

Successful entrepreneurs have higher appetite for risk in business than in their Personal Investments

The wealthier entrepreneurs are, the higher their appetite for risk in the wealth creation phase; Successful entrepreneurs become more cautious about risk in their personal investments; Wealthy investors plan to put more money into less traditional asset classes as they seek more stable returns; Wealthy families want their children to gain university education or have careers before inheriting; philanthropy is used to instill values*

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Successful entrepreneurs are more likely to take risks in creating their wealth, according to a new global report from Barclays Wealth entitled *Barclays Wealth Insights: Risk, Return and Reward*. Some 60 per cent of those with assets of more than \$1 million said a high appetite for risk had been a big influence in generating their wealth, compared with 36 per cent of those with less than \$1 million of assets.

'This report reinforces the importance of the link between risk and wealth generation,' said Kevin Lecocq, Chief Investment Officer at Barclays Wealth. 'What is interesting is the anomaly between an individual's willingness to take risks when creating wealth and their reduced appetite for risk when it comes to investing that money.'

While entrepreneurs are willing to take risks to succeed in business, they are more risk averse with their personal investments. The report shows that individuals with more than \$1 million do not take higher risks with investments than those with less money. This suggests that entrepreneurs are more willing to take risks in their own businesses, than with investments.

Barclays Wealth Insights: Risk, Reward and Return, has been developed by Barclays Wealth to understand investor behaviour around the world. As the booming Indian capital market catapults Indians into the higher echelons of the global wealth lists, the new report examines how investment wisdom can be applied as investors make the journey through life, from the early wealth accumulation phase through to the decisions they make about passing wealth down the generations.

An appetite for alternatives

Wealthy investors are now able to spread risk more widely by adding different types of assets to their portfolios, according to the report. Interestingly, it reveals a trend amongst wealthy investors of an increasing appetite for financial products that help reduce volatility such as derivatives, private equity and hedge funds, particularly in the Middle East and Asia.

'Intuitively, absolute returns make a lot of sense and we see that more wealthy individuals are thinking in those terms,' adds Kevin Lecocq. At the same time, there is a move away from equities, which suggests investors have more of an appetite for returns that are stable rather than driven by market movements.

Table 1: Investment over time - asset classes of choice

Investment vehicle

Past three years %

Next three years %

Individual stocks and shares

64

↓48

Property

41

↓35

Personal pension

42

↓35

Investment trusts

20

↓19

Bonds

26

↓20

Private equity/co-investing

11

↑15

Hedge funds

20

↑21

Commodities (eg, gold)

17

↑18

Tracker funds

23

↓20

Derivatives (futures, options, CFDs etc)

10

↑11

Currency

11

↓10

Structured products

8

↑9

Alternative assets (fine wine, antiques, art etc)

12

↓11

Gilts

9

↓8

Credit/leveraging

7

↓5

Passing wealth down the generations

The findings also indicate that wealthy families are encouraging children to gain a university education and have their own careers, as they aim to ensure their children strive to achieve their own success. More than a third (34 per cent) of those questioned think it is a bad idea to leave large sums of money to their children.

Interestingly, those who have inherited their own wealth are even less likely to pass on large sums of money to their children than those who have earned their wealth. Some 41 per cent of respondents whose wealth was given agree it is a bad idea to leave large sums of money to children, compared with 33 per cent of respondents whose wealth was earned.

'Parents want their offspring to share in their prosperity, but they need to educate and prepare their children for the responsibility of wealth,' says Jeremy Arnold, Head of Barclays Wealth's Advisory Business. 'It is important to ensure children have the desire to achieve their own success and build their own legacies.'

The report also reveals the importance of families agreeing to common goals for passing on wealth. Passing on wealth wrapped up in family business requires good succession planning, according to interviews with family business experts including Grant Gordon from the Institute of Family Business. To ensure a business passes smoothly from one generation to the next, families need to consider whether their children have the skills to balance the different emotional and financial needs of family members, Mr. Gordon says in the report.

The report is global survey of 790 wealthy individuals produced in partnership with the Economist Intelligence Unit (EIU) that examines how wealthy individuals grow, preserve and pass on their wealth. The report includes comments from a panel of experts drawn from academia, industry and financial circles who provide unique insights.

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Barclays Wealth Insights: Risk, Return and Reward is a new report from Barclays Wealth which examines how wealthy individuals grow and preserve their wealth, and the motivations behind their actions.

The report brings together a global survey of 790 wealthy individuals, with comment from international thought leaders and experts, existing research data, and case studies.

Barclays Wealth Insights is a series of research reports developed in partnership with the Economist Intelligence Unit (EIU) which aims to provide a definitive picture of what being wealthy means in the 21st century. These comprehensive, international reports delve into the mindset of today's wealthy and uncover their motivations for creating and protecting their fortunes: what drives and inspires them, their attitudes toward money management and how they enjoy their wealth.

Log onto www.barclayswealth.com to access the *Barclays Wealth Insights* series.

About Barclays Wealth

Barclays Wealth is the UK's leading wealth manager and at 30 June 2007 had £126.8bn client assets globally. It serves affluent, high net worth and intermediary clients worldwide, providing international and private banking, fiduciary services, investment management and brokerage. Barclays Wealth was voted Global Investor's Wealth Manager of the Year for 2007. Thomas L. Kalaris, the Chief Executive of Barclays Wealth, joined the business in 2006.

Barclays Wealth is part of the Barclays Group, a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, the USA, Africa and Asia. It is one of the largest financial services companies in the world by market capitalisation. With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs over 127,000 people. Barclays moves, lends, invests and protects money for over 27 million customers and clients worldwide.

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