WHAT THE FUTURE: WEALTH

GAME CHANGERS

Ipsos

How will the digital era impact America’s **wealth and wealthy?**

39%

of Americans with household incomes of $250k+ agree that the top 1% pay their fair share in taxes.

(Source: Ipsos Affluent Barometer conducted Jul. 2021, among 1,001 U.S. adults with household incomes of $125,000+.)

It’s hard to talk about the future of wealth and not talk about inequality.

America has an odd relationship with wealth. We all know who has it (almost no one) and who doesn’t (all the rest of everyone). But unlike most countries, we don’t really bear any grudges. Part of the myth of America is that anyone can attain wealth with hard work and a bit of luck. That seems to bake into our culture that the rich are not the enemy of the people.

Yet most say the system is rigged to the benefit of the wealthy. Even most of the affluent attest to this in a recent Ipsos survey.

Meanwhile, the wealthy are more diverse, as is the rest of society. An enormous generational wealth transfer is coming. As Jay-Z raps in “The Story of O.J.,” “I bought some artwork for one million. Two years later, that['s] worth two million. Few years later, that['s] worth eight million. I can’t wait to give this [] to my children.”

“There are shifts coming in who owns the wealth, how they spend it and how they show it off, both in the real world and virtual spaces.”

The art world is just one of the seemingly endless ways for the rich to get richer. The latest is the virtual metaverse. One high net worth individual tweeted about how he’d seen a 7x return on an NFT investment in just a few days. Benito Pagotto, interviewed in this issue, said he had an offer of $100,000 for an NFT he got for free — but he declined it to hang on to this rapidly appreciating asset. However, you have to be part of the NFT community to get those offers. When the starting cost is thousands to hundreds of thousands of dollars, that’s not an inroad for everyone.

So there are shifts coming in who owns the wealth, how they spend it and how they show it off, both in the real world and virtual spaces.

Likewise, there are shifts coming in how brands who want some of that wealth for their own balance sheets reach, communicate and forge communities with their affluent consumers.

How will these evolutions impact fiscal policy? How will they impact brands, both legacy and upstart? How will they impact the huge portion of Americans who have no measurable wealth? Read on. You’ll likely still have 99 problems, but market insights won’t be one.

***Matt Carmichael** is editor of What the Future and vice president of editorial strategy at Ipsos in North America.*

Wealth matters to Americans

The pandemic affected Americans' financial state differently

Q. Please indicate how much you agree or disagree with the following statements. (Net agree)

Household income under $50k | Household income $250k+

During the pandemic, my family's net worth took a hit

48% | 18%

Americans have contradictory opinions about…

How wealth is spread:

71% | 61%

say the system in this country favors the wealthy

How we *should* spread wealth:

21% | 34%

say people who pay no taxes are smart

52% | 57%

say people who pay no taxes are selfish

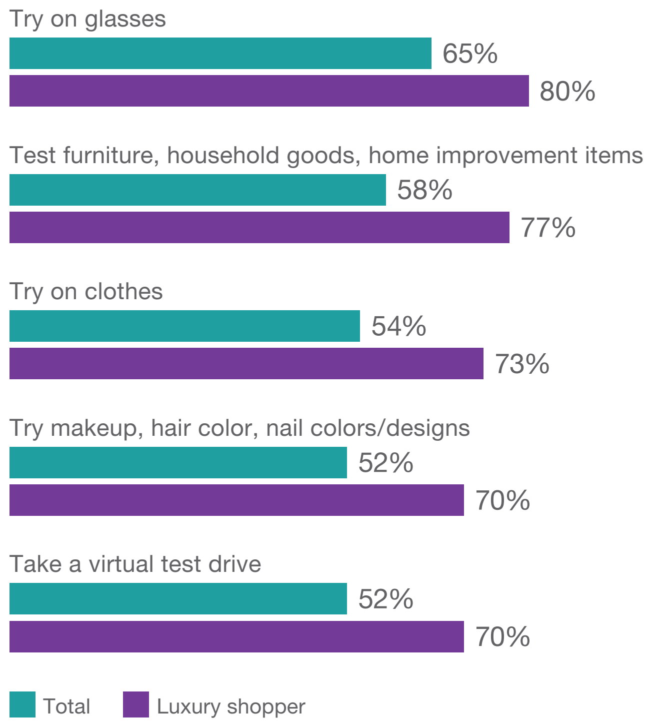
How we view generational wealth:

31% | 48%

say it is their heirs' own responsibility to match or exceed their standard of living

Luxury shoppers are embracing digital shopping…

Q. Would you use an app to do any of the following (Net yes)



…and exploring the cryptoverse

of luxury shoppers are extremely familiar or very familiar with non-fungible tokens (NFTs), unique ownership certificates for digital objects on the blockchain.

(Sources: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults; Ipsos Affluent Barometer conducted Jul. 2021, among 1,001 U.S. adults with household incomes $125,000+. Luxury shoppers are those who purchase three or more products in a luxury category.)

The Big Question:

How will the digital era impact America's wealth and wealthy?

Question: Will impending wealth transfer change the picture?

Kirstin Hill

Chief operating officer, Merrill Lynch Wealth Management

The impending wealth transfer between the Baby Boomers and their heirs could remake the financial landscape, especially for the Millennial and iGen generations who have typically struggled financially.

Yet with wealth so heavily concentrated, many expect that younger generations will not be as well off as older generations, according to the Ipsos Global Trends report. When Kirstin Hill thinks **What the Future**, she's focused on how generations — on both sides — can prepare.

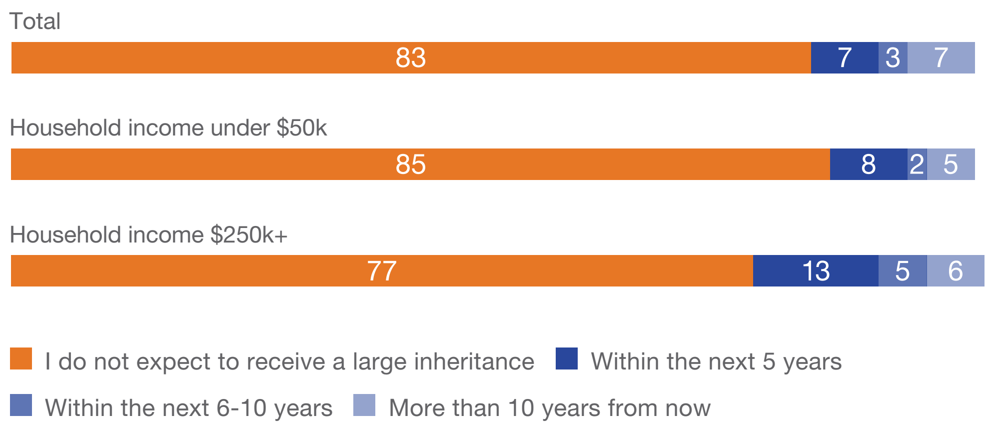
40%

of Americans have a will, and that number rises to 64% of Americans with household incomes of $250,000 or more.

(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults; Ipsos Affluent Barometer conducted Jul. 2021, among 1,001 U.S. adults with household incomes of $125,000+.)

For whom is the big wealth transfer coming?

Q. Do you expect to receive a large inheritance?
(% Selected)



(Sources: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults; Ipsos Affluent Barometer conducted Jul. 2021, among 1,001 U.S. adults with household incomes $125,000+.)

Matt Carmichael: Many are calling this impending passing of the Baby Boomer's wealth, "the great wealth transfer." How big of a phenomenon is this in dollars and philosophically?

Kirstin Hill: Across Boomers and the Silent Generation it's almost $80 trillion in wealth. You would expect a significant portion to pass onto future generations. That can and likely will have a transformative effect on society, particularly through how the next gen thinks about work and home and how they spend and consume.

Carmichael: What is the role of a financial advisor in this process and how can they help families transition wealth from one generation to the next?

Hill: Financial advisors are positioned to enable exactly this kind of discussion. Our research has shown that almost two-thirds of wealthy people have not talked about their plan for how they're going to pass on their assets. That's not great for either generation. Some of that lack of discussion is the result of the absence of a plan and that's where a financial advisor can help. We have next gen "bootcamps" for clients where we can help the next generation think about what it means to be a good steward of their family's wealth and their family's purpose.

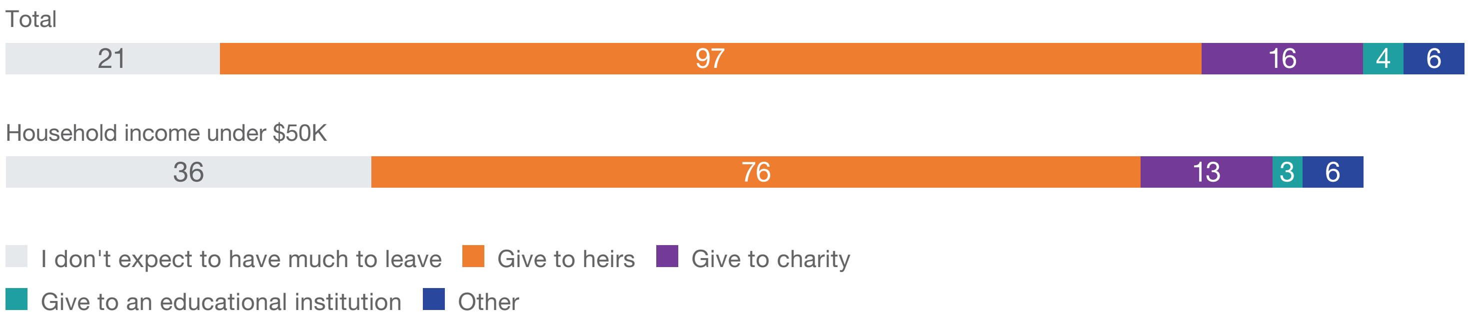
Carmichael: Wealth in the U.S. is concentrated in few families at the moment, but that's diversifying somewhat. What does that mean for the wealth management industry?

Hill: You see extraordinary growth today in the amount of wealth controlled by women and communities of color. When we think about generational wealth transfers, the next generation is more diverse, even inside a family, so that process contributes to the diversification of wealth. It is both a moral and a commercial imperative for us to make sure we are listening to and understanding different needs and perspectives about money, wealth and investing. In partnership with Ipsos, we explored the financial mindsets of affluent Black, Latino, and LGBTQ+ individuals and communities to further that commitment.

"Almost two-thirds of wealthy people have not talked about their plan for how they're going to pass on their assets."

How does wealth shape Americans' estate plans?

Q. Which of the following do you plan to do with the bulk of your estate/assets after you pass?
(% Selected)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 724 U.S. adults who have a will or plans for what to do with their estate/assets after they pass. Heirs are children, grandchildren or great-grandchildren or those who are not direct descendants.)

Carmichael: What did you find?

Hill: On one hand, you find there are many commonalities. For the Black community, as we listened to their stories and their perspectives, supporting family members is a priority, as is entrepreneurship and investing in the businesses of people they know. For the LGBTQ+ community, financial security is not a topic that stands in isolation. It is foundational to the ability to live an authentic life and be true to yourself. The Latino community is four times more likely than the general population to say their most important financial goal is planning to assist or support aging parents.

Carmichael: It has to be hard on the younger generation to plan, too, if they don't have a sense of what the transfer will look like.

Hill: It's the reason why having the discussion is so important. It allows for questions like: What is the purpose of the family's wealth? How do you think about money? What do you seek to accomplish with it? Is it to give yourself the freedom to live a life that you might not otherwise be able to? Is it to take a risk? Do you want to save money to be able to take on debt, to feel comfortable taking a career risk that you wouldn't otherwise take? Do you want to save money to give back to your family or to your community?

"You see extraordinary growth today in the amount of wealth controlled by women and communities of color."

Carmichael: Generational wealth transfer certainly isn't a new phenomenon. But as life expectancy increases what does that mean for the dynamics of inheritance?

Hill: You do need to think about funding a longer life experience, particularly for women. Women are likely to live a longer life and that brings with it great opportunity to be with family, to pursue new interests, but you want to ensure you're prepared for it and prepared to seize that opportunity. You also want to plan for caregiving expenses, something I think each of us learn at some point with our own parents. For the younger generations that means perhaps there isn't as much wealth to pass on, which adds some uncertainty to planning.

Carmichael: What can people do now as they prepare and save?

Hill: A goal of many people is giving while living. For example, many want to help their children buy their first home or help support their grandchildren's education. It is important to take those goals into consideration when making a plan, while also taking into account your own long-term financial security.

Carmichael: How are you developing the next generation of financial advisors to serve the next generation of wealth inheritors?

Hill: We went public with statistics around the diversity of our advisor population. We think to create accountability, you need transparency. It sends the message to the market and diverse talent.

***Matt Carmichael** is the editor of What the Future and VP of Editorial strategy for Ipsos North America.*

How can financial providers assist in the **big wealth transfer?**

Americans age 70 and older have stockpiled more than $35 trillion, more than a quarter of all U.S. wealth, according to the Federal Reserve. This will lead — and, sadly, COVID-19 accelerated this — to an unprecedented transfer of wealth over the coming years.

The competition to help consumers across generations to manage and grow wealth is as heated as ever due to digital innovation. However, wealth transfer relies on a service orientation that's decidedly analog even as the offerings are increasingly digitally enabled.

Wealth transfer is a highly emotional topic, and decisions made under the duress of a death can be costly. There's a growing need for financial services to help customers from multiple generations navigate the situation. Providers do a good job educating on such universal topics as will creation, updating beneficiaries and life insurance. Yet today's families must work through additional digitally oriented challenges like gaining access or passwords to a deceased family member's accounts and smartphone.

This creates an opportunity for financial providers to be a trusted, neutral resource where uncomfortable conversations and vital information-sharing can occur asynchronously over years, and then only become accessible when a person suddenly passes away.

The pandemic has created an urgency and an opportunity to broach this kind of planning with loved ones. Financial services providers could market these services in tandem with investing and savings advice.

On one hand, the existing and often long-standing relationships with the older generation position traditional financial services well to innovate and build out concierge services. Their teams can handle wealth management to legal and accounting services to tech support for surviving family members.

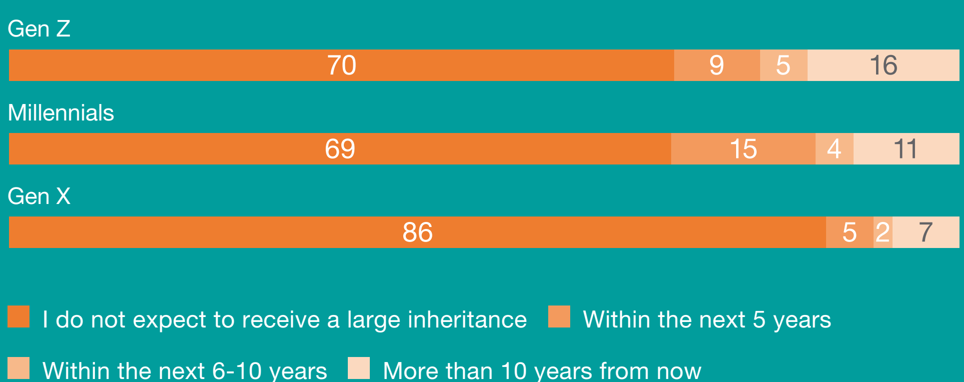
On the other hand, younger generations might look to newer financial technology startups. Some new investors will seek fintech-driven value propositions like no-commission trading, no account minimums and even opportunities to buy fractional shares. For investors who want more guidance, other companies offer low-effort automated investment options as well as robo-advising. Established providers are quickly catching up to offer services to cover the entire spectrum of investors from self-directed, to robo-advising, to traditional financial advisor client services.

Regardless of the service, financial brands can position their services as the much-needed neutral provider who can take the emotion out of financial decisions that will shape their clients' futures.

Kevin Hung *is a vice president and client officer at Ipsos.*

How generational is generational wealth?

Q. Do you expect to receive a large inheritance? (% Selected)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

Question: What will luxury consumers consume?

Jeff Fowler

President of Farfetch for the Americas

Luxury shopping has become more digital as the pandemic and Gen Z consumers redefine expectations for how we imagine and express fashion sensibilities.

Global luxury retail platform Farfetch positions itself as the go-to for brands and shoppers. Jeff Fowler is president of its Americas region. When he thinks **What the Future**, he's focused on applying augmented reality and other technologies to make luxury shopping more experiential, efficient, sustainable and profitable for the industry and more meaningful for consumers.

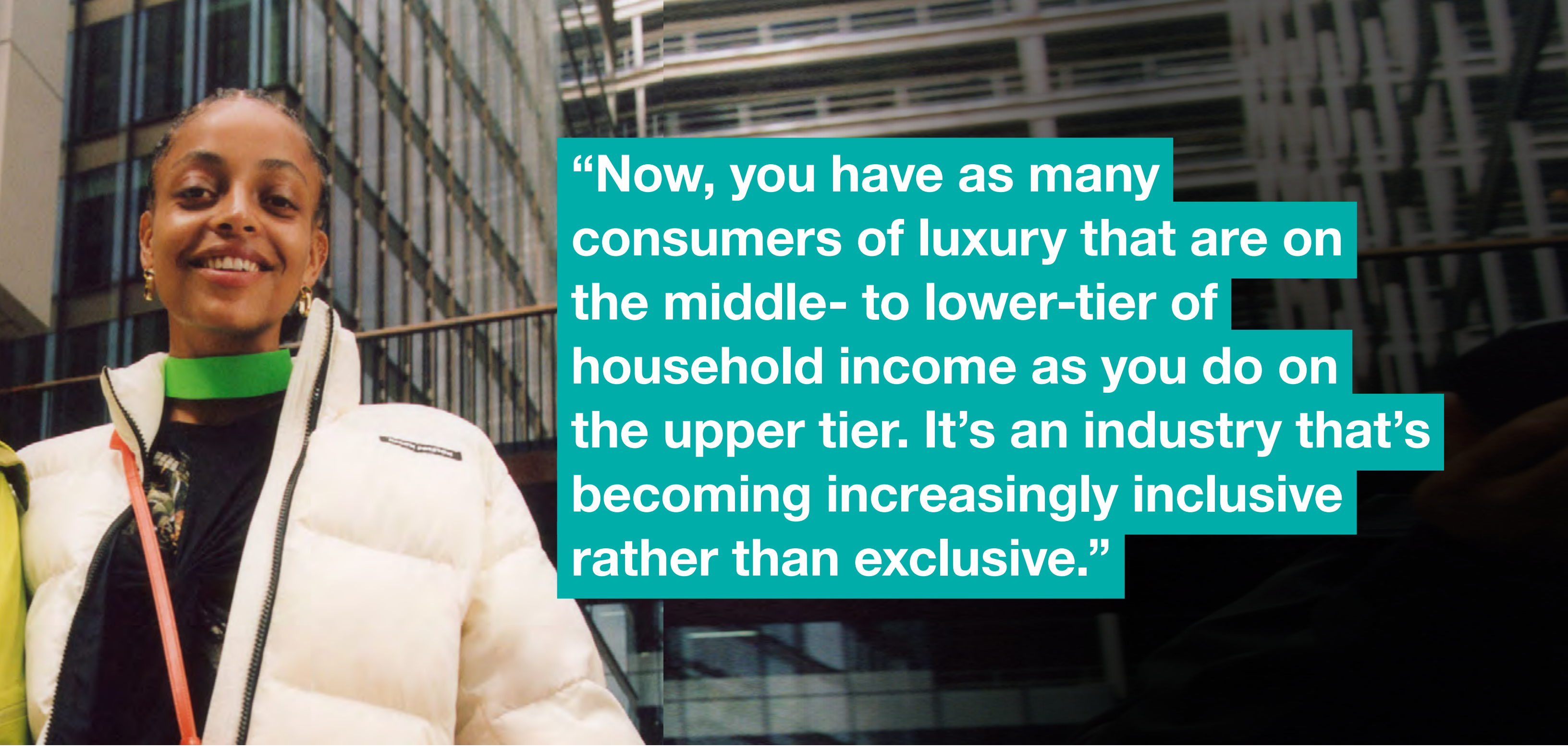
Kate MacArthur: Do you expect luxury retail to rely more on digital or will there be any pull back in the future?

Jeff Fowler: We believe that the majority of transactions in the future will still be completed in physical retail and that the stickiness of digital is not going anywhere. Each has its purpose; each will inform the other. They're really synergistic.

40%

of Americans prefer to shop both online and in-store shopping equally, given the choice, if both presented zero risk for COVID-19.

(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)



> **“Now, you have as many consumers of luxury that are on the middle- to lower-tier of household income as you do on the upper tier. It’s an industry that’s becoming increasingly inclusive rather than exclusive.”**

MacArthur: Does the luxury buyer have different expectations when they go online versus in-store?

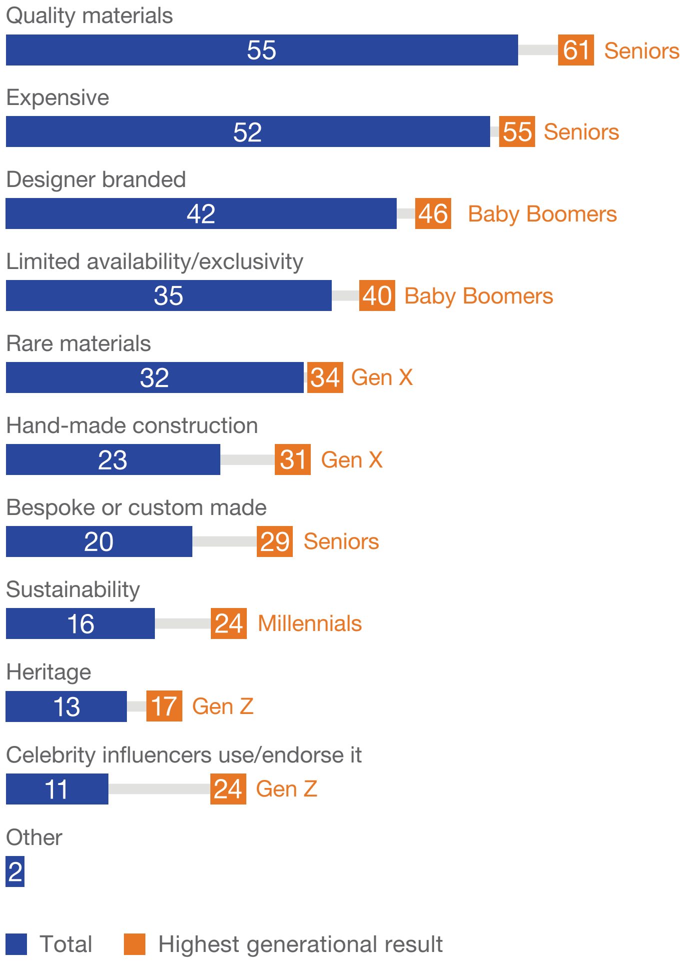
Fowler: Each customer is different. What one might say they need might be a very hands-on service, like a tailoring or alteration service where you can get that if you go into a department store. For another, service might be the ability to decide a window of time down to a two- or four-hour increment when a product is going to be delivered because they live in a non-doorman building in New York City.

MacArthur: How much influence is the Gen Z buyer having on the broader luxury shopping experience?

Fowler: It would be difficult to overstate how much they have influenced the entire industry almost from top to bottom. Now, digital is really at the heart of so many brand strategies. You could make the case that this generation is ahead of where the industry is. The industry is at all times trying to keep pace with it, but without losing their truth and losing what has made them successful to this point. For some brands, that’s hundreds of years of tradition and heritage and patrimony.

Does luxury mean the same across generations?

Q. In your opinion, which of the following characteristics define luxury products or brands? (% Selected as Top 3)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

MacArthur: Can you talk about how the metaverse may change what people expect from shopping?

Fowler: There are certain limitations that digital has where it can't replicate that physical experience. Maybe we haven't gotten to the point yet where you can fully replicate the tactile experience of touching the fabric or seeing a product up close and personal. But the metaverse is going to bring us very close in an augmented reality type of way.

MacArthur: How so?

Fowler: One thing that luxury brands are going to demand is really high-fidelity experiences. What they deliver offline is the very best of the best. We're trying to bring an incredibly high-fidelity level of digitization of products. We started to experiment with things like virtual try-on that we've applied across categories, like jewelry, watches, eyewear and sneakers.

MacArthur: What is the lane for luxury brands to participate in the metaverse with authenticity?

Fowler: It will be different from brand to brand. You've seen brands starting to work with gaming platforms to provide virtual clothing or games that exist for the purpose of dressing virtual avatars. We've worked with one [called Drest] that enabled you to dress into different models and different fashion.

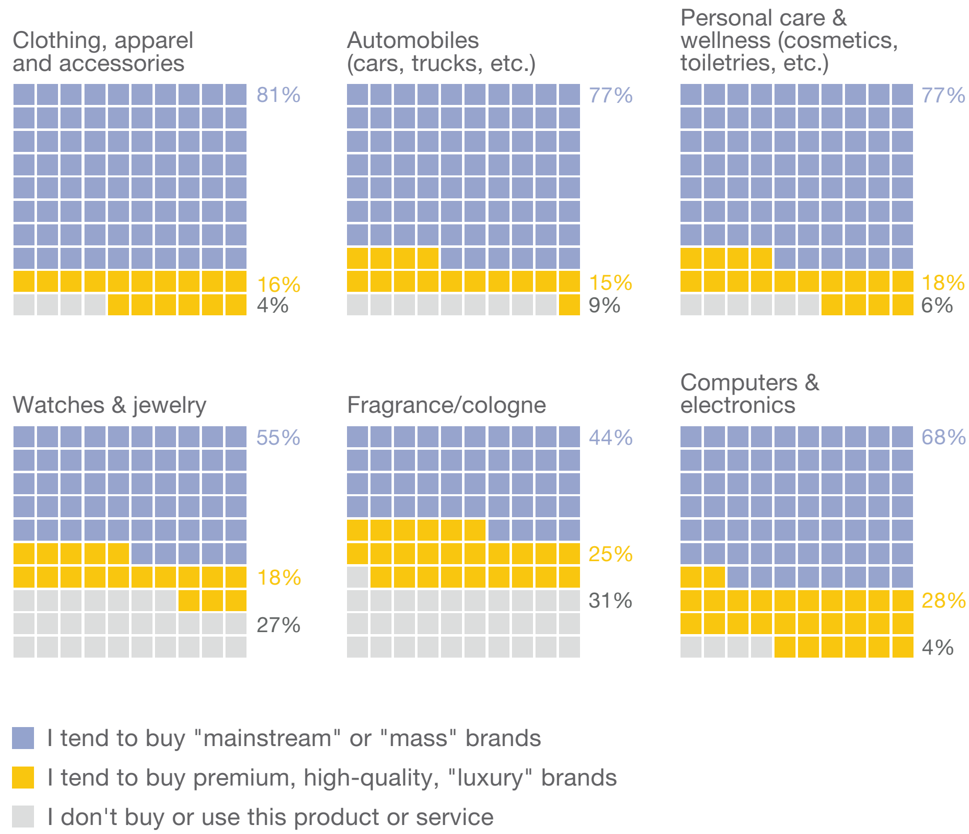
I would think of it as an infinite number of lanes and brands that will find their own recipe or find their own journeys in the metaverse. That might be complementary to what they're doing in the real world, or it might be a different angle that they're experimenting with.

MacArthur: What will all of this mean for the actual influence on how people shop?

Fowler: There was a time when luxury truly was meant only for the uber-wealthy. Now, you have as many consumers of luxury that are on the

When people want 'luxury' what do they buy?

Q. For some products and services, you may tend to buy premium, high-quality, "luxury" brands. For other products and services, you may tend to buy more "mainstream" or "mass" brands. For each product or service listed below, please indicate the type of brands you tend to buy or use. (% Total)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

middle- to lower-tier of household income as you do on the upper tier. They consume differently; they consume different volumes. It's an industry that's becoming increasingly inclusive rather than exclusive.

MacArthur: Do you see a point where people could co-create luxury products or identify a product and be able to 3D-print it at home?

Fowler: I definitely do. One of our brands, Heron Preston, is working on a sustainable 3D-printed sneaker. It shrinks the supply chain down to the most infinitesimal level that you can. A customer would be able to buy a design or an element of authenticity and have the ability to create it, leveraging the exclusivity that blockchain can offer.

MacArthur: How is Gen Z influencing the demand for more sustainable materials and processes and how does that fit into the definition of luxury?

Fowler: Increasingly, there's this view that what's most precious is this thing that we all are responsible for, which is our earth. In some ways it is a resource that is not renewable. By 2030, we want to sell 100% conscious products. We'll define that as driving all revenue from products that are certified organic, recycled, upcycled, pre-owned, fair trade, and are fundamentally better for people than some of the choices that exist today.

***Kate MacArthur** is deputy editor of What the Future and deputy editor of editorial for Ipsos in North America.*

How can high-end brands **redefine luxury shopping for the digital age?**

Nearly a quarter of luxury shoppers prefer to shop online versus in-store, and nearly four in ten prefer both online and in-store equally, according to a new Ipsos survey. While luxury shopping online has accelerated, the roles for digital and social commerce as preferred, everyday lux shopping sources are sure to increase. There are several steps lux brands can take today to retain customers and gain new ones in this new future.

In particular, we'll witness luxury's younger cohorts immerse themselves more into lux digital culture. The recent collaboration between Balenciaga and Fortnite is a great example. This will continue to transform people's expectations and relationships with luxury brands, including how they seek out and acquire new collections.

As digital platforms and social forums change over time, so will the cultural references across generations as new trends emerge. The heart of luxury's growing e-commerce businesses will depend on how successfully the brand:

Integrates authentically with third-party platforms. Brands need to audit their customer experiences across sites and remove any guesswork that comes in shifting from physical to virtual shopping.

Utilizes intently each digital (and physical) channel within the brand's entire ecosystem. Online lux shopping sites like Farfetch already are testing digital preorder to differentiate online, predict demand and reduce waste and cost. Luxury shoppers are already open to experimenting when it comes to exploring and "trying" new products virtually — from cars to clothes to glasses. Brands and retailers must make it easy for shoppers to do that using augmented reality tools.

Delivers on the shoppers' experience with apps and sites seamlessly throughout. If shoppers can find the product on multiple sites, what will make them click "buy" on yours? Luxury shoppers expect to navigate, browse and complete their purchase seamlessly. Post purchase, shoppers want to track when their product will arrive and receive the same or better care that they get in-store.

When it comes to luxury, details, service and, very often, the emotions and sensations experienced when shopping matter. Raising the bar higher for online will be all the more critical to integrate these elements flawlessly for brands to succeed in growing in digital and social commerce.

***Ivana Sinclair** is a senior client officer with Ipsos in the U.S.*

Who is more apt to shop with an app?

Q. Would you use an app to do any of the following: (Total yes)

(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults. Luxury shoppers are those who purchase three or more products in a luxury category.)

Question: What is luxury in the metaverse?

Benoit Pagotto

Co-founder, RTFKT

NFTs are a sort of digital collectible. If you know the term, you know the hype, even if you don't understand it. If you don't know the term, you will soon. It's all complicated now, but so was the internet in 1994.

Benoit Pagotto is cofounder of RTFKT, a studio that makes virtual sneakers and other items sold as NFTs. When he thinks **What the Future**, he's wondering if there are limits to what he and the NFT community are building and guessing that the answer is: no.

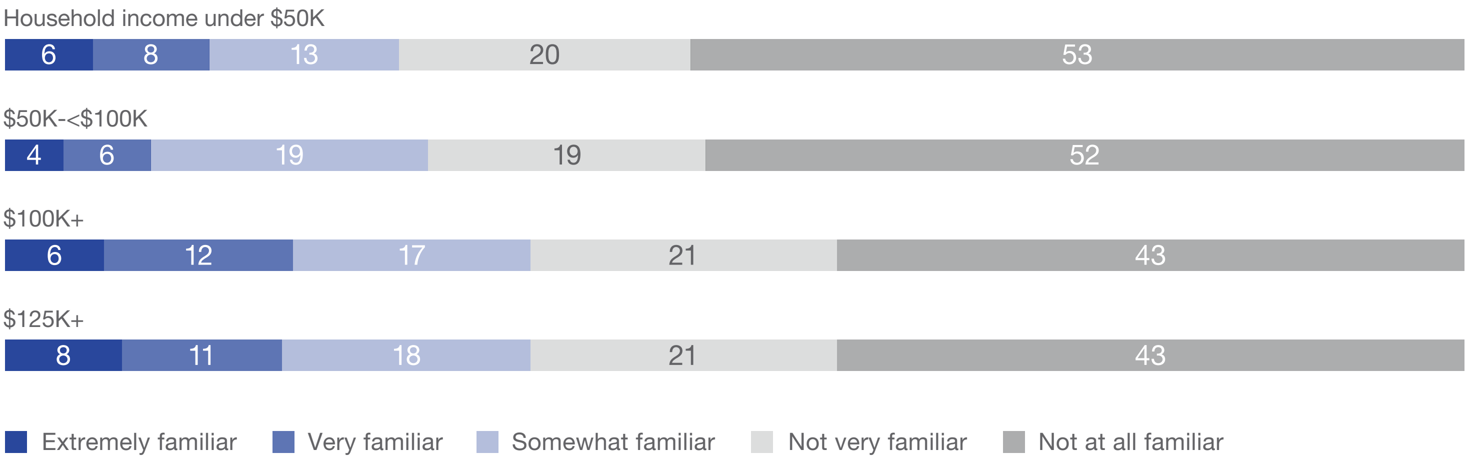
18%

of Americans with household incomes of $100k+ are extremely or very familiar with non-fungible tokens (NFTs).

(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

How many know about NFTs?

Q. How familiar are you with non-fungible tokens or NFTs? These are unique digital properties and collectibles that are stored via blockchain and available to be traded with others or sold. (% Selected)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

Matt Carmichael: Explain what you do to my 10-year-olds.

Benoit Pagotto: I'm creating video game items that I send to a lot of people around the world.

Carmichael: Now explain what you do to my mom.

Pagotto: I make sneakers and fashion as if we're in 2050. [Editor's note: My 10-year-olds still understood this better than my mom did.]

Carmichael: What does the concept of luxury even mean in the metaverse?

Pagotto: In blockchain, it's all about scarcity, right? We should have something that is unique and really made for you. That becomes luxury. It's very hard in the real world to make something unique for everyone. In the metaverse, everyone can be unique and can dress up and use different avatars to feel like they're part of a group. Different communities are being created every day and emerging and organizing themselves and generating wealth for you individually and for the community.

"In blockchain, it's all about scarcity, right? We should have something that is unique and really made for you. That becomes luxury."

Carmichael: As a company and a brand and a startup, how do you succeed in the metaverse and how is that different from succeeding in real life?

Pagotto: In the metaverse, you succeed as a brand by being very genuine and thinking of people not as customers who will consume what you do, but people that are participating in the creation of what you do.

Carmichael: How do you go from this kind of niche community to a more mass affluent audience, or do you even need to?

Pagotto: No, I don't think you need to. It's just a lot of communities sometimes connecting together, sometimes being independent, and you don't need to make something for everyone on the planet. It's not any more about just your own success. It's about the success of your whole community.

Carmichael: The NFT space has a lot of hype at the moment. To an outsider, you see people paying thousands and millions of dollars for pieces of digital artwork. How do you keep that hype going?

Pagotto: The problem is the mainstream press only talks about the hype stuff, right? They only tell you people were spending millions and people were earning millions. But there are also a lot of people who are spending $50 and turning that into $10,000, $20,000, $50,000. The hype is driving the headlines and driving the FOMO of all the people who are outside of the ecosystem. There are smaller success stories happening every day, whether it is from the artist side or the collector side—not making millions, but making decent money and connecting with the community and discovering a new group of friends and new ways of collecting and creating.

Carmichael: Why do you think traditional luxury brands will not “make it” in this space as you’ve said?

Pagotto: Some won’t make if they are not truly thinking of this as a complete change of their business, change of their audience, change of how they see the audience not as consumers. Some don’t have the right people internally to act on that change. Brands are coming in because they see the headlines and they want to be part of the PR to look innovative. So the ones that are not taking this seriously are not going to make it.

Carmichael: Would the community embrace them if they were more authentic about it?

Pagotto: Yeah, communities embrace anything that feels authentic. If the company is providing value to the community and not just taking value from them, they will support the brand.

Carmichael: At what point do you wind up acting more like a legacy company?

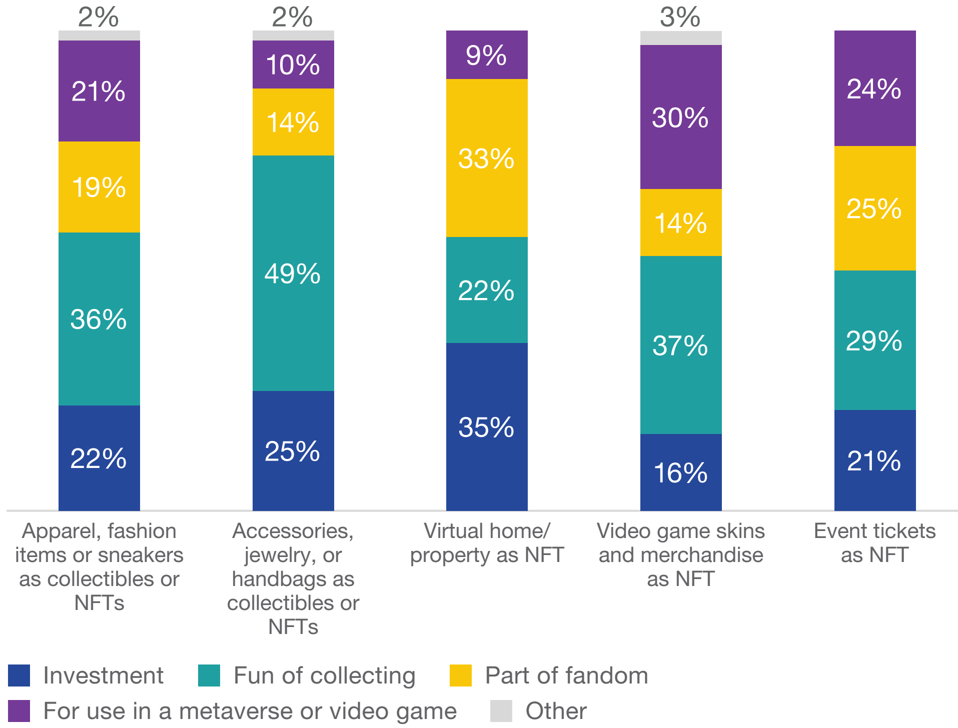
Pagotto: No, no, no. We don’t. We spend zero in marketing so far, and don’t intend to and we don’t do market research. We don’t do consumer profiles. We don’t do demographics. We don’t do any of that.

Carmichael: Do you think you’ll ever need to?

Pagotto: As you grow, maybe, but honestly, I don’t think so because what we do is so connected to how we grew up and what we do and love and know that there’s no need for us to buy knowledge or try to get more knowledge through a third party.

What's driving people to buy NFTs?

Q. What was the main purpose for your purchase of the following collectibles? (Total)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 108 U.S. adults who are extremely or very familiar with NFTs and purchased these collectibles in the past 12 months.)

> **“The ones that are not taking this seriously are not going to make it.”**

Carmichael: For the legacy brands, is there a point where they just start acquiring companies like yours?

Pagotto: I guess they would have to at some point. It’s very hard to create something from scratch and have the right culture when you’re a legacy brand.

Carmichael: How do you think metaverse luxury buyers will shape broader luxury in the future?

Pagotto: It’s already shaping [luxury] because it’s the luxury brand trying to come in, not the other way around. It’s going to be a new type of buyer that is going to start to bring their taste and their values to luxury brands. Luxury brands will need to evolve to cater to them.

Carmichael: You’re speaking to an audience of pretty mainstream folks. What should they know that they don’t? What would help them navigate this world?

Pagotto: Spend more time with your kids on Roblox.

Carmichael: If I were fully immersed in this community, what would I have asked in this interview that I didn’t?

Pagotto: You would have asked me if you can get a free avatar or get in on a presale. And I would have said no.

__Matt Carmichael__ is the editor of What the Future and VP of Editorial strategy for Ipsos North America.

Image: Ralph Lauren X Zepeto

Where do luxury brands fit in **the metaverse?**

Across the metaverse and Web 3.0, digital communities are springing up around things like bored apes, nouns and digital dumpling pets. In other words, NFT studios are building followings of collectors eager to get in on the latest internet-based, blockchain-built trend with the goal of building value and wealth in a newfound market.

Adoption today is low, but those who are buying NFTs are doing so for a mix of "investment" and "fun." Ipsos data shows that Black and Hispanic communities, who are often early adopters of tech and bellwethers of cultural shifts, are buying at higher rates in categories like apparel and fashion NFTs.

So far, many of these communities are super clubhouses for the ultra-wealthy. To join the Noun community, for instance, all you have to do is purchase one of the Noun NFTs in a daily auction. The typical price, however, for the NFT of an 8-bit avatar with distinctive eyeglasses, is currently much more than the median price of a U.S. home. While it may sound odd, virtual real estate in some corners of the metaverse is selling for staggering sums.

Meanwhile, traditional luxury brands like Balenciaga, Gucci and Ralph Lauren are finding that they can sell virtual versions of their analog goods in the metaverse for higher price points. Digital is becoming just another sales channel, but virtual is a new world altogether.

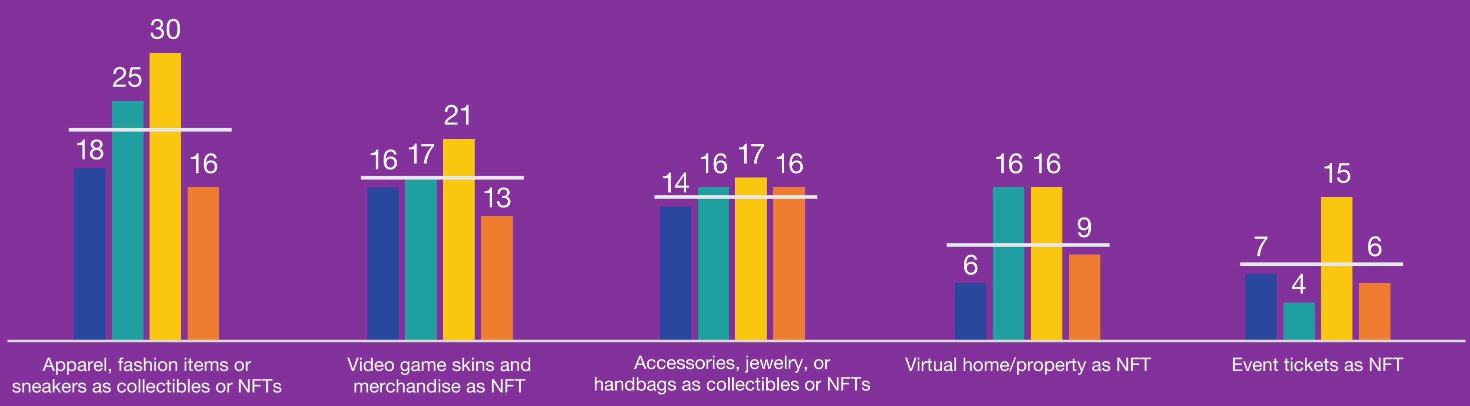
Acquiring virtual goods in the metaverse can be straightforward on a gaming platform like Roblox or Fortnite. Buying an NFT today, however, isn't easy for most. It's a complex web of accounts, currencies, conversions and acronyms. As with the internet in the early- to mid-'90s, assume, then, that the NFT experience will likely get better, and fast.

In the short term, there is upside, perhaps significant, for luxury brands to start setting up their virtual shops. That is, if they can do so authentically and in partnership with the nascent communities in these spaces. Longer term, some brands will likely exist only virtually, some only in the analog world. Some partnerships will emerge to help span the two. And legacy brands will need to determine where the balance lies for them. But consumers will likely move seamlessly between them, and plausibly even do more of their spending in the metaverse.

Thomas Grayman *is a senior vice president in Ipsos' Media Development service line.*

Who are NFT's conspicuous consumers?

Q. Which, if any, of the following have you purchased in the last 12 months?



White (non-Hispanic) | Black (non-Hispanic) | Hispanic | Asian | Total

(Source: Ipsos survey conducted Sept. 10-13, 2021, among 537 U.S. adults who are extremely or very familiar with NFTs.)

Question: What role can the Fed play in wealth and inequality?

Karen Petrou

Managing partner, Federal Financial Analytics, author of "Engine of Inequality: The Fed, and the Future of Wealth in America"

65%

of Americans say economic inequality is a major issue in this country.

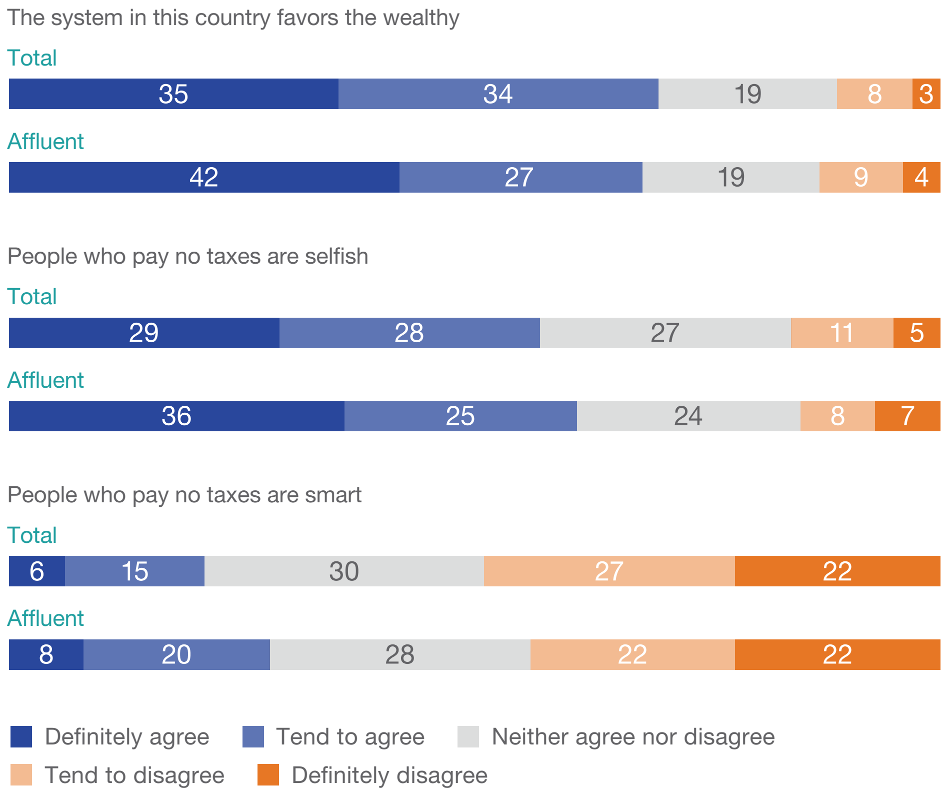
(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

Wealth and income inequality are extremely complex problems that could take decades to solve given our nation's partisan divides. But banking policy expert Karen Petrou offers up a resource she believes offers more immediate relief.

As managing partner of the consultancy Federal Financial Analytics, Petrou is one of America's most sought-after experts on financial regulation. When she thinks **What the Future**, she argues that the Federal Reserve has the power and the mandate to change monetary policy to reverse wealth inequality.

Is the system rigged for the wealthy?

Q. Please indicate how much you agree or disagree with the following statements. (% Net agree)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults; Ipsos Affluent Barometer conducted Jul. 2021, among 1,001 U.S. adults with household incomes of $125,000+.)

MacArthur: In your book you argue that the Federal Reserve is an overlooked source of economic equality. How so?

Petrou: There are many causes of economic inequality in the United States. But no single entity has as much control over economic inequality as a central bank, like the Federal Reserve, because central banks determine how much money moves in any economy and who gets that money.

MacArthur: You posit that the Fed is relying on outdated or the wrong data. What's the most important data change for the Fed to make?

Petrou: They should see America as it is, not as it was.

MacArthur: What are some steps that you think the Fed can take to reduce wealth inequality?

Petrou: To use better, forward-looking, inclusive data; then normalize monetary policy so that interest rates very gradually start to rise and the Fed's portfolio goes down. Reinstitute market discipline to remove this giant Fed safety net [the Fed's $8.5 trillion balance sheet that includes $4 trillion in bond purchases made during the pandemic to support the financial markets] and the various windows the Fed has established to provide it. Also, look at the payment system and the rule book. We're seeing a rapid development of cryptocurrencies and new forms of finance. While these have a tremendous amount of promise, they also pose a terrific amount of danger, especially for vulnerable households.

MacArthur: Looking ahead to the next three or so years, what's the most powerful thing the Fed could do to get rolling on this change?

Petrou: They should begin to normalize monetary policy and quickly. They really have to deal with the rapid innovation in the payment system and digital currency. They can't wait for that to blow up. They have to step in.

MacArthur: Does that include creating a federal digital currency?

Petrou: It's ultimately going to be. It's better called the central bank digital currency.

MacArthur: Why is the Fed in the best position to fix this?

Petrou: The Fed has three mandates under law [to conduct monetary policy that promotes maximum employment, stable prices, and moderate long-term interest rates]. The Fed is for full employment, price stability — which means affordable consumption — and moderate interest rates.

That is the Fed's mandate. The best approach to economic inequality is a balanced blend of monetary and fiscal policies, and the Fed is not the sole part of the solution. But it's the part of the economic inequality engine that can go into reverse the fastest.

MacArthur: What's the timeframe?

Petrou: This is an embedded problem. You will not reverse American inequality overnight, but if the Fed were to begin to normalize and reduce the power that now underlies markets and makes the rich richer and richer and richer, you would start to see a reduction in inequality in three to five years.

MacArthur: What progress would that make?

Petrou: Reducing the market gains that increase the wealth of the rich. Instead, by normalizing interest rates, we would

"By definition, if you have less economic inequality, you have more shared wealth."

immediately make it feasible for families that save to be able to amass a rainy day cushion. That happens on day one. If the Fed puts some of that $8.5 trillion of cash it holds back into the economy, you will start to see lending going back to support capital formation such as new plants, new equipment, startups, small businesses. That would have a one- to three-year turnaround in beginning to see improved, lower-wage workers getting jobs that pay them better.

MacArthur: What's holding the Fed back from doing it?

Petrou: They have sunk enormous amounts of cost into this policy and they believe that it is dangerous to normalize [interest rates]. So they are going on waiting for the very robust growth and low inflation and all of the things they have been saying would lead them to normalize since at least 2008, before they loosen their heavy hand on the market.

MacArthur: How would improving equality impact the future of wealth?

Petrou: By definition, if you have less economic inequality, you have more shared wealth. There's no way you would have necessarily less wealth.

MacArthur: It sounds like you don't think that cryptocurrencies have the potential to be a wealth equalizer.

Petrou: I don't. First of all, they play no real role in supporting capital formation: funding of the plants, the equipment, the startup businesses or local new restaurants.

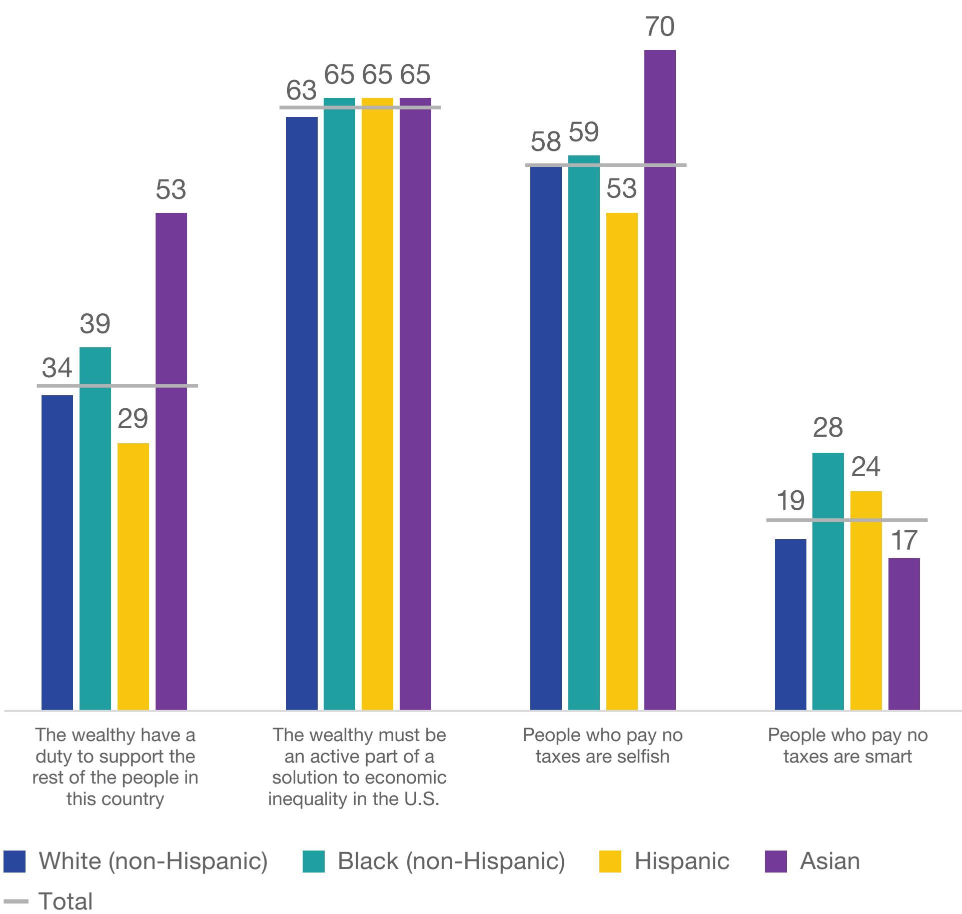
MacArthur: And the way to change that is through the central bank?

Petrou: I don't know that you need to change that. The next question, which is a different question, is, should there be a central bank digital currency because the nature of currency is changing to be increasingly digital? The answer to that is yes. We have an increasingly digital commerce system, which is far less able to rely on physical cash and old payment instruments like checks or even cards. The role of the Fed also as regulator of the payments system requires it to ensure that in the transition to a digital currency, the private digital currencies that come up do not put vulnerable households or the payment system at risk.

***Kate MacArthur** is deputy editor of What the Future and deputy editor of editorial for Ipsos in North America.*

Do the wealthy have a role to play in fixing the system?

Q. Please indicate how much you agree or disagree with the following statements.
(% Agree)



(Source: Ipsos survey conducted Sept. 10-13, 2021, among 1,183 U.S. adults.)

Will inequality drive policy changes that will impact wealth?

Despite its reputation as the land of equal opportunity, the U.S. leads all G7 countries in income inequality, according to the World Bank.

Ipsos data shows that ten years after the Occupy Wall Street movement, Americans tend to be less concerned about income and wealth disparities than their global peers. Until Americans and the policymakers they elect agree on solutions, wealth inequality is unlikely to improve any time soon.

Most Americans (57%) agree that inequality in income and wealth is one of the most serious forms of inequality in their country, according to a January 2021 Ipsos Global Advisor survey—close to the global average of 60%. However, in the latest installment of Ipsos' What Worries the World, only 17% in the U.S. select poverty and social inequality among the country's top problems—the lowest percentage among 28 countries.

The proportion of those who agree that their country's economy is "rigged to advantage the rich and powerful" is the same in the U.S. as it is on average across 25 countries surveyed by Ipsos in March-April of this year: 71%. This perception shows no significant differences by gender, by age, by level of education and, maybe surprisingly, by income. Considering America's acute level of political polarization, it is noteworthy that majorities of both Democrats (79%) and Republicans (58%) share this view.

Further, they are deeply polarized on the reasons why. For a variety of reasons, Americans look at wealth inequality differently from folks in other countries. Traditionally, Americans have never resented the rich for being rich as long as they play by the rules. Americans are not class-conscious. Only 6% think they are part of the elite—the lowest percentage among 26 countries along with Japan. America is supposed to be the land of opportunity. Rather, what many in the U.S. think gets in the way of opportunity is "corruption" (i.e., "special interests," "Washington," "the swamp," etc.), immigration (which some Americans think creates unwanted competition and drags down wages and home values), or taxes/government overreach.

Do Americans trust their leaders to fix economic inequality?

Q. How much do you agree or disagree with the following statements? (% Agree)

(Source: Ipsos Global Advisor survey conducted between Mar. 26-Apr. 9, 2021, among 19,017 adults in 25 countries, including approximately, 1,000 U.S. adults.)

America is unlikely to curb economic inequality until Americans agree on how much of a problem it is, its root causes, and whether tackling it will help or hurt their chances of living the American Dream.

***Nicolas Boyon** is a senior vice president in Ipsos' U.S. Public Affairs service line.*

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