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GOVERNMENT

Affluent investors divided down the middle on Trump's market effects

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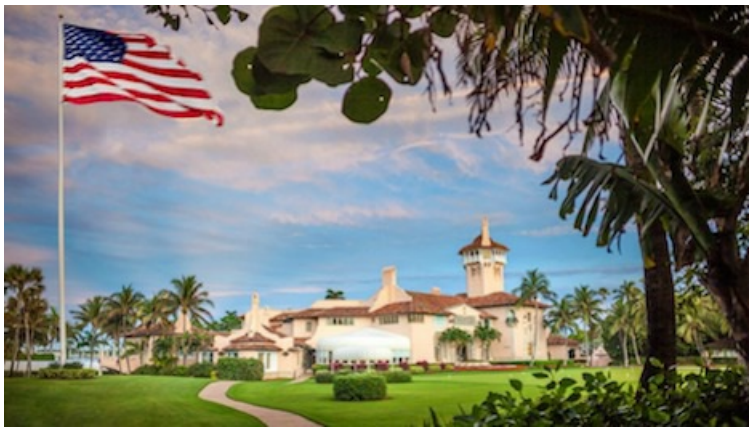


There is a generational and gender divide over President Trump's effects. Image credit: Mar-a-lago

By DANNY PARISI

Similar to most of the United States, affluent investors are split on Donald Trump's presidency, specifically over the effect the administration will have on investment portfolios of the wealthy in the years ahead.

While President Trump's decisions so far have been fairly clear about favoring the rich, a report from Personal Capital shows that investors with $500,000 or more in assets are split almost exactly down the middle on how the stock market will perform over the next year. Slightly less than half believe that 2018 will be better than 2017, while slightly more than half believe it will not be.

"I'm guessing this has a lot to do with two factors first, where someone falls politically and second, where someone lives," said Michelle Brownstein, CFP and vice president of private client services at Personal Capital, San Carlos, CA. "Politically, republicans tend to view other republicans plans more favorably than democrats and vice versa.

"Assuming that there was a fairly even split of political representation in the survey respondents I think Republicans likely view Trump more favorably overall, including economically, than Democrats. Republicans voted him into office, after all.

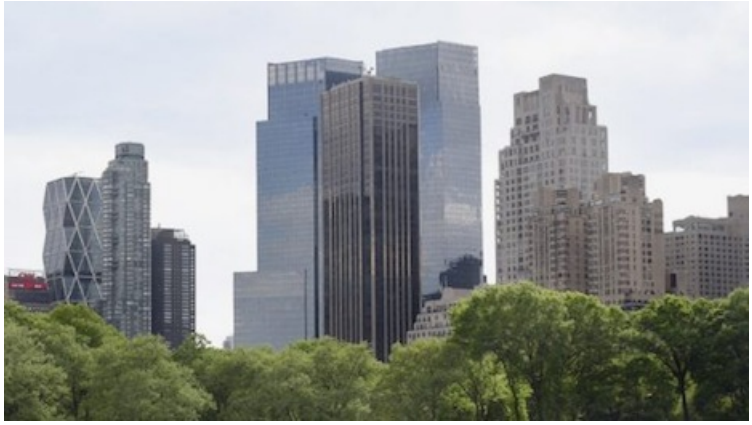
"Additionally, the current tax proposal impacts individuals differently based on where they reside and the potential of removing the ability to write off state income taxes against federal taxes is a negative for those in high income tax states like CA and NY, but does not change the effective tax paid by someone in a state without income tax like TX or FL. I think political leaning, location and personal beliefs and finances all play a part in how individuals view President Trump."

Even split

It is no exaggeration to say that the election of President Trump has proven a divisive time in U.S. society.

This is no different among wealthy investors when making predictions for the coming year. Personal Capital found that 48 percent of investors believe the stock market will improve next year and 52 percent do not.

These predictions were attributed specifically to President Trump, with generational and gender divides further widening that gap. Men are 13 percent more likely than women to believe that the Trump Administration's policies will have a positive effect on the market in the coming year.



Opinions are divided along gender and generational lines. Image credit: UBS

Similarly, millennials and Generation X are much more likely than baby boomers or the silent generation to think that a Democrat-controlled Congress in 2018 would have a more positive effect on their finances than a Republican Congress.

Outside of politics, wealthy investors in general are worried about market instability and how they will be able to survive a significant downturn with their current portfolios.

Many investors said in the report that they feel their portfolio is not diversified enough to be to their liking. Twenty-five percent of millennials admitted to holding most of their net worth in cash, which Personal Capital notes is inefficient and would cause them to lose out on a market recovery.

Future of investments

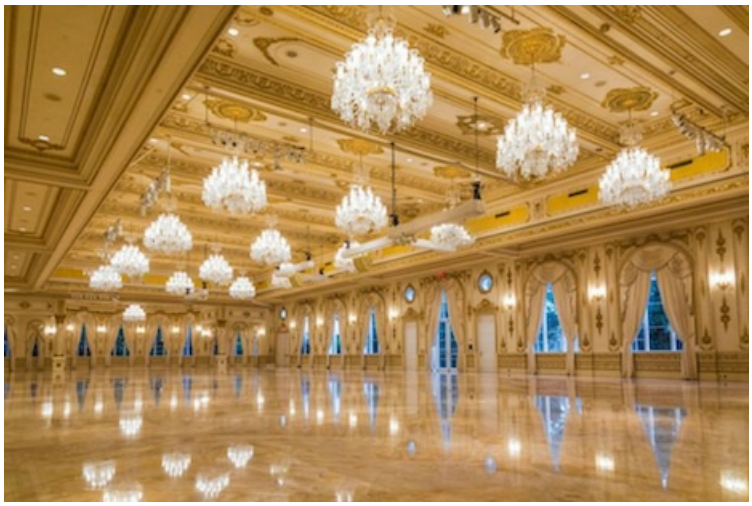
President Trump's administration has already had a significant effect on the luxury industry.

Hotels both in the United States and internationally managed by the Trump Organization have ended their relationship with the president's family's business, signifying that the brand has become toxic for the hotels' desired customers.

After the iconic hotel in SoHo in New York's Manhattan borough dropped the Trump Organization last week, another hotel in Panama has begun the process of stripping the Trump name from the hotel's association, after paying around $32 million for the association. While President Trump continues to accrue near-daily controversies, the many brands that bear his name are beginning to feel the danger of continuing to associate with the man (see story).

Similarly, President Trump's Mar-A-Lago has seen a number of high-profile nonprofit organizations cancel events at the West Palm Beach, FL country club.

Following President Trump's divisive comments on the "Unite the Right" rally in Charlottesville, VA, charities such as the American Red Cross and the Salvation Army have reconsidered holding their event at the Trump-owned property. The Trump hospitality brand has been seemingly unaffected by the polarizing administration, but as a significant portion of the country continues to find fault in President Trump's politics, this may change (see story).



The Mar-a-lago ballroom. Image credit: Mar-a-lago

The lack of confidence among women in President Trump's ability to make positive changes is consistent with research that shows that women are continually underserved by wealth management companies.

Female consumers control around 30 percent of the world's wealth, and yet many financial services companies do little to focus specifically on their women clientele.

Speaking at the Women in Luxury conference Sept. 26, an executive from UBS spoke about the ways in which women are a valuable client segment in the financial services industry, and yet continue to be underserved in terms of their specific needs and desires. These wealthy women can be powerful investors if companies take the time to learn what kinds of investments they want to make (see story).

As the Trump Administration continues to enact changes such as the Tax Bill, its effect on the global luxury business and the wealthy investors who drive it will become clearer.

"The key to preparing for market downturns is being properly diversified," Personal Capital's Ms. Brownstein said. "This means investing in a variety of asset classes like stocks, bonds and alternatives in both US and foreign companies and governments.

"The biggest mistake investors make is believing a certain holding or sector can't lose. At Personal Capital we build stock portfolios that balance out each sector in the US market to minimize bubble risk."