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U.S. High Net Worth Individual Wealth Grew by more than a Trillion Dollars in 2014

Millennials signal disruption for U.S. Wealth Industry with greater demand for automated robo-advisors

New York – December 2, 2015 – Growth of the High Net Worth Individual (HNWI)[1] population and wealth in the United States reached record levels in 2014 maintaining its status as the largest HNWI market globally, according to the U.S. Wealth Report 2015 released today by Capgemini. In 2014, the population of U.S. HNWIs grew by 8.6 percent to reach 4.4 million and overall U.S. HNWI wealth expanded by a 9.4 percent increase to reach US$15.2 trillion. While strong equity market performance and GDP growth propelled HNWI population increases in the 12 largest U.S. metropolitan statistical areas (MSAs)[2], the highest levels were concentrated in Texas and the West Coast. However, despite robust growth in U.S. wealth, the preferences and behaviors of younger and wealthier HNWIs are continuing to challenge the traditional relationship between HNWIs and the wealth management firms that serve them.

U.S. HNWIs continue to dominate the growth of global wealth, representing 29 percent of new HNWI global wealth since 2008. Twelve U.S. cities – Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, New York, Philadelphia, San Francisco, San Jose, Seattle, and Washington, D.C. – represent two thirds of the U.S. HNWI population. The HNWI investable wealth within these cities grew by US$1 trillion (10 percent) to US$11.4 trillion during 2014. While New York remains the city with the highest HNWI population overall, the top six cities for HNWI growth were in Texas and the West Coast, driven by strong real estate market. Houston's HNWI population grew the fastest in 2014, at 14 percent, moving it to seventh from eighth place from the previous year's ranking. Seattle was second in U.S. HNWI population growth at 12 percent while cities in the Midwest and on the East Coast grew more slowly. Chicago, suffering from a subdued economy and higher unemployment rates, had the lowest level of HNWI growth, at 7 percent.

[1] High Net Worth Individuals (HNWI) are defined as having more than US$1million in investable assets excluding primary residence, consumables and collectibles.
[2] Metropolitan Statistical Areas (MSAs) also referred to as "cities" in the report are geographic entities defined by the U.S. Office of Management and Budget (OMB) and generally include the named city as well as many significant neighboring counties.

Under-40 HNWIs signaling a wave of change for industry

Triggered by lower levels of trust and confidence in their advisors, 85 percent of U.S. based HNWIs under-40, nearly 10 percentage points more than HNWIs over-40, say they are more likely to leave their wealth managers or firm if their needs are not being met.

The report also finds that attitudes, concerns, and investment activities of U.S. HNWIs under-30 are even more pronounced than those of under-40 HNWIs. In particular, younger HNWIs in the U.S. are also seeking more sophisticated financial planning services, including global investing on top of strong preferences for digital offerings and automated advice platforms. The wealthiest U.S. HNWIs also were outliers when it came to shifting investment preferences. Motivated to seek out diverse specialties to better manage their complex financial portfolios, the report found that the wealthiest U.S. HNWIs (those with more than US$20 million in assets) were twice as likely to work with multiple firms as HNWIs with between US$1 million and US$5 million in assets.

"The habits of younger and wealthier U.S. HNWIs and demand for digital services point to the shifting dynamic of the traditional wealth manager-HNWI relationship," said Sankar Krishnan, Vice President, Banking, Capgemini Financial Services. *"Established wealth management firms that are able to combine high-quality advice delivered both directly from agents as well as from automated platforms will have the opportunity to raise their profile and secure market share from all segments of the U.S. HNWI population."*

Automated advisors have potential to drive culture shift in wealth management

More than 87 percent of under-40 U.S. HNWIs expect all or most of their wealth management relationship to be conducted digitally in the next five years. While under-40 HNWI demand for digital interaction is high, it is important to recognize that nearly 50 percent of over-40 HNWIs also preferred digital channels. HNWIs' affinity for digital services and the wealthiest HNWIs' desire for diverse investment options are two important drivers for developing low-fee automated investment management platforms. New entrants to the market that offer digital portfolio management and advisory services are expanding at a rapid pace with the assets under management (AUM) from the top U.S. automated advisors increasing 265.7 percent from March 2014 through September 2015. Automated services complement traditional wealth management firms' offerings by offloading basic tasks giving wealth managers more time to focus on client relationships.

With U.S. HNWIs willing to allocate an estimated US$1.5 trillion of assets to automated advisors by 2017, wealth management firms must act now to add the automated advisory capabilities HNWI's so clearly want or risk being left behind.

Female HNWIs stand apart, creating additional challenges for wealth managers

Female HNWIs in the U.S. were found to have a distinct set of top concerns including fear of identity theft and personal financial crime, anxiety about the environment, and the threat of income not keeping up with inflation. Aspects of asset allocation and social impact investing also distinguish female HNWIs from male HNWIs. For example, female U.S. HNWIs are more likely to hold cash (26 percent) than males (21 percent), and are less likely to hold equities (29 percent) than their male counterparts (40 percent). Female HNWIs also rated professional guidance in measuring social impact effectiveness as more important than males (9 percentage points). These characteristics offer new motivation for wealth management firms to begin offering services designed specifically for female HNWIs.

For more information, explore the interactive report website at: www.us-wealthreport.com

The U.S. Wealth Report 2015 from Capgemini provides in-depth analysis and insights into the high net worth populations and wealth of the top 12 U.S. Metropolitan Statistical Areas (MSAs). The report highlights both growth in the U.S. and its top 12 MSAs exploring investment preferences, geographic allocations, and credit preferences of U.S. HNWIs. This year's edition features an analysis of the emergence of automated advisors in today's shifting U.S. wealth management landscape, the potential role for these players and how some leading firms are leveraging the automated advisor trend to complement their existing strengths.

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