
Millionaires' attitudes, a leading indicator, are pointing up

By Editor Test Tue, Mar 15, 2011

Some millionaires need only \$1.75 million in investments to "feel wealthy," but 42% won't feel wealthy until they have \$7.5 million, a Fidelity survey found.

Millionaires' views on the current state of the U.S. economy have improved but remains "very weak." Regarding their own finances, their outlook became much more positive at the end of 2011, however, according to the fourth annual Fidelity Millionaire Outlook survey.

Using a scale from +100 to -100, Fidelity gauged millionaires' confidence in the economy at -54, up from -91 less than two years ago. Meanwhile, their personal outlook rose to +37 by the fourth quarter of 2011.

"Millionaires' outlook could be seen as a leading indicator of the direction of the economy, especially since the last time we conducted this survey in early 2009, they forecasted improvement in all aspects of the U.S. economy at the beginning of 2010," Michael R. Durbin, president, Fidelity Institutional Wealth Services.

Sentiment about the stock market is up 92 points (to +1) among millionaires—about one-third of whom say they have made back all the money they lost in the market from the fall of 2008 through the first half of 2009.

Despite the stock market's positive performance over the past couple of years, the Fidelity survey found that 42% of millionaires, whose age averages 56, still do not feel wealthy, compared to 46% who said they didn't feel wealthy in 2009. Those who classified themselves as not feeling wealthy said they would need at least \$7.5 million to feel wealthy.

Of the 58% of millionaires who say they do feel wealthy—up slightly from 54% in 2009—they began to feel so at \$1.75 million in investable assets, which is consistent with 2009 and up from \$1.5 million in 2008.

"The feeling of wealth is relative, based on factors such as the current market environment, a person's age, lifestyle, and so on," said Durbin.

Millionaires' future outlook has dramatically improved and is at the highest level in the survey's history (+37). The biggest driver of millionaires' outlook by the end of 2011 is business spending (+48), this component's highest level since the survey's launch in 2006.

Only 17% of millionaires say that the 2008-2009 market downturn shook their investing confidence and 68% do not expect market volatility to become the new norm.

Forty-three percent of millionaires say they are more knowledgeable investors now than before the market downturn, 75% feel financially secure, and 43% indicate they will invest more in the stock market over the next 12 months.

Four in 10 millionaires cite “securing enough resources to support their lifestyle during retirement” as their biggest concern, yet 69% have a well-developed financial plan and 81% are careful about spending.

Most millionaires (64%) are “extremely or very concerned” about the impact of potential tax changes on their investments and 36% plan to use tax free investments more. Thirty percent say they plan to invest more in IRAs over the next 12 months, up from 20% in 2009. Almost 40% expect to increase their mutual fund holdings over the next 12 months, up from 25% in 2009.

The Fidelity Millionaire Outlook is a study of 1,011 financial decision makers U.S. households with investable assets of at least \$1 million, excluding workplace retirement accounts and any real estate holdings. Northstar Research Partners conducted this year’s survey online in October 2010.

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