



Tulip Press Release

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70% of European liquid wealth owned by top 1%!

New report from Tulip Financial Research¹ identifies the influence and wealth of Europe's richest citizens: the Top 1%.

Most people in the UK own a home and a car, jointly with a bank or other lender. Few have significant savings or investments, with 75% of UK households having less than £5,000 saved or invested, and 90% having less than £25,000. And this statistic holds true for most EU countries: European liquid assetsⁱ, as savings and investments are known in the wealth management trade, are mostly owned by Europe's richest 1%.

This is confirmed by a recent Tulip survey of the richest people in France, Germany and the UK. This reportedⁱⁱ that the top 1% (1.6million out of an adult population of 160 million) own on average €4.33 million each in liquid assets. The total liquid assets of this 1% amount to 70% of all liquid assets owned privately in France, Germany and the UK. That is 70% owned by just 1%.

Figure 1*: The Liquid Asset Wealth of the Top 1% in France, Germany and the UK

Base: The Wealthiest 1% in France, Germany & the UK	Average Liquid Assets of Top 1%	Top 1% 000s	% of All Liquid Assets Owned by Top 1%**
France	€4.23 million	477	71%
Germany	€5.26 million	679	73%
UK	€3.11 million	480	66%

*Source: Tulip Pan-Europe Survey and Tulip Wealth Distribution Model.

The Investments of the Rich

The most popular investments of the rich are company shares, real estate and cashⁱⁱⁱ. Most of the rich (Figure 2) invest in equities (via shares, unit trusts & investment trusts) and similar numbers in residential and commercial real estate, quite apart from their own homes.

Figure 2: The Investments owned by the French, German & UK Wealthy: the Top 1%'s
Which of these investments do you & your family currently own?

Base: The Wealthiest 1% in France, Germany & the UK	All	France	Germany	UK
Investment Categories Owned:	%	%	%	%
Equities	76	72	79	78
Real Estate	72	74	82	62
Cash Equivalents	68	66	66	71
Fixed Interest Securities	52	47	50	60
Alternative Investments	42	30	43	53
Other Investment Funds	35	48	21	37

¹ *The Investment Behaviour of HNW & Ultra HNW Investors in France Germany and the UK: Tulip Financial Research Ltd: Published October 2006*

Although many also own fixed interest investments like bonds and gilts and alternative investments like hedge funds, commodities and art, more than 75% of the top 1%'s wealth is allocated to three investment categories: equities, real estate and cash, And almost 40% by value of their investments are allocated nowadays to just residential and commercial real estate. And these investment patterns are very similar country by country,

Figure 3: The Asset Allocations of the French, German & UK's Richest 1%
% of all liquid assets invested by category

	All	France	Germany	UK
% of all liquid assets invested in:	%	%	%	%
Real Estate	37.9	30.5	46.8	36.5
Equities	24.1	21.8	23.7	26.8
Cash Equivalents	13.8	15.7	11.7	13.9
Fixed Interest Securities	9.8	10.7	6.8	12.1
Alternative Investments	7.3	6.5	7.5	7.9
Other Investment Funds	7.0	14.8	3.5	2.7

An unexpected finding from Tulip's research is not just the high allocation to property by the wealthy but also the very high allocation by the German wealthy to real estate investment. Germany, almost alone in Europe, has so far missed out on the global property boom, particularly in residential property. Indeed German house prices have fallen in the past two years.

The clue to this in Germany is a mix of expectations and yield. Two thirds of Germany Ultra HNWs are either entrepreneurs (40%) or senior business people (26%) and very aware of what is happening to property prices elsewhere. They anticipate similar in Germany despite the very different structure of the Germany property market. As a result they are investing now in property to get high rental yields now and capital gains in the future.

John Clemens, Managing Partner of Tulip Financial Research Ltd, commenting on these findings, said.....

"This new report contains, I think, the first survey published that directly compares the make-up, investments and financial behaviour of HNW and Ultra HNW investors in the three major EU economies. It shows their age, occupational and investment similarities, and indicates that, despite language and institutional differences, it is one market.

This is an important finding for the major global players - it means that they can not only use pan-European marketing strategies and tactics to attract new clients but can also tailor their financial products to appeal to the European wealthy with relatively limited country by country variations. It does also, however demonstrate that there are significant variations currently in the use and selection of advisers, thus providing attractive opportunities for new entrants into the wealth advice business".

For more information about this new report contact John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or at john.clemens@tulipresearch.com.

Footnotes

ⁱ * Liquid assets are defined as “the total amount of funds in the form of cash or quickly convertible to cash including cash, demand deposits and time and savings deposits or investments convertible either through their sale or through the scheduled return of principal at maturity. The Tulip definition also includes investment property excluding investor homes & second homes.

ⁱⁱ “HNW & Ultra HNW Investment Behaviour in France, Germany & the UK”, published September, 2006, Tulip Financial Research Ltd.

ⁱⁱⁱ These are defined as:

Equities: any of Individual Company Shares, Unit Trusts, OEICs or Investment Trust Shares

Fixed Interest Securities: any of Corporate Bonds, Bond Funds, Capital Guaranteed Bond or Equity Funds: any of Gilts or Gilt Funds, National Savings Bonds or Certificates

Real Estate =: any of Residential Investment Property, Commercial Investment Property or Property Funds or REITS excluding homes or second homes.

Cash Equivalents: Cash in Savings or Money Market Accounts or similar

Alternative Investments: any of Hedge Funds, Commodities or Commodity Funds, Items like vintage cars, wine, art or antiques or off-shore investments

Other Investment Funds: any of With Profits Insurance Funds or other Investment funds not included above.
