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Financial Expectations, Behaviors, and Realities Out of Sync for America's Ultra-Wealthy, According to SEI Report

OAKS, PA -- (Marketwired) -- 08/17/15 -- New data, released today by SEI (NASDAQ: SEIC) and Scorpio Partnership, reveal a lack of cohesion among the financial expectations, behaviors, and realities of America's ultra-high-net-worth (UHNW) individuals. The disconnect presents these individuals with an opportunity to take a more strategic approach to wealth management, allowing for even greater financial success. The report, "Algorithms of Wealth," highlights that even though UHNW individuals are most anxious about depleting their assets, their expectations and actions related to preserving and growing their wealth are not always aligned.

A Clash of Confidence and Concern
The fears and expectations of America's UHNW are at a stark disconnect from each other. In fact, America's wealthy expect, on average, that their portfolio investments will grow 15.8 percent in the coming year, clearly indicating a level of return generally associated with taking more concentration and market risk. However, at the same time, 59 percent say their biggest anxiety is running out of money or "going back."

"It is not surprising that investors want to have their cake and eat it, too. However, it's dangerous to become overly focused on double-digit returns at the expense of preservation goals like future lifestyle. It remains crucial that families create well-defined and measureable goals supported by portfolios specifically designed for preservation and growth objectives," said Jeff Ladouceur, Director, SEI Private Wealth Management.

A shift occurs when comparing respondents under the age of 40 with those between 40 and 59 years old. The younger group expects roughly 24 percent growth in the coming year and 44 percent report running out of money as a top concern. Respondents in their 40s and 50s expect less growth (14.2 percent) and are much more likely to cite running out of money as their top financial concern (65 percent).

Coupled with the anxiety of running out of money is the UHNW's anticipated increase in spending. "Again, the results are incongruous," Ladouceur continued. "The same respondents that expect a high rate of return are the same respondents that fear their spending will outpace their returns. A lack of alignment between portfolio goals and capital uses is clearly evident."

More than one-third of ultra-wealthy expect their spending to grow by up to 25 percent in the next five years and nearly 1 in 5 (18 percent) anticipate an increase of at least 25 percent in spending. The young ultra-wealthy are the most likely of all age groups to expect the greatest increases in spending. Twenty-two percent anticipate an increase of 25 to 49 percent and seven percent expect an increase of at least 50 percent. By comparison, the 40 to 59 year-olds, who anticipate lower returns than their younger counterparts and are more likely to exhibit fear of losing their money, largely expect increases of less than 25 percent (82 percent).

This rise in spending is not unique to the ultra-high net worth, however. In fact, in a survey of the broader population, 31 percent forecast that they will increase their spending by up to 25 percent in the next five years. Similar to the UHNW results, younger respondents were more likely to expect higher increases than older respondents.

A Faulty Financial Compass

The ultra-wealthy in America spend far more time thinking about financial goals than the broader population. The additional time investment, however, appears to be misguided based on how the UHNW measure success and, to a degree, that they remain "benchmark focused" rather than "outcomes focused." The majority (80 percent) of survey participants from the broader U.S. population reported spending less than nine hours per week thinking about their financial goals. By contrast, the average UHNW individual spends 15 hours per week on the same activity, and yet, appear to not have the tools or advisor resources to make it time well spent. Strikingly, those under 40 report spending, on average, roughly 25 hours thinking about their financial goals each week.

Many ultra-wealthy Americans take a "do-it-yourself approach" to wealth management. More than one-third (38 percent) of UHNW Americans consider themselves self-directed investors. An additional 23 percent of respondents reported only using a financial advisor for guidance on more complex investments. These individuals lose the benefit of a boardroom approach to wealth management, which features a single trusted advisor who leverages a deep understanding of the client family and financial expertise to meet client objectives and goals.

"Again, we see a noteworthy disconnect," Ladouceur said. "The wealthier you become, the greater the need for a 'boardroom approach' to wealth management. And yet, the survey shows that investors are taking the complete opposite approach. Going it alone ensures that you will spend the majority of your time tracking relative performance and not actively planning how to put your wealth to work."

Indeed, on average, UHNW are $10.8 million away from achieving their life's financial ambitions, reflecting that a self-directed approach is not facilitating the financial freedom that UHNW individuals are seeking or expecting.

"Wealthy Americans can and do make a significant time commitment to thinking about their finances," continued Ladouceur. "And they're focused on the right measuring sticks. Nearly three-quarters say meeting a goal on time or early is among their top three measurements of success. However, without the right resources and the right team behind you, this is simply not time well spent."

This is the eighth assessment looking at the issues facing UHNW investors that SEI and Scorpio Partnership have co-led since 2011. The next two reports will focus on the survey of America's wealthiest families, which accounts for half a percent of the population, with an emphasis on decisions made around family and next, their community.

Methodology
The "Algorithms of Wealth" digital survey was conducted among 275 UHNW individuals. The average total financial assets of the individual respondents were $18 million. The broad population survey was conducted online among a sample of 1,018 adults comprising 508 men and 510 women in the United States, 18 years of age and older.

About SEI Private Wealth Management
SEI Private Wealth Management provides clarity into the complex issues faced by individuals and families so they can make better decisions for themselves, their families, and their communities. In September 2011, SEI Private Wealth Management, formerly the SEI Wealth Network, was named to the National Association of Board Certified Advisory Practices' (NABCAP) Premier Advisor list, published by the *Philadelphia Business Journal.* SEI Private Wealth Management is an umbrella name for various life and wealth advisory services provided by SEI Investments Management Corporation (SIMC). SIMC is a subsidiary of SEI. For more information about SEI Private Wealth Management, visit seic.com/privatewealth.

About SEI
SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of June 30, 2015, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $661 billion in mutual fund and pooled or separately managed assets, including $262 billion in assets under management and $399 billion in client assets under administration. For more information, visit seic.com.

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