

The LGBT investor in a post-DOMA world

- Optimistic investor sentiment, but conservative investing behavior
- Greater personal financial concerns and focus on retirement
- DOMA ruling delivers significant positive emotional and financial impact

Optimism tempered by reality

Lesbian, gay, bisexual and transgender (LGBT) investors are more optimistic about both the U.S. economy and their own personal financial situation than other investors. In addition, LGBT investors are considerably less worried about many key economic topics, including rising healthcare costs, the size of the U.S. national debt and tax increases. They are more likely to feel highly confident they will achieve their financial goals and feel stronger momentum regarding their financial situations. This optimism likely stems in part from the Defense of Marriage Act (DOMA) ruling, which has had a profound emotional and financial impact on their lives.

In June 2013, the Supreme Court struck down Section 3 of DOMA, giving married same-sex couples access to more than 1,100 federal benefits of marriage. Most LGBT investors view the ruling as a landmark decision that has provided an increased sense of financial security. This marks a victory the LGBT community has been awaiting for a long time.

However, the impact of the ruling is not the same for all LGBT investors. The impact is felt most strongly:



Among couples, both married and unmarried



For women more than men



In the 14 states where same-sex marriage is recognized, where LGBT investors can truly realize the many extensions of benefits for same-sex spouses

While more optimistic than other investors, LGBT investors are more worried about several key personal financial concerns than other investors (e.g., long-term care, having someone to take care of them in their old age, and having enough money set aside for retirement). Additionally, many of their biggest concerns are LGBT-specific, like marriage equality and being able to find LGBT-friendly long-term-care facilities in their old age. Like other investors, LGBT investors envision a lengthy, three-phase retirement, but they are even more likely to underestimate the income they will need to fund it.

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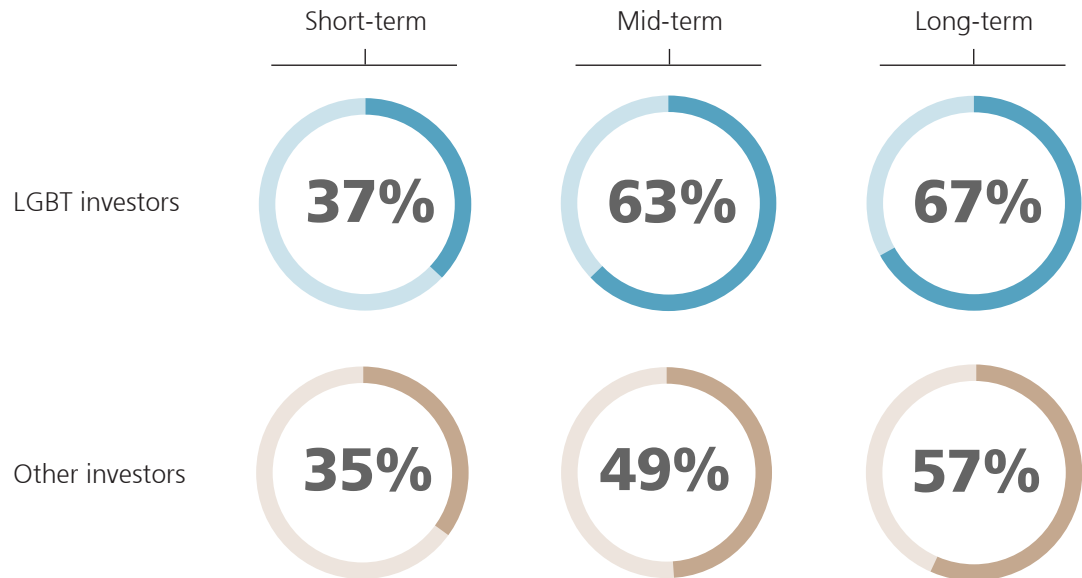
The optimistic LGBT investor

LGBT investors have a more optimistic view on the U.S. economy

Like investors in general, LGBT investors have mixed feelings about the short-term economic outlook. But for mid- and long-term, the LGBT community is notably more optimistic.

Percentage with optimistic economic outlook

Question: "How would you describe your outlook on the U.S. economy for each of these time periods?"



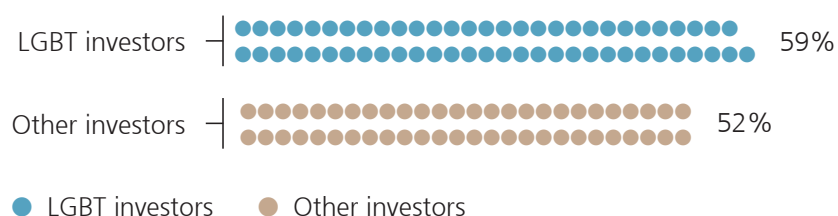
LGBT investors are also significantly more likely than other investors to believe that the U.S. economy is strengthening, the worst of the economic downturn is over, the unemployment rate will continue to decline and that the country will make progress toward debt reduction. They are also much less concerned about many macroeconomic factors, including the size of the national debt and tax increases.

LGBT investors also have a more optimistic view of their own finances

LGBT investors are significantly more confident about their abilities to achieve their financial goals, with 59% highly confident, compared to 52% among other investors. Two in three LGBT investors describe their current financial situations as excellent or very good. They are more likely than other investors to feel positive momentum with their financial situations; they are more likely to feel their financial situations have improved in the last year and will continue to improve in the next year. While there may be other factors in play, the DOMA ruling is likely one cause of this gap, as we know half of LGBT investors felt this positively impacted their overall sense of financial security.

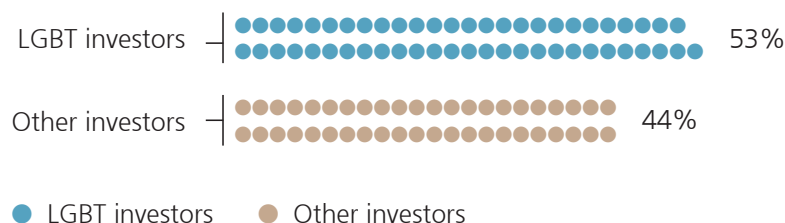
Percentage extremely or very confident in achieving financial goals

Question: “How confident are you today that you will be able to achieve your financial objectives for the future?”



Percentage who expect financial situation to improve in the next year

Question: “How do you expect your financial situation one year from now to compare to today?”

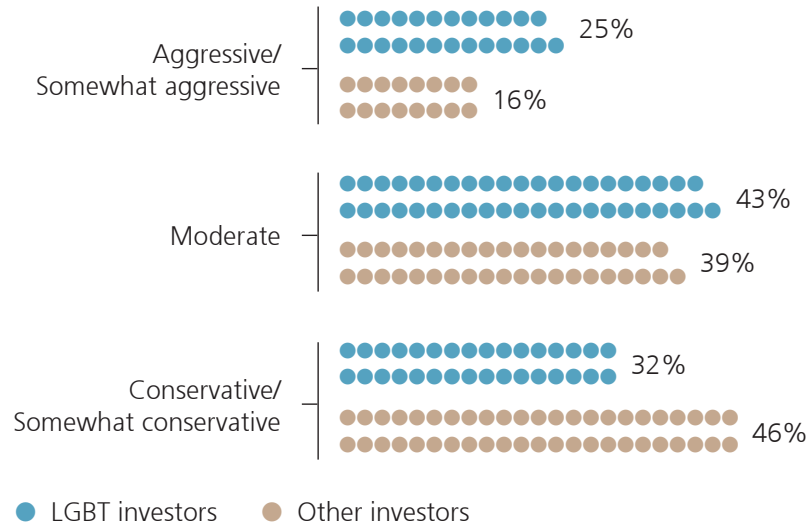


LGBT investors have a higher risk tolerance than other investors, but a slightly more conservative asset allocation

LGBT investors indicate they have a higher risk tolerance than other investors. One in four say they are at least somewhat aggressive, compared to only 16% of other investors. One in three say they have a conservative or somewhat conservative risk tolerance, compared to 46% of other investors.

Stated risk tolerance

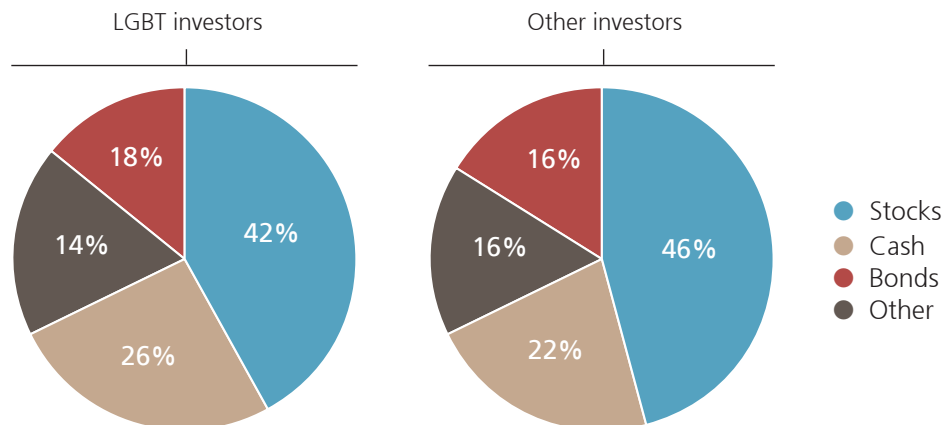
Question: "How do you view your risk tolerance today?"



Yet LGBT investors' average asset allocations are similar to other investors' and actually slightly more conservative. LGBT investors tend to hold more cash and cash equivalents and less equities in their overall portfolios.

Average asset allocation

Question: "Please provide your approximate overall asset allocation across all your accounts."



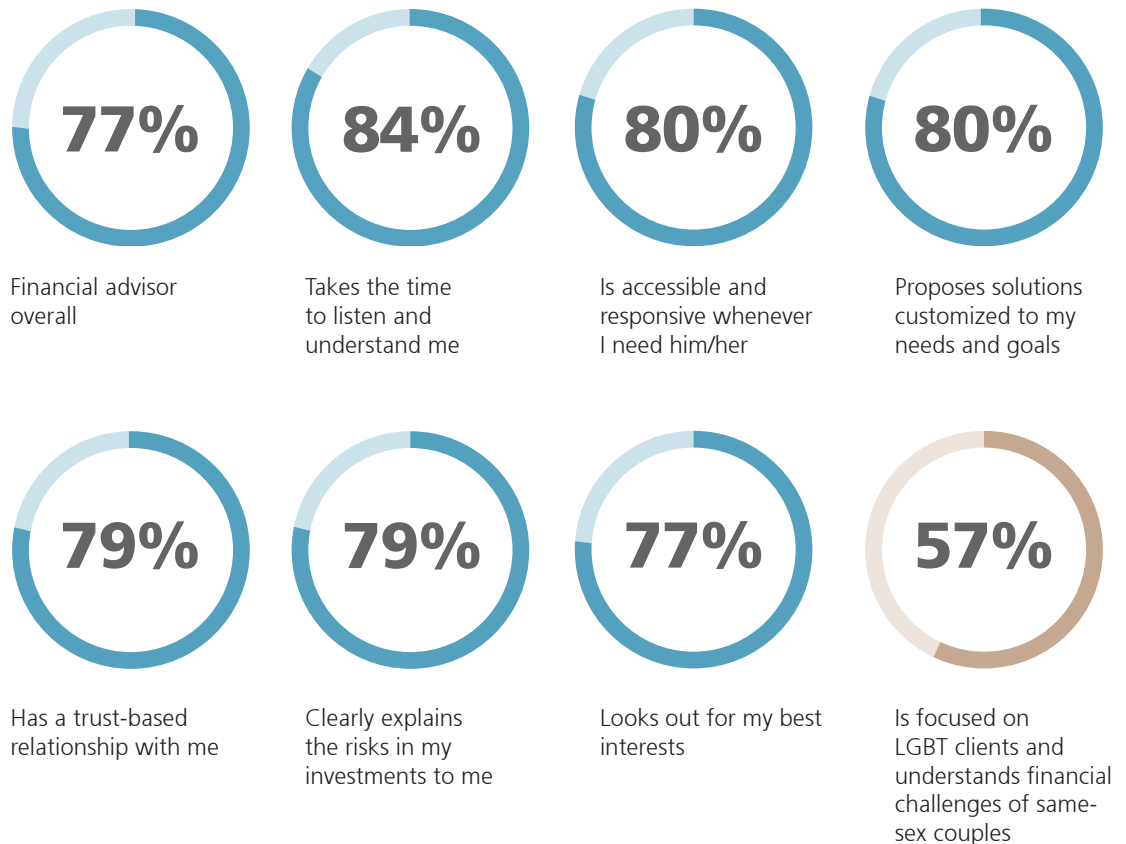
LGBT investors are highly satisfied with their advisors, but less so on understanding the financial challenges of same-sex couples

The vast majority of LGBT investors (77%) are extremely or very satisfied with their financial advisors overall. They are also highly satisfied on virtually all other attributes, such as taking the time to listen and understand them, being accessible, looking out for their best interests, etc.

However, there is a significant drop-off in advisor satisfaction in terms of understanding the financial challenges of same-sex couples (only 57% are highly satisfied). Most LGBT investors don't feel they need to have an advisor who is LGBT (18% do), and there is no difference in overall satisfaction with their advisors based on the advisor's sexual orientation. But there is a sizeable gap in how well advisors are addressing financial challenges of same-sex couples, with 79% highly satisfied with their LGBT advisors in this regard, compared to 52% with their straight advisors.

Percentage extremely or very satisfied with their financial advisors

Question: "Please indicate how satisfied you are with each of the following regarding your primary advisor."



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Personal finance concerns and vision of retirement

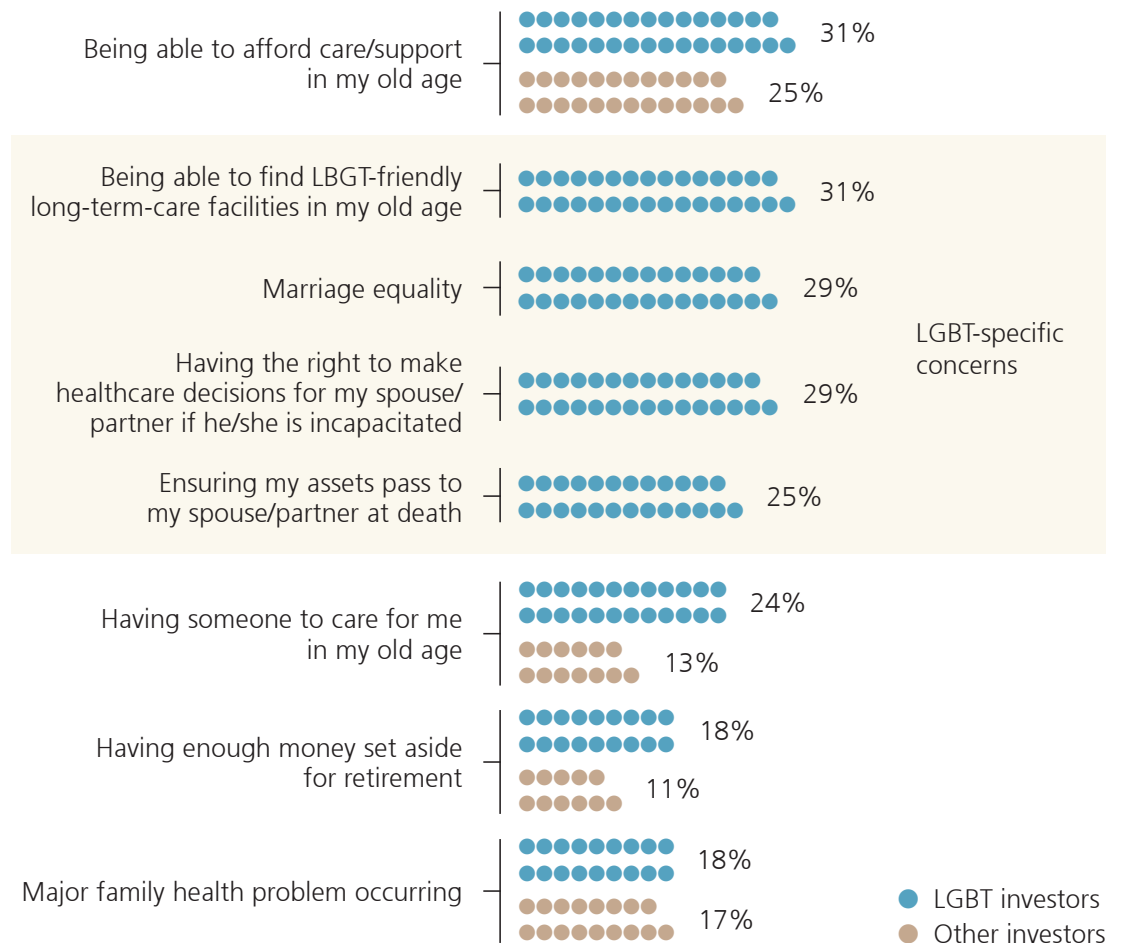
LGBT investors are more worried about personal finance issues, including several LGBT-specific concerns

While LGBT investors are less concerned than other investors about many economic issues, they are more concerned about personal finance issues. All investors have some of the same major concerns, but LGBT investors are even more worried about being able to afford the healthcare and support they will need in their old age, having someone to care for them in their old age, and having enough money set aside for retirement.

LGBT investors' biggest concerns specific to their community include marriage equality and being able to find an LGBT-friendly long-term-care facility. Overall, this means LGBT investors are significantly more concerned about their personal finance issues, which suggests LGBT investors could particularly benefit from comprehensive financial planning, highly customized to their needs and addressing these concerns.

Top eight LGBT personal finance concerns

Question: "How worried are you about each of the following regarding your personal finances?" (Percentage extremely or very worried shown.)



Retirement is one word, but three phases

With retirement lasting for an increasing number of years, it's not surprising that LGBT non-retirees, like all investors, expect their retirements to consist of multiple, distinct phases. Nine in 10 expect their retirements to have multiple phases, and the majority expect to go through each of these three phases, which we call "*Transition*," "*My Time*" and "*The Last Waltz*."



Transition

Most LGBT investors under 65 do not expect to stop working completely at age 65, but they do picture working differently—redefining their priorities. Fifty-six percent plan to go through a "*Transition*" phase where they work in similar careers but reduce hours, switch careers/start their own businesses, or devote significant hours volunteering for philanthropic purposes. While for some, this additional time spent working is at least in part out of necessity, for many, it's a chance to rechannel their talents and energies into new challenges, or achieve a work/life balance where they still enjoy their work, but with more free time to pursue hobbies.



My Time

Most LGBT investors expect during retirement they will go through a phase focused on increased travel and leisure activities, giving themselves a reward for all their hard work. This is their chance to do all the things they always wanted but didn't have the time to do, to tick off any items on their "bucket lists" or spend more time on their favorite hobbies. Investors' perceived financial needs during this phase are similar to the "*Transition*" phase, but with an even greater emphasis on maintaining their lifestyles now that they have no more work income, and their spending is likely to increase.



The Last Waltz

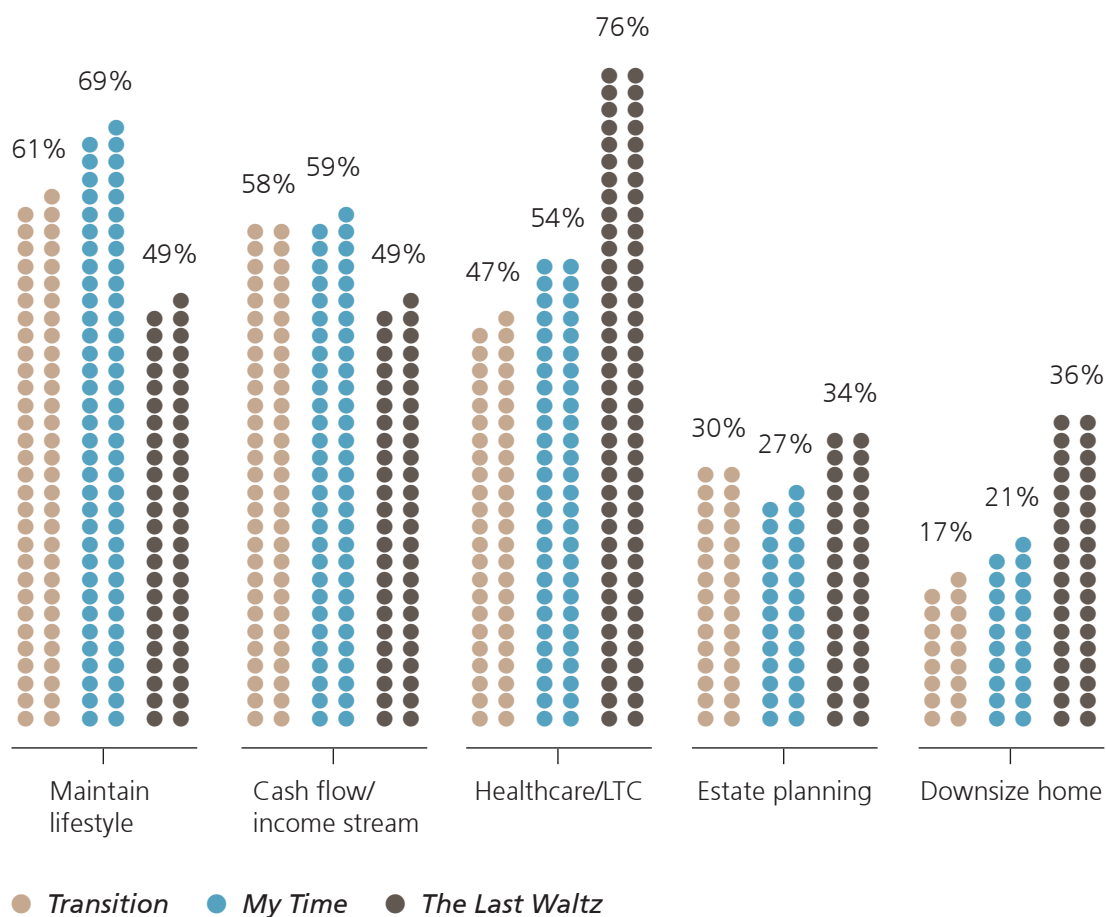
The third phase of retirement involves slowing down, living a simpler life and having time to reflect on one's life and legacy. "*The Last Waltz*" period involves less travel—with family more likely to come visit rather than the other way around—and is most associated with one's 80s and beyond. This phase is sometimes brought on by an accident (e.g., bad fall) or health scare (e.g., stroke), which prompts the person to decide to slow down, ending the "*My Time*" phase.

But while "*The Last Waltz*" brings an increased emphasis on health concerns, it is not just about the downward spiral of people's last few years. In fact, most LGBT investors expect this phase to last 10-15 years and tend to underestimate how much they may have to deal with health issues. They do recognize that healthcare and long-term care are the primary financial needs during this phase.

Phase	Transition	My Time	The Last Waltz
Definition	Reduce work hours, departure to start a new business or career, or increased volunteerism	Focus on travel and leisure activities	Slowing down with heightened focus on health issues and losing independence
Expected length	5 -10 years	10 -15 years	10 -15 years
Associated ages	60s	70s	80s+

Key financial needs for LGBT investors by retirement phase

Question: "For each of these retirement phases, which of the following do you think will be your key financial-related needs during that time?" (Percentages reflect needs of LGBT investors only.)



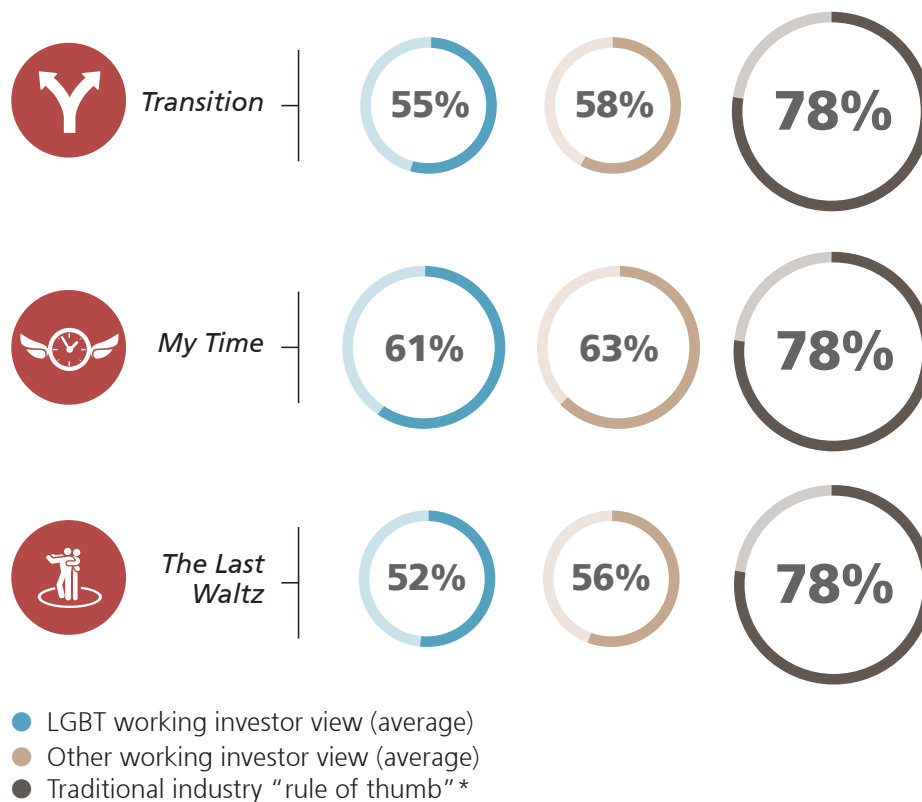
Retirement may last as long as 30 years

LGBT investors expect to live comfortably during retirement—which they believe may last three decades. When asked what they would like to be doing at age 65, LGBT investors are evenly split between working and traveling. Seventy percent of LGBT investors expect to experience the “My Time” phase of retirement, which is marked by increased travel and leisure activities. While downsizing homes is often expected to help cash flow in retirement, only 39% of LGBT investors expect to change homes when they retire.

Yet, LGBT investors seem to underestimate how much of their prior income they think they will need during retirement. On average, they believe they will need from 52% to 61% of their prior income during retirement. This is well below standard industry estimates of 78% of prior income, and slightly below other investors’ estimates. Underestimating annual income needs becomes even more acute in the context of a retirement that may last as long as 30 years. LGBT investors recognize they will need more income during the “My Time” phase (61% vs. 55% for “Transition”), but are still underestimating their expenses for this period. And while they may spend less during the “The Last Waltz” phase on travel and hobbies, most will eventually have high medical and long-term-care expenses during this phase, so their estimate of 52% of prior income appears quite low.

Investor expectations for income needed in retirement phases

Question: “Traditional retirement planning assumes you will need a certain percentage of your previous income during retirement. Thinking about each of these phases separately, what percentage of your previous income do you expect you will need during each phase?”



*Aon Consulting and Georgia State University's Replacement Ratio Study™

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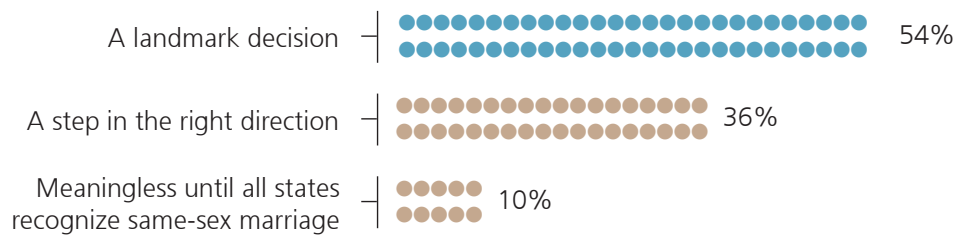
Significant positive impact of DOMA ruling

Most LGBT investors view the DOMA ruling as a landmark decision. One in three view it as a step in the right direction, while one in 10 say it's meaningless until all states recognize same-sex marriage. Emotionally, half of LGBT investors feel different post-DOMA ruling, like things have changed for them, and one in three feel it has made their lives easier.

More specifically, the majority find each of the key extensions of benefits to same-sex spouses from the ruling to be highly important: medical decision-making rights, health and retirement benefits, Social Security and joint tax filing status. In light of these benefits, nearly half of LGBT investors (48%) feel the ruling had a positive impact on their overall sense of financial security.

View of DOMA ruling

Question: "In June 2013, the Supreme Court struck down Section 3 of the Defense of Marriage Act, giving married same-sex couples access to over 1,100 federal benefits of marriage. How do you view this ruling?"



● More than 50% of LGBT investors ● Less than 50% of LGBT investors




Same-sex marriage

- Recognized
- Not recognized

(As of 11/01/2013)

This map shows the legal status of same-sex marriage across the United States as of November 1, 2013. States where same-sex marriage is recognized are shaded in blue, while states where it is not recognized are shaded in tan. The recognized states include California, Washington, Oregon, Nevada, Idaho, Utah, Arizona, New Mexico, Texas, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Minnesota, Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania, New York, Vermont, New Hampshire, Maine, Massachusetts, Connecticut, Rhode Island, Massachusetts, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Florida, and Alaska. The not recognized states include Montana, Wyoming, Colorado, New Mexico, Texas, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Minnesota, Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania, New York, Vermont, New Hampshire, Maine, Massachusetts, Connecticut, Rhode Island, Massachusetts, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Florida, and Alaska.

Question: *"Do you feel different, like things have changed for you, than you did before the repeal?"*



60%

A donut chart with a dark blue segment representing 47% of the total. The number '47%' is displayed in the center of the chart.

Question: "How has the ruling impacted your overall sense of financial security?"
(Percentage of positive impact shown.)

A donut chart with a blue outer ring and a light blue inner ring. The text "56%" is centered in the middle of the chart.

A donut chart with a light beige background and a dark beige border. The text "42%" is centered in the middle of the chart.

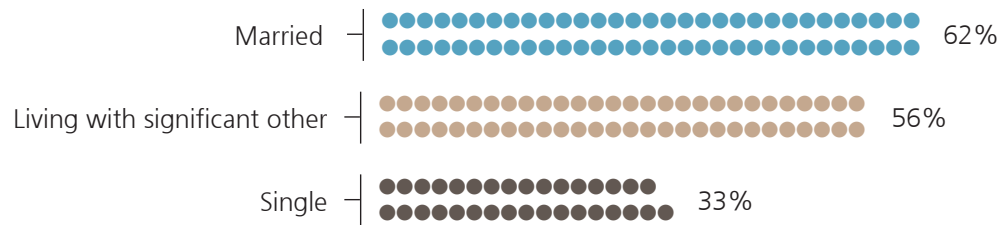


Married and unmarried couples feel more immediate impact

Married couples are most likely to view the DOMA ruling as a landmark decision and feel it has made their lives easier. All couples are more likely to feel different post-DOMA ruling, while only one in three single LGBT investors feel that way. Unmarried couples are most likely to view the extensions of benefits provided by the ruling as highly important. And a majority among married and unmarried couples feel their overall sense of financial security has improved, compared to only 19% of single LGBT investors.

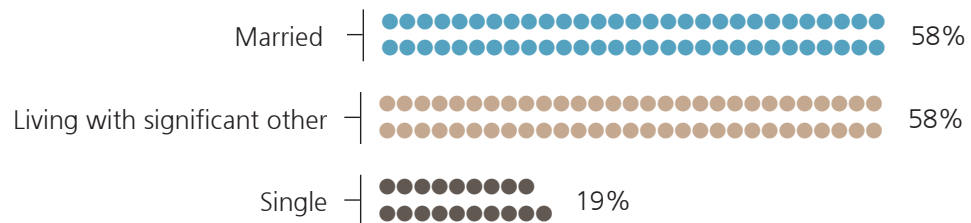
Emotional impact of the DOMA ruling

Question: *"Do you feel different, like things have changed for you, than you did before the repeal?"*



Financial impact of the DOMA ruling

Question: *"How has the ruling impacted your overall sense of financial security?" (Percentage of positive impact shown.)*



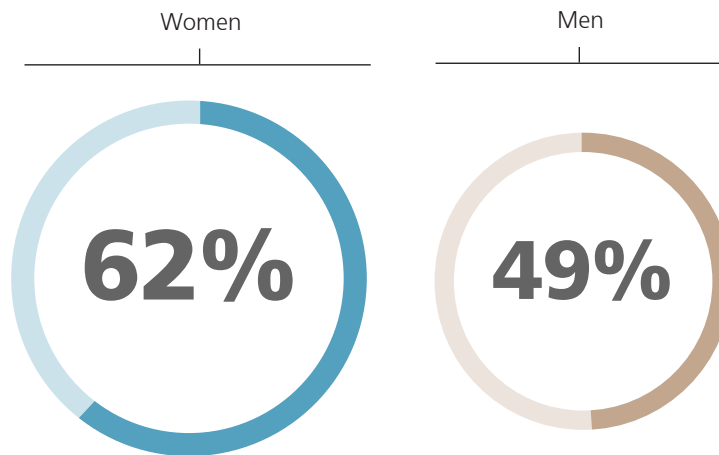


Women more likely to feel different post-DOMA ruling

Men and women are equally likely to view this as a landmark decision and feel it has made their lives easier. However, women are more likely to feel different post-DOMA ruling, more likely to feel the benefits extensions are highly important, and more likely to feel it impacted their overall sense of financial security.

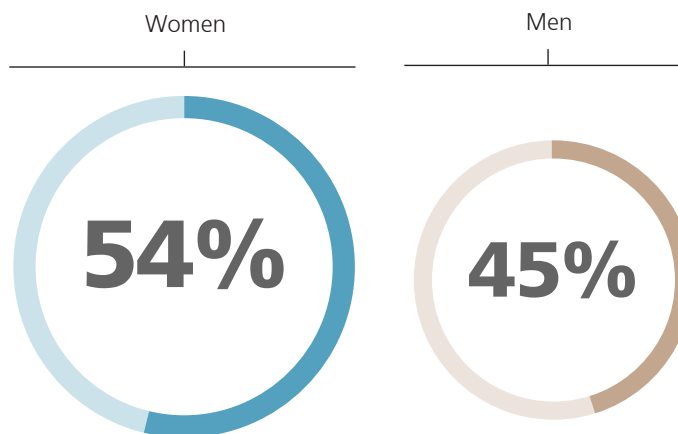
Emotional impact of the DOMA ruling

Question: "Do you feel different, like things have changed for you, than you did before the repeal?"



Financial impact of the DOMA ruling

Question: "How has the ruling impacted your overall sense of financial security?" (Percentage of positive impact shown.)

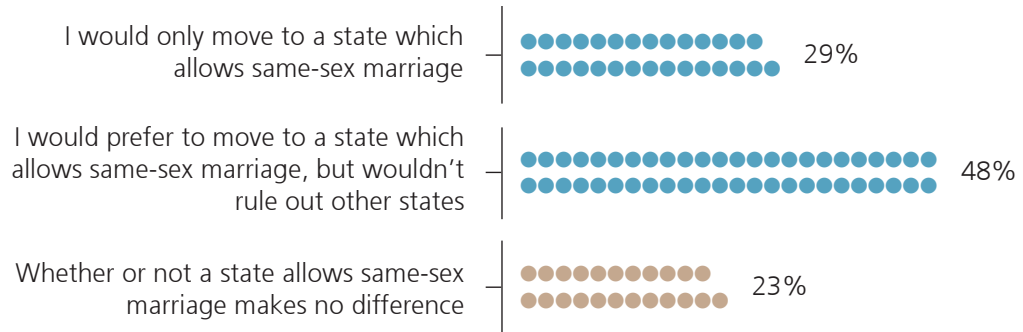


LGBT investors consider marriage laws when moving

The vast majority of LGBT investors would take into account state marriage laws if considering a move to another state. Three in 10 would not even consider moving to a state that didn't recognize same-sex marriage.

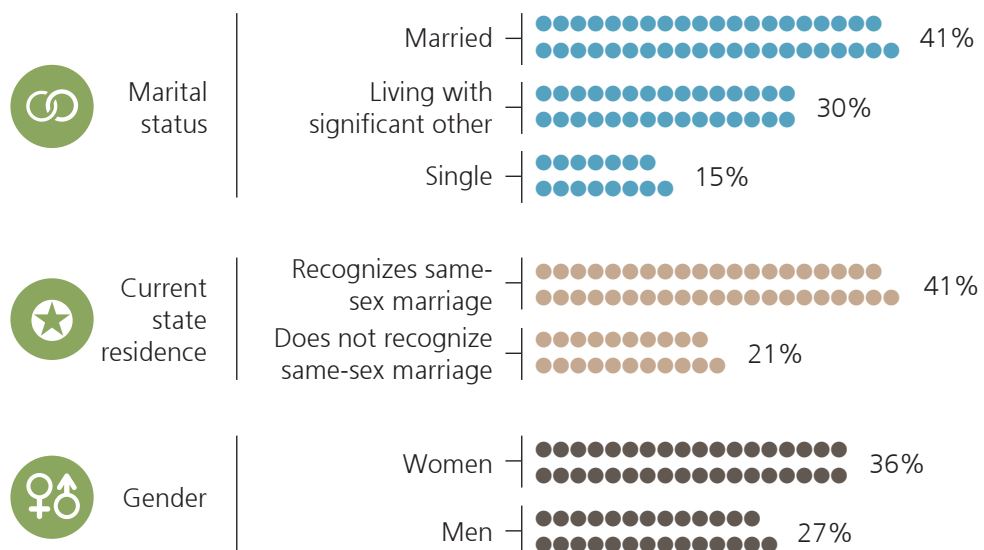
State preferences if considering moving

Question: "If you were considering moving to another state (e.g., job offer), which of the following best describes how important it would be that the state allows same-sex marriage?"



For LGBT investors that are married, live in LGBT-friendly states and are women, the impact is even greater.

Percentage would only move to an LGBT-friendly state



Our pride shows

UBS is proud of the diverse workforce of individuals who help make our firm a dynamic and innovative place to work. Our commitment to inclusivity, regardless of the employee's gender or background, helps to anticipate the needs of our diverse client base. It is the contributions of all employees that ultimately create more productive and successful results for our clients, our shareholders and the communities in which the firm operates.

In order to continue to support and create an inclusive culture, UBS sponsors **Pride** Networks, which are open to all employees, regardless of sexual orientation. **Pride** is a valuable cross-functional discussion forum that provides support for employees who are interested in creating and sustaining an LGBT-friendly environment where people can celebrate the power of all of our differences.

One important goal of **Pride** is to enhance professional development and organizational effectiveness by fostering recognition and appreciation of the individual contributions made by our LGBT employees and allies. In addition, **Pride** supports activities across the firm in such areas as employee recruitment and mentoring and serves as a valuable resource for Financial Advisors who are focused on the LGBT community.

Like all of UBS's other employee networks, **Pride** actively seeks and supports the recruitment of top talent, offers networking and speaker events to

actively engage and retain our employees, and promotes diversity of thought and approach in our businesses.

Key efforts by UBS in LGBT equality and inclusion:

- For six consecutive years, UBS has earned top marks from the Human Rights Campaign's (HRC) Corporate Equality Index (CEI) which measures corporate policies and practices related to lesbian, gay, bisexual and transgender (LGBT) employees.
- UBS was among the first Wall Street firms to offer a tax-offsetting benefit for employees who pay for healthcare coverage for their same-sex partners or spouses and to provide comprehensive healthcare benefits to transgender employees.
- UBS developed resources focused on wealth management for LGBT investors.
- We are proud of our ongoing partnerships with a number of LGBT organizations that focus on health, education and professional development, including Hetrick-Martin Institute, Gay Men's Health Crisis (GMHC), Out & Equal, Out on the Street, Out for Undergraduate Business Conference and a national relationship with Lambda Legal Defense & Education Fund.
- UBS is a proud member of the Business Coalition for Workplace Fairness and OPEN Finance (formerly known as the Interbank Roundtable Committee).
- And lastly, UBS supported the Amicus Brief to overturn the Defense of Marriage Act, which paved the way for gay marriage legalization.

About the survey: For this special edition of *UBS Investor Watch*, 507 LGBT investors responded to our survey from September 24 – October 14, 2013. Additionally, 2,219 other investors participated in the survey as part of our standard quarterly *UBS Investor Watch*, allowing for comparisons. All those surveyed have at least \$250,000 in investable assets; half have at least \$1 million in investable assets.

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