PNC Wealth Management Wealth and Values Survey

Inheritance Highlights 2007

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The wealth and values survey, commissioned by PNC, was conducted online within the United States by Harris Interactive® in October and November 2006 among a nationwide cross section of 1,123 adults. The total sample contains four distinct groups: 500 with assets of \$500,000 to \$999,999; 434 with assets of \$1 million to \$4.9 million; 89 with assets of \$5 million to \$9.9 million; and, 100 with assets of \$10 million or more. Of these, 254 have received an inheritance of \$250,000 or more, including the value of property, and 203 expect to receive an inheritance of this amount sometime in the future.



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Incentives Often Used in Trusts to Motivate Behaviors in Heirs

- Family money is just that: family money. And wealthy families want to keep money where it is. In fact, only 17 percent of respondents believe that it is more important to donate wealth to charities than it is to pass it along within their family. Also, six in 10 (62%) respondents think that every generation should be responsible for creating its own wealth.
- An inheritance is considered a gift, and with it often come stipulations that must be met in order to receive it. Three in 10 (30%) of those who have a will, trust or estate plan, require that heirs meet certain requirements in order to receive their inheritance.
- Fourteen percent of overall respondents have attached terms that restrict how heirs can use their inheritance once it is received. Six in 10 (61%), on the other hand, say they have not regulated their inheritance and want heirs to use it as they please. Another one-quarter (25%) has not thought about attaching terms to the inheritance they plan to leave.
- of those who have attached incentives to their will or trust, the survey revealed the top wishes as follows: 77 percent have earmarked funds to be used for education; 46 percent have identified funds to be used for basic needs (such as housing); 29 percent have set aside funds for the next generation; 28 percent have identified funds for business or career-related expenses; 16 percent have identified funds to be used for specific charitable donations
- Those with higher asset levels are the most likely to attach stipulations (age, educational level, etc.) that heirs must meet in order to receive their inheritance, with more than half (57%) of those with \$10 million or more in assets, and over four in ten (42%) of those with \$5-\$9.9 million in assets, requiring heirs to meet certain terms. In comparison, three in 10 (30%) of those with less than a million in assets, and three in 10 (29%) of those with \$1-4.9 million in assets, have attached stipulations.
- Younger respondents—those between the ages of 18 and 44—are more likely than those from older generations to have attached stipulations to inheritances. More than half (56%) have done so, while only one-quarter (27%) of those aged 45-64, and one-fifth (19%) of those aged 65+, have done the same.
- The number of people who have attached terms restricting an heir's use of an inheritance jumps among younger respondents, as 38 percent of 18-44 year olds attached stipulations regulating inheritance use. Only eight percent of those aged 45-64, and nine percent of those aged 65+ have attached similar restrictions.



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Wealthy Not Leaving Money to Charity

- Because an inheritance is seen as a gift, givers tend to leave them to family-particularly those with whom they have an emotional connection--rather than to charity. Three-quarters (74%) of overall respondents say they plan to leave money to their children, nearly two-thirds (61%) plan to leave it to a spouse, and one-third (32%) plan to leave it to grandchildren. Only three in 10 (30%) plan to leave money to charity.
- Less than one-fifth (17%) of overall respondents thinks it is more important to donate wealth to charities than it is to pass it along within families.
- Four in 10 (40%) survey respondents consider "the emotional connection I have with an heir" to be one of the most important factors used when determining the amount of money to leave as an inheritance. Thirty-three percent consider "the heirs proven ability to handle his/her inheritance responsibly," important, and 20 percent consider "the heir's current financial need" to be among the most important factors.

Inheritance Affects Retirement Plans and Spending Habits

- It is no secret that an inheritance often affects financial decisions, from a recipient's day-to-day lifestyle to how much they save for retirement, and how much they spend. Nearly three-quarters (71%) of respondents who have received an inheritance of at least \$250,000 say that their inheritance has affected their financial decisions, while less than half (47%) of those expecting to receive an inheritance feel similarly. This makes the attachment of stipulations critical to ensuring an heir's financial well-being.
- Four in 10 inheritance recipients say their inheritance affected how much they saved for retirement (41%) and their current lifestyle (40%), while more than one-third (36%) said it affected how much they spent. Twentynine percent said it didn't affect any of the above.
- Even those with \$10 million or more in assets say an inheritance or expectation thereof has affected how much they save for retirement, with nearly three in 10 (29%) saying this was the case.



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Leaving an Inheritance is a Primary Goal for Wealthy Americans

- Four in 10 (45%), in fact, consider "building or protecting family wealth that can be transferred to future generations" an important family financial goal.
- This sentiment remains fairly constant regardless of age. Half (50%) of those ages 65+, four in 10 (40%) of those ages 45-65, and nearly half (49%) of respondents aged 18-44, also consider it important to build wealth that can be transferred to future generations.
- When asked if the amount of money they plan to leave has decreased over the past 1-2 years, more than half (53%) of overall respondents said that it has not decreased. Eighteen percent said the amount they expect to leave has decreased, while 29 percent were unsure.
- Older respondents—those aged 65+ -- felt particularly strong about the issue, with six in 10 (61%) saying the amount they planned to leave had not decreased. Only 18 percent said it had, while 21 percent were unsure. Four in 10 (42%) of those aged 18-44, and five in 10 (54%) of those aged 45-64, also said that they amount they planned to leave to family members had not decreased.

