RIDING THE WAVE OF PROSPERITY

UNRAVELLING THE PHILIPPINES' EMERGENT WEALTH MANAGEMENT LANDSCAPE

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SUMMARY

The Southeast Asian archipelago of the Philippines is currently making waves in the global financial sphere. With a robustly expanding economy, a burgeoning middle class, and a sharp increase in individuals possessing significant investable assets, the country is emerging as an attractive hub for wealth management. However, amidst this economic prosperity, there exist substantial challenges such as significant wealth disparity and complex financial regulations. As local and international banks scramble to leverage this promising opportunity, it is clear that success will hinge on their ability to navigate these complexities while catering to the unique needs of a rapidly evolving client base. In this article, we delve into the potential of the Philippines as an emergent wealth management centre, the intricacies surrounding this market, and how financial institutions can optimise their offerings to ensure success in this dynamic environment.

» What is the value proposition?

The Southeast Asian nation of the Philippines is revealing itself as a burgeoning wealth management hub, attracting the interest of both local and international private banks. This is namely a consequence of the fact that the Philippine economy, from 2010 to 2017, experienced an annual growth rate of approximately 6.3%, and was projected to grow by 6.4% in 2019. wealth disparity still exists with just 0.1% of the population owned wealth exceeding USD 1 million, while 86.6% had less than USD 10,000 in wealth - the Philippines is experiencing growth due to its solid macroeconomic landscape and booming real estate sector. A surge in tech startups, a rapidly expanding population, and a significant upcoming wealth transfer further augment the country's promise as an emerging private wealth opportunity. it becomes crucial for banks to implement a wealth offering on a technology platform that caters to multiple client segments and supports various business models, so as to allow them to cater to multiple segments of the population, and thus maximise their returns upon entering the Philippines market.

New Wealth

Looking to the growth of the nation, and thus the potential

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This economic upswing positions the nation among the fastest-growing economies globally.

This robust growth has fostered the emergence of an affluent middle class with increased disposable income, Hubbis discovered at our recent ***Philippines Wealth Management Forum*** in March – the output of which you may wish to view HERE. In turn, there has been a sharp increase in the number of individuals with more than USD250,000 of investable assets, which is forecasted to more than double by 2030. Additionally, it has been predicted in 2019 that the Philippines would be one of the top ten rapidly growing markets for high-net-worth households.

Despite ongoing poverty challenges - namely significant

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In turn, the presence of wealth discrepancy between the most wealthy individuals and the rest of the population presents banks and wealth managers with the challenge of structuring an offering that caters to the minority of wealthy individuals, while still fostering inclusivity for the less affluent but growing segment, representing an all-encompassing burden which only those in it for the long haul can overcome. And as the financial industry grapples with complex regulations, thin margins, and limited funds for new initiatives,

opportunity, thriving real estate and startup sectors are creating a new generation of high-net-worth individuals (HNWIs). Recent unicorns like Mynt and Voyager Innovations, backed by Alibaba Group and Tencent Holdings respectively, are manifestations of this burgeoning wealth. This innovation within the economy is what is fuelling robust economic growth, bolstered further still by the presidency of Benigno Aquino in 2010, and continued infrastructure initiatives like the "Build, Build, Build" scheme, are powering wealth creation in the country. Both established players and new foreign entrants see ample opportunities in the booming wealth management industry in the Philippines.

Grasping the opportunity

However, a significant challenge lies in adapting to the rapid digitalisation of the country and the shifting demographics of wealth holders. As of 2021, 67% of the population were internet users and there were 152 million mobile phone connections, according to an additiv report, with an average population age of 26, rendering traditional, solely relationship-based wealth management unsustainable for such a digitally-savvy clientele base.

Emerging is a new generation of Filipino investors, often young entrepreneurs from high net-worth, multi-generational family-owned businesses. Unlike their predecessors, these potential investors hold different views on wealth management, leaning towards sustainable investments, active involvement in decision-making, and digital platforms for wealth management.

However, at this present stage, the majority of the wealth in the country still remains with individuals over 50 years old - business owners and family patriarchs who often prefer to invest offshore in financial hubs like Hong Kong and Singapore due to a lack of local investment options, political instability, and trust issues. To attract these clients, banks need to build trust and provide access to competitive products and delivery channels, something that can be achieved with a long-term approach to developing a structurally-sound onshore offering.

Catering to digital natives

Although robo-advisory wealth services have provided mass-affluent audiences with self-service access and automated tools, they fall short of the sophisticated needs of HNWIs. The solution lies in a hybrid approach, which combines digital and traditional wealth management services.

Hybrid models offer flexibility, allowing clients to choose how they wish to be serviced, from human advice to self-service, backed by intelligent analytics. This model increases efficiency, optimises real-time proposal simulations, and enhances the productivity of relationship managers. The self-service aspect of this hybrid service does not replace the personal relationship manager but complements them, allowing clients to complete actions that were once advisor-led.

A successful example of a hybrid model is PostFinance's end-to-end digital platform. This Swiss retail bank launched its platform during the initial COVID confinement period, diversifying its offerings to include wealth products. It attracted around 6,000 customers and CHF 300m in assets under management within just nine months.

Recognising that client interaction preferences evolve over time, financial institutions need to offer flexible service models that reflect changing needs without compromising on service quality. The future of wealth management in the Philippines looks set to be a blend of personalisation and digital integration, where no compromises are necessary for both the financial institutions and their clients. ■

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