

# UBS Investor Watch

Italian 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 Italy'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 interplay among wealth, health and longevity. More than 5,000 investors in Germany, Hong Kong, Italy, Mexico, Singapore, Switzerland, Taiwan, the U.S., U.K. and UAE shared their views with us. This included over 400 in Italy.

We found that two thirds of Italian investors expect to live 100 years. Regardless of how long they expect to live though, health is of paramount importance to nearly everyone. In fact, most Italian investors consider their health to be more important than their wealth. Given this importance, it should be no surprise that they are willing to invest significant sums to maintain their health.

While confidence is high about living long lives, many investors are anxious about the financial implications of this. Healthcare costs are the top concern. They also worry about having to work longer to maintain their lifestyle or changing their spending habits to preserve wealth.

In the face of these concerns, many have already started to adjust their financial holdings. Many of Italy's wealthy are choosing more long-term investments. Equities remain a powerful place to invest long-term, but confidence is not as high as elsewhere in Europe on this asset class.

A more conservative approach is also evident as faith in bonds is higher than elsewhere, while a surprisingly high proportion see value long-term in cash. Inheritance planning is changing too. The majority of Italy's wealthy plan to give more of their assets away while they are still alive.

As for whether Italy's investors are successful in planning for a 100-year life, the ultimate judge will be time itself.

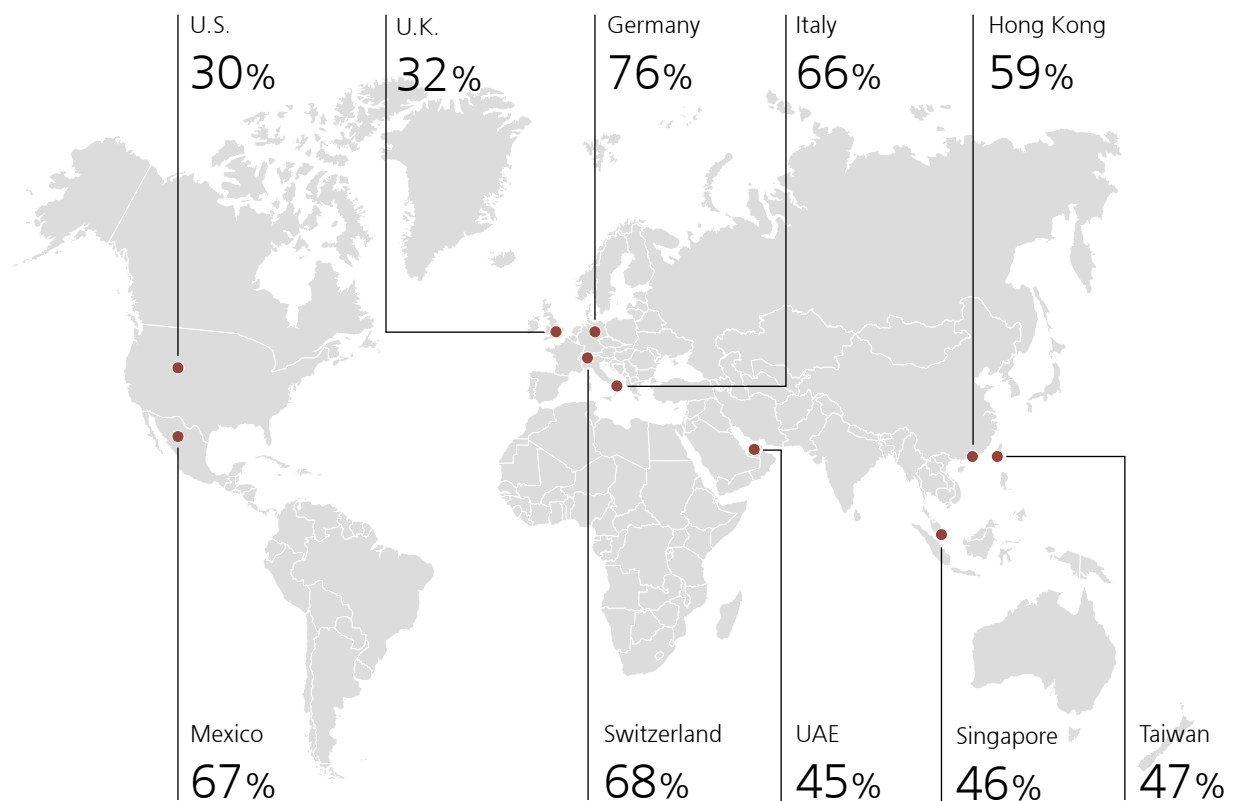
# 1

## Most wealthy Italians expect to live for 100 years ...

In Italy, 66% of wealthy investors expect to reach the age of 100. This is considerably higher than the 80-year life expectancy in most developed countries today. Confidence about living this long is especially high among women, 76% of whom believe they will reach 100. Younger investors feel more confident as well.

### Waiting for one hundred

Percentage of investors who expect to live to 100



# The prospect of living to 100 creates financial anxiety

Despite their wealth, many Italian investors worry about affording a 100-year life. Healthcare costs are a key concern, and nearly half of investors worry about rising medical expenses. This is particularly the case for those over the age of 50. Healthcare costs are seen as the biggest issue facing Italy as a whole in their view, and 47% believe costs will rise “significantly” in future. Nearly 40% also worry about maintaining their living standards in retirement. Planning for a 100-year life is a challenge, especially in Italy. While over 60% of wealthy investors have a plan in place, the majority find it difficult to make effective plans over more than 10 years. Confidence drops further when planning for longer periods, especially among the over 50s.

## Concerns related to longevity



Rising healthcare costs

47%



Lowering living standards to make wealth last longer

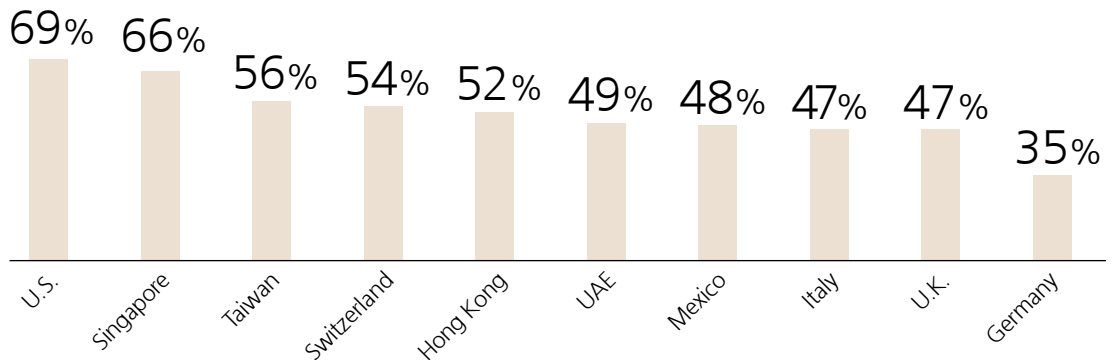
40%



Working longer to afford their lifestyle after retirement

37%

## 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

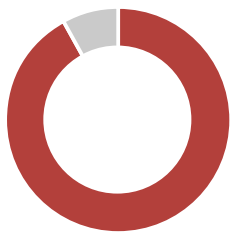
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## Health is more valuable than wealth ...

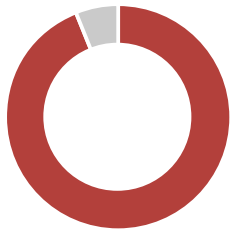
Being healthy is the top priority, and the biggest concern, for wealthy Italians. In fact, 94% say investing in their health is more important than growing their wealth. This is higher than anywhere else in Europe. At the same time, nearly 80% worry about their health deteriorating in the next decade, which again is higher than elsewhere on the continent. More encouragingly, 85% are satisfied with their health currently, though this view is less strong in the south of the country. The amount they spend on health is also significant, especially among younger groups. In addition to doctors' visits and health insurance, preventative services are also popular, with investors spending significantly on gyms, coaches, supplements and other "lifestyle" expenses. More than a third of wealthy Italians under the age of 50 spend more than €10,000 a year on these areas.

### Health over wealth

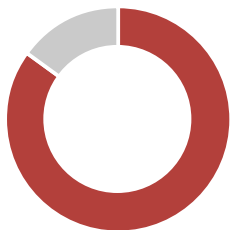
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92% Wealth **enables** me to live a healthier life



94% **Health is more important** than wealth: the highest in Europe



85% I am **satisfied** with my current health

“ I want to set a diet and choices for a healthy life for me and my family. ”

– Italy, Female, 62

# Italy's investors would sacrifice wealth for an extra 10 years

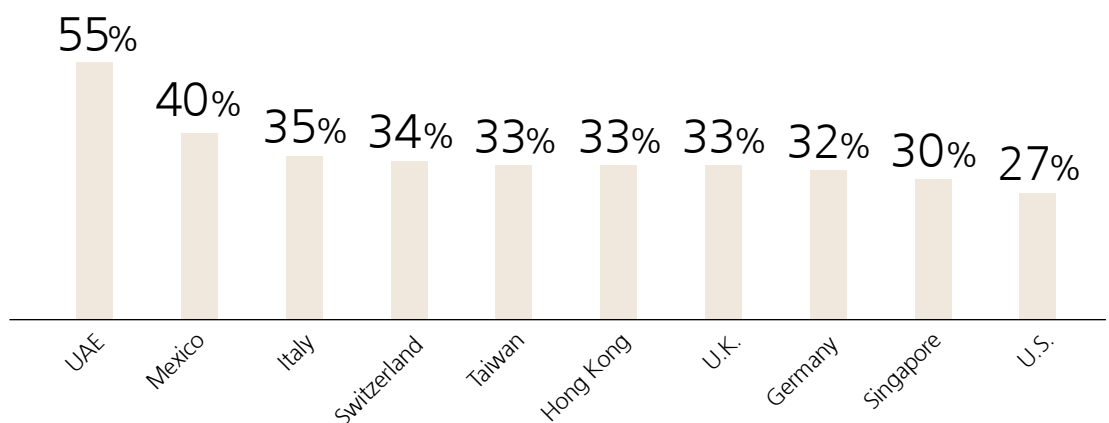
The very wealthiest investors are spending the most to preserve their health. Annual healthcare spending for investors with more than \$10 million is two to three times higher than for other investors. The wealthiest are also more willing to sacrifice their wealth for health – they would give up around 40% of their wealth if it could guarantee them an extra 10 years of healthy life. Younger investors would give up even more – nearly 50%.

## Wealthy investors spend the most on healthcare



## Wealthy investors willing to sacrifice wealth for health

Percentage of wealth willing to sacrifice by country



# 3

## Investors believe working longer is positive for their health

Many Italian investors see work as inseparable from longevity. Indeed, 79% believe work has a positive effect on their health and as a result want to continue working for as long as they can. Female investors in Italy feel very strongly this is the case. However, many in Italy also recognize they will have to work longer to afford their eventual retirement. Nearly two thirds are already working beyond traditional retirement age, or would consider doing so, in order to maintain their lifestyle. Three quarters of 18 to 34 year olds believe this will be the case.

### Is working longer the fountain of youth?

Percentage who agree with each statement

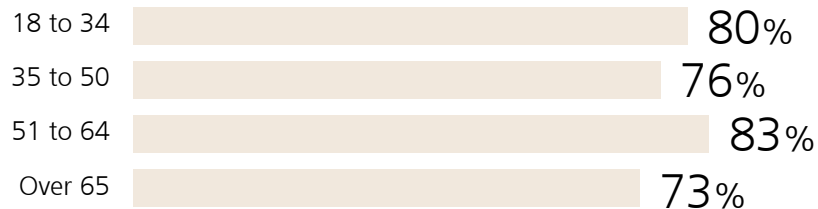
**79%** Working as long as possible is **good for your health**



**64%** I am or expect to work longer to **maintain my lifestyle**



Breakdown by age





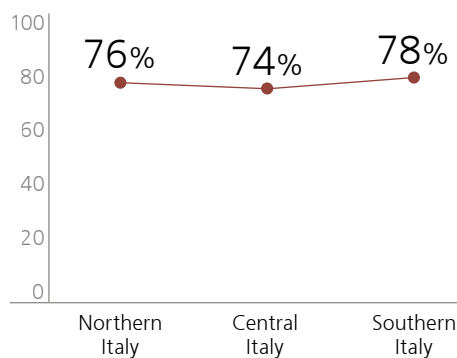
# Italian investors are addressing their work/life balance

Many wealthy Italians have taken clear steps to balance their work and personal lives. More than half have reduced their hours and nearly two thirds have stopped working on weekends. Even more have committed to work-free holidays. There is also some interest in taking an extended break from work. For example, 29% of wealthy Italians have taken a sabbatical, though this is lower than other Europeans. Sabbaticals are significantly more popular among those under 35.

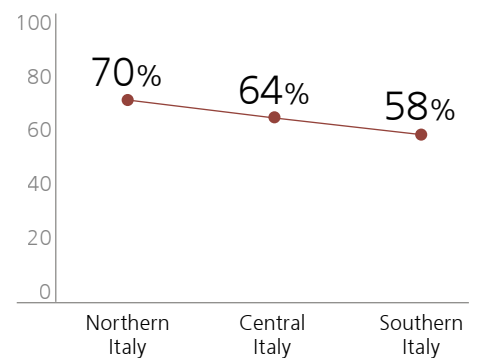
## Italian investors strive to work more sensibly

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

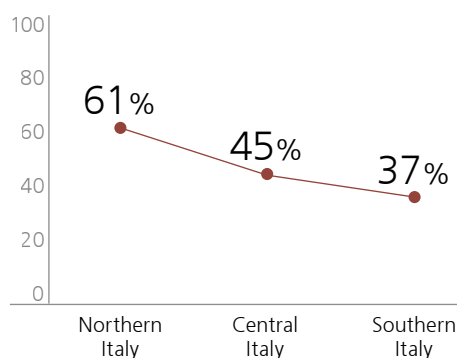
Not working on holiday



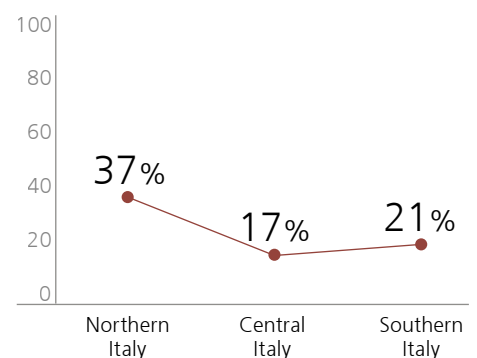
Stopped working on weekends



Reduced the number of hours I work



Taken a sabbatical from work



“ I’m interested in advice and support that helps with learning how to handle stress. ”

– Italy, Male, 54

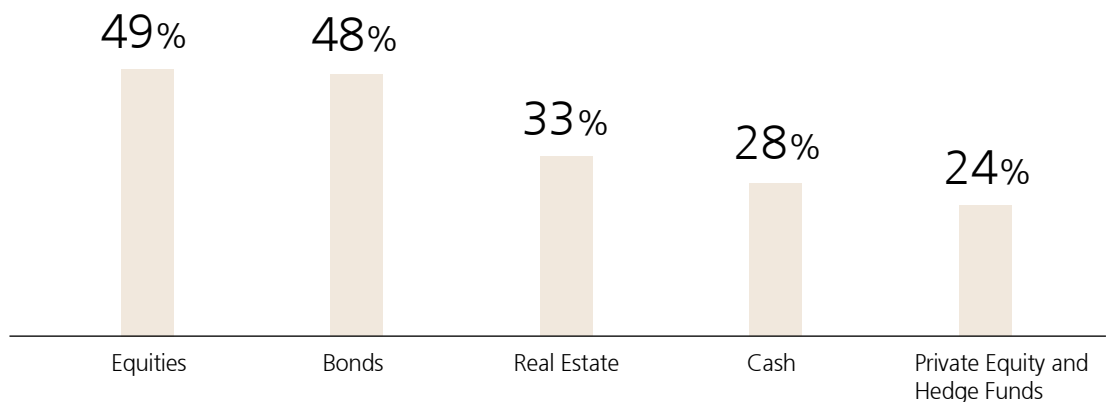
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## Longevity is prompting investors to act differently

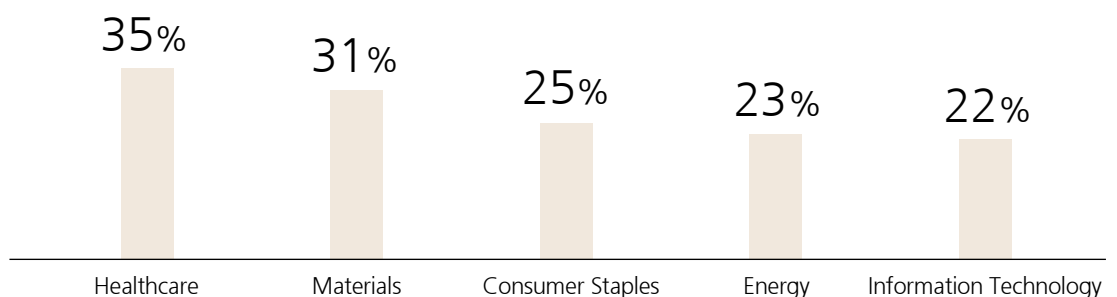
Almost all of Italy's wealthy investors say they have made or will make financial changes in response to rising life expectancy. While 32% are adjusting their spending habits, the top strategy is to make greater use of long-term investments, which 39% are focusing on. Italian investors display a more cautious mindset for the long-term than others. Bonds in particular are seen as a strong long-term investment compared to the views of others across the world. Holding wealth in cash, even for 30 years or more, is also still a preferred option for 28% of investors. And while appetite to invest in equities is still high, others in Europe are more confident about stock markets. Female investors and those aged between 35 and 65 are particularly cautious. When it comes to different sectors, healthcare is the most popular place for long-term investing, followed by the materials and consumer staples industries. Investing in the energy sector is seen as a very good long-term investment by younger Italians while older groups believe in consumer staples.

### Longevity impacts long-term investment choices

*Top asset classes to invest in over the very long-term (30 years or more)*



*Top sectors to invest in over the very long-term (30 years or more)*



“ I would opt for a greater focus on long-term investments and funds. ”

– Italy, Male, 48

# Investors adapt legacy plans to accommodate longer lives

Not only is longevity affecting the wealthy's investment approach, it is also impacting their legacy planning. Nearly 70% of wealthy Italians plan to give more of their wealth away while they are still alive. Giving patterns are also changing as investors age and watch grandchildren grow into adulthood, with all the accompanying responsibilities of career and family. Over 60% of investors 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. Younger Italian investors are even more likely to do so.

## Giving while living is increasingly popular

Percentage who are doing each of the following due to increased life expectancy

69%

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

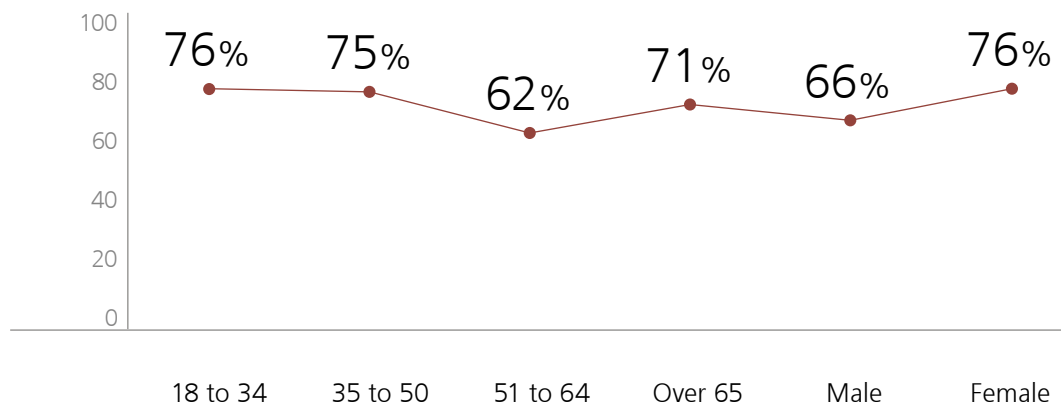
61%

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

56%

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

Percentage who give away more of their wealth while still alive



**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, analyzes 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 high net worth investors (with at least \$1 million in investable assets). The global sample was split across 10 markets: Germany, Hong Kong, Italy, Mexico, Singapore, Switzerland, Taiwan, the U.S., U.K. and UAE. The research was conducted between December 2017 and April 2018.



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