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Capgemini's World Wealth Report 2018: Global high net worth individual wealth surpasses US$70 trillion for the first time

Despite an increase of 1.6 million HNWIs globally and a 10.6 percent increase in HNWI wealth, HNWI satisfaction lagged

Paris, June 19, 2018 – The World Wealth Report 2018 (WWR), released today by Capgemini, found the improving global economy spurred high net worth individual[1] (HNWI) wealth to surpass the US$70 trillion threshold for the first time. Registering its sixth consecutive year of gains, HNWI wealth grew 10.6 percent, making 2017 the second-fastest year of HNWI growth since 2011. The new report also highlighted the anticipated entry of BigTechs[2] into wealth management as well as growing HNWI interest in cryptocurrencies[3], which reached an all-time high market capitalization in January 2018.[4]

Global HNWI growth continues across regions

The HNWI population continued to grow across global regions, with Asia-Pacific and North America accounting for 74.9 percent of the total global increase in the HNWI population (1.2 million new HNWIs) and 68.8 percent of the rise in global HNWI wealth (US$4.6 trillion in new HNWI wealth). Europe also realized a strong performance in 2017 with 7.3 percent of HNWI wealth growth. The largest markets, comprised of the United States, Japan, Germany and China, represented 61.2 percent of the global HNWI population in 2017 and accounted for 62 percent of all new HNWIs globally.

Wealth managers delivered another year of strong returns

According to the report, global HNWI investment returns (on the assets managed by wealth managers)[5] were up 27.4 percent in 2017. Equities remained the largest asset class in the first quarter of 2018 at 30.9 percent of HNWI financial wealth, followed by cash and cash equivalents at 27.2 percent, and real estate at 16.8 percent (increase of 2.8 percentage points.) Younger HNWIs (under aged 40) claim to have achieved much higher investment performance than their older counterparts (37.9 percent versus 16.9 percent), possibly because of the need to focus on wealth creation at this early stage of their lives, compared with the higher focus toward wealth preservation of those HNWIs aged 60 and above.

[1] HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables and consumer durables.
[2] BigTech is a general term for data-driven tech firms not traditionally present in Financial Services, such as Amazon, Google/Alphabet, Alibaba, Apple, and Facebook.
[3] Cryptocurrencies (such as Bitcoin, Ethereum, Litecoin and Ripple) are digital currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds.
[4] "Total Market Capitalization Global Charts," CoinMarketCap, accessed May 14, 2018 at https://coinmarketcap.com/charts/
[5] Wealth managers oversee 32.1 percent of HNWI wealth, according to the World Wealth Report 2016. Other HNWI assets are generally held as cash and in retail bank accounts, businesses, real estate, and self-directed investments.

Robust investment returns are not increasing HNWI satisfaction

Strong investment returns in 2016 and 2017 did not yield an overall HNWI satisfaction level globally, in contrast to significantly high trust and confidence levels in wealth managers and firms, suggesting that returns alone cannot sustain a wealth management business. North American HNWIs appeared the most satisfied with their wealth manager (75.2 percent), while no other region passed the 70 percent threshold. In 2018, only 55.5 percent of HNWIs said they connected very well at a personal level with their wealth managers, despite substantial investment returns delivered over the past two years. The majority of HNWIs (64.3 percent) globally said they would use an improved system for locating a wealth manager, whether this is a firm-specific initiative or provided by a third party or parties.

"There is clear opportunity for wealth management firms to strengthen their relationships with their high net worth clients as nearly half say they don't connect well with their wealth managers. Providing an innovative digital client experience is one way to strengthen the bond between wealth managers and their clients," said Anirban Bose, member of the Group Executive Board and Head of Capgemini's Financial Services Global Strategic Business Unit.

Cryptocurrencies gain global attention

While not yet a major part of HNWI portfolios, there is growing interest in cryptocurrencies as an investment tool and store of value. Cryptocurrency investments gained global attention in 2017 and peaked in market capitalization in early January 2018. However, HNWIs are cautiously interested in holding cryptocurrencies, with 29 percent globally having a high degree of interest, and 26.9 percent saying they are somewhat interested. Cryptocurrency's potential for investment returns and as a store of value are driving HNWI interest, with 71.1 percent of HNWIs aged 40 and below placing high importance on receiving cryptocurrency information from their primary wealth management firms, compared to 13 percent of HNWIs aged 60 years and above. But wealth management firms have been ambivalent when it comes to providing cryptocurrency information to HNWI clients, with only 34.6 percent of HNWIs globally saying they have received cryptocurrency information from their wealth managers.

Wealth management firms prepare for BigTech entry

Although widespread global entry of BigTechs into wealth management remains uncertain, leading firms (nearly three-quarters of all interviewed firms) are investing in innovative technologies such as intelligent automation and artificial intelligence (AI) over the next 24 months, as they prepare for BigTechs to play a larger role in the industry. The most likely approach for BigTech entry will be based on building partnerships through the white labeling of incumbent firms' products and services or employing models that support wealth management firms with back- and middle-office processes. Regardless of the BigTech entry model and time horizon, the report highlights that wealth management firms must transform the way they invest for the future as well as move away from traditional budgeting models to a more dynamic portfolio-based approach.

Research Methodology

The World Wealth Report from Capgemini is the industry-leading benchmark for tracking high net worth individuals (HNWIs), their wealth and the global and economic conditions that drive change in the Wealth Management industry. This year's 22nd annual edition includes findings from in-depth primary research on global HNWI's perspectives and behaviors. Based on responses from more than 2,600 HNWIs across 19 major wealth markets in North America, Latin America, Europe and Asia-Pacific, the 2018 Global HNW Insights Survey explores HNWI investment behavior including asset allocation, fee models and investment preferences. The survey also measured current HNWI investment behavioral patterns of global HNWIs, including their asset allocation, HNWI confidence levels and asset allocation decisions.
For more information or to download the report, visit www.worldwealthreport.com.

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