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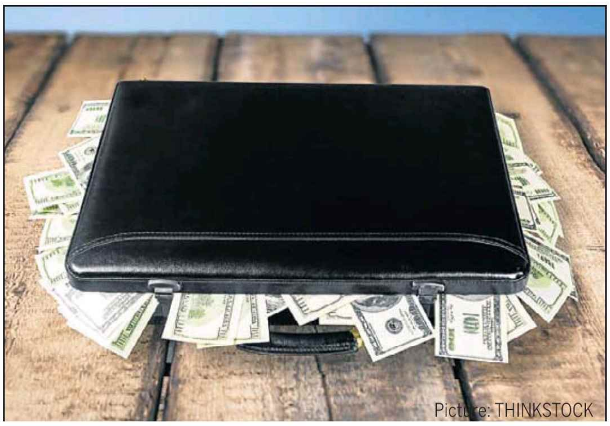
Numbers of uber rich on the rise worldwide

Competition in the South African wealth management market has also escalated greatly, writes ANDREW GILLINGHAM



Picture: THINKSTOCK

THE high net worth client market offers both opportunities and challenges. While the number of wealthy people is increasing around the world and many wealthy people have yet to take on wealth managers, the sector is increasingly competitive with both local and international players seeking to tap into the potentially lucrative market.

Daniël Kriel, CEO of Sanlam Private Wealth, says recent figures show that global private wealth grew by nearly 12% in 2014 to $164-trillion, matching similar growth in 2013.

"Growth was driven heavily by the performance of existing assets but also by the creation of new wealth," Kriel says.

North America with $51-trillion in private wealth remains the world's wealthiest region and Asia Pacific — excluding Japan — overtook Europe to become the world's second wealthiest region.

Furthermore, with growth next year projected to take Asia Pacific (minus Japan) to $57-trillion the region is expected to pass North America to become the world's wealthiest region.

He says a strong new world versus old world dynamic has developed with private wealth in the new world, or developing/emerging markets growing at a faster pace.

Eastern Europe and Latin America delivered double digit growth in private wealth and the Middle East and Africa was in the high single digits. This compares with Western Europe, Japan and North America which only managed low single digit growth.

"In the future we expect growth to continue at a higher rate in the new world."

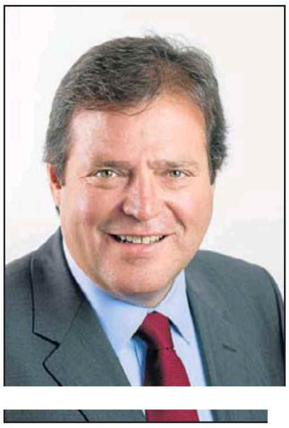
He says Africa is coming off a low base but there are huge opportunities for wealth managers. Furthermore, the number of wealthy Africans is believed to be far higher than the official statistics as the revenue authorities are not as effective as they are in SA.

"SA has a relatively small high net worth segment with an estimated 48,000 people with investible assets of $1m or more; this compares with 17-million millionaire households worldwide," Kriel says.

"There are still people making money in SA and the number of high net worth individuals is expected to grow by up to 28% by 2017."

He says competition in the South African wealth management market has escalated significantly, as it has around the world, with a number of new players, local and international, that have entered the market.

"The foreign players focus on offering their offshore products. Furthermore, some of the new entrants into the market are cutting fees to unsustainable levels in an effort to attract clients."



Daniël Kriel ... new wealth.

He says international players tend to offer a so-called "suitcase service" to their clients in Africa — visiting several times a year to service their clients — and few have an on-the-ground presence.

This represents a clear opportunity for local wealth managers but it is one that has its own set of challenges, particularly when it comes to developing a sustainable business model.

"Although the high net worth market is growing in Africa it is still very spread out geographically and deciding whether to take the bricks and mortar route or provide more of a suitcase service until greater critical mass develops is a difficult choice," Kriel says.

Brian Butchart, MD of Brenthurst Wealth, says people are becoming more financially educated and astute and they are a lot more involved in their financial affairs than they have been in the past.

"We try to educate our clients using a variety of channels including newsletters and seminars. Getting financial education out to clients is very important. There is a need for it and it gives us the opportunity, over time, to build both relationships and trust."