

## **FOR IMMEDIATE RELEASE**

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### **The New Elite Shift Approach to Tough Economy in Second Quarter, According to Research by American Express Publishing/Harrison Group**

NEW YORK, NY (August 11, 2008) – Eighty percent of America's richest households say they are looking closely at every spending category to see where they can save – an increase of 12 points since April, according to new research by American Express Publishing and Harrison Group. Moreover, the number of affluent and wealthy households cutting consumption has increased by 33 percent in the past three months.

The survey, conducted June 24-July 1, 2008, asked 625 respondents representing the wealthiest 10 percent of U.S. households (families with \$100,000 or more in *discretionary* income) about their spending on luxury goods, finances and real estate and their views on the upcoming Presidential election. Within the sample, respondents were divided into two categories: **Affluent** (annual discretionary household income of \$100,000 to \$499,000) and **Wealthy** (annual discretionary household income of \$500,000 or more).

The survey supplements findings from *The Annual Survey of Affluence and Wealth in America* (a survey of 1,800 individuals conducted last December by American Express Publishing and Harrison Group), and from a similar survey of over 630 households in April 2008.

Dr. Jim Taylor, Vice Chairman of Harrison Group (Waterbury, Connecticut), said: "The loss of even part of these well-heeled shoppers, who account for nearly half of America's consumer spending, could put even more pressure on the U.S. economy. Contrary to reports on wealthy families' inoculation against the effects of recession, many at the top of the wealth spectrum are cutting back as well: 88 percent of the survey respondents believe we are in for a 'long ride ahead,' up 15 points since April."

"Our survey shows that people aren't abandoning the categories and brands they love. Instead, they are selectively eliminating the categories they only marginally appreciate. Businesses will have to work hard and communicate their real value to keep the attention of their best customers," says Cara David, co-director of the study and Senior Vice-President, Strategic Insights, Marketing and Sales, American Express Publishing.

#### **Cutting Optional Luxuries**

Optimism among affluent and wealthy households is at a record low: just 27 percent are optimistic about America's future; and only 18 percent are optimistic about the future of the world. Three-quarters of respondents, many of them American business leaders, now believe that the U.S. economy is in a recession. More than half (55 percent) foresee the downturn lasting more than a year and 69 percent are concerned that America is becoming a second class economy.

Respondents' concern about the economy is changing their spending intentions, but they are trimming spending in select categories rather than cutting across the board. The study measured spending plans in 16 categories – from fashion to autos to travel – asking respondents whether they planned to increase, decrease, or keep their spending the same this year. Hybrid vehicles was the only category to see an increase in planned spend, the other 15 categories experiences a net decreases... though to different degrees.

The sharpest planned spending cuts were the “optional” luxuries like jewelry, apparel, accessories and dining out. Footwear, children’s clothing, family cars and vacations showed lower planned spending reductions.

Additional findings include:

- 72 percent of all affluent and wealthy households are reducing their spending in at least one of the luxury categories, but almost half (49 percent) plan to increase their spending in at least one category.
- 38 percent of affluent respondents are reducing their spending in 5 or more of the 16 categories; only 27 percent of the wealthy families are doing so.

Overall, 56 percent of respondents say they’re buying fewer big-ticket items now than they did six months ago. When affluent and wealthy consumers do spend, the search for value has acquired a new urgency: 82 percent of the affluent and wealthy wait for something to go on sale before they buy it – a 15-point increase since December 2007.

“This recession may be remembered as the economy of ‘sensible choice’ – the ‘I-took-charge’ recession. In fashion, the well-to-do are making sure they need what they buy and reducing the number of items they buy without shifting away from the brands they prefer. In travel, they are stepping down one level of quality. In automobiles, they are slowing the rotation of existing vehicles, moving away from SUVs and towards gas-smart and hybrids. And, of course, almost no one is cutting spending on their children,” adds David.

### **Savings Up Sharply**

Savings intentions are up sharply, especially among the wealthiest respondents. Wealthy families are reporting that they are saving 18 percent of their gross income (up from 15 percent in December 2007) and affluent families are saving at a 12 percent clip (up from 9 percent in December 2007). In fact, more than one in three (37 percent) of the wealthiest respondents indicate that financial market volatility has caused them to become more conservative with their investments.

“What began as an ‘emotional recession’ is becoming a time for Americans to reflect on what really matters. While it is increasingly clear that the ‘fear envelope’ is growing, families are weathering the storm by pulling together and switching their purchasing from ‘I want’ to ‘I need’. One silver lining is the growth in savings rate among high income households – an increase that should be a real advantage for capital markets, going forward,” Taylor points out.

### **Projecting a Real Estate Rebound**

While real estate doldrums are far from over, belief that there is real opportunity in the market continues to grow. Forty-four percent of homeowners think that they have lost value in their principal residence (up from 37 percent in April). A disturbing 6 percent of surveyed households (average home value is \$1.1 million) are at risk for, or are currently in, foreclosure, a mortgage failure volume that will further destabilize the mortgage-backed securities market.

However, the survey points to growing interest in real estate at every surveyed income level:

- 68 percent of all respondents believe that real estate represents a real opportunity.
- 25 percent of affluent families say they are “in the market to acquire real estate this year.”
- Among those affluent families in the market to acquire real estate, 54 percent are looking to buy a second or third home (compared with 44 percent in April).

The most avid real estate investors are the wealthy:

- 44 percent of wealthy households are “in the market to acquire real estate this year” (up from 40 percent in April.)
- 17 percent have acquired new real estate in the past six months “primarily to take advantage of the current economic situation.”

### **Placing New Hope In Politics**

The survey signals new hope that the Presidential election will alter the country's direction. Sixty-five percent of respondents now believe that there can be "no good news" until we have a change of Presidency in Washington – up five points since April. But respondents are also increasingly optimistic about November: 39 percent believe that the upcoming election will have a positive impact on the economy, up 10 points since April.

Respondents' political affiliation is split among Democrat (31 percent), Republican (38 percent) and Independent (26 percent). In the Fall, 41 percent of respondents plan to vote for John McCain, 32 percent for Barack Obama and 21 percent are unsure at this time. Before Hillary Clinton withdrew from the race, support was split evenly between the two Democratic candidates, each drawing 21 percent of the intended vote.

- 32 percent of respondents would prefer that Obama lead the economy (up from 25 percent in April)
- 41 percent of respondents would prefer that McCain lead the economy (down from 46 percent in April)
- 11 percent now say they'd be comfortable with either candidate.

Furthermore, McCain still holds a commanding lead in terms of the military (65 percent of respondents trust him) and foreign affairs (57 percent). Obama's strength lies in issues such as the environment (44 percent) and the nation's "need for social progress" (48 percent).

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### **About the *Annual Survey of Affluence and Wealth in America*, Produced by American Express Publishing Corporation and Harrison Group**

The original study sampled more than 1,800 individuals with a discretionary income of \$100,000 and above. Interviews took place in November-December 2007 via a 45-minute online survey. The study is nationally projectable; sampling error is estimated to be +/- 5 percent.

From April 9-11, 2008, a follow-up survey was conducted with 638 previous respondents via a 20-minute online survey, to ensure the study captured the changing economic environment. Again in June 24-July 1, 2008, an additional 20-minute online survey was conducted with 625 previous respondents.

The two groups in our research – Affluent and Wealthy – represent just 10 percent of the American population, yet hold approximately 80 percent of all non-retirement account assets and account for half of all retail sales. The groups were defined by discretionary income (gross income minus major expenses) to make sure that our sample represented people with a high propensity to spend.

Affluent: \$100K to 499K (average discretionary household income – \$171,000)

Wealthy: \$500K+ (average discretionary household income – \$1.3MM)

\*Note: Discretionary income includes income from all sources, including estimated investment returns and estimated passive income gains less federal, state and local taxes, mortgage expenses, home expenses, required home services and required children's education expenses.

### **About Harrison Group**

Harrison Group ([www.harrisongroupinc.com](http://www.harrisongroupinc.com)) is one of the country's leading marketing and strategic research consulting firms. Based in Waterbury, Connecticut, Harrison Group specializes in concept testing, forecasting, segmentation, branding and market modeling for some of America's leading companies, including financial services firms, software and technology companies, retailers, consumer package goods companies, pharmaceutical manufacturers and interactive entertainment companies.

### **About American Express Publishing Corporation**

American Express Publishing Corporation is an authoritative content company primed to deliver lifestyle expertise that informs choices, enriches perspective and empowers affluent and accomplished people -- and the businesses that serve them -- to make decisions and lead extraordinary lives. A wholly owned subsidiary of American Express Company, American Express Publishing magazine brands are *Travel + Leisure*, *Food & Wine*, *Departures*, *Travel + Leisure Golf*, and *Executive Travel* magazine. The company also produces a variety of travel, cooking, wine, time management, and financial books and products, creates online content, operates luxury-marketing events and creates custom print and online programs for clients.