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**LOOKING FOR THE 'VALUE-ADD'
PRIVATE ADVICE NEEDS OF
HIGH-NET-WORTH AUSTRALIANS**

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The Australian Centre for Philanthropy and Nonprofit Studies (CPNS)

is a specialist research and teaching unit at the Queensland University of Technology in Brisbane, Australia

It seeks to promote the understanding of philanthropy and nonprofit issues by drawing upon academics from many disciplines and working closely with nonprofit practitioners, intermediaries and government departments. CPNS's mission is "to bring to the community the benefits of teaching, research, technology and service relevant to philanthropic and nonprofit communities". Its theme is 'For the Common Good'.

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Executive Summary

This rare study of Australians with a net worth of \$5 million plus opens a window onto their relationships with professional advisers, and the kinds of services they want to receive from them. Philanthropy features in this study because as the wealth of such individuals grows, interest in charitable giving is also likely to grow. Australian and overseas research shows that those on higher incomes are more likely to make sizeable gifts than those on lesser incomes and, once wealthy individuals start on the philanthropic journey, they want to do it well. They want to get their approach right for themselves and their families, and to make a difference with the dollars and time they invest. Where do they turn for suitable advice? Financial advisers and related wealth management professionals are uniquely positioned to guide their wealthy clients with philanthropic decisions that impact upon them financially but also personally. Yet in many respects, such individuals' interests and needs around philanthropy are ignored by advisers. Australian research highlights the gap in adviser services for High-Net-Worth (HNW) clients: while interest by advisers in assisting clients with philanthropy is growing, only some believe they have the expertise to do so.¹ For this reason, the views of High-Net-Worth Individuals (HNWIs) to philanthropy are spotlighted in this study. Philanthropy is not the only area of potential demand by the wealthy and other new types of services that might be offered by advisory firms dealing with this segment are also considered. In the US and Europe, the Family Office model has traditionally provided a wide range of services, including assistance with philanthropy, to clients with great family fortunes. This report asks clients about the appeal of such services for those with wealth but not the ultra-wealthy.

The study comprised 20 in-depth interviews with individuals with net assets over \$5 million within south-east Queensland between November 2007 and July 2008. While a variety of participants were interviewed, many were male, in their 60s, working at least part time, and with assets of between \$5 million and \$10 million that they had earned themselves rather than inheriting it. The interviews were conducted in a mostly face-to-face format by two senior researchers at CPNS and where participants desired their spouses to join them, couples were interviewed. A semi-structured interview framework was employed; interviews lasted, on average, an hour and were audio-taped, with findings summarised and analysed using NVivo software tools.

¹ See CPNS' studies of professional advisers' attitudes and practices to philanthropy services at <http://cpns.bus.qut.edu.au>

The following points provide a snapshot of the key findings presented in this report:

About themselves and how they perceived their needs

- There was a striking sense of independence by the HNWIs in this study in managing their personal finances, underpinned by confidence in their own skills and experience in business or the professions;
- A priority for participants was, in addition to accumulating assets, living with wealth and managing it, especially across generations.
- There was a tendency for participants to perceive themselves as comfortable or well off, rather than wealthy. Moreover, wealth was not something they spoke about with their friends and peers;
- Participants may be affluent but they did not see themselves as wasting money. Similarly, they valued saving time; time was regarded as a precious commodity, regardless of whether they were working or retired;
- Looking out for their families appeared to be a priority for all participants. As individuals, few anticipated 'slowing down' as they aged and the majority were hazy about their needs would be when they were older.

About professional advisers and the services they provide (or might)

- The *ideal* advisory relationship was perceived as a partnership of equals. Long gone is a belief that financial or legal advisers necessarily know what is best for them - instead, trust and credibility needed to be earned;
- Advisers need to deliver, and be perceived to deliver, a clear 'value-add' for their HNW clients or they will be dropped. The HNWIs in this study were prepared to pay for advisory services but they wanted value for money - better outcomes than they could otherwise achieve;
- HNWIs wanted advisers that were responsive to them and their particular needs. Making assumptions about a client's needs and over-promising were seen as common mistakes made by advisers seeking their business;
- Family-related services including wealth preservation across generations and assistance with ageing and health care, as well as philanthropy were expected to be useful to them in the future.

About philanthropy

- Many HNWI – or their spouses - were active serving on boards or otherwise active in nonprofit organisations and most had a history of community involvement of one sort or another;
- Almost all currently made donations to nonprofit organisations but the amount they gave was highly variable;
- A minority of HNWI in this study were organised or deliberate in their giving;
- Those who were on a path of increasing their level of giving were generally unaware of the range of tax-effective giving options available to them;
- Those not interested in philanthropy focused energies on their families and family wellbeing;
- Most expected to become more philanthropically engaged as they moved towards retirement, and some had already begun to be philanthropic as their work commitments reduced.

This study was designed to ‘go deep’ into the HNWI perspective to appreciate concerns and priorities that are hard to elicit from numbers alone and thus it does not purport to represent all HNWI individuals in this country. In doing so, it is not suggested that findings address all questions concerning HNWI Australians and their advisers, nor to represent the ultra-wealthy which might be seen as a distinct segment. However, it is hoped that these findings contribute to what is known about HNWI attitudes in dealing with advisers and the potential for new services to evolve to meet their needs and interests.



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Glossary

Affluent	See HNW
Charitable giving	Individuals or families who make one or more donations to nonprofit organisations.
Donations	The voluntary and unconditional transfer of money, goods or services to a non-related community organisation with the purpose of showing support for that organisation, not to receive a benefit (ABS 2002).
DGR	Deductible Gift Recipient - A deductible gift recipient (DGR) is an entity or fund that can receive tax deductible gifts. See http://www.abr.business.gov.au
HNW	High-Net-Worth – used interchangeably with ‘affluent’ is defined as at least US\$1 million in investible assets (that is, excluding primary residence and debt) (Merrill Lynch and Capgemini 2008). While exchange rates fluctuate, this is equivalent to AU\$1.2 million.
HNWIs	High-Net-Worth Individuals – those with a personal wealth of at least US\$1 million (AU\$1.2 million) in financial assets.
Philanthropy	Philanthropy is sometimes used interchangeably with charitable giving but a more distinct definition might be ‘engaging the head and the heart with an organised and planned strategy, rather than only reacting to donation requests in an ad hoc manner’ (John, Davies and Mitchell 2007: 11).
PPFs	Prescribed Private Funds (PPFs) are a tax effective vehicle for individuals, families and corporations to establish a foundation with the sole purpose to provide money, property or benefits to eligible funds, authorities or institutions, which are deductible gift recipients (DGRs) (CPNS 2008). Introduced in Australia in 2001, PPFs have some similarities with the US private family foundation.

1.0 Introduction

This study into High-Net-Worth (HNW) attitudes towards financial advisers and related wealth management professionals and the services they provide is pertinent because use of such advisers is likely to grow. Despite current volatility in markets, the acceleration in personal assets witnessed not only in Australia but across the globe over the past two decades is remarkable. This wealth trajectory is strongest for the already wealthy and, despite immediate conditions, the trend to higher levels of private wealth and a larger HNW segment is expected to continue for the next 40 years. Underpinning this mid- to long-term projected growth is the largest intergenerational transfer of assets in history.

Also, in recent times, massive changes have been experienced within the financial and legal advisory sectors, not only in Australia but across the developed world and increasingly in the developing world. The adoption of more client-centred delivery models and 'wealth management' as an overarching concept driving service development suggest a better experience for a global population of HNW clients. This study asks about this client experience within an Australian context, providing insights that can inform standards of care.

Interest in various services not widely available was also explored, drawing from the Family Office model which in the past has focused on the needs and interests of ultra-wealthy families. One of the services discussed with participants was assistance with philanthropy as this service is commonly provided by Family Offices designed to meet the needs of wealthy families.

As explained in the Executive Summary, participants were also asked about their philanthropic practices, if any, and their personal attitudes to charities and to giving. This decision to address participants' interest in giving, specifically, was based upon research that suggests that interest in philanthropy is likely to increase as wealth expands well beyond the requirements of the individual and his or her family. This is not to suggest that this always happens, just that it is not unusual for it to happen. Exploring this issue with participants was an extension of the study to provide some context for a discussion of their attitudes to philanthropy assistance. It was not possible to extend discussion into other areas that informed potential use of other studies due to time and cost considerations.

Nevertheless, it is hoped that the insights that have been generated about HNW attitudes and practices go some way to assisting the reader.

This report first provides a brief look at the literature (Section 2) then explains the purpose and design of this study (Sections 3 and 4) before turning to its findings (Section 5). Findings are presented across four broad topic areas:

- 1) Participants' dealings with advisers in managing their wealth;
- 2) Perceptions of the ideal advisory relationship and perceived gaps;
- 3) Attitudes to different types of services; and
- 4) Interest in, and engagement in, philanthropy.

The appendix provides a summary of the findings at a glance. The findings and their implications are discussed in Section 6.²

² Some findings that specifically related to the sponsor Goodman have been removed.

2.0 Background

2.1 Growth in the Affluent Population

Despite the economic uncertainty and market fluctuations of late, the global affluent population has grown dramatically in number and wealth over the past 15 years (Community Foundation R&D Incubator 2002). In 2007, the HNW global population was estimated at more than 10 million individuals worldwide (holding at least US\$1 million in financial assets) with combined worth of US\$40.7 trillion. While 2007 figures showed a slowing (calculated at 6% annual increase) over those of 2006 (9.4%) and yet to be released figures are likely to be subdued, longer term growth rates in HNW personal wealth have been exceptional (Merrill Lynch and Capgemini 2008).

While populations across developed countries have experienced a rising level of assets per person, it is the HNW segment that has seen their personal wealth accelerate the most. Moreover, those at the wealthier end of the HNW segment have seen the strongest upturn in wealth. Merrill Lynch and Capgemini's annual report on world wealth trends highlights the movement amongst those with the equivalent of US\$30 million or more in net assets; numbers in this segment have grown 8.8% and individual wealth has risen by 14.5% in just two years, since 2006 (Merrill Lynch and Capgemini 2008). Personal wealth is also being accumulated in developing countries: while the US claims the largest HNW population (41% of the total), those in emerging economies of India, China, and Brazil are the fastest growing HNW (Boston Consulting Group 2006; Merrill Lynch and Capgemini 2008).

Australia strongly reflects this trend to escalating personal wealth, recent market conditions and short-term falls notwithstanding.

- In 2006, Australia joined the world's top ten countries for *absolute numbers* of High-Net-Worth Individuals (HNWIs) after experiencing a 37% increase in the preceding three years (from 117,000 to 160,000) (Merrill Lynch and Capgemini 2007). This figure has since increased at a rate of 7.1% to 172,000, the largest number to date (Merrill Lynch and Capgemini 2008).
- Since 1995, the Australian Bureau of Statistics estimates real mean income of high income Australians to have risen 36% compared to 31% for those on lower incomes (ABS 2006a).

- At the pinnacle of wealth in this country, staggering fortunes are being accumulated - in just two years to 2008, the 200 largest fortunes in Australia were estimated to have increased in average value from AU\$101.5 billion to AU\$139.6 billion (Thomson 2007; Stenshot 2008).
- Family wealth is also coming to the fore. Of the 200 largest fortunes in Australia, 54 now belong to families rather than individuals, up from 46 in 2007, and their total net worth has increased from \$28.1 billion last year to AU\$32.6 billion currently (Stenshot 2008). Similar trends exist in the US, where the number of ultra-wealthy families is growing consistently, at a rate of 12% per year (Harrington 2004).
- As with individuals, it is the most affluent families who have experienced the greatest acceleration in wealth, with the wealthiest 20% of Australian households now worth an average of AU\$1.7 million (ABS 2006a).

The accumulation of wealth at the top end of the population is projected to continue, in Australia and overseas, fuelled by several factors including the largest intergenerational transfers of wealth ever witnessed. In the US alone, US\$40 trillion dollars or more is likely to pass down through families (philanthropy soaking up some of this) by 2052 (Remmer 2000; Gerloff 2003; Havens and Schervish 2003; Kelly and Harding 2003; Johnson 2004).

2.2 Wealth Advice Needs

The personal and financial needs of the HNW are increasingly complex and a range of professional advisers such as financial advisers and planners, private bankers, tax accountants, investment advisers, stockbrokers and tax and estate lawyers now seek to meet their wealth management needs. The ultra-wealthy have even more complex needs and require broader services and skills than those with lesser wealth. Both populations present new challenges for advisers. Clients are demanding more care and expertise the further their wealth escalates beyond the norm; at the same time, they are keenly attuned to finding value. Even the ultra-high-net-worth like to drive a hard bargain and demand a lot (Beer 2005). As advisory firms become more competitive in finding and keeping profitable clients (Bielski 2006), they are exploring opportunities to serve their clients more fully and gain a competitive advantage (Johnson 2004).

Services are expanding beyond traditional financial planning and investment advice and the myriad of associated taxation and legal issues. For example, the ‘Family Office’ is an established business model for wealth management advisers in the US and Europe that is gaining in popularity, including in Australia. Whether single-family or multiple-family in reach, such an entity seeks to meet the often-complex personal and financial affairs of one or more successful families over several generations (Schwass and Diversé 2006). It is distinguished from other financial service providers by its focus upon the family rather than the individual, and the breadth of its services to meet individual needs within that family (Grace 2000; Benson 2007). As Michael Gilding (2005) notes, fortunes are rarely vested in individuals alone, for reasons including: tax minimization, business partnerships, inheritance, and protection against bankruptcy. A sample of the range of services that may be offered by a family office is shown in Table 1.

While most tend to assist clients with financial planning, managing investments and philanthropy, the ‘concierge’-type services do differ from firm to firm, or even within client segments. Also, such services are not *only* provided by such entities. Private Banks and other advisory firms, for example, can provide such services although these have tended to be directed to the very wealthy (Harrington 2004; Schwass and Diversé 2006).

Increasingly, all types of professional advisory firms with HNW clients are exploring ways to better meet the needs of their clients. Providing strategies for growing their client’s wealth is still at the core of many advisers’ business yet other needs are being recognised. Having substantial wealth brings its own set of concerns, and represents a potential area of guidance by advisers.

Table 1: Sample services that may be offered by Family Offices

<ul style="list-style-type: none"> • Account keeping • Bill paying • Booking the private jet • Buying a car or house • Cash management • Conducting family meetings • Establishing trusts • Estate planning 	<ul style="list-style-type: none"> • Finding a general contractor • Getting tickets to sold-out shows • Hiring a nanny • Insurance • Investment management • Legal services 	<ul style="list-style-type: none"> • Maintaining the family website • Managing vacation properties • Organising charities • Philanthropic advice • Tax planning • Teaching basic financial literacy
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Source: From Grace 2000; Harrington 2004; Jaffe and Lane 2004; Benson 2007; Hawthorne 2008

A number of researchers suggest philanthropy services as an obvious area of opportunity in service development (for example, see Backer & Friedland, 2008; Johnson, 2000; Johnson, 2005). Philanthropy has long held to be the preserve of the very rich but now being embraced more widely as philanthropic engagement becomes more affordable.³ Unlike philanthropy of the past, today's philanthropist frequently is wanting to be involved in seeing change for themselves and is not content simply writing a cheque (Johnson, 2005; Pepin, 2005). Yet the decision to engage in philanthropy commonly triggers a series of questions for an individual or family, and there can be a need for professional assistance if that engagement is to be satisfying (Johnson and Johnson et al. 2004). In Australia, in particular, there are few reference groups to whom individuals can turn to obtain specialised advice and guidance (Asia Pacific Centre for Philanthropy and Social Investment 2005; Madden and Scaife 2008), leaving an advice gap for budding philanthropists. As leading American industrialist Andrew Carnegie noted, "It is more difficult to give money away intelligently than it is to earn it in the first place", placing advisers in a position to provide neutral and trusted advice on donating (Cited in Siegel and Yancey 2003: 6).

At the very least, given that escalating affluence is likely to mean that more people have more money than they can spend or wish to leave their children, the wealthy will need help transferring their wealth to heirs and/or charity (Community Foundation R&D Incubator 2003; Harrington 2004).

Research into the attitudes of the wealthy towards their financial advisers has been mainly limited to the US and Europe. While firms in various countries do commission research, findings are generally withheld for commercial reasons. In the US, Stone and McElwee (2004) point to frustrations for wealthy donors in the kind of advice they receive from advisers about philanthropy. For example, they believed that financial advisers offered overly complex explanations of charitable giving instruments. In the UK, The Giving Campaign (2004) suggests there is little structural guidance for the wealthy on what level of giving is appropriate (except for the concept of tithing in religious communities). More generally, Australian research about the client's perspective in dealing with advisers is scarce.

³ Philanthropy is sometimes used interchangeably with charitable giving but a more distinct definition might be 'engaging the head and the heart with an organised and planned strategy, rather than only reacting to donation requests in an ad hoc manner' (John, Davies and Mitchell 2007: 11).

2.3 Philanthropy in Australia

Australian research confirms patterns observed elsewhere that the affluent are more likely to give than those on lower incomes, and to give more in real terms, on average, than those on lesser incomes (Madden & Scaife, 2008). The positive trend is further underscored by the spike in numbers of the HNW in this country, again a trend reflected internationally (Merrill Lynch and Capgemini, 2008).

At the same time, charitable giving in Australia today is still largely in the form of small donations given by those on middle incomes (ABS 2006b; Madden and Scaife 2008). While the propensity to give and the amounts given are higher for those with wealth, figures suggest giving rates are not a lot higher - especially given the rise in personal wealth within this segment (Madden & Scaife, 2008). There may be a time-lag before giving levels rise commensurate with wealth. Figures show an upwards trend in giving by Australia's affluent donors in the past decade. This is not only in absolute terms but in relative terms, too: taxation deductions claimed for charitable gifts rose from 0.7% to 1.98% of taxable incomes for donors in the highest income category (those with \$1 million or more⁴). A higher percentage of this group are giving, too. Australia has witnessed a strong take-up of Prescribed Private Funds (PPFs) since being introduced in 2001. As of 1 July 2008, 769 of this new form of philanthropic structure had been approved (McGregor-Lowndes and Newton 2008).

Evidence does suggest that giving by individuals within the wealthy segment varies enormously. Based on Australian Taxation Office statistics, Australians in the \$100,000- \$499,999 income bracket give at a relatively low level (\$711) in relation to their incomes (McGregor-Lowndes and Newton 2008). This is compared to the \$377 average donation by those with incomes between \$50,000 and \$99,999 and the \$47,245 average donation by those in the highest affluent bracket of \$1 million (McGregor-Lowndes and Newton 2008). With a few standout exceptions, only some affluent Australians give a substantially higher percentage of their income than those with less wealth. Furthermore, some four out of ten individuals with incomes between \$100,000 and \$1 million did not claim for any tax-deductible donations in 2004-05 (McGregor-Lowndes and Newton 2007). This suggests there is still a sizeable proportion of the affluent who currently give negligible amounts if at all.

⁴ Figures are in Australian dollars unless otherwise noted.

While the local philanthropic scene is expanding and giving is on an upwards trend, within the affluent segment and beyond, how much philanthropy wealthy Australians will embrace is to be determined. Giving levels by the affluent in Australia currently lag those of other countries such as the US, UK, and Canada. Interest in giving by the affluent across both the developed and developing world is increasing as private capacity to give also increases. Globally, according to the World Wealth Report (Merrill Lynch and Capgemini 2007), the HNW population allocates between 3% and 11.8% of their portfolios to philanthropic causes annually. While Australians are yet to ramp up their philanthropy to this extent, global trends can be powerful and substantial change on this front would not be surprising.

3.0 Aims of the Research

The purpose of this project was to:

- Identify the types of advisers that HNWI's use in managing their wealth and their attitudes to the services these advisers provide;
- Identify perceived gaps in service delivery;
- Explore their perceived relationship with their advisers, and potential for improvement;
- Explore the appeal of new types of services; and
- Understand the attitudes of HNWI's towards philanthropy, and their giving behaviour.

Insights into the mindset of HNWI Australians on these issues are rare in the Australian context. Findings will inform professional advisers to this segment.



4.0 Methodology

4.1 Research Approach

It was decided to use a qualitative approach to meet the aims of this exploratory study because this method is particularly suited to collecting data about complex contemporary phenomena and enabling context to be given to responses (Mason 2002). Given growing business uncertainty and market volatility from August 2007, with implications for the financial circumstances of HNWIs during the data collection timeframe, this research approach was appropriate. It was even more vital to probe and establish context for responses than in 'normal' conditions.

In-depth interviews conducted by an interviewer were preferred for this group as the wealthy can be unmotivated to participate in research, thus unlikely to fill in documents in their own time. While focus groups would have been valuable, the HNWI segment also are characterised by time constraints and finding suitable times for group interviews was not feasible. Also, participants' personal circumstances were being asked about and issues of confidentiality and privacy arise in group settings. Finally, a 'face-to-face' format was sought wherever possible because eye contact and other non-verbal behaviour can allay participant concerns and allow rapport and a level of trust to be developed. This was important as honest, open and full answers were required. For comfort, participants were offered the choice of being interviewed on their own or with their spouse, as well as choice of setting for the interview, either the University (a dedicated boardroom-style room) or their own premises.

In terms of interview numbers, best practice dictates that the total number provides a diversity of data across participants and allows the identification of clear patterns or themes in the responses, although specific numbers are not given. Working within these and related guidelines for qualitative research, the researchers aimed to conduct the maximum possible for the time and financial resources available and ultimately determined that 20 interviews would provide richness of data and be achievable. The final sample consisted of 20 HNWIs, alone or with spouses, with interviews conducted mainly in Brisbane, Queensland, between November 2007 and July 2008. This was longer than originally anticipated but was necessitated by changes to participant availability. The great majority of interviews were face-to-face (with the remainder phone-based), and generally lasted between one (1) and one and a half (1.5) hours.

Care was taken prior to and during the interviews to build the confidence of participants in the research aims and process. Measures were taken prior to the interviews to inform potential participants and answer their questions, as well as to guard their privacy and confidentiality, and the interview format was designed to encourage honest and complete answers. The interviews were conducted using a semi-structured question framework to elicit a participant's own priorities (See Appendix 1). While each of these topic areas was covered in each interview, the order and extent varied from interview to interview. That is, the sequence and depth of the questioning was influenced by the participants themselves. By remaining responsive to participants' interests and priorities, data collected reflected participants' own perspective and allowed follow-up of responses to tease these out as fully as possible.

Interviews were conducted, in most cases, by two senior researchers either at the participant's home or work, or at the Research Centre within the University, depending on the preference of the participant. Interviews were audio-recorded to capture participants' views fully and accurately (recording obstacles did occur but were rare). As well, debriefing notes were made post-interview. Taped interviews were listened to and summarised, with data analysed on a thematic basis, with the help of software, NVivo7, a qualitative data analysis tool.

4.2 Participant selection and profile

To address the recruitment challenge associated with the affluent, a segment widely accepted as hard, possibly because they are in high demand, a convenience sampling method was employed using the professional and personal contacts of a wealth management firm (Brisbane-based Goodman Private Wealth Advisers). Such a sampling method enables potential participants of certain types or characteristics to be selected, which was important in this case. Participants needed to be HNW but also be as diverse as possible.

The sampling process began with an initial list of potential participants drawn up by the firm, drawing upon knowledge and using its client base as well as additional professional and personal contacts. All held a net worth in excess of AU\$1.2 million (using benchmark for HNW in Merrill Lynch and Capgemini's World Wealth Report), with the majority holding assets greater than AU\$5 million. This preliminary list was then refined in quest of capturing the views of a variety of participants, as required by qualitative research method.

The final sample represented participants aged between 50 and 70 from a variety of business and professional backgrounds. They were mainly male, however, and had earned their wealth rather than inherited it.⁵

Table 2: Characteristics of Participants in Study

No.	Gender		Age						Life stage		Wealth level (\$million)				Wealth source	
	F	M	20s	30s	40s	50s	60s	70s	Working	Retired	1-5m	5-10m	10-20m	20m+	Inherited	Earned
1		1						1		1		1				1
2		1					1			1		1			1	
3		1						1	1			1				1
4		1						1	1			1				1
5	1							1		1				1	1	1
6		1						1		1		1				1
7	1			1					1					1		1
8		1						1	1			1				1
9		1						1	1					1		1
10		1					1		1			1				1
11		1						1	1		1					1
12		1						1		1		1			1	
13		1						1	1			1				1
14		1						1		1		1				1
15		1					1		1			1				1
16		1					1		1			1				1
17		1						1		1				1		1
18		1						1	1				1			1
19		1						1		1		1				1
20		1			1				1					1		1
21	1							1		1		1			1	
22	1							1	1					1		1
23	1							1		1		1				1
24	1						1		1			1				1
25	1						1		1			1				1
26	1							1	1				1			1
27	1		1						1				1		1	
Total	9	18	1	1	1	5	15	4	17	10	1	17	3	6	5	23

Note: Participants 21 to 27 were spouses or family members

It is noted that while 20 separate interviews were conducted over the course of the project, in six of these, more than one family member - usually but not always a spouse - participated, making the total number of interviewees 27, not 20.

⁵ US research suggests that those who have made their money tend to be more generous in their philanthropic support than those who have inherited it (for example, see Steinberg, Wilhelm, Rooney, & Brown, 2002).

Also, it is noted that while the term 'retired' refers to participants no longer dedicated to full time employment, retirement should be regarded as a continuum because, as this study shows, the majority of 'retired' participants are still engaged in managing their own financial affairs, to a greater or lesser extent. They also may still sit on a corporate or nonprofit board, and are otherwise involved in community and business matters.

5.0 Findings

The study's findings are presented as key themes across four categories: (1) participants' use of advisers to manage their financial and personal affairs, and attitudes; (2) ideal service and perceived gaps; (3) appeal of new services; and (4) philanthropy. 'Themes' simply refers to the recurring ideas, feelings, and practices running throughout the aggregated data within these categories. Participants' direct comments are offered to illustrate these themes (*italicised*). We turn now to these findings.

5.1 Use of Professional Advisers

5.1.1 Practices

Of all types of professional advisers – accountants, financial advisers, financial planners, investment advisers, private bankers, and lawyers – accountants were the most commonly used on a regular basis. Even those who had an accounting background and described themselves as preparing their personal accounts, reported using an accountant for technical sign-offs and for aspects they were not informed about.

Moreover, participants commonly had a longstanding relationship with their accountant, far longer than that reported for their other advisers, and the relationship tended to be characterised by a high level of trust. In a couple of instances, participants referred to having used the same advisory firms (such as accounting and law firms) for generations. In one case, they used a firm where the father and grandfather had been senior partners themselves. This trust built over time was invaluable and gave participants a high degree of confidence in the advice received.

We've had a three-generation connection with that firm or the predecessors there.

- Working male, 60s

Many reported using a suburban-based accountant due to a long history with them, commonly from the early days of their business operations. Such participants liked to use a specialist 'downtown' accountant intermittently, to complement their normal accountant's services (who did not have a 'fancy office' or charge 'top end rates' but who had greater depth in less common areas).

I've got an accountant, who is again, a sole practitioner, which is a bit of a worry, but they do call in the KPMGs of this world to get technical advice when it's required.

- Retired male, 70s

Accessing big-firm advice when needed was critical. In one case, a businessman described researching a variety of firms of different sizes and scales and settling on a well-known accounting firm because their knowledge and expertise was well worth the higher cost.

We're paying big fees but...should we run into a problem they've got the resources to access things that other people couldn't or didn't.

- Working male, 60s

While some participants reported strong ties with accountants in large accounting firms in the CBD, these tended to be a result of longstanding personal relationships with the individuals concerned. For example, their shared history was attending school or university together. Weaker bonds were shown with the firms themselves, except where there were intergenerational connections with the firm.

One issue was raised by a range of participants: their accountants were nearing retirement, like themselves, and it was not clear if they would stay with the current firm or go elsewhere. Several reported not feeling the same level of liking and trust for the 'replacement' adviser. Their need for accounting services would continue but a question mark existed over who would assist them into the future.

Rarely were accountants used for financial planning or investment advice.

You can't say the accountant or the superannuation accountant can be a financial adviser because [legally] they can't give you advice.

- Retired male, 60s

For such advice, they either used a financial adviser or 'did it themselves'. The latter generally had previous experiences using financial advisers and/or planners and three main reasons existed for no longer using them:

- Their adviser had moved on and no bond had been formed with a new adviser;
- They themselves had moved and they had not found anyone suitable; or
- They had broken the relationship due to perceived poor fit or service.

It was common for participants to be using a financial planner and to have tried several. Experiences with them had been mixed, and often poor, although those with whom they currently had a relationship were perceived as satisfactory (with some believing they were very satisfactory). There tended to be a lack of confidence in the independence of their advice.

I've never really had a satisfactory financial planner as far as I'm concerned. I've spoken to a few and generally had the feeling that they were more interested in the commission than the investment and the trailing commissions in particular. I still think it's an industry that leaves a bit to be desired. I don't have a financial planner as such myself.

- Retired male, 70s

I have personally sought advice from a financial planner, and that was not a very good experience. I think that she was very motivated by bringing clients on board and not very motivated by doing the work that was required. ...at the end of the day [it's about] self-interest. So that's really what creates the problems.

- Working female, 30s

A clear preference was for a financial adviser (or, indeed, themselves) to undertake the planning role. Similarly, private bankers were *not* widely used. Where participants were current clients of a private bank, services were used with restraint and, generally, 'relationships' were limited, despite banks seeking to woo them in some cases.

Lawyers were used by all but on an intermittent basis depending on specific needs requiring legal input. Generally, lawyers were not used in the same on-going manner as financial advisers or stockbrokers, who were also used by a majority. A few used investment advisers and while titles can be overlapping in the services provided, their role was not significant for most in an ongoing advisory sense.

Overall, participants, in overseeing their financial planning and investment needs themselves, preferred to pick and choose - to 'cherry pick' – the services they needed and when.

Participants commonly came to their current suite of advisers by one of three ways:

- Family tradition of using a particular firm;
- Referral by a trusted friend or colleague; or
- Referral by a current trusted adviser.

While noted above for accounting services, the issue of impending or recent retirement of longstanding advisers arose for several participants for other types of advisers, too, mainly lawyers. 'Who to use now?' was a question on the minds of a number of participants.

We wanted the personal touch with our financial adviser, and that is the reason why, when he moved from his own business...we followed him. We wanted the continuity of the relationship we had with him from his grandfather to his father and to the son...He was thinking in our interests, as well as his company's... and his own interests.

- Working male, 60s

5.1.2 Attitudes to Advisory Services

A standout theme for participants in using advisory services is the desire for control: it was widely perceived that one needed to take responsibility for one's own circumstances.

The only person who is really looking after your affairs is yourself.

- Working male, 60s

Both exercising control and feeling in control were all-important. Even when one adviser assisted with co-ordinating the services of other types of advisers (and this was liked when it occurred because of the time it saved), they did not like to relinquish responsibility for their own affairs nor did they see themselves as doing so.

While there was some variation as to how active they wanted to be on a day-to-day basis, the majority of participants whether retired or not wanted to be decision-makers responsible for their affairs.

A financial adviser is a great help I'm sure to people who are setting out. They introduce these ideas, and so on, but they are not responsible for your money. That is the prime thing that people don't seem to understand – you are. I'm not anti-financial advisers. They are great to lead you down paths to consider going to seminars, to try and broaden your [knowledge].

- Retired male, 60s

Some clients underscored the importance of training and educational opportunities to increase their own financial savvy.

I went in feeling not particularly confident, expecting that they were the experts. And that I would learn from them. And you do...but along the way there are some calamities....We're...at that point where we're starting now to handle either family wealth or individual wealth...I do want to know what I'm doing... think that would be a really good thing.
- Working female, 30s

A great majority, but not all, enjoyed a high level of involvement.

There's day to day things that are going on that I'd prefer to do because I'll do them better than some outsider.
- Working male, 60s

I have my individual portfolio which I hang onto like grim death because I think I've learned how to control that.
- Working female, 70s

Some even engaged in on-line trading, however, this was not an extensive activity. With a few exceptions, they were financially literate with some remarkably so. They drew upon their family experiences of learning about money, skills honed by business experience and success over the years, and sometimes formal financial training.

My father made me start keeping accounting records when I was ten years of age. So I had to account for my pocket money.
- Retired male, 60s

They also commonly had close family members (such as daughters and sons) with financial skills and/or experience who they could call upon and who sometimes drew their attention to particular shares or other investments. Underpinning their involvement was a level of enjoyment, or at least a modicum of personal interest, in overseeing their finances and, sometimes, helping with the finances of those in their family who needed assistance due to age or circumstances (such as a parent or widowed sister). This attraction sometimes, but not always, includes the technical side as well as the larger overseeing role.

I don't pay professionals to do the nitty-gritty work...I do that myself, because I'm quite capable of doing that and so I'm not wasting money paying people to do that...I'm not really interested in people who do all the sort of simple work that I can do myself; I'm quite happy to do it...I've always done it.
- Retired male, 60s

Mostly, they perceived professional advisers as their equals, offering specialised information and experience that justified the cost of using them. They generally disliked 'paternal' advice where the firm positioned itself as knowing the best for them.

They'll [say]... you've got good shares, trust them, hold them...we're not recommending any selling etc'....I'm just not convinced that was the right advice in some situations. Their argument would be 'well, we believe it is the right advice'. You miss opportunities if you don't sell sometimes.

- Retired male, 60s

There was a strong preference by many for advisers with whom they could bounce around and 'test' their ideas on a number of fronts (for example, at a simple level, information about a stock they were considering).

I'm happy to pay for someone to assist in the process [and provide] independent advice.

- Retired male, 60s

They also liked to obtain deeper research on companies or opportunities than they could access themselves. This provided value for them.

What I'm really doing is buying research.

- Retired male, 60s

Overall, the HNWIs in this study wanted an adviser who not just had expertise on a topic but had more than they saw themselves as having. Related to this was a desire for an adviser who could access relevant information, deeper than they could readily access, to guide their decision-making. Also, how the adviser treated them was regarded as critical - they wanted to find, and stay with, an adviser who appreciated where they 'were coming from' and was not dismissive of their interest or inclinations. There was a rejection of rigidity of thinking or in the way a service was provided. They wanted collaborators, 'a partnership of equals' and a clear 'value-add' to justify fees charged.

5.1.3 Satisfaction with Advisers

Such a relationship was lacking for several of the participants when it comes to wealth management. It was not uncommon for a participant to report unsatisfactory dealings with a financial adviser or financial planner (see Section 5.1.1).

Some had moved their business to another adviser, occasionally several times, out of dissatisfaction while others curtailed services.

If you're not educated in the area then you run blind...you have to trust in what is being advised...Once you're in it, you start developing more understanding. And then, you realize that the advice they gave...was really quite poor advice....

- Working female, 30s

There was some disquiet expressed at current performance of some investments yet it was almost universally accepted that the adviser was not to blame and their competitors would be unlikely to fare better. However, many participants were scathing about the standards within the financial advisory industry generally. Of greatest concern was whether advice was in their best interests or not. It was commonly perceived that too many advisers acted out of their own self-interest, despite their claims of looking out for them as clients. Many related one or more first-hand experiences with product commissions, fees, or investment 'churning' that had formed these impressions. Some were so convinced of this as a widespread issue that they were prepared to supervise their own affairs in the absence of a trusted adviser. Most could relate experiences where there was little trust, and trust was perceived as necessary for the development of the advisory relationship.

Similar concerns arose with private banks. Few reported strong ties to private banks; if used, services tended to be used in a limited way. Rarely was a private banker central to participants' financial decision-making. While several had experiences of the private bank division of a major bank, few were impressed by the level of service.

We tend to direct invest, rather than invest in products, and they [private banks] tend to be pushing products. We're not big investors in products...we're happy enough to be investing directly.

- Retired male, 60s

Consistency is probably the biggest thing. You don't want to start to get to know one person then have them change. That really is the problem with the banks these days... [consistency is] even more [important] than efficiency.

- Retired male, 70s

I hate them [private bankers]. I'm one of the few people...to charge them for wasting my time...and they paid for it.

- Working male, 50s

Bank managers, if they were mentioned at all, were even less well regarded.

I've found bank managers are hopeless.

- Working male, 60s

Stockbrokers, who were widely used, fared better. Generally, participants were satisfied by the service they received but services were limited to buying/selling shares or research into companies. Not all used brokers for their full share trading (with on-line trading holding some appeal) and some lamented the quality of advice.

Not every broker can interpret versus 'parrot'. I want someone I can debate with.

- Retired male, 60s

All used a lawyer but mostly this was in a limited role such as preparing wills or assisting with business or philanthropic structures.

The great majority were not actively looking to change their current advisers.

5.2 Ideal Service and Perceived Gaps

The HNW in this study were highly self-efficacious individuals and couples. While having high expectations, they could not be characterised as 'needy'. They found solutions of one sort or another, even if it meant doing it themselves, using services across firms, using staff in their business or personally hiring help such as a part-time bookkeeper. Generally, participants were conscious of money and reluctant to tolerate poor service:

When I don't get that [professional advice] and I'm paying for it, it makes me disenchanted.

- Working male, 60s

There was some consensus around the need for the following qualities in an ideal relationship:

Knowledge/skill - Participants expected advisers' financial and investment knowledge to be greater than theirs. They needed to know their adviser knew what he or she was talking about and to appreciate the logic behind the advice that is offered.

You're paying for really good advice.

- Retired male, 60s

I don't think a lot of them are very skilful...I'm very suspicious of their training and their motivations and I wouldn't let any of them touch any of my money, I don't need to...it's basically all on the stock market and I really like that because you can see it.

- Working male, 60s

Relationship Orientation - Participants wanted to feel looked after. It was not enough to make promises. A number of participants complained that advisers they have left did not return phone calls, reply to emails in a timely manner and/or failed to keep in touch over time. Promises were made at the start of the relationship but failed to be met. Moreover, they did not appear to be interested in them as individuals, once on board as clients.

We needed to be able to get a hold of the people we needed at the time we needed them.... I'd change banks tomorrow morning if I thought one of the others would give us some personal service.

- Retired male, 70s

I deal very closely and put a great deal of effort on person (sic.) relationships. In other words, if I don't particularly like a person or a firm, I don't deal with them.

- Working male, 60s

Participants satisfied with their advisers reiterated how much they valued their interpersonal skills and the responsiveness of both senior and support staff to their needs.

We meet whenever we want to meet.

- Working male, 50s

Nothing is ever any trouble.

- Working male, 60s

Staff are fabulous. They're always polite, always courteous.... You can ring, you get results. We've had a few hiccups [but] when we do...they respond.

- Working male, 50s

Trustworthiness - Participants wanted advice knowing that it is in their own best interest as a client. They sought advisers who were genuinely interested in assisting them. As well as having concern for clients, however, they needed to be trusted to be effective/achieve outcomes.

The reason I don't use any [financial advisers] is because I don't trust them...[to use someone it would have] to be someone I felt comfortable with, and when I say comfortable, I mean that I believe is genuine, knowledgeable, skilful...genuinely interested and professional.

- Working male, 60s

Flexibility - Participants desired the ability by their advisers to think outside a conventional framework when the client wants to do so. For example, some were interested in structured products but found these were dismissed without discussion, frustrating them.

These people [the firm I use] think very much inside the square...I'd like to see them give us more options, outside that bloody square box of the blue chip companies.

- Working male, 50s

They wanted solutions to meet *their* needs and proclivities, even if this did not match those of the advisers.

I'd like to see them be more proactive... to cater for different investment philosophies.

- Retired male, 60s

Several described themselves as being too quickly and wrongly stereotyped by advisers. This issue also arose for some partners/spouses who wanted a more active or independent portfolio. In one case, an individual had a long career in a specialist area that equipped her to assess innovative companies yet this interest went unfilled, causing a level of frustration.

Several wanted to be able to meet all their needs through their current firm but did not believe the firm could do so. While some used additional firms, others did not, staying with the firm but not feeling 100% satisfied. Such discontent may not come through in client satisfaction surveys, either. Some participants pointed out that they were unlikely to raise such issues in these surveys, if they completed them at all.

The need for flexibility also extended to fees. Several wanted more flexibility in the structure offered by their advisory firm, to match their usage and some lamented a 'one-size-fits-all' approach to fees.

Value - Participants wanted advisers to be able to justify the fees they charge. Many believed that they needed to pay for good advice but some suggested that, often, fees did not seem justified. There may be only one type of cost that is not justified yet, from their perspective, this stands out. At the same time, it was more important to get a quality service than lower fees, if the outcome is compromised. Value for money, rather than low fees per se, was aggressively sought by participants generally.

I'm happy to pay for what I'm getting but not overpay.

- Retired male, 60s

I think for what they do for me, I think they're expensive, but, I'm not really concerned so much about that. To me the quality of what's there and the insurance policy (for want of a better description) is in place...that's what I'm paying for.

- Working male, 60s

Fees are a consideration, but not the whole consideration, if I get value for money...I'm still happy provided I get the services...for the cost.

- Working male, 60s

Where affiliated firms were used, there was an expectation that the primary firm would care about them enough to negotiate good rates. There were some very 'plugged in' individuals who believed in checking on – and value in such relationships.

Participants also took the saving of time into account in determining value. Most described themselves as busy or very busy, even those who were retired. They looked for efficient ways of doing things, and there was a dislike of duplication and time-wasting. Advisers who saved them time, for example, by co-ordinating with other advisers providing specialist services (such as lawyer, accountant or stockbroker) were ideal. Saving time was something worth paying for.

Networking/Connecting - A 'nice to have' service – one they would ideally have - but not currently offered was the opportunity to see and hear how others were faring financially, what those in similar circumstances were doing, results they were obtaining etc. This window onto peers could come from studies or personal accounts. It was felt that this would be interesting and could help them in their decision-making. For example, one wondered whether he and his wife were investing similarly to others like them. They did not discuss such matters with their friends or acquaintances and were curious (and possibly anxious) about their relative progress.

One of the problems with money is you really don't know how much money other people have got, so I don't know what a lot of money is...For me, rich is if you've got a couple of billion dollars.

- Working male, 60s

As noted, participants were highly adaptable and resourceful in meeting their needs and there were no obvious service gaps. Nevertheless, some reported a dearth of wealth managers offering a composite of the above key qualities.

Fees were substantial but the end benefit was we got what we wanted.

- Working male, 60s

5.3 Appeal of new services

5.3.1 Initial Attitudes

The notion of extended services by their professional adviser was put to participants, for example, as provided by a Family Office. Very few were aware of such services being offered by advisers and most were unsure if they would be interested.

They're for the top of range wealthy families aren't they? The super, super rich... the \$10-20M people needing to have that managed. There's a market there. I have to think it's a growing market.

- Retired male, 60s

Two concerns with the idea of new services commonly arose:

Concern for their feasibility - Participants commonly asked about the feasibility – the logistics – needed to deliver a wider range of services than are currently available. For example, a single 'point' person was desired by some to ensure smooth exchange of information, make someone accountable for tasks, and allow the next generation continuity of contact for matters relevant to them. There was a view shared by several of the need to ensure duplication did not occur: what they did as a client and what the firm (or those they outsourced to) did. Overall, how the services would be delivered and how communication would be managed was of interest. If introduced, establishing client confidence will be paramount.

If a firm offered me all those sort of things, I'd run...It's very difficult for one firm to have experts in every area.

- Retired male, 60s

I don't want their advice...tell me what I don't know.

- Working male, 60s

If we're going to do something, we go and bounce it off [adviser's name]; we tell him what we're doing or what we intend to do... [Wife]: Well I think that's sometimes a good idea because sometimes you'll make rash decisions so this way you're not going to it straight away.

- Working male and female, 50s

Concern for value for money - Most participants also expressed some reservations about whether and how such services would offer value for money. Some did not expect time to be saved, and anticipated a high price-tag. Others did not want to see double-handling of information and tasks.

I'd be worried that it's potentially just a high falutin' name that may or may not have any real value. I'd be worried that it could just be another big bureaucratic or administrative structure that perhaps didn't bring the degree of benefit that I might expect...like integration between advisers, which should lead to better overall advice in a shorter time frame for me so I don't have to attend meetings all over the place and... cost savings as a result of this integration.

- Retired male, 60s

Clearly this would come at a cost. You'd have to explore the value for that cost.

- Working male, 60s

A small handful of participants did not want to feel pressured to use a service if it did not suit them. There was also concern not to leave their affairs in one set of hands.

I'd be nervous...I don't like putting all my eggs in one basket...that's my immediate reaction on that. It depends on the trust and the flexibles (sic.) of the organisation...I'd like to spread the risk a little...at least two separate areas.

- Retired female, 60s

On a positive note, an immediate benefit perceived was convenience.

Promised convenience appeals - Convenience was perceived as a potential benefit. For example, having a co-ordination service with other professionals providing particular services was widely regarded as helpful if not strictly necessary.

They've got to find a way of doing it so that it doesn't add more and more overhead. I don't want a middleman on top of the broker...I'd certainly be interested in it, but, depending on its cost effectiveness. It's not something you can't do yourself. It'd be nice to just go to one place to get it done.

- Retired male, 60s

While first impressions were somewhat negative, participants warmed to the model in discussing it as long as it meant a more bespoke service that lent itself to changes in life stage and family needs, and not being forced into taking services they did not require.

5.3.2 Services of Interest

There were mixed views about new services although it was agreed that not everyone would find them appropriate to their needs.

There would be extremes of responses to the idea – 'no use' to 'lots of use'.

- Working male, 60s

Services relating to family /intergenerational issues such as will and estate planning issues and philanthropy appeared to hold the greatest appeal for the HNW in this study. Yet those who expressed interest in these services had varying needs, indicating that customised service combinations will be important.

1. Family Needs – This included succession/intergenerational wealth planning, trust and estate issues, family training and education on financial matters.

One great way of getting rid of money is to mismanage that succession issue.

- Retired male, 60s

In some cases, clients had participated in an integrated approach to estate planning with financial advisers, accountants, and lawyers all working together to develop a plan. For those who had this experience, it was very positive. There was also interest expressed in advisory services relating to aged care, as part of developing and implementing more comprehensive, life-long financial plans. For some, an important aspect of the succession planning process would be providing training and educational opportunities for children about financial matters. This educational foundation was perceived as useful, helping them to understand and better manage their wealth.

A small handful of individuals already had children who had participated in seminars on this topic. There was interest in hearing about future events (although attendance may be affected by personal circumstances such as grown children living interstate or busy schedules). Such activities were perceived as a potential 'value-add', and part of the training ground required of family to prepare them for their wealth.

You only learn by this contact...in our family it's been going on for generations. I used to go to the accountant with my mother when I was a kid.

- Retired male, 60s

You can't just give kids money; they have to learn how to manage it.

- Working male, 60s

In sum, interest was expressed in a co-ordinated service relating to family needs. Some had difficulty describing expected lifestyle as they aged but many did acknowledge that their needs would change.

The needs of their clients will change over time, and the question is: are they able to satisfy that need?

- Working male, 60s

2. Philanthropy Services - A key finding is that very few participants realise that they have a range of options for giving available to them and this low awareness appears to limit initial demand for philanthropy services.

I'm not sure what sort of advice they'd be able to offer.

- Retired male, 60s

However, as the discussion progressed, there was a realisation they could benefit from advice in this area. Some participants also discussed plans that had not had the benefit of professional advice and may not guarantee the results they want.

In addition to better understand giving vehicles and which vehicle may best suit their needs, there was a hunger from some for guidance on giving: how to be more strategic, how to research organisations and measure their effectiveness, and some interest in peer-driven discussions to learn from other donors' trials and triumphs. One participant developed one innovative idea of a way that donors could get to know nonprofit organisations and their work:

Maybe there should be a charity expo. Where you can just walk around...some place where you could actually go, on a day, without feeling threatened that if you walk up to someone they're going to ask you for money. It's a day in which the onus is on them [the nonprofits] to provide information, and not necessarily feel they had to make contact with a whole lot of new names and addresses so that they can then go on [and solicit]...the shoe's on the other foot. They're the ones who are being asked questions...you could go and just walk around and talk...pick up some literature.

- Retired male, 60s

For the vast majority of participants - who do give to charity each year – engaging in philanthropy was *not* a topic of conversation for them with their family, friends and peers. Many indicated they did not necessarily know if their peers were givers or not.

It might be invasive. I would never share how much I give or who it goes to. It's no one's business.

- Working male, 60s

This reluctance to talk about philanthropy was not surprising, perhaps, given common twin beliefs that:

- Giving is a personal matter; and that
- People should not feel forced to give unless they personally wanted to so.

However, rarely (if ever) discussing philanthropy also limited their learning opportunities from other donors, and served to keep awareness around tax-effective giving options low. The interest of several participants about such options was piqued by research questions, suggesting that discussing philanthropic decision-making in a safe environment might be welcomed. (Philanthropy is addressed further in the next section.)

Other types of services such as household or the management of investment property, book-keeping, bill-paying, insurance, and assistance with travel plans were not seen as necessary at least at the moment. These were already seen as being managed well: solutions were in place. However, there was definite interest by a handful of individuals about the integration of various investment advice, notably property.

Their real value add is advising me on where to invest it,...[assisting with selecting] the appropriate investments that'll do that...If they're wealth managers, surely real estate is part of wealth creation. And just to be focused on equities and bonds, it limits them.

- Retired male, 60s

Overall, there was a pattern that because of their own financial savvy, an adviser who simply talks them through the accessible literature is of little benefit. The value-add they are seeking is the expertise found in an adviser who has come to understand the client's interests and motivations over time, does the research, has the day-to-day temperature of the market, and is prepared to act as a sounding board for the client. In brief, they wanted to be told something they *don't* know.

5.3.3 Factors Shaping Take-up of Services

Three core considerations were likely to affect the take-up of new services generally:

1. **Timing / Stage of Life**
2. **Control**
3. **Family Involvement**

1. Timing / Stage of Life - The majority were open to the possibility that as their circumstances changed, their need for different services such as offered by Family Offices may grow.

As long as I'm alive and I am capable of doing what I'm doing, I'm quite happy, but should something happen to me, it may be very, very convenient.

- Working male, 50s

At the same time, many were hazy about their needs in the future – and how they might operate differently. Most expressed they had tried to structure their affairs in the event of their passing (with trust funds, wills, and other estate planning tools).

Specific life circumstances likely to trigger demand for the new services were:

- **Aging / Decreasing 'hands-on' interest** - Participants' getting older and becoming less interested in a hands-on approach to managing their affairs would enhance their interest in new services.
- **Care giving** - Participants facing issues around being a carer to others in their family (such as parents, a spouse, or other relatives) or having family members enter nursing homes reported less time to dedicate to handling their financial matters.
- **Passing on / incapacitation** - If the primary family member in charge of financial affairs were to pass or become too ill to cope, the new services could be valuable to their spouse or other family members. This appeared to be particularly true when the remaining / lucid spouse was female.

2. Control - Having power and control over their own affairs was perceived as important. Participants referred to their assets as 'my money' – they want to maintain control over it, be the decision-maker and have autonomy. They do not see the firm as the most likely nurturer above themselves.

Nobody looks at it [your money] as well as you look at it yourself.

- Working male, 60s

I've been a hands-on person all my life [and] if I can do it, I like to do it. If I can't do it, I like to get the best person possible to do it for me.

- Working male, 60s

3. Family Involvement - Family issues are extremely important considerations for participants. Changing needs around the family as time unfolds is a recurring theme. That is, interest for new services was anticipated to grow as they got older, family issues evolved, and new needs arose.

When establishing new services, the following aspects were seen to be important:

- **Expert** – Confidence in the 'value-add' is key. Access to highly knowledgeable advisers and support staff through one office was attractive for the participants, but it was hard to envision how it would work.
- **Value** - There was a strong demand for such a firm to give value for money. Those clients who expressed interest in the concept are willing to pay for a wide range of services, if the value-add is clearly articulated and felt.
- **Trusted** - Secure systems are essential to ensure personal information is kept confidential.
- **Customised** - Services need to be taken up as needed. A pre-packaged product with limited choice is not desirable.
- **Convenient** - Individuals require easy access to people and information to simplify their current network of advisers and support staff. Finding ways to avoid duplication (of what clients do or would need to do) is critical.
- **Consistent** - There is a strong desire for a permanent 'point' person, who is committed, trusted, and relationship-focused.
- **Client-centred** – Advisers need to be good listeners and responsive to client needs. The ideal adviser is proactive in his or her support of clients.

5.4 Philanthropy

5.4.1 Charitable Giving Activity

Almost all participants perceived themselves as generous but many emphasised they did not consider themselves 'especially generous'. So what is 'generous'? It would be fair to suggest that participants – like many of Australia's HNWIs – do not engage in charitable giving to an extent commensurate with their capacity to give. For example, of taxpayers who earned more than \$1 million and gave in the 05-06 financial year, the average tax-deductible donation was \$47,245.68 (and the previous year – the year of the Tsunami – was \$59,350.59) (CPNS 2008). There was only one participant who indicated they gave at or above this range; others gave much smaller amounts that varied widely (most commonly from a few hundred to a few thousand dollars annually).

One participant made an interesting comment about what it means to give substantially:

I suppose theoretically giving doesn't mean anything unless it hurts, and we've never done that. I mean for it to hurt you have to give a lot of money.

- Working male, 60s

Giving was simply not on the radar for many interviewees. If they gave it was an incidental activity. Of those who indicated they do give, there was a majority who chose to give during their lifetime, and a minority that have charitable bequests in their wills, PPFs, or foundations already established. A few others are researching giving options now.

If we were to go down in a plane crash, then there are enough assets to give to the family with some left over, and it doesn't all have to go to the family.

- Retired male, 60s

A common perception was that giving during your lifetime offers multiple rewards, including (1) reaping the tax benefits; and (2) seeing the benefits of the contributions directly.

In this group, several acknowledged they could afford to give more than they do.

I don't want to give the impression I'm a big philanthropist...I have the capacity to give more than I do.

- Retired male, 60s

Many indicated while they may plan the amount or the timing of their gifts (for example, they contribute twice a year), they do not always plan the beneficiaries. Some explained the nonprofits that they support change from year to year based on what appeals they have received in the mail, or to a lesser extent, what friends may have asked them to contribute, etc. Their giving is somewhat sporadic, and in the words of one participant, *haphazard*. They also acknowledge this may not be the most efficient way to give charitably. Mainstream charities figured in reported giving quite often (e.g. Salvation Army, Red Cross).

The vast majority of participants shared a belief that people with wealth have a duty to give to charity.

One explained that he holds the fundamental belief that you have a responsibility to make a difference.

- Retired male, 60s

There was a widespread view that charitable giving is a personal matter. Philanthropy is not discussed with their friends or peers, as indeed, money is not discussed. As a result, many participants did not know whether their friends were givers or not. Some were interested in learning from the experience of others who had formalised their giving (for example, through a family or community foundation).

I'm uncomfortable about that [asking others for money] because I think giving is a personal thing.

- Working male, 60s

5.4.2 Constraints to Giving

The most common constraints to giving identified in the interview data were:

1. Looking after family first
2. Not knowing how to go about giving
3. Perception she/he does not have enough to give
4. There would be time for giving later
5. Perception she/he cannot make a difference

1. Looking after family first

We look at our children as a charity... There never seems enough to go round. - Working male, 50s

Charity starts at home - Working male, 60s

...helping your family, you tend to do that first
- Working male, 60s

Nearly all participants felt they could do both – support their families as well as support charities – but perhaps at different levels and at different points in time depending on family needs. Family support crossed generations with assistance to grandchildren's education for instance being a priority for some. Very few participants appeared to eliminate the possibility of charitable giving altogether.

2. Not knowing how to go about giving

One of the problems in our society is that...it really is difficult to know where to put the money; that it'll get somewhere.
- Working male, 60s

Several participants expressed a sense of being overwhelmed with the number of possible causes and charities to support. Getting started, and feeling confident in the charities' operational effectiveness and efficiency were common concerns that will be discussed later in greater detail. Some were open to the idea of getting philanthropic advisory support to help them map out their charitable giving plan, and others felt most comfortable determining who to support on their own. But few had a clearly articulated plan for how they select charities to support, how much they give, what they evaluate or how they measure the success of their charitable donation.

3. Perception she/he does not have enough to give

After I've accommodated my needs – and they are not extravagant at all --...I don't want it [money] anymore...I haven't got enough money at this point in time to do that. [Children and grandchildren – helping with education]...that's what I'm doing as a contribution to myself. And I haven't got any over to give to [XYZ charities] at this stage because I've still got a mortgage myself.
- Working male, 60s

Despite their wealth (demonstrated in terms of their net assets on paper), some participants felt they were unable to give substantial donations to charity because of their personal financial constraints: not having enough money. In particular, a few participants specifically indicated given their own personal debts, such as a mortgage, they felt uncomfortable giving to charity. Debts needed to be eliminated first.

Whenever you have an element of debt in your investment structure...there's a mindset that you ...retire debt then [once you're totally cleared] you start giving it away...It's just a mindset I suppose...This is the wrong thing about life is that you end up with the money when you don't need it.

- Working male, 60s

4. Perception that there would be time for that later

I suppose at the time when I do retire...you'll probably have time to reflect on those things. At the moment, there's just too much banging around in life that therefore financial support of community activities tends to be ad-hoc, on the run, it's not planned.

- Working male, 60s

I am not ready to be philanthropic...that question will come later when I am at that stage of life where I can indulge in/engage in philanthropy. I really believe that when I am clear of debt, I will be positioned to make larger gifts...and now is not the time, carrying debt, needs to be paid off.

-Working male, 60s

For some participants, different life stage concerns impacted their levels of charitable giving. For example, one participant spoke of how his own needs being met at retirement trumped significant charitable giving. Long-term care, nursing care costs, and other concerns as he aged were considerable and impacted his perception of his own ability to give. Others articulated the importance of holding their money close, as they are cognizant of the fact it is hard to earn and easy to lose or misuse – which they feel can often be the case when it is donated to charity.

I've never had the spare cash that I could go indulge myself in doing something like that [identifying a need and helping an organisation with substantial donations]. And I think to do it properly does involve a bit of dig-down heart thought. Also the money's been hard enough to get, so you think you don't want to waste it.

- Working male, 60s

In the case of another participant, her relative youth was a constraint. Given she is still raising a family and her income feels less stable, she felt significant giving is out of her reach at this stage.

Because she's [referring to daughter] in the process of building wealth...she's probably not in a position to give.

- Working female, 70s

5. Perception she/he cannot make a difference

Powerless you are...it's frustrating. But...we have a few people working for us who have come from [overseas] and it's interesting to hear their side of the story. The girls talk of rape and robbery and violence...I suppose it's a growing interest of mine to get involved somehow, some way, but I don't know how to do it...There are some very, very good aid programs...these stimulated my interest even further to donate to these, now that I know that these are legit...[At the same time] I'm frustrated in my thinking because I don't know how I can do it, how I can be of any value...if you donate a million bucks say, where's it going to go? In their pocket.

- Working male, 60s

Participants commonly voiced concerns that they were not confident the money got to the end need, that organisations might not use their donations wisely, or that the social problems were so huge that their contribution was not big enough to have an impact. Together, these perceptions created a feeling of powerlessness, that they cannot make a difference.

The other thing that concerns me is with some of these charities...how much of the dollar gets eaten up by just running the charity and how much of it finishes up in the hands of the people who need it...You have no transparency.

- Retired male, 60s

5.4.3 Awareness of Giving Options

There is very low awareness of different ways to give and in particular planned giving vehicles such as PPFs. Some expressed a strong interest in finding out about PPFs and the benefits they offer. For others, they had heard of them and were not confident PPFs would be relevant or of interest.

Some wanted to learn more about different giving options, with a small number very keen. Interest in participating was strong if they were educational in focus.

Given the personal nature of charitable giving, participants were comfortable with advisers discussing charitable giving options and interests directly with them as long as the conversation was framed as educational rather than directive. Understanding clients' charitable inclinations was deemed an important part of getting to know them.

Very few had any idea where to go to get information about philanthropy. Almost no-one had heard of Philanthropy Australia as an organisation for donors.

...nobody really addresses you [about philanthropy at present]... we just blunder along and do what we think we want to do.

- Working male, 60s

There is understanding that there is a need for more structured ways to give. Advice regarding deductibility is helpful, especially when coupled with assurance about where the money goes. All of this information could be gathered from a philanthropic adviser.

Some expressed the view that a good philanthropic adviser does not necessarily make a good financial adviser, and vice versa.

Some indicated a good philanthropic adviser could make suggestions on personal financial advantages to particular giving tools or tactics while also having a thorough knowledge of charity operations (from investigating transparency to analysing reports).

It's easier [to support the high-profile, larger charities] because they're the ones that come to you. I think the real challenge is to go and find something that you can get personally involved in, that you've got a real feeling for... [where] there is a need.

- Working male, 60s

Others concurred they would like assurance the charities to which they donate are effective and efficient, but they are not sure how to get this information. Learning how to vet them and conduct research – or hiring a philanthropic adviser to do this for them in the case of significant gifts – is of interest. However, the same 'I am very capable of making my own choices and decisions' attitude that prevailed across the interviews was also evident here.

It's a bit hit and miss – simply writing out a cheque or leaving a bequest. ... We'd like to have an involvement with charities. Actually create a relationship.

- Retired male, 60s

The great advantage of the PPF is that we've got the enduring fund...and the enduring fund is in our hands or in our trustees' hands.

- Retired male, 70s

There was a strong interest in tax deductible giving options even though most reported paying little if any tax (because of DIY super funds).

Tax-driven philanthropy for us is becoming non-existent...in fact I see that as an issue for the economy as a whole that an awful lot of philanthropy comes from [people] who basically are retired or semi-retired and there are no tax incentives for most people anymore.

- Retired male, 60s

But for those who could reap a tax benefit from deducting charitable contributions, they are keen to take advantage.

I like tax deductibility...If it's tax deductible I would give more. I feel I get greater value...My experience with people who've acquired wealth is that they're quite motivated by the tax issue.

- Retired male, 60s

While most participants did express a strong interest in tax deductible giving options, one felt it was more important to give where it mattered most, irrespective of any tax deduction:

Personally I think it [tax deductibility of charitable donations] actually spoils the occasion. If something is worth doing, it's worth doing even if it costs a bit more.

- Working male, 40s

5.4.4 Experience with Nonprofit Organisations

Most had had limited experience with nonprofit organisations although it was common for participants to have served on one committee or another in a nonprofit organisation over the years and for them to have donated to various causes, albeit generally at a low level, over time. For example, some with businesses reported supporting nonprofit organisations through those businesses for decades, one at least against the advice of the company's accountant.

Giving more significant amounts was not ruled out by the majority but they generally had concerns around the effectiveness of charitable organisations, as well as their transparency and accountability, and it appears this may have dampened their giving activity.

There was a strong value attached to efficiency and ensuring funds are not wasted. There was a view shared by some participants that they did not really know what happened to a donation: when the amount is small, it is not a problem, when larger, this needed to be addressed. Administrative costs and executive salaries were twin concerns.

[Charity activity is]...shrouded in mystery if I were to give \$10,000 or \$20,000 [I] would need to know it goes straight through to the keeper.
- Working male, 50s

I think it partly is suspicion of handing money over to people you don't know...[and partly] concern about...the end value of what you get, whether these things are run efficiently, whether they've got big bureaucracies.

- Retired male, 60s

The phrase 'the rubber's not hitting the road' (from a working male participant in his 60s) sums up many participants' concerns about charities' use of resources. In addition, the view that 'the money's been hard enough to get' (also from a working male participant in his 60s) was commonly expressed. Such HNW participants strongly wanted the assurance that a larger donation will be spent wisely.

A commonly recurring theme was concern about efficiencies of overseas charities in particular. While some participants indicated travel had exposed them to different needs and concerns in different parts of the world, they lacked confidence in overseas institutions to manage donations properly, and see the funds through to the end product. An acknowledgement that there are needs domestically in Australia as well, coupled with this scepticism over overseas charity operations, drove some donors to primarily fund organisations in Australia.

I don't believe that very much of the money gets to the end result... Too many people at the top and too much money being paid to them.

- Working male, 50s

The world is full of really, really poor people, and you can't help them all. Australia has got a lot of poor people and I think I'd rather spend the money here.

- Working male, 60s

However, giving more substantial sums to nonprofit organisations did hold substantial appeal for some, especially if they would be doing more than writing a cheque.

Some expressed a desire to get connected to these organisations and contribute more than money.

We both...like to drive the car. So...we need to have that sort of involvement where we feel as if we are really participating and having some sort of input into the direction that that might be taking.

- Working male, 60s

There was also a concern expressed by some about being inundated with requests if they gave in a visible way to a charity.

I would support XYZ charity pretty religiously but then they become a little bit too demanding. Maybe you're involved in two things a year then it becomes three things a year and then before you know where you are, it's like Time Magazine and you know they'll send you something different every week...people obviously don't know when to stop. Even if you say, 'Look, I support three schemes already with you...'...I don't donate to them [anymore].

- Working male, 60s

5.4.5 Motivations to Give

A recurring theme in what participants believe motivates them to make a charitable contribution was their personal connection to the cause or organisation. In several situations, this connection had been deepened by volunteer engagement. See Appendix B for a discussion of findings, including follow-up with participants, on this giving/volunteering nexus.

[Giving is] more meaningful if it's first hand.

- Working female, 60s

A personal connection was desired: There are areas that...individuals feel they want to contribute to because of personal...feeling for that or attraction towards that, and I'd rather be guided by that rather than just paying the money over to someone and saying 'I have to give this away so go and do what you like with it'.

- Retired male, 60s

I've worked in the van that goes and picks up the homeless from the street and ...cleans them up before you can even give them a bed...I've donated my time and I've really enjoyed doing that.

- Retired female, 60s

The interviews suggest that wives of working male participants are actively involved as volunteers, and family giving is commonly directed to the groups they support with their time, or groups with which either of them (or past family members) have a personal connection. Particular examples included school and church.

My wife's involved with a couple of things so we like to give to those. And we like to give in smaller amounts to a range of the more well-known charities...things like natural disasters...I guess we can get emotionally involved with the trauma that's been caused...it's fairly spread out.

- Retired male, 60s

I think that it's probably a hand-me-down from my father...and he gave to them very generously in his life...So we continue to do that.

- Working female, 70s

Participants who gave to charity were keen to see impact for their dollars.

I suppose you do it because you want to do it and that's it... and you hope they do something good...I think most of them do.

- Working female, 50s

The perceived credibility and trustworthiness of a cause appear to play a strong role in participants' decisions to support that charity. Yet those who give at relatively low levels tend not to spend time researching charitable causes.

I'd probably be keen on the organisation that's got the track record and the delivery, but how are you to judge when you've got fifteen seconds on the phone? I always say 'fax me something and I'll send it back' because you're busy.

- Working male, 60s

I am very, very careful of who I give my money to.

- Working male, 60s

For a few participants, leverage, innovation, and using business paradigms to tackle social problems were key ingredients to their philanthropic activity. This was particularly true in the case of larger gifts.

As noted earlier, concerns about administrative costs and the contributions going to the cause intended - as opposed to covering overhead - kept recurring. Some asserted that it felt good to know where the dollars are spent. The sense is when the money is spent wisely, the organisation's impact is more deeply felt.

5.4.6 Factors Shaping Philanthropic Engagement

Although a strong 'do it myself' approach has been taken to date by those who have made charitable donations (including larger amounts), there was interest in finding out how to improve what they are doing.

... [Friends or family] sitting with a bottle of wine can come up with some options but where we need help is to think that through [who to give to and how].

- Retired male, 60s

There was low awareness about philanthropic options and which might suit their circumstances. Just because a client does not have a giving vehicle in place does not mean they may not be interested in the idea. For many, they simply had not heard of the options. The desire to involve the family and gain benefits for the family appeared to be a strong motivator for becoming more philanthropic.

If I did this [started a PPF] I would actually make it a family thing and involve them.

- Retired male, 60s

The greatest thing you can do in your time here is to give your children everything that is sensible so that they can continue to be good citizens. Now if by giving to the Salvation Army that assists so that they understand that you mustn't take, you must give, then let's give to the Salvation Army...I think it's a philosophy... it's how you were brought up.

- Retired male, 60s

6.0 Discussion

This study has identified a range of key themes in HNW Australians' experiences of, and attitudes to, advisers for their personal finances, and the appeal of new services. In doing so, the HNW held a mirror to themselves - how they saw themselves and dealt with things. What this mirror reveals is that, despite various backgrounds, they shared certain attributes: they were, overall, well-connected, practical and 'hands-on' individuals. They were savvy about business and investments and had a strong entrepreneurial streak with the expectation of control. These attributes – and their background of success in business or the professions - appeared to strongly influence what they wanted and expected in obtaining wealth management services.

All used accountants but *not* for financial planning/wealth management assistance. For this, they may use a financial adviser and other types of advisers, too, but such relationships were less stable. Generally, they wanted an adviser they could trust but this was perceived as a rare commodity. They wanted someone who was more knowledgeable than they were but who also respected *their* knowledge.

The ideal adviser was seen as sensitive to what they are interested in as clients, recognising that as clients they are not uninformed. Indeed, they were generally 'plugged into' what was happening, with networks of contacts and resources at their disposal. At times they wished to consider investments not raised by their adviser and they expected flexibility on the part of the adviser, prompt replies, and personable interactions. They wanted the service provided (and fees) to match their needs rather than be pigeonholed and restricted by standard 'templates'. They looked for advisers who could think outside the 'box' in more than one sense: a meeting of equal minds with input that provided real value for their decision-making.

Moreover, as strongly efficacious individuals, the HNW in this study generally perceived themselves as overseeing their finances themselves and were open to using services from different firms, if this made sense to them. Few could envisage lower involvement in their finances but most acknowledged the likelihood of this happening in some point in the future. Interest in new services such as might be offered by a Family Office was dependent on their stage of life, and that of their spouse. Full retirement was a hazy concept, and it was difficult for them to imagine not wanting to do everything they are doing today.

However, if new services would save them time and helped with intergenerational planning and support, or bring other family benefits, they were interested. Value for money and convenience were two recurring themes of utmost importance to this group, and any additional services would have to prove they would simplify their lives, and be cost-effective. They wanted services that added value to what they did and be *worth* the cost.

There was interest in assistance with philanthropy by those who made donations but only after they became aware that they had options (which occurred as a result of questions asked of them, and by them, during the interview process). Very few participants were aware of alternative philanthropic alternatives or the pros and cons of each, but there was interest in knowing more, including benefits for their family. In brief, awareness of tax-effective philanthropic options was abysmal.

Just as participants took a hands-on approach to many aspects of their own wealth management and did not wish to be locked into a template financial plan or investment approach, they showed a similar 'in-control' attitude to giving. While they had not sought assistance from their adviser for their philanthropic decisions, this was possibly because they did not necessarily associate their adviser as having expertise nor themselves as having options.

The HNW in this study were open to discussions about philanthropy as part of a checklist about their goals and interests, even those who believed they were not yet ready to engage in philanthropy due to their current commitments and others who focused their largesse on their family rather than gave to charitable organisations. All expressed a willingness to have questions asked as part of a checklist of personal interests and objectives. Interest was fuelled by the numerous tax incentives that existed but also by the belief that the checklist was by its nature broad. By discussing attitudes and practices towards charitable giving, and giving time to community activities within such a framework, advisers have the opportunity to deepen their knowledge of clients and strengthen their relationship with them.

As well, a sizeable group of clients would benefit *now*, if advisers could advise them of the tax-effective options they had and to ensure their giving is part of their larger financial strategy. There is also the potential to expose HNW givers to conversations with others similarly interested in having an impact through their giving, or reap extra family benefit from doing so.

Other key themes arose around participants' charitable giving decisions. While giving was largely seen as a personal issue, they eschewed pressure to give and feared being inundated with requests to give, many held deeply ingrained personal philosophies that inspired them to give to others. Many regarded themselves as givers; they wanted to give and did give, frequently. The interesting thing is that most gave at relatively low levels despite their wealth. An overriding theme was that they rarely if ever, discussed giving with their family, friends or wider circle and so they had no idea what others gave. The paradox was that, despite this, several reported that they had given when asked to do so by friends: it appears that some networking occurs for fundraising and social expectations do come into the decision to give.

While some had a connection to a church that guided them in their giving, others appeared to lack clear reference points for giving. This underscores the potential for advisers, noted above, and others in the philanthropic space, to facilitate the exchange of ideas about giving, including 'how much to give?' and best practice notions developed. These windows of opportunity to offer exchange and networking among people involved – or interested – in philanthropy are being embraced by wealth management firms internationally as a way to add to the service they provide clients. In sum, advisers have the opportunity to assist HNW givers by integrating it more effectively within their overall financial strategy and help client decision-making about their charitable giving through peer-learning and client education.

Turning to the opportunities for nonprofit organisations, many HNWIs raised issues of NPO transparency and were unsure about NPO efficiency and effectiveness. They strongly disliked waste and did not want to give money that might be wasted. At the same time, there was interest in social issues and a desire to do something, if it would achieve something worthwhile. Charitable organisations may wish to take this information to heart, to enhance the ways they communicate to prospective or current donors, and improve how they report on their own organisational outcomes. A clear articulation of 'where the money goes' is oftentimes all a potential donor desires for peace of mind, and a level of assurance the end need is met in part because of their financial contribution.

Another area worth consideration is that of volunteering engagement. A sizeable group expected having extra time available for personal interests as they moved away from out of long working hours and flagged interest in finding a volunteer opportunity that fitted their skills, interests and time available (they still expected to be short on time).

Such individuals were particularly keen to identify ways to engage with a nonprofit organisation at a meaningful level, but not necessarily at committee or board level. Charitable organisations are well positioned to develop volunteer opportunities for business-savvy volunteers to use their talents and resources, and to raise awareness amongst this segment that such opportunities exist.

7.0 Limitations and Future Directions

This study has been deliberately designed as a qualitative study thus it does not intend for the sample to be representative of the entire HNW segment in Australia. Instead, the sample was chosen to allow common themes in attitudes and behaviour to be identified, and for the context of these to be understood from the participants' own perspective. Findings based on twenty in-depth interviews, therefore, are not statistically verified – this requires a quantitative study – but they are indicative of the patterns and dynamics underlying the HNW perspective. Findings offer a more holistic appreciation of the HNW perspective and are critical in informing future research efforts. The study, like any method chosen, has its drawbacks. In this case, while efforts were made to tap a wide range of individuals, findings cannot be extrapolated to all in this category.

Also, this study does not purport to tap the views of the very- and ultra-HNW (those with more than \$20 million). It concentrates on those in the mid to lower end of the HNW segment, and different results are likely for those with much greater wealth.

These findings point to a number of areas worthy of additional investigation, as well as studies that revisit the questions with other samples to explore variations that exist. One particularly fruitful study for example, might track the exposure of HNWIs to philanthropy services to better understand the journey that some take into philanthropy, or not. As well, such a study would assist in better understanding the role of the professional adviser in facilitating philanthropy. In brief, three streams of research that could usefully flow out of this work are:

1. Fresh qualitative research to *extend* these findings, in whole or part;
2. Quantitative research to explore the extent to which the attitudes and behaviours identified in this study occur in Australia's HNW population;
3. A qualitative study of very- and ultra-HNW Australians that examines the range of issues covered in this study wholly or in part, for example, their attitudes to philanthropy and advisers offering philanthropy services.

8.0 Conclusion

This study offers rare insight into the perspective of HNW Australians, particularly contrasting views of those who give and those who do not. By exploring individuals' attitudes to, and experiences of, their financial advisers and the services they provide, the study identifies opportunities to improve the provision of current services and, in turn, enhance the client relationship. Importantly, findings also point to future HNW needs, with implications for service innovation and best practice.

For those participants who were giving, awareness of giving options and tax benefits was very low. Further interest in philanthropy is likely to grow as participants more fully into retirement.

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Appendix 1: Question Framework

The question framework is to guide - not dictate - the qualitative interview process. Answers will inform follow up questions and also modify the order of questions asked.

Starting with some general questions about the professional services you currently use

- What professional and other services do you currently use to help manage your assets?
- Are there any services you might like to see *delivered differently*? In what ways?
- Are there services you might like to be offered in managing your wealth that you are *not currently accessing*?
- To what extent do you involve your family in your finances or your decision-making?
- Who is your main financial adviser? (e.g. accountant, banker, lawyer)
- There are always some things that can be improved in a relationship. What might you like to see improved in your relationship with your financial adviser – what would be the ideal for you?

One model being examined by professional firms (such as Goodmans) is the Family Office (FO) model...

- Are you familiar with this concept i.e. of a FO service? E.g. services that may be offered?
- Generally, would you regard such a service as valuable for your own family?
- How likely is it that you would use each of the following FO services: (ask interviewee to respond in respect of each service)?

Highly likely Somewhat likely Unlikely Very Unlikely

- Bookkeeping and reporting (e.g. expenditure, cash flow, bank account reports)
 - Document storage and filing
 - Bill paying
 - Investment advice and administration
 - Property advice and management
 - Tax planning
 - Household services (e.g. newspaper delivery, cleaning)
 - Travel arrangement
 - Succession/intergenerational wealth planning
 - Education of children about financial matters
 - Philanthropy
 - Facilitation of family meetings
 - Insurance advice and administration
- What *factors* are likely to influence your using a firm offering this service?

- What qualities would you want to see in an adviser with whom you might discuss FO services?

Moving the focus now to some general questions about philanthropy

- Are you aware of any ways people give in a planned way to charities?
- Some people feel those with wealth should give some away. How do you feel about such a statement?
- Have you or your family had any involvement with philanthropy?
- Why friends/acquaintances don't give
- Your motivations for giving, when you give
- What kind of information is important to you in making a decision to give?
- Are you aware of any tax incentives introduced by the Government in the past few years to encourage giving?
- Do you believe tax incentives are important if people are to give at higher levels?
- Tailor: If you decided you wanted to make a substantial gift of money to a community cause, would you seek advice about doing that? Why/why not?
 - How would you feel if your adviser raised the subject ie if they asked if you intended to make a charitable gift?
- In what circumstances do you think this is, or could be, appropriate? (eg tax implications of situation)

[Optional: If time available, and interest by participant] on Philanthropy

- Best experience with philanthropy and any not so good experiences
- How are you commonly approached to give by charities or nonprofit orgs?
- Your attitude to types of giving.

How important is recognition when you make a gift?

Final comments?

Appendix 2: More on the Giving-Volunteering Nexus

To find out more about the connection between volunteering and giving by the HNW, participants with known email addresses were followed up during the analysis period (with 11 of the 13 contacted replying within the time available). In response to the question 'are there charities or community groups to whom you give your time (whether on committees, in projects or other ways) but not your money?' participants described a wide variety of volunteering experiences, either by themselves directly with charitable organisations or by their spouses. Mostly, they reported contributing *both* time and money to organisations where they or their spouse volunteered their time, though not in every case.

Many times, I have just given my time – and a lot of it across several nonprofit organisations – and continue to do so. Mostly at the board, committee and advisory board level.

-Working male, 60s

Both interviews and emails confirmed that the amounts given to organisations where they also volunteered were often small.

When I do make donations, while I have made some large donations, generally, I give smaller amounts. I can help with my experience. If I gave money, it wouldn't matter much to the organisation...it would be inconsequential, immaterial really, compared to what can and needs to be raised by the organisation.

- Working male, 60s

The interviews and emails also show that the giving of substantial -and simultaneous - gifts of time and money are associated with having a personal connection to the organisation or cause concerned.

The charities that we support with both time and money are often associated with personal acquaintances or other people with whom we associate or are friendly with.

- Working male, 60s

[Those to whom we give both our time and our money] tend to be smaller bodies with whom we also have a personal connection- e.g., foundations at the schools we attended.

- Retired male, 60s

In response to *reverse* question ('do you give money to charities or community groups where you may give your time?' and 'why/why not?'), the most common response was that they *did, regularly*. However, again, much of their giving was low level and in reactive (being asked), rather than intentional or planned. It was easy to give small sums, unlike the giving of time. The main constraint perceived for volunteering was the lack of time they had available to do so.

We do not, at this stage of our life, give our time, as we have enough trouble finding time to do the things we want to do.

- Working male, 50s

In other cases, the type of volunteer work that was often requested by charities did not readily appeal to these HNW individuals. It was common for them to perceive 'volunteering' to be limited to manual roles - 'working at the coal-face' of service delivery - rather than tapping their skill set or experience in a strategic role.

If organisations actively offered strategic opportunities for business-savvy individuals to dedicate their expertise (anywhere from finance to marketing) to increase organisations' effectiveness, there is some evidence that this would be embraced.

We are currently looking for a charity which we would also contribute to, [and] give our time. We don't have one charity that it will be... but it will be a charity that will perform within Australia, within Australian needs.

- Working male, 60s

Appendix 3: Summary of Findings

1. Dealings with Professional Advisers

- **Use of accountants**
 - Primacy of accountant relationship: used by all
 - Longstanding relationships common
 - Not necessarily downtown firms
 - Value-Add of Big Name accountants
 - Commonly found through early contacts
 - Not used for financial planning
- **Use of financial advisers**
 - Used by many but not all
 - Good ones hard to find
 - Get mixed reviews
- **Use of financial planners**
 - Unsatisfactory dealings commonly reported: know less than they do
 - Not widely used
 - Some very ordinary experiences
- **Use of Private Bankers**
 - Unsatisfactory dealings commonly reported: overpromise
 - Used for limited services
- **Use of Stockbrokers**
 - Widely used although not necessarily full service: some buy on-line
 - Limited type of service
 - Quite satisfied
- **Use of Lawyers:**
 - Used sparingly on an as-needed basis
 - Not necessarily close
 - Mixed on issue of loyalty
- **Characteristics of HNWIs in their relationship with professional advisers:**
 - Financially savvy
 - Involved in finances
 - DIY: trusts own judgement
 - Likes control
 - Conscious of value
 - Practical: hard-headed
 - Busy/desires time-savers
 - Family-focused
 - Assists family
- **Perceived Needs of HNW Individuals in Using Professional Services**

- To exercise control
- To improve how things are done
- To be selective: pick and choose services
- To want advisers to act as sounding boards
- To ensure family needs met in the future

2. Ideal Service and Perceived Service Gaps

- **The Ideal Service offers**
 - Expertise: what they don't know / can't access
 - Good interpersonal/relationship
 - Adviser is trustworthy: acts in client's best interests
 - A client-first approach: flexibility
 - Perceived value for money
 - Ways to save time
 - Networking/connecting
- **Unfulfilled needs: no obvious service gaps but difficult to find an ideal service**
 - Will DIY
 - Open to using several firms if complementary service can be found

3. New Services such as offered by Family Offices

- **Generally low awareness of services offered by Family Offices**
- **Potential benefits of such services:**
 - Time-saving if done well
 - Good for when they do not want to manage some or all things themselves
 - Good for other family members who do not want to manage some or all things themselves (for example, spouse in future years)
 - Good for intergenerational planning and support
- **Two main reservations for such services:**
 - If feasible and
 - If offer value for money.
- **Areas of need where services may be valuable:**
 - Family including health/ageing, will making and succession, and intergenerational issues
 - Philanthropy
- **Principal considerations/qualifiers: New services would be useful if...**
 - One was at the right stage of life
 - They allowed client control
 - One could take up services as needed
 - The model was right, with dependable and competent suppliers when outsourced and no duplication of effort

- They offered value for money and/or saved them time

4. **Philanthropy**

- **Practices of HNW Australians**

- Tendency to give while living
- Tendency to give in low amounts and can overestimate their generosity
- Few are organised in their giving

- **Attitudes to Giving**

- Giving at a higher level not necessarily 'on the radar'
- Believe giving is a personal matter
- Individual philosophy supports giving
- Some interest in giving especially when older/retired

- **Motivations to Give**

- Personal Connections
- Having an Impact
- Volunteer involvement can play a role in selecting charitable organisations for financial support

- **Constraints to giving**

- Looking after family first
- Not knowing how to go about giving
- Perception she/he does not have enough to give more
- Not now: other priorities or circumstances do not support
- Perception she/he cannot make a difference
- Perception that money does not get through

- **Attitudes to charities/nonprofit organisations**

- Giving – time or money – is not always seen as possible
- Dislike constant requests for support especially telemarketing
- Concern with administrative costs
- Interest by some in overseas charities but political issues interfere with improving outcomes
- Perceive many worthwhile causes but fear being inundated with requests

- **Experiences with charities/nonprofit organisations**

- Volunteer involvement, especially giving time on boards and committees, perceived as desirable
- Many do give cash but variable amounts
- Tendency to be at arms length from charitable organisations

- **Desires/wishes as a donor**

- Do-it-myself
- Tax savvy gifts
- Family Involvement