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FINANCIAL SERVICES

Wealth management satisfaction climbs as global wealth falls: Capgemini

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Wealth among ultra-HNWI fell by 6 percent. Image credit: MiaDonna

By SARAH RAMIREZ

Global high-net-worth individual (HNWI) wealth dropped by 3 percent last year, resulting in a worldwide loss of $2 trillion after seven years of continued growth.

Capgemini's World Wealth Report 2019 shows that Asia-Pacific accounted for half of global HNWI wealth loss, while the HNWI population in the Middle East continues to trend upwards. Ultra-affluents also remain pleased with their wealth management firms, despite declining personal wealth and limited technology integration among firms.

"Global wealth declined by 3 percent in 2018 driven mainly by Asia-Pacific, specifically China, and the higher wealth bands including ultra-HNWI," said Chirag Thakral, deputy head of market intelligence strategic analysis group at Capgemini, New York. "The higher wealth bands were the most affected and accounted for 75 percent of the overall HNWI wealth decline.

"HNWI trust and satisfaction with their wealth managers and firms remained strong, which affirms that their efforts and technology improvements are resonating with client HNWI," he said. "At the same time, to navigate the disruptive environment, firms will need to improve their next-gen capabilities and transform service delivery to empower both wealth managers and clients."

Capgemini's 23rd annual wealth report is based on responses from more than 2,500 HNWIs across 19 major wealth markets in North America, Latin America, Europe and Asia Pacific. HNWIs are those who have investible assets of at least $1 million, excluding primary residences, collectibles, consumables and consumer durables.

Wealth management

The wealth of the top 1 percent of HNWIs, or the ultra-HNWIs, declined by 6 percent in 2018.

In a conservative shift amid economic upheaval, many affluents changed their asset allocations in the last year.

Cash became the largest asset category during the first quarter of 2019, making up almost 28 percent of HNWI financial wealth, followed by equities at 26 percent. Alternative investments jumped almost 4 percent to account for 13 percent of asset allocations.

BMO has rebranded its wealth advisory. Image credit: BMO Harris

Eighty-two percent of HNWIs expressed trust and confidence in their wealth management firms, up from 79 percent last year. Satisfaction with clients' primary wealth manager increased by 1 percentage point year-over-year to 79 percent.

More than 91 percent of HNWIs cite service quality as among the important criteria in selecting a wealth management firm, followed by risk diversification and attractive fee structure.

Six in 10 HWNIs are satisfied with the fees associated with their wealth managers. However, clients are expecting more personalized options from the wealth industry, such as customized offerings emphasizing value creation.

About 40 percent of respondents are satisfied with personalized offerings from their wealth management firms, including only a third of clients under 40 years of age.

HWNIs also want to form strong personal connections with their primary wealth managers, with some clients being discouraged by turnover at wealth organizations.

In response, almost half of wealth managers expect their firms will hire more managers to meet expectations.

More than 85 percent of managers also believe it is important that firms provide strong wealth planning tools, followed by high-quality research. Two-thirds also report that firms should prioritize modernized customer relationship management and smart analytics tools.

Asia outlook

China alone made up more than half of the wealth decline in Asia Pacific in 2018, translating to a quarter of the global HNWI wealth decline.

The trade war between China and the United States has continued into 2019.

In May, China retaliated after the U.S. raised tariffs on $200 billion worth of Chinese goods.

President Donald Trump threatened to raise tariffs on Chinese imports from 10 percent to 25 percent. In response, China increased duties on thousands of products to 25 percent, causing U.S. stocks to take a hit on May 13 (see story).

Weeks of protests in Hong Kong are also likely to impact its valuable luxury market, according to research from UBS.

Mainland China and Hong Kong are both crucial luxury markets. UBS estimates that Hong Kong is responsible for about 5 percent of luxury sales, with above average profitability. Luxury companies in China, including Hong Kong, saw sales grow 13.8 percent in the fiscal year ended in June 2018 (see story).

"While 2018 has been a year of decline, but the global wealth witnessed consistent increase in global wealth from 2011 to 2017 and a lot of the growth was driven by the Asia-Pacific region," Mr. Thakral said. "Asia Pacific has moved from being the third placed region about 15 years back to become the region with the largest HNWI population and wealth.

"While growth levels for Asia Pacific are expected to decelerate a bit as the region grows further, but it is still expected to lead the overall growth over the next few years," he said.