

Researching the Very Wealthy: Results from a Feasibility Study

Matt Barnard, Jean Taylor, Josie Dixon, Susan Purdon, William O'Connor



Researching the Very Wealthy: Results from a Feasibility Study

Matt Barnard, Jean Taylor, Josie Dixon, Susan Purdon, William O'Connor

Prepared for HMRC

Final Report Published August 2007

P6122

Contents

EXECUTIVE SUMMARY	1
Chapter 1: Introduction	1
Chapter 2: Methodological findings.....	1
Chapter 3: Conclusion	1
1 INTRODUCTION.....	3
1.1 Objectives	3
1.2 Study overview	3
1.2.1 Study design.....	3
1.2.2 Study definitions	4
1.2.3 Expert advisor.....	4
1.3 Research methodology.....	5
1.3.1 Stage 1: Literature Review	5
1.3.2 Stage 2: Scoping interviews	5
1.3.3 Stage 3: Interviews with agents.....	5
<i>Sample size</i>	5
<i>Sample criteria</i>	6
<i>Sample frame</i>	7
1.4 Previous research.....	7
2 METHODOLOGICAL FINDINGS.....	9
2.1 Sampling.....	9
2.1.1 Defining the study population	9
<i>Relative position</i>	9
<i>Market considerations</i>	9
<i>Use of wealth management strategies</i>	9
<i>Surplus resources</i>	10
<i>Tax contributions</i>	10
2.1.2 Constructing a sample frame.....	10
<i>HMRC tax records</i>	10
<i>Others sources</i>	11
2.2 Recruitment	13
2.2.1 Recruitment process.....	13
2.2.2 Barriers and facilitators to participation	14
<i>Time and availability</i>	14
<i>Gatekeepers</i>	14
<i>Purpose of the study</i>	14
<i>Subject matter</i>	14
<i>Privacy and confidentiality</i>	15
<i>Incentives</i>	15
<i>Emphasising the status and legitimacy of the research</i>	15
<i>Presence of agent</i>	15
2.3 Data Collection	15
2.3.1 Identifying the correct informant	16
2.3.2 Attitudes to disclosure	16
2.3.3 Data accuracy.....	17
3 CONCLUSION.....	18

EXECUTIVE SUMMARY

Chapter 1: Introduction

- The report presents the findings of a study conducted on behalf of HMRC. Its objectives were to explore the feasibility of conducting research with very wealthy individuals, and explore issues such as identifying data sources and engaging the very wealthy in research. The study was also aimed at exploring the very wealthy's attitudes and behaviour regarding tax and wealth management.
- The study involved a literature review, scoping interviews with individuals with insight into the study population and a small scale qualitative study with agents of the very wealthy. The study design also made plans for a small scale qualitative study with very wealthy individuals and a small scale quantitative survey of the very wealthy. Neither of these two stages were conducted.

Chapter 2: Methodological findings

- The issues involved in **sampling** the very wealthy centred around defining the study population and constructing a sample frame. There were a range of approaches to defining the term 'very wealthy', but none were definitive. Publicly available databases were identified as potential sources for constructing a sample frame, though there were concerns about the accuracy of the information. HMRC tax records were also identified as a potential source, though there were concerns that tax records are likely to provide only an imperfect indicator of wealth.
- **Recruitment** of very wealthy individuals was perceived to be particularly problematic. Concerns were expressed over the process of recruitment, and especially the use of an opt-out as a means of establishing consent to be contacted to take part in the research. Significant barriers to participation were identified, including lack of time, dealing with gatekeepers, concerns over the purpose and subject matter of the study and fears over confidentiality. Some facilitators to participation were also identified, including donations to charities on behalf of participants and the endorsement of a senior government figure.
- The issues regarding **data collection** focused on whether very wealthy individuals (rather than their agents) were the correct informants, and if so whether they would provide enough information of sufficient quality. The research indicated that very wealthy individuals were the correct informants, but there were concerns over the extent to which participants would be comfortable in disclosing financial information and the difficulty of gaining accurate information due to the complexity of their financial arrangements.

Chapter 3: Conclusion

- The report concludes that the difficulties involved in sampling and data collection can be overcome, but that it is difficult to envisage how the challenges involved in recruitment can be addressed. However, it is important to note that the findings

should not be regarded as definitive and that further research is required to reach firm conclusions.

1 INTRODUCTION

This report presents the methodological findings of a study aimed at investigating the feasibility of conducting research with very wealthy individuals. This chapter outlines the study's objectives (section 1.1) and gives an overview of the research design (section 1.2). Section 1.3 discusses the methodology used in the study and the issues involved in implementing the research design. Finally, the extent of previous research related to conducting studies involving very wealthy individuals is discussed in section 1.4.

1.1 Objectives

The study was carried out on behalf of HM Revenue & Customs (HMRC) and its objectives covered both methodological and substantive issues. The study objectives were to:

- Identify different approaches to defining the very wealthy (and associated units of measurement)
- Identify available data and information sources on the very wealthy
- Construct a sample frame of the very wealthy population
- Explore the characteristics of the very wealthy population including possible sub-groups
- Identify the sources of the very wealthy's wealth
- Explore the very wealthy's knowledge and awareness of their financial affairs
- Explore the attitudes of the very wealthy to the UK tax system and to the management of their wealth and assets more widely
- Identify gaps in knowledge about the very wealthy
- Explore possible approaches to accessing and engaging the very wealthy in research

1.2 Study overview

This section presents an overview of the study design, outlining the different stages of the research and how they were related to each other, along with a short discussion of the working definitions used during the research. The section also describes the role of the study's expert adviser.

1.2.1 Study design

The study design included five possible stages. After each stage a decision about whether or not to move on to the next stage was made on the basis of the findings at that point. The intention was that there would be a process of continuous reflection on whether the research objectives had been met, and that the research would be highly iterative with each stage informing the next. The stages encompassed:

- Desk research focussing on sampling issues and a review of current UK and international research
- Scoping interviews with a range of individuals with insight into the study population

- Two small scale qualitative studies: one with a sample of agents of the very wealthy, and one with a sample of the very wealthy themselves
- A small scale quantitative survey of the very wealthy with the principle aim of indicating how easy, or difficult, it is to engage with a *random* sample of individuals

The five possible stages of the research are show in figure 1 below.

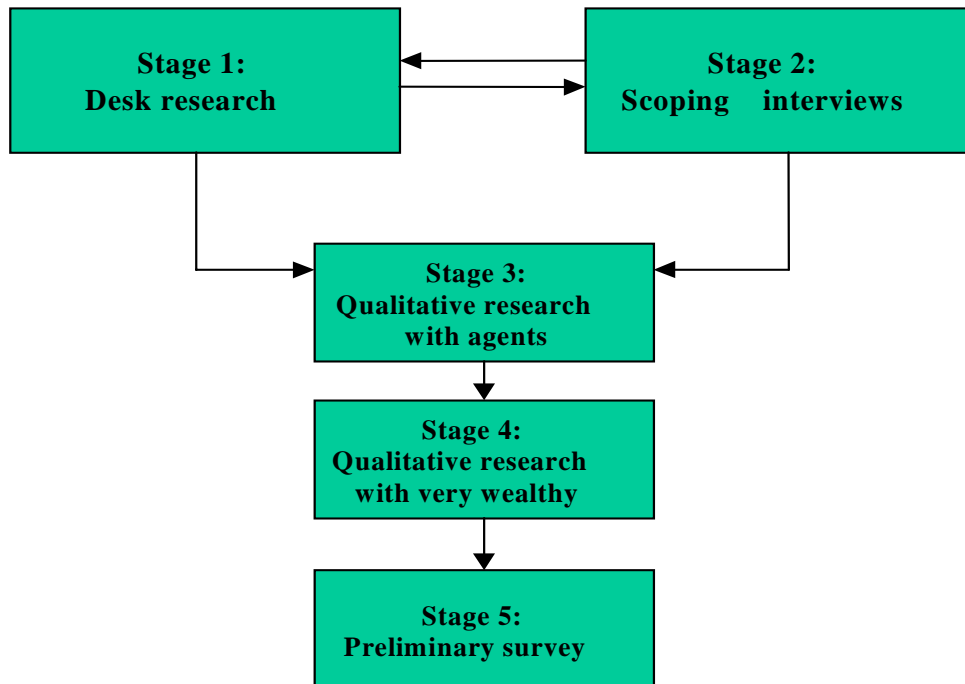


Figure 1: Stages of the study

The first three stages of the study were completed. After the third stage HMRC and the research team concluded that it was not feasible at that time to conduct stages four and five and the project ended.

1.2.2 Study definitions

One of the objectives of the study was to define the term ‘very wealthy’. However, in order to carry out the study a working definition was required and this definition was drawn up by HMRC and the research team. The working definition of ‘very wealthy individuals’ was those who owned £5m or more of disposable assets.

For the purposes of this study ‘agent’ was defined as those individuals who were professionally engaged in the management of the assets and business interests of the very wealthy.

1.2.3 Expert advisor

Working with the research team was a project consultant who was a senior member of a large accountancy firm and who had specialist knowledge of working with very wealthy individuals. The consultant’s role was to provide on-going advice on the methodological issues involved in conducting the study.

1.3 Research methodology

This section details the methodology used to conduct the study. It begins by describing the literature review, including identifying the sources and the search terms used. It then goes on to describe the scoping interviews before outlining the issues involved in conducting the interviews with agents of the very wealthy, including the sample size, the choice of sample criteria and the construction of the sample frame.

1.3.1 Stage 1: Literature Review

A review of academic, commercial, policy and journalistic literature relating to the very wealthy and the management of their assets was undertaken in the early stages of the research. This provided the substantive context for the development of the Stage 2 research tools, and supported the identification of individuals who it might be appropriate to approach for the scoping stage interviews.

The literature search was conducted through a number of routes. These were:

- Library catalogues - British Library, London School of Economics library and Amazon.co.uk
- Bibliographic databases - International Bibliography of the Social Sciences, Ingenta, Econlit, ABI/Inform, Web of Knowledge, Business Periodicals Index RePEc (Research Papers in Economics)
- General search of the internet using search engines

For each of these sources a number of search terms were used, initially combining population labels such as 'very rich' or 'very wealthy' combined with terms such as 'views', 'attitudes', 'survey' and 'taxation'. When this approach produced little literature the sources were searched using the population labels (i.e. 'very rich' and 'very wealthy') on their own.

Scoping interview respondents were also asked to identify relevant literature.

1.3.2 Stage 2: Scoping interviews

In-depth interviews were undertaken with twenty individuals including academics, individuals working for NGOs, and agents of the very wealthy. These interviews were undertaken in parallel with the literature review. The participants for this stage were not sampled purposively. Rather, a convenience sampling approach was adopted to draw together a diverse range of individuals who had relevant knowledge or experience. They were identified through the literature review, internet searches, and on the basis of referrals from other scoping interviewees.

1.3.3 Stage 3: Interviews with agents

Stage 3 of the study involved interviews with agents of the very wealthy. Conducting this stage involved a number of methodological issues, each of which are discussed below.

Sample size

Stage 3 was not intended to be a fully developed qualitative study. Instead it was designed to build on the scoping interviews and inform the subsequent stages of the research. It was felt that a sample size of 18 would provide sufficient data for this

purpose. The small sample size was not intended to allow for full purposive sampling but sufficient to broadly map the different constituent groups of agents.

Sample criteria

Despite the small sample size, in order to make best use of this stage some limited purposive sampling was undertaken aimed at reflecting some of the key elements of the range and diversity of the agent market. Three sampling criteria were used:

Agent type: the literature review and scoping interviews identified a range of agents involved in the management of the very wealthy individuals' assets and business interests. These included: solicitors; accountants; private bankers; individuals working for investment houses; individuals working for off-shore trust companies; independent financial advisers; tax barristers; individuals providing advice and services to wealthy families (so-called 'family office services'); and, individuals working for specialist tax companies (often referred to as 'boutique tax practices', employing lawyers, accountants and others). Due to the size of the legal and accountancy sectors, it was felt that potentially greater diversity existed among these agents and therefore higher sample numbers were set for these categories.

Level of client wealth: the scoping interviews indicated that the attitudes and behaviour of very wealthy individuals might be affected by their level of wealth. The previous stages also indicated that there were a number of thresholds at which there were changes in the way very wealthy individuals managed their assets and their behaviour with regard to taxation. The agent market, according to the evidence gathered in the first two stages of the study, reflected the changes that occurred due to different levels of wealth. As a result agents were sampled on the basis of the level of wealth of the clients they serviced, using two categories: mixed level of client wealth and high level of client wealth. These categories seemed most appropriate to the accountancy and legal services. There existed guides which ranked companies in these sectors and these rankings were used as proxies for level of client wealth. For both substantive and pragmatic reasons this segmentation was only applied to accountants and solicitors.

Region: the scoping interviews indicated that the attitudes and behaviour of both very wealthy agents and the very wealthy themselves could be affected by the geographical area in which they were based. The principle distinction made was between London and non-London areas. Again due to the limited number of agents outside London and the difficulty in identifying them, this criteria was principally applied to accountants and solicitors.

The final sampling matrix is shown in the table below.

Level of client wealth	Region	Law firms	Accountants	Banks	Investment houses	Financial advisers	Tax Bar	Family Offices	Boutique Practices	Total
Mixed wealth	London	2	4	2	0	1	1	0	0	10
	Non-London	2	0	0	0	0	0	0	0	2
High end wealth	London	1	2	0	1	0	0	0	1	5
	Non-London	0	0	0	0	0	0	1	0	1
Total		5	6	2	1	1	1	1	1	18

Sample matrix for stage 3

Sample frame

The sample frame for agents was constructed from a number of sources. The Chambers directory, a commercially produced guide to the legal sector, was used to identify solicitors and barristers. Similarly, a guide produced by the magazine Accountancy Age, was used to identify accountants. The selections from these sources were validated by the consultant to the project along with other experts in the field. The research team relied solely on expert recommendations to construct a sample frame for the other categories of agents as there were no other available sources.

1.4 Previous research

The results of the literature review demonstrated that there is very little literature that addresses the issues involved in conducting studies of the very wealthy. Those that do have focused on surveys carried out in the United States undertaken by the federal government. Key literature for the study has been published by Arthur Kennickell of the US Federal Reserve. The Federal Reserve carries out the US Survey of Consumer Finances which includes a sample drawn from tax files based on an (estimated) wealth index. Individuals are divided into strata based on this index and the sampling fraction systematically increased with each stratum. The top one or two strata are the closest match to the definition of 'very wealthy' envisaged in this study. However, for confidentiality reasons, the Federal Reserve does not publish their strata definitions. The published literature describes the construction, and testing, of a sampling frame based on Individual Tax Files.

Juster, Smith and Stafford (1999) *The Measurement and Structure of Household Wealth*, Labour Economics (Volume 6 pp. 253-275) examines methodological issues of collecting data on the wealthy, using two surveys in the United States of America as examples. It concludes that the very wealthy are easily missed if standard area samples are used, but that it is still hard to get responses from this group using special samples. The paper also argues that it is possible to identify the total wealth of most households with a moderate number of questions but that this is not the case for those at the top of the distribution.

There have been a small number of qualitative studies involving primary research with the very wealthy, some of which also reflect on the methodological issues

involved in carrying out research with this participant group. Michael Gilding conducted in-depth interviews with 50 individuals drawn from rich lists produced by the Australian magazine *Business Review Weekly*. His findings are set out in various articles and his book, *Secrets of the Super Rich* (2002). Gilding's work includes some observations regarding gaining access to the very wealthy, and these are reflected in the following chapters of this report.

Overall, the literature search indicated that there are only a limited number of studies addressing methodological issues of conducting research with the very wealthy. There are also very few studies that have undertaken any primary research involving either surveys or qualitative research with the very wealthy. As such, the findings of the current study will become part of a very small body of literature addressing methodological issues involved in conducting social research with this study population.

2 METHODOLOGICAL FINDINGS

This chapter summarises the methodological findings of the study. It begins by discussing the challenges of sampling (in section 2.1) and goes on to explore issues related to the recruitment of very wealthy individuals in section 2.2. In the final part of the chapter (section 2.3) the factors affecting the range and quality of the data collected are outlined. The findings presented in this chapter draw on data gathered from the literature review, the scoping interviews and the interviews with agents (stages 1, 2 and 3, respectively, of the study).

2.1 Sampling

This section addresses the issues involved in sampling the very wealthy. The first step in this process is to define the term 'very wealthy' and a number of approaches to doing this are outlined. The second step is to construct a sample frame of very wealthy individuals and the advantages and disadvantages of a number of sources are discussed in the second part of the section.

2.1.1 *Defining the study population*

In order to define the study population, a financial threshold above which an individual is considered to be in scope must be defined, along with the assets to be included within the term 'wealth'. At the exploratory stage of the study, the research focussed on the approaches experts and agents took to setting a threshold, without restricting the range of assets that might be included. None of the approaches used by experts and agents resulted in a definitive definition of 'very wealthy'. Each approach is discussed below.

Relative position

Using a relativist approach, the 'very wealthy' are seen as the small number of individuals at the top of the wealth scale. As such, the threshold for inclusion depends on the distribution of wealth within a given society at a particular point in time. The threshold is essentially an arbitrary choice and therefore also varies depending on the individual setting it.

Market considerations

A second approach to defining 'very wealthy' was the use of market or commercial terms such as High Net Worth Individuals (HNWI) and Ultra High Net Worth Individuals (UHNWI). These terms reflect the level of wealth at which it becomes efficient or profitable for agents or financial institutions to market particular wealth management services or tax structures. As such the threshold depends on the kinds of services being considered, from specialist tax advice to the use of family offices.

Use of wealth management strategies

The term 'very wealthy' was also defined with reference to the level of wealth at which it becomes efficient for individuals to pursue particular wealth management strategies. However, it was not always clear what this threshold was as some individuals were described as adopting some wealthy management strategies before agents felt it was efficient to do so. It was felt that these individuals were motivated

by the desire to use the same strategies as individuals with much higher levels of wealth for status reasons.

Surplus resources

Another concept used to define the very wealthy was 'surplus wealth'. Surplus wealth was defined in terms of the resources individuals had after they had set aside the amount needed for 'basic' lifestyle needs, including things such as housing, school fees and a pension. The concept of 'surplus wealth' was used both to define the term 'very wealthy' and to categorise individuals above this threshold into further sub-categories. In some cases this was based on the potential for passing on wealth to following generations. The kinds of sub-categories described include the following typology used by one participant:

- Below £5m not 'very wealthy' – individuals will own a substantial residential property and a stock of capital but limited transfer possible between generations
- £5m plus 'very wealthy' – individuals will have some surplus, and will be able to think about gifts before death
- £5-£30m – considerable ability to give away significant gifts in their lifetime
- £50-£100m – ability to consider wealth planning for the following three generations
- over £100m – ability to have a personal office to manage family finances and pursue dynastic aims

Tax contributions

A final approach to defining the term 'very wealthy' was based on the level of wealth at which individuals were perceived to have the potential to make significant tax contributions.

2.1.2 Constructing a sample frame

Once a definition of 'very wealthy' has been established, it is necessary to identify a 'sample frame' from which to draw a selection of individuals to be interviewed for the research. A sample frame is a list of potential participants which includes their contact details along with other information that enables representative or purposive sampling. It is important that a sample frame contains a significant proportion of the total population being studied and that it is not skewed towards a certain kind of individual. A number of potential data sources from which to construct a sample frame of the very wealthy were identified, each of which had potential advantages and disadvantages. These different sources and the pros and cons of each are discussed below.

HMRC tax records

Self-assessment records, which contain information collected for taxation purposes, generate two sets of data that could potentially be used as ways of identifying very wealthy individuals for research. The first is income from investments and the second is capital gains on investments. Participants in the study believed these indicators would identify a broad range of very wealthy individuals. However, it was also felt that there were a number of individuals that would not be identified using this approach, which were those:

- who were non-domiciled
- with assets were held at arm's length, for example in a business or trust

- with assets that did not generate a regular income stream, for example land

In addition to issues regarding the range and diversity of individuals identified in this way, concerns were expressed about the legitimacy of using tax record data for the purpose of drawing up a sample frame. These concerns centred around the belief that there was an implicit understanding that tax record data would not be used for any purpose other than the assessment of tax liability. It was anticipated that very wealthy individuals could potentially react strongly to tax record data being used as a basis for sampling. It was felt this could also lead to unfavourable press coverage which could damage the reputation of the parties involved.

Others sources

In addition to HMRC tax records, three other potential sources of information that could contribute to the construction of a sample frame of the very wealthy were identified. These were:

- **Rich lists:** including The Times Rich List, the Asian Rich List, The Australian Business Review Weekly Rich List and the Forbes 500. These are compiled by journalists using a range of public sources, interviews with individuals considered knowledgeable about the very wealthy and estimates.
- **Commercial databases:** These include databases developed for organisations such as charities seeking benefactors.
- **Investment information:** companies house, information on sales of stocks and shares

The strengths and weaknesses of these respective data sources are outlined in the table below:

Data source	Content	Strengths	Weaknesses
Published rich lists, especially The Times Rich List	<ul style="list-style-type: none"> • Top richest individuals in the UK and Ireland • Visible liquid assets 	<ul style="list-style-type: none"> • Felt to be best source of information on the very wealthy in the UK • Regularly updated • Good cross section 	<ul style="list-style-type: none"> • Doubts about accuracy and coverage of lists • Just the 'tip of the iceberg'? • Inconsistency in measurement of individual vs. familial wealth • Underestimates the value of individual wealth
Commercial rich lists	<ul style="list-style-type: none"> • Bespoke lists tailored to the needs of the customer 	<ul style="list-style-type: none"> • Updated on an ongoing basis • Tailored to stated criteria 	<ul style="list-style-type: none"> • Based on publicly available information including rich lists, and commercial/investment information therefore not necessarily more accurate/comprehensive
Commercial investment information	<ul style="list-style-type: none"> • E.g. companies house information 	<ul style="list-style-type: none"> • May signal individuals with substantial wealth not identified elsewhere • Additional sources used- e.g. unquoted companies 	<ul style="list-style-type: none"> • Information limited to business and investment • May favour coverage of individuals with certain wealth/asset mixes, types of management strategies

2.2 Recruitment

Once a sample frame of the very wealthy has been identified and a sample selected, the next stage in the research process is to contact the selected individuals to determine whether they are willing to take part in the research. The issues and challenges involved in the recruitment process reflect both the process of recruitment and the response of the individuals contacted, and both of these issues are discussed in turn below.

2.2.1 Recruitment process

Before being contacted by telephone or in person, potential participants in any study should receive an 'approach letter' explaining the nature and purpose of the research and giving them the opportunity to say they do not want to be contacted any further. This is done in order to ensure that participation in the research is voluntary, and is standard practice in all research and required under ethical guidelines published by a range of co-ordinating bodies such as Economic and Social Research Council and the Government Social Research Unit. There are two ways in which a research team can establish whether potential participants are happy to be contacted further or not. The first is that the approach letter can ask individuals to contact the research team if they *do* wish to take part in the study. This is known as an 'opt in', and the inference is that anyone not contacting the research team does not wish to take part. The second way is that the approach letter can ask individuals to contact the research team if they *do not* wish to take part in the study. This is known as an 'opt out', and the inference is that anyone not contacting the research team is happy in principle to take part in the research.

The advantage of an opt in is that potential participants give a very clear signal that they wish to take part in the research and they can be very responsive and co-operative interviewees. The disadvantage of this method is that it can exclude a large number of people who are happy to take part in the research but do not contact the research team due to various reasons, including inertia, not having received the approach letter or not finding the time to respond. This can result in difficulties in generating a purposive or representative sample and, for quantitative research, difficulties in generating enough respondents for the study outcomes to be statistically significant. The advantages of an opt out is that it overcomes the difficulty of small and potentially skewed sample sizes, and as a result is the standard approach used in social research. However, there were concerns among participants interviewed as part of this study about the use of a opt-out procedure for research with the very wealthy. Agents in particular, felt that it was important that very wealthy individuals actively indicated that wanted to take part, particularly if the research was focussed on sensitive subjects such as financial affairs and tax. This view was held by agents despite the recognition that using this method could have negative implications for the feasibility of any study.

Agents also believed that any opt-out or opt-in period would need to be relatively long, with a period of four weeks being mentioned by some (an opt-out period of two weeks is common within the research industry). This was because they felt that very wealthy individuals may not receive the letter immediately as they often travelled, and they would also need time to discuss whether they should take part or not with their agents. There was also speculation that some very wealthy individuals, such as those with family offices, would not see the opt-out letter as their agents would reply negatively on their behalf without consulting them. Despite this possibility, some participants felt that very wealthy individuals should be contacted through the agents named on self-assessment forms rather than directly.

2.2.2 Barriers and facilitators to participation

Participants with a broad range of backgrounds all felt it would be difficult to recruit very wealthy individuals to take part in a study. The barriers to participation included both practical considerations and attitudinal ones. A small number of potential facilitators were also identified, and both barriers and facilitators are discussed below.

Time and availability

A primary barrier identified by participants was the limited time and availability that many very wealthy individuals are likely to have. The experience of other researchers who have undertaken studies with this group suggests that the flexibility and availability of interviewers is key to successful recruitment, with clear implications for the level of resources required to carry out this kind of work.

Gatekeepers

One aspect of the role of personal assistants, solicitors and accountants was described as managing access to very wealthy individuals. This gatekeeping function included managing correspondence such as requests for money or financial support from charities. In addition, agents were described as responsible for ensuring that the financial affairs of their clients are subject to minimal external scrutiny. As a result participants in the study felt that even where very wealthy individuals did not opt out of the research at the initial stage, recruiting them would involve persuading gatekeepers of the legitimacy and worth of the study.

Purpose of the study

The perceived motivation of the sponsor for commissioning the study was seen as a significant factor influencing individuals' decisions about whether to take part or not. It was felt that there would be concerns that a study conducted on behalf of the government, and HMRC in particular, would be aimed at supporting moves to increase the tax rate for those at the top of the wealth spectrum and reducing the opportunities for tax mitigation. In order for potential participants to be reassured on this issue, it was felt that the objectives of the study would need to be clearly articulated along with the policy aims they were related to. It was also felt that participation would be facilitated if the study was seen as a part of a sustained attempt by HMRC to ensure that its relationship with the very wealthy was based on trust, mutual respect and co-operation. Very wealthy individuals would also be encouraged to participate in research if the study was seen as contributing to changes that would be beneficial to them, such as the simplification of the tax system.

Subject matter

Some participants felt that very wealthy individuals would be reluctant to participate in a study focussing on the management of their wealth and assets because of the social taboos on discussing personal income and wealth. However, feelings about discussing wealth were believed to be affected by whether it was 'earned' or 'unearned' wealth. It was felt, therefore, that entrepreneurs would be more comfortable discussing their wealth, because they enjoyed talking about their achievements in business and about how they became wealthy, and so would be more willing to take part in the study. Individuals with inherited wealth were believed to be less comfortable discussing these issues and so be less willing to take part in the study.

Privacy and confidentiality

The confidentiality of the research and the use made of the data collected were seen as being significant factors affecting decisions to participate. It was anticipated that there would be concerns about any attempt to link the data to information held by HMRC and potentially resulting in investigations. Very wealthy individuals who were engaged in tax avoidance strategies were seen as having the greatest concern in this area, which would obviously have implications for the representativeness of a sample. A second concern related to the desire of many individuals to maintain a low public profile, to avoid such things as requests for money or because of concerns over personal safety. These concerns meant that participants felt that the reputation and profile of the organisation undertaking the research would be important factors in reassuring respondents about confidentiality and the use of their data. Nevertheless, participants felt that irrespective of whoever was undertaking the research it would be very difficult to anonymise the data of some very wealthy individuals because their circumstances were outlined in detail on publicly available rich lists and this would dissuade some individuals from taking part.

Incentives

Previous research has indicated that the efficacy of incentives is not necessarily related to their financial worth but instead reflects their symbolic value as a concrete expression of the principle of reciprocity.¹ This view was endorsed by participants in this study who felt that offering to donate incentives to charity on behalf of the individuals being interviewed may encourage participation. This was seen as a cost-effective approach, as a donation would be a recognition of the time individuals would be giving up to take part in the research without needing to fully reflect the market value of their time.

Emphasising the status and legitimacy of the research

It was felt that the status and legitimacy of a study involving very wealthy individuals would be enhanced if the research was clearly endorsed by a senior governmental stakeholder.

Presence of agent

There were suggestions that very wealthy individuals would only agree to take part in the study if their agents were allowed to be present. It was felt that agents could provide advice on whether or not to answer particularly sensitive questions and also reassure participants of the accuracy of their answers.

2.3 Data Collection

The range and quality of data that it is possible to collect in a study exploring the wealth and assets of the very wealthy is obviously key to whether the research is feasible or cost effective. There are three aspects of data collection that need to be considered. Firstly whether very wealthy individuals know enough about their own wealth to answer questions about it and whether they are therefore the most appropriate informants. Secondly, the extent to which they are willing to disclose information about their circumstances. And finally, whether the information they provide is accurate. Each of these aspects are discussed in turn.

¹ Nicolaas, G., Legard, R., Collins, D. and Thomas, R. (2005) A Review of Non-Response in Natcen Face-To-Face Surveys (NatCen internal report)

2.3.1 Identifying the correct informant

A key question for the feasibility study was whether it was necessary to interview the agents of the very wealthy as well, or instead of, very wealthy individuals themselves in order to obtain accurate data on the level and distribution of individuals' wealth. Participants in this study believed that generally the very wealthy have a good level of knowledge of their wealth due to a strong desire to maintain control over all aspects of their lives including the management of their assets. However, the degree to which individuals had detailed knowledge of the level and distribution of their assets was believed to be linked to the source of their wealth. It was felt that entrepreneurs were likely to be closely engaged with the management of their assets, even when they passed on the responsibility of day-to-day stewardship to agents. This was attributed to the fact that it was entrepreneur's attention to detail and financial management that helped them become wealthy in the first place (though this was felt to be less applicable to retired entrepreneurs who wanted to focus their energies elsewhere). Alternatively, it was argued that the extent to which entrepreneurs were engaged in the management of their wealth would be limited by the fact that their skills lay in developing and running businesses rather than managing investments.

While entrepreneurs were generally seen as having a detailed knowledge of their wealth and assets, there were some groups who were seen as less likely to have complete understanding of their financial affairs. Those who had inherited their wealth, either from previous generations or from partners or spouses, were seen as potentially having limited understanding or knowledge. In part this was seen as reflecting the fact that their wealth was tied up in structures such as trusts that required little active management. However, it was also felt that individuals who inherited wealth did not necessarily have the skills needed to engage with relatively complex financial issues. There were also a number of individuals for whom wealth management was not perceived to be a priority and who would therefore not have a detailed knowledge of their assets. These included people such as entertainers, whose interests were not primarily in financial management, and some professionals such as investment bankers who are able to earn more through their work than they could if they spent time managing their own assets.

2.3.2 Attitudes to disclosure

Participants in this study felt that those very wealthy individuals who agreed to be interviewed would be relatively comfortable disclosing information about their wealth and assets. They based this belief on a number of factors. Firstly they felt that there would be a self selection process which would mean that only those who were comfortable discussing personal financial issues would agree to take part in the first place and possibly only those who had already disclosed everything to HMRC. It was felt these individuals would be motivated to take part out of public duty and would therefore be willing to talk about their circumstances for the same reasons. However, it was thought that even these individuals would be more comfortable talking about broad categories of wealth and assets rather than enumerating their wealth precisely. There was also a belief that very wealthy individuals taking part in any study would be motivated to be honest because they saw the current tax regime as benign and would be keen to provide evidence that would mean it did not change.

Despite a general willingness to talk about their wealth and assets, there was a belief that there could be limits on the extent to which some individuals are prepared to reveal their whole circumstances. One reason given for this was that some very wealthy were characterised as going to great lengths to ensure that no one person,

other than themselves, knew about all aspects of their financial arrangements. Therefore, while they might be happy to talk about some aspects of their wealth management, they might be reluctant to disclose everything even within a confidential research interview and even if they had nothing illegal or untoward to hide.

There was also a belief that there were particular wealth management strategies that some individuals would be reluctant to discuss or answer questions about. It was felt that very wealthy individuals would be reticent in talking about their use of off-shore accounts for holding or managing wealth, along with strategies which involve manipulating the tax regime to their advantage, because of the connotations of dishonesty associated with these behaviours. However, one participant who was involved in carrying out studies with very wealthy individuals in the United States America reported that individuals in that research were prepared to discuss a wide range of activities, including illegal ones, because they believed assurances of confidentiality. This view chimes with the widely held belief that full and honest disclosure would depend critically on the need for complete confidentiality and the ability to persuade very wealthy individuals that this was the case. However, even where potential participants accepted assurances regarding confidentiality, it was felt some very wealthy individuals would be concerned about the possibility of data being accidentally lost. This concern was linked to the basic worry, discussed in section 2.2.2, that the very wealthy's circumstances are so particular that it would be very difficult to anonymise the data collected.

2.3.3 Data accuracy

The accuracy of the data collected in any research was seen as being potentially compromised by the complexity of the financial arrangements of the very wealthy. In part, this complexity was seen as reflecting the fact that those with substantial assets needed more complex structures to manage them. However, some very wealthy individuals were also believed to deliberately structure their assets in a complex way as part of a strategy for maintaining control over them and preventing unwanted scrutiny.

It was felt that the complexity of the financial arrangements of the very wealthy would mean that there was more scope for mistakes to occur in recollection even where the participant was intent on providing full and accurate information. As a result, it was argued that any survey would need give participants repeated opportunities to recall specific details rather than moving in a linear fashion from one topic to the next. It was also felt that questions would need to be worded carefully to take account of the various forms in which wealth could be held and managed to avoid, for example, assets held in trusts being excluded from the total wealth of individuals because they were not legally 'owned' by them.

3 CONCLUSION

The aim of this final chapter is to summarise the main findings of the study and to set out their implications for government social research with the very wealthy. In doing so the chapter will identify a number of hurdles to conducting research with the very wealthy that can be addressed, but also a number of challenges for which it is more difficult to envisage a way forward. The chapter concludes by noting the different implications for conducting quantitative and qualitative research and the need for further research to firmly establish the feasibility of conducting research with the very wealthy.

In research terms, the very wealthy can be seen as a hidden population. The reason for this is that they do not appear on any existing data sources that clearly and reliably identify them as very wealthy. This means that a sample frame needs to be constructed before any research can take place, and this study indicates that there are hurdles in doing so. Although there are a large number of published or publicly available lists of very wealthy individuals, there are concerns over both their accuracy and the fact that they only include the minority of individuals who are believed to be at the very top of the wealthy distribution. The information held by the government in the form of tax records is likely to be significantly more accurate, though there are still problems in using this as a source of data because individual wealth is not recorded directly but instead must be estimated based on the amount of tax paid. These are significant challenges, however there are established techniques for addressing these issues and it is likely they would not prove insurmountable.

There were also questions raised over the quality of data that would be gathered in research with very wealthy individuals, particularly regarding the size and distribution of their wealth and assets. The complexity of their arrangements was seen as potentially militating against establishing reliable financial data, and this was coupled with reservations over whether very wealthy individuals would be prepared to disclose parts or the whole of their financial position to any one individual. There were also concerns over disclosing information to the government. As with the challenges in constructing a sample frame, these issues can be addressed by using a robust and intelligent research design and credible reassurances over confidentiality in line with the practices already employed within social research. The key to implementing this would be to make sure these practices are communicated clearly to participants. Similarly, it would be important to reassure individuals that findings would be reported at an aggregate level to make sure that individuals could not be identified by the specific characteristics of the source of their wealth or the way in which they held it.

However, while it is possible to envisage overcoming the difficulties associated with identifying who to interview and how to conduct the interview, it is less clear how to address the challenges of persuading very wealthy individuals to agree to be interviewed. The process of recruitment – the use of an opt-out or opt-in – is fraught with ethical, legal and reputational difficulties, which have implications for both the numbers of individuals it is possible to recruit and the diversity of the sample. The ethical difficulties centre on the use of an opt-out when the evidence indicates that this would not be an acceptable approach from the perspective of the study population. Such is the antipathy to this method that it is possible legal action would follow. If this were to happen, both the research organisation undertaking the study and the body commissioning it would have to consider carefully the impact such action might have on their respective corporate reputations. The concerns of the very

wealthy to the use of the opt-out may not be different to those of the general population, but the resources available to them to act on their objections are clearly far greater.

Even if the challenges involved in using an opt-out can be overcome, there remains the deep-seated reluctance of very wealthy individuals to take part in the research, based on a powerful desire for their affairs to remain private. It is not clear how this challenge could be addressed. The solutions suggested by participants, such as donations to charity and communicating the backing of a senior stakeholder for the research, do not seem likely to be sufficiently persuasive and existing recruitment strategies also seem inadequate.

The difficulty in overcoming the barriers to recruitment implies that it would be very hard for the government to conduct meaningful social research with very wealthy individuals that is aimed at measuring the size and distribution of their wealth and assets and exploring their attitudes and behaviour regarding the tax system. The particular difficulty in conducting quantitative research would be to generate a sample that is large enough to be statistically significant and with a response rate that is high enough to prevent systematic bias, allowing the research to be statistically generalisable. The difficulty for qualitative research would be in achieving a robust purposive sample that fully represents the diversity of the population and therefore provides the basis for theoretical or representational generalisation. The findings of this study also clearly imply that any attempt at conducting quantitative or qualitative research with this population group would be resource-intensive, both in terms of the amount of time and the extent of financial resources that would be required.

Finally, it should be noted that the methodological findings of this study need to be treated with caution and primarily seen as working 'hypotheses' rather than established principles. The findings are based on the perceptions of experts and agents of the very wealthy, along with previous research, but do not reflect the views of very wealthy individuals themselves. Subsequent stages of the research were designed to firstly explore the views of very wealthy individuals directly and then to gauge how those perceptions translated into actual behaviour using a quantitative methodology. Without carrying out these further stages, ultimately it is not possible to reach any firm conclusions regarding the feasibility of conducting research with the very wealthy.