

WEALTHY & WISE

Wealth Planning Article provided by Jacobi Wealth Advisors

What Can the Wealthiest Teach Us?

KEY TAKEAWAYS:

- Consider doing a check-in with yourself and important people in your life about the goals that really matter to you—individually and collectively.
- Make sure your wealth plan is designed to address your key issues—be they education financing, wealth transfer, values transmission or others.
- Have candid discussions about health-related concerns, such as how to prepare financially for potential health issues or the costs of health care and long-term care.

What do the wealthiest Americans—those with \$25 million or more in net worth*—think about life, values, family, money and more? Knowing the answers could be beneficial to you.

You may already be among those with \$25 million or more in net worth. If so, understanding what your peers are thinking and doing may help you gain clarity on important issues in your own life.

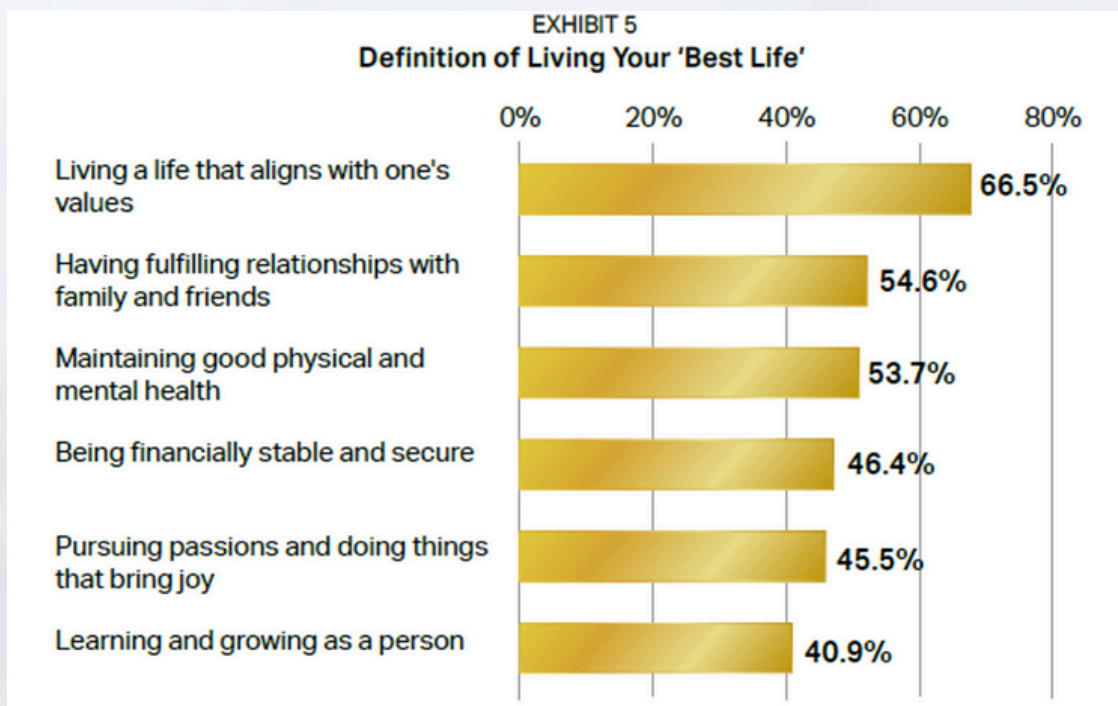
Even if you don't (yet) have a net worth of \$25 million or more, you may still want to learn about the values, goals, concerns and action steps of some of the wealthiest, most successful people out there. Why? If you're reading this, there's a good chance you are highly aspirational when it comes to success and wealth. If so, getting a handle on this \$25-million-plus cohort could help inform some of your future actions.

With that in mind, consider some key traits, attributes and opinions of the ultra-wealthy according to research by CEG Insights.

* Excluding the value of their primary residences.

A Values-Based Life

It's easy to assume that people with great wealth have only goals that are purely financial in nature. Not so. The ultra-wealthy care a great deal about living their "best life" as they define it—which includes living a life that is aligned with their values and having fulfilling relationships with family and friends (cited by 66.5% and 54.6% of respondents, respectively, as seen in Exhibit 5).



Perhaps not surprisingly given their wealth, fewer than half cited financial issues like being financially stable and secure (46.4%) and having money for the unexpected. More surprisingly, just a quarter (24.3%) included early retirement in their definition of their best life—this despite the fact that 43.0% of respondents are relatively young millennials born between 1981 and 1995.

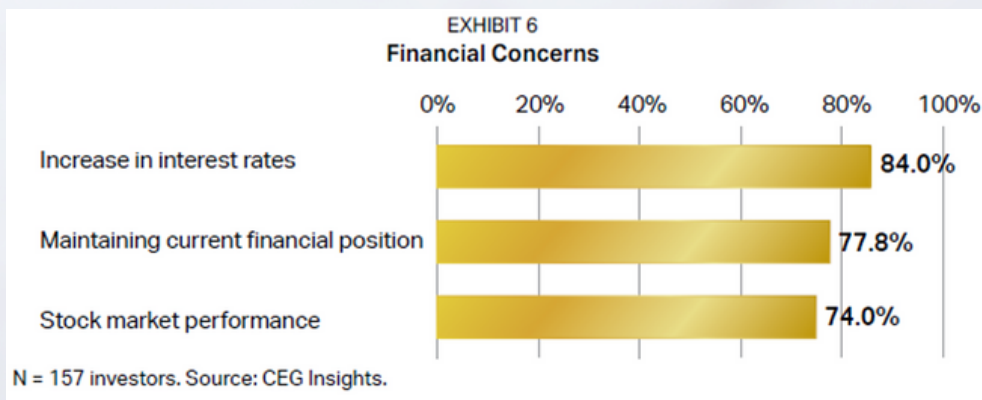
Action Step:

Consider doing a check-in with yourself and important people in your life about the goals that really matter to you—individually and collectively.

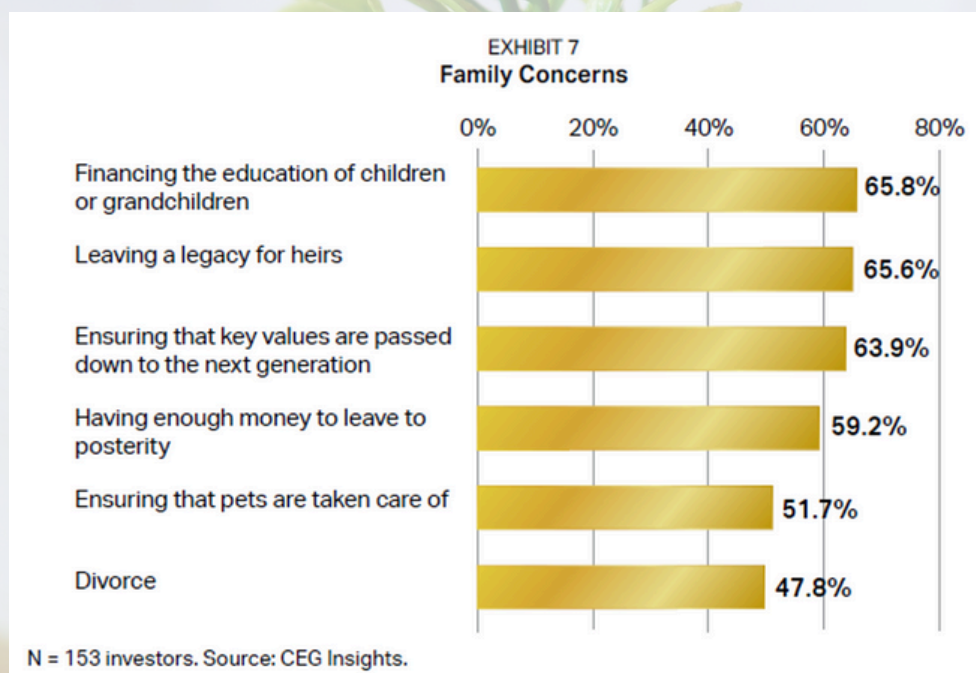
If you have far less than \$25 million in net worth, you may find yourself prioritizing goals such as being financially secure. But be sure to make room for the things that constitute a great life for so many of us—"living your values," spending time with family and friends, staying healthy, and doing meaningful work.

Concerns and Fears

Like everyone, the ultra-wealthy have their share of worries and concerns—and some of them may look extremely familiar to you, even if you’re far less wealthy. For example, as seen in Exhibit 6, the ultra-wealthy overall harbor significant concerns about preserving and protecting their wealth. Eighty-four percent worry about rising interest rates, 77.8% are anxious about maintaining their current financial position and 74.0% are concerned about the performance of the stock market. And as wealth increases, investors are more likely to be concerned about those issues.



The ultra-wealthy also have the well-being of their families on their minds. Among the family-related issues shown in Exhibit 7, concern about funding their children’s or grandchildren’s education ranks first (at 65.8%). Leaving a legacy for their heirs is a close second, at 65.6%, followed by passing down key values to the next generation, at 63.9% of respondents. Chances are, you share some (maybe all) of these same concerns.



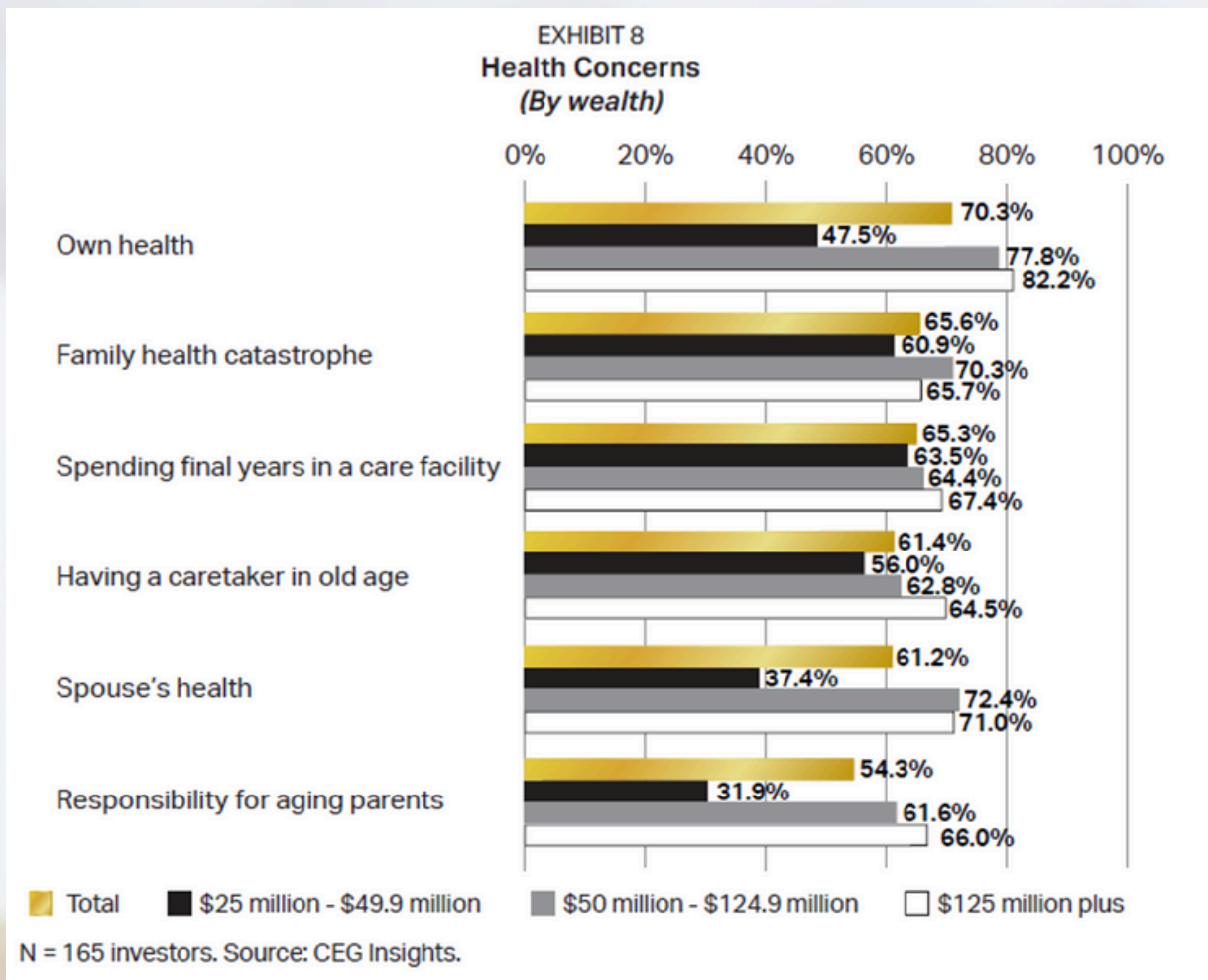
One noteworthy finding: A large percentage of the ultra-affluent—47.8%—are worried about divorce (possibly because of their sizable wealth and how much they potentially might lose in a separation).

Action Step:

You probably are aware of your key concerns and fears. From a financial perspective, make sure your plan is designed to address these issues—be they education financing, wealth transfer, values transmission or others.

Then there are concerns around health. The research shows that having ultra-wealthy amounts of money doesn't make you immune to health worries. As seen in Exhibit 8, this group is worried about their own health, the health of their spouse and family, and a range of other related issues.

Notice, too, that in most cases concerns about health actually increase along with net worth. Example: 82.2% of those with a net worth of \$125 million or more are worried about their health, versus 70.3% overall. Clearly, even though the substantial wealth of this group likely enables them to secure expertise and resources to respond to many health and long-term care challenges, they remain very concerned about those issues.



Action Step:

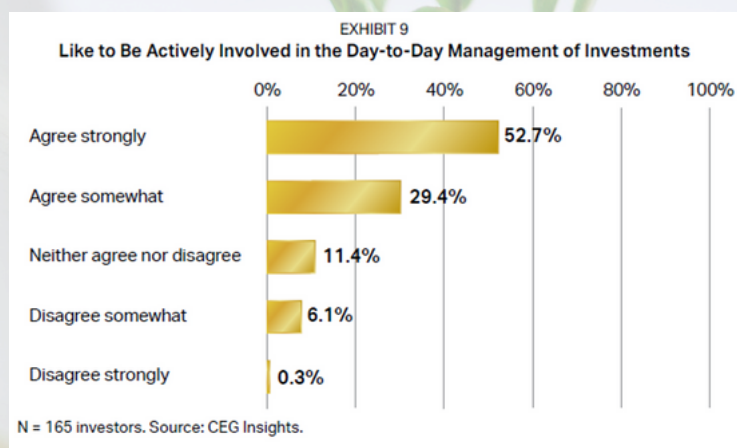
Have candid discussions about health-related concerns. This could include discussing how to prepare financially for potential health issues or the costs of health care and long-term care. If necessary, get advice on adequate health insurance coverage, long-term care insurance and life insurance. Concerns about spending final years in a care facility and having a caretaker in old age highlight the importance of estate planning and planning for potential disability. This could involve discussing powers of attorney, living wills, trusts and other estate planning tools. And if you're particularly concerned about a spouse's health or a family health catastrophe, consider having family discussions about health and finances.

Investing and Spending

Given their wealth, it's not surprising that the ultra-wealthy have strong opinions about their money and how to best manage it.

Case in point: Nearly four out of five of the ultra-wealthy (78.6%) attribute their happiness in large part to the wealth they have accumulated. What's more, nearly 85% report that they get greater satisfaction from saving and investing wealth than from spending it. (At the highest wealth level of \$125 million or more, that figure is even higher—92.1%.) The pleasure they get from saving and investing is especially evident when you consider that investable assets make up an average of 73.5% of the total household assets of respondents and that nearly 9% of their total assets consist of investment real estate.

Importantly, the vast majority—82.1%—say they want to be actively involved in the day-to-day management of their investments (see Exhibit 9), and 79.0% say that they enjoy investing and do not want to give it up. This goes against the assumption that people with significant wealth are happy to let professional advisors completely take the reins with their investments.



That said, the ultra-wealthy don't simply hoard their money. But how they spend it might surprise you:

- More than 20% of these investors don't spend a single dollar on many items commonly associated with the wealthy: cars, boats, jewelry, collectibles, gambling and political contributions.
- Looking at significant annual spending—\$25,000 or more—charitable donations are the top expenditure, with slightly over half (51.6%) donating at least \$25,000 to charity. One in eight (15.3%) donated more than \$100,000 in the past year.
- Vacation spending came in a close second, with 47.8% of respondents spending at least \$25,000 on vacations.
- Home improvement was another significant expenditure, with 42.4% spending \$25,000 or more over the past 12 months on improvements.
- Despite their fairly high levels of concern about funding the education of children or grandchildren, 36.4% spend nothing on college tuition and 41.0% spend nothing on private prep schools.

Action Step:

Consider your own preferences when it comes to investing wealth and managing it in other ways. Are you as involved in the wealth management as you'd like to be—or would you prefer to take a more hands-on/collaborative approach? (Conversely, would you rather hand off all duties to professionals?)

When it comes to spending, examine where your money goes and ask yourself, "Am I spending in ways that are meaningful to me—that bring me closer to living what I define as my best life?" The ultra-affluent may be onto something with their spending patterns, as research in the *Journal of Experimental Social Psychology* shows that people report greater happiness when they make experiential purchases (such as vacations) than when they buy physical items (clothing, furniture, etc.). Other research by the Sustainable Development Solutions Network shows that prosocial spending (such as charitable contributions) is linked with higher levels of well-being and satisfaction.

CONCLUSION

We all can potentially learn a great deal from each other. When it comes to issues such as living our best life, spending wisely and addressing important concerns, knowing what the ultra-wealthy are thinking and doing may serve as something of a road map for our own decision-making.

VFO Inner Circle Special Report

By John J. Bowen Jr.

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