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FINANCIAL SERVICES

Global wealth continues to build beyond Europe, North America

July 9, 2019

Global wealth growth is expected to slow. Image courtesy of Net-A-Porter

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Although global wealth is expected to increase by nearly 6 percent through 2023, growth has slowed as markets and economies shift.

According to Boston Consulting Group's 19th annual Global Wealth report, Asia is likely to have as much personal wealth as Western Europe by 2023 a dramatic change as the number of affluents increases worldwide. In 2018, global personal financial wealth hit nearly $206 trillion, an increase of less than 2 percent from the previous year.

Worldwide wealth

From 2013 to 2017, the compound annual growth rate of worldwide personal wealth was 6.2 percent. The CAGR is expected to drop to 5.7 percent growth between 2018 and 2023, after global wealth grew by 1.6 percent in 2018.

Around the world, markets saw vastly differing results in 2018.

Asia saw a decline in personal wealth in 2018. Image credit: Four Seasons

Excluding Japan, which experienced a 1.3 percent decrease in wealth, Asia's asset growth fell from 11.5 percent in

2017 to 7.1 percent the following year.

North America also saw a decline of 0.4 percent, while Western Europe saw modest growth of 0.6 percent. This was propelled by stronger increases in Germany and France, while growth declined in Italy, Spain and Portugal.

Personal financial wealth increased by 6.8 percent in Eastern Europe, while the Middle East saw growth of 5.7 percent. Latin America, including Mexico, experienced a 6.3 percent jump in personal wealth.

Led by South Africa, the African region had the highest year-over-year growth at 8.9 percent.

Wealth in Africa continues to grow. Image credit: Roar Africa

The global millionaire population reached 22.1 million in 2018, an increase of 2.1 percent. By 2023, BCG estimates there will be 27.6 million millionaires around the world.

While most millionaires still reside in North America, Asia is experiencing double-digit growth in its millionaire population. Africa and Latin America follow Asia in terms of jumps in millionaire residents, with respective 9.8 and 9.1 percent increases.

Investing in affluents

Even as recessions and other geopolitical obstacles loom, it is expected that the number of ultra-high-net-worth individuals is expected to grow by a CAGR of 8.6 percent through 2023.

This significant increase in the ultra-wealthy is one reason the global wealth management industry needs to improve on their marketing and processes, including cybersercurity.

Wealth management firms are evolving to cater to a wider range of demographics, providing the tools and communication that all customers are seeking. According to a new report from Accenture and IIROC, their evolution has not only affected firm-to-client communication, but also the types of service models offered and how the firms themselves are regulated.

Millennials' reliance on digital channels has reached wealth management, pushing these firms to include forms of technological management and communication to allow for easier control. DIY platforms have also become more popular, with clients managing investments themselves but having access to virtual assistants if needed (see story).

Values are also becoming an increasingly important aspect of wealth management for clients, particularly as younger generations are poised to inherit estates.

For instance, United States-based bank BMO Harris is repositioning its ultra-affluent advisory to reaffirm its commitment to working with clients at every step of their wealth creation and management.

Formerly known as CTC | myCFO, the advisory has been renamed BMO Family Office, reflecting the focus on aspects of wealth such as philanthropy and wealth transfers. The name change is partly to appeal to families who may be clients in other parts of BMO's practice, enabling the bank to serve more functions in affluent individuals' lives (see story).