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Global Wealth Management Market: Analysis By Advisory Mode (Human Advisory, Hybrid Advisory, and Robo Advisory), By Channel (Wirehouses, Registered Investment Advisor (RIA), National/Regional Broker Dealer, Independent Broker Dealer, Banks/Trusts, and Others), By Enterprise Size (Large Enterprises, and Small & Medium Enterprises (SMEs)), By Region Size and Trends with Impact of COVID-19 and Forecast up to 2029

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Abstracts

The global wealth management market was valued at US$1.85 trillion in 2023. The market value is expected to reach US$2.92 trillion by 2029. Wealth management is a comprehensive financial advisory service that encompasses investment management, financial planning, retirement planning, estate planning, tax planning, and other specialized services tailored to the unique needs and goals of affluent individuals and families.

Wealth management remains a sector with enduring growth potential, driven by growing household and entrepreneurial wealth, underfunded retirement savings, over-reliance on non-financial assets, individual responsibility for retirement, and intergenerational wealth transfer. The ongoing wealth creation, demographic shifts, technological innovation, and regulatory developments are likely to drive demand for wealth management services, positioning the industry for sustained growth in the forthcoming years. Moreover, factors like the adoption of digital technologies such as AI, Blockchain, and Big Data, along with the growing popularity of digital asset management services and sustainable investing, are expected to further drive market expansion. Additionally,

digitalization and process automation would streamline operations, enhancing efficiency and attracting more investors to the wealth management sector. Thus, as individuals increasingly prioritize financial planning and wealth preservation, wealth management firms are well-positioned to meet these evolving needs and capitalize on the expanding market opportunities. The market is expected to grow at a CAGR of approx. 8% during the forecasted period of 2024-2029.

Market Segmentation Analysis:

By Advisory Mode: The report provides the bifurcation of the market into three segments based on the advisory mode: Human Advisory, Hybrid Advisory, and Robo-Advisory. In 2023, the human advisory segment held the highest share of the market, whereas the robo-advisory segment is expected to be the fastest-growing segment in the forecasted period. Despite the rise of digital technologies and automated platforms, human advisory mode has seen growth in recent years and is expected to continue expanding. This is primarily due to the enduring value of human interaction and expertise in financial decision-making, particularly for complex wealth management needs. On the other hand, the rise of digital technology and increasing comfort with online financial services have made robo-advisory platforms more accessible and appealing to a broader range of investors, particularly millennials and Gen Z, who prefer digital-first approaches to wealth management. Secondly, robo-advisory services offer cost-effective solutions with lower fees compared to traditional human advisors, making wealth management more affordable and accessible to a wider audience.

By Channel: The report further provides the segmentation based on the following channels: Wirehouses, RIA (Registered Investment Advisor), National/Regional Broker-Dealers, Independent Broker-Dealers, Banks/Trusts, and Others. The wirehouses segment held the highest share in the market, whereas the RIA segment is expected to be the fastest-growing segment in the forecasted period. Wirehouses have been losing importance and dominance over time as the rise of independent registered investment advisors (RIAs) and boutique wealth management firms has provided clients with more choices and alternatives to traditional wirehouse services. Financial Advisors (FAs) continue to leave the large Wirehouses, driven by faster growth in the Independent channel– where advisor teams typically operate their own practice and maintain their own brand. On the other hand, RIAs are gaining importance and dominance over time. The increasing demand for fee-based, fiduciary-driven advice has led more investors to seek out RIAs who prioritize transparency and objectivity. Additionally, regulatory changes and industry trends favoring fee transparency and fiduciary standards have further propelled the growth of RIAs.

By Enterprise Size: The report provides the glimpse of the wealth management market based on the following enterprise size: Large Enterprises and Small & Medium Enterprises (SMEs). Large enterprises held the highest share in the market, whereas small & medium enterprises (SMEs) is expected to be the fastest growing segment in the forecasted period. Large enterprises often have substantial financial resources and complex financial needs, making them prime candidates for comprehensive wealth management services. Additionally, large enterprises may have diverse shareholder bases, including institutional investors, high-net-worth individuals, and corporate entities, necessitating tailored wealth management solutions to meet the diverse needs of stakeholders. On the other hand, despite their smaller size compared to large enterprises, SMEs often have complex financial needs and face similar challenges related to investment management, retirement planning, and risk mitigation. As SMEs continue to grow and expand, they require professional wealth management services to help them manage their finances effectively and achieve sustainable growth.

By Region: The report provides insight into the wealth management market based on the regions: North America, Europe, Asia Pacific, and the Rest of the World. North America held the major share of the market. North America boasts a sizable population of high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs), who require sophisticated wealth management services to preserve and grow their assets. This concentration of wealth has created a robust demand for comprehensive financial planning, investment management, and estate planning services, driving the growth of the wealth management industry in the region. Moreover, the wealth management business has benefited from strong secular growth as US wealth generation has far surpassed GDP growth over the past three decades, particularly post the Great Financial Crisis. Income inequality has also grown, with wealth generation accelerating among the wealthiest cohorts (who are more likely to use wealth management services).

Favorable regulatory environments and tax incentives in certain European countries have attracted wealthy individuals and families, driving the growth of the wealth management industry. Moreover, private equity (PE) firms are becoming more involved in European wealth management, bringing expertise to develop faster, more profitable business models. The UK is a major player in the European wealth management market because of its mature financial services industry, low interest rates, and GDP growth. Regulatory reforms, including a shift towards a more principled approach post-Brexit, aim to make the UK the world's most innovative financial hub, presenting transformation opportunities for the wealth management industry.

The wealth management market in China is experiencing robust growth due to several interconnected factors. Firstly, the emergence of a younger, wealthier demographic is reshaping the landscape, with many individuals either accumulating wealth through their own ventures or inheriting generational wealth. This demographic shift brings with it new expectations and demands for wealth management services, as individuals seek better ways to generate income and safeguard their assets in an uncertain economic environment characterized by low interest rates. On the other hand, the wealth management industry in India has been placing significant emphasis on crafting tailored portfolios for its customers. Its relevance has grown even more in the current ecosystem, wherein the industry is transitioning from distribution-oriented models to advisory-focused ones.

Market Dynamics:

Growth Drivers: The global wealth management market has been growing over the past few years, due to factors such as an increasing number of ultra-high-net-worth individuals, growing shift towards robo-advisors, increasing alternative assets under management, growing internet penetration rate, economic expansion, growing customization, and many other factors. As more advisors and assets migrate to the independent RIA channel, it fosters competition and innovation in the marketplace. Independent RIAs often offer more personalized service, fee transparency, and flexibility compared to traditional wirehouse firms. This shift attracts a diverse range of clients, including high-net-worth individuals seeking fiduciary advice and tailored investment solutions. Overall, the increasing prominence of independent RIAs contributes to market growth by expanding the range of choices available to investors, driving efficiency and cost-effectiveness, and fostering a more client-centric approach to wealth management.

Challenges: However, the market growth would be negatively impacted by various challenges such as regulatory compliance, cybersecurity risks, market volatility, etc. Market volatility presents significant challenges to the growth of the wealth management market by influencing investor behavior, portfolio performance, and business operations. Rapid fluctuations in asset prices, driven by factors such as geopolitical events, economic indicators, and market sentiment, can lead to increased uncertainty and risk aversion among investors.

Trends: The market is projected to grow at a fast pace during the forecast period, due to various latest trends such as ESG as a method of investing, consolidation amongst

RIAs, growing intergenerational wealth transfer, an accelerating shift towards RIA channel, increasing demand for outsourcing, embracing wealth-as-a-service infrastructures, increasing investment in big data analytics, recent technological advancements, integration of AI, machine learning, and automation, etc. M&A has become a prevalent trend in the Wealth ecosystem as smaller firms look to access the benefits of scale and acquirers look for growth avenues beyond recruiting advisors. Through consolidation, RIAs are able to benefit from reduced overhead, clearing, and backend costs that are afforded to scale players who can spread costs across a larger advisor base. While there is some moderation in transaction volumes relative to peak levels seen in late 2021/early 2022 (likely a function of higher rates), activity has remained elevated vs. pre-pandemic levels.

Impact Analysis of COVID-19 and Way Forward:

The COVID-19 pandemic had a profound and multifaceted impact on the wealth management market in 2020 and 2021. It accelerated digital transformation, reshaped client preferences and behaviors, introduced heightened market volatility, and prompted a reassessment of fee structures and value propositions. Wealth managers who successfully adapted to these challenges by embracing digitalization, providing proactive client communication, and demonstrating value-added services were better positioned to navigate the uncertainties and capitalize on opportunities presented by the evolving market dynamics.

Competitive Landscape:

The global wealth management industry exhibits fragmentation, encompassing a diverse array of firms ranging from traditional full-service providers offering comprehensive financial services to modern digital platforms focusing on lower-touch interactions. The key players in the global wealth management market are:

UBS Group
Morgan Stanley
Bank of America
JPMorgan Chase & Co.
The Goldman Sachs Group, Inc.
Wells Fargo & Company
Citigroup Inc.
BNP Paribas Group
BlackRock, Inc.

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The Charles Schwab Corporation
Northern Trust Corporation
Julius Baer Group

The industry trend of financial advisors (FAs) leaving the Wirehouses (Bank of America, Wells Fargo, UBS) in favor of independent channels continues, as Bank of America and Wells Fargo continue to experience advisor attrition at an elevated clip through 2022 and into 2023. This has been driven in part by less attractive compensation / lower payouts at the Wirehouses relative to smaller players, and enhanced technology / solutions offerings at the independents. Meanwhile, the biggest beneficiaries of this shift are the Regional Brokers, most notably, LPL Financial and Raymond James as these firms have been the strongest organic growers, and typically rank the highest in terms of net advisor wins. Moreover, over the past three years, the Regional Brokers (Raymond James, LPL Financial, Ameriprise) saw the largest mix shift from Brokerage to Advisory channels, aided by faster net new assets (NNA) growth in Advisory, as well as an accelerating pace of Brokerage to Advisory conversions.

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