

***HNWs & Ultra HNWs, the UK's wealthiest 1%, benefited most from Mervyn King's NICE<sup>1</sup> Decade***

New financial data published by Tulip Financial Research<sup>2</sup> show that total UK liquid assets<sup>3</sup> in private hands rose from an estimated £1.74 trillion in 2004 to £2.95 trillion by 2008: from an average of £36,000 per capita to £61,000. Figure 1 demonstrates that this growth was concentrated within the high wealth sectors of the UK population. Whereas the liquid assets of the least wealthy half of the population grew by just 30%, those of the top 1% grew by 70%.

Figure 1: The Distribution of Liquid Asset Ownership within the UK population: 2008 v 2004.

<b>% OF UK POPULATION</b>	<b>NO. OF UK ADULTS</b>	<b>MEAN LIQUID ASSETS 2004</b>	<b>MEAN LIQUID ASSETS 2008</b>	<b>% 2008 V 2004</b>
Least Wealthy 50%	23.9m	£460	£600	+30%
Next Wealthiest 40%	19.2m	£9,704	£16,040	+65%
Next Wealthiest 5%	2.4m	£45,580	£77,030	+69%
Next Wealthiest 4%	1.9m	£143,650	£243,410	+69%
The Wealthiest 1%	0.48m	£2.29 million	£3.89 million	+70%

Figure 1 also highlights the skewed levels of liquid asset ownership within the UK population. The least wealthy half owned £460 per capita in 2004 and this rose to just £600 by 2008: that of the wealthiest 5% of the population rose by 70% from just over half a million (£573,000) to just under a million (£972,000) by 2008. The already wealthy became even wealthier. It is not surprising that the wealth business, those companies and organizations servicing the wealthy, showed remarkable growth in this *nice* decade. Figure 2 shows that the core market, the wealthiest 1% in the UK population, also showed significant changes over the past five years.

<sup>1</sup> **Ten years of “Non Inflationary Constant Expansion** – as described by Mervyn King, Governor of the Bank of England

<sup>(2)</sup> Report entitled “Sizing the £2 Trillion HNW & Ultra HNW Investment Markets” published by Tulip Financial Research Ltd July 2008.

<sup>3</sup> Liquid assets are defined as “the total amount of funds that are in the form of cash or can quickly be converted to cash”. These include (1) cash; (2) demand deposits; (3) time and savings deposits; and (4) investments capable of being quickly converted into cash, either through their sale or through the scheduled return of principal at the end of the period remaining to maturity. The Tulip definition includes investment property excluding investor homes & second homes.

Figure 2: The Distribution of Liquid Asset Ownership within the Wealthiest 5% of Adults in the UK: 2008 v 2004.

<b>THE UK'S WEALTHIEST 5%</b>	<b>EST. NO. OF ADULTS 18+</b>	<b>MEAN LIQUID ASSETS 2004</b>	<b>MEAN LIQUID ASSETS 2008</b>	<b>% OF UK LIQUID ASSETS OWNED 2008</b>
	000s	£s	£s	%
The Mass Affluent (4%)	1,880,000	144,000	216,000	13.7
The HNWs (0.7%)	335,000	665,000	£1,127,000	12.7
The Ultra HNWs (0.3%)	135,000	6,442,000	£10,518,000	47.9
The UK Super Rich	1,000	70,432	£119,690,000	4.1

Figure 2 shows that the richest 5% of UK adults own close to 80% of the UK's total liquid assets, with the top 1% owning two thirds or 65%. This massive concentration of liquid wealth into just 1% of the UK population has major implications for the wealth industry – for the UK's stockbrokers, private banks and financial advisers plus, of course, the companies designing, selling and marketing financial products. Identifying where the HNWs live, who they are and how they decide where and in what to invest are core priorities for all these professionals and the businesses who employ them.

John Clemens, Managing Partner of Tulip Financial Research Ltd., commenting on this latest update of the Tulip UK Wealth Model said:

*The Tulip Wealth model<sup>4</sup> is, we believe, the most accurate and sophisticated model of liquid wealth distribution in the UK. It is unique in excluding the value of homes and second homes, these being the principal wealth assets of over 90% of the population, but of little interest to wealth professionals. The model is derived primarily from data collected direct from the wealthy via Tulip's regular quantitative surveys of the HNW and Ultra HNW markets. As the latest model data included in the model were collected in late 2007, they largely exclude the impact of the "credit crunch" and this impact should not be overestimated. The total fall in UK liquid assets in 2008 to date is well under 10%, whereas the total liquid assets of the rich grew by 70% in the past decade. The wealthy have remained wealthy and are suffering far less from the credit crunch than their less wealthy brethren"*

<sup>4</sup> A description of the Tulip Wealth Model is included in Appendix One of the latest Tulip Report entitled "Sizing the £2 Trillion HNW & Ultra HNW Investment Markets" published by Tulip Financial Research Ltd July 2008.