

UBS Investor Watch

UK insights on investor sentiment / 2Q 2018

The century club

The rising prospect of living ten decades

100

The idea of living a century was once confined to science fiction. But no longer. For the UK's wealthy, living a 100-year life is not an outcome they consider a mere possibility. It's one they expect.

In this first global issue of *UBS Investor Watch* – the largest recurring survey of wealthy investors in the world – we explore the relationship between wealth, health and longevity. More than 5,000 wealthy individuals in the UK, Germany, Hong Kong, Italy, Singapore, Switzerland, Taiwan, the U.S., and the UAE shared their views with us. We found that today, around a third of wealthy individuals in the UK are confident about living to 100. Health is incredibly important and many are willing to give up significant levels of wealth to preserve it over such a long life.

Despite this confidence about living longer, many are anxious about the financial implications of extended old age. Healthcare costs are a key concern and affording care costs in later life is prominent on many people's minds. Costs of more than £50,000 a year for good quality care are already being recognised and factored in by wealthy individuals.

In response to these challenges, many are already adjusting their spending or considering working for longer, past the traditional retirement age. More thought is also being put into long-term investment plans. Equities remain the asset of choice for the very long-term. Real estate is still as appealing as ever for many in the UK. Holding wealth in cash, which is popular in some places around the world, continues to have little merit here.

Succession planning is another area impacted by the 100-year life. We see a divide between wealthy individuals who are accelerating gifts and those who are pulling back.

Today, 60% plan to give more of their wealth to their heirs while they are still alive, starting this process earlier when the wealth may be more beneficial. Another growing trend is to give more of that wealth to grandchildren, rather than children as might previously have been expected. Wealthy individuals living in the UK are clearly adopting various tactics to preserve good health and navigate a 100-year life. As for whether they are successful, the ultimate judge will be time itself.

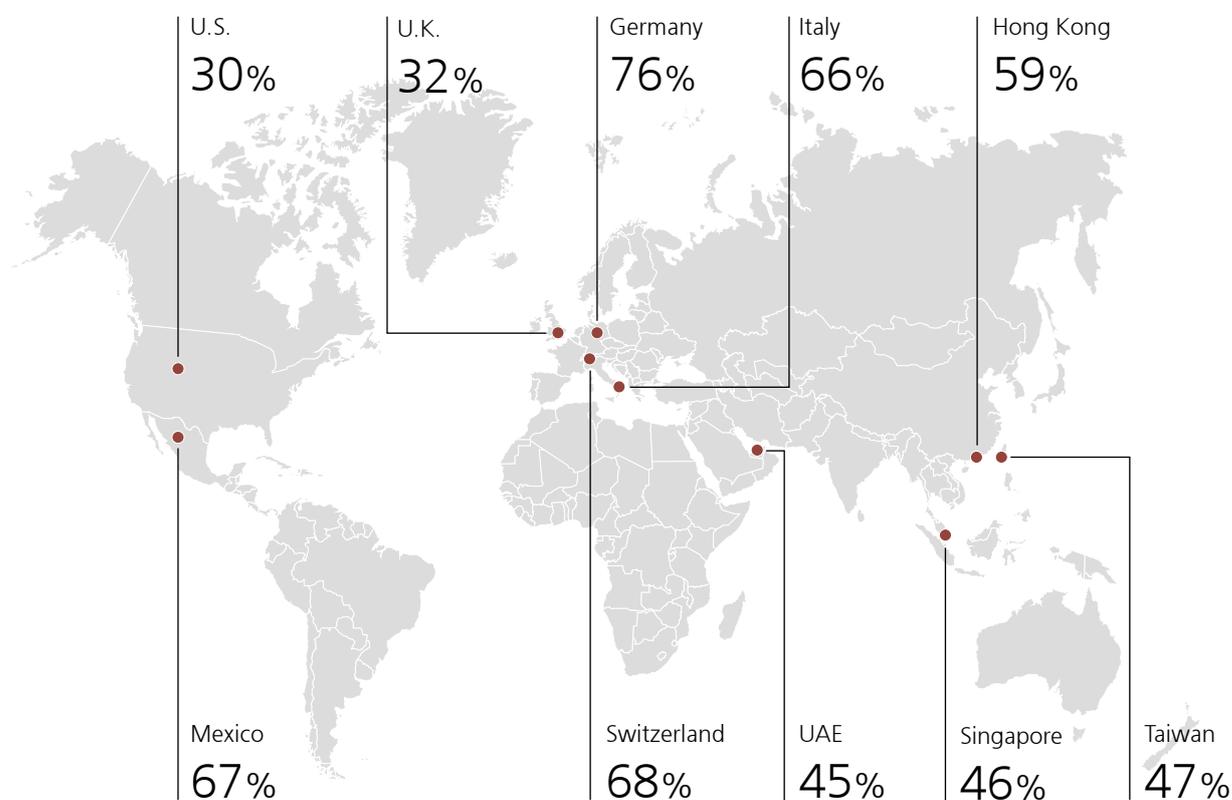
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Many wealthy people in the UK expect to live for 100 years

Nearly a third (32%) of wealthy people in the UK now expect to reach the age of 100. This is considerably higher than the 80-year life expectancy in most developed countries today. While expectations for reaching this age are lower than in other countries around the world, there are significant differences by age and gender in the UK. Women are much more confident than men that they will reach 100. Wealth holders under 50, and especially under 35, are much more confident than older groups as well.

Waiting for one hundred

Percentage of investors who expect to live to 100



“Mentally, I’m already prepared for my wife or I to live well into our 90s.”

– UK, Male, 60

The prospect of living to 100 creates financial anxiety

Despite their wealth, many in the UK worry about affording a 100-year life. Healthcare costs are a prominent concern, and 47% are worried about rising medical expenses. Younger wealth holders are especially concerned. In addition, 44% worry about reducing their children's inheritance. Slightly fewer are concerned about maintaining their living standards over the course of such a long retirement as well. Women are considerably more concerned about these challenges than men. Indeed, nearly two thirds of wealthy women are concerned that their increasing lifespans will affect their succession plans.

Top concerns due to longevity



Rising healthcare costs

47%



Lowering living standards in future to preserve wealth

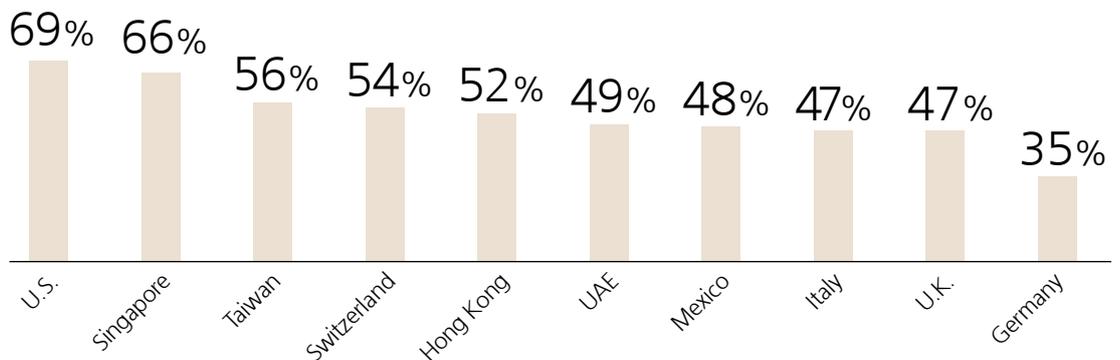
41%



Lower wealth to pass on to successors

34%

Concerns about rising healthcare costs



“ I believe my resources will vanish if I live to 100 and I will face high costs to stay healthy. ”

– Italy, Male, 35

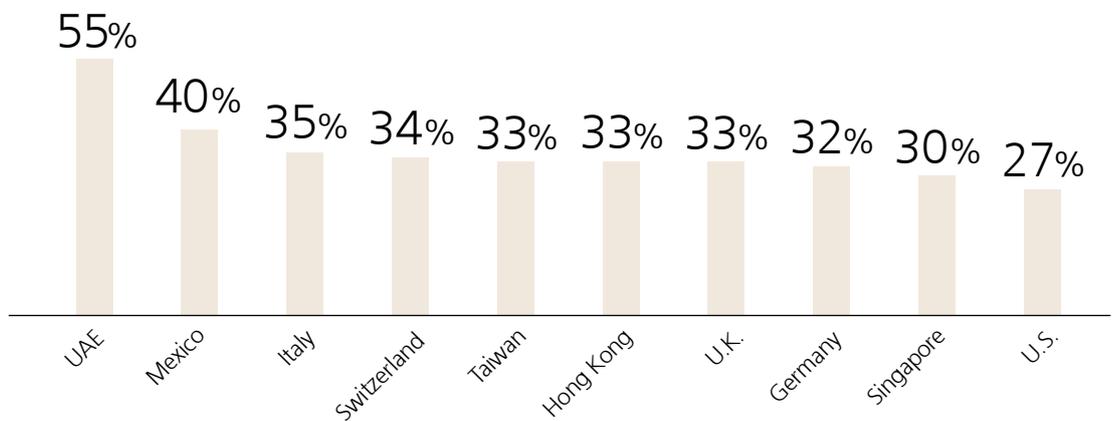
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Health is more valuable than wealth

Being healthy is the top priority and top concern for wealthy people in the UK. In fact, 86% say investing in their health is more important than growing wealth. As a result, people would be willing to sacrifice nearly a third of their wealth to ensure an extra 10 years of healthy life. Overall, 74% are satisfied with their current health and over nine in ten believe their wealth is a primary reason for their well-being. To maintain this, many wealthy people in the UK spend significant amounts on their health each year, though they do spend less than others in Europe. In addition to doctors' visits and insurance premiums, preventative services are also popular, with investors spending significantly on gyms, coaches, supplements and other "lifestyle" expenses.

Giving up wealth in exchange for health

Percentage of wealth willing to sacrifice by country



Wealthy put a price tag on health

62% of under 35s spend more than \$10,000 a year **on medical costs and procedures**

56% of under 35s spend more than \$10,000 a year **on 'lifestyle health' costs**



“ Ultimately, I need to cut back on unhealthy foods and improve my health and body. ”

– Switzerland, Female, 68

Working longer is seen as positive for health

Most wealthy people in the UK see work as inseparable from longevity. On one hand, 59% believe work has positive effects on health and want to continue working for as long as they can. On the other hand, many believe they will have to work longer to afford the years ahead. Half would consider working beyond normal retirement age, or are already doing so, to maintain their lifestyle. The right balance is important though. Many wealthy people in the UK are actively taking steps to balance their work and personal lives. Nearly half have stopped working at weekends. Even more have stopped working when on holiday or reduced their working hours overall. There is also interest in taking an extended break from work, with 29% having enjoyed a sabbatical.

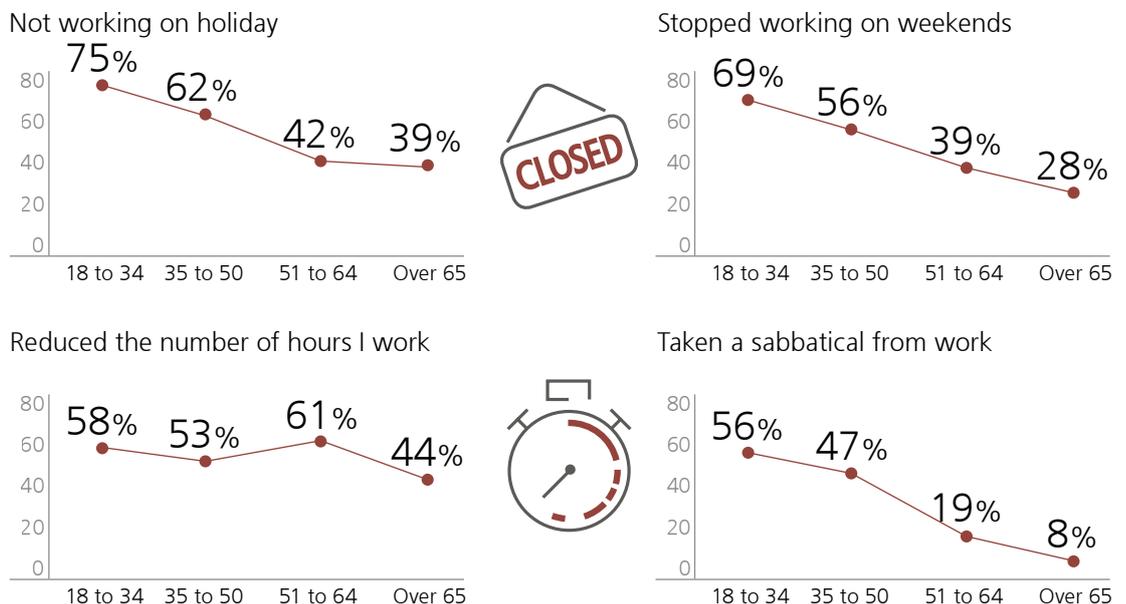
Is working longer the fountain of youth?

Percentage who agree with each statement



Investors in the UK strive to work more sensibly

Percentage who have made changes to improve work / life balance in the last 3 years



“ If I’m going to live to 100 then I’d like to carry on working for longer. ”

– UK, Male, 66

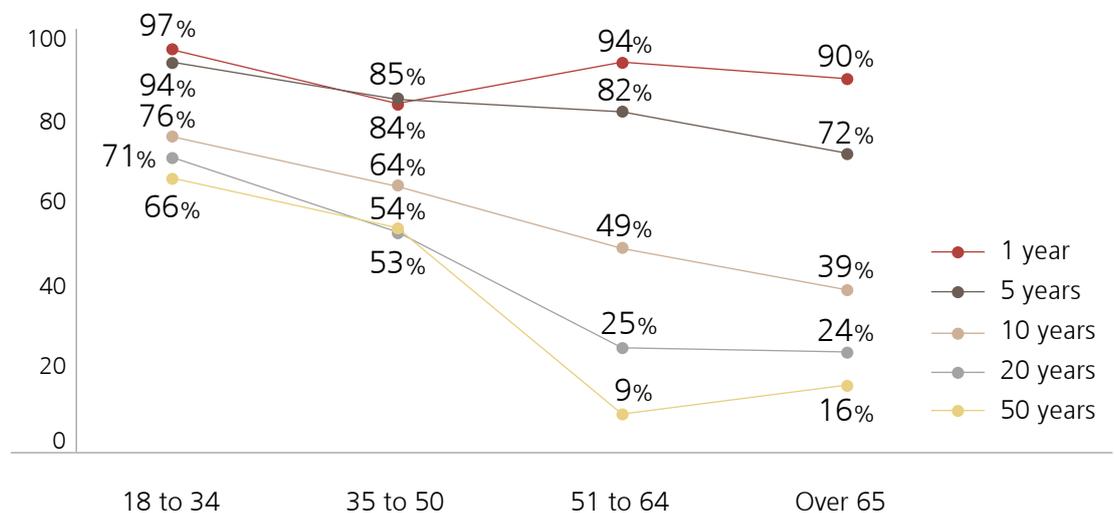
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Planning a 100-year life is hard, but health shocks can be addressed

Living longer will affect finances significantly and even a long healthy life will be more expensive. While more of the UK's wealthy have a long-term financial plan than anywhere else globally, they still recognise that planning over several decades is very difficult. For example, while only 10% say it's difficult making a one-year plan, the figure rises to nearly half when asked about their 10-year plan. Twenty or even 50-year financial plans are even harder to make. Men, and also those over 65 find this particularly hard. Despite this challenge though, most are confident their plans will withstand health-related shocks. Around 80% think their plans are ready for any sudden change in the health of themselves or of a family member.

Confidence making financial plans drops after 10 years

Percentage who find it easy to make financial plans



Most investors are confident coping with health shocks

Percentage who are confident about health shocks

78%

My financial plans would cope with a sudden deterioration in my health

82%

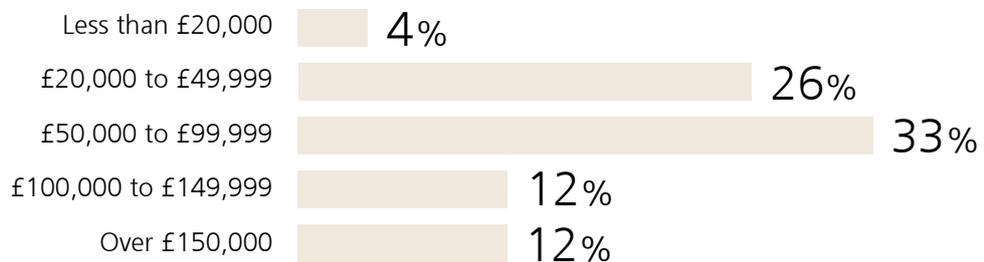
My financial plans would cope with a sudden deterioration of the health of a family member

The challenge of affording long-term care is well recognised

How to afford the final years of life, especially the cost of care, is another issue on investors' minds. Many in the UK are under no illusions about this cost. Over half of wealthy people believe long-term care will cost at least £50,000 per year in later life. A quarter believe it could be £100,000 a year or more. While these figures may seem high, estimates from the Money Advice Service suggest that even basic long-term care starts from £30,000 a year¹. For more specialist or higher quality services, the cost can be two or even three times that figure per person. Despite these costs, the majority are confident their plans can cope. Seven in ten say their financial plans already account for the cost of long-term care. A minority clearly prefer not to think about this issue however, admitting they haven't made any plans for the cost of long-term care.

How expensive might long-term care be?

Estimated cost of care per year in the view of investors



Most investors are confident coping with health shocks

Percentage who are confident about health shocks



70% My financial **plans have already accounted** for long-term care costs



30% I prefer not to think about getting older and **haven't made plans** for long-term care costs

“ We need to improve long-term care. ”
– UK, Male, 70

¹ www.moneyadvice.service.org.uk/en/articles/long-term-care-services-at-a-glance

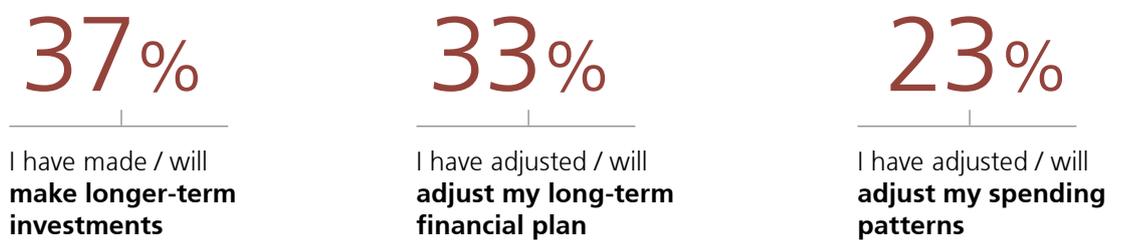
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Longevity is prompting many people to act differently

Most wealthy people in the UK say they have made or will make financial changes in response to rising life expectancy. While 23% are adjusting their spending habits, the top strategy is to make greater use of long-term investments. As a result, great value is placed on allocating wealth to equities and real estate for the very long-term. Both are less popular long-term investments for younger investors however. Like most other countries, wealthy people in the UK view healthcare as a highly promising sector for long-term investing. The information technology and real estate sectors are likewise seen as attractive.

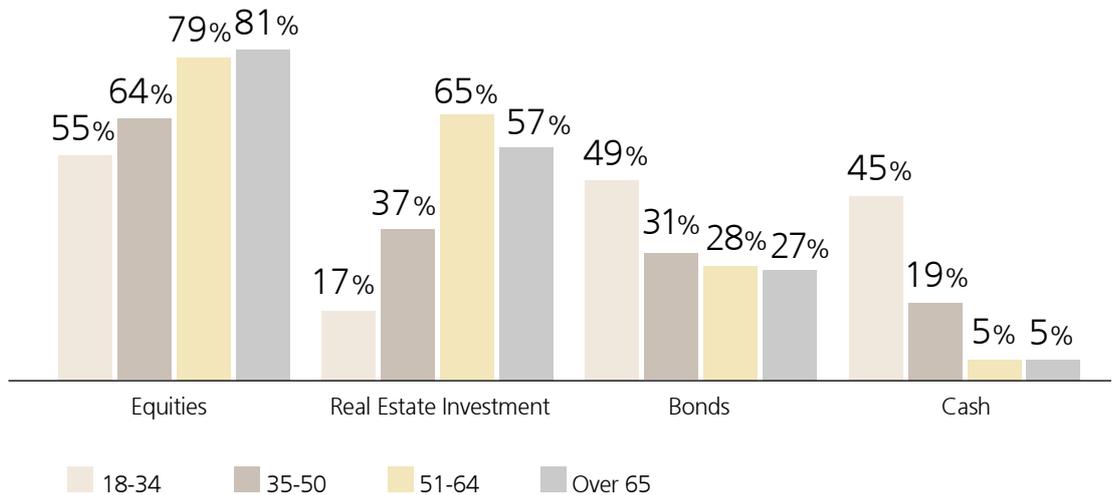
Longevity impacts investing, planning and spending

Percentage who have responded to increased life expectancy



Equity and real estate are popular long-term investments among older people

Percentage who see equities, real estate and bonds as a strong long-term investment



“ If I was going to live to 100 I’d change my asset allocation, take more risks and buy more venture capital trusts. ”

– UK, Male, 75

Wealthy individuals adapt their succession plans to accommodate longer lives

Not only is longevity affecting the wealthy's investment approach, it is also impacting their succession planning. In the UK, 60% plan to give more of their wealth away while they are still alive. Giving patterns are also changing as wealth holders age and watch grandchildren grow into adulthood, with all the accompanying responsibilities of career and family. Over 40% indicate that they plan to give more of their wealth to their grandchildren than children, believing it will be more useful at their grandchildren's stage of life. This trend is stronger among female investors.

Giving while living is increasingly popular

Percentage who are making changes as life expectancy rises

60%

Will give away more of my wealth **while I'm alive**

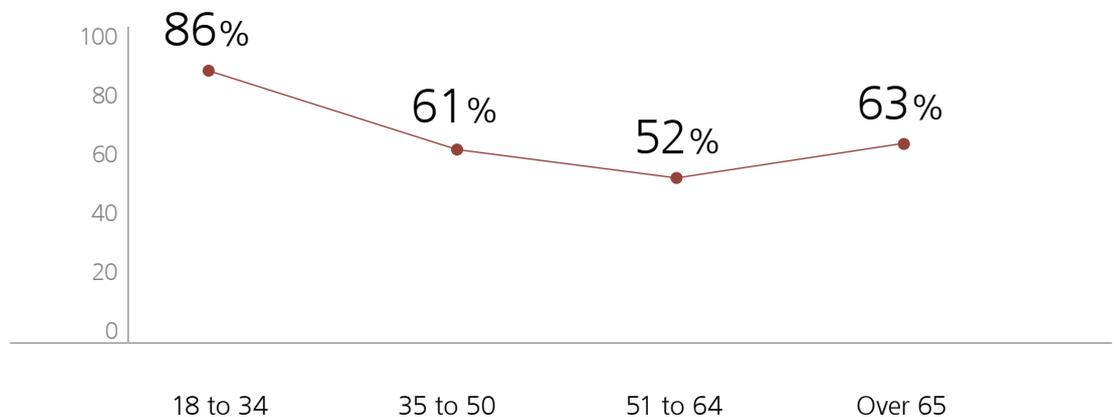
43%

Will give more of **my wealth away to my grandchildren** rather than just my children

40%

Will leave more of **my legacy to charities, foundations** and good causes

Percentage who give away more of their wealth while still alive



“ I need my wealth as a precaution for me and my family. ”
– Germany, Female, 60

About the survey: UBS Global Wealth Management provides financial advice and solutions to wealthy, institutional and corporate clients worldwide. As part of our leading research capabilities, we survey global investors on a regular basis to keep a pulse on their needs, goals and concerns. Since 2012, *UBS Investor Watch* tracks, analyses and reports the sentiment of high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this edition of *UBS Investor Watch*, we surveyed more than 5,000 wealthy individuals (with at least \$1 million in investable assets). The global sample was split across 10 markets: Germany, Hong Kong, Italy, Mexico, Singapore, Switzerland, Taiwan, UAE, the U.K., and the U.S. The research was conducted between December 2017 and April 2018.



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