Wealth and Asset Management 2021

Preparing for Transformative Change

About the research

To provide a clear vision of the future, Roubini ThoughtLab conducted a rigorous study in the first half of 2016 that included four research elements: (1) A survey of 2,000 investors in 10 leading markets, including the US, the UK, Germany, Australia, China, Hong Kong, Mexico, Canada, Switzerland, and Japan. (2) Also in those countries, a survey of 500 investment providers, including full-service banks, mutual funds companies, private banks, family wealth offices, investment advisors, and alternative investment firms. (3) Advisory meetings and interviews with more than 40 industry leaders and experts. (4) In-depth economic modeling of wealth trends conducted by a team of economists led by Dr. Nouriel Roubini.

Executive Summary

Everywhere you look, the signs of change are there. The global demographics of wealth are shifting dramatically—from the growing dominance of women investors to the rising middle class in emerging markets. The wealth industry will see the transfer of trillions of dollars of wealth from baby boomers to a new generation of digital natives. These changes will occur at hyper-speed as smarter technology links billions of people and devices to financial markets. Over the next five years, the impact on the wealth profession will be profound.

To help executives understand the far-reaching implications, Roubini ThoughtLab teamed up with a coalition of leading wealth organizations to conduct this study, titled *Wealth and Asset Management 2021: Preparing for Transformative Change*. This paper highlights five key megatrends that will reshape the global wealth profession over the next five years.

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*The research was conducted by Roubini ThoughtLab in conjunction with **Bank of Montreal, Broadridge, CFA Institute, Cisco, eToro, Schroders, SEI,** and **State Street.***

1. The big shift

By 2021, the convergence of technological, economic, and demographic trends will transform the wealth industry, unlocking greater global wealth across a more diverse universe of investors. The Roubini analysis foresees massive wealth creation over the next five years. It predicts household assets will rise by $89 trillion in 25 top markets, with the biggest gains coming from emerging markets, such as China, Mexico, and Poland. The rise in household assets in these markets alone will pump over $50 trillion into the wealth industry. But at the same time, the demographics of wealth will change as millennials, Gen X, women, and emerging market investors see their wealth rise.

But our research shows that investment providers are not fully prepared to meet the rising expectations of investors, who are pressing for proper investment certification (72%), more customized solutions (68%), wider investment options (64%), and greater cybersecurity (63%). Raising the stakes, 48% of investors are willing to switch providers if their demands are unmet. The percentages are even higher for millennials (65%) and emerging market investors (66%).

2. The rapidly evolving investor

As demographic and wealth patterns change around the world, providers will need to engage a more heterogeneous set of investors. Although the core values of investors will stay the same in the future, their behaviors and product needs will shift dramatically.

Investors plan to increase their use of anytime, anywhere, any device access (52%), transfer investments to organizations with better services (37%), and work more with wealth providers offering specialized advice (37%). They will also acquire a growing appetite for personalized services (43%), alternative investments like hedge and real estate funds (37%), socially responsible investing options (29%), and smart beta products (25%).

Understanding the differences and commonalities among these investor segments will be vital for success. For example, 52% percent of female respondents expect to use socially responsible investments in the next five years, compared with 41% of men. With $30 trillion just in wealth slated to be handed down to the next generation in North America in the years ahead, wealth firms need to act now to millennial-proof their businesses.

3. Rethinking product and market approaches

In response to changing customer demands, investment providers are resetting their product priorities over the next five years. At the top of their priority list is developing fintech capabilities (59%), creating more customized products (58%), offering a rich range of investment alternatives (51%), providing specialized, holistic wealth advice (43%), and adding smart beta products (35%).

Investment providers are also recasting their strategies for retaining and acquiring a more diverse set of customers. These strategies include using technology to broaden their client base (57%), extending business to family members and friends of clients (55%), segmenting clients by demographic and psychographic characteristics (50%), changing business models (46%), and globalizing marketing activities (42%).

Our research shows that fintechs will not disrupt the wealth industry in the same way as Amazon and eBay did to retail. Instead, technology will become standard for the wealth profession as existing wealth firms build up their own fintech capabilities. But competition will heat up as "born digital" companies, including Internet giants such as Alibaba, enter the market, and traditional providers expand their offerings to create more digitized, personalized, and democratized products for a more diverse client base.

4. The future wealth advisor

To stay relevant, wealth advisors will elevate their role in the wealth ecosystem over the next five years. Next-generation wealth advisors will need to be hyper-responsive, highly empathetic, and digitally savvy. Equally important, they will need to be multidimensional professionals able to provide both specialized advice and life goal-planning – always keeping their clients' best interests in mind.

When selecting wealth advisors in the years ahead, investors will continue to use long-standing criteria, such as quality (70%), fees (61%), reputation (60%), and range of services (61%). But investors will also assess wealth advisors on new measurements: their digital capabilities. These include anytime, anywhere, any device access (57%), integrated omnichannel experience (51%), and advanced use of digital technology and analytics (50%).

According to providers, over the next five years, advisors will need to adapt their roles in several fundamental ways, including providing more responsive, 24/7 service (58%), offering superior investment advice (44%), becoming digitally savvy (42%), providing a broader range of life-planning advice (42%), and reducing fees (34%). The role of the advisor will take the form of a "general practitioner," who can call on a cadre of specialists when necessary.

5. The road ahead: Driving digital transformation

If investment providers had any doubts about the importance of going digital, they just need to listen to their clients. In our survey, 82% said that it was important for their investment provider to stay at the forefront of technology in the future. In response, investment providers are developing an array of digital capabilities, including anytime, anywhere, any device access (55%), omnichannel experiences (48%), technology-enabled planning tools (45%), improved performance analytics (41%), digitally enabled client on-boarding (41%), and low-cost online trading platforms (40%).

Furthermore, with SMAC (social, mobile, analytics, and cloud) technologies now becoming table stakes, wealth firms are targeting smart technologies that can provide them with greater differentiation in the future. These technologies include virtual reality (set to grow 130%), artificial intelligence (128%), web analytics and sentiment analysis (77%), telepresence and web collaboration tools (68%), and blockchain (43%).

The study reveals that wealth companies will transform their strategies, products, and business models to become fully integrated, digitally driven businesses by 2021. Digital leaders – firms in advanced stages of digital transformation – report that last year they increased assets under management by 7.2%, profitability by 6.8%, and productivity by 9.4% thanks to the use of digital technology. The ultimate goal for these firms is to become “omniproviders,” able to serve customers seamlessly across all channels, with an integrated front-, mid- and back-office. By 2021, 57% of digital leaders plan to be fully integrated omniproviders.

Crucially, our research revealed five key pathways to success followed by digital leaders: Invest adequately in new technologies (41%); make the customer central (37%); nurture an innovation culture (33%); develop an effective transformation process (32%); and bring the right talent on board (31%).

“Even in normal times, wealth executives face a complex set of global economic, market, and regulatory challenges. But these are hardly normal times,” says Lou Celi, CEO of Roubini ThoughtLab and the director of the study. “Many investment providers in our survey do not appreciate just how fast these changes will happen. By acting now, firms can reserve their place in the wealth marketplace of tomorrow.”

About Roubini ThoughtLab

Roubini ThoughtLab is a trend-setting thought leadership consultancy providing fresh management thinking and decision support to help business and government leaders cope with transformative change. By applying the latest analytical tools, predictive models, and expert opinion, we provide actionable insight into future megatrends and their impact on the world. We specialize in creating 360° thought leadership that sits at the intersection of visionary thinking, analytical insights, and cross-media outreach.

An agile, collaborative enterprise, Roubini ThoughtLab draws on the diverse skills of its in-house team, global expert network, and alliance partners to fill any or all thought leadership needs—from surveys, interviews, and advisory boards, to analytical tools, indexes and econometric models, to white papers, social media, and infographics.

Roubini ThoughtLab is a joint venture with Econsult Solutions, a leading economic consultancy with links to academia. It was founded in 2015 by noted economist Dr. Nouriel Roubini and Lou Celi, a pioneer in thought leadership and digital publishing.