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N.J. investors' optimism is a cup half full, study finds

April 22, 2013 11:43AM

By [Beth Fitzgerald](#)

More than half of New Jersey investors are optimistic about their future prospects, with 56 percent expecting their portfolios to be higher by the end of 2013 than they are now, according to a survey of U.S. investors by the investment firm Morgan Stanley. However, only 23 percent of retired New Jersey investors said their portfolios are performing better than expected.

John Campbell, greater New Jersey regional director for Morgan Stanley Wealth Management, said the survey found that investors want guidance from their financial advisers on how to allocate their assets among different types of investment, how to turn those assets into a retirement income stream and how to hedge their portfolios against downside risk. He said the firm's New Jersey clients include wealthy small-business owners, corporate executives and individuals with inherited wealth, who have portfolios between \$500,000 and \$2.5 million.

Campbell said the decline in housing values during the 2008 financial crisis continues to weigh on investor sentiment. The survey found that 42 percent of New Jersey investors believe the economy is going in the wrong direction, compared with 47 percent of Connecticut investors but only 35 percent of New York investors.

"I think those differences boil down to real estate," Campbell said. "New Jerseyans and Connecticut residents tend to own homes where they've seen the values decline anywhere from 20 to 30 percent since the financial crisis. New York City didn't experience the same degree of deterioration in real estate prices."

Campbell said, "The sentiment as far as housing is concerned is better now than it's been, but I think people were just really shaken by the real estate collapse in the beginning of the financial crisis, and the banks are not lending money as easily as they were before, so that is also holding it back."

The finding that 56 percent of New Jersey investors expect their portfolios to improve this year suggests "that they are seeing the light at the end of the tunnel," Campbell said. "The fact that Europe has not imploded gives them some confidence that those issues will ultimately be worked out."

That only 23 percent of retired New Jersey investors said their portfolios are doing better than expected reflects both the long recovery from the 2009 stock market slump and continued low interest rates, Campbell said.

“A lot of it has to do with when you retired,” Campbell said For those who retired just before or after the 2008 financial crisis, “their portfolios suffered during that period of time and it took all the way until now essentially for them to get back to where they were.” Interest rates remain low “and retirees stake a lot of their retirement money on interest-bearing instruments: they try to be conservative, they are not working anymore, it’s a little harder for them to replenish. So interest rates having stayed low essentially doesn’t give them the opportunity to generate the income they thought they would be generating in retirement.”

The survey of 1,000 U.S. investors with \$100,000 or more in financial assets was conducted between January and March.

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