Wealth advising 2024: Key trends for success

Effectively serve HNWIs and bolster profitability by capitalizing on current trends in personalization, tax regulations, and AI-driven technologies.

In brief

- As optimism grows for 2024, advisors should shift focus to building strong relationships with HNWIs by addressing experience expectations and pursuing holistic household-level approaches to preserving wealth across generations.
- For those advising U.S. clients, impending tax code changes require engaging with HNWIs early to ensure wealth-building and legacy-preservation strategies can be executed appropriately.
- Embracing AI-driven personalization, visualization, and automation technologies will significantly reduce advisor inefficiencies while enabling the delivery of the right advice, at the right time, to the right HNW segment.

With the economic optimism on the horizon for the balance of 2024, the wealth of high-net-worth individuals is expected to grow modestly this year. As HNWIs[1] look to their advisors for guidance on wealth preservation and improved asset returns, it's a critical period for building strong relationships.

Globally, 56% of HNWIs want firms that provide value-added services such as tax planning, inheritance advice, estate management and legal consultation. Yet advisors spend only a third of their time on pre-sales efforts and client interaction. Further, 50% of advisors say that personalizing client interactions is a challenge.

For advisors to make meaningful contributions movingahead, wealth management firms need to focus on responding to four key trends that are driving relationship management success.

Address experience expectations

Although digitalization has empowered clients in new ways, it doesn't mean that experience expectations across wealth management segments are the same. Rather, winning client loyalty requires understanding and addressing preferences within each segment.

Digitally-driven affluents

42%

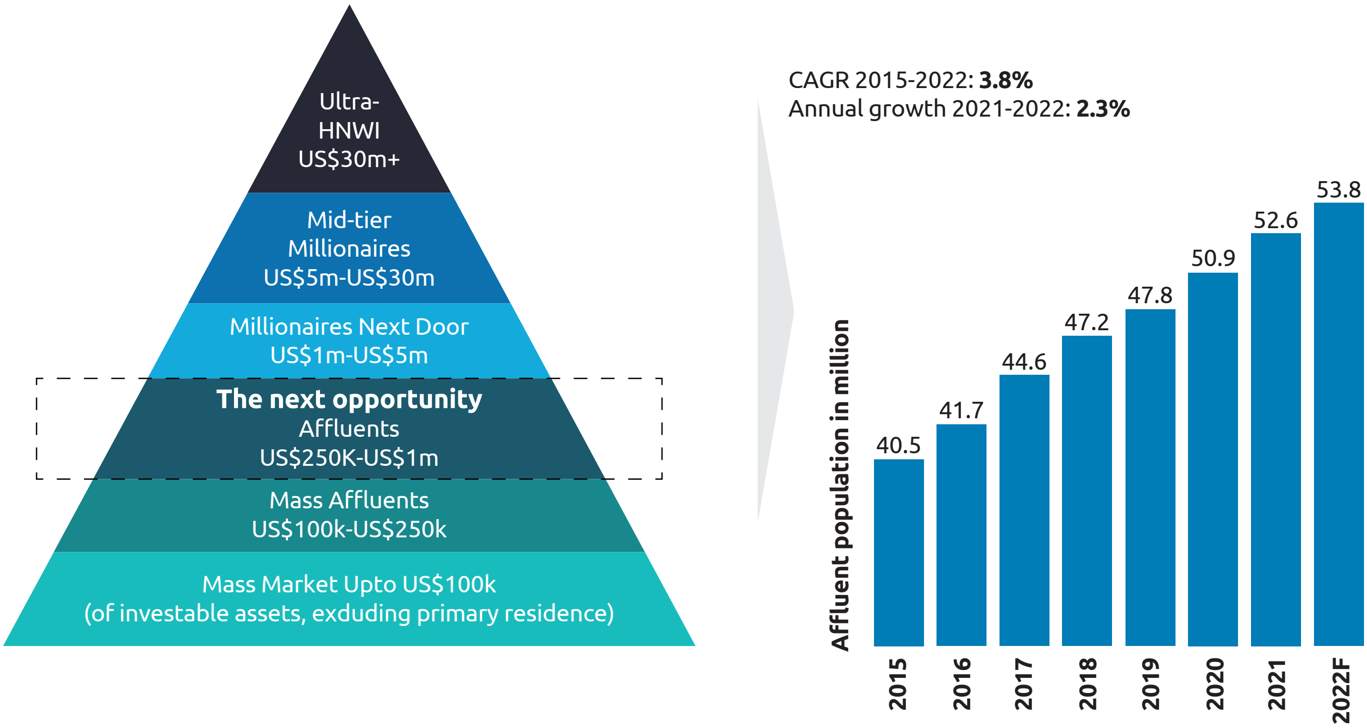
of affluents feel unfamiliar with investment risks and need advice regarding strategies aligned with theirlife goals.[2]

Defined as individuals with investable assets between USD 250,000 and USD 1 million, affluents hold nearly US$27 trillion in wealth and can grow to become future High Net Worth Individuals (HNWIs). Affluents prefer digital platforms, particularly mobile apps, and prioritize hyper-personalized experiences that emphasize transparency, education, and self-service tools.

Although they are interested in value-added advising, 46% of affluents said their wealth management providers did not offer such services. This makes Affluents an attractive growth target for firms that can leverage the technology tools for making advisor engagements fast and efficient.

Case in point

Wells Fargo rolled out Wells Fargo Premier,[3] which caters to affluents' needs through an integrated banking, lending, and investing solution that is simultaneously relationship-based and digital-centric.



Source: Capgemini Research Institute for Financial Services, 2023; GlobalData's Wealth Markets Analytics, 2023.

Figure 1 Affluents: The Next Opportunity

Hybrid HNWIs

55%

of HNWIs value digital channels capabilities when choosing a WM firm, but 47% are dissatisfied with the WM firm's digital interface.[4]

Less digitally-driven HNWIs continue to expect the personal touch, including a dedicated relationship manager accessible via face-to-face meetings, phone, email, or secure messaging channels. However, they also engage regularly using digital channels.

This means relationship managers (RMs) need the ability to take a hybrid approach to ensure HNWIs receive a high-touch customer experience centered around comprehending client goals, delivering tailored solutions, and fostering an emotional connection.

Case in point

Merrill Wealth Management offers the digital platform Merrill Advisor Match that connects HNWIs with a Merrill financial advisor who meets their preferences and needs.[5]

		Face-to-face meeting	Phone call	Mobile app	Website	Video call
Acquire	Searching	31%	24%	10%	23%	13%
	Onboarding	23%	23%	10%	26%	19%
	Advice (Portfolio building)	25%	27%	8%	19%	21%
Serve	Managing queries & concerns	21%	32%	10%	22%	15%
	Executing transctions	18%	28%	13%	27%	14%
	Accessing portfolio	16%	25%	13%	32%	14%
Nurture	Market updates	12%	27%	15%	29%	17%
	Personalized updates	17%	22%	15%	31%	15%
	Expert advice	27%	25%	10%	20%	18%

Among HNWIs top channel preference

Figure 2 North American HNWIs expect hybrid experiences

White Glove Ultra-HNWIs

34%

of the global HNW wealth is held by Ultra-HNWIs, making this segment the greatest in terms of profitability potential.[6]

Ultra-HNWIs continue to be critical for WM firm profitability currently and as the segment transfers wealth to younger generations over the coming decades. Ultra-HNWIs expects 24/7 global access, dedicated phone lines, private cloud-based platforms, customized data visualization, and regular family/team meetings. The customer experience is mostly focused on anticipating highly-personalized needs, maximizing opportunities, and preserving legacies. As such, it's essential to build relationships across a household, providing holistic advice that encompasses financial and non-financial offerings.

Case in point

Bernstein Private Wealth Management recently expanded its Ultra-HNWI platform with an offering designed to help clients navigate the growing complexities of wealth. It includes a dedicated service team and additional resources personalized to this group.[7]

Meet HNWIs where they are

As HNWI and Ultra-HNWI will remain the most attractive WM segments for the foreseeable future, it's also critical for relationship managers to update their advising approach.

Currently, 70% of heirs say are inclined to change their financial advisors upon inheriting their parents' wealth. To remedy the situation, advisors must shift focus from engaging with individuals to creating a relationship with an entire household. This requires understanding the changing interests of heirs, such as the growing interest in ESG-focused assets, and adjusting advising strategies accordingly to deliver holistic assistance that preserves wealth and client relationships across generations.

Establishing family offices is becoming a fast-growing strategy. As family offices are unregulated, they are more suited to providing appropriate life-stage services beyond traditional WM offerings while simultaneously fostering the emotional connections that build loyalty.

Case in point

J.P. Morgan launched a new private banking unit, the US Family Office Practice, to help ultra-high-net-worth families with estate planning, life insurance, strategic wealth transfer techniques, cybersecurity practices, and more, to assist the bank's advisors with delivering more integrated services.[8]

Capitalize on regulatory changes

For those advising U.S. clients, significant regulatory revisions hold opportunities for RMs to assist HNWIs and also establish relationships with Affluents who can transition into the upper segments. The two most important changes are:

- Expiration of the gift and estate tax exemption. As many techniques for safeguarding legacies take time to execute, advisors should be engaging with HNWIs this year to ensure assets are protected. The consequences are steep, with the estates of HNWI potentially taxed at rates of 40% or more once the exemptions expire in late 2025.
- SECURE 2.0 Act rollout. A wealth game-changer in the U.S., the act unlocks benefits for all ages, including a significant percentage of individuals who will be Great Wealth Transfer beneficiaries. RMs, especially those advising Affluents and HNW Gen Zs and Millennials, must adjust their strategies to help clients gain from SECURE 2.0.

Leverage technology to boost success

Driven by pervasive value-chain inefficiencies, many WM firms say their cost per relationship manager is rising. As a result, the majority of WM executives are prioritizing digital infrastructure upgrades, which includes exploring partnerships and synergies with reliable third parties to maximize advisor productivity and improve client experiences.

Key adoptions include:

- **Generative AI** is transforming the affluent client experience by facilitating sophisticated natural language interactions in their preferred communication channels, thus unlocking profound insights into their financial aspirations and requirements. This foundation paves the way for hyper-personalized client engagements, including bespoke investment advice and identifying strategic upselling and cross-selling avenues. For advisors, this shift towards AI-driven personalization not only significantly reduces the burden of routine tasks by at least 25% but also amplifies their efficiency. Consequently, advisors are empowered to dedicate more time to strategic client engagement, benefiting from deeper insights into client needs that facilitate more impactful and informed advisory services.
- **Immersive Technologies like VR and AR** are revolutionizing how clients interact with their investment portfolios by providing an engaging and intuitive platform for exploring investment scenarios and performance in a visually stimulating and interactive format. This customer-first strategy enhances the comprehension of intricate investment frameworks and personalizes the client-advisor dialogue. For advisors, the adoption of these immersive tools acts as a catalyst for delivering tailored advice and insights, thereby cultivating more robust relationships. This dynamic engagement model makes financial planning more collaborative and engaging while positioning advisors to better understand and meet their client's needs, resulting in a more productive and satisfying advisory experience for both parties.

In conclusion

Continuing to meet the needs and expectations of traditional HNW segments, while beginning to tap Affluents and growing them into HNWIs and Ultra-HNWIs, WM firms need to equip their relationship managers with new strategies and technologies for providing the right advice, to the right HNWIs, at the right time. This requires understanding experience expectations, adopting new advising approaches, taking tax code revisions into account, and embracing AI-driven automation and insight-generation technologies.

Our expert

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Abhishek provides Wealth Management industry leadership for clients and brings Capgemini collaboration with industry-leading partners to provide innovative wealth management solutions for clients. He has over 20 years of financial services experience, working primarily in wealth management and corporate banking.

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Ashutosh has strategy and consulting experience with leading clients globally in Wealth Management and FinTech domains. He has also led the Capgemini thought leadership in wealth management.

Endnotes

[1]Capgemini. HNWI segments defined by investible assets as: Affluents, with $250K to $1M; HNWI, with $1M to $30M; Ultra-HNWI, with more than $30M. "World Wealth Report 2023;" June 1, 2023.

[2]Capgemini. "Wealth Management Top Trends 2024;" January 2024.

[3]Wells Fargo. "Wells Fargo announces a new offering dedicated to the financial needs of affluent clients;" October 25, 2022.

[4]Capgemini. "Wealth Management Top Trends 2024;" January 2024.

[5]Bank of America. Merrill Advisor Match Transforms the Way People Find a Financial Advisor; October 4, 2022.

[6]Capgemini. "World Wealth Report 2023;" June 1, 2023

[7]Bernstein Private Wealth Management. "Bernstein Private Wealth Management Announces Expansion of Ultrahigh-Net-Worth Platform;" January 29, 2024.

[8]J.P. Morgan Private Bank. "J.P. Morgan Private Bank announces new U.S. Family Office Practice;" July 26, 2023.

About Capgemini

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