Managing wealth for a new generation

Tariq Bin Hendi, Ph.D., Executive Vice President and Head of Products and Advisory for Emirates NBD, discussed the challenges that lie ahead for Private Banking as a new generation of high net-worth clients stand to inherit the largest accumulated wealth in history.

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"**THERE IS AN EVER-CHANGING INVESTMENT** landscape in terms of both product development and client profile. As the risk and investment profiles of clients change, it is presenting new and unique challenges for wealth management firms globally, particularly as it relates to digitization." explained Bin Hendi at the Hubbis Middle East Management Forum on January 24, 2018.

"What this means," he clarified, "is that the way we attract, retain, and interact with clients, and cater to their financial needs, has changed substantially over the last few years. This has partially been led by changing wealth demographics (millennials) and disruptive tech-

TARIQ BIN HENDI
Emirates NBD

nology coming into effect. In fact, the digital and interactive aspects of wealth management have been impacted substantially, in a way not seen since excel changed the way financial modelling was performed; it is a fundamentally different way of interacting with clients."

Bin Hendi provided information which indicated that over the next 25 years, we will witness the greatest transfer of wealth globally that has ever occurred in human history. "Approximately 200,000 ultra-high net-worth individuals are going to be passing down almost 30 trillion US dollars to their children." He said. In addition, there will be millions of people passing down more moderate wealth, from the entrepreneurial and business fields.

The generation game

It is this transfer of wealth, Bin Hendi said, that is having the biggest effect on the changing wealth management ecosystem. The generational preferences for investment products and risk-appetite could not be starker. "When we discuss investments with family businesses, there is often a disconnect between the first, second and sometimes third generations of a family that could not be more divergent. In the UAE, the older generation still prefer real estate and equities to the private equity and technology sectors that their children and grandchildren are more familiar."

This change in focus indicates how the two (and three) generations view risk and opportunity. "It means," Bin Hendi commented, "that we must approach each client as an individual rather than as a family unit. We will always aim to preserve wealth for the family, but we must balance each individual's specific requirements with that of the overall family."

Wealth management institutions are changing the way they interact with the new generation of clients to suit their needs, and Bin Hendi went on to say that "there is a challenge in balancing innovation with regulation. It is incumbent on both wealth management institutions and the regulators to move with the market and adapt to those who make the market."

The generation gap can also be seen in how clients wish to interact. "The older generation values the human interaction whereas the younger generation, and more specifically millennials, want everything instantly – interactions, transactions and investments. They are more familiar and accustomed to communication through technology."

The new relationship manager – client dynamic

Not only does the younger generation need a different set of products, they also need a different style of relationship management. "Everything is about technology today," Bin Hendi declared, "as you cannot make a pitch to a millennial without it being technology linked and technology focused."

The relationship between these millennial clients and their relationship managers will continue to evolve and "those relationship managers who are able to adapt will be better suited to maintaining and even building strong relationships with these clients. This is especially true considering the data now available to relationship managers about their clients. The savvy relationship managers will harness the information that this abundant data provides, thus allowing them to better cater to the client's needs."

A new dawn

"What we must therefore now do," he advised, "particularly the larger, more established legacy wealth management institutions, is change our infrastructure to suit these changing times. These wealth management institutions need to better equip themselves with more nimble technology, from AI to Robo-advisors to ATMs, so as to not lose ground to the new startups."

To keep up with the rapidly changing needs of younger clients, Bin Hendi suggested that "we must use a new generation of products and services to cater to their investment needs, including a combination of human and AI interaction. At Emirates NBD, we are spending no less than 1 billion Dirhams over the next 3 years to bring about this technological revolution to our institution. This will ensure that we maintain our position as a leader in this space and that we are able to offer our clients multi-faceted mechanisms for building their relationship with our bank."

"If we get that right," Bin Hendi concluded, "it will help us preserve the client wealth that we manage today, as well as attract a whole new generation of clients to our institutions." ■