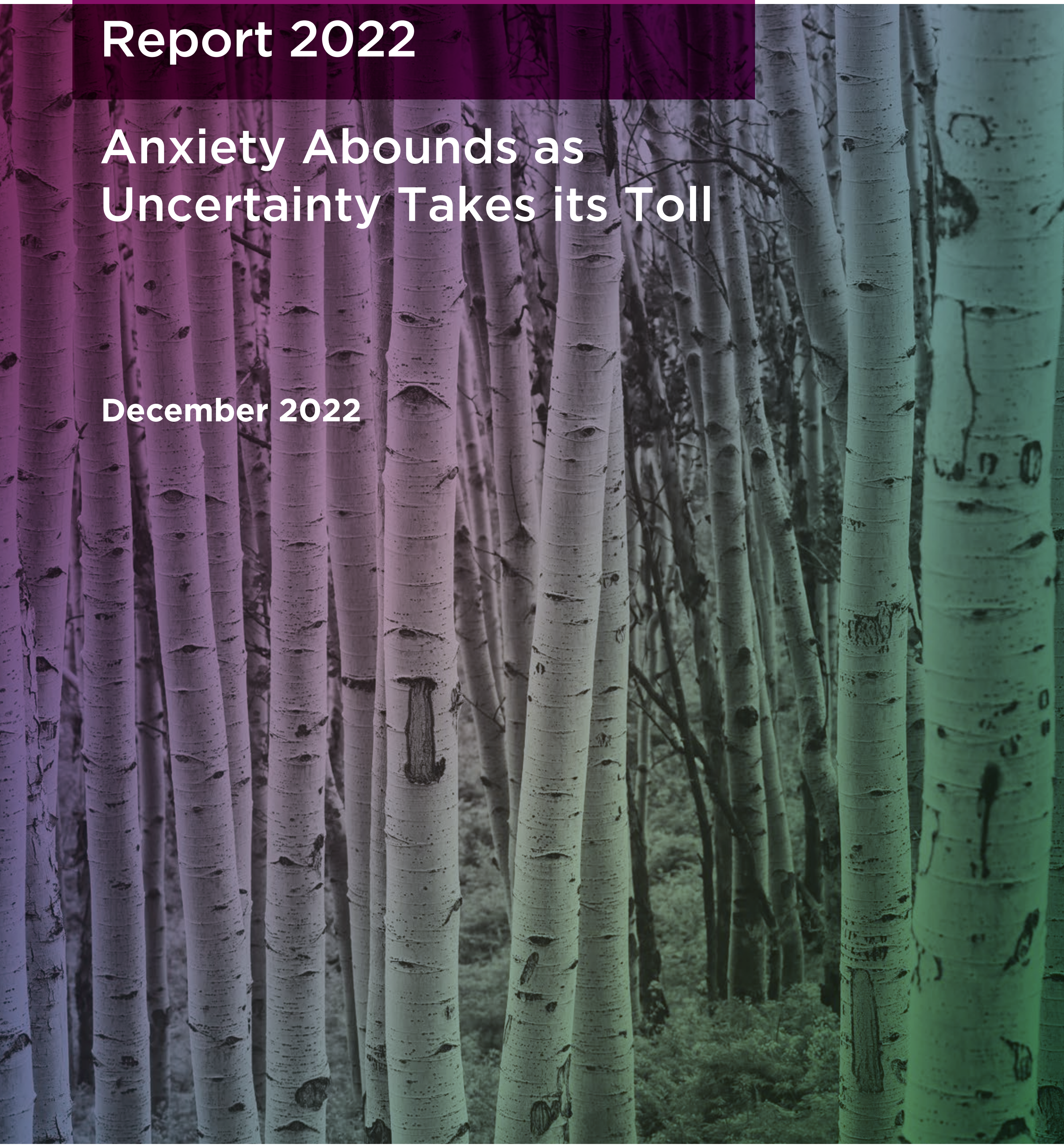
SAUNDERSON HOUSE

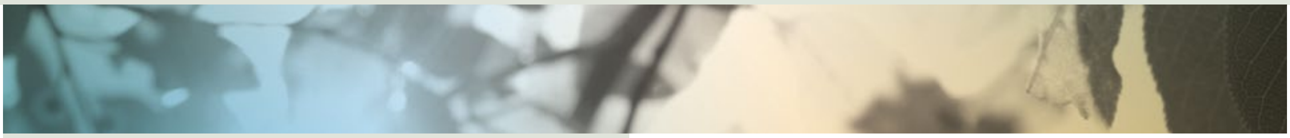
Part of Rathbones Group Plc

Financial Wellbeing Report 2022

Anxiety Abounds as Uncertainty Takes its Toll

December 2022





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Foreword

Welcome to Saunderson House's latest financial wellbeing report. I'm pleased to say that this is our fifth consecutive year looking closely at the financial wellbeing issues and challenges facing High Net Worth Individuals (HNWIs), particularly with backgrounds in professional and financial services. Whilst the past two years were dominated by the impact of the COVID-19 pandemic, 2022 has been another disruptive and turbulent year in most people's lives.

Our research was conducted against a highly tumultuous geopolitical and economic backdrop: the war in Ukraine, inflation, skyrocketing energy prices, four UK Chancellors and three Prime Ministers. Whilst this turbulence has refocused the concerns of HNWIs – with inflation becoming the top concern for the first time since we commenced our research in 2018, some trends remain a constant such as the desire for mental and physical wellbeing. So too the desire to support beneficiaries financially but not in a way that demotivates them, and the ongoing scepticism around the ESG industry.

We asked questions around the impact of the cost-of-living crisis for the first time this year – some interesting nuances have come through. Most HNWIs do not believe the energy rebate is a fair policy, and neither do they believe the Conservative Party is the most fiscally prudent. What is clear from our research is that 'financial wellbeing' does not come simply from having enough to support yourself and your partner, but that the choices individuals make around where their wealth goes, to whom, how and when has a significant impact on their lives.

Thank you to those of you who completed our survey and participated in our focus groups. As ever, please contact us if you have any comments or would like to discuss any of the issues raised in this report.

Olly Cheng
Associate Director
Saunderson House

E: olly.cheng@saundersonhouse.co.uk
T: 020 7315 6589

Methodology

We surveyed 224 High Net Worth Individuals (HNWIs) during July – September 2022 using an online platform, and carried out a series of focus groups via video call.

183 respondents are Baby Boomers, 32 are Generation X and 9 are Millennials. 79% of those surveyed are male and 21% female.

32% of respondents work in the legal sector, 34% in accountancy, and the rest have a background in careers including banking, management consultancy and technology.

All percentages have been rounded to a whole number. For some statistics we have converted the score out of 5 into percentages. For example, combining scores of 4 (agree) and 5 (strongly agree) to determine the percentage of overall agreement with specific statements or questions.

Definitions

Generations

For the purpose of this report, we define Millennials as people aged ***20 – 39***, Generation X as ***40 – 54*** and Baby Boomers as ***55 – 74***. Where relevant and significant, we highlight key differences between these three generations. In places, however, we compare the Millennial, or 'younger' generation to 'older generations', which we define as Generation X and Baby Boomers combined.

Responsible Investment

In this report, we use the term responsible investment as a catch-all term to cover ***ethical***, ***green***, ***sustainable***, ***impact*** and ***ESG-type*** investments. We feel that the term responsible best captures how our clients and similar HNWIs feel about the issue and investment approach.

High Net Worth Individuals

In this study, we define HNWIs as a person with approximately ***£500,000*** or more of investable assets (including property, minus liabilities).

Executive Summary

For the first time in three years, mental and physical wellbeing has fallen from the top spot of financial concerns, replaced by inflation and geopolitical instability. ‘A long term rise in inflation’ was selected as a concern by 45% of respondents, 44% selected ‘geopolitical instability’ whilst 38% selected ‘a deterioration in wellbeing in other walks of life’.

The rise in more conventionally ‘financial’ concerns is a reflection of the reality of today’s economic and political situation: a war in Europe, global inflation, and multiple changes at the top of the UK Government, all of which have put the markets in turmoil. Our research this year shows that this upheaval has impacted the lives of High Net Worth Individuals more so than ever, a group who are often untouched by wider shocks to the political and economic system due to their relatively secure financial position.

This year’s research shows that the economic situation has led to a noticeable rise in the ‘worried wealthy’, with some clients acknowledging that they have become concerned about their finances for the first time and advisers noting a “palpable sense of anxiety”. While mental and physical wellbeing may have dropped down the immediate priority list, it remains the top factor in terms of importance for achieving financial wellbeing.

Despite growing concerns, HNWIs recognise that they are particularly privileged compared to most people when it comes to the cost-of-living crisis and that they have been less affected than the wider population. The majority of respondents also disagreed with the ‘one size fits all’ energy rebate policy, arguing that support should have been prioritised for those most in need. In a snap survey[1] we carried out as part of our research 22% said they planned to gift the extra money away.

However, HNWIs do have concerns relating to the impact of inflation on their pensions and affording the cost of social care, as well as concerns around how the economic situation will impact the financial security and wellbeing of their children and grandchildren.

When it comes to supporting children or grandchildren, HNWIs still prefer to feather-boost – providing targeted financial support - rather than feather-bed when it comes to gifting. The most popular way of supporting beneficiaries being a deposit for their first home, chosen by 71% of respondents.

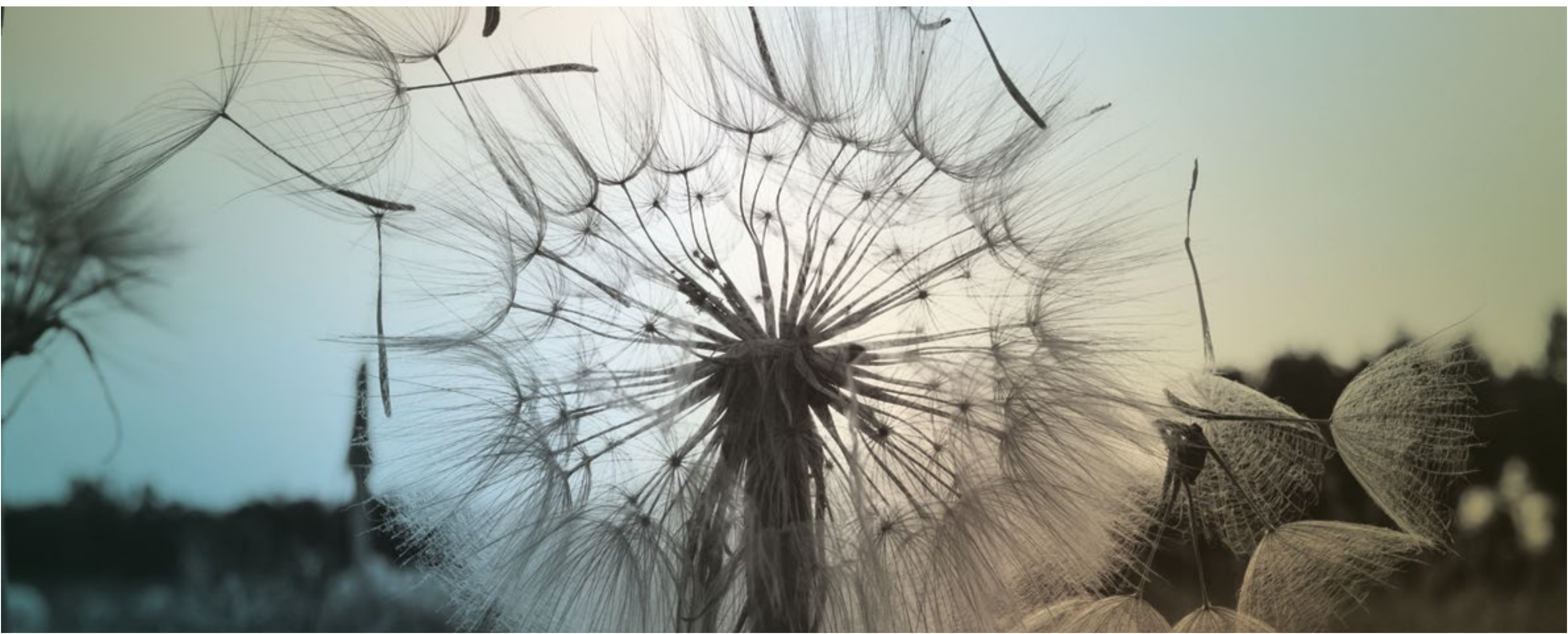
[1] *We conducted a snap survey online in October 2022 of 50 HNWIs.*

We also found that how to treat children and grandchildren 'equally' when it comes to financial support is often a conundrum for HNWIs, and that it is more about ensuring all beneficiaries achieve the same minimum level of stability, regardless of their individual financial situations. Conversations around wealth and inheritance also prompt different responses, with around half (46%) saying they would like more family conversations about wealth and estate planning without an adviser present.

Scepticism about the ESG industry remains, with only 12% saying they trust in the integrity of the industry, just a 1% increase from last year. And a flexitarian approach to responsible investing is still the most popular portfolio choice with more than two thirds (67%) of respondents saying they would like some but not all their portfolio to be invested with ESG goals in mind. The situation in Ukraine this year has complicated the view on what are 'good' stocks, with individuals pointing out that in this situation it seems right to invest in arms to support the Ukrainian people, highlighting the subjectivity of 'responsible investing'.

More broadly, HNWIs are concerned that neither of the main political parties are demonstrating financial prudence. In a snap survey among Saunderson House clients in October, when asked which of the main political parties they believe are more financially responsible, more people responded 'other' (32%) than either the Conservative (25.5%) or the Labour Party (25.5%). This suggests economic competence will be a key battleground in the run up to the next election.

This year's research continues to demonstrate the nuances of financial wellbeing amongst HNWIs and the important challenges facing the finance and advice industries to meet these needs in an era of continued uncertainty.

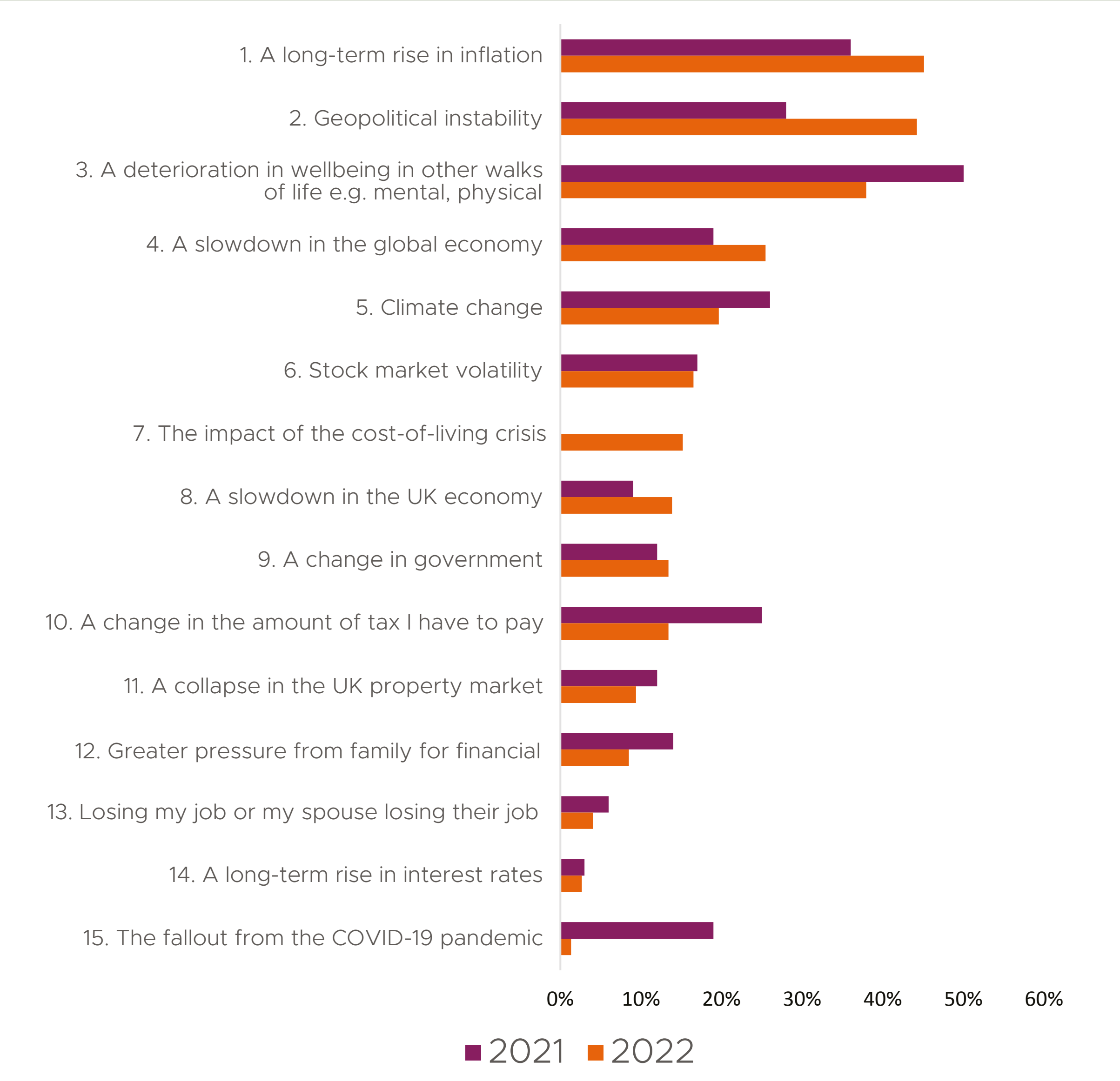


Financial Wellbeing

For the first time since our research began, ‘a long-term rise in inflation’ is the top financial wellbeing worry among HNWIs. Selected by 45% of respondents, this has overtaken ‘a deterioration in wellbeing in other walks of life’ which has dropped to third place.

Baby Boomer respondents selected inflation at a higher rate than other generations at 49%, compared to 28% and 33% for Generation X and Millennials respectively. One reason why the older generation is more worried about inflation is their experience during the 1970s. One focus group participant told us that “some of our generation have an almost emotional response to the idea of the spectre of inflation because a lot of us can remember when we were kids what an insidious force it was.”

When it comes to your financial independence and financial wellbeing, which of the following are you most worried about?



The top financial wellbeing concerns in 2022 (participants could select up to three) and how their relative importance has changed since 2021. The impact of the cost-of-living crisis was introduced as an option on the survey this year.

Geopolitical instability ranks in second place, rising from fourth last year. The war in Ukraine has exposed the fragile and interconnected nature of the global supply chain, with increases in food and energy prices as a consequence. After our survey was conducted, recent UK political instability undoubtedly fed into this as well. This geopolitical turmoil has translated to financial uncertainty, particularly among investors.

A retired solicitor said:
"What's the real consequence for me of the Ukraine war? I don't have the faintest idea. I mean, if we're just simply talking financially, no idea whatsoever."

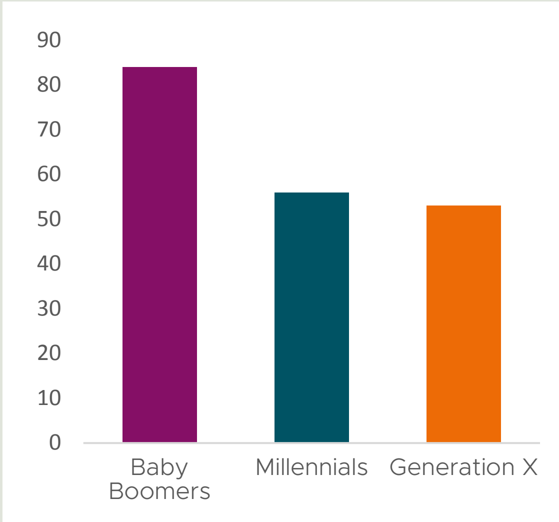
Despite dropping down from the top place among concerns, the most important factor for achieving financial wellbeing remains 'having mental and physical wellbeing,' which is deemed important or very important by 94% of respondents. This adds further evidence to the symbiotic relationship between financial and physical wellbeing which our previous reports have explored. In addition, 'feeling happy with the state of my finances' and 'having clarity and confidence over my future financial plans' placed second and third. This sentiment was reinforced by a Saunderson House adviser who said the current uncertainty in the markets had led to a "palpable sense of anxiety" among their clients.

"I was speaking to a client yesterday who is 80 and he said I have never been so nervous ... you have a triple whammy at the moment of inflation, markets, and now currency."

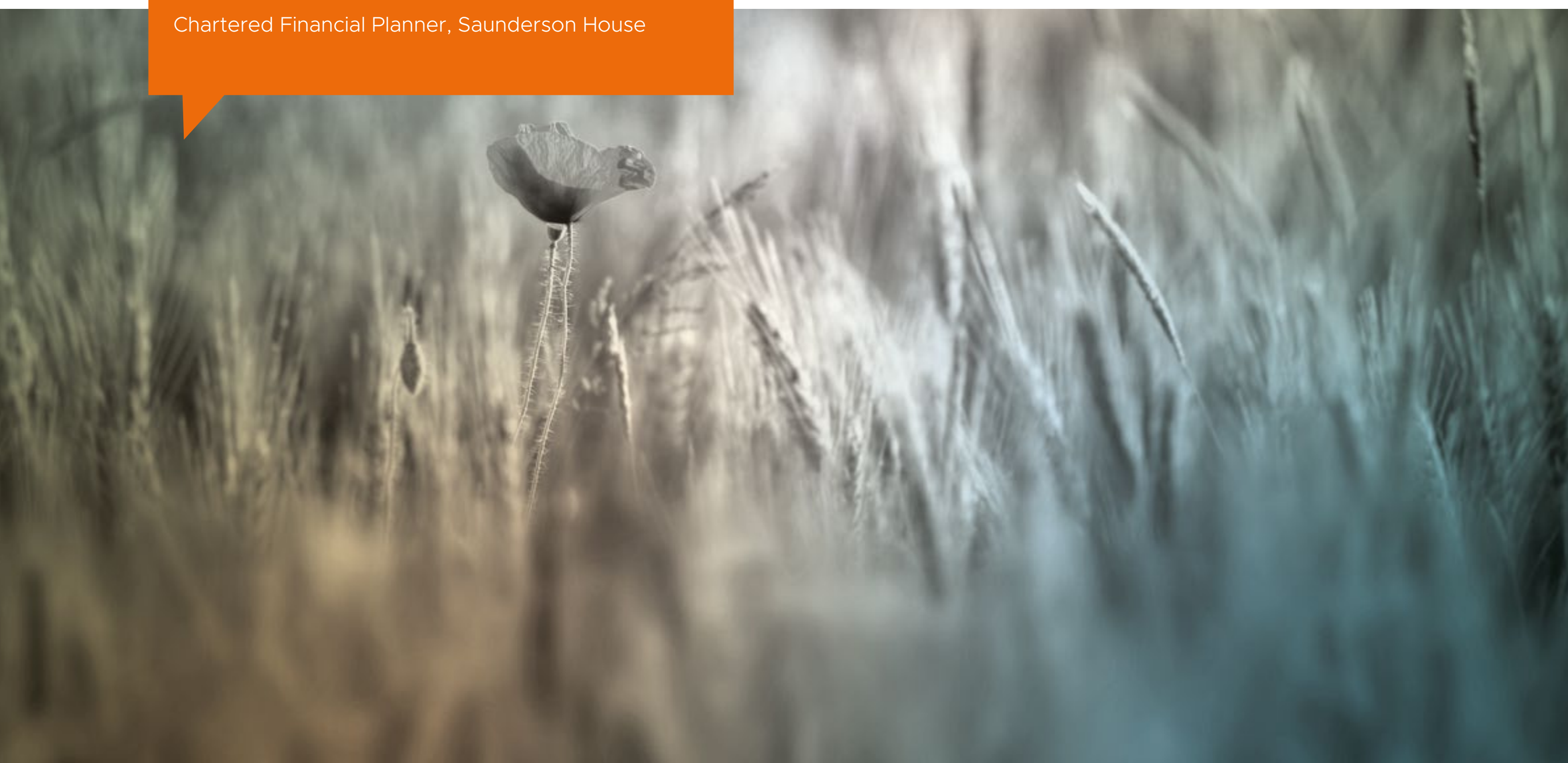
Chartered Financial Planner, Saunderson House

The most desirable action to improve the sense of financial wellbeing is 'knowing how much I can safely withdraw from my portfolio', with 79% of respondents deeming this desirable or very desirable.

'Knowing how much I can safely withdraw from my portfolio'



By Generation, % Desirable or Very Desirable



Importance vs Ability Gap - Financial Resilience

We asked respondents to rate how important certain factors are from 1-5 when it comes to their finances. We then asked respondents to rate their ability to achieve the same factors on a 1-5 scale. The difference between this is what we term the ‘importance-ability gap’, or ‘worry gap’.

The largest gap observed is around the perceived ability to withstand a long-term economic crash. The average response in terms of importance is 4.5, however, the average response to ability is 3.2 – a 1.3 point gap, which suggests HNWIs would value advice from their financial adviser on long-term planning.

Compared to 2021, there is a similar level of economic anxiety among HNWIs. The gap in withstanding a long-term economic crash, an economic slowdown, and paying for long-term care do not appear to have changed. This suggests that HNWIs are similarly nervous about the impact of inflation and geopolitical instability as they were about the long-term impacts of exiting the COVID-19 pandemic. However, the last two and a half years may create a compounding effect, with there being little to no respite between the COVID-19 pandemic, the war in Ukraine, the cost-of-living crisis and political instability. In the future, we may see this gap grow larger as the combined effects of multiple crises begin to set in.

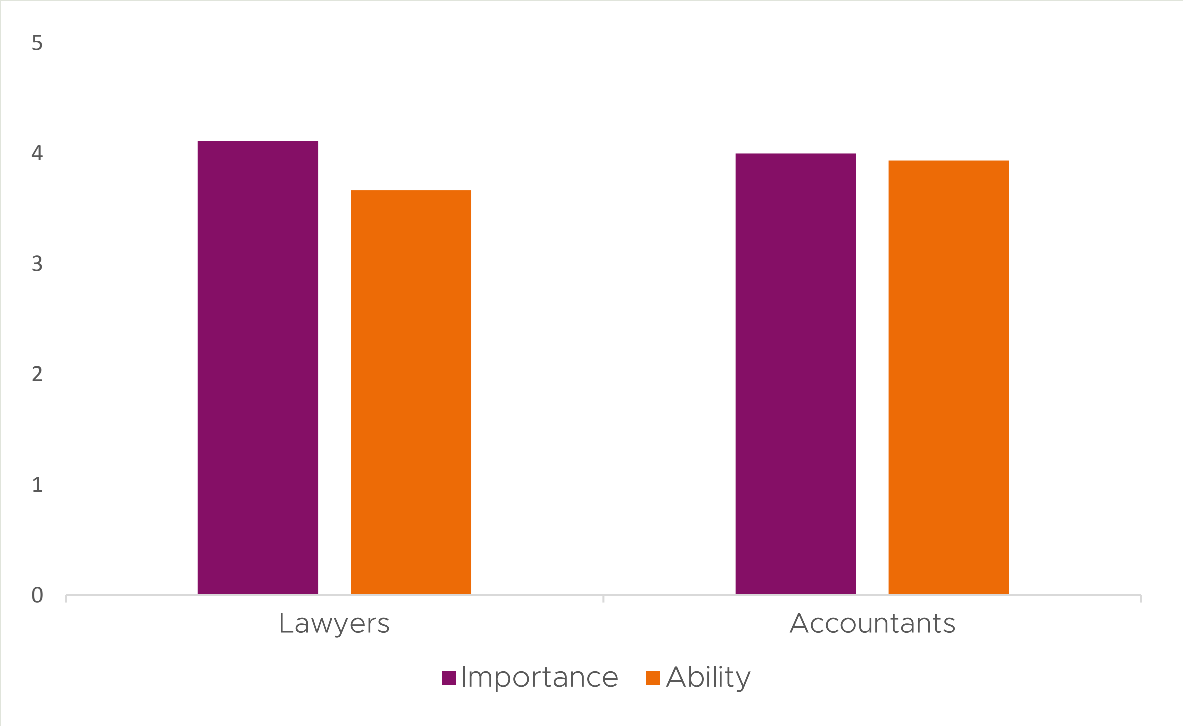
In two regards, HNWIs rated ability greater than importance. Firstly, with regards to investing in sustainable financial products with an average rating of 0.4 higher in ability than importance. Secondly, making financial gifts to dependents. However, this was only a slight difference of 0.2 – the lowest overall importance-ability gap. This would suggest HNWIs are satisfied with their current gifting ability to dependents.

Importance-Ability Gap

Score of 1 = not at all important/ not at all able, 5 = very important/ very able

A difference in the importance-ability gap is observed between the professions when it comes to planning for the future. Both accountants and lawyers rate the importance of planning for the future similarly (4.0 vs 4.1), however, lawyers feel less able to do so. This may reflect the nature of both professions' work, with accountants more able to apply their industry knowledge to their own finances resulting in decreased worry regarding their future financial planning.

Planning for the Future



Score of 1 = not at all important/ not at all able, 5 = very important/ very able

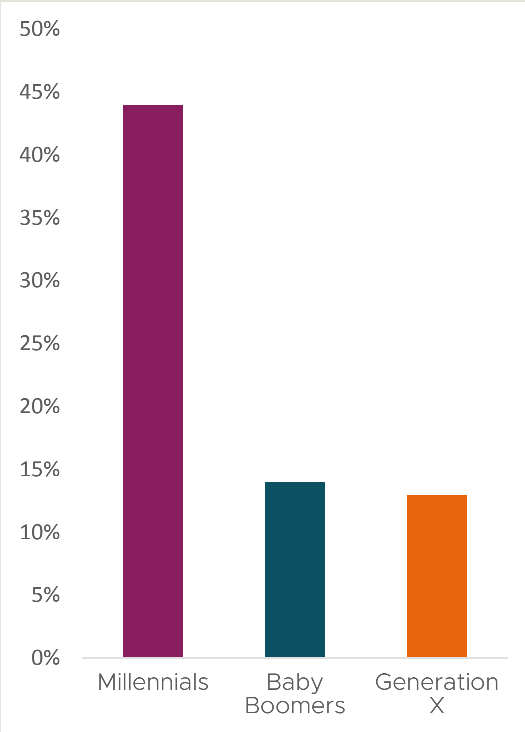
Cost-of-Living

With inflation soaring to over 10% at points throughout this year and energy prices sky-rocketing, the 'cost-of-living crisis' has become a term very much in the zeitgeist. For the first time, we sought the views of High Net Worth Individuals (HNWIs) on the current crisis, what impact it has had on them and their views on the best ways to deal with it.

Impact of the cost-of-living crisis

Inflation is the most important issue for HNWIs this year, with 45% of respondents regarding it as their main concern. The cost-of-living crisis does not provoke the same level of worry, given only 15% view the impact of the crisis as an important concern.

The biggest factor, however, in determining the view of HNWIs on this issue is age.



Percentage of respondents concerned by the impact of the cost-of-living crisis

The chart shows that 14% of Baby Boomers class it as a key concern whilst 44% of Millennials worry about the impact of the crisis on their finances. Our focus groups supported these findings, with one over 55-year old saying ***"it hasn't affected me in the sense that it has not changed my pattern of spending… I have a substantial income"*** whilst another said ***"I'm certainly not worried about mortgage interest rates because I barely have one."***

In comparison, there is a sense that the younger generation of HNWIs face financial issues from the cost-of-living crisis which do not impact the older generation in the same way:

> "My sons have now got these huge mortgages compared to what we had, relative to salary… and solutions to the cost-of-living crisis all seem to involve pushing up mortgage interest rates and higher taxes… So I think they're getting a bit of a double-whammy."
>
> ***Retired Management Consultant***

Occupation also plays a key role in how HNWIs view the cost-of-living crisis, with a higher proportion of accountants than solicitors regarding the crisis as worrying. Perhaps the conservatism and healthy scepticism involved in accountancy, in which they ask tough questions on growth, timelines and profitability, contributed to a greater percentage of accountants viewing the cost-of-living crisis as a greater potential threat.

Percentage of respondents concerned by impact of the cost-of-living crisis

Pensions and Investments

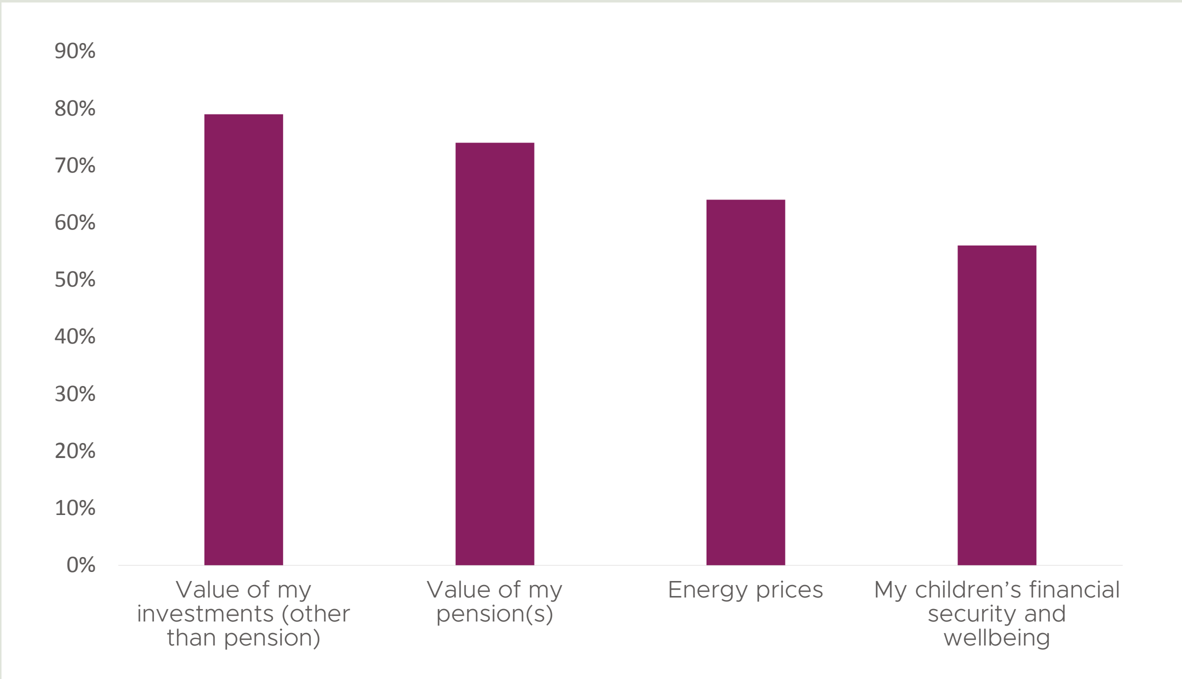
When asked about what concerns them the most about the cost-of-living crisis, the most common answer from HNWIs is the impact it could have on the value of their investments. We found that 79% of respondents believe that the effect it could have on the value of their investments is concerning whilst 74% think the same about their pensions.

It is worth noting that the percentage of HNWIs who select the financial security and wellbeing of their children as their main concern with the cost-of-living crisis is 56%, significantly lower than those who select investments and pensions. This may be due to the fact that some HNWIs recognise the short-term impact of the current cost-of-living crisis on their investments, but understand that this recessionary environment does have an end point and in the long run, the financial plans for their children are less likely to be impacted.

"Part of our income comes from defined pension benefit schemes but there's a cap on the annual increment and inflation is fine at 4/5/6%, but if its rising to sort of 10/12/15% then its less fine so longer term we'd worry about that."

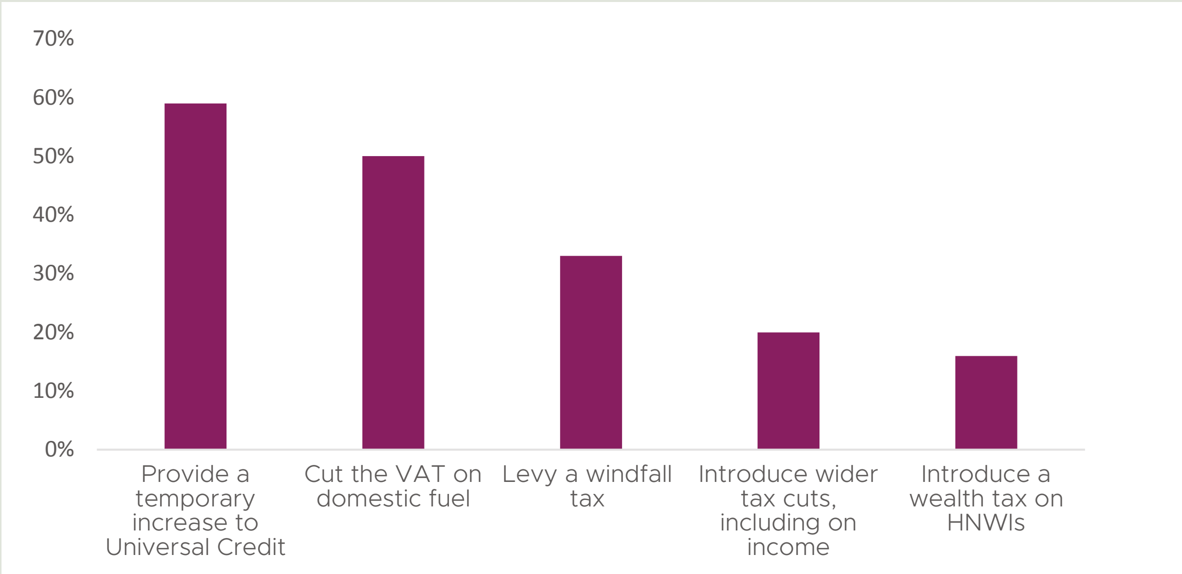
Entrepreneur in Law and Tax Publishing

In light of the current economic situation, with high inflation and increased cost-of-living, how concerned are you about the following?



Dealing with the cost-of-living crisis

To what extent do you agree with the following measures to combat the cost-of-living crisis?



Throughout the cost-of-living crisis, there have been a variety of different policies suggested, implemented and even reversed by policymakers in areas including tax, national insurance and universal credit.

We sought the views of HNWIs on how best to deal with the crisis, and found that there is a clear sense among them that those less fortunate require more help from the Government than what they have currently been receiving. When asked about the best measures to combat the cost-of-living crisis, the majority (59%) of HNWIs agreed with a temporary increase to Universal Credit.

"I think it's a bit of a no brainer at this stage that more help will have to be given, and all but the most callous individual would agree it needs to be directed to those who need it most."

Entrepreneur

Furthermore, focus group participants even went as far as to challenge the Government's decision to take off £400 from every household's energy bills. In our snap survey,[2] we found that the vast majority felt this way, with 53.1% believing that HNWIs should not receive the energy rebate and 22.4% going even further by stating that they plan to give the money away. Saunderson House advisers note that clients have also expressed a similar sentiment about the pension triple lock – that too much money goes to people like them who don't need it.

"I don't agree with the Government's decision to give £400 to every household. I don't need £400 and I'd much prefer them to allocate that resource to the people who really need it rather than give it to me."

Accountant

[2] *Snap survey between 6th–13th October 2022 with 50 respondents.*

Taxes

There is, however, clear opposition to a Wealth Tax being implemented as a way to increase government funds to deal with the cost-of-living crisis, with only 16% agreeing with this measure. One respondent commented that wealth taxes ***“seem like a people-pleasing tag line”*** whilst another said ***“it would frighten me and I don’t think historically they have worked.”***

This consensus does not apply to all taxes, however, with there being some division over the idea of a windfall tax being implemented, demonstrated by 34% of Baby Boomers agreeing with the measure and only 22% of Millennials doing the same.

One Baby Boomer commented ***“I can see a logic for a windfall tax on the basis that there is some profit coming into the oil companies which they’ve done nothing to earn in a sense”*** whilst one of our under 30 year-old respondents offered the alternative view that ***“perhaps it would be better to let it [profits] be spent wisely by the companies.”***

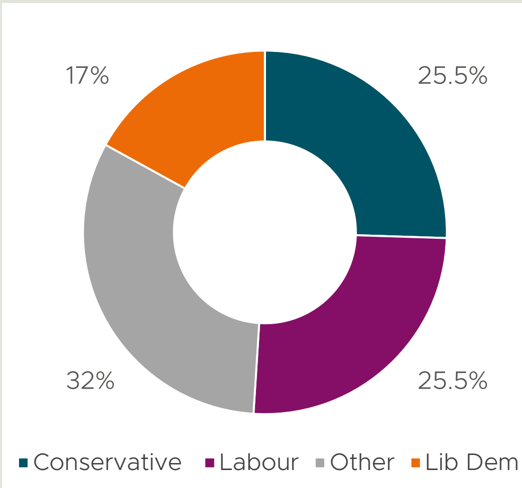
A change in voting intentions?

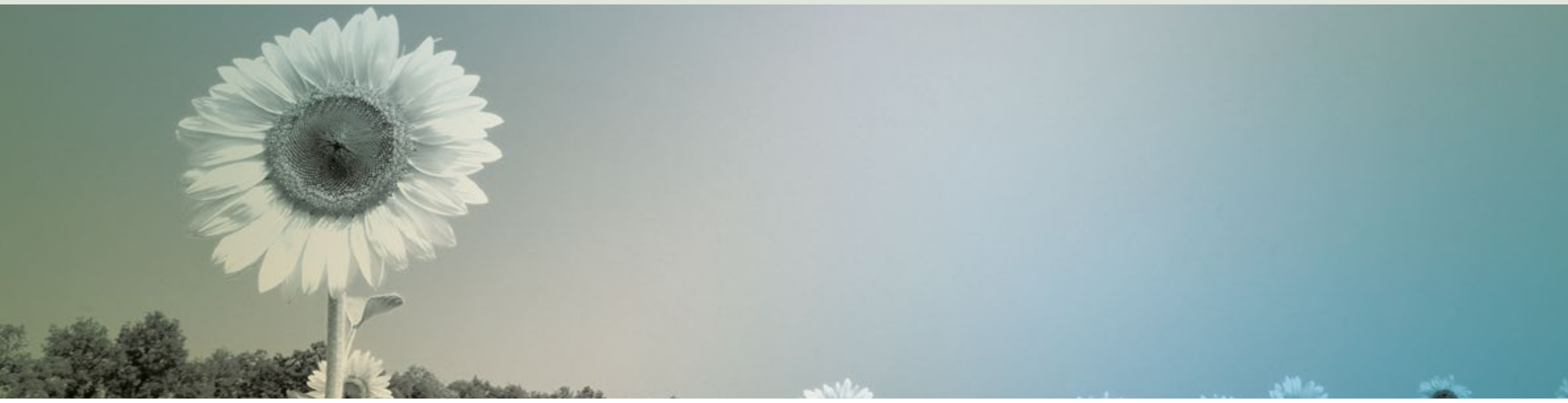
Given the variety of opinions on how to deal with the cost-of-living crisis, we asked HNWIs in a snap survey which political party they believed is more financially responsible / economically prudent given recent events. An equal number (25.5%) of respondents chose the Labour Party and the Conservative Party. Given the demographic of respondents and the stereotype of the ’fiscally prudent’ Conservative Party, this is a surprising statistic, and demonstrates the impact of the recent events on HNWIs’ perception of the Conservatives.

Intriguingly, the option that was selected the most was ‘other’, with respondents adding comments such as “currently I have no confidence in any of them” and “they all seem to be economically illiterate. Hopefully the Tories will get their act together and restore credibility in the next few months, I just don’t believe Labour’s rhetoric,” reflecting not only a growing frustration among HNWIs with the current Government but with the state of politics more widely.

Any further political turmoil in the next six months is likely to enhance the dissatisfaction among HNWIs with policymakers, particularly if it continues to impact the markets and their investments. With the Conservatives aiming to gain stability as the cost-of-living crisis looks set to continue, the next six months are likely to involve further discourse from both parties around the best policies to deal with the issues we have discussed, including energy bills, universal credit, pensions, windfall taxes and income tax.

Which political party is most financially responsible?





ESG and Responsible Investing

With the ever-growing threat of climate change, increasing media coverage on social issues and greater scrutiny over how businesses treat their workers, where people choose to invest their money has become a more and more important question over the last decade. However, events over the past year have made the picture more complicated with the cost-of-living crisis arguably forcing people to think about themselves first and the planet second. The war in Ukraine has made the case for some for investing in arms whilst the large profits being made by oil and gas companies has increased the appeal of investing in these sectors.

ESG / Responsible investing refers to an investment approach where investors take into account Environmental, Social and Governance factors when evaluating companies to invest in, and favour companies that rate well with these criteria.
A record $649 billion was invested in ESG-focused funds worldwide in the first 11 months of 2021 alone, up from $542 billion in 2020 and $285 billion in 2019 respectively.[3]

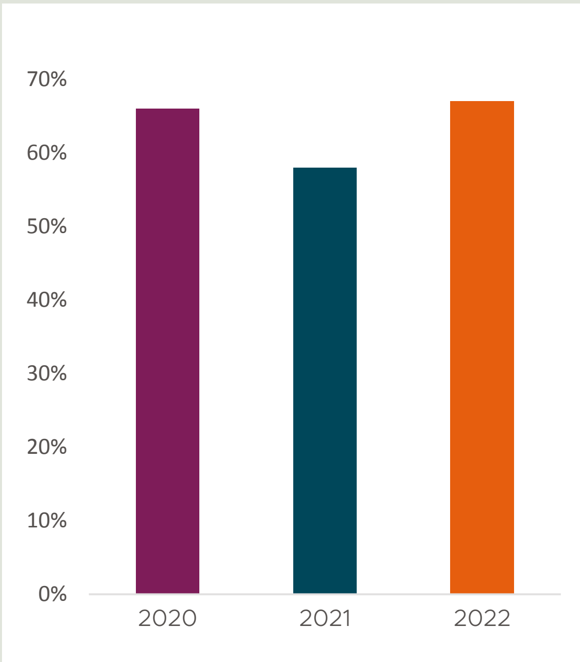
The rise of 'Light Green' Portfolios

This year, there has been an increase in support for 'light green' portfolios, which is where ESG investment strategies take up part of an investment portfolio as opposed to all of it. The percentage of respondents who believe there is a place for ESG in part of their portfolio has increased from 58% in 2021 to 67% in 2022.

The age group most inclined to invest in "light green" portfolios is Generation X, with 84% of them agreeing with this statement. We found that those in this age group focus on the impact that environmental and social changes could have on their children and future generations, and acknowledge that a financial adviser is usually necessary to invest in this way.

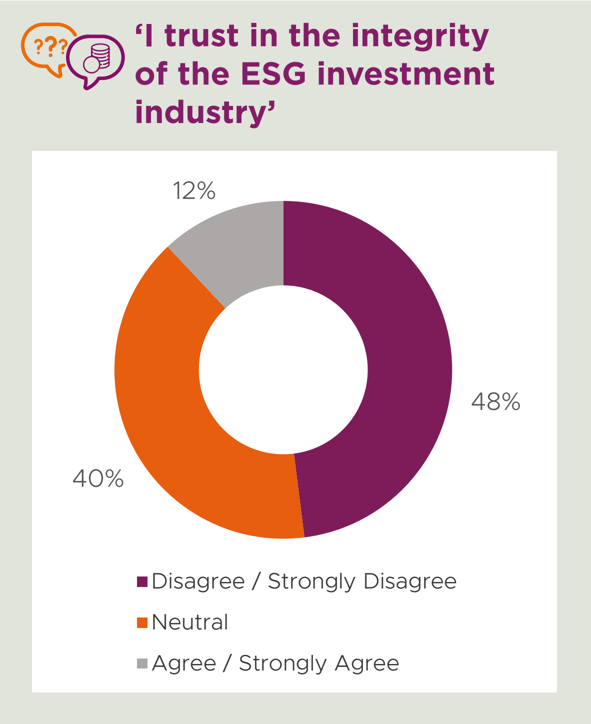
> "You should take care of the environment for future generations and social responsibility is important. This is the only way I know how to help with my money – by telling Saunderson House to invest in those companies."
>
> ***35-40 year old Accountant***

'There is a place for ESG, but only as part of my portfolio, it's not realistic to solely invest in ESG'



[3] https://www.reuters.com/markets/us/how-2021-became-year-esg-investing-2021-12-23/

Trust in ESG



There are, however, still clear barriers to ESG take-up, mainly stemming from a lack of trust in the industry. The sector is failing to properly increase its legitimacy among HNWIs with only 12% of individuals agreeing with the statement 'I trust in the integrity of the ESG investment industry', which is only a 1% increase from last year.

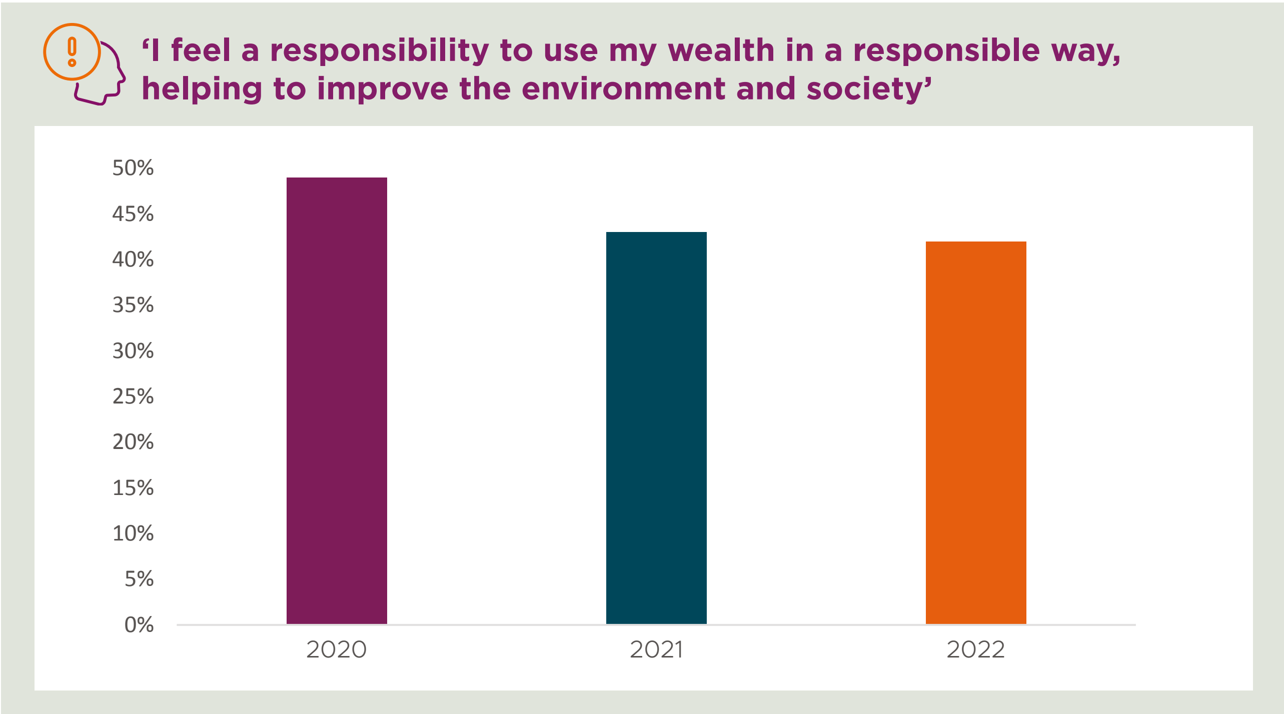
We found that the key concerns revolve around 'Greenwashing', where organisations spend more time and money on marketing themselves as sustainable than on actually limiting their environmental impact.

One focus group participant felt that the growing popularity of ESG investment has made the situation worse:

> "There's much more scope for manipulation, ten years ago anyone marketing themselves as ESG or responsible investment was probably not getting that much investment and therefore was probably, actually authentic."
>
> ***25-30 year old Accountant***

There is therefore more work to be done by companies within the ESG sector to address the lack of trust in the industry and change perceptions of the sector.

Charities vs Responsible investing



This lack of trust, however, does not equate to a lack of desire for HNWIs to use their wealth in a responsible way, with 42% of people believing that they had a duty to use their wealth to improve the environment and society.

This is a similar level to 2021 and whilst it is down from 49% two years ago, this is perhaps not surprising given the year of the COVID-19 outbreak was an exceptional one and is likely to have increased general empathy and the desire to help others during a challenging period of time that impacted the entire globe.

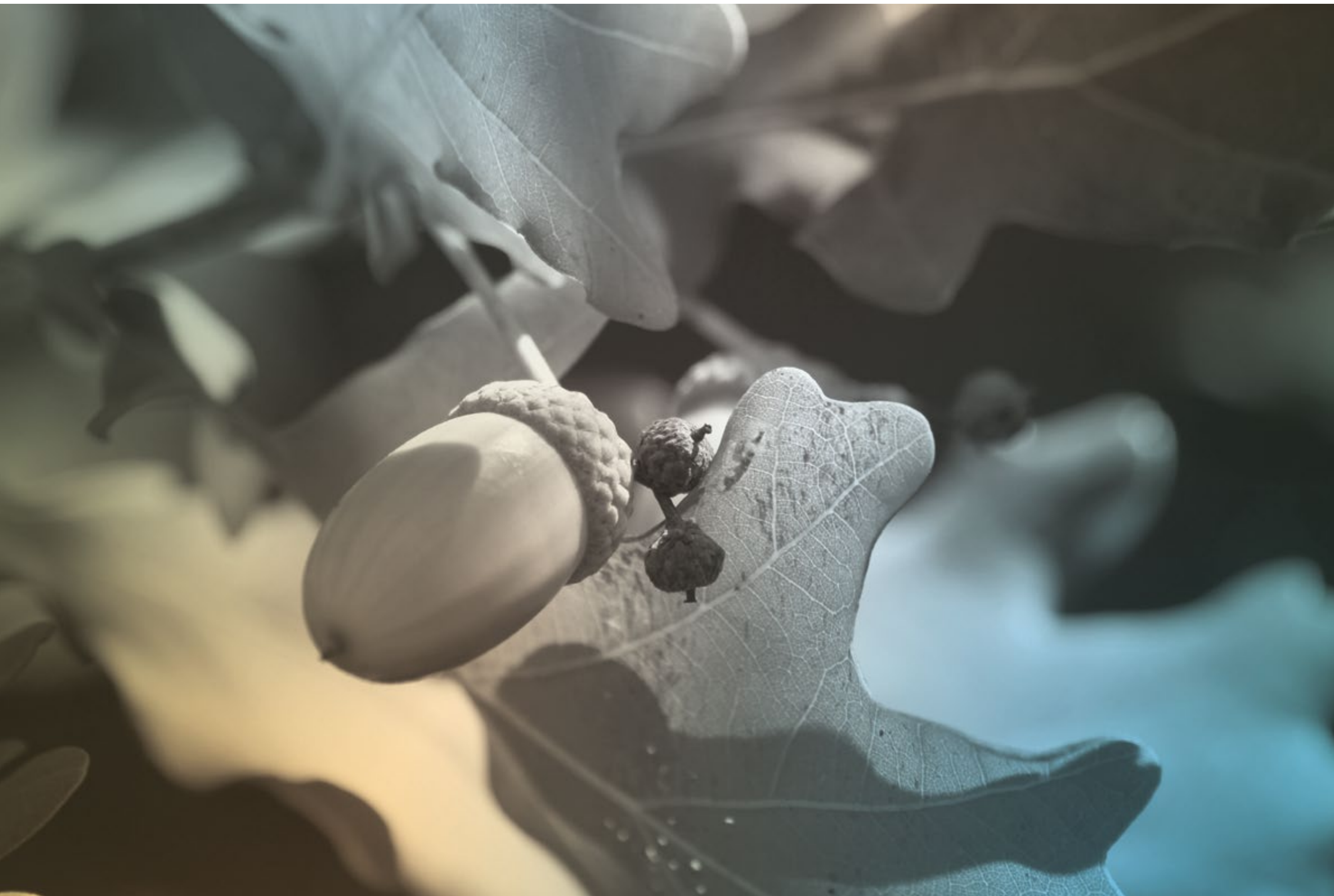
With the desire to help society still there, we consistently found in our focus groups that charities are favoured as a way for HNWIs to use their wealth to give back to society as opposed to ESG investing.

"Investing will always mean helping private organisations who will have their own agenda... however I try to find charitable organisations who focus on areas where the system does not have a good enough structure."

Accountant

"We have our favourite charities we give sizeable annual amounts to, which, rather than focusing on environmental benefits, they tend to be more focused on social causes"

Former Teacher



Lack of knowledge and returns

HNWIs still tend to believe that there is a lack of returns in responsible investing, with only 30% agreeing that investing in ESG funds makes good business sense. In comparison, 36% agreed with this sentiment in 2020 and 33% in 2021, demonstrating a gradual fall in support of the business argument for ESG investment.

The graphs highlight an 8% rise in those who disagreed with the statement from 2020 to 2022.

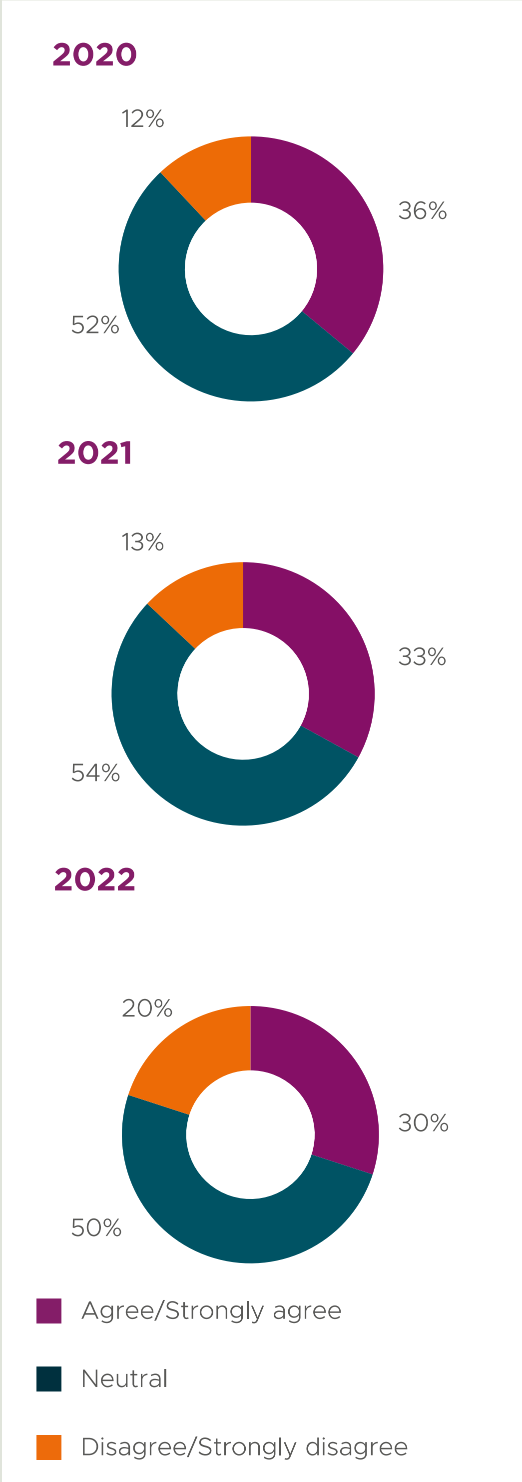
This fall in confidence could partly be related to the success of conventionally 'non-ESG friendly' oil and gas companies over the last two years. One respondent summed up their view:

> "My starting point would be if Saunderson House came along and said there are two companies: one is producing oil based products and the other is involved in the reduction in the use of plastic, it wouldn't be a simple case of which one do you want to invest in, because my question would be who's going to give me returns."
>
> ***Retired Lawyer, Solicitor***

We found that a lack of faith in the financial returns of ESG investing is combined with a lack of knowledge from some as to whether their investments are 'responsible' or not. One participant commented ***"I don't actually know whether we have any particular investments in sustainable products"*** whilst another said, ***"from my perspective, I don't know the answer about investment in ESG, I don't think I'm opted in for it but I certainly think I haven't opted out of it."***

Ultimately, there is a clear need for advisers and the wider industry to provide more information to their clients about their investments and ESG options, to address and reduce the cynicism around responsible investing and the view that returns are lower in this area.

'Investing in ESG funds makes good business sense'



Family and Inheritance

We asked further questions around talking to family about wealth, gifting and estate planning.

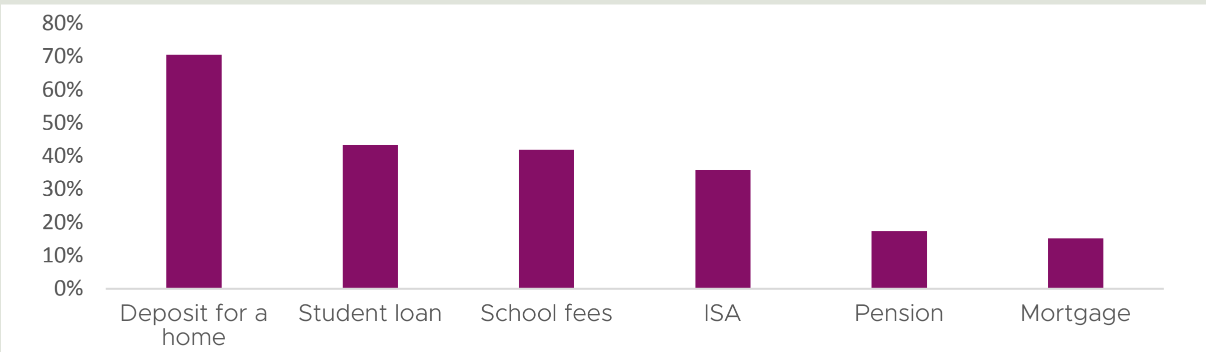
Three quarters (75%) of respondents deem it important or very important when it comes to wealth and estate planning that any money is passed on 'as tax efficiently as possible,' making it the highest rated factor. This demonstrates the value of a financial adviser to facilitate the most tax efficient structuring of finances to pass on to dependents. Nearly two thirds (65%) of respondents working in the legal sector consider this desirable, whereas only 18% of accountants do. As passing on wealth is subject to stringent wills and probate laws, lawyers may be more aware of the potential inefficiencies involved in this process.

The second most important factor is to provide 'equal financial support to all beneficiaries' with 63% of respondents deeming it important or very important. However, what an individual considers 'equal' may be to do with the outcome rather than the monetary value of the gift. An accountancy professional said in a focus group that ***"if you've got two that are in a different financial situation you want them both to be in a nice house … and just be able to do what they want to do."*** This sentiment suggests that 'equal support' could be tailored to each child so as to ensure parity between the outcomes – in this participant's example, both children owning a home. We also found that 42% of participants have paid for school fees as a financial gift, which may result in different monetary values to each child, depending on the number of grandchildren they have in their family.

Almost two thirds (64%) of respondents considered it important to ensure that 'wealth doesn't hinder a beneficiary's ambition or motivation.' This reinforces the notion of 'feather-boosting' introduced in our 2019 report. This was reflected strongly when we asked respondents how financial help has been provided in the past. The three most popular forms of financial help were: deposit for a home (71%), student loan (43%), and school fees (42%). This is in contrast to just 15% helping directly with a mortgage. This highlights the strong feeling amongst HNWIs that beneficiaries are expected for the most part to pay their own way, however, the main 'gift' which HNWIs felt they were able to provide to beneficiaries was financial stability.

> "It's more stability that people want to pass down. You need a certain amount to be stable and that's just a fact of life."
>
> ***Accountancy Professional***

In terms of providing financial support to your dependents, which of the following have you helped with / are you planning to help with?



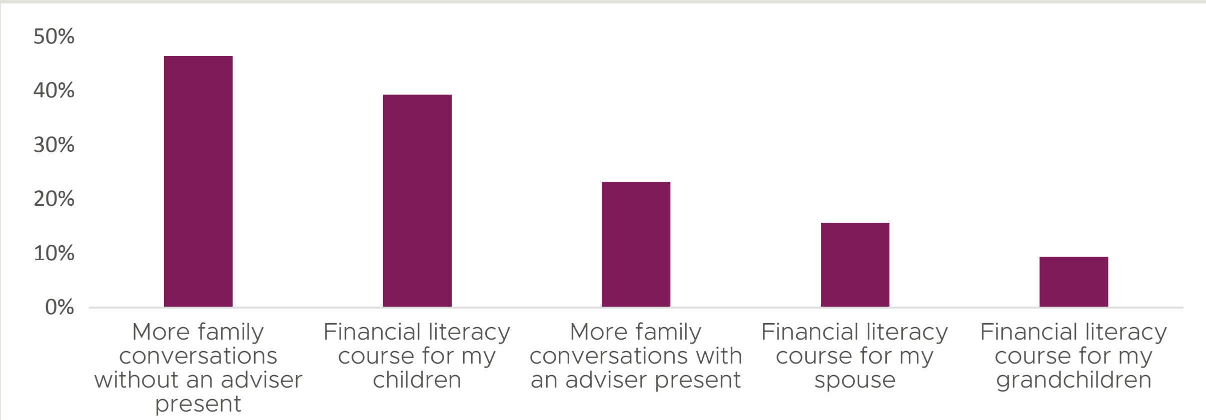
Regarding actions which would be beneficial with regards to passing on wealth and estate planning, the most popular answer is 'more family conversations without an adviser present', selected by 46% of respondents. However, the fact that the most popular answer only received 46% support highlights the dissensus among HNWIs regarding family conversations about wealth and inheritance.

This was highlighted in our focus groups, a retired solicitor saying ***"I explained to the boys the rationale … but there's no debate. There's no discussion, really,"*** whilst another participant (who is the mother of a young child) takes a different approach, saying ***"I've already started to talk to my daughter about money in general."*** This demonstrates that each family has their own dynamic, and it could be worth discussing with a financial adviser what the best way forward is – even if an adviser is not present at the conversation, they can provide advice and rationale for framing.

To highlight the nuance, 58% of lawyers believe that more family conversations without an adviser would be beneficial, compared to 42% of accountants. This may be attributable to the discursive nature of a lawyer's job, thereby placing more value on such conversations, or the fact that accountants are more likely to place value on a discussion with numbers.

What may assist with family conversations is increased financial literacy, especially among children or younger members of the family. This is demonstrated by the fact that 39% of respondents deem it beneficial when estate and wealth planning for their children to undertake a financial literacy course, compared to just 16% deeming it beneficial for their spouse. This highlights the value of schemes such as Rathbones Financial Awareness Course for Course for Young People[4], which once taken, may foster increased family conversations around finance and inheritance planning.

When it comes to passing on your wealth and estate planning, which (if any) of the following do you think would be beneficial?



[4] https://www.rathbones.com/about-us/sponsorships-and-partnerships/financial-awareness

Emerging Trends

The growing body of the worried wealthy

Advisers have noted for the first time a 'palpable sense of anxiety' amongst their clients due to the fallout from the various geopolitical and economic events this year. Whilst HNWIs acknowledge they have been by far the least impacted by the cost-of-living crisis, rampant inflation has created concerns about their pensions and investments, as well as thinking about the cost of care. Their worries are only likely to intensify as inflation increases and expected spending cuts hit hard.

A change in voting intentions

As we write this report, the Conservative Government is attempting to restore order and faith in the financial prudence of the Party. However, our snap survey reveals that there has been a big blow to the faith HNWIs have in Conservative Party fiscal policy. This could impact their voting intentions in 18 months' time, although our research also shows most respondents are still against a wealth tax. Both main parties appear to have an equal chance of winning support among HNWIs at the next general election.

Light green fade?

With the impact of the current economic instability on returns, coupled with the inherent scepticism in ESG that we have seen in previous years, there is a danger it will become even more difficult to explain to HNWIs the benefits of ESG and responsible investing. A focus on the long-term sustainability of stocks is key, and potentially more regulation in this area to change the perception around greenwashing and convince HNWIs that this is a more socially responsible option than giving to charity.

Financial literacy

Last year we found that HNWIs were keen for their spouses to get involved in conversations around wealth and estate planning. This year we see that more are keen for their children to take financial literacy courses. This in turn may lead to more family conversations around wealth.

Conclusions

Financial wellbeing remains a critical, and occasionally elusive, goal for many HNWIs. Given the wider economic and social climate, it's likely that the level of anxiety will increase over the next year. This unease may encourage more HNWIs to become more insular and focus on the needs of their immediate family. In terms of passing on wealth, we expect to see an increase in gifting, with the primary objective of 'passing on stability' as effectively as possible.

As ever, there are some distinct differences between different age demographics and to a lesser degree, professions. We will also reveal some of the important gender differences in an upcoming report.

Recommendations

1. Given the very uncertain economic times we are living through, it is important to seek guidance and reassurance from a financial adviser, who will look at the holistic and long-term picture.

2. We can see from our research that supporting beneficiaries 'equitably' is different to equally. An adviser can discuss the different options and help you with this, to ensure that you can support all your beneficiaries in a way which makes sense to you.

3. Our research shows there is an increasing interest in financial literacy courses, particularly for younger members of the family. Rathbones run a free course for 18-25 year olds – these courses can both make family conversations about wealth easier, as well as enabling your beneficiaries to be more fiscally independent and prudent as they grow up.

4. Seek to learn more about ESG and responsible investing. These investments might not seem like the best financial option right now, but an industry professional can explain the longer-term benefits and returns from these investments, as well as the method for picking 'responsible' stocks. The lines between conventional investment and responsible investment are becoming more blurred, as investors look to ensure that every investment has a positive impact, meaning that having the knowledge and awareness about ESG is more important than ever before.

5. Passing on wealth as tax efficiently as possible was rated the most important factor in terms of estate planning. Speak to a financial adviser who can conduct scenario planning and tax optimisation for you.

Saunderson House Limited
1 Long Lane, London EC1A 9HF

T: 020 7315 6500
F: 020 7315 6650
E: shl@saundersonhouse.co.uk
www.saundersonhouse.co.uk

Registered in England. Address as above. Number 940473
Authorised and Regulated by the Financial Conduct Authority.

Source for all charts and research: Saunderson House 2022.

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