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Washington Gridlock Clouds Wealthy Outlook On Economy, PNC Survey Finds

- **Three of four wealthy investors say government needs to change way it operates**
- **Almost half are less optimistic on economy after shutdown and near default**
- **Almost two-thirds say the shutdown will negatively affect the economy**

PHILADELPHIA, Oct. 31, 2013 /PRNewswire/ -- The increasingly optimistic mood of America's affluent on the economy darkened in the aftermath of the U.S. government shutdown and near default, according to survey findings by PNC Wealth Management, a member of The PNC Financial Services Group, Inc. (NYSE: PNC).

Nearly half (48 percent) of those surveyed in the immediate aftermath of the near U.S. default in mid-October said they were less optimistic about the U.S. economy than they were before the highly contentious stalemate.

Three quarters (76 percent) said that governing by crisis must change because "the government simply cannot continue to operate this way." Only four percent responded that "things are going to get better."

In addition, 62 percent believe the events of the last few weeks will negatively impact the economy in both the short and longer terms.

However, despite the gridlock, 52 percent say they will not change the way they invest in the next six months, while 47 percent say they will be more cautious.

"We consistently advise our clients to add equity exposure when uncertainty is high and to reduce exposure when confidence is extremely high," said Thomas P. Melcher, executive vice president and managing director of Hawthorn, the family office unit of PNC Wealth Management. "We can clearly see from the survey that investor confidence was hurt by the shutdown, but we also see increased sophistication as evidenced by their intention to stay the course."

Prior to the government shutdown PNC's survey results showed that wealthy investors' outlook was mostly on the rise, with 32 percent saying they were "very or somewhat optimistic" about the state of the U.S. economy-- an improvement from 28 percent the previous year and from 10 percent two years ago.

Despite continuing sluggishness in the economy, strong market performance has contributed to a healthy increase in net worth. More than two-thirds (68 percent) said that their net worth

has increased by 20 percent or more in the last five years, up from 52 percent in 2012, while 12 percent said their wealth increased by 50 percent or more.

Lessons Learned

PNC's *Wealth and Values Survey* also revealed:

- **Unhealthy Outlook:** Two-thirds (67 percent) are at least somewhat worried about healthcare costs over their lifetime and 43 percent are concerned that healthcare costs will continue to increase and not be affordable.
- **Where the money goes:** Three industry sectors perceived by affluent investors as offering the greatest opportunities for gain over the coming year: technology was chosen by 59 percent, followed by healthcare with 50 percent, energy/utilities rank third with 42 percent and financials at 32 percent, up from 22 percent a year ago.
- **Moves in 2014:** More than half (53 percent) report that they will keep their exposure to stocks the same as 2013, with four in 10 (39 percent) saying they will invest more in stocks in 2014.

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

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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 in September and early October 2013 among a nationwide cross section of 923 adults (age 18 or over) with over \$500,000 in investable assets and a minimum annual income of \$150,000 (if less than \$1 million in investable assets and not retired). Findings are significant at the 95 percent confidence level with a margin of error of +/- 3 percent. Because of the extraordinary political events of October, a subset of 200 of these same individuals was re-contacted from October 18-22 to determine how their responses to the survey might have been affected. Questions associated with this sample have a margin of error of +/- 6 percentage points at the 95% confidence level.

The survey was designed and managed by HNW, Inc. (www.hnw.com), a strategic marketing services firm focused on the high net worth segment. The survey was supported by Artemis Strategy Group (www.ArtemisSG.com), a communications strategy research firm specializing in brand positioning and policy issues.

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