

SHIFTING MINDSETS AND REDEFINING HIGH NET WORTH CLIENTS



Those who still categorise high net worth (HNW) clients solely based on the value of their discretionary investments in dollars or rands are overlooking an essential aspect. The HNW market segment is more about mindset and strategic decision-making than mere asset accumulation. While many continue to define HNW clients as individuals or families with over a million dollars in discretionary assets, financial planners and wealth managers would be better served by focusing on the intricate complexities involved in guiding these clients across multiple asset locations.

HNW clients are incredibly diverse, making it both impossible and ill-advised for financial advisory practices to offer cookie-cutter or one-size-fits-all solutions to this segment. Your success in advising the ultra-wealthy lies in meeting the needs of clients who live and invest as global citizens, prioritising wealth preservation as much as wealth accumulation. The challenges you must address extend far beyond asset allocation and portfolio management; they encompass trust structures, multi-jurisdictional estate planning, mechanisms for multi-currency exposure, and determining the most suitable geographic locations to domicile clients' assets.

Financial planning is an integral part of the broader wealth management discipline, and those who identify as wealth managers must provide services that go beyond what a certified financial planner (CFP) might offer to a typical mid to high-income client. You may be called upon to assist your HNW clients with asset management, estate planning, fiduciary advice, and specialised guidance in various areas such as law, property management, and taxation, among others. It is helpful to envision the HNW financial planner as a conductor who connects clients to a range of advice service providers necessary to achieve the client's financial goals and oversees the resulting interactions.

Jean Minnaar, Managing Director of Private Client Securities by Old Mutual Wealth

In the past decade, there has been an ongoing debate within the domestic HNW landscape regarding local versus offshore investment exposure. However, this debate misses the mark as it focuses too narrowly on asset management and short-term perspectives, which are not aligned with the needs of true HNW clients. Wealth management requires a shift in thinking toward multi-generational financial planning. In this context, the question of how much of a family's wealth should be invested in South Africa changes. It's essential to remember that HNW clients are global citizens who do not benefit from having a significant portion of their investment capital tied to South Africa, considering its small share of the global investment universe.

As more of your clients' assets are located offshore, new regulatory challenges arise. Local financial planners and wealth managers may face increased advisory risks, coupled with the potential inability to maintain long-standing advisory relationships with HNW clients across all countries where they have exposure. Overcoming these obstacles necessitates expanding your range of domestic and offshore wealth management services beyond asset allocation and manager selection. To succeed, your practice must establish connections and partnerships with experts in multi-jurisdictional disciplines such as custody, estates, fiduciary matters, trusts, and more.

The role of a financial adviser or wealth manager is to protect HNW clients from costly financial mistakes and help them strike a crucial balance between income, wealth creation, and wealth preservation. Private Clients by Old Mutual Wealth, as a bespoke private client asset manager, is committed to becoming a champion and thought leader for South Africa's dollar millionaires. We are the partners you can rely on when you realise that asset managers focused on retail clients cannot provide solutions that meet the resilience and strategic asset location requirements of your HNW clients, rather than default asset allocations.

