

Abstract

Understanding the wealth management needs and expectations of the next-generation UHNW clients

UHNWIs will bequest about USD 3.9 trillion of assets to the next generation in the coming 10 years. For banks active in the UHNW segment, these changes may significantly affect their strategies and business models, but there is a lack of scientific research that specifically examines the next-generation UHNWIs' needs and expectations regarding their wealth management relationships. Thus, this thesis aims to address this research gap by conducting and analysing in-depth interviews with eight next-generation UHNWIs. It is found that digital banking services as well as events are the most important factors for next-generation UHNWIs when they are selecting their banks.

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Starting position

In the coming years, society will encounter what is expected to be one of the largest wealth transfers from one generation to another. UHNWIs alone will bequest about USD 3.9 trillion of assets to the next generation in the coming 10 years. For banks active in the UHNW segment, these changes may significantly affect their strategies and business models. When the effect of the intergenerational wealth transfer commences, the average UHNW client age will become substantially lower than today's 62 years and the needs and expectations of UHNW clients will shift as well.

Goals

There is a lack of scientific research that specifically examines next-generation UHNWIs. Thus, the aim of this thesis is to address this research gap by studying and understanding the needs and expectations of the next-generation UHNWIs in the following contexts: their relation with banks, what they envision their relation with bankers to be in the future, and the expected role of banks in the coming process of the intergenerational wealth transfer.

Approach

To answer the research question, an inductive approach was implemented and field research in the form of in-depth interviews were conducted. Eight next-generation UHNWIs agreed to share their insights, knowledge, and experiences. The interviews were based on an interview guide and were analysed with the thematic qualitative text analysis approach.

Findings

The results of the analysis show that overall, the needs and expectations of the next-generation UHNWIs in regard to their wealth management relationship seem to be simple. In terms of products and services, the quality of digital banking is the single most important criterion for next-generation UHNWIs when they are selecting their banks, followed by attractive events. The risk profile of next-generation UHNWIs is lower than that of their parents, and investments should ideally be linked to their passion and interests. Sustainability, impact investing, and philanthropy are of minor relevance in their interactions with banks, even though these topics play an important role in their lives. Despite the retail profile of the services they use, a personal relationship with a banker and regular interactions are essential to next-generation UHNWIs. They prefer to communicate over e-mail or telephone, and personal meetings are required only in extraordinary circumstances. In terms of qualifications, they expect a personal fit and rapport, and they expect their bankers to have sufficient experience in managing portfolios or navigating financial markets, as well as skills and personal abilities. The role of the banks in the intergenerational wealth transfer is mostly limited to providing educational next-generation events.