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Persistent Industry Challenges and Needs of Younger HNWIs Are Changing the Role of Wealth Managers, Finds World Wealth Report 2015

Wealth managers and firms need to evolve to meet the complex needs of their clients or risk losing business

Toronto, Paris, June 17, 2015 – The evolving needs and expectations of High Net Worth Individuals[1] (HNWIs), particularly those under the age of 45, are driving wealth management firms to adapt, or risk lower client satisfaction levels, finds the World Wealth Report 2015 (WWR), released today by Capgemini and RBC Wealth Management. The report reveals that wealth managers are overestimating the degree to which they understand the wealth needs of younger HNWIs, with a 15 percentage point gap between how well younger HNWIs believe their needs are understood by their wealth managers and the perceptions of wealth managers themselves. The report also finds that pressure from ongoing industry issues, such as regulation, rising costs, and new entrants to the market, is significantly changing the traditional wealth manager role.

Opportunity for wealth managers to better understand needs of younger HNWIs

Globally, 73 percent of HNWIs are satisfied with their wealth managers. HNWIs in North America recorded the highest overall satisfaction rates (82 percent) while HNWIs in Japan recorded the lowest (56 percent). While wealth managers are delivering satisfactory service to most HNWIs, the report reveals that they misjudge the degree to which younger HNWIs feel their needs are understood, with 76 percent of wealth managers saying they understand the needs of younger HNWIs, while only 61 percent of younger HNWIs agree.

[1] High Net Worth Individuals (HNWIs) are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

Globally, HNWIs are most concerned about their health and that of their family (68.7%), whether their assets will last throughout their lifetime (66.2%), the rising cost of health care (63.8%), and the ability to afford the lifestyle they want in retirement (62.8%).

A greater percentage of younger HNWIs express high levels of concern about all aspects of their financial lives (59%) than older HNWIs (51%). That contrasts with less than half of wealth managers (48%) who express concern over the key financial aspects of their clients' lives.

This disconnect is leading to further challenges for wealth managers and their firms as younger HNWIs also expressed a greater need for support and professional advice from wealth managers (54 percent vs. 49 percent for older HNWIs), lower satisfaction levels (70 percent vs. 73 percent), and a higher propensity to leave their firm and/or wealth managers in the event their wealth needs are not fulfilled (83 percent vs. 79 percent).

Industry challenges and new entrants create pressure to transform

Industry challenges such as regulation and cost pressures, combined with the increasing commoditization of some basic core services, are driving wealth managers to differentiate themselves from new non-traditional players, such as automated advisory service providers[2]. There is strong interest for automated advisory services in emerging markets such as Asia-Pacific, excl. Japan, (76 percent) and Latin America (70 percent), while North American HNWIs registered the lowest interest at 34 percent. Younger HNWIs are also nearly twice as inclined to use automated advisory services as older HNWIs (67 percent vs. 38 percent). However, wealth managers are underestimating HNWI interest in these services, with only 20 percent of wealth managers believing their clients are interested in them, compared to 49 percent of HNWIs who would consider using them.

"A number of emerging factors are impacting the wealth manager role and now is the time to address these converging and accelerating market dynamics," said Andrew Lees, Global Sales Officer, Capgemini Global Financial Services. *"These latest World Wealth Report findings reinforce the need for wealth managers to continually adapt to meet evolving client expectations. To fortify the ongoing trust, satisfaction, and loyalty of younger HNWIs, firms need to reassess traditional ways of nurturing and growing these relationships and combat increased commoditization by looking for new ways to differentiate."*

[2] Automated advisory services refer to online-only firms (or divisions of traditional wealth firms) that offer automated portfolio management services (i.e. client inputs result in automated portfolio management recommendations). However, they are not typically equipped to offer more holistic and detailed wealth planning and solutions.

Wealth managers and firms must shift their focus

Along with traditional investment advice that many HNWIs continue to value, the wealth manager's role is expanding to include a broader range of advice and support, leveraging the full value of their firms, to help clients achieve their life goals.

"The most successful firms will be the ones that reimagine the value they bring to their clients to be more competitive," said George Lewis, Group Head, RBC Wealth Management & RBC Insurance. *"As firms navigate the changing market dynamics, it's important that they keep an open dialogue with wealth managers, while developing the tools, guidance and resources to support their success. We recognize that this is critical for continuing to identify opportunities to enhance the client-wealth manager relationship and respond to the evolving needs of our clients."*

As their role evolves, long-term success for wealth managers will depend on their ability to understand and address client needs, empower clients through education and dialogue, and embrace a wider spectrum of financial planning and wealth management advice and solutions. Technology will play a critical role by enabling wealth managers to respond to specific client demands with tailored financial planning and services to compete with emerging disruptive players more effectively.

According to the report, wealth management firms also need to change significantly, or risk falling behind. Investment is needed by firms in deep and broad resources so that their wealth managers can offer truly integrated wealth planning. The most successful firms will be those that empower wealth managers, invest in training and education, and support full financial planning based on the comprehensive needs of their clients.

The World Wealth Report from Capgemini and RBC Wealth Management 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 19th annual edition includes findings from the most in-depth primary research works available on global HNWI perspectives and behavior. Based on responses from over 5,100 High Net Worth Individuals across 23 countries, the Global HNW Insights Survey explores HNWI confidence levels, asset allocation decisions, perspectives on driving social impact, as well as their wealth management advice and service preferences. The inaugural 2015 Capgemini Wealth Manager Survey also queried more than 800 wealth managers across 15 major wealth markets to assess the evolving role of wealth managers.

For more information, explore the interactive report website at www.worldwealthreport.com

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With more than 145,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2014 global revenues of EUR 10.573 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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Learn more about us at www.capgemini.com and www.capgemini.com/financialservices.
Connect with our wealth management experts in the Financial Services section of Capgemini Expert Connect at http://www.capgemini.com/experts/financial-services

The World Wealth Report 2015 and other Capgemini thought leadership is available for your iPad through Capgemini's Financial Services Insights app. Download it through iTunes here

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RBC Wealth Management is one of the world's top five largest wealth managers*. RBC Wealth Management directly serves affluent, high-net-worth and ultra-high net worth clients globally with a full suite of banking, investment, trust and other wealth management solutions, from our key operational hubs in Canada, the United States, the British Isles, and Asia. The business also provides asset management products and services directly and through RBC and third party distributors to institutional and individual clients, through its RBC Global Asset Management business (which includes BlueBay Asset Management). RBC Wealth Management has more than C$747 billion of assets under administration, more than C$481 billion of assets under management and approximately 4,100 financial consultants, advisors, private bankers, and trust officers. For more information, please visit www.rbcwealthmanagement.com

*Scorpio Partnership Global Private Banking KPI Benchmark 2014. In the United States, securities are offered through RBC Wealth Management, a division of RBC Capital Markets, LLC, a wholly owned subsidiary of Royal Bank of Canada. Member NYSE/FINRA/SIPC.

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