

## HIGH-NET-WORTH MILLENNIALS

### HIGHLIGHTS

Millennials are one of the largest generations in history, a population three times the size of Generation X and comparable to Baby Boomers. Born between 1980 and 1999, Millennials represent only about 11%\* of high net worth households in the U.S. at present; however, they command much greater influence than their limited representation among the wealthy suggests because of:

- The expectation that they will continue to increase their earnings and assets as they age, inherit substantial assets from their Baby Boomer and Gen X parents, and grow rapidly as a percentage of the high-net-worth population
- Their distinct experiences, attitudes, behaviors and perceptions, which are vastly different from those of other age groups
- Their outspoken passion in their beliefs about how best to use their wealth, which already is shaping changes in wealth management, philanthropy and the financial markets.

### OVERVIEW OF FINDINGS

Many Millennials have experienced relatively comfortable lifestyles, growing up with support from their parents in upper-middle-class or wealthy families. Despite perceptions portrayed in the media that they are self-absorbed, many Millennials are committed to using their wealth to improve the lives of others. They are engaged in supporting both the healthcare and financial needs of family members, and many have sacrificed their own goals to do so.

In addition to helping their families, Millennials are highly motivated to create their own wealth and make a positive impact on society. They are ambitious income earners and have a strong desire to start their own businesses and give back philanthropically, their entrepreneurial spirit seemingly driven by an even stronger desire to create jobs and opportunities for others and for the greater good of the society and the economy.

### SURVEY OVERVIEW

The 2014 *U.S. Trust Insights on Wealth and Worth*® survey is based on a nationwide study of 680 adults with at least \$3 million in investable assets, including 34% with \$3M–\$5M; 32% with \$5M–\$10M; and 34% with more than \$10M.

As part of this research, U.S. Trust analyzed generational differences among four groups:

- Millennials or Generation Y (age 18–33): 13%
- Generation X (age 34–49): 22%
- Baby Boomers (age 50–68): 45%
- Age 69+: 20%

*U.S. Trust's Insights on Wealth and Worth* is one of the most in-depth studies of its kind to explore the wealth management challenges confronting high-net-worth and ultra-high-net worth individuals in the United States. U.S. Trust has conducted surveys of wealthy Americans periodically since 1993.

As investors, Millennials have their own ideas and approach. Compared to other age segments, they are by far the most committed to creating positive social change with their investment decisions.

Whether driven by skepticism, uncertainty or opportunism, Millennials are more likely to structure their wealth with investments and strategies that are not correlated to the broader market. They show the strongest interest in real assets and private investments. They prefer custom benchmarks to measure their investment performance against personal goals versus market indices. And they are more likely to include credit as part of their overall wealth-building strategy, seeing it as a vehicle to put their own money to better use.

### MILLENNIALS ARE ACTIVELY COMMITTED TO THE HEALTH AND FINANCIAL WELL-BEING OF EXTENDED FAMILY

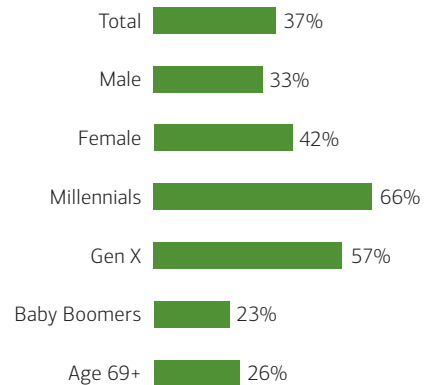
The modern American family is more complex and diverse than it once was. Changing family structures, the blurring of traditional gender roles and the co-existence of multiple generations of immediate and extended family members create dynamics that have a profound effect on relationships, communication and family wealth.

For Millennials, the immediate family often includes multiple generations. Nearly one-third of them live with a parent and/or grandparent. Millennials are also more likely than any other generation to be married to or live with a same-sex partner. In absolute numbers, lesbian, gay, bisexual, and transgender (LGBT) couples still comprise only a small percentage (4%) of the Millennial population, but four times greater than among those over the age of 69 and twice the percentage of Generation Xers. As this generation leads notable generational shifts in LGBT and diversity inclusion, they will continue to change the composition of the market and family dynamic.

Across all age groups, high-net-worth individuals financially support not only themselves, but in many cases, other immediate and extended family members. And despite their young age, Millennials have already taken on this responsibility. Overall, about a quarter have provided financial support to their parents or in-laws, and 14% have personally paid long-term-care costs for aging parents or in-laws. For two-thirds of Millennials, providing financial support to a family member has been at the expense of meeting their own financial goals.

#### KEY FINDINGS

##### Percent whose financial goals have been negatively affected by providing financial support to an adult family member



### MILLENNIAL PERCEPTIONS AND ATTITUDES MORE LIKELY TO BE SHAPED BY EARLY WEALTH

Unlike other age segments, the majority of Millennials (nearly six in 10) grew up in upper-middle-class or wealthy families, their lifestyles benefiting from wealth created by their parents, grandparents and previous generations. By comparison, the majority of Baby Boomers (roughly six in 10) grew up in middle- or lower-class families and are first-generation wealthy.

More than one-quarter (28%) of Millennials inherited a majority of the wealth they now have, and almost half (48%) already have received, or their spouse/partner has received, some financial inheritance.

Growing up in families with greater relative wealth undoubtedly began to shape perceptions and attitudes Millennials have about money and their values about how to use it. Regardless of whether or not they grew up privileged, many Millennials have the qualities and ambitions of entrepreneurs and are highly motivated to create their own wealth. They distinctively see their work and income as an extension of their desire to express their values. They are starting businesses and giving philanthropically in areas they feel strongly about. They want to make a positive impact on the world and view wealth as a means to do so.

### MILLENNIALS HAVE THE STRONGEST COMMITMENT TO VALUES-BASED INVESTING

The wealthy rank giving back to society through charitable giving or volunteerism among the most important uses of their wealth, second only to providing for family and achieving financial security. This commitment is reflected in their investment priorities too. And Millennials exhibit the greatest commitment of any age segment to social or sustainable investing, driving momentum in an increasing belief that it is possible to invest in companies that have a positive social or environmental impact while also achieving healthy market returns.

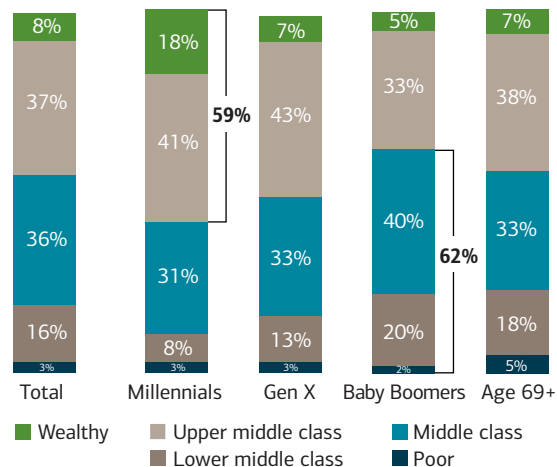
One-half (50%) of high-net-worth investors, including 75% of Millennials, now consider the social and environmental impact of the companies they invest in to be an important part of investment decision-making. Two-thirds (67%) of Millennials view their investment decisions as a way to express their social, political or environmental values, and almost three quarters (73%) believe that it is possible to achieve market-rate returns investing in companies based on their social or environmental impact.

Millennials are actively interested in social-impact investing. One-third of all high-net-worth investors and nearly two-thirds of Millennials currently own or are interested in social-impact investment strategies.

The types of investments that would matter most to Millennials as an expression of personal values are environmental protection, access to education and healthcare quality/access. Disease prevention/treatment and social mobility ranked next highest on the list. While a modest percentage overall (17%), more than three times as many Millennials than other age groups ranked support for LGBT as an important value.

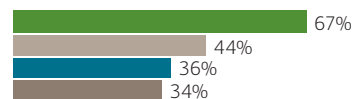
## KEY FINDINGS

### Socio-economic status growing up



### Investor attitudes about social-impact investing

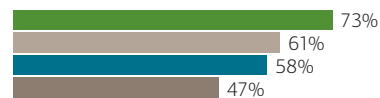
My investment decisions are a way to express my social, political or environmental values.



I would rather invest in companies that have a positive social or environmental impact than avoid investments in companies that are harmful.



It is possible to achieve market-rate returns investing in companies based on their social or environmental impact.



% who agree  
By gender and age

Millennials Gen X  
Baby Boomers Age 69+

## INTEREST IN NONFINANCIAL AND ALTERNATIVE INVESTMENTS

Most millennials either own or are interested in owning assets that do not correlate with the broad market. They show greater interest than any other age group in private equity (24% own, 51% are interested in owning); hedge funds (23% own, 40% are interested in owning); and tangible assets such as land, real estate and timber (35% own, 46% are interested in owning).

## LARGE CASH POSITIONS SUGGEST CONTINUED UNCERTAINTY ABOUT THE MARKET

As the U.S. economy strengthens, high-net-worth investors, overall, are feeling more optimistic and show a greater willingness to take on risk, but their investment outlook varies greatly. Millennials, whose short investment experience includes witness to the fallout of the recent financial crisis, decline in real estate values, the Great Recession and perpetual market volatility, are particularly inclined to express confusion and uncertainty.

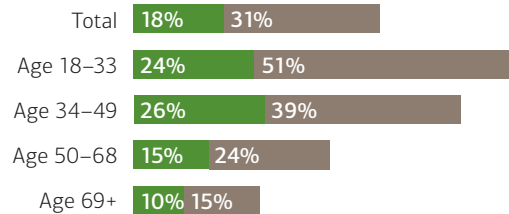
When asked about their outlook on the stock market in the year ahead and investing behavior, Millennials' responses were notably different from those of other age segments. Significantly fewer feel bullish optimistic (30%, vs. 53% of age-69 plus). And while Millennials were notably more "hopeful," several expressed feeling either pessimistic (12%) or at least highly opportunistic in down markets (18%).

Almost three-quarters (73%) of Millennials hold more than 10% of their positions in cash, and perhaps because of this, as many as half of Millennials feel they missed out on recent market growth. Still, almost two-thirds (vs. half of all HNW investors) say they are content to continue to leave a large portion of their money in cash positions.

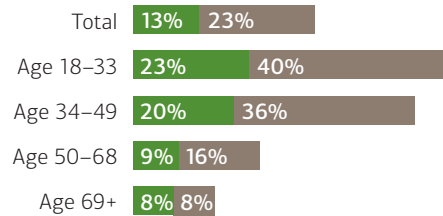
## KEY FINDINGS

### Innovative investment strategies

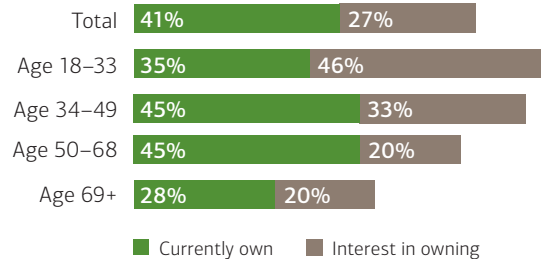
#### Private equity



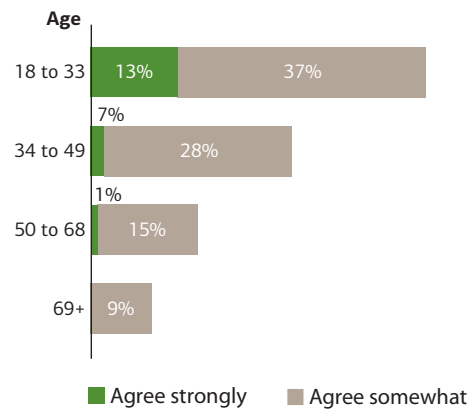
#### Hedge funds



#### Tangible assets



### Missed out on the market rally of the past few years



## STRONG DESIRE TO MEASURE PERFORMANCE BY PERSONAL GOALS AND VALUES

Millennials are focused on meeting long-term goals (66%) versus short-term goals (34%) as an investment priority. Given the choice, they would prefer to measure investment performance not against broad market benchmarks, such as the S&P 500, but in terms of how well they are meeting personal goals and expectations. The majority of Millennials say they prefer to benchmark against customized indices with similar assets and mandates, or personalized benchmarks of progress toward personally defined goals. In contrast, investors 69+ tended to place greater emphasis on traditional market indices such as the S&P 500®.

## MILLENNIALS ARE MORE LIKELY TO USE CREDIT TO THEIR ADVANTAGE

A hallmark of the wealthy is their ability to use credit strategically to their advantage. The wealthiest households (with more than \$10 million in investable assets) and the youngest (Millennials) were found most likely to include credit as part of their overall strategy. Furthermore, more than two-thirds (70%) of Millennials agree that borrowing money enables them to put their own money to better use (vs. only 50% of all investors).

A significant number (42%) of the wealthy investors have accessed credit by borrowing against their existing assets to gain liquidity for other opportunities. Millennials are, by far, the most likely to use credit to finance opportunistic investments. About 30% of them do so versus just 19% for the general high-net-worth population.

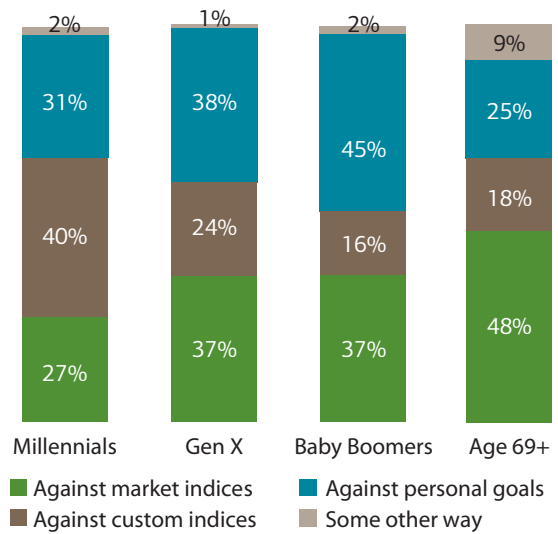
## MANAGING YOUR WORTH WITH U.S. TRUST

Your wealth is not measured by numbers alone, but by the extraordinary opportunities and complex challenges that define your life. At U.S. Trust, we apply our deep insight and broad expertise to help you make the most of the things that matter most to you.

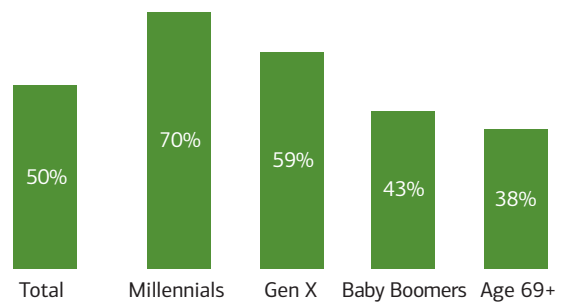
We begin by listening to you, learning about your life, and we work with you to understand your priorities. Your advisor and your team of specialists then build a wealth plan that aligns with your personal values and family goals.

### KEY FINDINGS

#### Most relevant way to measure investment performance



#### Percent who agree: borrowing money enables me to put my own money to better use



Whether we are managing your portfolio, serving as trustee, or administering an estate, our focus is what best meets your objectives and expectations. Together, we develop personalized solutions that address the dimensions of your worth today and the legacy you're building for future generations.



**Additional survey findings from the 2014 *U.S. Trust Insights on Wealth and Worth*<sup>®</sup> survey can be found at [www.ustrust.com/survey](http://www.ustrust.com/survey).**

### **Study methodology**

The 2014 *U.S. Trust Insights on Wealth and Worth*<sup>®</sup> survey is based on a nationwide survey of 680 high-net-worth and ultra-high-net-worth adults with at least \$3 million in investable assets, not including the value of their primary residence. Respondents were equally divided among those who have between \$3 million and \$5 million, \$5 million and \$10 million, and \$10 million or more in investable assets. The survey was conducted online by the independent research firm Phoenix Marketing International in February and March of 2014. Asset information was self-reported by the respondent. 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% confidence level.

**[ustrust.com](http://ustrust.com)**

U.S. Trust operates through Bank of America, N.A., and other subsidiaries of Bank of America Corporation. Bank of America, N.A., Member FDIC.

© 2015 Bank of America Corporation. All rights reserved. | ARF78GDY | BRO-07-15-0723 | 00-21-4194NSB | 07/2015 | 10% post-consumer content. ♻️