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Survey indicates optimistic outlook for economy

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Joseph Matthews

In 2009, hope for an improved U.S. economy seemed light years away for many, but a recent survey by Morgan Stanley Wealth Management shows that the majority of high net worth investors believe the economy, both nationally and locally, will be the same or better one year from now. The company's "pulse poll" surveyed investors nationally and in eight top markets.

According to Monroe resident Joseph Matthews, first vice president and manager of the Fairfield branch of Morgan Stanley, investors nationwide have shown that they are confident in their portfolios. Seventy-seven percent expect the national investment climate to improve or maintain its current state over the next 12 months. With respect to the local economy, which was broken down into the Tri-State region of the New York City metro area, New Jersey and Connecticut, 78% of area investors showed a similar confidence in the local economy one year from now.

Although local investors are less bullish on their local economy compared with Houston (96%), San Francisco (91%), Denver and Atlanta (90%), Boston (88%), and Los Angeles and Chicago (85%), their outlook is still very promising, Matthews said. The recent Morgan Stanley pulse poll showed that after two straight years of strong performance in U.S. equities, high net worth investors are more optimistic than ever about the direction of the economy.

"It's extremely positive," Matthews said.

The survey indicated that the outlook for retirement is also favorable among Tri-State area high worth investors, although they are less optimistic than investors nationally, Matthews said. In general, "people are confident about retirement," he said.

While most people do not have their retirement accounts fully funded, nor do they have definite retirement dates set, 82% of surveyed investors said they were confident about their retirement planning efforts and goals, Matthews said. Seventy-eight percent of investors estimate that they are, at most, three-quarters funded for retirement, and only 21% have a specific retirement date, leaving room for additional changes and planning.

Among those who are already retired, 31% feel their investment portfolio is exceeding their expectations (compared with 41% nationally) with a further 41% feeling it is performing just as planned (compared to 31% nationally).
This confidence is indicated in spite of the fact that only 15% of high net worth investors have reached their planned retirement savings goal.

According to Matthews, Connecticut investors on average believe they'll need $2.7 million in retirement assets, which is significantly lower than that of New York investors, who believe they'll need $4.1 million. In addition, Connecticut residents are more willing than those in New York and New Jersey to cut back on discretionary spending and adjust their expectations for the lifestyle they wanted in their retirement, Matthews said. What's more, he added, is that three-quarters of high net worth investors in Connecticut said they'd be willing to go back to work to meet retirement goals, and more than half said they'd be willing to lower their ongoing essential living expenses.

Global warming was also a topic touched on by the Morgan Stanley survey. At 84%, the majority of the Tri-State area's investors say that recent news reports on global warming have not influenced how they invest. Among the 15% of Tri-State investors who say they have been influenced by such reports 70% seek out environmentally responsible companies on their own as opposed to turning to their broker or advisor for this type of guidance, the survey showed.

Although the survey showed that global warming doesn't drive investment decisions, nor have an effect on investors' optimism for the economy's future, there are companies that are both sensitive to the issue and aware that shareholders are sensitive to the issue, Matthews said. As such, it was a topic Morgan Stanley surveyors found important to include in their analysis, Matthews said.

Another interesting survey find, Matthews said, was that few investors plan to leave the Tri-State area to escape the tax burden. In general, high taxes are not a motivating factor in investors' potential goal of leaving Connecticut upon retirement, he said. Despite the generally high taxes on income, property and retail purchases in the region, at 89%, the vast majority of the area's high net worth investors have not changed, nor have they started the process to change, their state of residence for the purpose of reducing their tax burden.

Overall, the Morgan Stanley survey aimed to get an understanding of how investors are currently thinking about their assets and viewing the market, Matthews said. What was discovered is that, in addition to being optimistic about the future of the economy, investors are relying more and more on sharing investment decisions with their spouses or partners, he said. Regardless of how the decisions are made, Matthews said, investors in the nation, Tri-State area and Connecticut specifically, all expect to see a continued prosperous economic environment which is likely to be reflected in the stock market.