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**Affluent Market
Practice**

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Affluent & HNW Sentiment About the Economy & Investing

September, 2010



Affluent & Millionaire Investment Sentiment and Behavior

Every other month, the Phoenix Marketing International **Affluent Marketing Servicesm** (AMS) tracks changes that Mass Affluent and Millionaire (Wealth) households anticipate making to their investment portfolios in the next three months.

As in the past, this article examines trends in planned changes to overall investments, and recent changes made in specific asset categories (three months prior to June, 2010). These questions were fielded in late August and early September, 2010, using an online questionnaire. Responses were received from 1,273 qualified panelists.

Key Findings

- In September, economic optimism among both Mass Affluent and Wealth (millionaire) investors continued to sink.
 - Three-month forward-looking optimism about the U.S economy fell to levels last reached in early 2009.
- However, affluent and particularly Wealth investors seem to have concluded that timing might be right to put more money back into play.
 - The three-month planned increases to investment trend line increased sharply among Wealth investors and was up among Mass Affluent as well.
- Mainstream affluent increases to deposit accounts continued its downward trend since early in the year. Mass Affluent also reduced their exposure to stocks and mutual funds, but continued to make increases to cash value life insurance.
- Wealth investor allocations to alternative investments rose 16%, up from 14% in the previous period and established a 3-period trend. However, reductions in these accounts were also up for the third period in a row. These investors continued to make increases in annuity accounts.

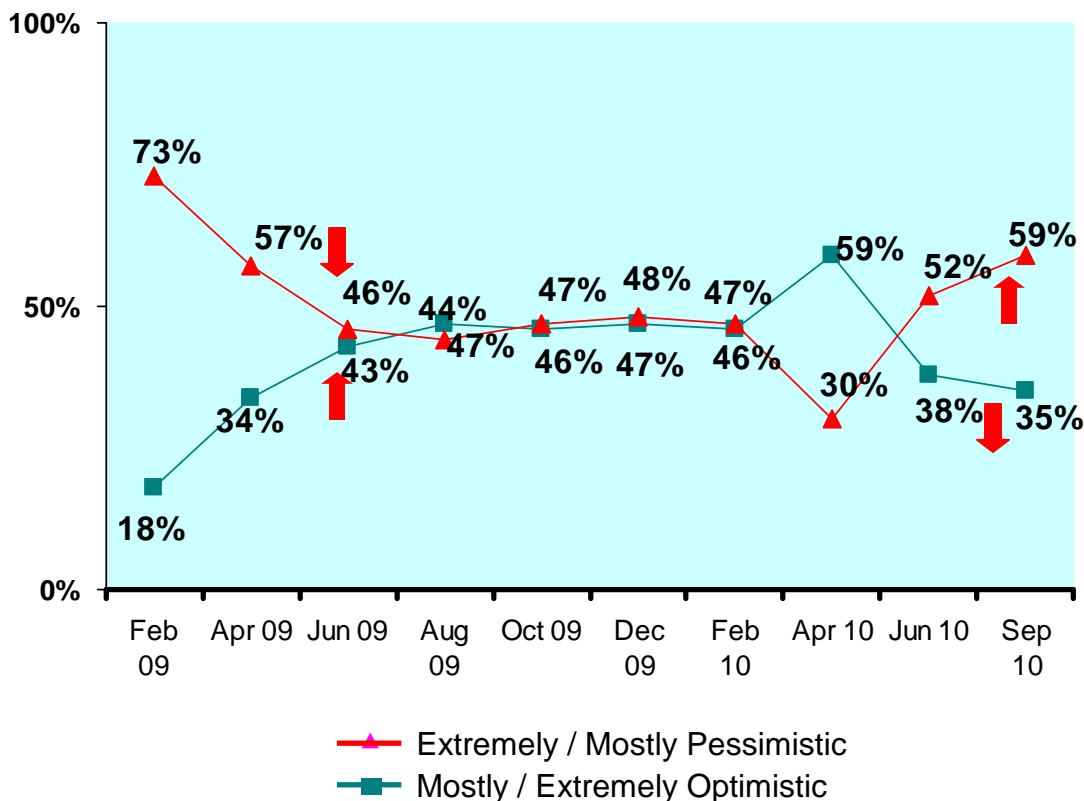


Economic Woes Pervade Sentiment

In late August and early September 2010, the continued dismal news about the U.S. economy pushed the economic sentiment trend line even deeper in the red. Nearly sixty-percent (60%) of Mass Affluent investors were pessimistic about the economy in the next three months, a level not seen since early in 2009.

Economic Outlook Next 3 Months Mass Affluent

How would you characterize your feeling about the economic outlook in the U.S. over the next 3 months?

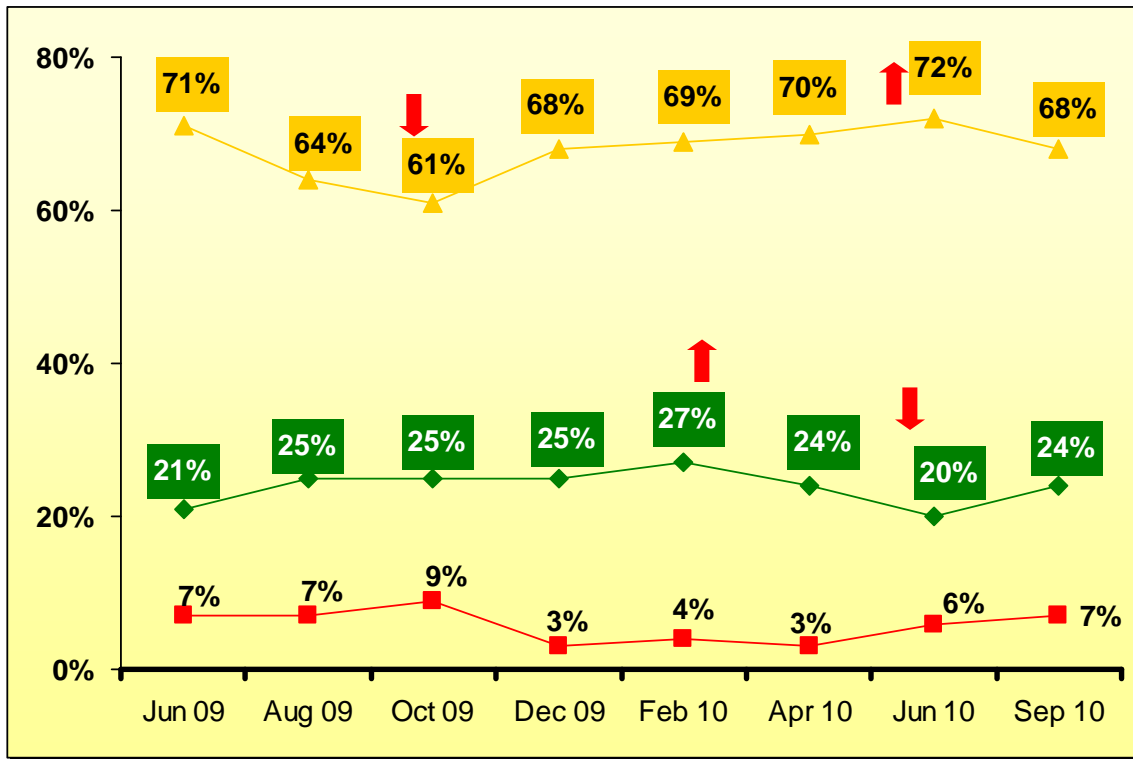


Note: remainder of respondents were "not sure" in each period

Investment Climate: Some Optimism Seeps Back In

In August/September, Mass Affluent investors seemed to be sensing some stability in the investing climate, as the forward-looking indicators inched back up. As of early September, 24% of Mass Affluent planned to make net increases to their portfolios in the next three months, up from 20% in June/July and reversing a 3-period decline in investment sentiment.

**Planned Changes to Investments
Mass Affluent Market – 2009-10**



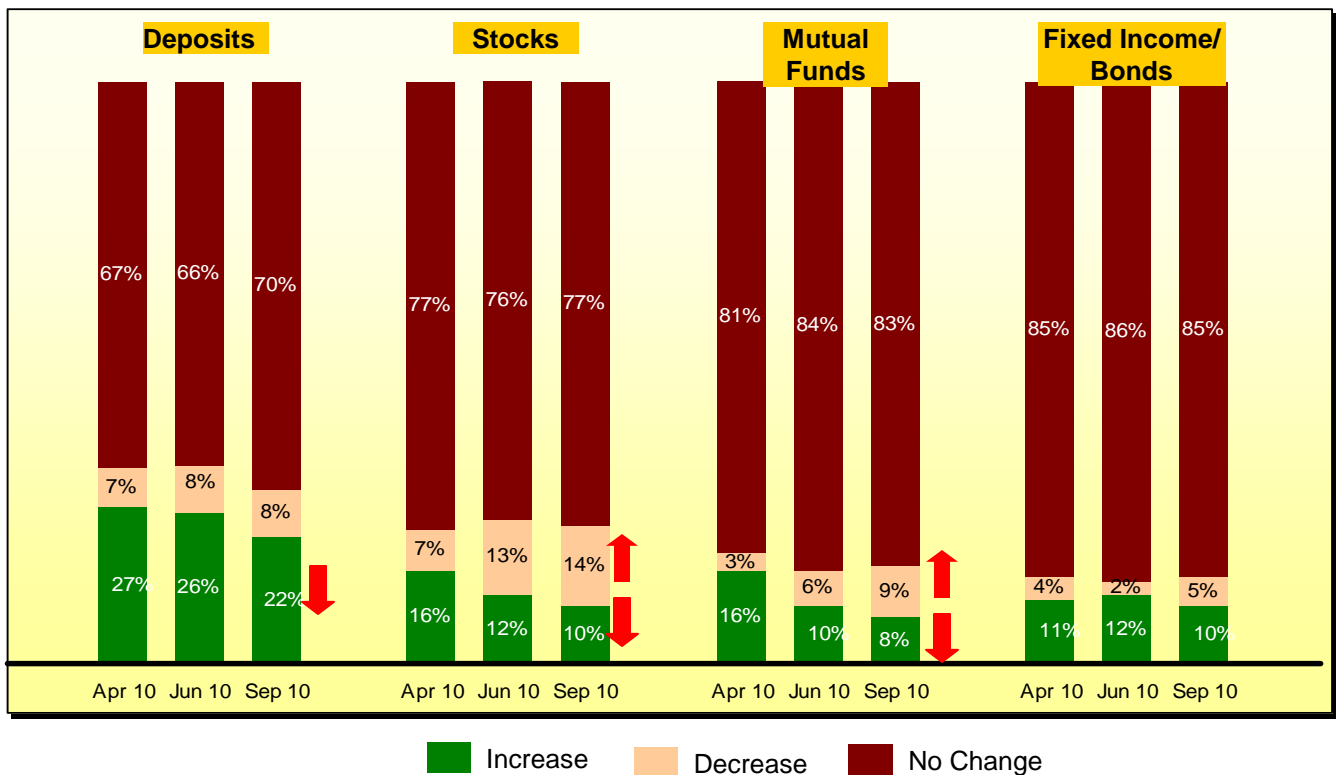
In the next 3 months, which of the following changes are you and your household likely to make regarding your overall financial investments?

- ▲ Make No Changes
- ◆ Net Increases
- Net Decreases

Reducing Exposure to Equities

In the current period, mainstream affluent increases to deposit accounts continued its downward trend since early in the year. Mass Affluent also reduced their exposure to stocks and mutual funds.

Actual Investment Changes In Past 3 Months
Mass Affluent Market: April – September, 2010



In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?

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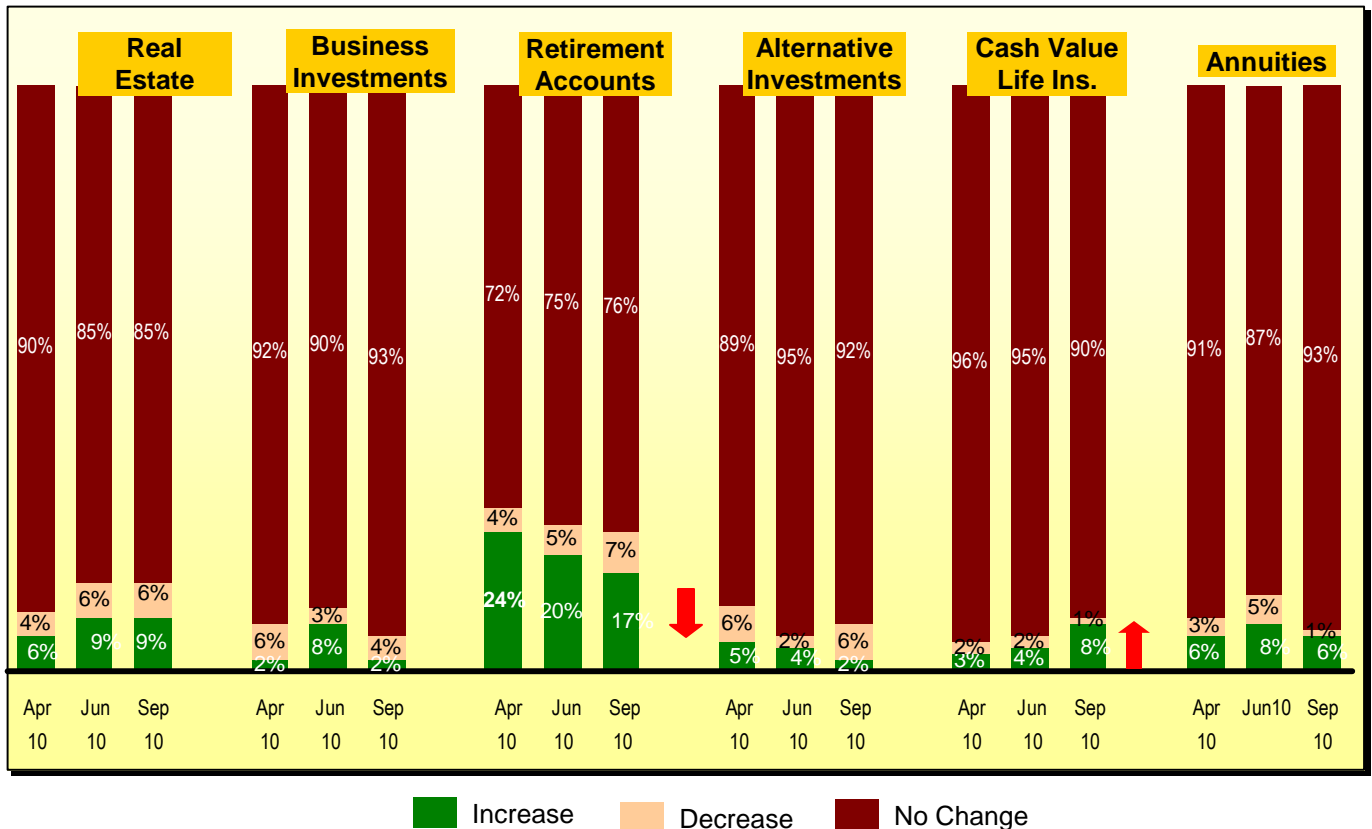


↑↓ 3 period trend

Finding Some Refuge In Cash Value Life

Among other investment classes, Mass Affluent continued to pull back from increases to retirement accounts. Given the economic climate, they also seemed to find refuge in increasing allocations to cash value life insurance, establishing a 3-period trend.

Actual Investment Changes In Past 3 Months
Mass Affluent Market: February – June, 2010



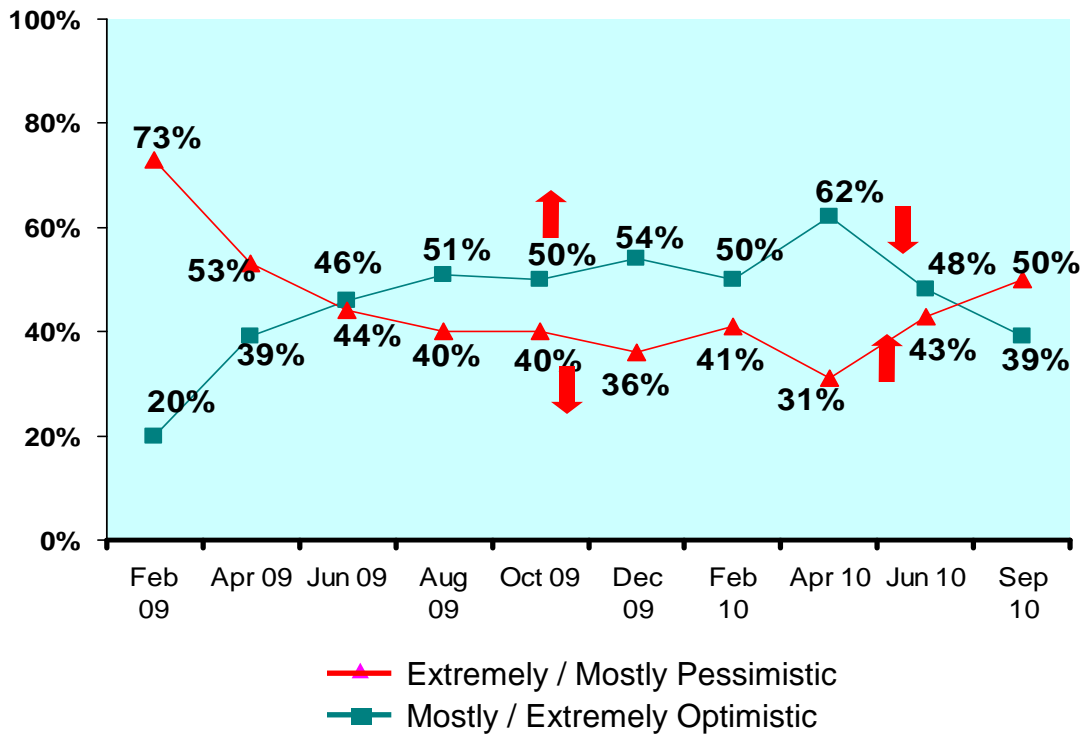
In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?

Economic Optimism Continues to Sink Among Millionaires...

In late August/early September, like the Mass Affluent, Wealth investors became even more pessimistic about the direction of the U.S. economy. The optimism trend line sank to 39%, a level last reached in April of 2009.

Economic Outlook Next 3 Months Wealth Market

How would you characterize your feeling about the economic outlook in the U.S. over the next 3 months?



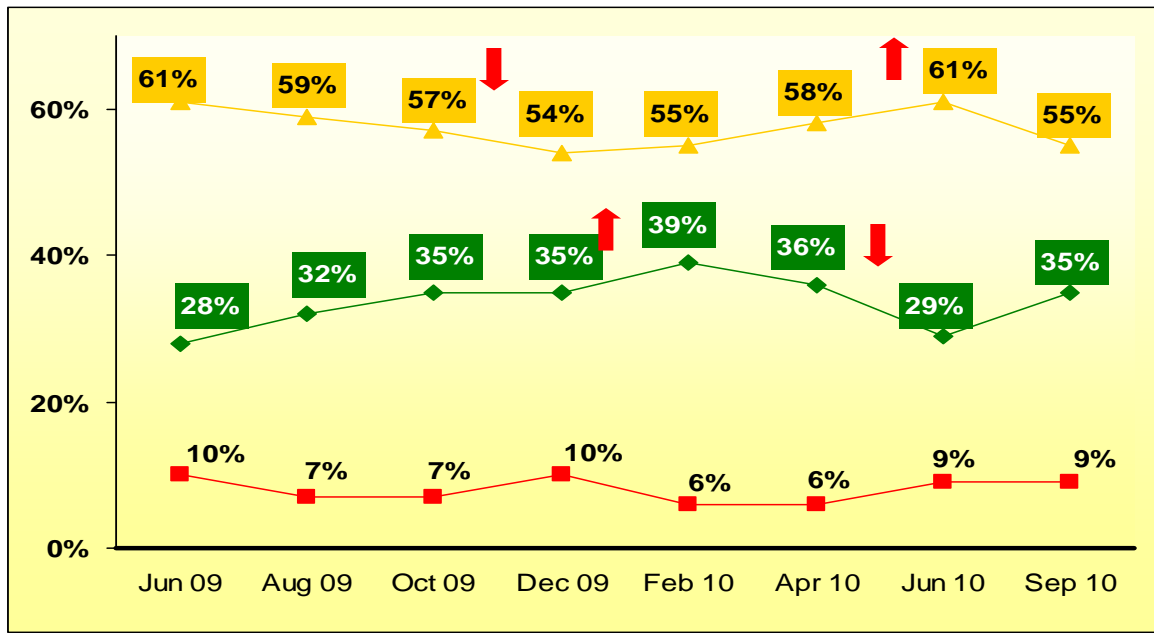
Note: remainder of respondents were "not sure" in each period



...but Investment Optimism Rebounds!

While millionaire investors became even more pessimistic about the U.S. economy in September, they reversed course on their investment outlook. The 3-month net increase trend line rebounded sharply in September to 35%, up from 29% in June and ending a 3-period slide. Wealth investors appeared to signal that they are less concerned about further market corrections and that they see opportunities to put new money back into play.

**Planned Changes to Investments
Wealth Market – 2009-10**



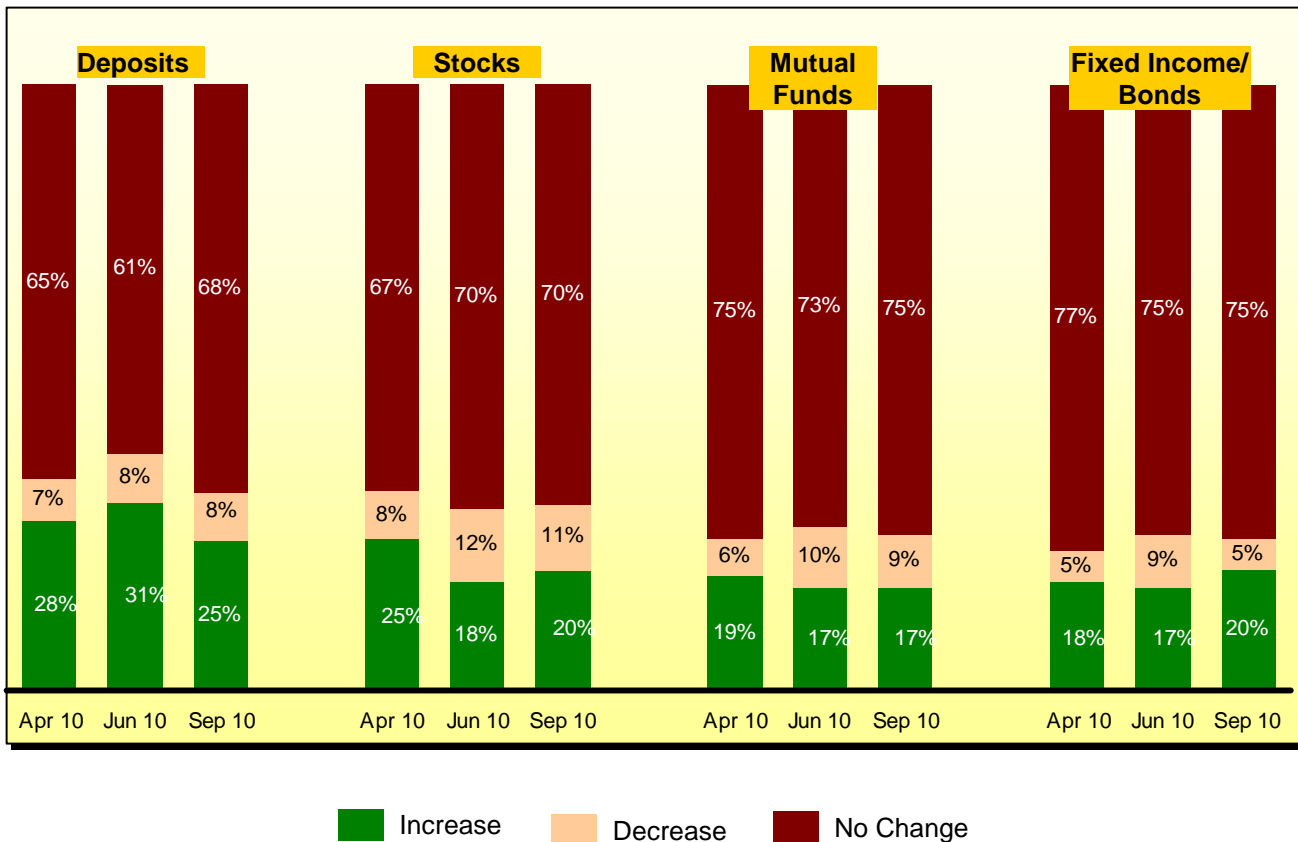
In the next 3 months, which of the following changes are you and your household likely to make regarding your overall financial investments?

- ▲ Make No Changes
- ◆ Net Increases
- Net Decreases

Little Direction From Asset Class Preferences

In the current tracking period there were no evident 3-month trends regarding increases or decreases to key asset classes such as deposit accounts, stocks, mutual funds or fixed income. This is further evidence that most Wealth investors were staying on the sidelines and waiting for some direction in the market.

Actual Investment Changes In Past 3 Months
Wealth Market : April – September, 2010



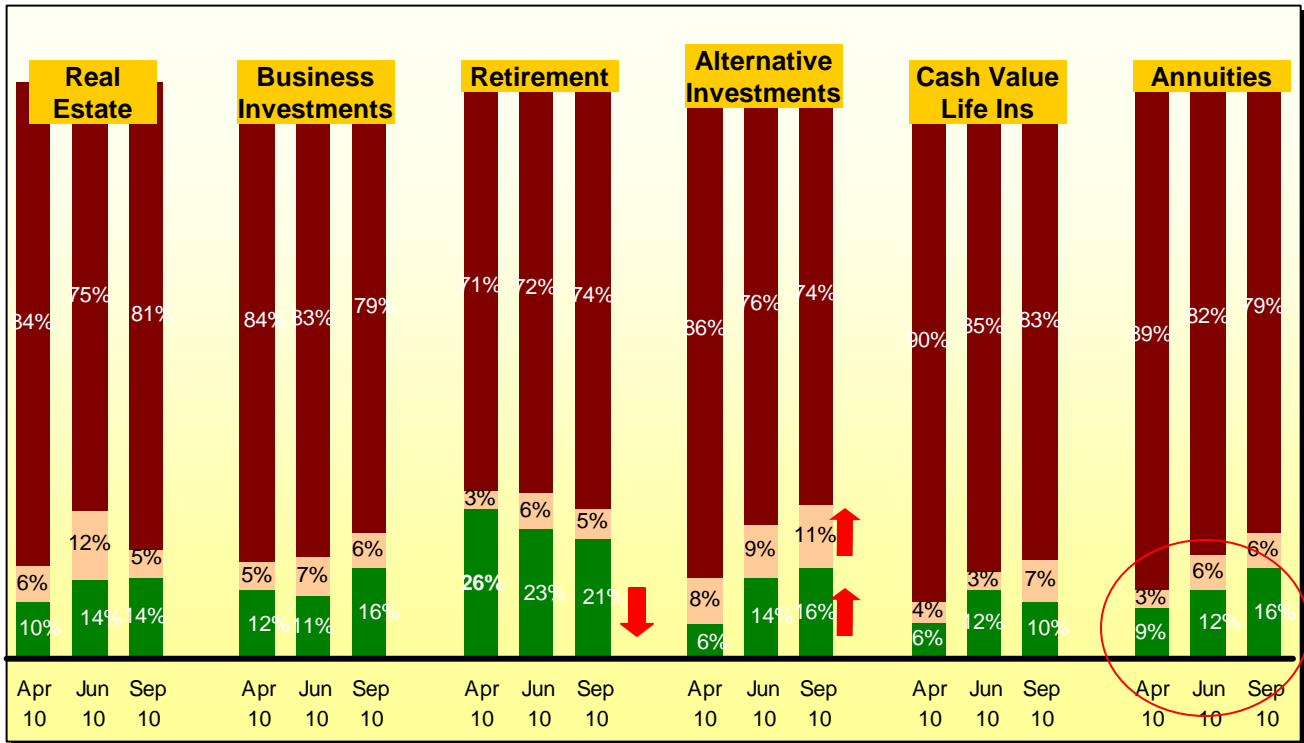
In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?

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Action In Alternatives and Annuities

Among other classes of assets, in August/September, allocations to alternative investments rose 16%, up from 14% in the previous period and established a 3-period trend. However, reductions in these accounts were also up for the third period in a row. Assets put into retirement accounts fell to 21%, down for the third period in a row. Sixteen percent (16%) of Wealth investors made increases in their annuity accounts, also establishing a 3-period trend.

**Actual Investment Changes In Past 3 Months
Wealth Market : April – September, 2010**



■ Increase
 ■ Decrease
 ■ No Change

In the past 3 months, which of the following changes did you and your household make regarding each of the investment categories listed below?