

Navigating the complexities of wealth in Canada

Successful private banks anticipate what their clients need and provide the requisite tools. Canada is home to a high number of high-net-worth individuals and BMO Harris Private Banking works to help them manage their wealth



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A recent study by BMO Harris Private Banking reveals that two-thirds of affluent Canadians are self-made millionaires, and many of them are new Canadians. Meanwhile, women are becoming increasingly independent and affluent, controlling approximately one-third of all wealth in Canada.

Such diversity makes the role of the private banking industry that much more demanding. It is a competitive market, and it is not enough to provide today's clients with tailored wealth management products, services and strategies and call it a day.

Rather, being a successful private bank means anticipating clients' unique needs and developing an employee base that reflects the communities in which they do business. It involves asking thought-provoking questions, engaging clients in a disciplined process of discussion to highlight what is important to them, and working with them to take action on what needs to be addressed.

In short: in a world of complexity, change and globalisation, private banks must help their clients make sense of what can be an overwhelming financial landscape.

Easing the complexity

Wealth offers unique opportunities and advantages, yet it also comes with responsibility, complexity and challenges. Today's private banking clients face significant challenges with their financial affairs. There is an over-abundance of information, choice and financial products, not to mention a rise in tax, investment and estate issues. Wealth involves a wide range of decisions surrounding estate planning, financial planning and retirement planning, family education and governance, tax planning and consulting, philanthropy, business transition and succession planning, and insurance.

With so much to consider, clients are expecting more from their wealth managers to navigate the complexities.

Fortunately, new technology is making it easier to communicate with clients, facilitate research and education, and provide innovative investment advice. For instance, teleconferencing provides a quick and convenient way for wealth managers to meet with clients situated around the world.

The successful management of wealth also requires a coordinated approach by a team of experienced professionals. At BMO Harris Private Banking, we bring together leading experts from a variety of backgrounds, including chartered financial analysts, lawyers, accountants, MBAs, commercial and corporate bankers, and support staff who all share a client-centric perspective. For each family that we work with, we put together a multi-expert advice team, or 'Client Strategy Team', which retains one dedicated wealth manager as the client's single point of contact.

How demographics affect growth

The high-net-worth segment is growing rapidly. In Canada, the number of high-net-worth households (with \$1m or more in investable assets) is expected to increase from 616,000 in 2012 to more than one million in 2020. Also, 'Baby Boomers' are paving the way, with the number of high-net-worth households comprising people over the age of 65 expected to increase from 265,000 in 2012 to 548,000 in 2022. As they get closer to retirement, they are becoming more conservative in their wealth management strategies. They move out of the accumulation phase, look for yield and income, and seek to protect and preserve their retirement income.

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Entrepreneurs are very important given Canada's strong entrepreneurial spirit and environment. The country boasts approximately one million small- to mid-size businesses, with 40 percent of them expected to transition to a new owner in the next 10 years. However, only one third of business owners have a transition plan in place for their company. A business transition plan needs to be a focus for entrepreneurs who are considering retiring in the next three to 10 years.

We have also observed significant wealth gains among Canadian women. In Canada, 40 percent of women have generated their wealth on their own, while 31 percent have accumulated it through a mix of inheritance and self-made wealth.

Such diversity represents a wake-up call for private banks worldwide. To address Baby Boomers' needs, banks must work closely with them on retirement income planning, estate planning, and ensure that plans are in place for the transfer of wealth. Wealth managers must talk to entrepreneurs about transition planning and aiding in the orderly transfer or sale of the business. They must also recognise the challenges faced by affluent women and engage with them in a meaningful, two-way dialogue.

Thinking globally

Private banking clients are expanding their geographical footprint through immigration, education, real estate, business ventures and travel. And often, family members are also spread across borders.

Canada welcomes more than 250,000 immigrants from around the world every year. Interestingly, almost half of high-net-worth individuals are new Canadians, validating the fact that the Canada provides opportunities for those who are willing to move here and contribute to the growth of the country.

To attract wealth, it is imperative that private banks anticipate the needs of new immigrants before they make the move from their country of origin. Being present in the countries and regions from which these new arrivals emanate allows private banks to help affluent clients who wish to invest in their adopted country, send their children to school there, or move there. Successful private banks will work with clients on all fronts – to guide new immigrants as they establish their presence in a new country while simultaneously helping them continue to have investments, family or business dealings back in their native land.

In the end, it all comes down to dollars and sense. The wealthy are looking for institutions that can help them gain exposure to diversified markets and opportunities. Private banks must be present in global markets to help expose clients to the global opportunities they seek. For instance, in addition to having 35 private banking offices across Canada, BMO has private banking offices in the US and Asia to help families with their global wealth management needs.

By challenging clients to take action on future matters they may not even be contemplating, successful private banks can educate clients about their wealth concerns early on while working with them in preparing for a well-planned future. ■