

GOING THE EXTRA MILE FOR ADVISORS:

Phoenix High-Net-Worth Market Insights



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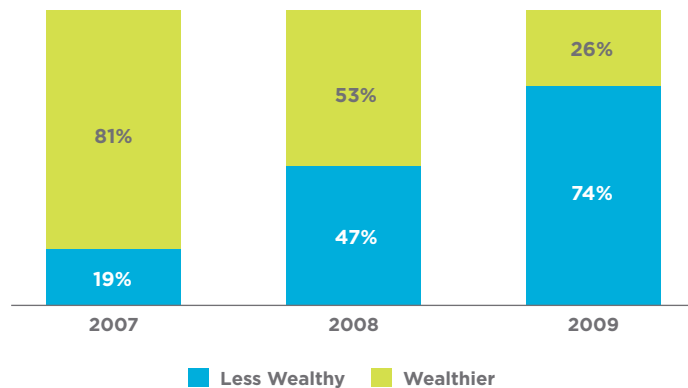
Going The Extra Mile for your clients starts with walking a mile in their shoes. Our insight into the lives and minds of the high-net-worth client can be your point of departure.

FINANCIAL ATTITUDES AND BEHAVIOR IN A NEGATIVE WEALTH ENVIRONMENT

Not surprisingly, the total net worth for all American households declined significantly in 2008 to levels lower than that in 2004 – the first decline in American household net worth since 2002.

And also not surprisingly, a higher percentage of the high net worth feel less wealthy than they did a year ago. Clearly, we are seeing a reversal of the “wealth effect,” the term coined by economists in recent years to describe an environment in which consumers were richer – or at least perceived themselves to be. We have entered an era of “negative wealth.”

HOW THE HNW CURRENTLY FEEL FINANCIALLY COMPARED TO LAST YEAR



Source: 2007-2009 Phoenix Wealth Survey

The 2009 Phoenix Wealth Survey, conducted between January 30 and February 20 of this year, provides a unique opportunity to explore the changing financial attitudes and behavior of the high-net-worth market in this negative wealth environment.

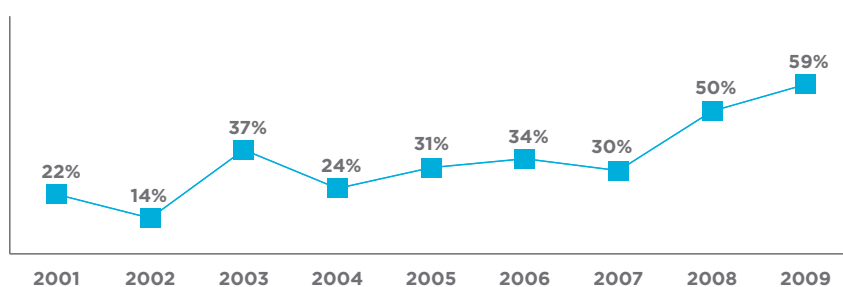


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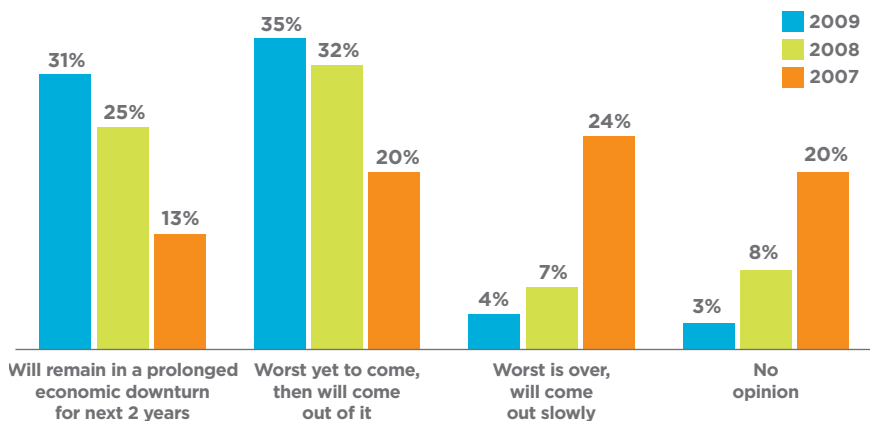
How Deep are These Feelings of Negative Wealth?

In the 2008 [Phoenix Wealth Survey](#), we reported that pessimism over the U.S. economy for the next one to two years was at the highest level since this question was first asked in 2001. And, pessimism continues to rise, with more of the high net worth having an opinion this year than in either of the last two years. That opinion also has been increasingly bearish, with nearly one-third expecting the country to remain in a prolonged economic downturn for the next two years.

PESSIMISM REGARDING THE ECONOMY FOR THE NEXT ONE TO TWO YEARS



DESCRIPTIONS OF THE ECONOMY IN THE NEXT ONE TO TWO YEARS



Source: 2001-2009 Phoenix Wealth Survey

Consistent with these attitudes are the high-net-worth's views on when equity markets will return to more sustainable growth trends. The most commonly expressed opinion is that it will happen in one or two years (41 percent). Yet, 22 percent believe it's more likely within two to three years, and 17 percent don't see sustainable growth trends before three years.

Confusion on how to invest in this environment reached an all-time high in this year's survey.

To be expected, these all-time low levels of optimism have impacted the high net worth's feelings of personal financial security. In this negative wealth environment, every question on the survey relating to personal financial security dropped to its lowest level in the ten-year history of the Phoenix Wealth Survey.

FEELINGS OF PERSONAL FINANCIAL SECURITY

	2007	2008	2009
"Very optimistic" about their financial future	34%	25%	17%
Say they are "extremely well off" or "very comfortable" financially	48%	43%	36%
Say their wealth is "extremely" or "very secure" for the long term	45%	41%	28%

Source: 2007-2009 Phoenix Wealth Survey

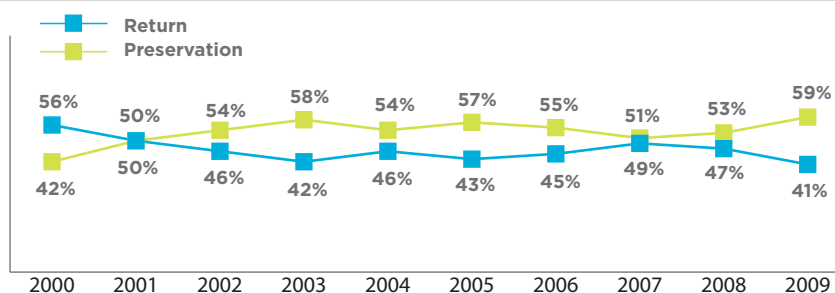
Changing Financial Priorities in a Negative Wealth Environment

Confusion on how to invest in this environment reached an all-time high in this year's survey, with 50 percent agreeing with the statement, "Lately I've become confused about the best way to invest my money." The last time this number was near this level was in the 2003 bear market when 47 percent agreed with the same statement.

Large percentages also admit that their level of risk tolerance has changed in the last 12 months. Half say they've become more risk averse – 40 percent saying they are "more" risk averse and 10 percent saying they are "much more" risk averse. But, three out of ten report no change in their tolerance for risk, while the remaining 20 percent state that they've become "more" or "much more" tolerant of risk.

Finally, for the second year in a row, we saw preservation of assets as an investment priority trump return on assets, and by the widest margin in ten years. This measure has varied during economic cycles over the last decade, but not by such a wide margin since 2003 – the last time the high net worth found itself in a negative wealth environment.

FINANCIAL PRIORITIES



Source: 2000-2009 Phoenix Wealth Survey



In a negative wealth environment, retirement security concerns have deepened on every measure.

Changing Thoughts Relative to Retirement

Retirement security is, and always has been, the primary financial goal of the high net worth, and in last year’s Phoenix Wealth Survey we noted increasing concerns about retirement security. This year, in a negative wealth environment, these concerns have deepened on every measure, reaching their highest level of concern in the history of the study.

INCREASING CONCERNS ABOUT RETIREMENT SECURITY

	% Agree or Strongly Agree		
	2007	2008	2009
“I am very concerned about outliving my money in retirement”	36%	36%	45%
“I am very concerned about having to modify my current lifestyle in retirement”	35%	37%	44%
“I feel I need to make up for lost time in my saving for retirement”	30%	28%	34%

Source: 2007-2009 Phoenix Wealth Survey

There is one nuance that we haven’t seen in previous years’ surveys. While retirement security for the high net worth continues to be about assuring a comfortable standard of living, the percentage saying that this is their most important financial goal went down to 41 percent in this year’s survey from 44 percent in 2008. At the same time, the second most important financial goal – “assuring that I will not run out of money in retirement” – went up four points to 25 percent from last year’s survey.

Consistent with this are findings that 51 percent now cite “The risk that poor investment performance will diminish my assets” as their primary retirement risk concern, up from 39 percent in 2008 and 33 percent in 2007. Additionally, 40 percent now say the risk of “outliving my assets” is a concern, up from 35 percent in 2008 and 33 percent in 2007.

Financial Behavior Change in a Negative Wealth Environment

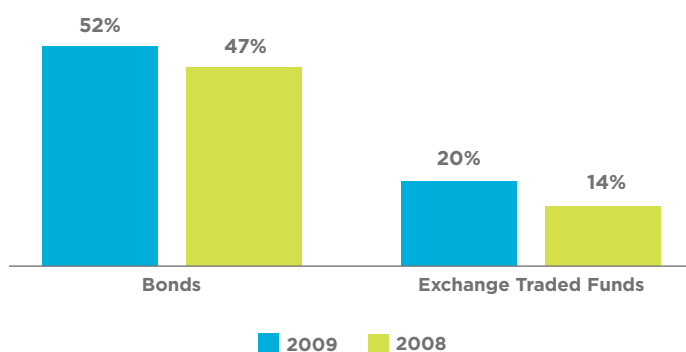
Now let’s look at how behavior in this market is changing in response to a negative wealth environment. More in-depth analyses of these changes will be covered in upcoming monthly *Insights* newsletters. Here is a high level synopsis of the changes we found in five areas:

Financial Product Ownership. Ownership of several financial products – bonds and exchange traded funds – increased significantly since last year and more respondents plan to purchase stocks – 34 percent, up from 28 percent in 2008 – and bonds – 23 percent, up from 17 percent in 2008 – in the next three years.

Ownership of bonds and exchange traded funds increased significantly since last year.

Also interesting is that 41 percent of the high net worth now report that they have a home equity loan or have an equity line of credit, up from 34 percent last year. There was also a significant increase among those with home equity loans or credit saying that they have yet to use it – 21 percent versus 8 percent in 2008, which suggests they are looking for a financial cushion to weather the economic downturn.

INCREASED OWNERSHIP OF SEVERAL FINANCIAL PRODUCTS



Source: 2008-2009 Phoenix Wealth Survey

529 College Savings Plans. Another category affected by the financial crisis is college savings. Thirteen percent of the high net worth reported having one or more 529 plans, but in high-net-worth households with one or more children under age 18, 31 percent have one or more plans. Nearly half of all high-net-worth 529 plan holders say they are “not at all” confident or “only somewhat” confident that their 529 savings plan(s) will meet their original objectives. The recent market volatility has caused 38 percent to make or think about changes to their college funding plan, including seeking out financial aid, choosing a less expensive school, asking a relative for help, or delaying college attendance. Twenty-two percent already made changes to their plan(s), with the most common being moving to a more conservative asset allocation position or to a guaranteed investment. Interestingly, 28 percent said they moved to a more aggressive asset allocation position.

Financial Planning. As we uncovered in last year’s survey, a bearish market environment tends to have a positive affect on financial planning. This phenomenon continued in 2009. Thirty-nine percent of the high net worth report that they have a formal, written financial plan, up from 34 percent in 2008. Of those with a plan, 21 percent say their plan plays an “extremely important” role in their overall financial planning efforts, up from 16 percent in 2008.

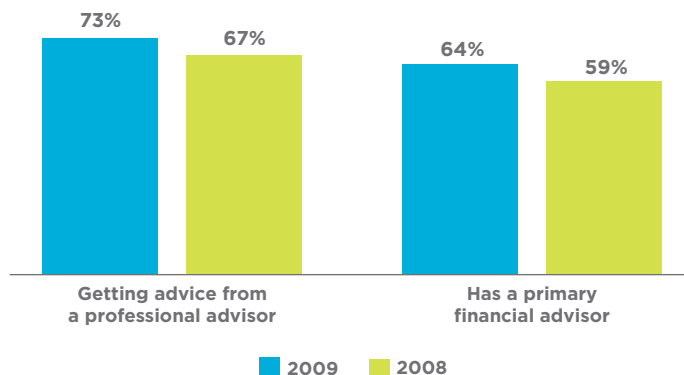


The key to successful client relationships in a negative wealth environment is maintaining contact and bringing them new, innovative solutions.

Estate Planning. In last year’s survey, we also reported increased interest in estate planning among the high net worth. This was the case in this year’s survey as well. Nineteen percent viewed estate planning as “much more important than in the past”, up from 15 percent in 2008. High-net-worth consumers carried through on their increased interest – 9 percent of those with an estate plan put it in place in the last year versus 6 percent in 2008.

Advisory Relationships. In this negative wealth environment, the high net worth are turning back to advisors – at least compared with last year’s survey. One interpretation is that the high net worth turn away from advisors when investment performance starts to deteriorate but return when things get really serious rather than going it alone.

THE HIGH NET WORTH AND PROFESSIONAL FINANCIAL ADVISORS



Source: 2008-2009 Phoenix Wealth Survey

However, advisors are still being evaluated with a critical eye. Of those with a primary advisor, 16 percent report some level of dissatisfaction, compared to 11 percent last year. More significantly, 13 percent say they will be looking for a new advisor in the next year, up from 8 percent last year, with another 15 percent saying they are unsure if they will seek out a new advisor in the next 12 months, compared to 12 percent in 2008. Last year, the reasons given for seeking a new advisor were investment performance and fees. These remained common reasons this year, but also given were “advisors not being proactive in maintaining contact” and “advisors not offering the products and services needed”. This suggests that the keys to successful client relationships in a negative wealth environment are maintaining contact and bringing them new, innovative solutions for their financial needs and concerns.

About the Survey

The Phoenix Wealth Survey monitors the demographics, attitudes and financial behavior of the high net worth in the United States. It has been conducted since 2000 by The Phoenix Companies, Inc. (NYSE: PNX), a leading provider of life insurance, annuities and investments to help individuals and institutions solve their often highly complex personal financial and business planning needs.

Created, designed and analyzed by Walter Zultowski, Ph.D., senior vice president, Research and Concept Development, the survey informs our development of new financial products and services for affluent and high-net-worth individuals and families.



Fieldwork for the 2009 Phoenix Wealth Survey was conducted by Harris Interactive during January and February 2009 and comprised online interviews with more than 1,700 randomly selected individuals with net worth of \$1 million or more, not including the value of their primary residences. Respondents included additional Gen-Xers (those born between 1965 and 1976) and pentamillionaires (those with \$5 million or more in net worth). In all aspects besides their net worth, respondents were demographically representative of the U.S. population as a whole. The survey has a sampling error of +/- 2.4 percentage points.

IN THE NEXT ISSUE:

Longevity Concerns and the High Net Worth