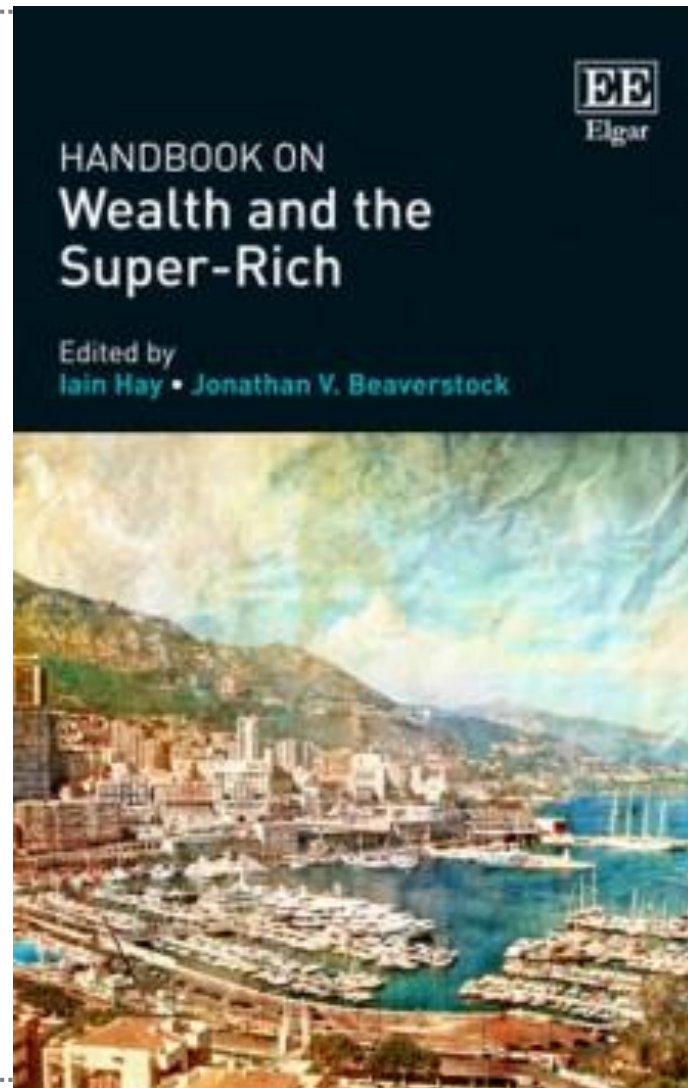


Wealth and the super-rich...

Professor Jonathan V. Beaverstock

School of Economics, Finance and Management

jonathan.beaverstock@bristol.ac.uk



‘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’



(Source: <http://www.oxfam.org/en/policy/working-for-the-few-economic-inequality>, accessed 10.02.2014)

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)

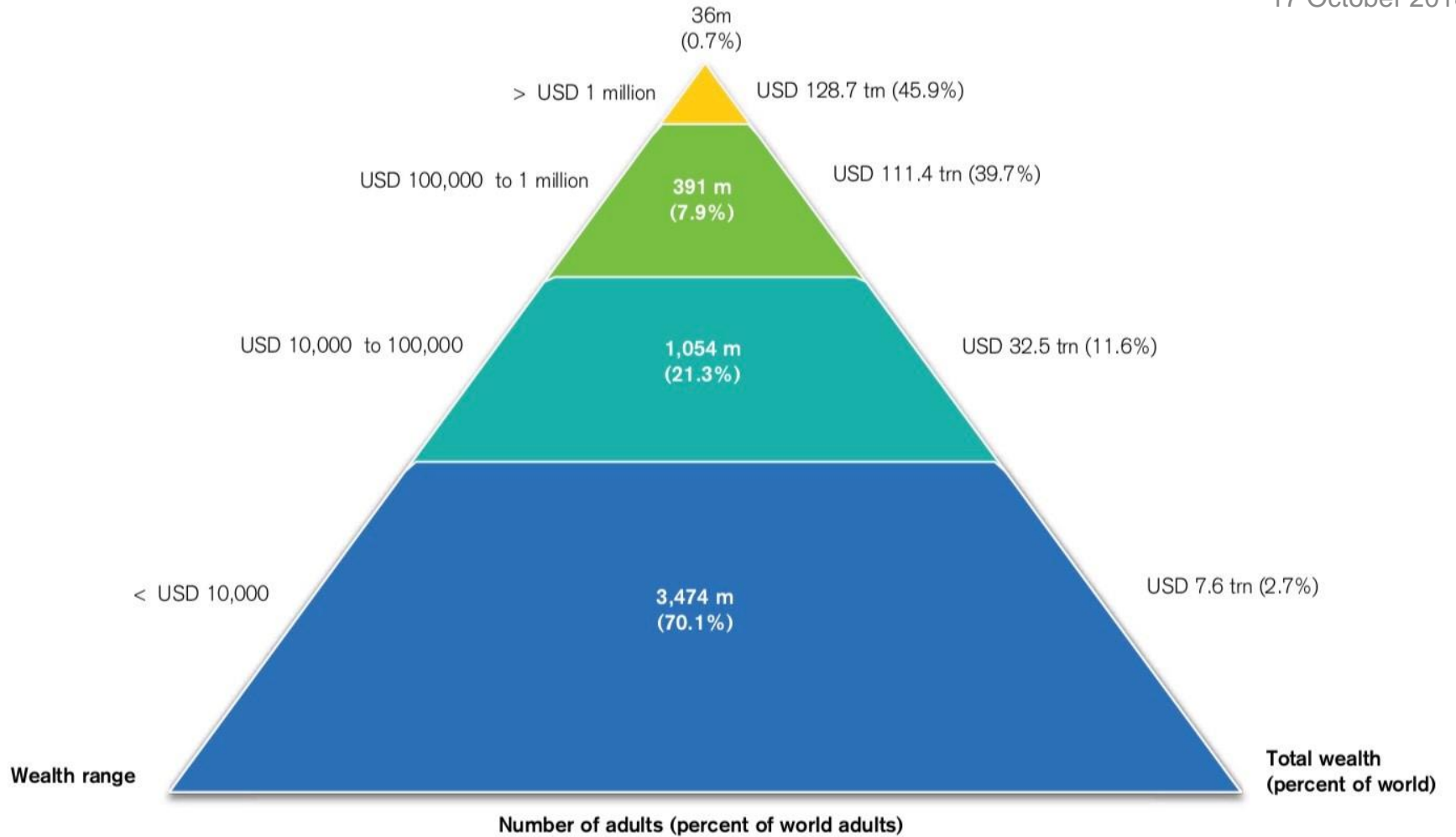
The concentration of global wealth 2017

Wealth (USD)	% of the world's population	Number of adults (millions)	% of world's wealth	Total wealth (trillions USD)
<10,000	70.1	3,474	2.7	7.6
10,000-100,000	21.3	1,054	11.6	32.5
100,000-1 million	7.9	391	39.7	111.4
> 1 million	0.7	36	45.9	128.7

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

The global wealth pyramid 2017

17 October 2018



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)

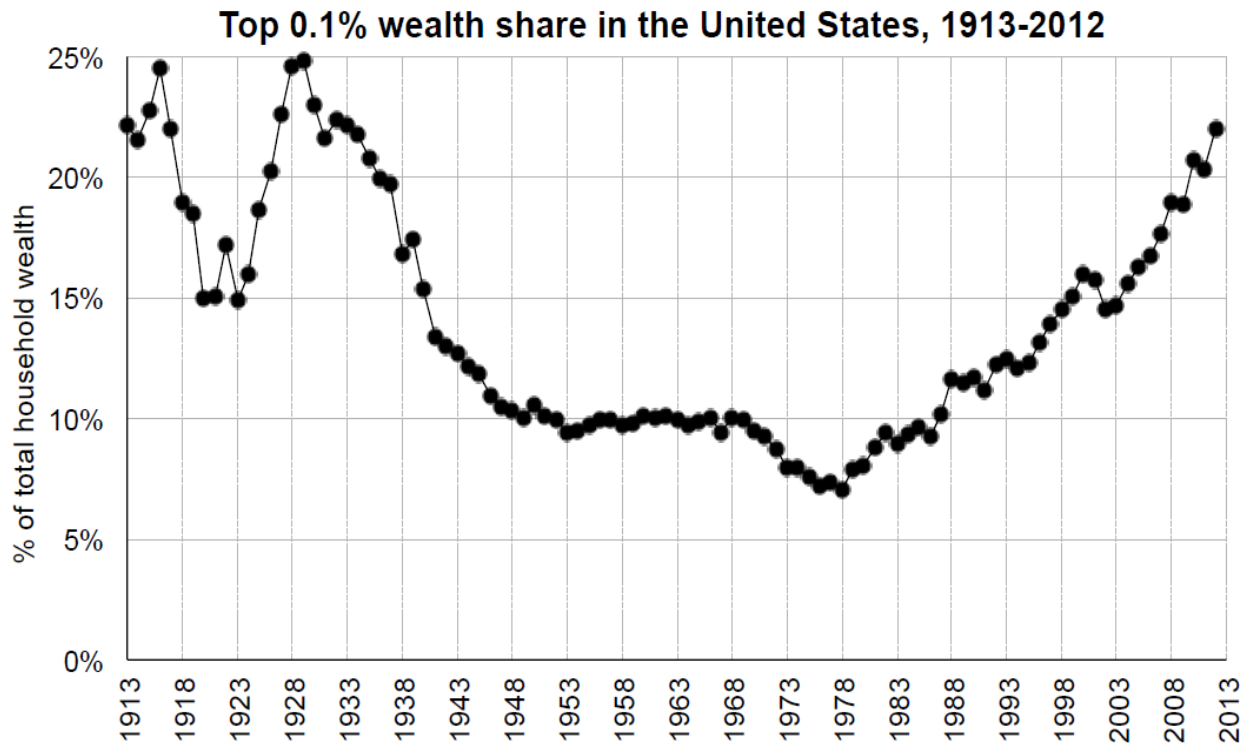
Top wealth holders in the global population	Number (million) ¹		Wealth (US\$billion)		Average year growth rate ² (%)
	1987	2013	1987	2013	
The top 1/100 millionth	30	45	3	35	+6.8
The top 1/20 millionth	150	225	1.5	15.0	+6.4
Average world wealth per adult					+2.1
Average world income per adult					+1.4
World adult population					+1.9
World GDP					+3.3

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* Population

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

*A HNWI is defined as having net assets of over US\$30m.

(Source: Knight Frank, 2013, 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

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

(Source: Scorpio Partnership Global Private Banking Benchmark, 2016)

Private wealth management ‘ecology’

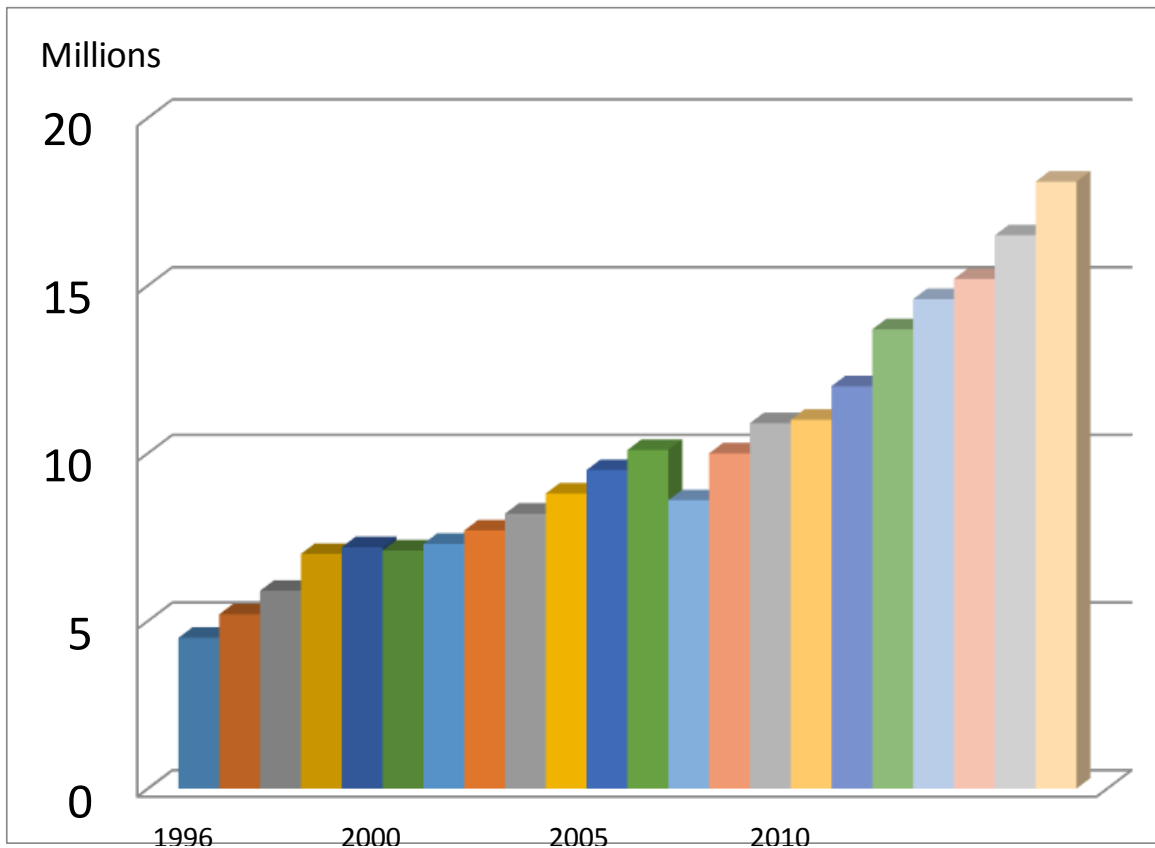
- Private banks
- Trust banks (US private banks)
- Universal and retail banks
- Family offices who serve the wealthiest and billionaires in the US (c4,000 families) and Europe (c500 families)
- Financial advisors, Stockbrokers and Asset managers
- Product specialists (e.g. hedge fund providers)
- Investment 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

Bermuda

Britain

Cayman Islands

Channel Islands

Isle of Man

Liechtenstein

Monaco

Singapore

Switzerland

USA

Reinsurance

Funds from British dependencies routed through the City

Hedge funds

Trust/banking and private equity funds

Banking, life assurance

Trusts

Long standing tax haven for European elites

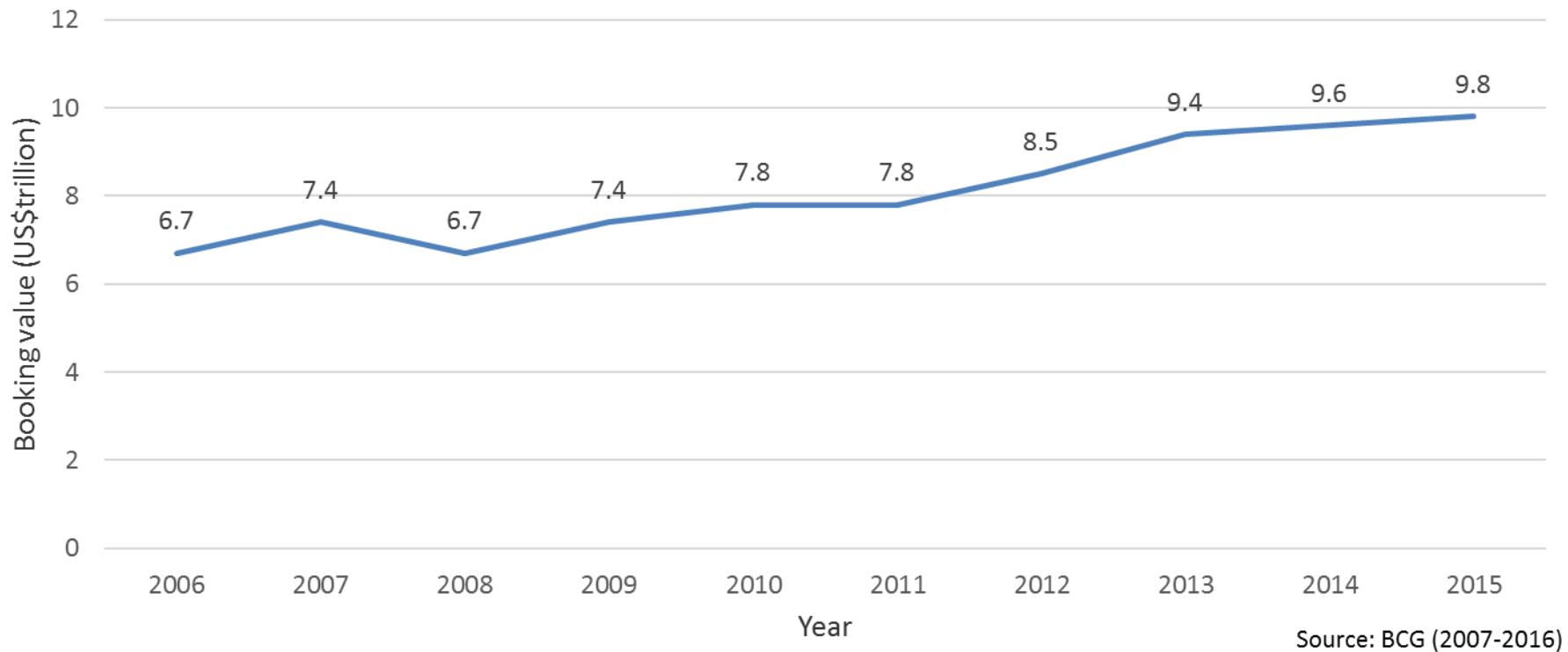
Rising star in wealth management, trusts

Offshore private banking

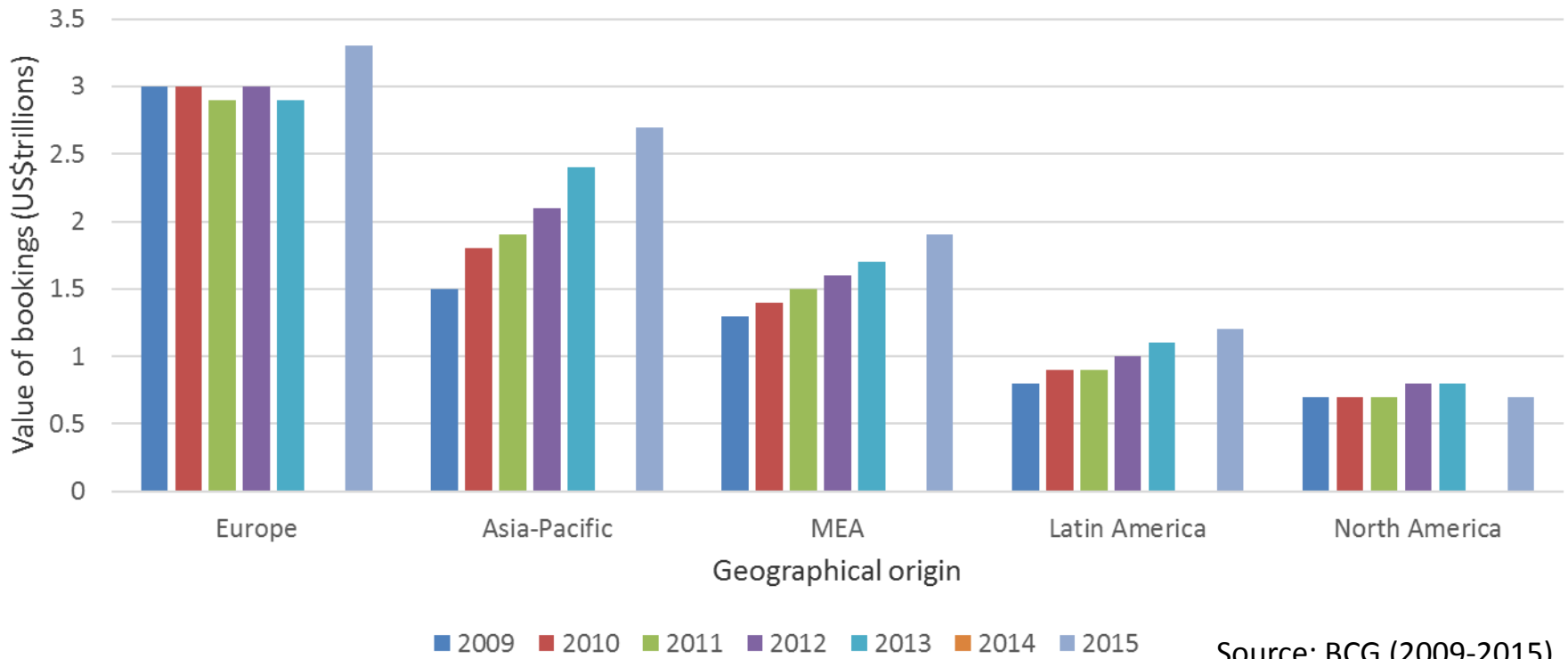
Offshore banking in Miami, 'Corporate anonymity' in Delaware

Source: The Economist (2013)

Private wealth booked in offshore centres

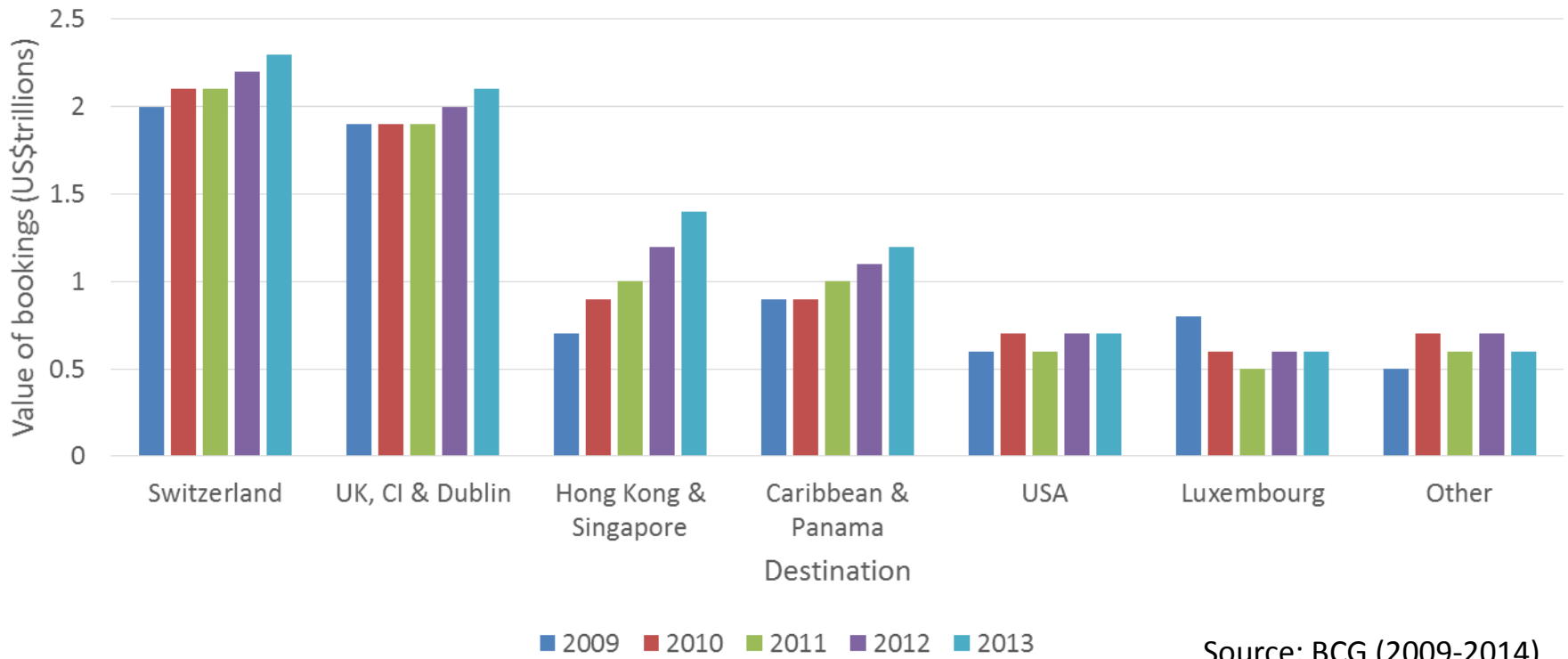


The origin of offshore wealth, 2009-2015



Source: BCG (2009-2015)

Destinations of offshore wealth, 2009-2013

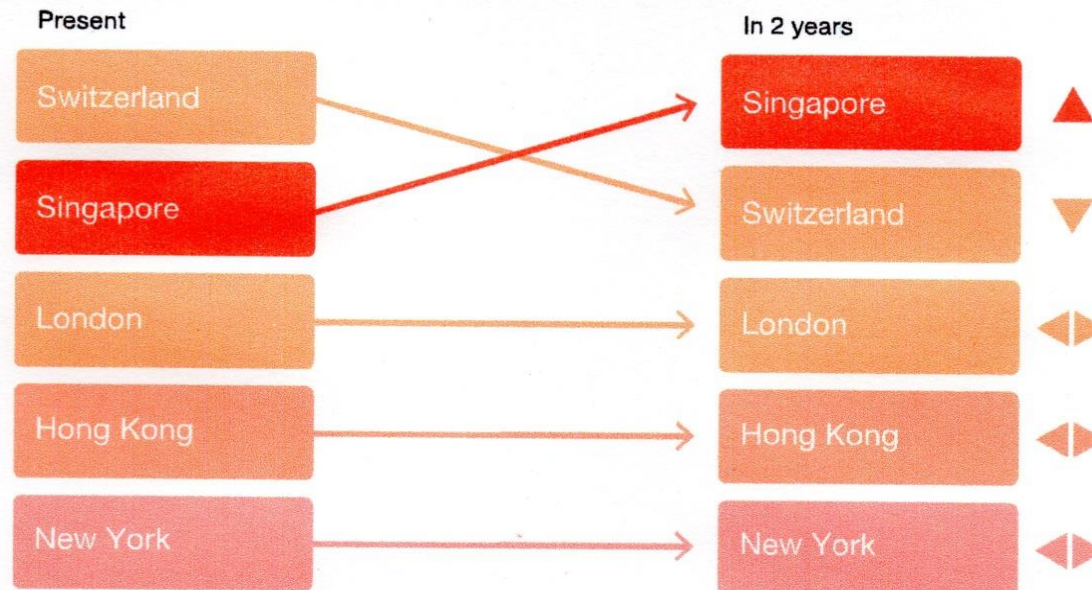


Source: BCG (2009-2014)

PwC Global Private Banking & Wealth Management Survey, 2013

Figure 2.2

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?



(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 ... HNWI's 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 breadth 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”

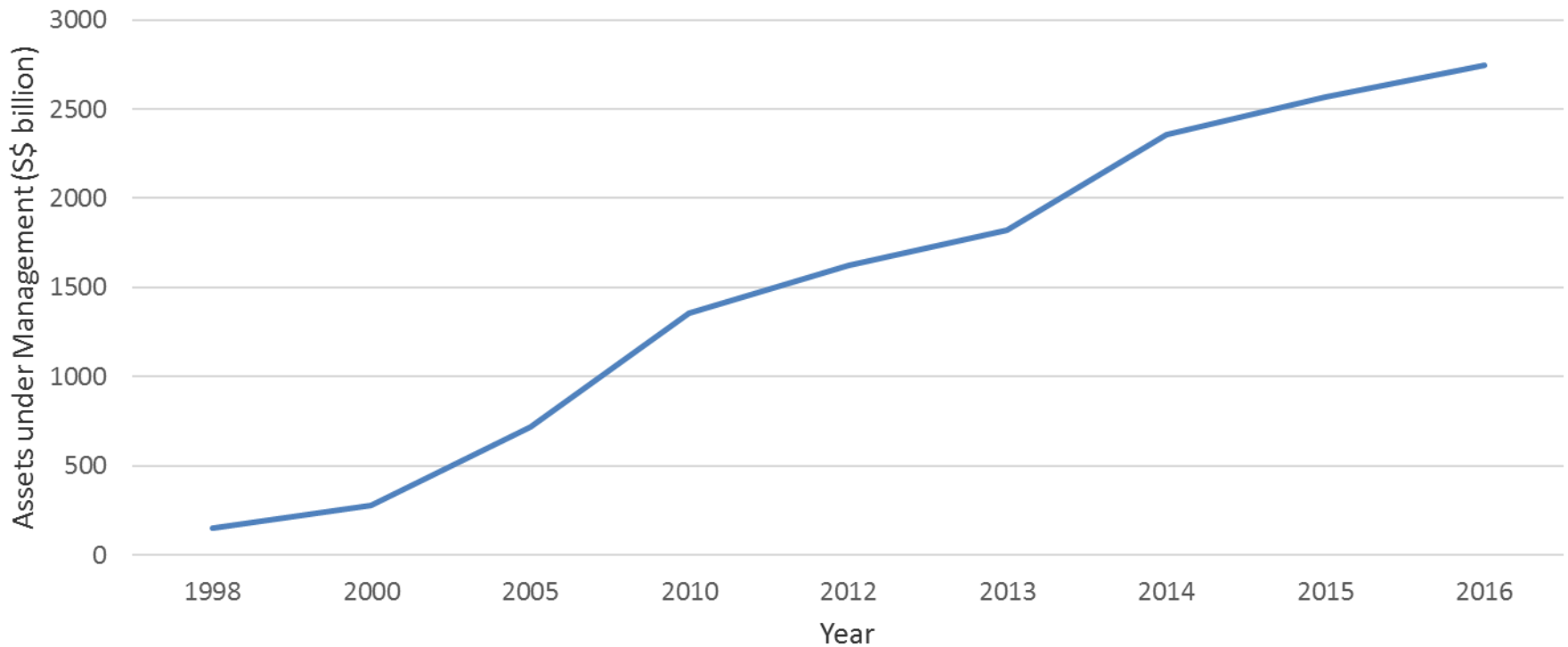
(Source: Tax Justice Network, 2013;
<http://www.financialsecrecyindex.com/PDF/Singapore.pdf>)

The Financial Secrecy Index, 2013

RANK	Secrecy Jurisdiction	FSI - Value ⁴	Secrecy Score ⁵	Global Scale Weight ⁶
1	Switzerland ²	1,765.2	78	4.916
2	Luxembourg ²	1,454.4	67	12.049
3	Hong Kong ²	1,283.4	72	4.206
4	Cayman Islands ^{1,2}	1,233.5	70	4.694
5	Singapore ²	1,216.8	70	4.280

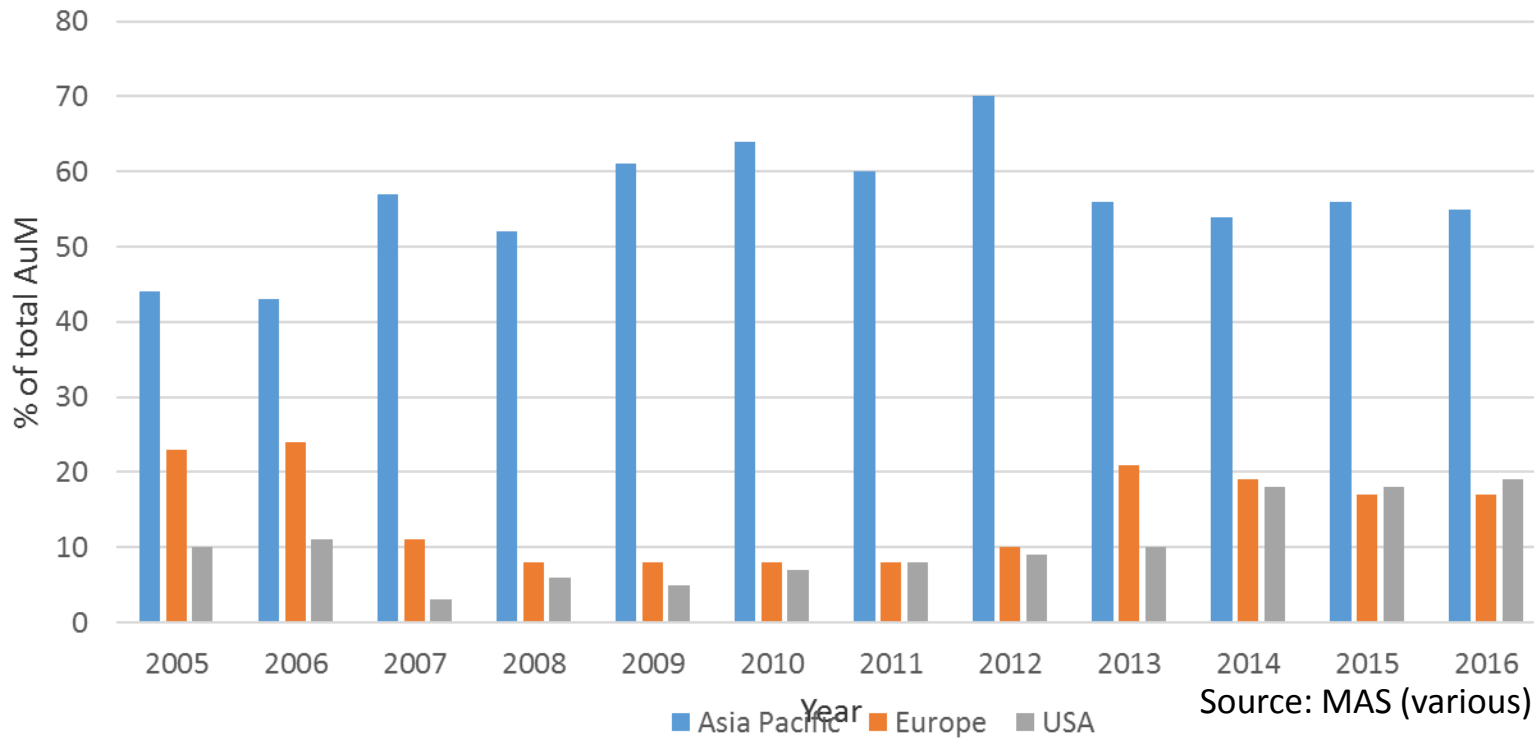
Source: Tax Justice Network (<http://www.financialsecrecyindex.com/introduction/fsi-2013-results>)

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



Source: Monetary Authority of Singapore (various)

Geographical origin of AuM in Singapore



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