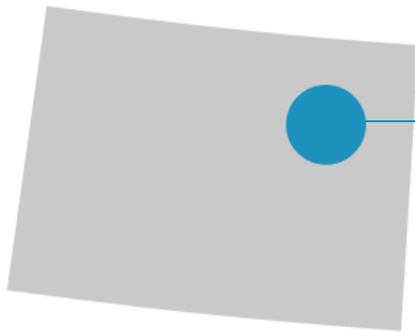


Morgan Stanley Wealth Management  
Investor Pulse Poll



Denver Metro Area Report  
April 2013

## Table of Contents

Executive Summary: Denver	3
The State of the Economy and the Investment Climate	5
Concerns about Investing and the Economy	6
Portfolios and Investments	7
Housing and Real Estate	12
Use of Financial Professionals	13
Methods	15
Contacts	16

## Executive Summary

Morgan Stanley releases findings from the “Morgan Stanley Wealth Management Investor Pulse Poll” of 1,000 U.S. high net worth (HNW) investors age 25 to 75 with \$100,000 or more in investable household financial assets. Approximately one in five (21%) of all U.S. households fall into this group representing approximately 24 million households (defined to exclude assets held in real estate and employer retirement plans).<sup>1</sup> The poll was conducted from January 14 to March 3, 2013 and includes interviews with hundreds of households that report investable household financial assets of \$1 million or more (33% of those interviewed) yielding a robust look at a group that makes up only 3.6% of total US households.<sup>2</sup> All told, households with \$100,000 or more in investable assets account for 94% of total investable assets by value.<sup>3</sup> All results reported are from the Morgan Stanley Wealth Management Investor Pulse Poll. This special summary report focuses upon an oversample of 302 respondents in Denver.

Highlights from this survey reveal that most Denver HNW investors (71%) feel that the global economy will be the same or better by the end of 2013. Even more (83%) expect their own household’s investment portfolios to be the same or better. A similarly high proportion of Denver HNW investors (82%) are confident of achieving their long-term financial goals.

- With much optimism expressed at the personal level, the poll, however, reveals some macro worries among investors. The federal budget deficit tops the list with 91% of those interviewed expressing concern (“very concerned” plus “somewhat concerned”). Most are also worried about the nation’s economic prospects (87%), foreign conflicts (87%), the trade deficit (84%) and a downgrade in the federal government’s debt rating (80%).
- Assets seem to help Denver HNW investors worry less about problems that can be addressed personally or mitigated via having greater financial means, such as having enough money to cover unexpected expenses, underwater mortgages, assistance to older adult relatives, and paying off student loans; concern about these issues is even lower among Denver millionaires.
- More Denver HNW investors keep their money in equities (44%) than in other vehicles, but cash and fixed income investments together represent another 37% of holdings. This underscores the importance to this group of keeping its capital intact—58% state that preserving their capital is more important today than it was three years ago. Gold (45%), other precious metals (40%), dividend bearing stocks (38%) top the list of Denver investors’ good picks for 2013. Fixed income investments and international stocks are much less enticing. With regard to sectors for potential investment, more than half of Denver HNW investors see Energy, Technology and Natural Resources as good picks for 2013.
- A majority of Denver investors (59%) are neutral toward investment prospects for the tourism sector, even though it an important part of bringing money into Colorado’s economy. Of the balance, more investors (23%) say tourism is a good sector to invest in than bad (13%). Still, asked directly whether they looking to invest in Colorado’s tourism industry by investing in real estate in a resort area, just 7% of Denver HNW investors say they are looking to do so.
- The U.S. tops the list of nations or regions to invest one’s money in 2013 (55% say it is a good investment); the next tier of countries include China (44% “good”), Brazil (41%) and India (37%).

---

<sup>1</sup> According to aggregated data using results of the Federal Reserve’s 2010 Survey of Consumer Finances, 21% of all US households have non-retirement financial assets of \$100,000 or more and are of age 25 to 75.

<sup>2</sup> A statistical Analysis of the Survey of Consumer Finances Data.” October 2010, a CEB data analysis of the Federal Reserve Board’s 2010 Survey of Consumer Finances.

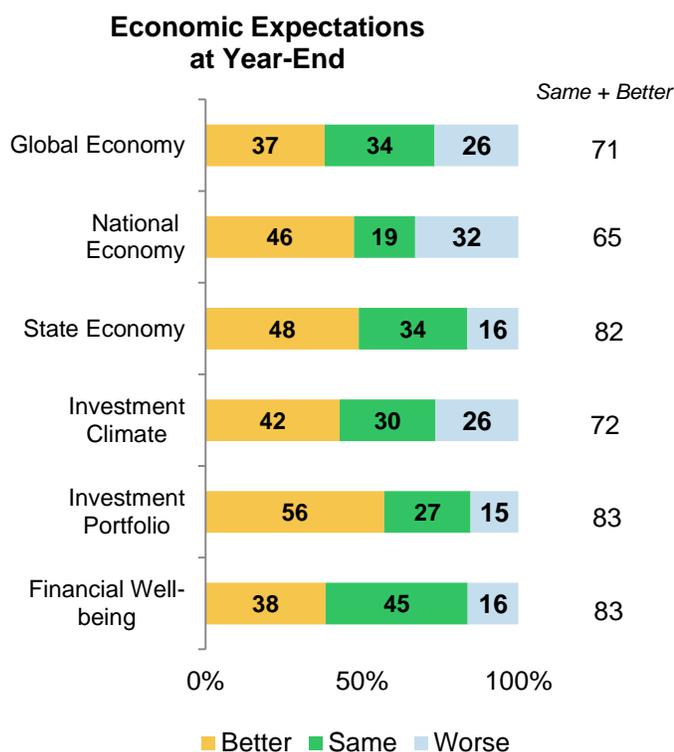
<sup>3</sup> A statistical Analysis of the Survey of Consumer Finances Data.” October 2010, a CEB data analysis of the Federal Reserve Board’s 2010 Survey of Consumer Finances.

- Three times as many Denver HNW investors believe there has been an *increase* in local housing prices (64%) rather than a *decrease* (20%)—with Denver investors more likely to sense an improvement than investors nationwide (41%). However, Denver HNW investors are less inclined to think it is a good time to buy a primary home (63% of Denver investors vs. 74% of national investors).
- Three in four (77%) Denver HNW investors seek the guidance of a financial professional on a broad range of topics, from tax efficiency to asset allocation. Certified financial analysts, certified public accountants, and certified financial planners (56%) are retained about as often as stock brokers/financial advisors (52%). Expectations for these professionals run high, with most seeking more than just facts. They want analysis, clear communication, and guidance.

## The State of the Economy and the Investment Climate

### Most Investors Feel the Economy Will Be the Same or Better at Year-End

Seven in ten (71%) of 300 High Net Worth (HNW) investors with \$100,000 or more in investable liquid assets interviewed in Denver at the beginning of this year feel the global economy will be the same or better by the end of 2013 (72% feel this way on the national level). Thirty-seven percent predict a better global economy before January and 38% feel it is already better than it was a year ago. In post-fiscal cliff, pre-federal sequestration interviews, 65% of Denver HNW investors predict that the national economy will be the same or better before the end of December (same as the national viewpoint), with 46% expecting to see improvement in the economy by that time. Half (51%) also believe that the national economy is better now than it was a year ago. Denver HNW investors are more optimistic about the future of Colorado's economy, 82% see it as better or the same at the end of 2013, than say the same of the national or global economies. Views of the overall investment climate are more reflective of the national and global economies.



### Personal Portfolios and Financial Well-Being Expected to Improve

Optimism at the personal level is similar to that for Colorado's economy, with 83% expecting their personal investment portfolio to be the same or better by next January; over half expect it to be better. Looking back a year, 56% of Denver HNW investors say their portfolio is better than it was at the beginning of 2012. This improvement over last year does not hold as well for lower asset group investors (48%) versus millionaires (74%) and those with one-half to a million dollars in assets (63%). A great majority of all those interviewed (83%) feels that as 2013 closes, they will have the same or a better sense of financial well-being.

*Most Denver HNW Investors (82%) are confident they will achieve their long-term financial goals.*

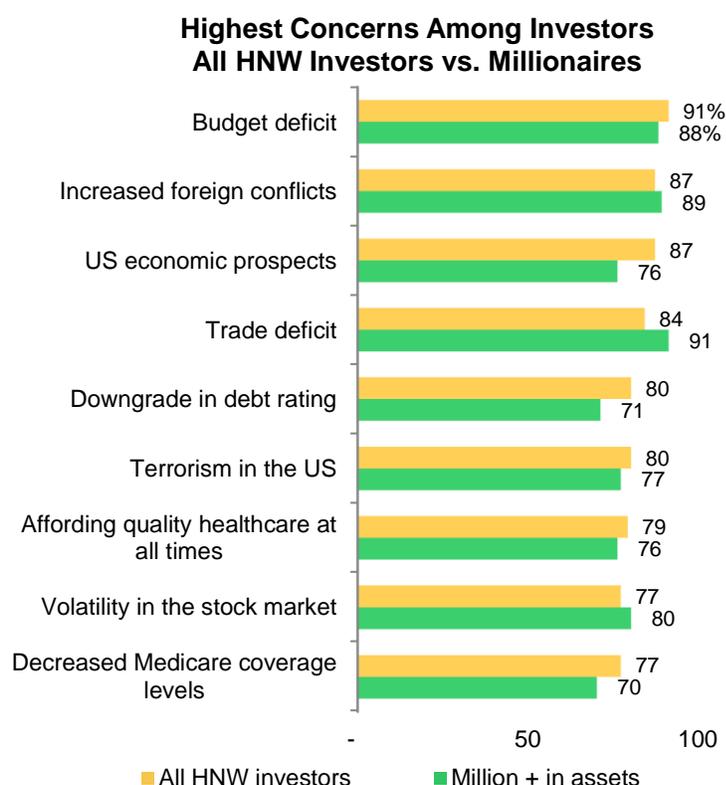
**Most Are Confident They Will Reach Their Long-Term Financial and Retirement Goals But More than One in Three Retirees Are Disappointed With Their**

### Portfolios

Most HNW investors are confident (82%; 24% very confident) that they will achieve their long-term financial goals. A large majority (79%) of those who have not retired are also confident that they are on track in their planning. Reality can dampen optimism once retirement actually arrives, however. A plurality of retirees (40%) report that their investment portfolio is about what they expected, but 34% say it is worse than expected with only 26% saying it is better.

## Concerns about Investing and the Economy

### What Keeps Denver HNW Investors Awake the Most At Night?



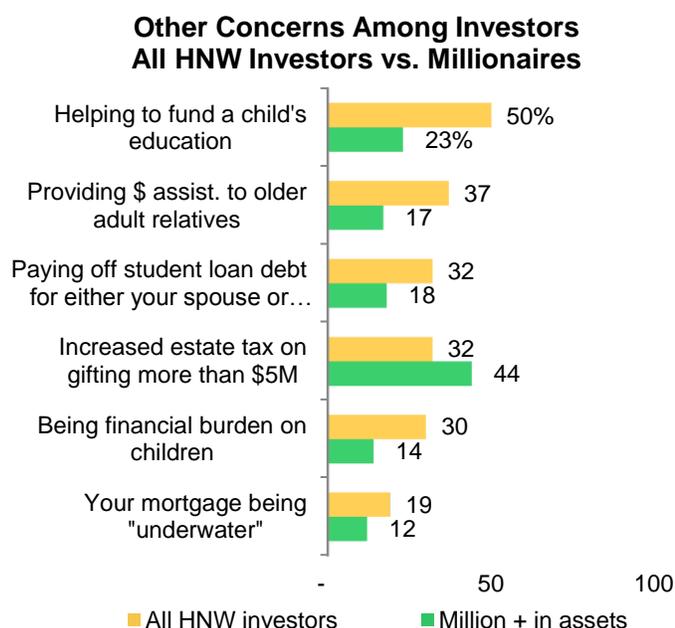
Economic issues top the list of Denver HNW investors' concerns. The budget deficit worries 91%, while the nation's economic prospects (87%) and the trade deficit (84%) are also of great concern. Two other issues that concern Denver HNW investors are more global in nature, that is, increased foreign conflicts (87%) and terrorism (80%), with healthcare concerns such as being able to afford quality healthcare (79%) and decreased Medicare coverage levels (77%) also of high concern.

When it comes to most of these top concerns, all of which are widespread in nature rather than personal, Denver millionaires' views track fairly closely to those of overall Denver HNW investors. However, millionaires are less concerned than those is the lowest asset groups (less than \$500K) about U.S. economic prospects (76% vs. 92%) and decreased Medicare coverage (70% vs. 83%).

### What Worries Investors Less?

Potential problems over which investors feel they have greater control—worries that can be addressed personally or mitigated via having greater financial means—do not tend to keep Denver HNW investors awake quite as much at night, as seen in the list of “Other Concerns.” Underwater mortgages and financial burdens are two examples. Other examples include paying for education—both in terms of past student loans and future needs.

Denver millionaires are even less concerned than all Denver HNW investors regarding issues in which money can help. Notably, millionaires are far less concerned over the family's financial well-being (23 percentage points



lower among millionaires), helping to fund a child’s education (27 points lower), or providing financial assistance to older relatives (20 points lower).

Millionaires’ extra sense of comfort expands beyond their families as they are also less concerned about the financial well-being of Colorado (18 points); perhaps the personal financial security of millionaire investors in Denver creates a more optimistic perspective of everyone else’s prospects as well.

Higher assets levels are not enough to ensure a good night’s sleep regarding all issues, however. Not surprisingly, Denver millionaires are more concerned than Denver HNW investors as a whole regarding the potential increased estate tax on gifting more than \$5M.

## Portfolios and Investments

### More Money in Equities but Much Still in Fixed Income Investments and Cash

On average, stocks and equities make up the largest portion of Denver HNW investor’s portfolios (44%) and many have likely benefitted from the recently soaring market, especially millionaires, who report that 53% of their investments are in equities. Nearly one in five dollars (18%) is parked in fixed income investments and 19% is in “all other” investment vehicles, which includes commodities, etc. Just under another fifth of all money sits in cash. Denver HNW investors’ portfolios are similar to those seen nationally.

A fourth of investors plan to adjust their allocations during the coming year (26%). Those who plan to make a change are a little lighter in their current equities allocation (41%) versus those who do not plan any changes (45%)—and they intend to decrease this allocation further by year-end, to 38%. While national investors who plan to adjust their allocations do not expect to alter their assets in cash very much and plan to increase their fixed income, Denver investors intend to *increase* their cash assets to 24% and *decrease* their fixed income assets.

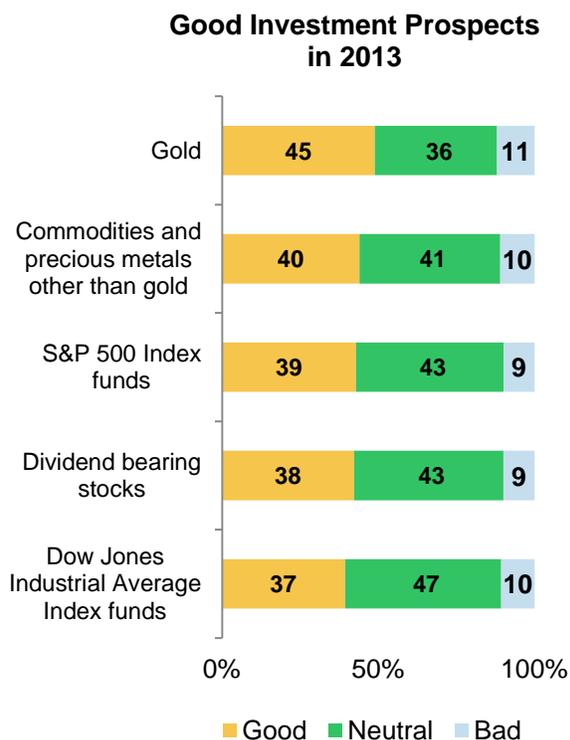
	Current Average Allocations	Current-Among Those Who Do <u>Not</u> Plan to Adjust (n=222)	Current-Among Those Who Plan to Adjust (n=80)	Planned Adjustment
Cash	19%	19%	19%	24%
Stocks or equities, stock funds, ETFs	44	45	41	38
Fixed income: bonds, treasuries, CDs, etc.	18	17	23	19
All other investments	19	19	17	19

### Preservation of Capital Is More Important to Investors Today

A majority (58%) of Denver HNW investors admit that preserving their capital or holdings is more important to them now than it was three years ago, while 38% say its importance has not changed and just 3% assign it lower importance. Nationally, 55% consider preservation of capital to be more important now than three years ago. Considering that stocks and equities—more volatile than fixed income investments—make up the largest proportion of Denver HNW investors’ wealth, it appears that investors are fairly comfortable with equities at the present time.

Capital appreciation as an investment objective is also more important now than three years ago to 45% of Denver investors (this is 48% nationally), as is generating income (41%, vs. 45% nationally). However, almost as many Denver HNW investors have not shifted their opinion on the importance of either of these objectives during this period (47% and 48%, respectively).

## Investors' Top List of Good Investments in 2013 Betrays Aversion to Risk

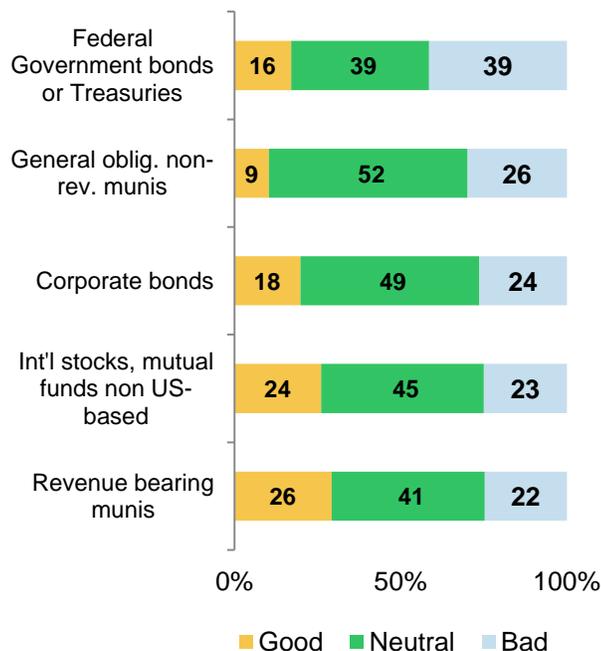


Topping the list of “good” investments for 2013 is gold, with 45% of Denver HNW investors saying the precious metal is a good investment prospect, similar to 48% nationally; about a third are neutral toward gold’s potential. The second tier of prospects includes commodities and other precious metals (40%), S&P 500 Index funds (39%), dividend bearing stocks (38%), and Dow Jones funds (37%). For commodities, about as many consider them to be a neutral prospect as consider it a good prospect; the remaining picks display higher “neutral” than “good” ratings, indicating investors’ tepid embrace of these vehicles. This may indicate some risk aversion and supports the high importance that HNW investors place on preservation of capital, noted previously—but this is not unique to

Denver HNW investors.

At the bottom of the list of investment prospects are federal bonds and treasuries, considered bad by 39% of Denver HNW investors. Denver investors are more critical of federal treasuries and bonds than national investors (29%). About one in five Denver HNW investors are wary of both non-revenue and revenue bearing munis (26% and 22% “bad”), as well as corporate bonds (24%) and international stocks of non US-based companies (23%). Reflecting the confidence shown earlier in their state’s economy, absent from the bottom list are state municipal bonds—an investment prospect that made the “bottom” list among national investors. In contrast, Denver HNW investors are more apt to name Colorado munis as “good” (28%) than “bad” (16%).

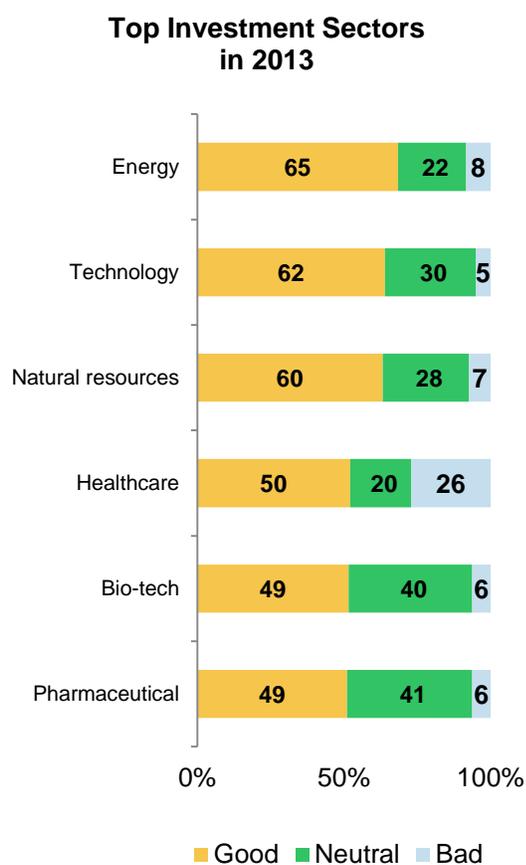
### Bad Investment Prospects in 2013



## Good Investment Sectors

The top investment sectors for 2013 in the eyes of Denver HNW investors are energy, technology, natural resources, healthcare, bio-tech and pharmaceutical. While making the list of the top-investment sectors, opinions on healthcare as an investment vary: it also receives the second highest “bad” investment rating (26%). The only sector to receive a higher negative rating is Aerospace (34%). The housing sector gets a stamp of caveat emptor, with 22% saying it is a “bad” area in which to put one’s money this year, but a modest 35% say it is a good sector for investment. The broader real estate sector finds a

similar level of critique (22% bad, 39% good). The insurance sector receives a fairly high “bad” rating (24%) and a fairly low good rating (26%); a similar situation exists for financial services (20% bad, 23% good). Notably, millionaires are less critical of financial services, with 35% saying it is a “good” investment.



While the pharmaceutical sector makes the list of “top” investment sectors, Denver HNW investors are notably less positive towards the sector than HNW investors across the country. In contrast to the half (49%) of Denver investors who consider it a good investment, a clear majority of *national* HNW investors name the sector as a good investment (60%). However, Denver investors’ opinions are not more negative (6% vs. 7%), but more “neutral” (41% of Denver investors versus 31% of national investors).

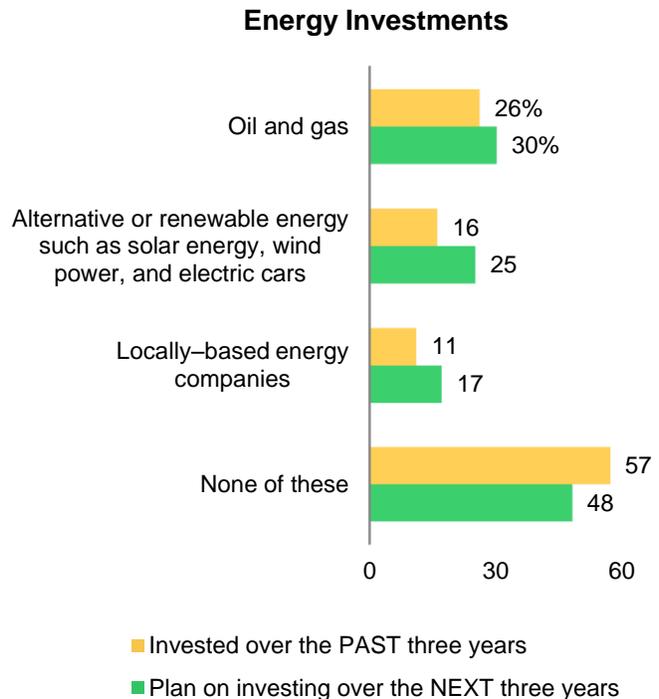
## Denver HNW Are Investing in Energy, but Not in Tourism

Four in ten Denver HNW investors (43%) say they have invested in some type of energy in the past few years, and nearly half (49%) plan to do so in the next three years. Of the potential energy investments, oil and gas is most popular among Denver investors: one in four have invested in oil/gas (26%). This investment is considerably more popular among millionaires, as fully half of Denver millionaires have invested in the oil and gas industry (50%). Denver-based companies, however, do not benefit, as only 11% of HNW investors in the Denver area have invested in local energy companies.

While only one in six Denver investors currently invest in alternative energy sources, one in four intend to invest in alternative energy over the next three years. Local companies, too, may see a bump in investments, as 17% of Denver HNW investors intend to invest in local companies in the next three years.

A majority of Denver investors (59%) are neutral toward investment prospects for the Tourism sector, even though it is an important way of bringing money into Colorado's economy. Of the balance, more investors (23%) say tourism is a good sector to invest in than bad (13%). Still, asked directly whether they are looking to invest in Colorado's tourism industry by investing in real estate in a resort area, just 7% of Denver HNW investors say they are looking to do so.

Denver HNW investors' interests are not piqued by companies relocating to Denver. More than six in ten investors are *not* seeing more opportunities in businesses that are relocating to Denver (62%, versus 27% who say "yes").



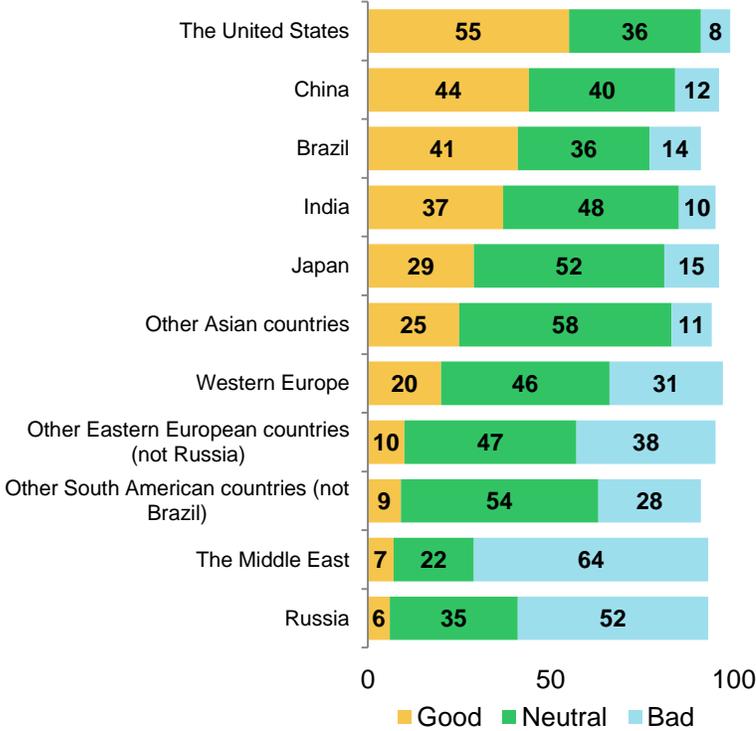
# Foreign and International Investing

Denver HNW investors say there is no place like home when it comes to investment opportunities: the majority (55%) say that the United States is a good place to invest in 2013—more so than any other country or region. Brazil and China join the U.S. as the only places where even a plurality sees good investment opportunities this year.

Notably, millionaires see even more promise in Brazil’s offering than other investors, with a clear majority saying Brazil has a “good” investment outlook (63%, outshining the U.S. at 61%).

Brazil and China outshine other countries in their respective regions, with majorities saying they are neutral toward the investment opportunities in other South American and Asian countries. Just 9% of Denver HNW investors view South American countries (other than Brazil) as good, markedly less than the rating nationally (17%). And the Eurozone crisis may be taking a toll on Denver investor confidence, with nearly half neutral and about a third negative toward investment in both Western and Eastern Europe. With civil war in Syria and concerns about Iran’s nuclear ambitions overshadowing whatever optimism “the Arab Spring” may have spawned, Denver HNW investors are decidedly negative about investment opportunities in the Middle East.

**2013 Investment Outlook by country/region**



## Housing and Real Estate

### Denver Investors are Seeing Opportunities in Real Estate Again

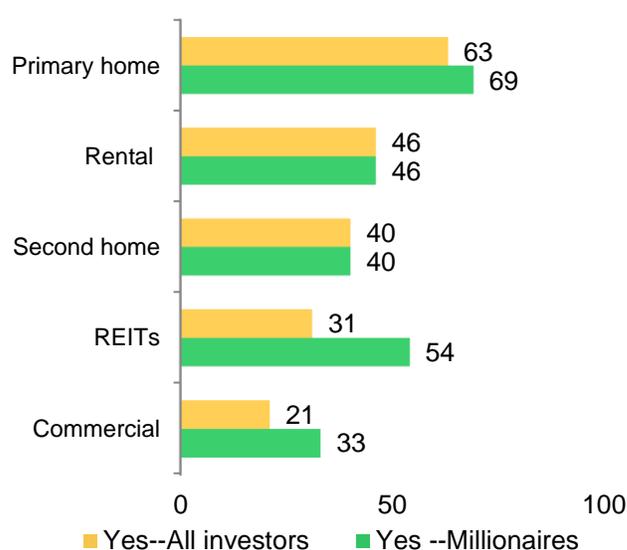
A majority of Denver HNW investors (64%) sense an improvement in their local housing market—a proportion that far exceeds the national average (41%). This majority estimates that prices within 25 miles of their primary home have increased 12%, on average, over the past year. At the same time, less than one in ten of Denver HNW investors (8%) report that home prices are *decreasing*, a proportion below the national average (20%). However, foreclosures have affected 47% of respondents' neighborhoods "somewhat" or "a great deal," but only 4% say "a great deal." More than half (53%) have seen no foreclosure problems close to home.

Denver HNW investors are fairly bullish on investing in the real estate market. Approximately one in three believe real estate will outperform commodities (32%) and stocks (30%) over the next three years and will far eclipse bonds (45%) and cash (48%). The timing is good, they say, to buy primary residences (63%) and rental properties (46%) but not quite as good for second homes (40%), REITs (31%) or commercial real estate (21%). Millionaires, however, are especially interested in REITs (54%).

Despite an overall greater optimism about the local housing market when compared to national investors, Denver HNW investors are less inclined to think it is a good time to buy a primary home (63% of Denver investors vs. 74% of national investors) or commercial real estate (21% vs. 28%). Overall, fewer Denver investors than investors nationwide as a whole think it is a good time to buy *any* real estate (78% vs. 84%).

*A majority of Denver HNW investors (64%) sense an improvement in their local housing markets—a proportion that far exceeds the national average (41%)*

**Time to Buy?  
Good investments In next 3 years (%)**



The great majority of Denver HNW investors already own a primary home (94%), usually with a mortgage (70%). Very few of those mortgages are "under water" (5%). Ownership of second homes (23%), rental (18%), or commercial property (6%) is much less common.

In the past three years, 43% of Denver investors say they have made some type of real estate transaction, mostly for a primary home (39%). Many have taken advantage of historically low interest rates via re-financing (27%).

But relatively few have made new property purchases (11%), and cash transactions (6%) have not been the vehicle of choice with today's interest rates so low. Second mortgages have been practically non-existent (less than half a percent), but some Denver HNW investors have taken out home equity loans—more so than national investors (8% vs. 4%).

HNW investors are conservative on real estate policy. Only one in three (34%) feel that the government should place a high priority on loan modifications for at-risk borrowers and fewer than one in five (17%) want to see a strong focus on backing low down payment loans for low income borrowers. Even a topic closer to home—raising the threshold for government loan guarantees in high value housing area—sparks little support in this group, as merely 12% say it should be a high priority.

## Use of Financial Professionals

### High Expectations of FAs

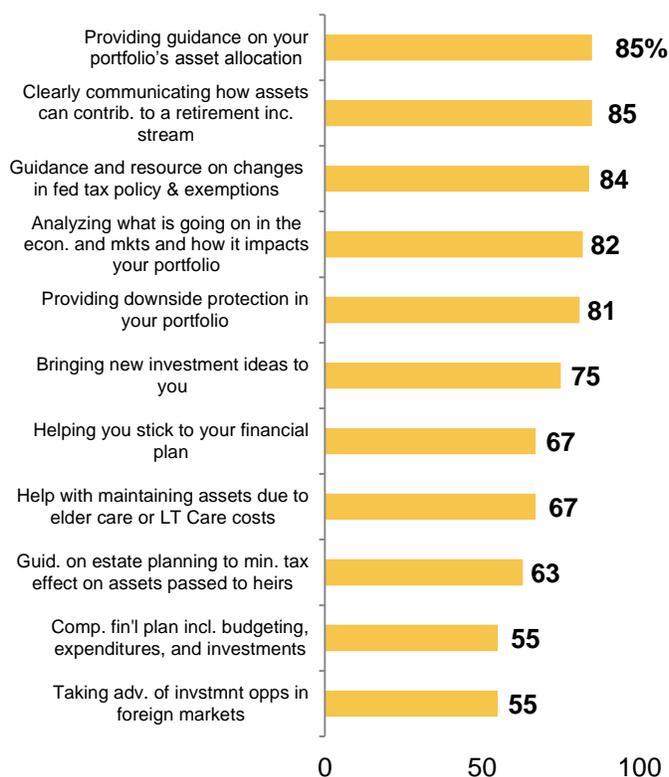
Professional financial advisors are highly in demand. About four in five (77%) Denver HNW investors currently use an advisor, similar to the level seen nationally (78%). CFAs, CPAs, or CFPs (56%) are consulted about as often as stock brokers (52%); many Denver HNW investors use more than one type of advisor. Overall use of these professionals is roughly similar across all asset groups.

About three in four or more of those investors with an advisor want guidance on topics ranging from tax efficiency to asset allocation. While a substantial proportion of Denver HNW investors are also looking for new investment ideas (75%) and help sticking to their financial plan (67%), fewer expect these services than is seen nationwide (82% and 75% nationally). Denver investors are also less reliant on their professionals for planning—both when it comes to planning their overall finances (55% vs. 65% nationally) and their estates (63% vs. 74% nationally).

Echoing the theme noted earlier, that American high net worth investors are focused more on domestic opportunities, the only noticeable laggard on what they seek from their advisors is “Taking advantage of investment opportunities in foreign markets”—although a majority (55%) do want their FAs to help them with this goal.

But today’s investors seem to want more than “just the facts” about investment opportunities. They want their financial professional to provide market *insight* that helps them prepare for the future—and to do so in a way they can understand. Indeed, *communicating, guiding* and *analyzing* are the keywords in the top items on the list: “Providing guidance on your portfolio’s asset allocation,” “Clearly communicating how your assets can contribute to a retirement income stream,” “guidance and resource on changes in fed tax policy” and “Analyzing what is going on in the economy and markets and how it impacts your portfolio.”

### Economic Expectations at Year-End (Among those with an FA)



*These investors seem to want more than “just the facts” about today’s investment opportunities. They want their FAs to provide market *insight* that helps them prepare for the future—and to do so in a way they can understand.*

Among HNW investors who **do not** currently have any sort of financial advisor, priorities are broadly similar, although long-term care planning appears to be a particularly unmet need for this group. “Providing guidance on not depleting your assets due to elder care or long term care costs” (53%) comes in second among the list of issues for which this group sees the need for professional help, while it is a lesser issue among investors currently working with professionals.

## Methods

The Morgan Stanley Investor Wealth Management Investor Pulse Poll was conducted via telephone interviews from January 14 through March 3, 2013 by GfK Public Affairs and Corporate Communications. One thousand respondents across the United States were contacted using listed sample of landline phone numbers pre-identified as high net worth households (\$100,000 or more in liquid investable assets). Respondents were required to be between the ages of 25 and 75 years old and to be one of the primary decision makers in the household for financial decisions. In addition, confirmation of \$100K or more in household net investable assets was also done. Quotas were applied in order to obtain one-third in each of the following categories: \$100K to \$499K, \$500K to \$999K, and \$1 million or more in investable assets. Results were then weighted to age within each of these three asset classes using the Federal Government's Survey of Consumer Finances data.

Regional oversamples of 300 respondents were also obtained in 8 regions across the country. These regional samples required the same screening criteria as the national sample, except that respondents had to live in the metro areas of San Francisco, Los Angeles, Denver, Chicago, Boston, New York, Atlanta, or Houston. For New York, one-third of the 300 respondents were targeted to be from the New York, New Jersey, and Connecticut areas. The regional oversamples were weighted using the same targets from the Survey of Consumer Finances as was the national study.

## Contacts

### Morgan Stanley

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. Morgan Stanley Wealth Management, provides access to products and services to individuals, businesses and institutions, including brokerage and investment advisory services, financial and wealth planning, credit and lending, cash management, annuities and insurance, retirement and trust services. The Firm's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 1,200 offices in 43 countries. For further information about Morgan Stanley, please visit [www.morganstanley.com](http://www.morganstanley.com).

#### Corporate Communications

Mr. James Wiggins  
Managing Director  
Corporate Communications  
Morgan Stanley  
(914) 225-6161  
[James.Wiggins@MorganStanley.com](mailto:James.Wiggins@MorganStanley.com)

Ms. Christine Jockle  
Executive Director  
Corporate Communications  
Morgan Stanley  
(914) 225-6827  
[Christine.Jockle@MorganStanley.com](mailto:Christine.Jockle@MorganStanley.com)

#### Marketing Research

Dr. George Szybillo  
Executive Director  
Marketing Research  
Morgan Stanley  
(914) 225-5450  
[George.Szybillo@MorganStanley.com](mailto:George.Szybillo@MorganStanley.com)

Mr. Anthony Guglielmucci  
Vice President  
Marketing Research  
Morgan Stanley  
(914) 225-5531  
[Anthony.Guglielmucci@MorganStanley.com](mailto:Anthony.Guglielmucci@MorganStanley.com)



GfK is one of the world's largest research companies, with more than 11,000 experts working to discover new insights into the way people live, think and shop, in over 100 markets, every day. GfK is constantly innovating and using the latest technologies and the smartest methodologies to give its clients the clearest understanding of the most important people in the world: their customers. In 2010, GfK's sales amounted to EUR 1.29 billion. To find out more, visit [www.gfk.com](http://www.gfk.com) or follow GfK on Twitter: [www.twitter.com/gfk\\_group](http://www.twitter.com/gfk_group)