The Rise of Global Wealth

The long-term outlook for high-net worth audiences is strong. After rapid gains in wealth during the pandemic, many of the world's richest individuals saw the first contraction in their net worth since 2018, but growth remains positive, especially in the US and Asia.

By: Nick Van Sicklen & Matt Carroll
(Co-Founders of North & Warren)

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During the pandemic, the explosion of wealth driven by rising prices across a variety of asset classes took many by surprise. In America and around the world, millions of people entered into the class of high net worth (HNW) individuals, those who have more than $1 million in liquid assets. Up 13.5% from 2020, the US had around 7.5 million HNW individuals in 2021. Globally, HNW individuals saw their wealth increase 8 percent in 2021 to $86 trillion, with economists at Credit Suisse estimating the creation of 5.2 million new millionaires.

Meanwhile, ultra-high net worth individuals (UHNW), those with over $30 million in liquid assets, saw their wealth increase by 14 percent globally. Representing 1.2 percent of the world's HNW population, there are only around 392,000 UHNW individuals but their combined wealth of $41.8 trillion accounts for 31 percent of all high HNW individuals. Similarly, according to Forbes, the world's 2,755 billionaires saw their wealth grow to $13.1 trillion in 2021 from $8 trillion in 2020 and the number of U.S. billionaires rose from 614 to 724.

While these trends were buoyed by soaring stock prices and business valuations, the two leading asset classes amongst the world's rich, they came after a steady period of total and relative growth in the group's overall wealth during the last decade. In the US, for example, the number of millionaires grew by around 280 percent in 2021 from 2008. Throughout the world, aggregate wealth from HNW individuals grew five times from around $41.4 trillion in 2000 to $221.7 trillion in 2021 and their share of wealth rose from 48 percent to 35 percent.

Eventually, however, as the cautious optimism of early 2022 gave way to a more negative economic outlook, trends in wealth amongst high and ultra-high-net-worth individuals turned a corner and began to slow with some exceptions in the US and Asia. During the first two quarters of 2022, the global population of UHNW individuals fell by 6 percent to around 392 thousand, marking the first downturn since 2018. In the US, the number of UHNW individuals dropped by 10.3 percent during the same period.

Looking at the overall number of US millionaires over the next five years, economists at Credit Suisse predict slower growth of 13 percent in contrast to 97 percent in China which is home to the world's second-largest population of HNW and UHNW individuals.

While the US retains the largest population of HNW and UHNW individuals, this dominance, Credit Suisse predicts, will slow over time due to higher levels of economic growth in China and Asia. Taken together, the changing status and global ranking between the rich in these two nations represent the largest upcoming shift in the distribution of global wealth.
While the US will undoubtedly maintain its status as a global center for luxury consumption and investments for decades to come, the rise of Chinese consumption and capital will continue to attract businesses further East.

HNW individuals saw their wealth increase 8 percent in 2021 to $86 trillion

Overall, despite a contraction and persistent economic uncertainty, steady and relatively modest global growth in HNW and UHNW populations is expected to continue over the next several years. Throughout the variety of research reports looking at these groups in 2022, the majority of them are cautiously optimistic, predicting steady growth in wealth across all regions. "Although not impervious… wealth development is resoundingly resilient, demonstrating its ability to adapt and grow even in the face of massive systemic shocks," BCG's 2022 Global Wealth Report argued, predicting $80 trillion in new wealth being created over the next five years.

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In their base case, nominal wealth developments may take a short-term hit but eventually grow at an annual rate of 5.3 percent through 2026, compared to 5 percent in a more protracted growth scenario. In aggregate, the assets of HNW and UHNW individuals are often evenly spread across public holdings, private holdings, real estate, and liquid assets. As incomes rise, however, luxury goods like classic cars, yachts, art, and jewelry are far more prevalent. Similarly, the total share of individuals with a stake in a private or listed company increases for UHNW individuals, representing the greatest share of the group's total wealth. These trends point to the fact that many HNW individuals in the US and around the world are often successful, self-made professionals with strong, but relatively modest incomes of a few hundred thousand dollars a year.

Individuals that are often called "the millionaire next door" achieve their wealth through steady and often conventional investment strategies over time. As incomes rise towards the highest net worth individuals in the US and around the world, inheritance and the gains of entrepreneurship make up a greater share of their total wealth. As the intergenerational transfer of wealth from Baby Boomers to Late Millennials and Gen-Z begins over the next several years, this shift in the investment strategies and purchasing decisions amongst the world's richest individuals could be even more pronounced.

Geographically, while many of the "millionaires next door" can be found throughout the United States and around the world in a variety of mid-sized and large cities, the world's wealthiest individuals are often concentrated in global cities like New York, Hong Kong, London, and Los Angeles. According to a recent Capgemini World Wealth Report, almost 63 percent of the world's HNWIs live in the US, Japan, Germany, and China. New York, for example, is home to the highest concentration of wealth in the US, with nearly 20 percent of the country's UHNW individuals residing there.

Often sharing a similar lifestyle, many of the world's wealthiest individuals also engage in the same global markets for luxury goods, vacations, and education opportunities for their families. Looking towards the differences between men and women, UHNW women have three times the amount of their total assets held in real estate and luxury goods. While investments in luxury goods like art and jewelry tend to increase as incomes rise for both men and women, they rise at a much faster rate for women.

Though women represent only 11 percent of the UHNW population, their share in the group is rising. In contrast to men, HNW and UHNW women are much more likely to have inherited part of their wealth but over time, inheritance as an overall share of their wealth has decreased with the rise.