

FINANCIAL SERVICES

UHNW population to grow 50pc by 2020: Wealth-X

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Carolina Herrera ad from spring/summer 2016

By SARAH JONES

Ultra-high-net-worth individuals' net assets saw stagnant growth in the past year, with their wealth increasing a mere 0.8 percent.

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According to Wealth-X's "[World Ultra Wealth Report 2015-2016](#)," the population of individuals with a net worth of at least \$30 million grew only 0.6 percent into 2015 to 212,615. This flat growth is set to change, with UHNW total assets to increase at a CAGR of 9 percent through 2020, reaching \$46.2 trillion.

"The diversified global interests of the world's ultra wealthy and their focus on skillful wealth preservation and management should ensure their continued strong performance," said Benjamin Kinnard, research analyst at Wealth-X. "By 2020, we expect the global UHNW population to exceed 318,000, 50% higher than in 2015, with total wealth rising 54 percent to US \$46.2 trillion.

"Growth drivers will include continued urbanization and rising consumption in developing markets and adoption of and demand for technological innovation in every aspect of life," he said. "These will facilitate the creation of many new UHNWs in the coming years.

"Financial markets will also be a big driver of UHNW wealth, and if they return to historical levels rather than the stagnant performance we largely saw in 2015 this will boost performance of the ultra wealthy."

Optimistic outlook

By 2020, Wealth-X projects that there will be 318,400 individuals that would be categorized as ultra-high-net-worth. In its five-year forecast, the Americas retain their place as the region with the largest population of ultra-wealthy individuals.

Today, one in 10 UHNW individuals lives in New York, London or Tokyo, retaining their positions as the top cities for the affluent. However, all of the top five cities had slightly declining numbers of ultra-wealthy citizens, while cities in Asia and Latin America, such as Rio de Janeiro and So Paulo, saw their ultra-wealthy numbers rise.



Image courtesy of Mandarin Oriental, London

"The slump in energy and commodity prices from mid-2015 onward proved punishing for the ultra wealthy in a number of regions," Mr. Kinnard said. "By contrast, manufacturing-focused and energy-importing countries such as Germany and India benefited from oil's decline, which helped to support modest UHNW growth in those regions."

Those in Europe, the Middle East and Africa saw a collective decline of 2.4 percent in their wealth, while Asia Pacific's total assets rose 3.9 percent. The Americas had a smaller bump, at 1.5 percent.

While finance, banking and investment remain the top fields for UHNW individuals, manufacturing is catching up.

Almost two-thirds of ultra-wealthy individuals are self-made, with an additional 18.9 percent achieving their wealth through a combination of inheritance and their own entrepreneurship. The average individual has total assets of \$141 million, adding \$290,000 each year.

Female UHNW individuals are more apt to have their wealth tied to inheritance, which led to a slight decline in their average wealth as low interest rates and a propensity toward cash stalled their asset growth.

Male UHNWs tended to be more entrepreneurial, which contributed to their average 2.4 percent growth in wealth and their share of UHNW wealth rising from 86 to 89 percent.



Image courtesy of Ferragamo

In general, billionaires, which make up 0.8 percent of the total UHNWs, fared better than the collective ultra-wealthy.

With the help of time, older generations of UHNW individuals are on average wealthier than their younger counterparts. While the population over 80 is older than the average age of 60 among the ultra-affluent, they have an average net worth of \$272 million, higher than the overall average of \$141 million ([see story](#)).

Tale of two countries

The United States boasts one-third of the UHNW population, with 63,350 ultra-affluent residing there.

While the U.S. economy grew in 2015, the overall wealth of its wealthiest residents saw its first decline since 2012, with assets down 1.1 percent. For the 20 percent with their wealth tied to finance, banking and investment, the S&P500's drop likely made an impact, while those in other industries may have seen better results.

Another factor is the higher average age of UHNW individuals in the U.S. when compared to other developed nations. Thinking of the future, they may be more focused on keeping the wealth they have than growing it.

On the other hand, China's comparably younger UHNW population saw its wealth and numbers grow, even with the country's turbulent stock market in 2015. With 27 percent of China's UHNW involved in manufacturing, compared to the 8 percent global average, the nation's 7 percent GDP rise also helped assets rise.

"We don't expect flat performance in the overall performance of the ultra wealthy in 2015 to have a large negative impact on their luxury spending," Mr. Kinnard said. "However, if certain conditions persist for longer, for example, oil prices at \$40-\$50 a barrel, rather than the \$100+ we were accustomed to in the early part of the decade, then this may force more fundamental changes in the attitudes of the ultra wealthy who are impacted."

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