



## **Affluent Are Spending Less Even as Optimism Grows**

### **The wealthiest are spending on Insurance, SUVs and cosmetic surgery**

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Affluent Americans have the money, the drive and the will to lead us out of the recession—but will they?

According to the new Mendelsohn Affluent Survey released Tuesday morning, affluent Americans are getting more positive about the economy. More than half or 54%, say they are optimistic about the U.S. economy going forward, up from just 50% in April. Yet, it's also notable that the economy is still the No. 1 concern for 43% of the affluent, although this number is down from 60% at the beginning of the year, according to the survey, which polled more than 13,000 respondents.

Is their concern affecting their spending? Slightly. Over the next 12 months, only 13.9 million affluent Americans plan to invest in the stock market compared with 14.7 million in 2008. Moreover, 1.8 million plan to buy a new home, down half a million from last year. Nearly two million plan to start a new business this year, down from 2.1 million in 2008.

“The numbers are lower than in 2008, but [they’re] not the type of numbers you see when people just aren’t spending,” said Bob Shullman, president of Ipsos Mendelsohn. “There’s plenty of wealth among the affluent and their minds are getting more positive, which will be necessary for the recovery to get underway,” he said. “Millions of them are planning to spend on a lot of activity. If these people don’t lead us out of the recession, I’d like to ask the question: Who will?”

The survey showed that over the past year, the wealthiest Americans spent 18% of their discretionary spending on personal insurance, which was second only to home-related purchases (19%). They also spent 8% on charitable donations.

But the affluent aren’t denying themselves certain luxuries. More than 12 million plan to take a vacation outside the U.S. in the next 12 months, while 14.3 million have plans to redecorate or remodel their home in some way. And, 6.3 million are looking to buy or lease a new SUV or truck this year and 1.1 million plan to have a cosmetic procedure such as Botox.

Affluent Americans, those with \$100,000 or more in household income, are 2.3 times more likely to make purchases than less wealthy Americans, the survey concluded. And, when they do decide to buy, they also spend 3.7 times more than the average low-net-worth spender, the survey says. The affluent make up 20% of U.S. households, and hold 80% of the nation's wealth. More than 7 million of them have a net worth of at least \$1 million today, and 2.8 million have at least \$2 million.

## **PROFESSIONAL ADVICE**

The affluent also used a variety of professional advice when it comes to their finances. For instance, 5.7 million have used a tax consultant, 5.3 million used a certified public accountant, 5.1 million used a financial planner, 4 million used a full-service broker, 3.4 million did online trading, 1.9 million used a private banker, 1.2 million used a discount broker, 1 million used an estate planner and 1 million used another brokerage service.

Of those who used a financial planner, 21% had a household income of \$100,000 or more, 28% had \$250,000 or more and 33% had \$1 million or more in liquid assets. Of those who used a full-service broker, 17% had a household income of \$100,000 or more, 30% had \$250,000 or more and 33% had \$1 million or more in liquid assets.

One sector that hasn't been affected for the wealthy clientele is retirement. In fact, despite the market downturn that was in full swing last year, 1.3 million affluent Americans plan to retire this year, according to the survey, the exact same number that reported plans to do so in the survey last year. Nine-tenths, or 21.8 million households, have at least one retirement account, and 18.8 million are still contributing to these accounts. Two million are withdrawing from those accounts while 1.6 million have household members who are retired but who are not withdrawing. Of the retirement accounts they hold, 401(k) accounts still lead the pack with 68% of the group. Regular IRAs are held by 35%, Roth IRAs by 25% and spousal IRAs by 12%.