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Shaken Consumer Confidence Alters Investor Behavior According to the 2010 World Wealth Report

HNWI Investors Remain Cautious – Firms and Advisors Incorporating Behavioral Factors into Investment Strategies

NEW YORK and PARIS – In spite of stock market rebounds and emerging signs of recovery in various economic indicators, wealthy investors have not rushed to chase performance or seize risky market opportunities, according to the 14th annual World Wealth Report, released today by Merrill Lynch Global Wealth Management and Capgemini. High net worth individuals (HNWIs)¹ have remained cautious and point to effective risk management (90 percent), transparency and simplicity (93 percent), and specialized advice (93 percent) from firms and advisors as top priorities in the current environment. HNWIs are especially keen as they work more actively with their advisors to properly understand the nature and potential performance of specific investments, manage their downside risk, and receive advice that is aligned with realistic and appropriate goal-setting, based on their actual risk profile.

“The crisis hit investors at every level of wealth and impacted them on a personal and emotional level,” said Sallie Krawcheck, president, Global Wealth and Investment Management, Bank of America. “Many lost incomes, saw their retirement savings shrink or tried to open new businesses or take out loans but were unable to find cash.”

“With the crisis having such an impact on investors’ wealth and with investor confidence still tenuous, it isn’t surprising that many investors are being driven by emotional factors – in addition to intellectual information – when making investment decisions,” said Bertrand Lavyssière, managing director, Global Financial Services, Capgemini. “In response, wealth management firms and advisors are already adjusting their approaches to engage in greater dialogue that addresses their clients ongoing concerns.”

HNWIs Confidence Shaken

Although HNWI clients have regained trust in their advisors and firms, their trust in regulatory bodies and financial markets has yet to fully recover. While 59 percent of HNWIs indicated they had regained trust in their advisor over the past year and 56 percent had regained trust in their wealth management firm, 71 percent of HNWI investors have yet to regain trust in the regulatory bodies that are supposed to monitor the markets and protect investors.

Given the level of this distrust, wealth management firms and advisors will be further challenged to overcome investor hesitation and caution as they encourage the kind of investing that is needed to recoup losses.

Firms Can Differentiate Themselves by Integrating Behavioral Finance into Investing Strategies

Clients are demanding fundamental changes in how they are served, and are rewarding firms that can clearly demonstrate a sharper understanding of their emotional and intellectual needs and objectives. Behavioral finance research has long shown that psychology and emotion prompt investors to behave in ways that

are inconsistent with what is deemed rational in modern portfolio theory. To effectively meet the needs of HNWI investors today, wealth management firms and advisors are looking to incorporate emotional factors into stronger portfolio management and risk capabilities.

“Behavioral-driven investing can serve as a differentiator among firms and advisors,” said Krawcheck. “Many firms are already beginning to embrace behavioral factors as part of HNWI investing strategies and the holistic advice they provide their clients. Long-term, however, firms and advisors understand that adapting a sustainable or profitable behavioral finance strategy means consistently capturing information that can drive deeper, goal-oriented conversations with clients consistently and efficiently.”

While Behavioral Finance Is Relevant for All Firms, Degree of Adaption Will Vary

Adapting to these new market realities and changing client behaviors will require different degrees of transformation and change that can potentially affect all aspects of the operating model, including products, processes and platforms, and service models. The specific adaptations each firm ultimately makes will depend on the firm, its size, focus, specialization and its vision for its future, as well as its desire and ability to adapt and lead. It will be essential to deliver the right level of high-touch advice and market-relevant product and service innovations to meet the needs of all clients in a scalable way.

About Merrill Lynch Global Wealth Management

Merrill Lynch Global Wealth Management (GWM) is a leading provider of comprehensive wealth management and investment services for individuals and businesses globally. With more than 15,000 Financial Advisors and approximately \$1.4 trillion in client assets as of March 31, 2010, it is among the largest businesses of its kind in the world. More than two-thirds of GWM relationships are with clients who have a net worth of \$1 million or more. Within GWM, the Private Banking & Investment Group provides tailored solutions to ultra high net worth clients, offering both the intimacy of a boutique and the resources of a premier global financial services company. These clients are served by more than 160 Private Wealth Advisor teams, along with experts in areas such as investment management, concentrated stock management and intergenerational wealth transfer strategies. Merrill Lynch Global Wealth Management is part of Bank of America Corporation.

About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 30 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and employs 90,000 people worldwide. More information is available at: www.capgemini.com.

Capgemini's wealth management practice can help firms from strategy through to implementation. Based on its insights into the size and potential of target markets across the globe, it helps clients implement new client strategies, adapt their practice models, and ensure solutions and costs are appropriate relative to revenue and profitability expectations. Its experts further help firms develop, and implement the operational infrastructures - including operating models, processes, and technologies - required to retain existing clients and acquire new relationships. More information is available at: www.capgemini.com/financialservices.

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1 HNWI is defined as those having investable assets of \$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

Note to Editors/Reporters: To download the 2010 World Wealth Report, please visit www.capgemini.com/worldwealthreport.

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