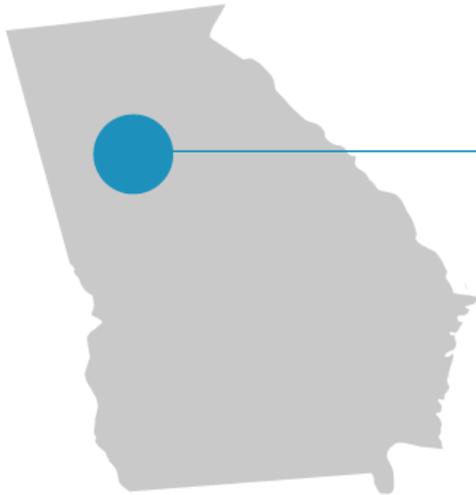


Morgan Stanley Wealth Management  
Investor Pulse Poll



Atlanta Metro Area Report  
April 2013

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## Executive Summary

Morgan Stanley releases findings from the “Morgan Stanley Wealth Management Investor Pulse Poll” of 301 Atlanta-area 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 301 respondents in Atlanta.

Highlights from this survey reveal that 60% of Atlanta HNW investors feel that the US economy will be the same or better by the end of 2013 and that 65% have the same outlook for the global economy. However, the results for Atlanta show the consequences of the bursting of the market’s housing bubble, with 64% of investors reporting that foreclosures have impacted their neighborhood (versus 43% nationally) and a proportion of underwater mortgages among even HNW investors (11%) that is nearly three times the national average (4%).

- Eight in 10 Atlanta HNW investors expect their household’s investment portfolios to be the same or better (83%) by year’s end, and 79% are confident of achieving their long-term financial goals.
- Despite this optimism at the personal level, there are macro worries among investors. Increased foreign conflicts tops a list of 38 issues with 92% of those interviewed expressing concern (“very concerned” plus “somewhat concerned”). Most Atlanta HNW investors are also worried about the interrelated issues of the government’s budget deficit (91%), the nation’s economic prospects (88%) and the national trade deficit (87%), as well as a potential downgrade in the US government’s debt rating (86%).
- Assets do seem to help investors sleep better in some important ways—less than half are concerned about helping to fund a child’s education (48%) and a third are concerned about paying off their mortgage.
- More Atlanta HNW investors keep their money in equities (46%) than in other vehicles, but cash and fixed income investments together represent another 39%. This finding underscores the importance to this group of keeping its capital intact—57% state that preserving their capital is more important today than it was three years ago. Dividend bearing stocks (56%), S&P Index funds (48%), gold (48%) and Dow Jones Industrial Average Index Funds (46%) are investors’ “good” picks for 2013. Fixed income investments are much less enticing. As sectors go, Technology, Energy, Pharmaceuticals, Bio-tech, and Healthcare are seen as good picks by two in three Atlanta HNW investors or more, but the Aerospace, Consumer Discretionary, and Insurance sectors are not.

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<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.

- The U.S. tops the list as a good place to put one's money this year (57% say it is "good"), with China (47%), Brazil (40%) and India (40%) also seen as attractive, indicating that wealthy Americans may put their bucks in the "BUICs" (Brazil, U.S., India and China) in 2013.
- Reflecting the bursting of the housing market in the Atlanta region, nearly as many Atlanta HNW investors say that housing prices in the past year have decreased (31%) as say that prices have increased (34%). Atlanta HNW investors are positive about the current housing environment for purchasing a primary residence (72%), but fewer say that it is a good time to purchase a rental property (51%), a second home (45%), REITs (33%) or a commercial property (22%).
- Seeing the foreclosures dotting their neighborhoods, it is surprising that Atlanta HNW investors are generally conservative on real estate policy: just 37% say the government should place a high priority on loan modifications for at-risk borrowers; just 17% want to see a strong focus on backing low down payment loans for low-income borrowers; and just 16% want to raise the threshold for government loan guarantees in high value housing areas.
- Three in four (74%) Atlanta HNW investors seek the guidance of a financial professional on a broad range of topics, from tax efficiency to asset allocation, to new investment ideas and help with sticking to a financial plan. Many use more than one type of financial professional. For example, certified financial analysts, certified public accountants, and certified financial planners (57%) are retained more often stock brokers or financial advisors (43%), although stock brokers and financial advisors are frequented far more often by Atlanta millionaires than by those with assets of less than \$500,000. Expectations for all financial professionals run high, with most seeking more than just facts. They want clear communication, guidance and analysis.

## The State of the Economy and the Investment Climate

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

Two in three (65%) Atlanta High Net Worth (HNW) investors with \$100,000 or more in investable liquid assets at the beginning of this year feel the global economy will be the same or better by the end of 2013. Thirty-seven percent predict a better global economy before January and 40% feel it is already better than it was a year ago. In post-fiscal cliff, pre-federal sequestration interviews, 60% predict that the national economy will be the same or better before the end of December, with 43% expecting to see improvement in the economy by that time. Nearly half (47%) also believe that the national economy is better now than it was a year ago. Expectations for Georgia's economy and the overall investment climate by end of 2013 are higher than expectations for global and US economies.

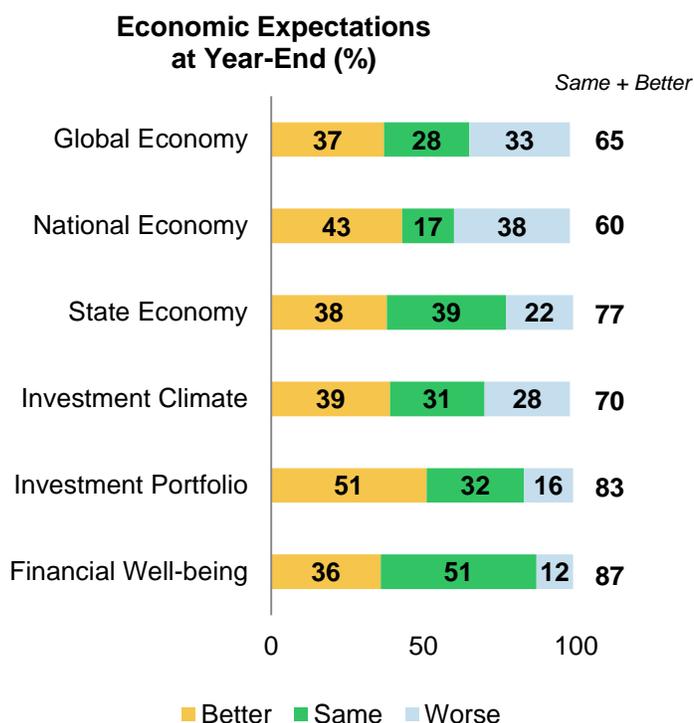
### Personal Portfolios and Financial Well-Being Expected to Improve

At the personal level, optimism is even higher than for the state economy, with 83% of Atlanta HNW investors expecting their investment portfolios to be the same or better by next January. Looking back a year, 57% say their portfolio is better than it was at the beginning of 2012; both figures are comparable to national results.

The *improvement* over last year does not hold as well for lower asset group investors (53%) versus millionaires (65%) and those with one-half to a million dollars in assets (65%). A great majority of Atlanta HNW investors (87%) feel that when 2013 closes, their financial well-being will be the same or better than when 2013 started.

### Most Are Confident They Will Reach Their Long-Term Financial Goals but Three in Ten Retirees Are Disappointed with Their Portfolio

Most Atlanta HNW investors are confident (79%; 25% very confident) that they will achieve their long-term financial goals, similar to 83% nationwide. A large majority (80%) 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. Nearly half of Atlanta HNW retirees (47%) report that their investment portfolio is about what they expected, but 30% say it is worse than expected with only 23% saying it is better.



Eight in ten Atlanta HNW Investors (79%) are confident they will achieve their long-term financial goals.

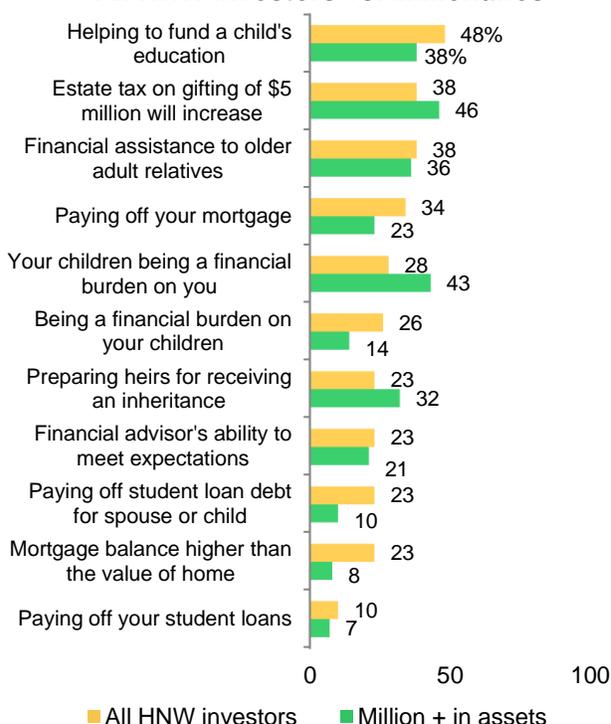
## Concerns about Investing and the Economy

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

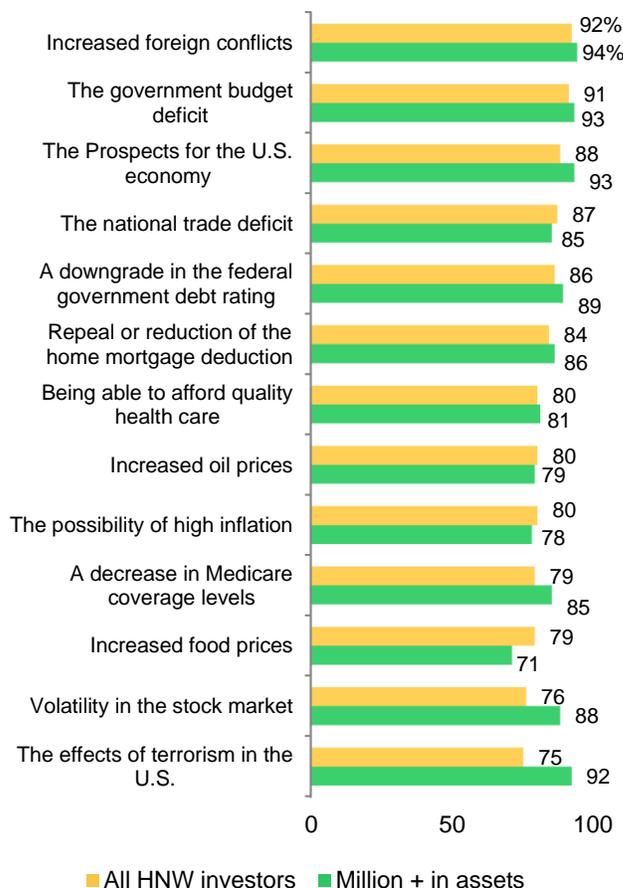
Increased foreign conflicts top the list of Atlanta HNW investors' concerns, named by 92%. Almost as many are worried about the federal budget deficit (91%). Other top economic concerns include the nation's economic prospects (88%), the trade deficit (87%) and a downgrade in the federal debt rating (86%). Three other highly worrisome matters hit closer to the moneyclip: repeal or reduction of the home mortgage deduction (84%); being able to afford quality healthcare (80%) and increased oil prices (80%). Though in a different order, the same group of concerns top the mind of HNW investors nationwide.

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 Atlanta HNW investors awake quite as much at night, as seen in the list of “Other Concerns.” For example, paying off personal student loans, having an “underwater” mortgage, and paying of spousal/child’s student loans concern no more than one in four HNW investors.

### Other Concerns Among Investors All HNW Investors vs. Millionaires



### Highest Concerns Among Investors All HNW Investors vs. Millionaires



Atlanta millionaires' views on the top investors' concerns track fairly closely to those of all Atlanta HNW investors. For issues outside the top 10, there are critical differences at the personal, micro level: having enough money to cover the unexpected (24 points lower among millionaires); living longer than their income and assets last (21 points lower); being a caretaker for older adults (20 points lower); their family's overall financial well-being (14 points lower), and having a mortgage balance higher than the value of their home (15 points lower).

Higher assets levels alone are not enough to assure a good night's sleep regarding all non-global issues, however. Atlanta millionaires' express greater concern than Atlanta HNW investors as a whole about the effects of terrorism in the U.S. (17 points higher), their children being a financial burden (15 points higher) and volatility in the stock market (12 points higher).

## Portfolios and Investments

### Investors Favor Equities but Much Money Remains in Fixed Income Investments and Cash

On average, stocks and equities make up the largest portion of Atlanta HNW investor's portfolios (46%) and many have likely benefitted from the recently soaring market. One in five of their dollars (18%) is parked in fixed income investments and 15% is in "all other" investment vehicles, which includes commodities, etc. About a fifth (21%) of all money sits in in cash. These allocations are largely in line with those seen nationally.

Three in ten Atlanta HNW investors plan to adjust their allocations during the coming year. Those who plan to make a change are a little lighter in their current equities allocation (44%) versus those who do not plan any changes (47%). These "adjustors" do not expect to alter their fixed income investments proportions much, but they do intend to end the year with a greater proportion in cash (increasing from 21% to 26%).

	Current Average Allocations	Current— Among Those Who Do <u>Not</u> Plan to Adjust (n=207)	Current— Among Those Who Plan to Adjust (n=94)	Planned Adjustment (n=94)
Cash	21%	20%	21%	26%
Stocks or equities, stock funds, ETFs	46	47	44	42
Fixed income: bonds, treasuries, CDs, etc.	18	18	19	18
All other investments	15	14	17	15

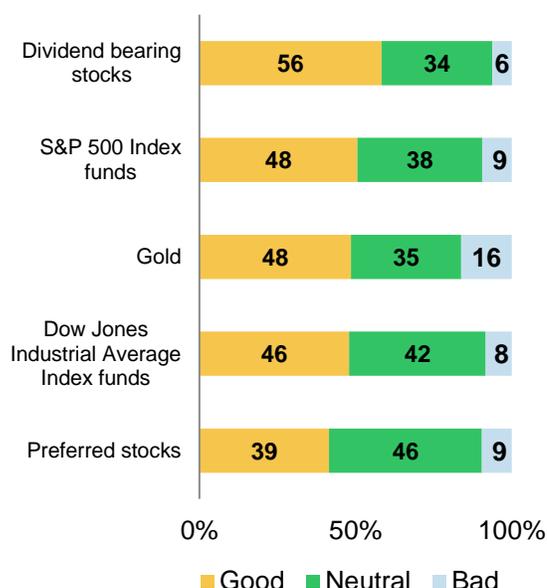
### Preservation of Capital Is More Important to Investors Today

A majority (57%) of Atlanta HNW investors admit that preserving their capital or holdings is more important to them now than it was three years ago, similar to 55% nationwide. Considering that stocks and equities—more volatile than fixed income investments—make up the largest proportion of Atlanta HNW investors' wealth, it appears that investors are fairly comfortable with equities at the present time. Capital appreciation as an investment objective is more important now than three years ago to 52% of investors (about the same as 48% nationally), as is generating income (46%; 45% nationally). But four in ten or more have not shifted their views on any of these three objectives during this period.

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

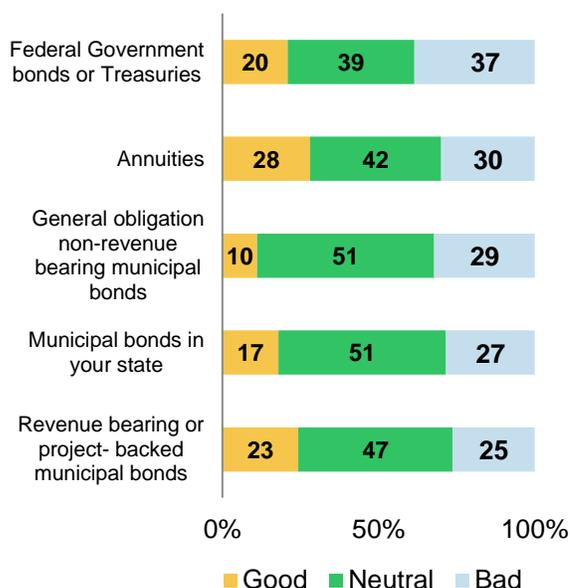
Topping the list of “good” investments for 2013 are dividend bearing stocks (56%), gold (48%), S&P 500 Index funds (48%) and Dow Jones Industrial Average Index Funds (46%); only dividend bearing stocks differs markedly in Atlanta (higher) compared to the national average (46%). Each of the top four also receives greater “good” than “neutral” ratings; all top picks beyond the top four 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 Atlanta HNW investors place on preservation of capital (as noted previously).

### Good Investment Prospects in 2013



At the bottom of the list, i.e. prospects with a “bad” outlook, are treasuries (37% “bad”), annuities (30%), general obligation non-revenue bearing munis (29%), municipal bonds in your state (27%), revenue bearing or project-backed munis (25%). Avoidance of these fairly low risk, lower return investments, may be tied to the previously stated desire for capital appreciation. Atlanta HNW investors are more pessimistic than all HNW investors nationwide regarding treasuries, annuities, and general general obligation non-revenue bearing munis, an indication that those in Atlanta don’t see banks and government entities as having the potential for strong investment bang for the buck.

### Bad Choice Investment Prospects in 2013

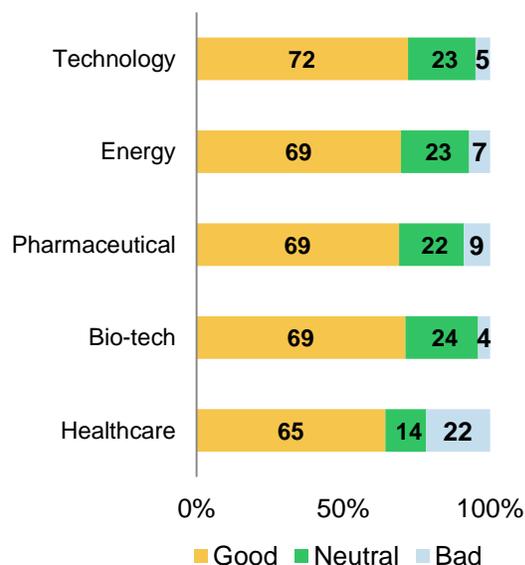


## Good Investment Sectors

The top five investment sectors for 2013 in the eyes of Atlanta HNW investors are Technology, Energy, Pharma, Bio-Tech, and Healthcare. Four of the top five sectors in the Atlanta area are the same as the best vehicles seen nationally, with the exception that Healthcare – perhaps because the Atlanta area is home to the American Cancer Society and the Centers for Disease Control – supplants Natural Resources in fifth place.

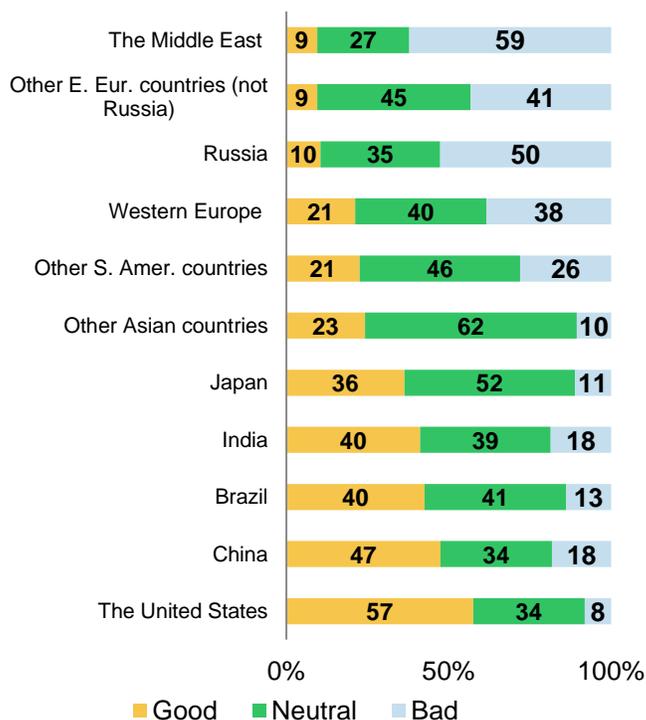
At the bottom of the list of good investment choices are the Aerospace (12%), Consumer Discretionary (15%) and Insurance (27%) sectors. As an epicenter of the US housing crisis, it is not surprising that just over a third of Atlanta HNW investors consider the real estate (37%) or housing (36%) sectors to be good investments.

### Top Investment Sectors in 2013



## Foreign and International Investing: Keeping Investments Close to Home

### 2013 Investment Outlook by country/region



Atlanta HNW investors say there is no place like home when it comes to investment opportunities. A majority (57%, similar to 56% nationally) say that the United States is a good place to invest in 2013—more so than any other country or region.

In fact, this may be the year that we start speaking of the “BUICs” instead of the “BRICs” as the destination for smart money. Brazil, China and India join the U.S. as the only places where at least four in ten see good investment opportunities this year. The “R” of BRIC, Russia, has just 10% of Atlanta HNW investors seeing that nation as a good area for investment. And despite investors’ lingering concerns about the fiscal direction of the United States, the U.S. has secured a place in the center of the “BUIC” quartet—Brazil, the United States, India and China—as one of the best places to put money this year. Given concerns expressed by Atlanta HNW

investors about foreign conflicts, few see the historically bad blood relationships between nations in the Middle East or between nations in Eastern Europe as good regions for investment.

## Housing and Real Estate

### Investors are Seeing Opportunities in Real Estate Again

Reflecting the bursting of the housing bubble in the Atlanta region, it is not surprising that nearly as many Atlanta HNW investors say that prices have decreased (31%) as say that prices have increased (34%) in the past year. Those saying prices are down estimate there has been an average decrease of 17%; those saying prices are up estimate the increase has been about 9%. Critically, 64% of Atlanta HNW investors report that foreclosures have affected their neighborhoods “somewhat” or “a great deal,” far higher than the 43% reported nationally.

Still, Atlanta HNW investors are fairly bullish on investing in the real estate market now. Approximately three in ten believe real estate will outperform commodities (31%) and stocks (29%) over the next three years and will provide better returns than bonds (44%) or cash (49%). These sentiments track closely to HNW investors nationwide. The timing is good, say Atlanta HNW investors, to buy a primary residence (72%), but they are more restrained with regard to purchasing a rental property (51%) or a second home (45%), and a third or fewer would purchase REITs (33%) or commercial real estate (22%) in the next three years. Millionaires are more keen on investing in REITs (45%) than low asset Atlanta HNW investors (28%).

The great majority of Atlanta investors already own a primary home (97%), in most cases with a mortgage (75%, higher than the 66% of all HNW investors nationwide with a mortgage on their primary home). In-line with national results, ownership of a second home (24%), rental property (18%) or commercial property (9%) is much less common.

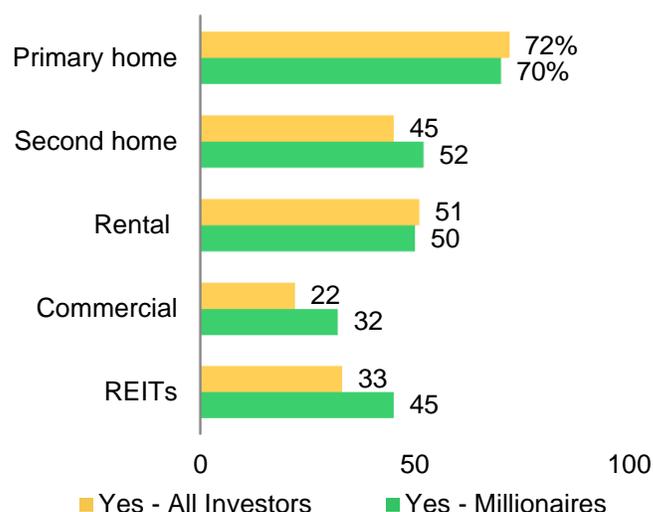
Again reflecting the difficulty the region is having in the housing market, 11% of Atlanta HNW investors’ primary home mortgages are “under water” – nearly three times the national average of 4%.

Reflecting the bursting of the housing bubble in the Atlanta region, nearly as many Atlanta HNW investors say that prices have decreased (31%) as say that prices have increased (34%) in the past year.

In the past three years, 41% have made some type of real estate transaction, mostly in primary homes (35%). Many have taken advantage of historically low interest rates via re-financing (26%). But relatively few have made a new property purchase via a first mortgage (8%), and cash transactions (6%) have not been the vehicle of choice with today’s interest rates so low. Home equity loans (5%) and second mortgages (2%) and have been fairly scarce among the HNW set.

Seeing the foreclosures dotting their neighborhoods, it is surprising that Atlanta HNW investors are generally conservative on real estate policy. Just over one in three (37%) feel that the government should place a high priority on loan modifications for at-risk borrowers and just 14% 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 16% say it should be a high priority.

**Time to Buy?**  
**Good investments in next 3 years**



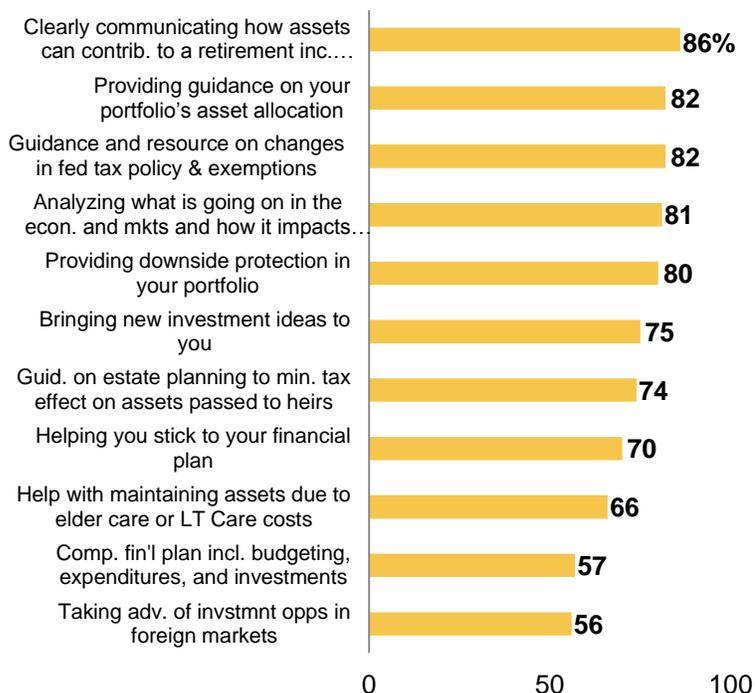
## Use of Financial Professionals

### High Expectations of FAs

About three in four (74%) Atlanta HNW investors currently use a financial professional. CFAs, CPAs, or CFPs (57%) are consulted more often than stock brokers/financial advisors (43%); many HNW investors use more than one type of advisor. Compared to HNW investors nationwide, those in the Atlanta area are less likely to use a stock broker/financial advisor. Both stock brokers and financial advisors are retained far more by Atlanta millionaires than by those with assets of less than \$500,000.

What specifically do Atlanta HNW investors want from their financial professional? Like HNW investors across the nation, they want more than just the facts about today's investment opportunities: they want clear communications, guidance and analysis. Most important is clear communications about their retirement income stream (86%). Expectations are high that financial professionals will provide asset allocation guidance (82%), guidance on the impact of changes in federal tax policy (82%) and analysis of how current economic conditions impact their portfolio (81%). Rounding out the top five is portfolio downside protection (80%). Echoing the theme noted earlier, that American high-net worth investors are focused more on domestic investment opportunities, "taking advantage of investment opportunities in foreign markets" is at the bottom of the list – although a majority (56%) want their financial professional's to help them even with this goal.

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



HNW investors 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.

But 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. Indeed, *communicating* and *guidance* and *analyzing* are the keywords in the top four items on the list.

Among Atlanta HNW investors who **do not** currently work with a financial professional, the top expectations of an advisor's responsibilities are similar but lower than those with an advisor, with guidance on the impact of federal tax policy changes (65%) topping the list, followed portfolio downside protection (61%), clear communications about their retirement income stream (60%) and asset allocation guidance (58%).

## Methods

The Morgan Stanley 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

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