



The secret fears of the wealthy

How to uncover and address what troubles the affluent

In a few short years, most of the financial wealth in Canada will be controlled by millionaire households. The wealthy are coming and they're bringing with them tremendous opportunities for those engaged in the business of delivering sound advice. But the wealthy also carry with them hidden fears and those need to be understood...

You're either reading this article because you have a genuine interest in the mind of the affluent investor, or the title grabbed your attention because, like many people, you're not really convinced that the wealthy have anything to be afraid of.

Let's assume I walk out of my office right now, randomly stop a cross-section of pedestrians on the street, and ask them the following simple question: "In your experience, what are the greatest fears of the wealthy?"

Now, I have no doubt that some would ponder the question for a moment and quickly come up with a few ideas on what the wealthy may possibly fear. Perhaps we would hear things like "being robbed of their stuff" or "being taken advantage of by others." But the majority of those questioned, would most likely respond with a cynical chuckle as they confidently express the belief that "rich people don't

have real fears." While the "fearless affluent" hypothesis is a widespread fundamental belief, it is one that is held almost exclusively by those who have not yet achieved affluence.

In reality, nothing could be further from the truth. The wealthy do, in fact, bring a surprising set of fears to the table, fears that are both substantial and, often, completely justified.

Having addressed thousands of high-net-worth investors over the last decade, and through my on going research on the affluent marketplace, I have isolated and identified what I believe to be the three primary fears of the affluent. Let's chat about them for a moment.

1. Fear of losing their wealth

In my experience, the number one fear of the high net worth (those with over \$1 million

of investable assets) is the pervasive fear of losing their wealth. And although the fear of lost wealth may seem rather mundane on the surface, stay with me for a moment because there's an interesting twist to the story. As it turns out, when we dig a little deeper, the affluent don't just fear losing some (or a little bit) of their wealth...they fear losing most or ALL of their wealth!

Despite this sobering reality, I regularly speak to groups of experienced investment professionals who are still largely unaware that this fear so deeply permeates the affluent community.

2. Fear of losing their current income

As human beings, we are all confronted daily with the powerful temptation to live up to (and slightly beyond) our financial means – and most of us do just that. Interestingly

enough, we see this pattern of behaviour unfold with remarkable consistency regardless of education, social status or the degree of affluence attained. As our lifestyle evolves and matures around our changing financial means, our income becomes the life-blood that feeds our lifestyle, and for those without emergency savings, or other liquid assets, the unbroken continuance of this income stream is nothing short of critical.

The affluent household essentially lives under that very same dynamic. On the road to affluence, the wealthy family systematically develops a lifestyle that typically consists of multiple layers of complexity. And, in many cases, this enhanced standard of living, fed by a substantial stream of income, often flows from more than just one source of revenue. Needless to say, any meaningful interruption or reduction in that flow, carries with it significant consequences. Perhaps even more important than the obvious financial ramifications, are the cascading effects in the areas of: family expectations, social status, self-esteem, and a multitude of psycho-emotional dynamics that come into play.

3. Fear of the single devastating event

The often debated claim that “money doesn’t buy happiness” appears to be more accurate than we would ever imagine, according to countless high-net-worth studies including a recent Boston College survey of the super-rich that made headlines earlier this year.

The affluent often toss and turn at night due to a nagging underlying feeling that they are just one or two events away from a significant financial reversal. And in most cases, they are right. This single devastating event could be any one of a long list of possibilities. The following are just a few examples of events that, in most cases, would absolutely result in a significant financial reversal or complete financial ruin.

- > Marital breakup
- > Bankruptcy of a core business line



- > Business failure of a strategic partner
- > Lawsuit
- > Capital market meltdown
- > Personal health crisis

The common thread that runs throughout is the complete and utter lack of predictability and/or controllability. It's the not knowing when or how that drives the underlying anxiety of the wealthy.

The Strategic Fear Discussion

I entitled this article The secret fears of the wealthy for a reason. The high-net-worth investor will virtually never approach you, as a financial advisor, and proceed to openly share their innermost fears. The affluent are often too embarrassed to admit that they fear losing their wealth, their current income, or that they may be just one or two events away from a significant financial reversal. They have a tendency to feel very much alone in their fears, and typically have no clue that other affluent families feel exactly the same way.

One of the greatest services we can provide to our high-net-worth clients is to empathetically uncover their secret fears, openly legitimize them, and then address them directly!

An effective way to begin this process is to proactively initiate a strategic conversation,

as early in the relationship as possible, using the following semantic format:

“...In my experience in working with affluent investors, just like you, I have discovered that the wealthy often share a few secret fears. Most people think that the wealthy have nothing to fear because they have money in the bank and some nice material possessions. But, I know that nothing could be further from the truth. As a matter of fact, I’ve found that the number one fear of the affluent is losing their wealth, but not just some or a little bit of it. No, the wealthy fear losing most or ALL of their wealth. We’ve also found that another very common fear of the wealthy is the fear of losing their current income stream, etc...”

Once you’ve talked through all three primary fears, clearly explain to your client how your wealth management process is designed specifically to address these concerns, directly.

As you effortlessly uncover the secret fears of your affluent clients and deliver practical solutions to manage them, your ability to captivate the high-net-worth mind will take a quantum leap forward. ■

To learn more about the concepts in this article and for more client-communication ideas, contact your Renaissance Investments representative.

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