

May 14, 2007



Heir Today, Gone Tomorrow

Less than one-third of wealthy Americans attach strings to inheritance usage, PNC survey reveals

PITTSBURGH, May 14 /PRNewswire-FirstCall/ -- Incentives in a will or trust can be a motivator for the beneficiaries to follow the giver's wishes. But less than one-third of wealthy Americans have attached strings for their heirs, according to the results of a survey by PNC Wealth Management, a member of The PNC Financial Services Group, Inc. (NYSE: PNC).

The survey found only 30 percent of high-net-worth individuals with estate planning documents instruct heirs to meet specific requirements to receive inheritances. At the same time, 62 percent believe it is important that each generation take responsibility for creating its own wealth.

"When it comes to leaving a legacy, too few individuals are taking the steps to ensure their heirs do not have unfettered access to their money," said Martyn Babitz, J.D., senior vice president of PNC Wealth Management and a senior trust advisor for Hawthorn, the PNC division that serves clients with \$20 million or more in investable assets.

"With incentive trusts you can promote beneficial work and a valuable contribution to society as opposed to treating family assets as an entitlement," he added.

Incentives as Motivation

"Most often, trusts require recipients to reach a certain age or successfully complete a college education," Babitz said. But some individuals choose to include more subjective strings, such as requiring an individual to hold a productive job, start a business or do certain work that is beneficial to society such as teaching or social work.

In addition "disincentives" are sometimes used to motivate beneficiaries to avoid personally destructive behaviors, such as drug or alcohol use or even requiring marriage within a faith, the latter a more controversial approach.

"Often, the grantor of the trust is trying to prevent a beneficiary from dropping out of society altogether or to motivate him or her to work rather than live solely off of their inheritance," Babitz said.

Of those who have attached stipulations to their will or trust, the survey revealed the top wishes as follows:

- 77 percent have earmarked funds to be used for education
- 46 percent have identified funds to be used for basic needs (such as housing)
- 29 percent have set aside funds for the next generation

- 28 percent have identified funds for business or career-related expenses
- 16 percent have identified funds to be used for specific charitable donations

The higher the asset level, the more likely it is that incentives will be applied, PNC found. The survey suggested that more than half (57 percent) of those with \$10 million in assets and more than four in 10 (42 percent) with between \$5 million and \$10 million in assets require heirs to satisfy certain terms such as age, education or maintaining a satisfactory job before they are allowed access to their inheritance.

Interestingly, however, younger individuals are more likely to have incentives attached to their estates. Fifty-six percent of those in the 18-to- 44 age range say they have attached stipulations, while only 27 percent of those aged 45-to-64 and 19 percent over age 65 have done so.

An overwhelming number (74 percent) of respondents say they plan to leave money to their children with 61 percent planning to leave it to a spouse, a third (32 percent) to grandchildren, and 30 percent intending to leave assets to charity.

An online media kit containing survey highlights and background information is available on PNC's website at <http://www.pnc.com/go/presskits>.

Survey Methodology

The wealth and values survey was commissioned by PNC to identify attitudes about wealth among high-net-worth individuals, how it affects their lives and their needs in managing wealth. The survey was conducted online within the United States by Harris Interactive(R) in October and November 2006 among a nationwide cross section of 1,123 adults (age 18 or over) with annual incomes of \$150,000 or above (if employed), at least \$500,000 of investable assets (if employed) or at least \$1 million of investable assets (if retired). Figures for age, sex, race, education, region, income, asset level and propensity to be online were weighted where necessary to bring them into line with the actual proportions in the population. Findings are significant at the 95 percent confidence level with a margin of error of +/- 2.9 percent.

The survey was designed and managed by HNW, Inc. (<http://www.hnw.com>), a leading provider of wealth marketing software and solutions to financial services companies and intermediaries seeking to capture and serve the high net worth market.

Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides research-driven insights and strategic advice to help its clients make more confident decisions, which lead to measurable and enduring improvements in performance. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices. More information about Harris Interactive may be obtained at <http://www.harrisinteractive.com>.

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