

FINANCIAL SERVICES

70pc of new billionaire wealth in 2015 came from Asia: Wealth-X

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Image courtesy of Michael Kors

By SARAH JONES

As of 2015, the 2,473 billionaires around the world hold a combined wealth of \$7.7 trillion, making them a small but powerful population in the global economy.

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According to Wealth-X's **Billionaire Census** for 2015-2016, while those with \$1 billion or more in assets collectively saw their wealth reach a record high, not all regions fared the same. As billionaires in Europe, Africa, Latin America & the Caribbean and Pacific saw their total wealth decline, North America, the Middle East and Asia proved to be the major growth engines among this ultra-affluent group.

"The UHNW market in general represents about 18-19 percent of all luxury purchases or about 1 in 5 dollars," said David Friedman, co-founder of wealth intelligence firm **Wealth-X**, New York. "Billionaires represent the core of this group.

"However, geopolitical and economic uncertainties are causing a pause as billionaires are holding about 22 percent of their net worth in liquid assets," he said.

"While many observers would attribute this to this macro geopolitical risks, and it certainly is a factor, when you view it against the broader trends towards direct investments by family offices away from fund of funds, etc. This could also be interpreted as stockpiling 'dry powder' for the coming investment opportunities that are surfacing in the wake of global geopolitical and economic uncertainty."

Mixed results

Asia, led by China and the Association of Southeast Asian Nations, saw the most growth out of any region, with its billionaire population up 15.2 percent and their wealth increasing 19.6 percent. This is far greater than the global average of 6.4 percent more billionaires and a 5.4 percent increase in wealth.



Image courtesy of Peninsula

Following Asia was the Middle East, with 9 percent greater wealth and 7.8 percent more billionaires.

With slightly more modest growth, the Americas now have \$3 trillion in collective assets among billionaires, taking away the EMEA's lead as Europe's wealth declined 1.9 percent and Africa's fell 14 percent.

Of the 148 who achieved billionaire status in 2015, 140 were male, outnumbering women 17 to one. While male billionaires are generally becoming younger, their female counterparts are slightly older on average.

Billionaires are becoming more entrepreneurial, with 57 percent accruing their wealth through a business venture or investments. Start-ups within technology have boosted a number of individuals into self-made billionaires, such as Uber's Travis Kalanick and Airbnb's Brian Chesky.



Uber has changed the way consumers travel, and now shop with a Hugo Boss partnership

Women billionaires are more likely than men to have inherited their wealth.

The population of solely inheritance created billionaires has dropped 29 percent, partly because those who gain wealth from another individual are looking to leave their own mark and achieve a sense of independence. Rather than sitting on their newfound wealth, today's inheritors are more apt to use it to fund a business idea or try to grow the family's estate through investment.

Those who have a combined family fortune and entrepreneurial resolve grew their assets by \$300 million last year. Educating heirs on proper management and investment can have a great impact on the estate's financial health and the family's reputation.

Female billionaires are less likely to be married than men, 62 percent to 88 percent.

One key mover of wealth is divorce, which is on the rise among billionaires. Seven percent of this population is now separated from their spouse.

Also impacting the transfer of wealth is the number of children, as 2014's average of two children has risen to three in 2015.



Three children is the new two for affluent families

"The majority of wealth in the world has always been created by taking risk," Mr. Friedman said. "The data has always shown that a majority of billionaires are first generation entrepreneurs.

"In China where there is a continued surge of wealth, the percentage is even higher," he said. "The old saying in the family office business is 'shirt sleeves to shirt sleeves in three generations,' which is a crisp way of summarizing how the first generation makes the money and the second loses it."

Social profile

While finance, banking and investment remain the most common fields for billionaires, they are becoming less popular. Only 15.2 percent of billionaires worked in these professions in 2015, compared to 19.3 percent in 2014.

Graduating from college is not a prerequisite for becoming a billionaire, with 70.1 percent of this group holding a bachelor's degree.

The Wealth-X Billionaire Census 2015-2016

Painting a picture of how these individuals spend their downtime, Wealth-X ranked the top interests of billionaires.

Philanthropy is the number one hobby of billionaires, with 56 percent involved in some kind of charitable activity. Wealth-X attributes this to the example set by high-profile billionaires such as Warren Buffett and Bill Gates, whose foundations have set a standard and made those with wealth feel a responsibility for the well-being of others.

Personal fulfillment is the number one reason ultra-high-net-worth individuals indulge in philanthropy, according to a recent survey by Wealth-X.

Philanthropy has long been a hobby of the world's wealthy, and even the global recession of the late 2000s has done little to stop the trend from continuing. However, as income inequality remains a global conversation, brands will need to appeal to these philanthropic habits and define themselves on these values rather than status and price to appeal to UHNWIs ([see story](#)).

A little less than a third of billionaires like to travel, 28 percent like art and fashion and politics round out the top five interests.

Some services have rolled out special offers catering to wealthy clients' interests.

Travel and lifestyle concierge service Element Lifestyle has launched a limited membership program geared toward billionaires.

Element Lifestyle's 10⁹ membership level is exclusive for clients with a net worth exceeding \$1 billion, and will be limited to only 10 individuals starting on June 1. Concierge services are popular among ultra-high-net-worth consumers, as their busy and demanding schedules often leave little time for booking reservations, travel and transportation plans and leisure activities ([see story](#)).

"Billionaires are the hardest not only to reach but to engage," Mr. Friedman said. "However, they are just like the rest of us only with amplified resources.

"But they, like all of us, have their own vehement passions, hobbies and interests including philanthropy," he said. "At the end of the day, there are only two ways to engage billionaires: through a trusted referral and through their

passions.

"Brands looking to engage this elusive market will need to avoid 'hope marketing,' which is defined as crafting a great event that 'money can't buy' and then 'hoping' to get them in the room. The alternative is 'bespoke marketing,' which is a data driven approach to letting detailed intelligence about each person and their social graph provide the blueprint for a brand's marketing budget and actually targeting specific individuals.

"In particular, the luxury residential real estate business is ripe for disruption in this area as the marketing methods and strategies for positioning \$30-50 million high-end condos or even \$100 million penthouses are often shotgun approaches or exhausting a broker's personal relationships. Bespoke marketing denotes a specific methodology and approach that systematically seeks to curate a collection of bespoke individuals that may have interest in a property due to alignment with personal hobbies, interests, etc.

"For example, the property may have its own IMAX theatre and there are sophisticated approaches to using digital platforms and charting interests graphs with overlaying wealth factors to yield specific individuals that can be engaging through events, experiences and even digital."

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