

# THE AFFLUENT INVESTOR

A Spectrem Group Newsletter

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## Shaking the Tree



Using theatre & philanthropy to help wealthy families find their path

*The Accidental Team*

**As the sheer number of wealthy continues its exponential global rise, so does the relatively new business of wealth education.**

This is an industry in which financial institutions are particularly interested, because of their vested interest in keeping the assets of the affluent at their firms. Much of this (often free and fun) education is focused on helping the children of affluent clients to become responsible stewards of inherited wealth. To institutions, “responsible stewardship” means assets that grow and stay put, rather than get squandered on partying in Paris with a ne’er-do-well entourage, or on bad investments.

Shaking the Tree Foundation is a not-for-profit organization with a unique theatre-based workshop approach to wealth education, backed by philanthropic values.

Launched in 2000, Shaking the Tree has evolved into an organization focused on educating the high net worth community, “using storytelling to positively transform the individual’s relationship to wealth, family and society.”

With a creative team that has worked together since 1997, Shaking the Tree has used professionally produced plays as a centerpiece of workshops to help affluent families and their advisors clarify their relationships with wealth, and with each other.

President and co-founder, Maryann Fernandez explains, “Storytelling can be a potent and engaging way to promote discussions about issues of wealth: from talking about family dynamics to how to make an impact on the world with your money.” She adds, “Our plays, which we call ‘living case studies,’ are a great way to get family members to talk about challenging issues, but with a degree of detachment. The play is a representation of their family on stage, but it isn’t about them. It’s a common case for everyone in the audience to respond to, enabling people to be objective observers of themselves as the play and discussion unfold.”

Needless to say, financial advisors to the wealthy also find these living case studies valuable, because they allow

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# Shaking the Tree

Using theatre & philanthropy to help wealthy families find their path

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insights into areas of family dynamics and unspoken expectations that clients may not otherwise be comfortable talking with their advisors and consultants about.

Typical clients include private banks, financial industry associations, financial institutions, and afflu-



*The reluctant Cinderella*

ent private families, who hire Shaking the Tree to run theatre-based workshops at their family meetings. Sometimes these workshops are mixed, combining wealthy families as well as their professional financial advisors.

Financial institutions have also used the theatre workshops as part of sales training for advisors, “as a way to illustrate softer issues, which clients may not bring up, without potentially risking actual client relationships,” Fernandez clarifies.

You might wonder what qualifies Shaking the Tree to offer education to the high net worth community. Fernandez elaborates, “We’re a part of the community. Our creative team has consulted with affluent



*Audience Member asks a question*

families for decades. Our Managing Artistic Director, David Kersnar, is a founding member of the acclaimed Looking Glass Theatre Company in Chicago. He makes sure that the theatrical portion of what we do is on target.”

Asked what differentiates their workshops from typically shallow

skits you might see at a conference, Maryann stated, “What we do are not skits. They are true professional theatrical productions, to the extent that we cast them like mainstage productions. We hold casting calls, as if the play were to go on Broadway. We find the right actors for the parts. It’s very important that the audience believes that these individuals are who they say they are, because after the theatrical piece, the audience gets to question the actors, who stay in character.”

Elaborating on how Shaking the Tree handles the emotional struggles and conflicting expectations that often arise with family dynamics, Fernandez stated, “We like to portray a dynamic of Right vs. Right in our stories, because there aren’t good guys and bad guys, often just people who have different motivations and perspectives, trying to do the best they can in challenging situations. This brings what we do to a different level. It also deepens the level of conversation people are willing to have after the play.”

“All the people in the audience are typically playing many roles. They are CEOs; they are executives in family offices and foundations. They are mothers, fathers, daughters and sons. When they see the play performed live in front of them, they recognize the roles they play in real life. And that’s really moving for them on a deep level.”

Pausing thoughtfully, Maryann Fernandez adds, “Wealthy families are longing for a deeper discussion, beyond someone speaking at a podium. They want something interactive and dynamic that will move them on a deeper level. They want to have discussions that are meaningful.”

2007 finds Shaking the Tree expanding their theatre workshop into new territory: a DVD-based workshop, around a play called, *The Big Payday*, which deals with the tricky issue of how much money to leave one’s children.

Fernandez explains that their DVD-based workshop (paired with live facilitation by experts in the field of wealth education) enables Shaking the Tree to put forward a much more portable version of their workshop.

## Personally rewarding philanthropy

An expanding and evolving focus for Shaking the Tree Foundation is philanthropy—specifically donor education and promotion of creative philanthropy

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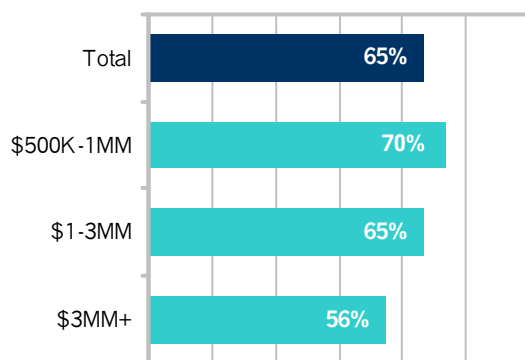
# Myth vs. Reality

**The myth** is that Affluent households are satisfied with their level of assets and are trying to preserve their wealth.

Spectrem's research uncovers the reality...

**The Reality** is that building wealth continues as a primary strategy even as assets grow.

**Chart 1. Building Wealth is My Primary Strategy by Asset Size**



What does **Chart 1** say about Affluent investors?

- Most Affluent do not consider \$1MM enough wealth to begin to slow down
- Even after reaching \$3MM or more, over half the Affluent remain in asset building mode
- Approximately 2 of 3 Affluent investors never stop trying to prosper

As wealth increases the percentage of wealth builders decreases, but never as low as you might think. Many believe the “American Dream” of living a better life is an important reason why people become prosperous. This desire to improve your life seems to never go away for those that attain an affluent status.

What does this **Chart 2** say about Affluent investors?

- Those under 50 are determined to reach loftier wealth goals
- Approximately 4 out of 10 of those 75 years old

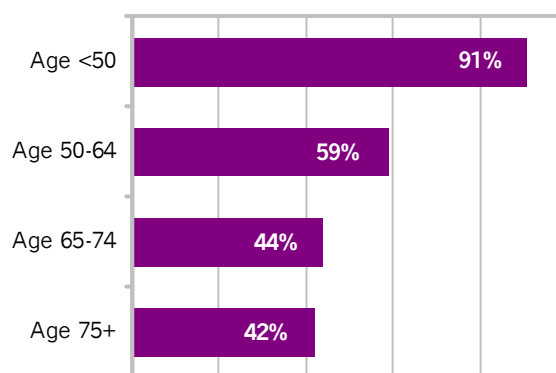
and up feel like they need to continue to develop wealth. They continue to try to build their fortune:

- For themselves because they are living longer than expected
- To leave money to their kids
- For the education and/or well-being of their grandkids

The under-50 Affluent crowd seems to be hungry to succeed financially, no matter how much wealth they have. They see their youth as an opportunity and they want to make hay while the sun shines.

There have always been wealthy people wanting to write a check over to a charity. However, there is a current development in the Affluent community toward direct involvement in their donations, and now that check in the mail is not enough for many donors. Affluent donors are now traveling all over the world to get first-hand knowledge of what is being done with the money they have entrusted to charities and foundations. These donors are making a lasting impact on the world with their contributions and their connection to a cause.

**Chart 2. Building Wealth is My Primary Strategy by Age**



Another effort by Affluent families to make a lasting impact is to focus on multi-generational wealth. More Affluent families are considering setting up family legacy trusts to provide wealth for future generations of their family. This is their way to leave an imprint on their family for generations to come after they are gone.

# Shaking the Tree

Using theatre & philanthropy to help wealthy families find their path

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within the high net worth community.

The group is hosting a conference called *Philanthropy: Finding Your Path* this coming June 14-17, 2007, outside New York City, at the Tarrytown House Estate, with featured speakers including best-selling author and leader in mind, body and healing, Deepak Chopra, MD; global activist, fundraiser and author of *The Soul of Money*, Lynne Twist; and foun-

visors, Stephen offers insight into two camps: Wealthy families and the financial advisors who serve them. McCarthy sees social entrepreneurship as “A mix of business and philanthropy, where the principles of business are applied in the social realm.”

He elaborates, “The intersection of business and philanthropy has become more real. Bill Gates is an example. A more engaged philanthropy has taken hold. This combined with ‘the wealth effect’ has led to a huge leap in the number of new foundations and not-for-profits created over the past ten years.”

Fernandez adds, “Social entrepreneurs are individuals who seek creative ways to solve social issues on a systemic level.”

Asked why there appears to be a shift in America towards the wealthy being more personally involved with philanthropy, rather than just contributing dollars, Fernandez offered her insight, “More recently, certainly Post 9/11, people have been thinking

more about who we are as Americans, and how we are viewed beyond our own borders. People want to contribute in ways that live on beyond themselves. They also want to feel the passion in participation—which means they want to be engaged in a meaningful, adventurous and fun experience for themselves and their family. They are becoming aware of more



*Actors Answering Questions From the Audience*

der of the Barefoot College in India, Bunker Roy. The conference will also feature three live theatrical productions and sessions such as: *Helping Individuals/Families to Achieve Their Philanthropic Mission*; *Family Foundations—Should the founder’s dream reach the third generation?*; and *Exploration of Personal Values, Mission and Dreams*.

The event is primarily for individuals and families of significant assets, with attendees also including executives from family foundations, family office executives, and social entrepreneurs. It is a private, invitation-only gathering and space is limited.

Maryann Fernandez expounds, “We really believe we need to have a variety of people at the table in order to discuss how we can address critical problems in our global communities. It’s going to take more than traditional philanthropists, but will include people involved in social investment, and those creatively using a variety of resources (not just money), such as their skills, influence and time.”

Stephen McCarthy, executive board member of *Shaking the Tree*, brings a unique perspective to the group. A Senior Vice President of KCG Capital Ad-



*Small Group Discussions After the Play*

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opportunities to use their vast resources in order to make a difference, and want to meet other people who are passionate and having fun making social contributions.”

Asked how Shaking the Tree contributes, Maryann explained, “We help them connect much better with who they are and what they stand for, and expose them to different philanthropic options through our events. We help them think beyond money—to inform and influence others; to make a statement with their corporations or to use their celebrity to draw attention to good works and opportunities around the world.”

A model of corporate awareness she praises is Sterling Stamos, a private equity firm, managing \$3 billion in assets, whose general partners contribute 10% of profits to charity. “They commit their dollars, resources and time, and help people think outside the box.” Shaking the Tree’s conference this coming June is co-chaired by Christopher Stamos, President of



Co-Founders Paul McKibbin and Maryann Fernandez

Sterling Stamos Corporate Philanthropy as well as Sterling Stamos Global Institute.

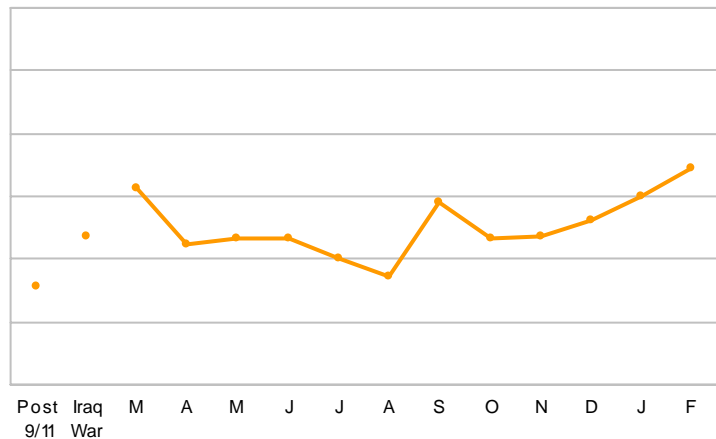
“This is the time to stop talking about philanthropy as an obligation, but as an amazing opportunity and the best adventure that you can go on.” Fernandez, enthuses, “That’s the only way that philanthropy is sustainable, if it fulfills you and if it gives you happiness.”

## Affluent Household Outlook

The Spectrem Affluent Household Outlook (a measure which was taken just prior to the global stock market turbulence of Tuesday, February 27th) continued its **cautiously optimistic climb**, rising for the 4th month in a row.

How will wealthy investors react to Wall Street’s worst single day decline in more than 5 years?—a drop that erased 2007 blue chip gains for the year? Perhaps by continuing the more cautious and conservative long-term investing trend that has been noted in Spectrem studies.

Affluent Household Outlook (March 2006 to February 2007)



### Institutions with wealth education programs

Most of the largest financial institutions, serving high net worth clients have some form of wealth education program aimed at customers’ kids. These include:

- Citigroup Private Bank
- J.P. Morgan
- U.S. Trust
- Northern Trust
- Merrill Lynch

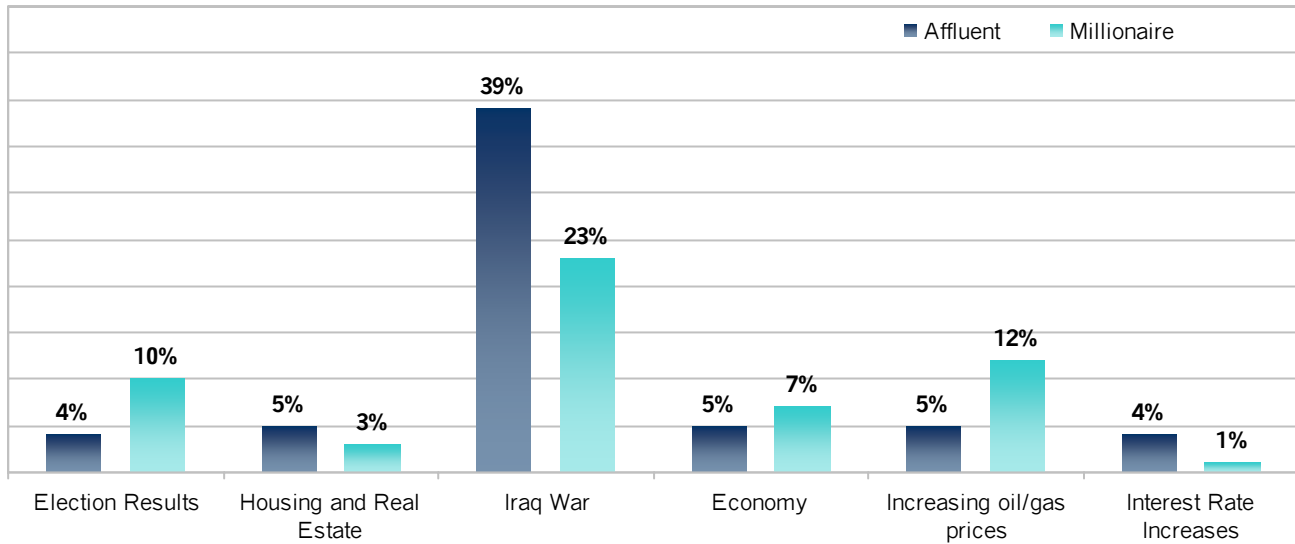
### Non-institution wealth education programs

There are several not-for-profit (as well as smaller for-profit) groups offering a range of wealth education programs aimed at affluent families and young people. They include:

- Shaking the Tree
- Grand Street (project of the Andrea and Charles Bronfman Philanthropies)
- Resource Generation
- Silicon Valley Community Foundation
- Rockefeller Philanthropy Advisors

# Perceptions of Issues

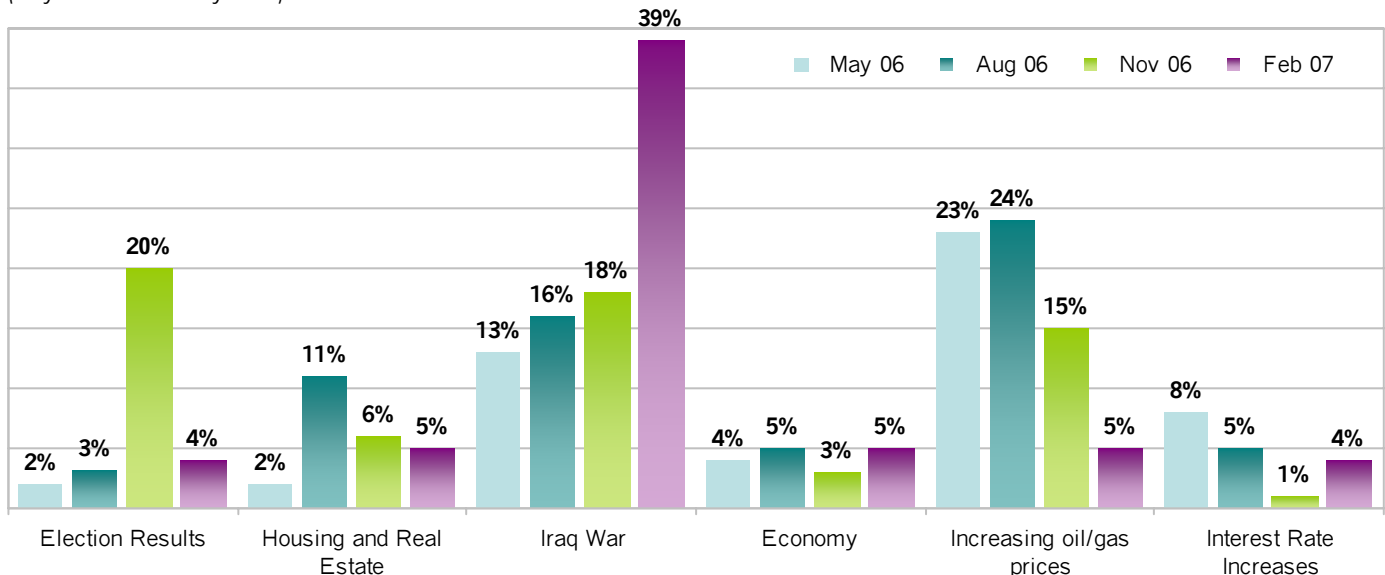
Story in the News Most Affecting Economic Outlook  
(February 2007)



- As an increasingly unpopular Iraq war grinds on, and congressional debate grabs headlines, affluent investors indicate that **Iraq is a major influence on their economic outlook**. This measure rose 20 points in the three months since November 2006, with the Affluent more concerned than Millionaires, pulling the total number up to 39%.
- All other factors took a distant second to concern about the Iraq War, with large **decreases in concern about Election Results (-16)** and

**Increasing Oil/gas Prices (-10)**. This may be in response to positive signs of more Congressional cooperation than usual in D.C., and a warmer than usual winter in many parts of the U.S., contributing to lower demand for oil, and lower prices.

Story in the News Most Affecting Economic Outlook  
(May 2006 to February 2007)



# Investment Preferences

Showing strangely prescient responses, it seems that Wealthy investors were prepared (or as prepared as they could be) for the tumultuous February 27<sup>th</sup> global stock plunge.

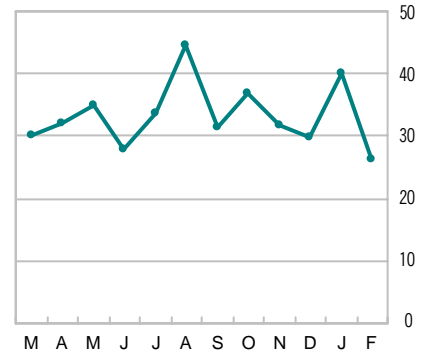
A cautious optimism is reflected in responses to Spectrem Group questions about investment preferences. Not Investing is sharply down (-13 points), while appropriately, Cash Investing soared up (+20 points) as more expressed a desire to push assets into safe cash equivalents.

This monthly shift echoes a long-term trend towards investment conservatism, noted in Spectrem affluent investor studies.

It should also be mentioned that Stock and Mutual Fund investing were also up, prior to 02-27-07, though not soaring as high as Cash Investing—reflecting a willingness to reenter the investment marketplace.

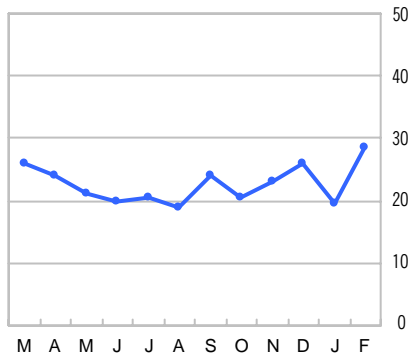
## Not Investing: 26.2

High: 44.7 (August 2006)  
Low: 11.6 (February 2004)



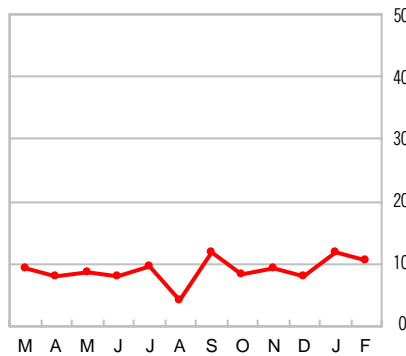
## Stocks: 28.6

High: 40.0 (February 2004)  
Low: 18.8 (August 2006)



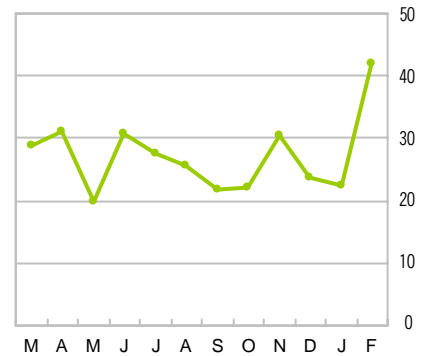
## Bonds: 10.7

High: 20.4 (February 2004)  
Low: 4.3 (August 2006)



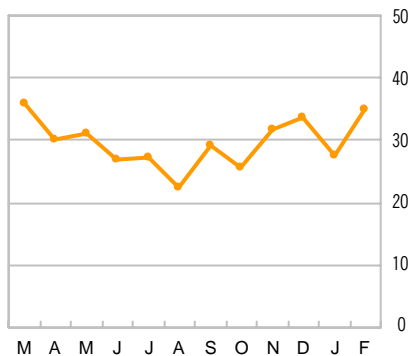
## Cash: 42.1

High: 51.6 (February 2004)  
Low: 18.3 (December 2005)



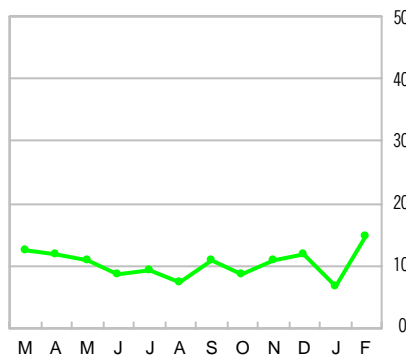
## Stock Mutual Funds: 34.9

High: 48.4 (February 2004)  
Low: 21.6 (September 2004)



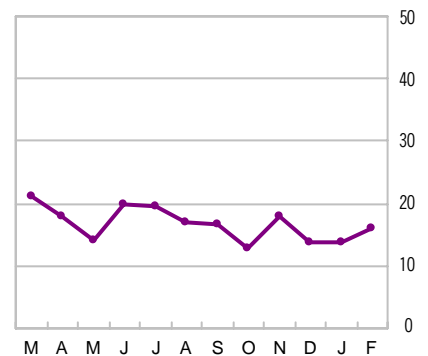
## Bond Mutual Funds: 14.7

High: 26.0 (February 2004)  
Low: 6.7 (February 2007)

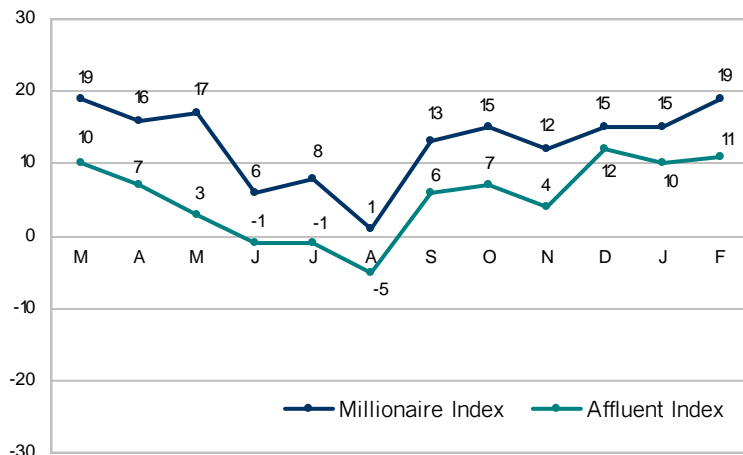


## Real Estate: 15.9

High: 31.6 (February 2004)  
Low: 12.8 (November 2006)



# Cautious Optimism Helps Wealthy Weather Market Turbulence



31 to 51 = Bullish; 11 to 30 = Mildly Bullish; 10 to -10 = Neutral; -11 to -30 = Mildly Bearish; -31 to -50 = Bearish

## Spectrem Millionaire Investor Index (SMII)<sup>TM</sup> Up 4 points to 19

The Spectrem Millionaire Investor Index rose to 19, after holding for two months at 15. The Millionaire Index continues in the mildly bullish territory where it has been for the past 6 months.

## Spectrem Affluent Investor Index (SAII)<sup>TM</sup> Up 1 points to 11

The Spectrem Affluent Investor Index cautiously leveled off, gaining 1 point. This brings the Affluent into mildly bullish territory, for only the second time in the past 12 months.

Just prior to the unnerving Tuesday, February 27<sup>th</sup> global stock sell-off, both Millionaires and the Affluent were feeling a cautious optimism, resuming the upward index trends they'd begun in August 2006. Needless to say, attitudes will be sorely tested as the jumpy investor herd reacts to every snapping international twig and ominous index shadow over the coming months.

This cautious optimism is reflected in responses to Spectrem Group questions about investment preferences (p.2). Not Investing was sharply down (-13 points), while appropriately, Cash Investing soared up (+20 points) as more expressed a desire to push assets into safe cash equivalents. This monthly move echoes a long-term trend noted in Spectrem studies, towards investment conservatism among the affluent.

It should also be noted that Stock and Mutual Fund investing were up, though not soaring as high as Cash

Investing-reflecting a willingness to reenter the investment marketplace.

Millionaires had planned to invest more heavily in stocks than the Affluent, but the shock wave begun February 27<sup>th</sup> will be sure to push both groups into more cautious territory, as the market shifts its footing, trying to find bottom.

Prior to the Wall Street plummet, the Spectrem *Affluent Household Outlook* continued its steady rise, with Millionaires reporting a sunnier overall outlook, as well as more optimism about the economy than Affluent investors.

As an increasingly unpopular Iraq war grinds on, and congressional debate grabs headlines, wealthy investors indicate that Iraq is a major influence on their economic outlook. This measure rose 20 points in the three months since November 2006, with the Affluent more concerned than Millionaires.

Spectrem Group is an innovative research and consulting firm specializing in the affluent and retirement markets.



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