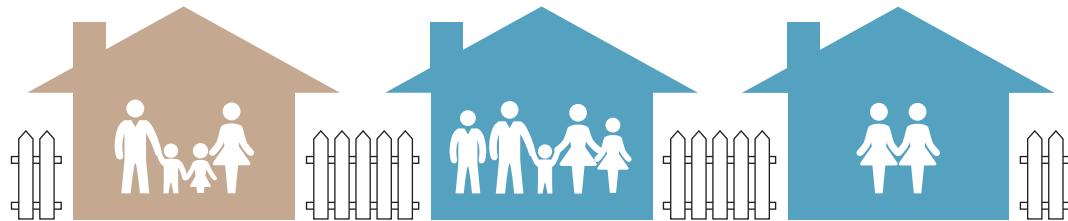


UBS Investor Watch

Analyzing investor
sentiment and behavior
3Q 2015

Beyond the picket fence

Financial challenges of the **modern American family**



The popular television series *Leave it to Beaver*, with a mom, dad and two boys, once exemplified the typical American family. More than 50 years later, millions of viewers tune in each week to watch *Modern Family*, the story of a patriarch and his blended, extended and thoroughly “nontraditional” family. From *Modern Family* to *Parenthood* and even *Keeping Up With the Kardashians*, today’s depictions of family reflect a profound transformation in the broader culture—one that has changed the very definition of family.

In this issue of *UBS Investor Watch*, we explore the modern family. We found that, among high net worth investors, “modern” families are nearly as common as “traditional” families, with modern families likely to be in the majority before long.

Even though traditional and modern families share many of the same financial needs, modern families have their own specific set of challenges. Blended families, for example, struggle with the costs of divorce, raising children from multiple marriages and potential inheritance conflicts. Same-sex couples welcome the Supreme Court ruling on gay marriage, but still face distinct estate planning challenges. Couples who support adult children or aging parents worry about funding their own retirement and healthcare needs.

Yet many modern families find it difficult to address their needs with the resources available. Seven out of ten investors believe that financial advice and solutions are typically designed with only the traditional family in mind. Modern families of all types say they have difficulty finding financial professionals experienced with families like theirs. At a time when all families need tailored advice more than ever, many have a hard time finding it.

Traditional families



Heterosexual married couples with children

Modern families



Blended families



Same-sex couples with or without children



Multigenerational families



Older first-time parents

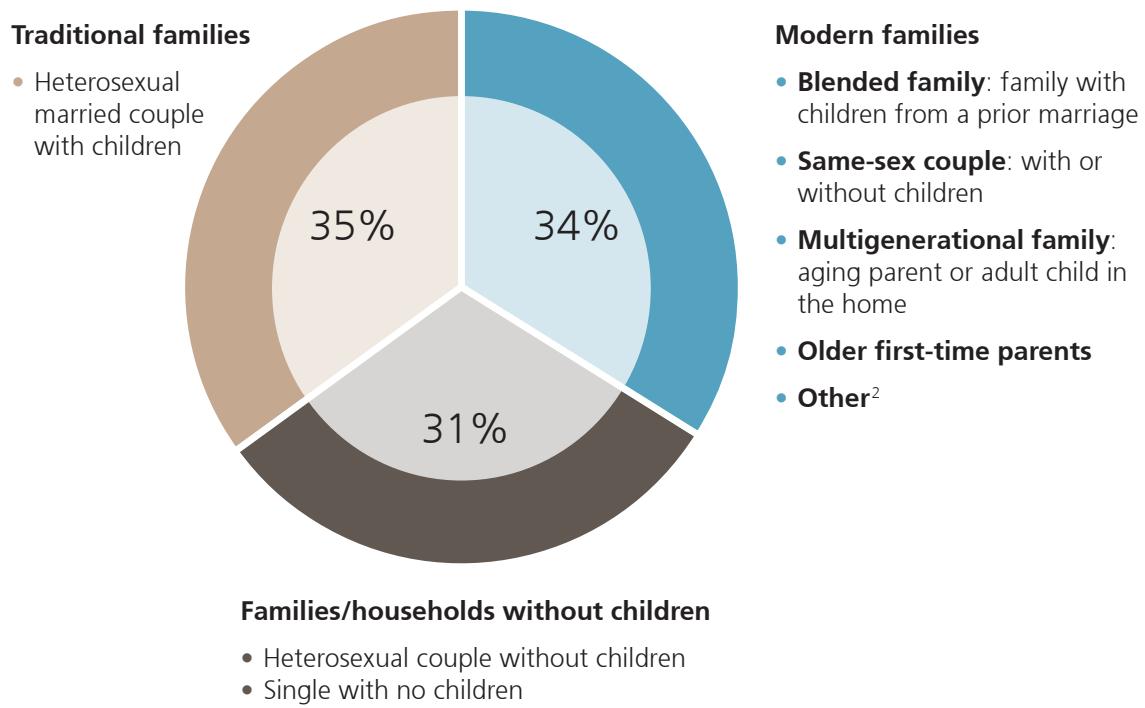
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The American family has changed dramatically

The “traditional” family—a married heterosexual couple with children—used to be the most common type of family in America across virtually all socioeconomic levels. Today, approximately 19% of families are traditional.¹ Among the wealthy, traditional families are somewhat more common. But the rise of blended, same-sex and multigenerational families has made so-called “modern” families nearly as common as traditional ones.

This trend is likely to continue as the number of traditional families declines even further among the wealthy. Today, 46% of wealthy WWII generation families are traditional. Thirty-seven percent of Boomers and only 25% of Millennial families are traditional.

Among the wealthy, modern families are nearly as common as traditional families



“It seems that in this country, my type of family is becoming much more a norm than an exception.”

– Male, age 56, blended family

¹ “America’s Families and Living Arrangements: 2013.” United States Census Bureau, 2013.

² Single parents and unmarried couples with children.

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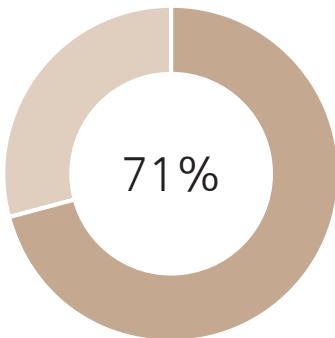
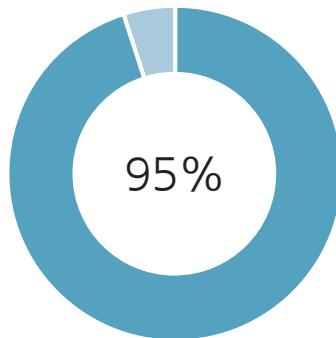
Financial services haven't caught up with modern families

Seven out of ten investors feel that financial guidance and solutions are generally geared toward traditional families, indicating that support systems, such as Social Security, healthcare and retirement benefits, have not fully caught up with the variety of family structures that exist today.

Advice and support are still evolving

Believe modern family structures are becoming more common

Believe financial guidance and solutions are generally geared to traditional families



Though 52% of affluent Americans still view the traditional family as "ideal," attitudes toward modern families are changing as younger generations become more accepting. Millennials, for example, are most likely to see all family structures on an equal footing, rather than view one type as ideal.

"Today, nontraditional roles seem to be more accepted. Years ago, single-parent families seemed to mean that something was wrong with your family."

– Male, age 31, grew up in single-parent family

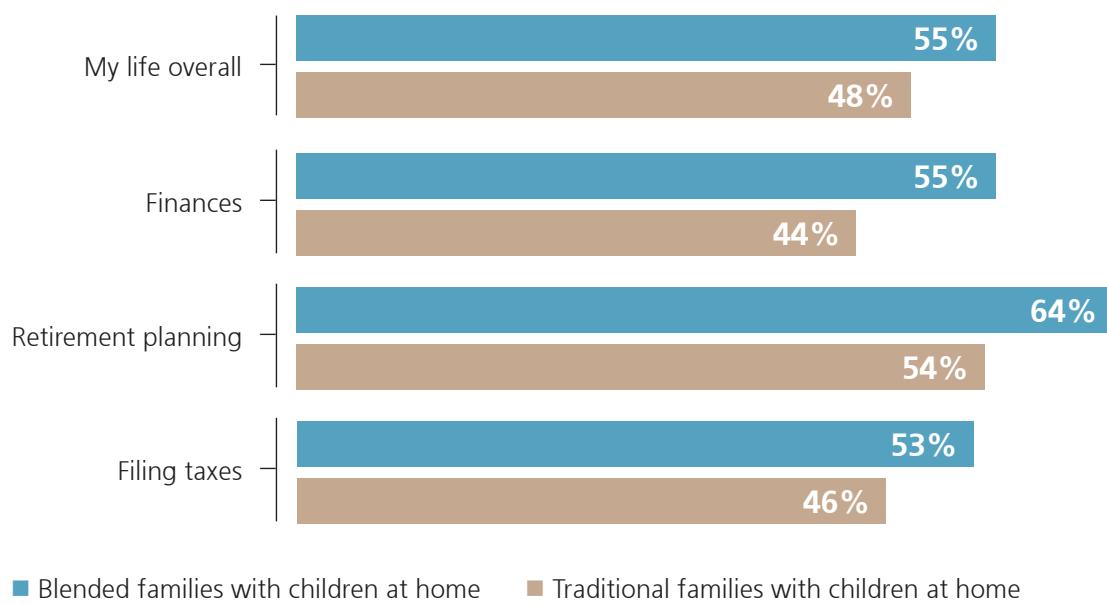
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Blended families face unique challenges raising children from multiple marriages

With nearly half of all U.S. marriages ending in divorce, blended families have become the most common modern family type among high net worth investors. The majority of parents say being in a blended family has made life more complicated, both financially and emotionally. Financially, having more children from multiple marriages adds more expense—though 44% of parents underestimate the true cost. On the emotional side, it makes parenting more difficult. Two-thirds of parents with children from former marriages feel frustrated that they cannot raise their spouse's children the same way they raise their own. Sixty-three percent say their spouse's children don't completely accept them.

Blended families lead more complicated lives

Question: “How complicated is each of the following for you?” (Percentages show those who responded at least “Somewhat complicated.”)



“I knew that my spouse was not getting anything from her ex, and I would be supporting her kids. I provided for my two kids through child support, healthcare, and any extras when they were really needed. For my spouse’s three children, we covered all their expenses.”

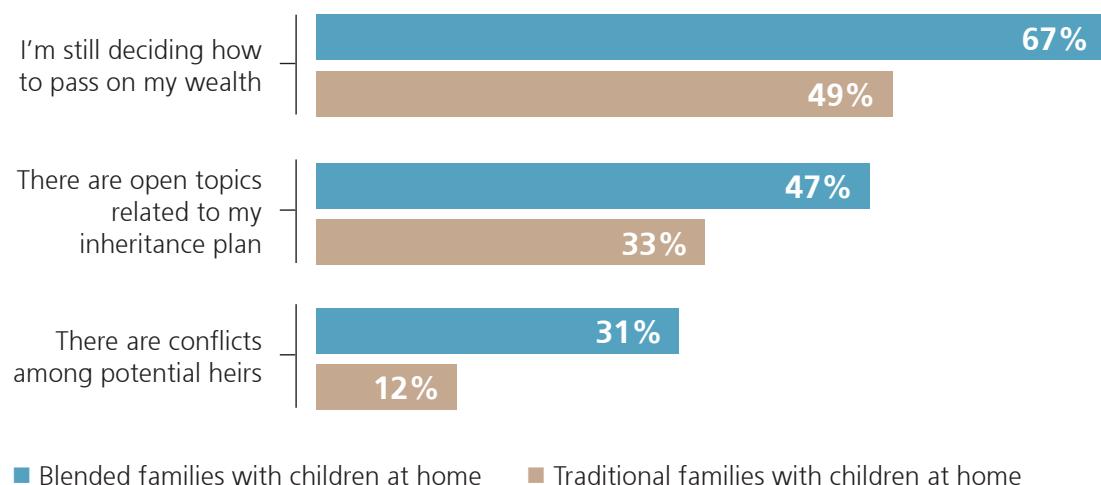
– Male, age 71, blended family

Inheritance planning is also more complicated for blended families...

Both traditional and modern families are uncertain about their inheritance plans. However, two-thirds of blended families don't know how they will divide up their wealth, physical assets or business interests, compared to half of those in traditional families. Parents in blended families tend to feel closer to children from their current marriage than those from prior marriages. As a result, blended families are less likely to have open discussions about wealth transfer (50% vs. 65% in traditional families) and are less confident their heirs will be satisfied with what they get.

Inheritance is a thorny issue

Question: "Do you agree or disagree with the following statements about your inheritance planning?" (Percentages show those who agree.)



“Our individual inheritances from our parents stay in our respective families, and assets we each acquired before marriage will pass to our biological children. But our joint assets acquired during this marriage will be divided among all five children.”

– Female, age 47, blended family

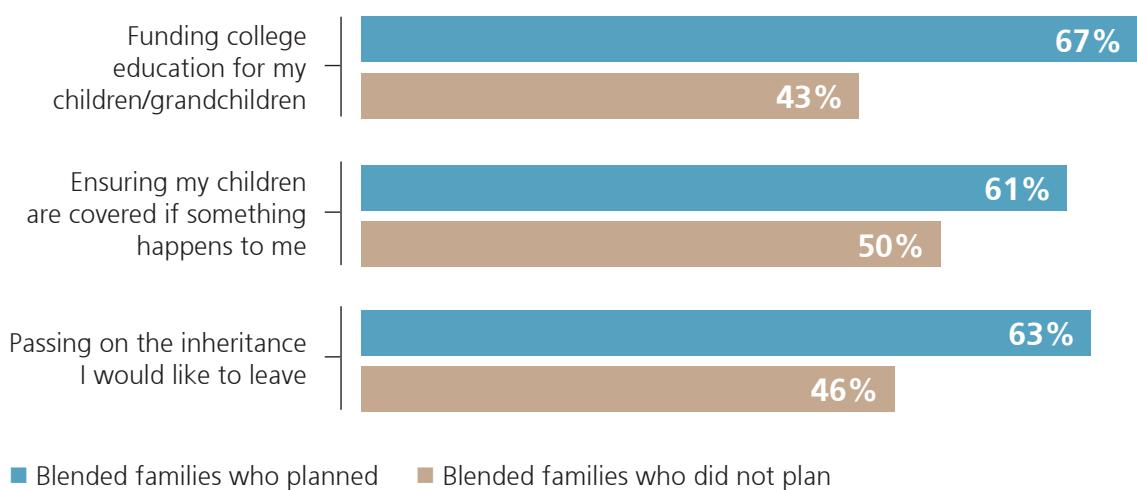
...and few have prepared for these challenges

Blended families often don't update their wills or financial plans to address their changing circumstances. The majority feel it is difficult to find financial professionals with the right experience. They are also less likely to believe that advice and solutions are designed for families like theirs.

Blended families that do update their financial plans feel better about their financial situations. Investors who plan are also more confident about their future, especially regarding financial goals that involve their children.

Blended families with updated plans feel more confident

Question: "How confident are you in your ability to achieve each of the following financial goals?" (Percentages show how many responded "Extremely confident" or "Very confident.")



"Being a single mother for 15 years severely impacted my ability to save. Since marrying my husband, we have both been very focused on our retirement goals."

– Female, age 65, blended family

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Same-sex couples need different financial advice following the Supreme Court ruling...

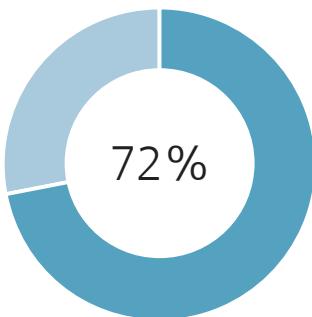
Same-sex couples have always sought advice on wealth transfer, benefits and other issues affected by their status as unmarried partners. Now that the Supreme Court has legalized same-sex marriage, couples are attempting to translate what the landmark ruling really means for them and their financial situation. Seven out of ten are actively seeking guidance on how marriage would affect their benefits in particular.

While virtually all same-sex partners welcome the extension of medical decision-making rights, retirement and Social Security payouts, most feel they still face financial issues due to being part of a same-sex couple. However, they have difficulty finding financial professionals with the relevant experience.

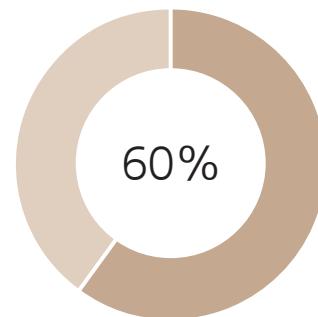
Same-sex couples seek tailored financial advice

Question: "Do you agree with these statements?" (Percentages show those who agree.)

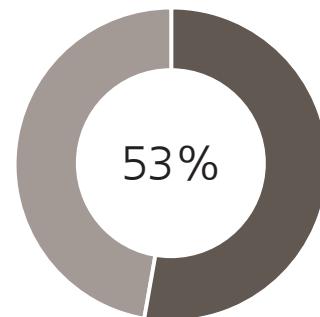
"I would like guidance to understand how the ruling affects benefits."



"There is not enough financial guidance designed for my family type."



"There are still open issues in my family finances due to being part of a same-sex couple."



"I feel like I can travel in the U.S. without worrying that I will not be allowed to make decisions should something happen. I have always had to carry a Power of Attorney."

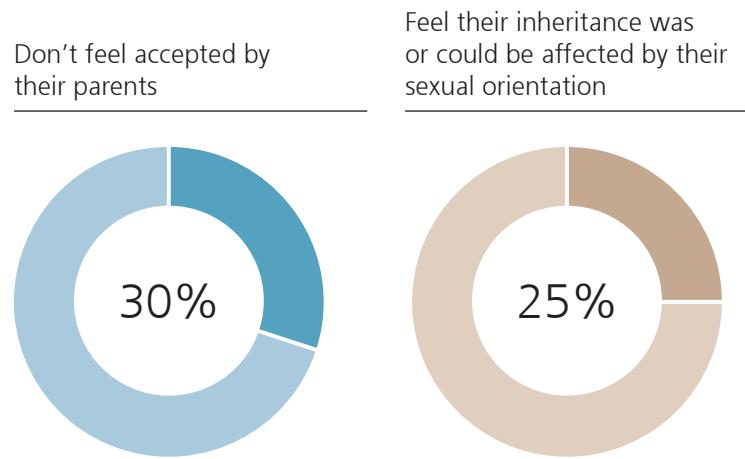
– Female, age 62, same-sex couple

...and continue to face challenges such as estate planning

Many same-sex couples face issues relating to the inheritance they could receive, as well as the one they intend to pass on. A significant portion of same-sex partners don't feel accepted by their parents and believe their inheritance was or could be affected by their sexual orientation.

In terms of passing on their own wealth, four out of ten feel being part of a same-sex couple adds complexity to estate planning. Because few same-sex couples have children of their own, it is less obvious how to divide their inheritance, and there are significantly more conflicts among their potential heirs compared to traditional families.

Same-sex partners may miss out on their parents' inheritance



“My parents are not very accepting. Their inheritance is assigned solely to our kids.”

– Female, age 33, same-sex couple

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Multigenerational families in particular juggle competing financial priorities

People are living longer than ever before. As a result, more aging parents are moving back in with their adult children for support. At the same time, slow economic growth and pressure on wages has forced more young adults to move home after college.

Adults who live with aging parents have a more difficult time balancing the financial needs of everyone, and they worry more about being able to retire when they want. For parents with adult children still in the home, more than half worry about maintaining their current financial situation. They are also less confident about reaching future financial objectives and affording healthcare in their old age.

Having more adults in the home complicates retirement

Question: “How complicated is retirement planning for you?” (Percentages show how many responded at least “Somewhat complicated.”)



“I have supported my older son financially on and off for the last six years. Now he is 28 and at last able to completely support himself. My younger son is 25 and still lives at home.”

– Female, age 65, multigenerational family

“My dad has been living in our house because housing is tight in the area.”

– Female, age 47, multigenerational family

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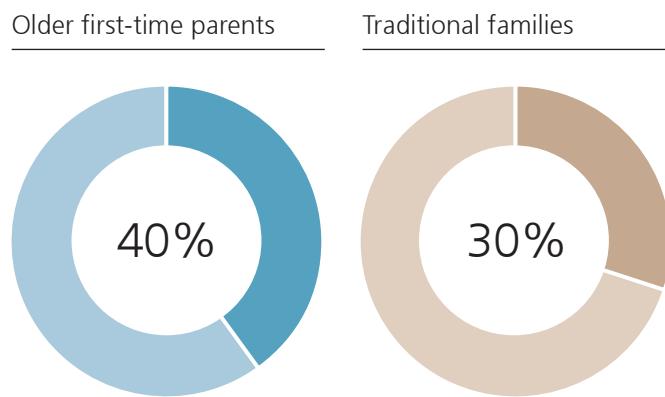
Older first-time parents receive less support from friends and family

Couples today are often waiting longer to marry and have kids. One out of ten wealthy families had their first child at age 35 or older, or were still having children after 50. Given that Gen X parents are much more apt to have children later than previous generations, and most Millennials have not had children yet, this trend is likely to continue.

These older parents worry more about keeping up with their children as they get older, and feel their lives are more complicated. While they may be more responsible and financially independent, they typically get less support from parents, siblings and friends in raising their children than traditional families.

Older first-time parents feel their lives are more complicated

Question: “How complicated is your life overall?” (Percentages show how many responded at least “Somewhat complicated.”)



“My biggest concern is that if we were to die while our children were still young, then we would want to stagger the inheritance and not just leave one lump sum.”

– Female, age 45, older first-time parent

About the survey: UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiments of affluent and 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 twelfth edition of *UBS Investor Watch*, 2,715 affluent and high net worth investors responded to our survey from June 10 – 16, 2015. The core sample of 1,787 investors have at least \$1 million in investable assets, including 422 with at least \$5 million. With 78 survey respondents, we conducted qualitative follow-up interviews. This *UBS Investor Watch* also includes an oversample for younger generations:

- 540 Millennials: Respondents ages 21 – 29 who have at least \$75,000 in household income or \$50,000 in investable assets; respondents ages 30 – 37 who have at least \$100,000 in household income or \$100,000 in investable assets.
- 536 Gen X: Respondents ages 38 – 49 who have at least \$250,000 in investable assets.
- We also conducted the same survey with some additional questions after the Supreme Court ruling on same-sex marriage. This survey among 109 LGBT investors, who also met the above criteria, fielded from June 26 – 30.

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