

FINANCIAL SERVICES

Billionaire wealth has declined by \$300B, say UBS and PwC

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Image courtesy of Rolls-Royce

By JEN KING

The total wealth held by international billionaires was affected by external factors in 2015, decreasing to \$5.1 trillion from \$5.4 trillion, according to a new report by UBS and PwC.

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Factors such as asset transfer within families, the deflation of commodity pricing, such as petrol, and the appreciated value of the United States dollar are responsible for a decline of total wealth. UBS and PwC's annual "Billionaires Report" found that the average billionaire's wealth dropped from \$4 billion to \$3.7 billion as a result of the aforementioned headwinds, which begs the question, "Are billionaires feeling the pressure?"

"As the shockwaves from regulatory upheaval in the European Union continue to trigger global currency fluctuations, strategic planning becomes even more crucial for wealth preservation," said Michael Spellacy, global wealth leader at PricewaterhouseCoopers.

"Encouragingly, this year's report shows that Europe's billionaires were the most resilient, with many of the 60 individuals from Europe inheriting their fortunes in 2015 for the first time," he said.

"The U.S., which boasts the biggest collection of billionaires by region, sets the trend. Total U.S. billionaire wealth fell, but new money fared better than old, falling by just 4 percent, from an average \$4.7 billion per individual to \$4.5 billion."

The **Billionaires Report** is derived from the data of 1,397 billionaires and looks back 20 years. Fourteen international markets are considered, covering the U.S., Europe and Asia Pacific, accounting for 80 percent of global billionaire wealth.

Under pressure

UBS and PwC's Billionaire Report found that Europe has the highest number of multi-generational billionaires. These 182 individuals, or 54 percent of billionaires, have proved to be the most resilient in preserving wealth.

European billionaires likely maintain their wealth because of cultural normalities.

Familial ties and upholding legacy are important to many billionaire families, meaning that the wealthy of Europe tend to the businesses that may have been established generations before either by investing in their companies or buying other family-owned firms.

Germany and Switzerland have the highest concentration of "old wealth" based on inheritance, whereas billionaires in U.S. are beginning to outnumber those of inherited wealth.



Image courtesy of Ferragamo

Within the U.S. 175, or 33 percent, of billionaires are multi-generational. But, for the first time in 10 years, the average of self-made billionaires has overtaken those who inherited their fortunes. The average self-made billionaire has a total wealth of \$4.5 billion compared to multi-generational billionaires' average of \$4.3 billion.

New billionaire creation in Europe and the U.S. is trumped by that of Asia Pacific, notably China, which is noteworthy due to the country's Communist government. According to the report, Asia has created one billionaire nearly every three days.

Despite the growth of the billionaire population and 20 years of wealth creation, the "Second Gilded Age" is stalling. This has been caused by asset transfers within families, which break up fortunes, commodity price deflation and currency rates of the U.S. dollar.



Image courtesy of Peninsula Hotels

The report found that 210 fortunes hit the billionaire mark, but 160 billionaires lost their status. The balance of newcomers and those removed from the list brings the total billionaire demographic to 1,397 individuals around the globe.

Although the number of individuals has increased, their combined fortunes declined from \$5.4 trillion to \$5.1 trillion. Average wealth also has declined from \$4 billion in 2014 to \$3.7 billion in 2015.

And the fortune goes to

Transferring wealth is a common cause of fortunes becoming diluted. When a billionaire dies, the wealth is split between heirs, and oftentimes the resulting fortune does not meet the billion-dollar wealth ceiling.

Since exceptional wealth creation has been seen over the last two decades, there will soon be a substantial transfer of fortunes as inheritance. UBS and PwC estimate that less than 500 billionaires will transfer \$2.1 trillion, or the amount of India's GDP, to their heirs over the next 20 years.

Asia's billionaires will be the demographic to watch as a majority of that population is self-made, first-generation billionaires. More than 85 percent are self-made, and it will be interesting to see if Asia's family-oriented billionaires

take a European approach to wealth transfer and fortune preservation.

But research separate from the UBS and PwC's Billionaire Report suggests that Asia's ultra-high-net worth population ranks healthcare ahead of finances as a top concern.

Healthcare is the biggest concern of China's growing high-net-worth population, according to a report from Hurun and insurance firm Taikang.

Social insurance does not provide the value that China's affluent seek, driving 95 percent of them to purchase commercial life insurance to supplement the universal policy. With economic growth feeling like a certainty and family fortunes becoming more secure, basic quality of life issues are overtaking monetary concerns in the minds of the affluent.

Year-on-year, China has seen a 10.7 percent growth in individuals worth at least CNY 10 million, or \$1.6 million, bringing the total number to 1.34 million. Approximately 89,000 members of this group are worth 10 times that, 14.1 percent more than last year ([see story](#)).

"As we head into the greatest period of wealth transfer we've ever seen, there is much insight that we can gain from the experience of the successful wealth transfer and legacy planning that takes place in Europe," said John Mathews, head of ultra-high-net worth at UBS Wealth Management Americas.

"The findings in this report help UBS stay ahead of the issues that matter in order to better advise our clients, which include more than half the world's billionaires," he said.

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