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Volatility Seen by High Net Worth Investors; Connecticut Views Differ From Region, Nation

BY CTBYTHENUMBERS.INFO 01/29/2014 · IN BUSINESS, DEMOGRAPHICS, ECONOMY

Connecticut's high net worth investors, coming off a year of substantial profits from Wall Street, remain optimistic, if cautious, about 2014. There are, however, distinct differences in how and where they view investment opportunities, as compared with investors nationwide, and even compared with those in neighboring New York and New Jersey.

A newly released survey conducted for **Morgan Stanley Wealth Management**, found that high net worth investors – those with \$100,000 or more in investable household financial assets – were both realistic and optimistic about the immediate investment horizon, according to **Bradley Barber**, Executive Director and Family Wealth Director for Morgan Stanley Wealth



Management serving coastal Connecticut, based in Greenwich.

The survey reflects “cautious optimism,” Barker said, indicating that investors understand that the 30 percent returns of 2013 are not likely to be repeated this year, but that potential remains for solid gains. “It’s a time to navigate the waters, not pull in the oars,” Barber told *Connecticut by the Numbers*. “It is a market of stocks, not a stock market. The high net worth investors surveyed were prescient about the volatility in the market we’ve seen since the first of the year.”

In the New York-New Jersey-Connecticut region, 86 percent of high net worth individuals said they expect their investment portfolios to be “better” or “the same” at year-end, and 84 percent believe their financial well-being will be the same or better. At the same time, three-quarters of respondents said they were concerned about stock market volatility. Among the top concerns of investors in the region are U.S. economic prospects (86%) and the federal budget deficit (83%).

Views on Industry Investment Potential Vary

There were also marked differences in the perceptions of investment potential for various sectors of the economy. Those most favored as “good” investments nationally were **technology** (79% nationally, 72% in CT), energy (77% nationally, 66% in CT), bio-technology (63% nationally, 67% in CT), and pharmaceuticals (56% nationally, 61% in CT). Connecticut policy makers have devoted financial resources to strengthening the state’s **bio-technology industry** in recent years, which may have contributed to the stronger upbeat attitudes here towards the sector as an attractive investment option.

The rocky national roll-out of the affordable health care act, and its comparatively smooth path in Connecticut, may also have been reflected in the survey findings. Unlike the national results,

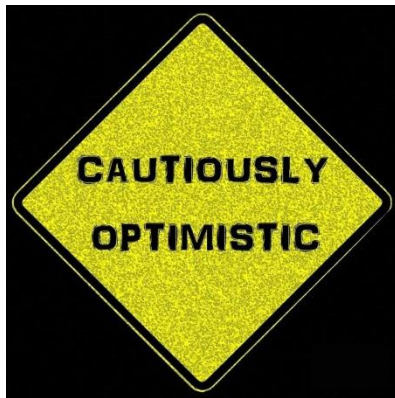
Morgan Stanley

those surveyed in the tri-state area viewed **healthcare** among the favored sectors for 2014 – 55% “good” in the tri-state region vs. only 45% nationally.

Other industry sectors that have a strong presence in the state and region, however, did not fare as well. Aerospace was seen as a “good” investment choice by only 25 percent of those surveyed, both nationally and in the tri-state region. Insurance was viewed favorably by only 30 percent of high net worth investors, both in the region and nationwide. Those numbers, Barber said, should be “concerning” for Connecticut’s economic prospects.

Factors Close to Home of Greater Concern

Overall, the survey indicates that Connecticut's high net worth investors have more concerns about internal factors, while New York residents expressed greater concerns regarding external factors, such as the possibility of terrorism or foreign entanglements. Connecticut investors were more concerned than their regional and national counterparts with regard to their families' financial well-being or the ability to have sufficient funds to retire in their region of the country. While 53 percent of those in Atlanta and 59 percent nationally expressed concern over their families financial well-being, in the tri-state region seven in ten (70%) expressed that concern, with the highest numbers in the region in Connecticut.



Connecticut's high net worth investors, Barber said, are a savvy lot, reflecting greater knowledge of investments than the national numbers reflect, yet more than 7 in 10 say they consult financial professionals. Another clear distinction came in the percentage of investors who said **dividend-bearing stocks** are a good investment: 49 percent nationally, 61 percent in the tri-state area, and 71 percent in Connecticut. "There are clear indications that Connecticut's high net worth investors are focused on opportunity," Barber said.

High net worth investors, overall, are bullish on America. In the tri-state region 61 percent of those polled said the U.S. was their first choice for a positive investment outlook for 2014, even higher than the 52 percent who expressed that view nationally. There were also differences across the country in the issues of particular concern to high net worth investors. Regarding terrorism, 82 percent in the tri-state area, 66 percent in San Francisco and 63 percent in Denver indicated concerns, for example.

As part of the national survey of 1,004 US investors, age 25 to 75, with \$100,000 or more in investable household financial assets, an oversample of about 300 tri-state area investors were interviewed. Approximately one-third of those interviewed had \$1 million or more in household

financial assets. The poll, released on January 29, 2014, was conducted October through December 2013, by GfK Public Affairs and Morgan Stanley Corporate Communications.

[Morgan Stanley Wealth Management](#) provides access to a wide range of products and services to individuals, businesses and institutions, including brokerage and investment advisory services, financial and wealth planning, banking and lending, cash management, annuities and insurance, retirement and trust services.