

Tailwind for Growth: Trends in Private Wealth Management Industry to Look Out For

The private wealth management industry in Hong Kong is bracing for dramatic transformation, driven by three key trends that will define the landscape in the years ahead. Inflow of clients from Greater China and beyond is creating a demand for internationally minded talents. In the meantime, the greatest wealth transfer known in human history is underway, to a generation who has vastly different expectation of wealth management than their parents and grandparents. Family offices are proliferating and becoming more professionalized, emerging as a multi-pronged tool for wealth management. Understanding these trends and the opportunities they bring will allow wealth managers to thrive in this dynamic landscape.

Capturing a Borderless Clientele

The traditional Hong Kong wealth management client is evolving. While the wealth creation happening in the Greater Bay Area (GBA) continues to be a wellspring of new capital, wealth managers are also witnessing an influx of clients from further afield – the Middle East and Southeast Asia particularly – as Hong Kong strengthens its ties with these regions. Of the 39% of PWMA’s member firms seeking opportunities in overseas markets beyond Hong Kong and mainland China, around a half are eyeing on the Middle East. This broadening geographical base is creating demand for internationally minded talents, capable of catering to the diverse cultural and investment needs of a globally dispersed ultra-high-net-worth (UHNW) class. Approach to relationship-building, trust-building and decision-making operates differently depending on the cultural context. Middle Eastern clients, for example, values personalized and direct interaction and prefer a real estate-based portfolio when compared to other Asian HNWIs.

The Great Wealth Transfer and the Rise of the Next-Gen

Over the next two decades, an estimate of US\$84 trillion in assets is set to be handed over a new generation. In Hong Kong, this generational shift is already underway, with younger clients bringing vastly different priorities to the table, such as their preference on private equity, commodities, and other real asset over stocks and bonds. Sustainability and ESG considerations are now one of their top concerns, with environmental and social factors playing a central role in investment decisions for investors under 34. There is also a growing appetite for exposure to private companies, particularly tech-driven startups and scaleups. Wealth managers will benefit from a knowledge of impact investing and technology industry landscape to seamlessly bridge the gap between the traditional and the next-gen mindset.

The Growing Prominence of Family Offices

At the heart of this transformation lies the rise of family offices. Hong Kong government’s effort to attract family offices to reshore in the city has paid off. Over 2,700 family offices are benefiting from favorable policies such as the tax concession regime and New Capital Investment Entrant scheme. The proliferation of family offices is also being driven by both the unprecedented creation of wealth, as well as the increasing complexity of managing substantial family fortunes. Their daily operation expands beyond traditional functions such as investing, reporting, filing taxes and providing accounting and legal



services. Wealthy families now look to their family offices to help foster family governance and succession planning, in addition to administering personal and cybersecurity arrangement and overseeing their diverse sets of assets. These entities are evolving from simple wealth management vehicles into sophisticated, multi-faceted corporation that rival many institutional investment firms. Attracting and retaining top talent has therefore become a key focus for family offices to cater to their client's diverse need.

Thriving in a Constantly Evolving Landscape

As Hong Kong's private wealth management industry navigates these transformative changes, wealth managers who can adapt and offer tailored solutions will be the ones to thrive. Understanding the evolving needs and preferences of a new generation of UHNW clients, as well as the rise of family offices as a dominant force in wealth management, will be critical. Wealth managers should be prepared to deliver a more personalized, technologically advanced, and values-driven approach to preserve and grow their clients' fortunes. Only then can Hong Kong's private wealth industry take advantage of the seismic shifts unfolding before it and cement its position as Asia's premier destination for the management of generational wealth.