

Article

Wealth Accumulation and De-Risking Strategies Among High-Wealth Individuals

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Abstract

The emergence of the asset economy in advanced capitalist countries has enabled significant asset accumulation by high-wealth individuals, and the rise of finance has provided new, profitable investment vehicles for those with investable capital. This accumulation process has been described as a form of compensatory logic to achieve protection from future risks, especially in the current neoliberal environment with governments reducing state pensions while promoting tax-deductible private investments as a substitute for state provision. This article reports the results of qualitative research into the private wealth accumulation attitudes and behaviours of high-wealth individuals and their worries about achieving a comfortable retirement despite their substantial wealth holdings. Although the interviewees reside within the top 5% of the wealth distribution in the UK and would be expected to feel confident that their wealth will be sufficient to support their retirement needs, they convey a sense of uneasiness and concern that they will still not have enough to support their expected retirement lifestyles. In response to this perceived risk, these high-wealth individuals engage in a variety of what I call “de-risking” behaviours with the goal of mitigating the risk of insufficient wealth to support retirement. The article contributes to our understanding of the processes utilised by high-wealth individuals to help ensure they have sufficient wealth to support their desired comfortable retirement by engaging in strategies intended to de-risk their financial lives.

Keywords

de-risking; financialisation; high-wealth individuals; inequality; perceived risk; retirement; wealth accumulation

Issue

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1. Introduction

Although top-income earners, especially the infamous 1%, have received substantial scholarly, media, and political attention, the concentration of wealth is more extreme than the concentration of income (Atkinson, 2015; Piketty, 2014), with a tiny proportion of the population possessing significant wealth holdings, while large segments of the population have very little wealth, or even negative wealth holdings (Hansen, 2014). Each year, the Oxfam organisation releases its annual analysis of global wealth distribution, and over the last 20 years has reported staggering increases in the concentration of wealth in fewer hands (Ahmed et al., 2022). In early 2022, Oxfam reported that 2,668 billionaires—573 more than

in 2020—owned \$12.7 trillion of wealth, an increase of \$3.78 trillion from the previous year, and the world’s 10 richest individuals (all men) possessed more wealth than the bottom 40% of the global population of 3.1 billion people. Although the topic of income distribution, and especially the focus on top incomes, has attracted increased scholarly attention, the study of wealth and accumulation is a relatively recent stream of research. Early articles pointed to wealth as an under-researched aspect of economic inequality (Keister & Moller, 2000; Spilerman, 2000), with a growing number of researchers now examining the increasing concentration of wealth at the top of the distribution (Acciari et al., 2021; Saez & Zucman, 2016). Several important research streams have emerged from this research, including efforts to

understand the effect of wealth on other socio-economic outcomes, and highlighting the need for further research into both the determinants and outcomes of wealth, as well as the need for sociological insights into wealth-generating and accumulation processes (Keister & Lee, 2014; Killewald et al., 2017), including wealth accumulation processes over the life course (Keister, 2014).

This research examines the perceptions and behaviours of high-wealth individuals and finds that despite their substantial wealth holdings, they remain fearful that their wealth will not sustain their desired comfortable retirement and adopt de-risking strategies to mitigate against this perceived potential financial hardship.

2. Why Study the Wealthy?

The role of the wealthy in escalating inequality is unequivocal and, as Carr (2019, p. 43) stated, “their financial management practices exacerbate wealth inequality.” Financialisation has provided them with the opportunity to expand their wealth dramatically over the last 20 years, by benefitting from an environment that enables greater returns from capital than from labour (Piketty, 2014), providing them with access to exclusive, and often exotic, financial instruments that generate high returns, and having the financial ability to acquire the services of accountants, lawyers, and financial advisors to help them preserve and expand their wealth efficiently while minimising taxes (Harrington, 2016). It has been pointed out that the rich often have the luxury of flexibility in deciding when and how to receive income, including realised capital gains (Corlett et al., 2020), providing them with greater manoeuvrability to minimise their taxes payable. These researchers also found that 92% of taxable capital gains go to the top 1% of the income distribution, therefore illustrating the ability of the rich to derive lower-taxed income from capital gains. Globalisation is providing the opportunity for the wealthy to lower their tax burden by shifting assets and income to lower-tax jurisdictions (Harrington, 2016; Shaxson, 2011). The ability to dramatically expand and preserve wealth in a highly financialised economy means that the possession of financial capital becomes an even more potent and differentiating characteristic across the wealth distribution.

Piketty (2014) demonstrated that wealth inequality has exhibited a major uptick in the US since 1970, and in Europe since about 1980, and suggested that the significant increase could be attributed to the rate of return on capital exceeding the economic growth rate ($r > g$), and described the $r > g$ formula as the central contradiction of capitalism, arguing that:

$r > g$ implies that wealth accumulated in the past grows more rapidly than output and wages. This inequality expresses a fundamental logical contradiction. The entrepreneur inevitably tends to become a rentier, more and more dominant over those who

own nothing but their labor. Once constituted, capital reproduces itself faster than output increases. (Piketty, 2014, p. 571)

Furthermore, he argued that “unequal access to high financial returns” is a key driver of the gap between the return on capital versus economic growth. Since financial wealth can attract higher returns than the general rate of economic growth (including the growth of labour income), the preservation and expansion of the privileged economic position of the rich is assured (Nau, 2013; Piketty, 2014; Roberts, 2019). Saez and Zucman (2016) argued that divergences in financial returns across the wealth distribution have been one of the most important drivers in rising wealth inequality in the US over the past few decades. These findings highlight the importance of accumulated wealth, especially in the form of financial assets such as stocks, bonds, and other yield-producing instruments, as well as real assets such as property, as they have expanded in value to a greater extent than labour-based income.

Although conventional wisdom suggests that the wealthy allocate more of their investment capital towards higher-risk assets with potentially higher returns, Fagereng et al. (2020) examined returns on wealth and found that even their investments in more conservative financial assets generated higher returns. The data showed that those in the 75th percentile of wealth distribution who invested \$1 in 2004 would have yielded \$1.50 by the end of 2015—a return of 50%—while those in the top 0.1% would have achieved \$2.40 on the same invested dollar—a return of 140%. They suggested that this heterogeneity of risk-adjusted returns across the wealth distribution may be a result of the wealthy being more financially literate and sophisticated, and may have access to exclusive investment opportunities, more capable financial advisors, and greater access to financial information.

The safety net provided by private wealth has been suggested as a form of buffer which can mitigate the negative impacts of adverse life events such as illness, divorce, job loss, or life choices such as discretionary retirement (Killewald et al., 2017) by providing direct financial support. Private wealth can function as a substitute for state-provided welfare support, and previous research has found that private wealth is more important in countries with minimal provision of state-sponsored social benefits (Maskileyson, 2014; Pfeffer & Hällsten, 2012). In the case of UK residents, the state pension currently begins at age 66 for both men and women, although 30 years of contribution to the National Insurance program is required to be eligible for the current full pension amount of £9,627.80 per year. This pension income is taxable for those earning more than £12,571/annum. For wealthy retirees who wish to maintain their standard of living, the UK public pension payment represents a minuscule portion of their financial need, and for most, the state pension income will be

clawed back via progressively higher tax rates based on total income.

3. Who Are High-Wealth Individuals?

Advani et al. (2020, p. 7) analysed wealth distribution in the UK using the Office of National Statistics' Wealth and Assets Survey, which they described as "the best source of data on the wealth holdings across much of the UK's wealth distribution." They examined the distribution of wealth in the UK, comprising five categories of assets: physical assets (vehicles, home contents, etc.), property assets (real estate), financial assets (stocks, bonds, cash, etc.), business assets (vehicles, raw materials, inventory, equipment, cash, etc.), and private pension assets (occupational and personal pensions, excluding future state pension payments). They pointed out that wealth can be defined differently, as there is considerable variation in the processes and accuracy of the valuation of these different types of assets, and suggested that these assets can be valued using the "open market value" principle which is the price which the asset might reasonably be expected to fetch if sold in the open market. The valuation of pension, financial, and real property assets, they suggested, is fairly straightforward as much of this data resides in financial institutions or can be calculated with input from regulators (e.g., The Pensions Regulator) and government agencies (e.g., the Valuation Office Agency for property). More problematic is the valuation of business assets, described as hard-to-value assets by Advani et al. (2021), given the fact that these are often illiquid assets with no easily accessible benchmarks for valuation. As well, there is a risk of double counting; for example, an individual may include a vehicle as a personal (physical) asset, but it may also be included as a business asset if used for business purposes.

Business assets include the value of assets used within a business in which the respondent is self-employed or is a director or partner. Recent research has illustrated the importance of business assets in the calculation of wealth; for example, Keister et al. (2021) pointed out that business assets can be instrumental in elevating individuals into the top wealth realms such as the top 1%. However, according to research by Advani et al. (2020), in reality this is a material factor only among those at the upper end of the wealth distribution (net wealth over £5 million per adult) than for families with lower wealth levels whose wealth is more dominated by property and pensions. In light of the challenges of valuation of business assets and the smaller proportion of this asset class below the top 1%, the criteria I used for interviewee selection was based on financial assets as they are the most liquid and malleable in terms of portfolio composition and management; however, the value of the other asset classes provided further wealth context for this group.

An in-depth quantitative analysis by Advani et al. (2020) indicated that those with a minimum of £250,000

of purely financial assets (excluding private pension, property, business, and physical assets) correspond approximately with the top 5% across the UK wealth distribution and represent about 2.5 million adults in the UK. This group of the top 5% of wealth-holders is described by the researchers as part of a group of "high-wealth" individuals, and they will be referred to as such throughout this article. The top 5% hold about £1.5 million in total wealth across all five asset classes, with about 42% of their wealth (£630,000) composed of private pension assets, 31% in property assets, and about 7% in private business assets. Given that the top 5% hold about 16% (£240,000) of their wealth in financial assets, a minimum threshold of £250,000 in financial assets for interviewee recruitment would correspond approximately with the top 5% of wealth-holders, according to the Advani et al. (2020) analysis.

As a further corroboration of the Advani et al. (2020) definition of the top 5% high-wealth, the Financial Conduct Authority (2022) has stated in their handbook that they define a "high net worth investor" as an individual having £250,000 or more in financial assets.

4. Methodology and Research Design

It can be extremely challenging to identify, access, and recruit wealthy people for research purposes (Sherman, 2017). Three key approaches were deployed in order to identify and recruit appropriate interviewees for the research: (a) networking at various in-person conferences and seminars such as finance-oriented conferences and professional organisations' meetings and seminars, (b) recruitment from LinkedIn and professional associations' membership lists, and (c) snowball recruitment techniques.

At the conclusion of each interview, participants were asked if they could suggest others who had achieved financial success and who may be willing to participate in the research, and many did provide some names and contact information once they confirmed with the potential interviewee. This snowball method generated many excellent candidates for participation in the research, and a list of additional interviewees was created throughout the project, with follow-up and scheduling activities undertaken.

Participants completed the consent form along with a brief questionnaire to gather basic demographic information (gender, age) and key financial information (amount of financial assets) to ensure they were qualified to participate in the research; specifically, as discussed above, eligible interviewees were required to have financial assets of at least £250,000, thereby putting them in the top 5% of the wealth distribution in the UK (Advani et al., 2020). All 35 interviews were audio-recorded and transcribed afterwards. Although the questionnaire did not request income or education information, the job titles of the interviewees suggested that they are engaged in senior roles mostly in

finance, consulting, IT, accounting, manufacturing, law, etc. The age of interviewees ranged from 35 to 64 and it was revealed during the interviews that all had achieved a university education to a minimum of a bachelor's degree, with many having attained a master's degree and one with a PhD. The interviewee pool comprised 20 males and 15 females. In the course of the interviews, additional details emerged regarding homeownership (all owned a principal residence and many owned recreation/investment properties), as well as children (all had children except for four interviewees). All interviewees resided in England, primarily in London although extending beyond to smaller towns, but they often travelled to London for business and personal reasons.

The interviews were scheduled for 45–60 minutes, at the interviewee's place of work or an agreed-upon location in central London, or by Zoom in a few cases. A semi-structured interview guide was used during the interview to attempt to ensure that all key topics were discussed during the interview, although in some cases it was not possible to get through the entire guide due to prolonged conversations on specific topics based on interviewees' interests. The interviews were audio-recorded and transcribed, and the data were analysed using thematic analysis to identify key themes across the data corpus.

5. Findings

This section will report the findings from the analysis and is divided into four subsections: objectives for wealth accumulation, goals for retirement, fears about insufficient wealth, and perceived risks to wealth holdings.

5.1. Objectives for Wealth Accumulation

Cagetti (2003) has suggested that two of the primary reasons to accumulate wealth are to finance expenditures during retirement (retirement or life cycle motive) and to protect consumption against unexpected shocks (precautionary motive) such as job loss, divorce, or illness. Individuals are subject to several sources of risk (in earnings, health, mortality, etc.), and an important way to self-insure against them is to accumulate a buffer stock of wealth, thereby providing the ability to finance future consumption such as during retirement.

The interview data indicated an overwhelming and universal priority for these interviewees was to ensure that they had sufficient wealth to sustain a comfortable and fulfilling retirement, with a frequently stated preference for early retirement (before state retirement age). All interviewees stated that having sufficient wealth to support retirement was their primary reason for wealth accumulation, with the objective of maintaining their lifestyle and allowing them to engage in a wide variety of activities and new experiences during retirement. This finding is consistent with research by Cagetti (2003) on individuals' objectives for wealth accumulation.

5.2. Goals and Preferences for Retirement

Interviewees described their goals for retirement, with most focusing on maintaining their current comfortable lifestyle and having the financial resources to enjoy life:

J1: [What] I realised a long time ago, like, when I was thinking about money, is: What do I care about? Right, like, just care about having enough to live and having enough to be comfortable.

K1: I think how much is enough is that once I retire that I could sustain the lifestyle that I had, right? So that was my bar. Yeah, that was my bar, but my threshold was will I be able to live the way I thought, and you know, so I'm comfortable.

H11: Primarily retirement, and freedom. To do nothing. A lot of people you know, take art classes, but the freedom to do nothing, I like to do nothing.

K2: Well, I would say that old adage, I've been poor, and I've been wealthy, and wealthy is better. It's a matter of having options.

Others had more exotic retirement activities in mind:

W1: Buy a half-million-dollar ocean-going powerboat. It's a Nordhavn 47. They last forever, buy it for half a million, sail it around the planet once or twice in a two- or three-year period, and sell it for 475 or 450k. But it will enable me to travel the world and have a vessel which is my accommodation, transportation, and entertainment all in one and to tuck into places in the South Pacific that very few people really get to see. And live that dream for a couple of years, and then do something else and then do something else again.

W22: We love to travel. We love to get out and experience things. So that's a bit of a selfish thing. What do I get out of it? It's only me that gets something out of it. But I enjoy that, I thrive on that, that's part of happiness, happiness as an individual, happiness as a couple, happiness as a family. So, part of the reason why I invest is to make sure I have enough money to be able to enjoy life.

K3: But in terms of enough, I would be just as happy opening up a bike store in Maui.

K2: And I would like to be able to travel and live a decent quality of life while I'm here. Because it's a short ride, and it's getting shorter every hour. I want to look at real estate, I want to look into antiques, and I want to goof off with my friends.

5.3. Fears About Not Having Enough

Despite the fact that these interviewees are in the top 5% of the wealth distribution, with at least £250,000 in financial assets and about £630,000 in private pension wealth, they are still worried about not having enough, about running out of money to support themselves in retirement, and the stress associated with potential financial hardship:

W22: I am rich, but I'm not really, I don't ever consider myself that because I think I'm gonna live till 85. I look at my, you know, my bank account, my retirement plan, do we have enough money? You never know if you really do have enough money. Because it's a dog-eat-dog, tough world out there. Money isn't everything, it isn't, but it does help you be less stressed in this world.

B1: The problem you have is that, how can I put it, the care safety net, pretty much doesn't exist in Britain. But theoretically, I could live another 25 years, my wife could do the same. And if one of us had long-term care requirements, you know, that money goes pretty quickly. So, on the one hand, you would like to be able to gift money to the kids, on the other you can end up without your own safety net.

W22: We're growing older, and we're going to need some capital so that we're not destitute, you know, you need some money and that your children don't have to be accountable for caring for me, right? So, part of my motivation is just having enough that I'm not a burden on anybody. Because likely I will outlive Brian, likely. I may have dementia; my mother has dementia. So, you know, that's very likely to be my scenario.

5.4. Perceived Risks to Having Sufficient Financial Resources to Support Retirement

Interviewees expressed concern about several risks that could cause them to have insufficient money for their retirement, including fear of making bad financial decisions due to emotions such as greed, egocentrism, hubris, emotional attachment, and worry about the risk of missing out on opportunities to preserve or expand their wealth.

5.4.1. The Risk of Making Bad Decisions Due to Emotions

Many interviewees expressed fear of making bad decisions which could threaten their financial well-being, especially in anticipation of retirement needs, and often blamed "emotions" as a risk to good decision-making. In some cases, interviewees cited previous situations where emotional decision-making resulted in a substan-

tial loss of capital. B2, for example, was extremely animated when describing a bad decision involving his emotional attachment to an asset, expressing significant distress, upset, and regret about the experience, and was adamant that he will never make the same mistake and will tell others (everyone) not to make this same mistake:

B2: I've made one very big mistake in my investing career. And that was to buy a boat, which I thought was going to be the foundation of a business. There was an emotional attachment to the river. And I let that emotion go too far in terms of the investment in the boat. And that was really, really foolish. The most important thing is knowing, thinking that you have an exit. And at the time, the exit that I thought I had turned out not to be one. And, therefore, it became very, very difficult to try and get out of that situation. It felt so good, old timbers, but that was a bad decision. I will go so far as to write that down in big capital letters for my kids, and, hopefully, they'll pass it on to their grandchildren. And I'll just tell them again and again and again. Whatever you do in life, don't buy a boat. No, never, ever, ever, ever invest in a boat. I will never ever forget that. And I'd like to tell that to the rest of the world.

K2 referenced the pressure to preserve his substantial wealth and the potentially destructive impact of "stupid" ego-driven decision-making on wealth holdings:

K2: You know, it's not all what people think it's cracked up to be. The more you have, the more pressure there is to keep it. And I think, yeah, that's right. But I feel that and just because you've got 50 million bucks in the bank, you can do a couple of really stupid egocentric moves, you can be down to 10 in a hurry. And people with nothing think 10 million is a lot of money. Make another bad move? You're in a tent. Yeah. Yeah. And it happens. It happens.

The negative effects of greed, hubris, and ego-driven decisions figured prominently in the comments of several interviewees:

B2: The other thing is the biggest danger. And again, I've seen it time and time again, including in the business that I was involved in, is this wonderful world of hubris. And the moment that people think that they are super smart because they've done well, that's probably the most dangerous thing you can ever do. So, it's absolutely natural human nature to be greedy.

K2: And so, the more money you have, I see that, I see it in the world of antiques and art, completely. Oh, I have so much money, I make good decisions. And they've done no studying. It's all ego and bank account. Watch me, I can afford to buy that. I don't really understand what it's all about. But that hotshot

salesman for the biggest gallery in town, he says I shouldn't be doing it. Watch me, I got the money, I'm gonna do it. And there's a bunch of them that elevate the whole thing. Tell me why Rolex watches are worth 100,000 pounds. And, you know, it's, it's because they've got the money and they think, well, I'm worth it.

T1: Men lie about a few things all the time. One of them that I can speak to, is how they do on their investments. Right. And so, it's more ego-driven than it is anything else. I think men have more ego quite often, women may be more trying to accomplish a goal which doesn't involve their self-worth as a person.

The concept of "loss aversion" can be invoked to help explain these (often seemingly extreme or exaggerated) reactions to bad decision-making due to emotions such as greed, hubris, ego, and emotional attachment. Loss aversion draws from the behavioural finance discipline and is defined as the tendency of investors to experience regret about having incurred losses, which leads them to try to avoid future losses and the accompanying upset and regret (Kahneman & Tversky, 1979). Loss aversion usually results in investors being more distraught about losses or potential losses than they are pleased with financial gains (Gupta & Shrivastava, 2021). In other words, losses loom larger than gains in financial decision-making. The role of sentiment and emotions in wealth accumulation and investing is well-established in the literature (Piñeiro-Chousa et al., 2016). Landberg (2003) suggested that all investors are guided by two basic qualities: fear and greed.

The explicit reference to greed, fear, and regret expressed by several interviewees would suggest that loss aversion often underpins financial decision-making among this group and generates anxiety and distress in the face of financial losses or potential losses. Despite the substantial wealth holdings of this group (top 5% in the UK), they still experience worry and fear about their wealth and the risk of losing some or all of their wealth holdings. The concept of loss aversion provides a useful lens through which to understand this seemingly groundless fear.

5.4.2. The Risk of Failure to Retain/Expand Wealth

Several interviewees talked about the existence of worries and stress about experiencing loss of wealth by missing out on an opportunity to retain/expand wealth, or not having the things that others possess and the pressure to keep up with or surpass others' wealth:

B2: And then you get this from another human psychology cycle, a thread, which is called FOMO. Fear of missing out. And it's actually like you realise there's a relativity, so you might have made 10 million, but

the next guy's made 100 million. The moment a guy bought a flat in Verbier (Switzerland) was the seed of the disaster because you have a five million pound flat here, someone else got a 50 million pound flat.

W22: I was looking at the market, and I'm one of those shareholders going, dammit, dammit, look at it, it's going down, going down. I watch, I look at my stocks.

K3: The problem I have is I'm always thinking about tomorrow. People stress, always thinking about tomorrow. So, if you keep thinking about tomorrow, it stresses you out.

W22: But I mean, ultimately, the reason why I invest is because it would be dumb not to just as an individual because you know there's opportunity to grow your money.

D1: If I was 87 years old, I would be worried because I wouldn't know whether or not I'd see the cycle return before I kicked off. Touch wood I'm gonna be around long enough to see the assets bounce.

"Fear of missing out" (FOMO) emerged from the discipline of behavioural finance (Dogan, 2019; Hodkinson, 2019) and is described as a well-established and embedded concept that leads individuals to believe they are missing out on an opportunity or event that others are enjoying; or in this study, missing out on an opportunity to retain or expand wealth. Gupta and Shrivastava (2021) suggest that an investor's financial decisions are knowingly or unknowingly influenced by feelings of FOMO. The same can be said about investors who, under the influence of the desire to earn higher profits, may feel they could miss out on potential opportunities if they do not take immediate action (Kang et al., 2020).

B2 explicitly references FOMO in the context of someone else having more capital than you or something better/bigger/nicer than you have, and he views this as a recipe for disaster. It can be inferred from his comments that he feels that individuals can potentially be influenced by FOMO to their detriment, especially if FOMO drives them to make misguided decisions based on what others have. WFJ observed that it would be "dumb" not to invest capital, given what they perceive as an undeniable opportunity to make money and not engaging in investing would essentially be "missing out." D1 references the temporal aspect of wealth accumulation and the notion that, given enough time, wealth expansion will always occur in the long run; this reflects not only their willingness to engage in patient investing so as to avoid missing out on capital growth but also a seemingly unswerving faith in the capital-expanding power of the financial markets.

6. Responses to Fears and Risks: De-Risking Strategies of the Wealthy

The data indicate that, surprisingly, these high-wealth individuals feel that they are exposed to risks that could threaten their financial security and retirement plans, deplete their substantial wealth holdings, or fail to capitalise on opportunities to expand their wealth. How are the wealthy responding to the stress of this perceived threat to their financial well-being and the implications for their desired comfortable retirement? They are engaging in a variety of behaviours which I am describing as “de-risking” strategies. I borrow this term from other contexts and suggest that it appropriately describes the responses of this high-wealth group of individuals to financial risk, although it has not previously been used in a sociological context such as this study. The term de-risking is often used in the context of financial institutions which selectively terminate relationships with some high-risk clients. It is also used in the discipline of project management, where de-risking refers to identifying risks to large-scale projects and taking actions to mitigate the risks. It is also used with respect to asset allocation models in portfolio analysis to achieve a target asset mix. In this study, I use the term de-risk to describe how interviewees develop and adopt actions to mitigate the perceived risks associated with potentially having insufficient wealth, thereby threatening their financial well-being and their retirement plans.

To reiterate, the two primary risks emerging from the data include (a) the risk of emotions leading to bad decision-making which arises from loss aversion, and (b) the risk of capital depletion or failure to expand wealth, resulting in perceptions of FOMO. Specific strategies for dealing with both of these risks were articulated by interviewees, as follows.

The first strategy was to de-risk by hiring professional financial advisors to remove emotions from wealth decision-making and provide objective advice based on interviewees’ wealth needs and philosophies. Many of the interviewees stated that they obtain financial advice from independent advisors, and expressed confidence in the wisdom of this decision and the associated costs, thus directly addressing their risk of feelings of loss aversion and FOMO by relying on outside experts to inform their wealth strategies:

K2: I am fortunate enough to have advisors that know what my principles are and what my objectives are. And, yeah, they’re going to try and keep my money secure and give me a good return.

K1: I trust that my advisers tell me when I should make a change, which they do. So, me personally, right now, I don’t have confidence in the way it’s going, generally, but I have confidence that I’m being taken care of.

T1: I’ve had the same broker who went to university with me, right, same guy for 30 years. And he understands, and my philosophies changed over 30 years. But generally speaking, it’s a weekly discussion on where the portfolios stand, what’s winning and what’s losing. So, we’re, like, where, what, where are the holes in the bucket? And what are we going to do about it? What the current trends in the market are? And how do we anticipate it? And he’ll make a recommendation.

B1: I’ve always seen the value of independent advice. I’ve been prepared to pay the money for that. A lot of people, they don’t have enough money to afford to do that. Or they just don’t see the need for that. And they make decisions without advice.

J1: It’s just purely here, here’s my money. I have a financial planner and good luck with it. To be honest, there’s really no conversation at all. I don’t even care what the return on investment [is], it’s just as long as it grows, it’s fine. I got other things to do.

K3 spoke directly about the need for emotional detachment from wealth accumulation decisions in order to avoid “stupid” emotion-driven decisions, and his willingness to pay for achieving that emotional distance: “Even though I know how to manage money...I give it to a money manager because investing is emotional. So, he’s a gatekeeper to me, and I’ll pay for that because I’ll make stupid moves.”

The second strategy was to de-risk by capital preservation through expense/debt reduction and tax reduction strategies to protect wealth holdings. Many interviewees were highly focused on preserving their wealth holdings through careful management of their own debt and expense behaviours:

M1: But I’ve got rid of my mortgage, which is the big sort of safety thing that you always have there, that it doesn’t really matter what happens in your life, you’ve always got your home.

H11: So, you know, I think I did very well. But I could have had a much bigger house, or I could have had a cottage or a new car every year. Well, then, you know, or maybe I wouldn’t have had this house then, if I’d done that.

W22: I’m not a big spender. I’m not that. You know what you need. I’m not a big shopper like, you know, I bought this top 10 years ago. I’ve had these shorts like for 12 years.

Interestingly, one interviewee proudly boasted about his focus on saving money, by simple actions such as getting a takeaway meal versus an eat-in meal and thus saving £2 as a result. However, he also mentioned that he is

perfectly comfortable with spending £3,000 on a single antique item, feeling that it was a good decision:

K2: I went into a Japanese restaurant in Piccadilly. And I said, I thought you know what, I'm really hungry. I had very little for breakfast. It's already two o'clock. And so, I bought a thing of sushi. And I bought a thing of like, teriyaki chicken, rice, or whatever. It was £5 and £5. And she said, are you going to eat it in or taking it? And I said, I'll eat in. And she said, that's £11.98. And I said two pounds, just eat it here? She said yes. I said I'll take it. So, she cancelled the transaction and charged me £10. And I stood on the sidewalk for five minutes, and I ate it, and I saved two pounds. I'm okay with that. And yet, I'll go buy an antique candlestick for £3,000. And say well, that was a good deal.

Others were intently aware of the benefits of careful tax strategising to retain wealth:

K3: Okay, so this is where I am coming from, a high net worth place. I've seen people trying to save a million dollars of taxes, but they will spend \$900,000 on lawyers and accountants. I don't know if they pay a premium in their life to reduce complexity. I will. And they also had tax accountants and lawyers who structured family trusts to minimise their taxes. They're still playing within the rules of the game. Yeah, but you can minimise your taxes.

K1: It's tax avoidance. It's simple. Everybody knows they're doing everybody knows you're doing it [in] those countries if they do it, and it's legal. It's perfectly legal.

C1: I think there was a general understanding amongst the industry that it [carried interest income] is a loophole, and that it ought to be closed from a purely public policy perspective. I think that that's how they looked at it, I'm getting paid this, I can structure it in a way where I'm paying lower tax.

T2: So, I think we should all be tax efficient, and we shouldn't be paying more than what we need to. And, you know, we need to be making sure that we're claiming for everything that we're allowed to. Tax avoidance is finding loopholes [so] as not to pay a tax that you in theory should be paying, right. So be tax efficient, be tax savvy.

7. Summary and Conclusions

This research has found that the high-wealth individuals in this study, occupying the top 5% of the wealth distribution in the UK, experience fear and worry about the ability of their substantial wealth to sustain them into retirement. Despite having both significant financial assets and private pension assets, they still perceive the existence

of risks that could jeopardise their plans for a comfortable retirement. Risk, it seems, pervades the thinking of the wealthy in financial matters but seemingly in many aspects of their lives. For example, K2 discussed risk in a broader holistic manner in terms of life decisions:

K2: I was very, very fortunate in terms of what I made. I tried to say to my kids. And as they were growing up, I would, I would say to them, and I believe this to be true, that life is a series of decisions and it only takes one or two bad ones, and you're screwed. So be very deliberate and careful. It is about calculated risk. It's not just investments, it's about life, who your friends are, how you choose to spend your time, how many drinks you've had before you get behind the wheel of the car. There's a lot of opportunities to really make a mess of things. And there but for the grace of God go I, and so I've been pretty fortunate.

The contemplation and adoption of specific financial de-risking strategies by these high-wealth individuals is evident in this study, indicating that risk is a phenomenon that requires acceptance and thoughtful consideration in terms of how they manage and mitigate financial risk. This study has provided insights into the stress and fears of high-wealth individuals in response to the perceived risk of insufficient wealth to provide adequate retirement income. Although this research did not specifically explore the happiness levels of the high-wealth interviewees, this finding does seem to conflict with the commonly held view that the wealthy derive happiness and comfort from their substantial wealth (Clark et al., 2008; Jantsch & Veenhoven, 2018).

The interview data also provided insights into the degree of understanding and acceptance of financialisation as described by Fligstein and Goldstein (2015) in their landmark article noting the rise of a finance culture at the household level following the broader financialisation of the economy and society. The interviewees generally expressed high levels of comfort and fluency with finance and economics and the processes of wealth accumulation. The financial acumen and fluency of the interviewees are exemplified by these comments from V1:

V1: So, if you look at a developed market, rates would be 1 to 3%. Yeah, but your stock market would give you 5, 6, 7, 8%. If you look at developing markets, the loan rates could have been 7, 8, 9%, and your portfolio could have given 10, 12, 15, 20% return. So, you have an alternate cost. That's one. Second, for your mortgage you're taking for your primary residence, right? Through the early part of your career, a majority of the return that you make in your network is through appreciation of your primary residence. Right? Right, right, because initially 40% of my annual income was going to pay for my house, yeah, 40%, women up to 60%, then 40%. And then gradually, that is a big component. If you can leverage and

take a loan and you have some margin money, then that's what creates wealth, right?

Furthermore, the research did not examine the macroeconomic context of interviewees' wealth accumulation attitudes and experiences and, given the current turmoil in the economies of many countries including the UK (such as spiralling inflation and interest rates), this may be contributing temporarily to their feelings of unease and concern about the ability of their wealth to support their desired comfortable retirement, including the de-risking mechanisms they have adopted. The interviewees were knowledgeable and keenly aware of current events in the financial markets and fluctuations in broader economic indicators and, as such, they may be hyper-sensitive to geopolitical and macroeconomic upheavals that could impact their wealth and the performance of their investments.

Those with lower levels of wealth may not experience the stress and fears engendered by wealth accumulation for retirement purposes and may in fact be dependent on state-provisioned pension income. Future research could include qualitative research with less affluent individuals to understand their attitudes and behaviours with respect to wealth accumulation and retirement plans. Future research could continue to explore the conceptualisations of risk in the lives of the wealthy, not only in the financial domain but also in terms of family, education, career, health, and other life course events.

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Conflict of Interests

The author declares no conflict of interests.

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