

The Wealth Management Exchange

Recession Alters Affluent Investment Behavior

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Many high net worth investors have changed their behavior as a result of the recent recession, according to a survey by *PNC Wealth Management*. One third (34 percent) say they are more conservative now, while 59 percent describe themselves as balanced or "moderate risk" investors.

"There is no doubt that the last year has taken its toll on wealthy investors," said Thomas P. Melcher, executive vice president and managing director of Hawthorn, the division of PNC Wealth Management that serves clients with \$20 million or more in investable assets. "Unfortunately it often takes a severe crisis and a significant loss of capital for investors to discover their true risk tolerance."

Melcher makes the point that the survey results confirm the value of an integrated wealth management model - one that combines estate, financial and tax planning with investment management. "Integrated wealth management enables investors to define their needs rather than their wants, which typically results in a less risky portfolio than one that focuses on wants.

According to the survey, the affluent are more conservative because of the toll taken on their assets by the recession. Nearly seven in 10 **(68 percent) of those with \$500,000 to \$1 million have seen a negative effect, compared to** five out of 10 **(48 percent) of those with \$5 million or more** in investable assets.

And what about the views of high net worth investors on the stock market? They are much more optimistic than a year ago but still cautious. Although more than half (51 percent), up from just 25 percent a year ago, are optimistic for the prospects of the stock market over the next six months, only 6 percent characterize themselves as enthusiastic about investing, while [almost] half (49 percent) describe themselves as either more tentative or outright reluctant to invest.