MONEYWEEK

What the super-rich are doing with their money

By **Dominic Frisby** Oct 29, 2008

Francis Claessens is a Dutch multi-millionaire. He is one of the many super rich who emigrated to London over the last 15 years. As he sips on his white wine in his (rented) Mayfair flat, he has the relaxed, elegant and confident demeanour of a man several steps ahead of the game.

Earlier this year he set up a network for high net worth individuals - a wealth peer group - called Peers. To give you an idea of the financial clout of its members, to join you must have a minimum of £5m of investable assets - not net worth, investable assets - while Group 2 starts at £25m and Group 3 at £50m. That is, by no means, small fry.

The multi-millionaires meet once a month to discuss the management of their money, to hear investment pitches and presentations and to network. But what we all want to know is, what have the super rich been doing with their money? How hard has this market turmoil hit them? Are they going to stay in London or are they leaving?

"Over the past six months," says Claessens, "there has been a scramble to cash: to redeem from hedge funds, to sell stocks, even bonds and currencies we didn't like. The only way of preserving capital has been to stay in cash. The question is what currencies do you choose? What banks to you choose to have your money with? You have to diversify among banks because you cannot afford to lose it all in one go."

I couldn't resist asking the dreaded Iceland question. Claessens replied, "I remember one lady who was in an Icelandic account. She liked the interest very much. But she had a conversation with some other Peers and she was worried. She called her manager in Iceland and he came over to London to have lunch with her and convinced her that her money was safe. She left it with the Icelandic bank and a week later the bank was nationalised. That taught us that one source cannot be trusted and that is the banks themselves."

"Which banks do you like?" I asked. "At the moment," came the reply, "now they are guaranteed, the UK and Swiss banks have the preference of the members."

Anyone invested in any asset class except yen or US dollars has been properly walloped this last five months. Does the same apply to the super rich? "Yes," says Claessens. "Only those who are mostly in cash, or those who recently sold their companies or recently inherited have been able to avoid it. Most have lost 15, 20 or even 30% of their wealth."

I was keen to know their strategy going forward. "At some stage things are going to stabilize. We have been looking at a medicare fund and at some funds to buy up distressed securities of all kinds. But each time we talk about it some new disaster happens and we put it off a few months. For now we are waiting on the sidelines and watching."

There are many who have been predicting an exodus of the very rich from London. Have they been leaving? Are they planning to? "It's not a matter of people leaving immediately," explains Claessens. "But other people who might have come are now not coming. There are so many other wealth havens around the world, if things do not sound so secure - like the UK at the moment - people go to Monaco, to Belgium, to Holland, to the Carribbean."

As for their posh London pads, "Most of those that had real estate are keeping it. Those that didn't are not buying now."

There are some that bemoan the generous tax status of the non-dom. Claessens says: "Morally they are right, but practically they are not. To tax or target the very wealthy is probably not good tax policy because you chase away those you would rather have here. If people are taxed unfavourably they just leave. If you attack those who might be here or might be somewhere else, they are going to go somewhere else."

So there you have it. It seems they super rich have just the same problems and decisions we all do, just on a bigger scale. If you're lucky enough to be of a high enough net worth to qualify for membership, you can find out more at www.wealthpeergroup.com.

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