

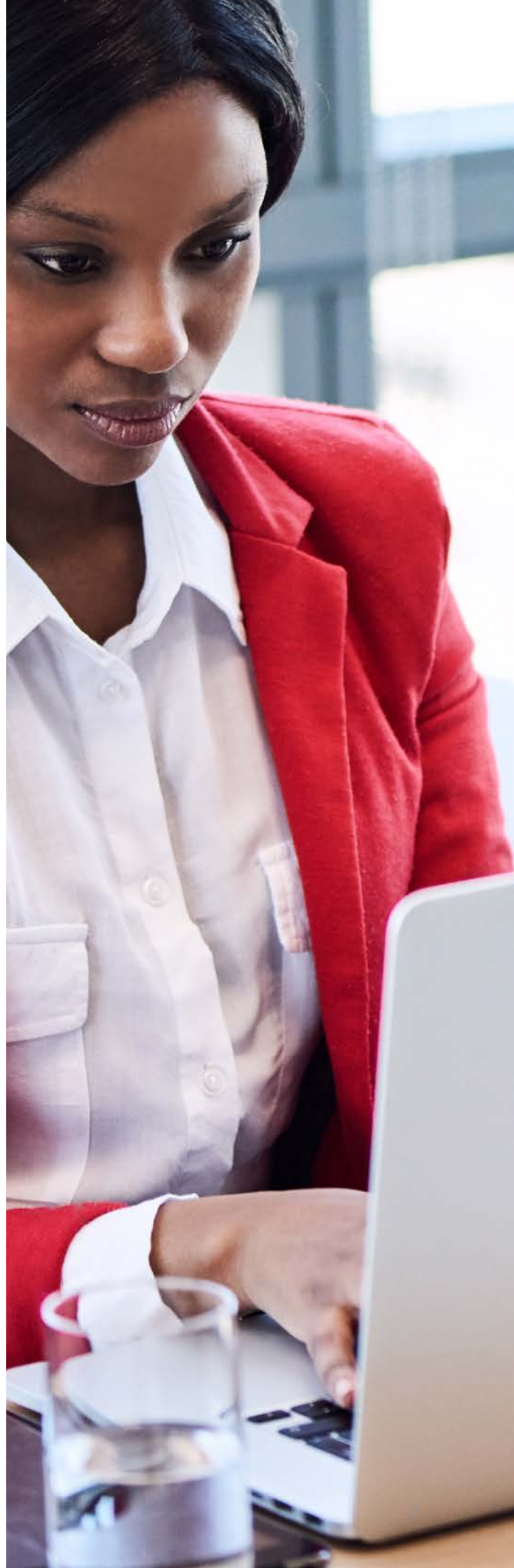


# Managing wealth through uncertainty — part 2

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Since our last post, the markets have experienced a run-up of nearly 20% on the hopes that central banks won't crush the economy. This begs the question as to whether the recent stock market's recovery is real or just a head fake. The reality is that we're seeing conflicting signs: Contracting real output, surging consumer prices, rising employment, record high corporate profits and historically low consumer confidence. Based on these indications, imagine how confusing and challenging it might be to navigate such a complex market without a financial advisor.

Amid the uncertainty, investors are receiving advice that differs wildly from wealth segment to wealth segment. Predictably, the clients who benefit their advisor the most will be the best informed, and emotionally prepared for volatile markets. This article explores the wealthiest segments to understand how much time advisors are spending with them, what advice is being given and what opportunities firms have to optimize advice with these clients.



# High net worth

These clients have investable assets ranging from \$1 million to \$30 million<sup>1</sup> (includes very high net worth). The sample comprises 67% Boomers<sup>2</sup>, and an estimated 19% Gen X and 14% Millennials. This segment represents \$25 trillion of the nation's \$55 trillion investable assets<sup>3</sup>. Furthermore, it's projected that the high net worth (HNW) and ultra high net worth (UHNW) segments will collectively transfer \$84.4 trillion in assets through 2045<sup>4</sup>.

Unlike lower wealth segments, HNW clients were well informed of the approaching market volatility and, in general, have been prepared by their advisors through rebalancing portfolios and moving into other inflation-resistant products (e.g., gold, short-term fixed income, etc.). Advisors of these clients have a deep understanding of their needs and can provide much needed context, reinforcing the importance of tactical

and strategic allocations that their CIO has implemented in managed portfolios.

In terms of managing their assets, 74% of HNW clients say they have a strategy to protect assets against market risk<sup>5</sup>, but only around 20% have a financial plan<sup>6</sup>. Furthermore, 30% identify as self-directed investors and 50% have direct online trading account balances between \$500,000 and \$1,000,000<sup>7</sup>. The greatest concerns for this segment are wealth preservation, planning for retirement and the cost of health care<sup>8</sup>.

Advisors are proactively contacting these clients to review progress toward their goals and determine an approach to keep progress on track. HNW clients understand that there might be a tactical dip in their portfolios and are comfortable taking a longer strategic view.





Here's a selection of opportunities among the HNW sector:

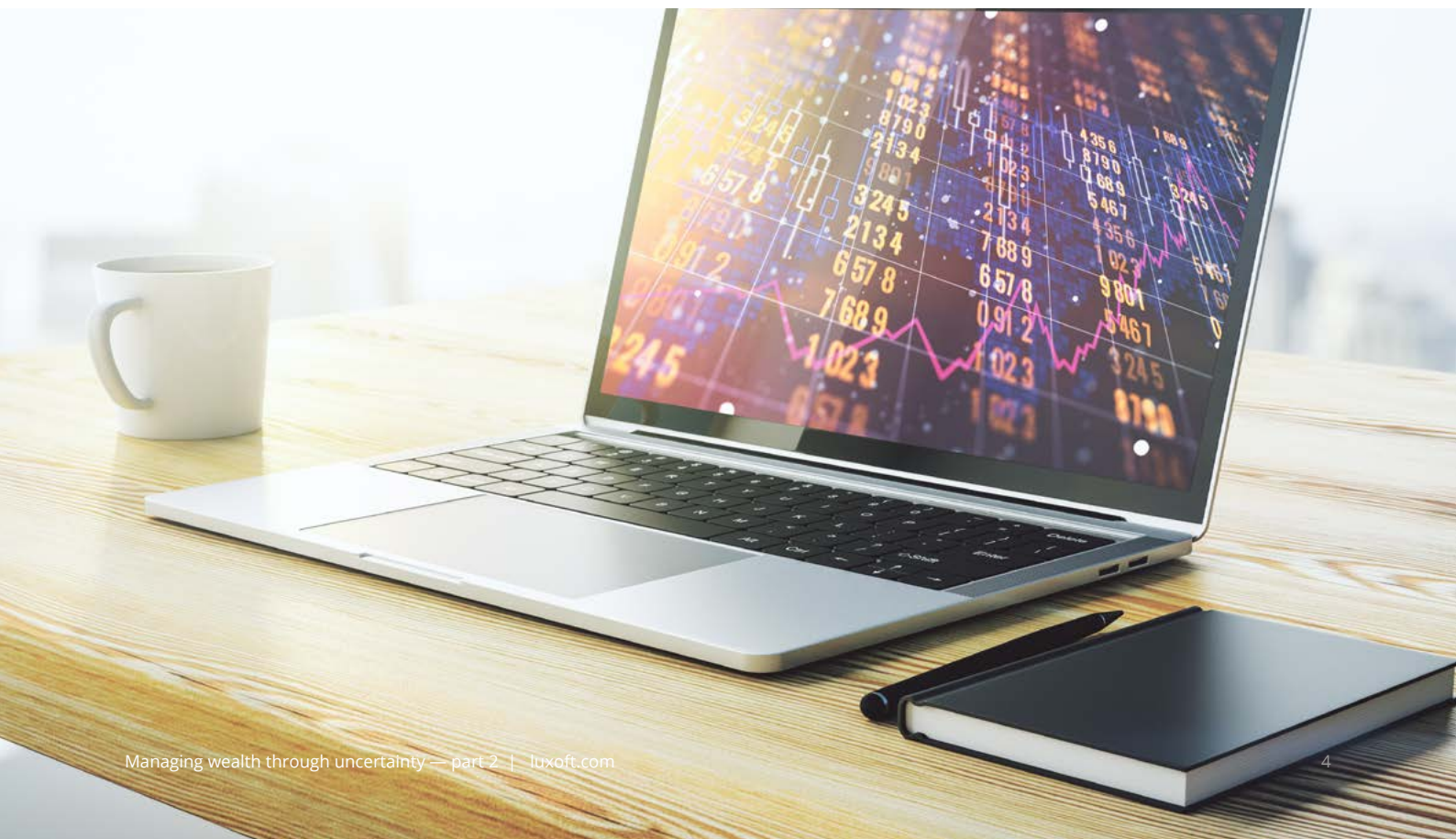
**Communication:** It's in these collaborative moments that relationships are built and fees earned. Providing advisors with the right data and tools to enable meaningful conversations around a client's plan, goals and portfolio, is critical. One way to do this is by consolidating client unstructured data from various sources (externally and internally in data lakes and data warehouses, etc.). Then interpreting the data with a rules-based AI overlay that can generate reports and key insights which link back to a CRM dashboard for advisors. This enables advisors to react quickly to incoming client calls, respond to life events and provide relevant advice when giving guidance.

**Consolidation:** The vast majority of clients are multi-banked and use multiple providers. These are usually split between multi-family offices (MFOs), registered investment advisors (RIAs), wirehouses and private banks or trusts. As a result, being able to consolidate their entire financial situation and understand how they're tracking goals adds considerable value for clients.

Aggregation features, such as goals-based portfolio groups, relationship-based views, household-based fees, enrollment simplification (multi-account), holistic-level reporting, etc., will provide a holistic view of a client's financial picture.

**Education:** Another consideration when working with HNW clients and families, is to make sure the information you provide is relevant (i.e., based on their current life stage). Not all clients work in financial services and understand the various concepts and complexities that might apply to them. To keep it simple, advisors and firms should prioritize education and focus on areas that matter most to their clients. This includes the history of financial markets — recession and recovery, for instance — wealth preservation, tax minimization, wealth transfer and trust vehicles.

**Luxoft experience:** Luxoft Wealth Management can help define your firm's end-to-end HNW strategy by conducting market research, user interviews and stakeholder workshops that prioritize enhancements to attract and retain HNW clients.



# Ultra high net worth

In the United States alone, there are 724+ billionaires (87+ or 12% are women)<sup>10</sup>. These clients have investable assets over \$30 million and collectively hold over \$8 trillion of the nation's investable assets<sup>9</sup>. The UHNW segment is made up of 63% Boomers, 26% Silent, 6% Gen X and 5% Millennials by AUMs<sup>9</sup>. Unlike all the lower client segments, these clients are ahead of the game in every way possible. They were well prepared for market volatility and are willing (and have the wherewithal) to ride it out.

These clients (many structured as family offices) have numerous institutional characteristics. Their dedicated staff includes private bankers, investment consultants, advisors, trust officers, tax and legal advisors, etc. However, even though only around 20% are reckoned to have a financial plan, 86% have some type of strategy to protect their assets against market risk<sup>11</sup>.

Based on our most recent industry survey, private bankers and advisors have been in continuous communication with their clients over the past few months. These clients often secure premium access to CIOs, investment committees, portfolio managers and others, from the multiple advisors that serve them. They will often select the advisor that provides them with the best access, pricing and services, so they can reach their goals more effectively.

Furthermore, due to the wealth of content that's funneled to these clients, advisors who filter information and provide only the most relevant facts and figures, will deepen relationships and be successful with this population.

In terms of financial stats, 46% of clients are invested in alternative investments<sup>12</sup> and 65% expect inflation to increase next year<sup>13</sup>. That said, a few months ago we were seeing protection plays in real estate investment trusts (REITS) and physical real estate (industrial and apartment buildings). More recently, we are seeing oil and gold as a move against inflation<sup>14</sup>.

Currently, these clients are focused on wealth preservation, tax optimization, wealth transfer and philanthropic endeavors<sup>15</sup>.



Over 63% expect their risk profile to be evaluated at least monthly — in fact, in line with the heightened volatility of the recent market, 42% want it reviewed weekly<sup>16</sup>. They have atypical goals and are often visionaries who want to change their world, and need a team of specialists to help plan and realize that change.

Here are some of the opportunities among UHNW clients:

**Access:** Mobilizing the whole firm’s capabilities and expertise is crucial for effective management of UHNW clients. Advisors who can provide access to investment committees, CIOs, portfolio managers and trust officers who understand client ambitions, will be able to retain those clients. Providing direct, unlimited access keeps an advisor or banker relevant.

Also, “money can’t buy” access to closed events and offsites such as the Jackson-Hole- and WEF-style gatherings, with similar clients discussing the current market, key projects and philanthropic initiatives (e.g., climate, ESG) — a network of like-minded individuals sharing insights and connections.

**Education:** Firms that have invested in next-generation educational programs are competitive in this segment, as clients want to ensure future generations understand the fundamentals of managing wealth and assuming legacy responsibilities. Advisors should include their

clients’ children in planning and investment discussions so they understand family governance values, basic investing concepts and money management (e.g., budgeting, saving). Dedicated client portals are another popular channel for engaging and keeping clients informed of changes being made, and the reasons behind those changes.

**Engagement via Robo:** Another heir engagement strategy is to offer a full, discretionary robo solution. The fact is, both HNW and UHNW clients are waiting too long before involving children in the process. A study by Cerulli<sup>15</sup> observed that the primary reason that private banks might launch a robo advisor offering is to engage next-generation investors while servicing less profitable ones. This allows advisors to be engaged in a hybrid capacity that isn’t necessarily a solution to multigenerational wealth transfers.

**Luxoft experience:** Luxoft Wealth Management works with family offices to develop outward facing portals (for private banks and advisors to respond to family office RFPs on private equity, real estate and hedge-fund deals) to gain access to the best investments on the street. We can also help create client portals for heiresses and heirs that provide them with both introductory and in-depth educational content, online workshops, access to in-person seminars, and tools to understand the ins and outs of managing hereditary wealth.

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## Get in touch

This is my second article investigating the navigation of wealth management in the current volatile economic situation. If you missed the previous article, read it [here](#). And if you'd like a deeper dive into the subject or to review your options, contact me directly at [LuxoftWealthPractice@dxc.com](mailto:LuxoftWealthPractice@dxc.com)



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Michael has over 10 years' experience in delivering value to Tier 1 clients across various types of engagements, including market-entry growth strategy, digital platform design and transformation, and product strategy. He brings deep industry awareness, having worked as an investment product manager leading teams to research, design and implement new firm-wide investment solutions for wealth and private banking clients in both domestic and international markets.

### About Luxoft

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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