Wealth and the super-rich...

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‘Richi$tan’

“Today’s rich had formed their virtual own country. They were, in fact, wealthier than most nations. By 2004, the richest 1 per cent of Americans were earning about $1.35 trillion a year – greater than the total national incomes of France, Italy or Canada ... the rich weren’t just getting richer; they were becoming financial foreigners, creating their own country within a country, their own society within a society, and their own economy within an economy (Frank, 2007, 3)
1. Introduction

- Exposing the super-rich

- ‘Servicing’ the super-rich - from private banking to wealth management

- Being offshore!

- Switzerland ‘rules ok’, but Singapore in hot pursuit

- Concluding comments
2. Exposing the Global ‘Super-Rich’

- The Forbes 400 List (Forbes.com)
  - 1982
- The Sunday Times Rich List
  - 1988
- Banking and Professional Services
  - Boston Consulting Group ‘Global Wealth’
  - Merrill Lynch/CapGemini ‘World Wealth Report’
  - KnightFrank ‘Wealth Report’

Defining the ‘super-rich’

- ‘Millionaires’ (US$1m)
  - can secure an unearned income of US$60,000 per year
- Multi-millionaires (<US$10m)
  - “find themselves at the very lower reaches of the world of the super-rich”
- Mega-rich and Dollar billionaires (ultra-super-rich) (>US$10m)
  - Distinction between lower end (US$20m) and upper-end (US$500m+)
  - Dollar billionaires >US$1bn (annual income of $50m on capital)

(Source: Haseler, 1999)
# The concentration of global wealth 2017

<table>
<thead>
<tr>
<th>Wealth (USD)</th>
<th>% of the world’s population</th>
<th>Number of adults (millions)</th>
<th>% of world’s wealth</th>
<th>Total wealth (trillions USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10,000</td>
<td>70.1</td>
<td>3,474</td>
<td>2.7</td>
<td>7.6</td>
</tr>
<tr>
<td>10,000-100,000</td>
<td>21.3</td>
<td>1,054</td>
<td>11.6</td>
<td>32.5</td>
</tr>
<tr>
<td>100,000-1 million</td>
<td>7.9</td>
<td>391</td>
<td>39.7</td>
<td>111.4</td>
</tr>
<tr>
<td>&gt; 1 million</td>
<td>0.7</td>
<td>36</td>
<td>45.9</td>
<td>128.7</td>
</tr>
</tbody>
</table>

(Source: Global Wealth Report, 2017 Credit Suisse, Zurich)
Figure 1

The global wealth pyramid 2017

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2017
The growth rate of personal wealth of the top richest population, 1987-2013 (Piketty, 2014)

<table>
<thead>
<tr>
<th>Top wealth holders in the global population</th>
<th>Number (million)¹</th>
<th>Wealth (US$billion)</th>
<th>Average year growth rate² (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The top 1/100 millionth</td>
<td>30</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>The top 1/20 millionth</td>
<td>150</td>
<td>225</td>
<td>1.5</td>
</tr>
<tr>
<td>Average world wealth per adult</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average world income per adult</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World adult population</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Out of 3 billion people in the 1980s and 4.5 billion in 2010
2. Adjusted after inflation rate
Top 0.1% wealth share in the United States, 1913-2012

This figure depicts the share of total household wealth held by the 0.1% richest families, as estimated by capitalizing income tax returns. In 2012, the top 0.1% includes about 160,000 families with net wealth above $20.6 million. Source: Appendix Table B1.

(Source: Saez & Zucman, 2014)
### Top 15 Cities by High Net Worth Individual*

<table>
<thead>
<tr>
<th>City</th>
<th>2012</th>
<th>2022F</th>
<th>ChangeF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 New York</td>
<td>7,580</td>
<td>10,306</td>
<td>+36%</td>
</tr>
<tr>
<td>2 London</td>
<td>6,015</td>
<td>8,202</td>
<td>+36%</td>
</tr>
<tr>
<td>3 Tokyo</td>
<td>5,440</td>
<td>6,763</td>
<td>+24%</td>
</tr>
<tr>
<td>4 San Francisco</td>
<td>4,590</td>
<td>6,665</td>
<td>+45%</td>
</tr>
<tr>
<td>5 Los Angeles</td>
<td>4,520</td>
<td>6,075</td>
<td>+34%</td>
</tr>
<tr>
<td>6 Hong Kong</td>
<td>3,205</td>
<td>4,780</td>
<td>+49%</td>
</tr>
<tr>
<td>7 Osaka</td>
<td>2,970</td>
<td>3,813</td>
<td>+28%</td>
</tr>
<tr>
<td>8 Paris</td>
<td>2,860</td>
<td>3,672</td>
<td>+28%</td>
</tr>
<tr>
<td>9 Chicago</td>
<td>2,615</td>
<td>3,689</td>
<td>+41%</td>
</tr>
<tr>
<td>10 Mexico City</td>
<td>2,585</td>
<td>3,901</td>
<td>+51%</td>
</tr>
<tr>
<td>11 Washington DC</td>
<td>2,395</td>
<td>3,188</td>
<td>+33%</td>
</tr>
<tr>
<td>12 Houston</td>
<td>2,295</td>
<td>3,397</td>
<td>+48%</td>
</tr>
<tr>
<td>13 Beijing</td>
<td>2,285</td>
<td>5,262</td>
<td>+130%</td>
</tr>
<tr>
<td>14 Mumbai</td>
<td>2,105</td>
<td>4,988</td>
<td>+137%</td>
</tr>
<tr>
<td>15 Dallas</td>
<td>2,020</td>
<td>2,927</td>
<td>+45%</td>
</tr>
</tbody>
</table>

*A HNWI is defined as having net assets of over US$30m.
(Source: Knight Frank, 2013, [www.knightfrank.com](http://www.knightfrank.com), accessed 06/08/2013)
3. Private Wealth Management

“There is no ... standard definition of wealth management – both in terms of the products and services provided and the constitution of the client base served – but a basic definition would be financial services provided to wealthy ... individuals and their families” (Maude 2006: 1)

“Investment of private wealth is located either in onshore or offshore centres. The main centres ... onshore ... are the major financial centres ... Key offshore include Switzerland, Luxembourg, the Channel Islands, Bermuda ...” (www.thecity.com, 2012)
‘Spatializing’ private wealth management

• ‘New money’ and the rapid growth of the private wealth management industry from mid-1980s onwards

• Private wealth management on- and off-shore financial centres

• Private wealth ‘havens’
## Top 10 global private banks, 2016

<table>
<thead>
<tr>
<th>Bank</th>
<th>Assets under Management (AuM)</th>
<th>Reporting currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD billion</td>
<td>Growth 2015</td>
</tr>
<tr>
<td>1. UBS</td>
<td>1,738</td>
<td>-1%</td>
</tr>
<tr>
<td>2. Bank of America Merrill Lynch</td>
<td>1,445</td>
<td>-2%</td>
</tr>
<tr>
<td>3. Morgan Stanley</td>
<td>1,439</td>
<td>-3%</td>
</tr>
<tr>
<td>4. Credit Suisse</td>
<td>687</td>
<td>-7%</td>
</tr>
<tr>
<td>5. Royal Bank of Canada</td>
<td>621</td>
<td>-12%</td>
</tr>
<tr>
<td>6. Citi</td>
<td>509</td>
<td>-8%</td>
</tr>
<tr>
<td>7. JP Morgan</td>
<td>437</td>
<td>+2%</td>
</tr>
<tr>
<td>8. Goldman Sachs</td>
<td>369</td>
<td>+2%</td>
</tr>
<tr>
<td>9. BNP Paribas</td>
<td>357</td>
<td>-5%</td>
</tr>
<tr>
<td>10. Deutsche Bank</td>
<td>311</td>
<td>-7%</td>
</tr>
</tbody>
</table>

(Source: Scorpio Partnership Global Private Banking Benchmark, 2016)
Private wealth management ‘ecology’

- Private banks
- Trust banks (US private banks)
- Universal and retail banks
- Family offices who serve the wealthiest and billionaires in the US (c4,000 families) and Europe (c500 families)
- Financial advisors, Stockbrokers and Asset managers
- Product specialists (e.g. hedge fund providers)
- Investment banks
- Insurance and other professional services (e.g. legal, accounting) (Mayer and Levy, 2004; Maude, 2006)
Technical definition: The ‘high-net worth’ individual

- **Ultra-High Net Worth Individuals**
  - Investable assets >US$50m
- **Very-High Net Worth Individuals**
  - Investable assets between US$5m - $50m
- **High Net Worth Individuals**
  - Investable assets between US$1m - $5m
- **The ‘Mass Affluent’**
  - Wealthy (between US$500,000 - $1m)
  - Affluent (between US$100,000 - $500,000)

(Source: Merrill Lynch/CapGemini, 2010)
The growth of the HNWI ‘market’, 1996 - 2017

Investable assets > US$1million

- 2007 – 10.1m
- 2008 – 8.6m (-15%)
- 2009 – 10.0m
- 2010 – 10.9m
- 2011 – 11.0m
- 2012 – 12.0m
- 2013 – 13.7m
- 2014 – 14.6m
- 2015 – 15.4m
- 2016 – 16.5m
- 2017 – 18.1m (+110%)

(Source: MLCG, CG: 1996-2018)
## 4a. Private Wealth in On- and Off-shore Centre's

<table>
<thead>
<tr>
<th>Country</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bermuda</td>
<td>Reinsurance</td>
</tr>
<tr>
<td>Britain</td>
<td>Funds from British dependencies routed through the City</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>Hedge funds</td>
</tr>
<tr>
<td>Channel Islands</td>
<td>Trust/banking and private equity funds</td>
</tr>
<tr>
<td>Isle of Man</td>
<td>Banking, life assurance</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>Trusts</td>
</tr>
<tr>
<td>Monaco</td>
<td>Long standing tax haven for European elites</td>
</tr>
<tr>
<td>Singapore</td>
<td>Rising star in wealth management, trusts</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Offshore private banking</td>
</tr>
<tr>
<td>USA</td>
<td>Offshore banking in Miami, ‘Corporate anonymity’ in Delaware</td>
</tr>
</tbody>
</table>

Source: The Economist (2013)
Private wealth booked in offshore centres

Source: BCG (2007-2016)
The origin of offshore wealth, 2009-2015

Destinations of offshore wealth, 2009-2013

Value of bookings (US$trillions)

- Switzerland
- UK, CI & Dublin
- Hong Kong & Singapore
- Caribbean & Panama
- USA
- Luxembourg
- Other

Source: BCG (2009-2014)
In terms of ability to attract private client assets, which do you believe are currently the top 5 most successful International Financial Centres, and which do you think will be the top 5 most successful International Financial Centres in 2 years?

Present
- Switzerland
- Singapore
- London
- Hong Kong
- New York

In 2 years
- Singapore
- Switzerland
- London
- Hong Kong
- New York

(Source: PwC, 2013)
4. Singapore

- AuM S$2.6 trillion (USD$1.8 trillion)
- 600+ players in the asset management industry
- Established private banking centre
- Insurance ‘hub’
- Regulatory environment
- Global Talent pool
- Global financial centre
- Asia’s wealthy ‘flock’ to Singapore
- 80%+ AuM from outside Singapore
- Financial secrecy

Source: Euromoney (2013); Lai (2012); Long and Tan (2010); MAS (2016); Tax Justice Network (2013)
Singapore’s wealth management complex

“Singapore ... is one of the premier asset management locations in Asia ... [it’s] ... an established private banking centre globally ... HNWIs who choose Singapore ... have done so for ... economic and political stability, reputation for high standards of regulation and supervision, and a robust legal and judicial framework, the breath and depth of players here offers ready access to global and regional financial markets” (Monetary Authority of Singapore, 2015)
Financial Secrecy Index – Singapore

“Singapore is not only a secrecy jurisdiction, offering a variety of secrecy facilities, but also a tax haven, providing numerous tax-avoidance and evasion opportunities, and a financial regulatory haven too”

The Financial Secrecy Index, 2013

<table>
<thead>
<tr>
<th>RANK</th>
<th>Secrecy Jurisdiction</th>
<th>FSI - Value</th>
<th>Secrecy Score</th>
<th>Global Scale Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland(^2)</td>
<td>1,765.2</td>
<td>78</td>
<td>4.916</td>
</tr>
<tr>
<td>2</td>
<td>Luxembourg(^2)</td>
<td>1,454.4</td>
<td>67</td>
<td>12.049</td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong(^2)</td>
<td>1,283.4</td>
<td>72</td>
<td>4.206</td>
</tr>
<tr>
<td>4</td>
<td>Cayman Islands(^1,2)</td>
<td>1,233.5</td>
<td>70</td>
<td>4.694</td>
</tr>
<tr>
<td>5</td>
<td>Singapore(^2)</td>
<td>1,216.8</td>
<td>70</td>
<td>4.280</td>
</tr>
</tbody>
</table>

Total Assets under Management (AuM) in Singapore, 1998-2016

Source: Monetary Authority of Singapore (various)
Geographical origin of AuM in Singapore

Source: MAS (various)
Private banks in Singapore

- ABN Amro Private Banking
- ANZ PTE Bank Singapore
- Barclays Wealth
- BNP Paribas Wealth Management
- China Construction Bank Corp.
- Citi Private Bank
- Coutts & Co Ltd
- Credit Industriel et Commercial
- Credit Suisse
- DBS PTE Bank
- Deutsche Bank PTE Wealth Man.
- Goldman Sachs PTE Wealth

- HSBC PTE Bank (Suisse) SA
- Industrial & Commercial Bank of China
- JP Morgan PTE Clients
- Julius Baer
- Merrill Lynch International Bank
- Morgan Stanly
- RHB Bank BHD
- Rothschild
- Schroder & Co Asia Ltd
- Societe General PTE Banking (S)
- UBS AG Singapore
- Union BanCaire Privee (S) Ltd

The Golden Age of ‘Super-Rich Capitalism’

- A global ‘elite’ or ‘overclass’? (Haseler, 1999)
  - Distinctive wealth, cultural and societal relations
  - Disconnected from ‘everyday’ life?

- The Plutocrats (Freeland, 2012)

- A global-super class? (Beaverstock, 2012)
5. Conclusions

• The ‘super-rich’ aren’t going to go away!

• HNWIs continue to seek management to preserve their private wealth in On- and Off-shore jurisdictions

• Singapore in fierce competition with Europe

• Enter Hong Kong stage left!

• Challenge of compliance and transparency