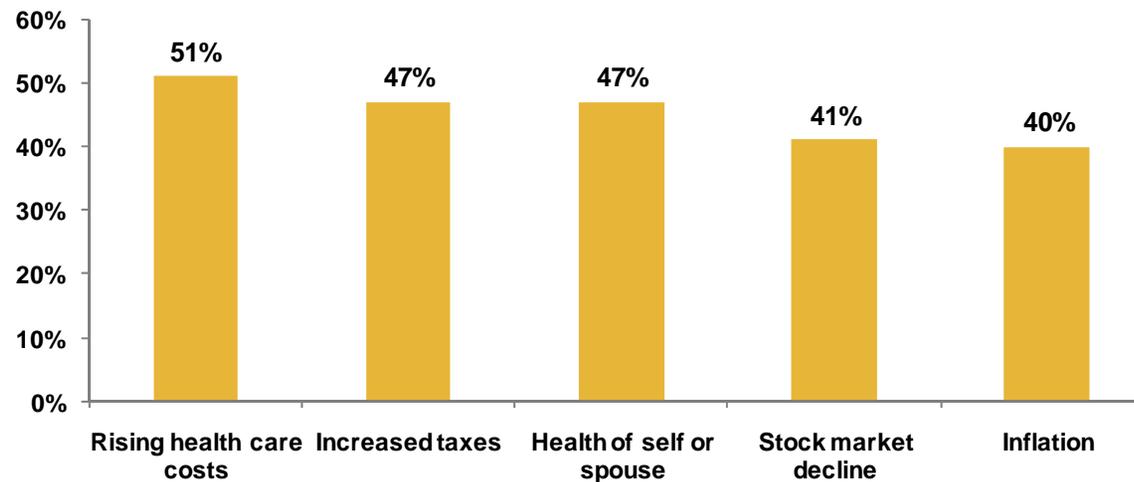
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Retirement

- Half of affluent Blacks believe the cost of health care will become a drain on their wealth during retirement followed by increased taxes (47%).
 - ◆ Retirees' overall concern is that the stock market will experience a decline during their retirement years.
- A significant percentage of affluent Blacks (43%) are also concerned about the next generation of family members leading productive, meaningful lives amidst affluence.

Concerns

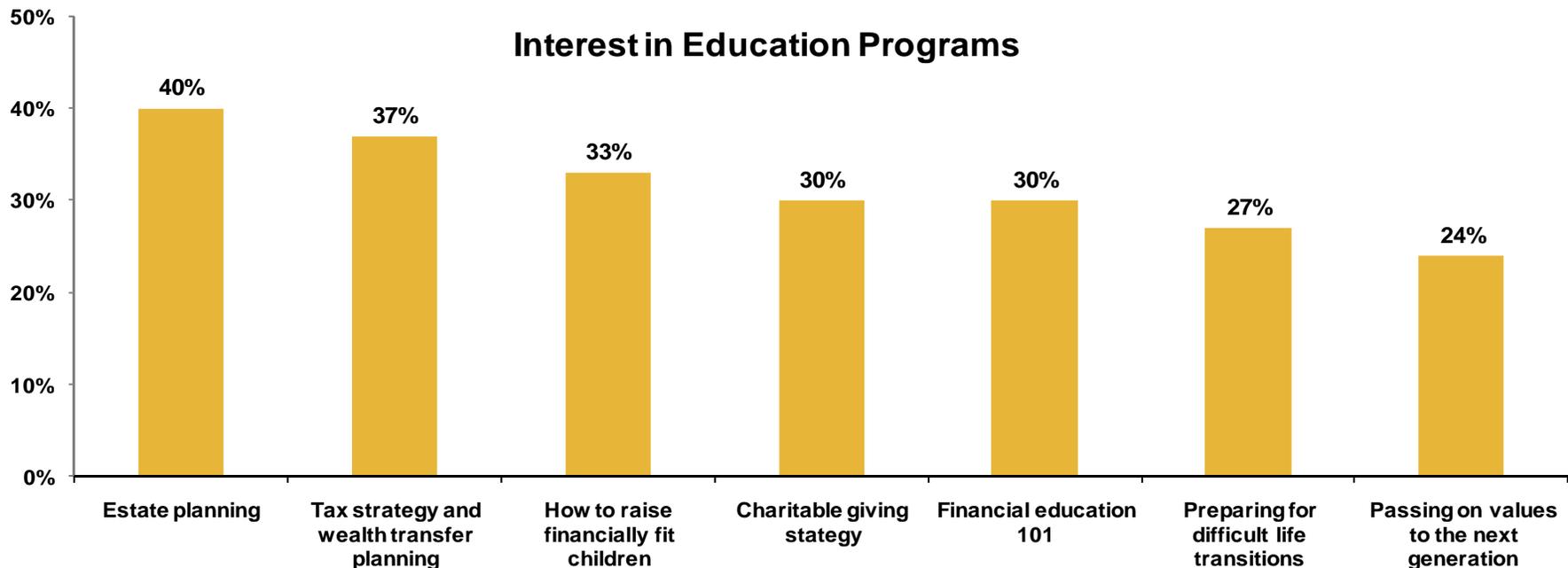


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Programs and Services Desired

- Affluent Blacks are interested in a variety of financial educational programs with estate planning (40%) and tax strategy (37%) as the top two on their list.
- Even though interest in educational programs is low (less than 50%) a large portion of affluent Blacks expect their financial services provider to offer these programs.
- Affluent Blacks (72%) indicate networking with their peers and others in similar financial circumstances is important to them.



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