

WEALTH MANAGEMENT TOP TRENDS 2024

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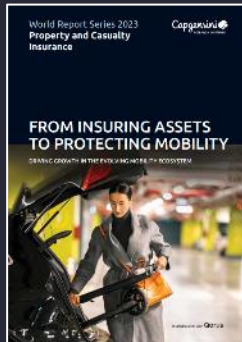
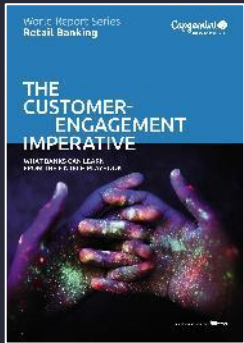
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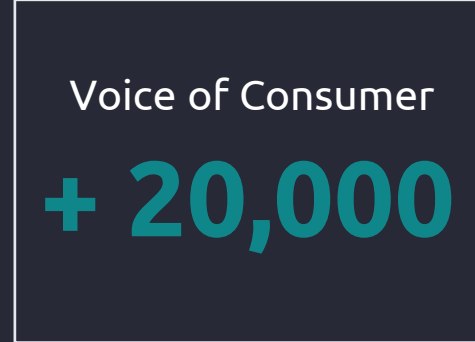
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TOP 10 TRENDS IN BANKING BY SUB-DOMAINS

Customer First

WEALTH MANAGEMENT

Increasingly influential **affluent segment** can boost the top line for wealth management firms

Fixed-income investing is back as a **safe and profitable** vehicle for wealth growth and stability

Generative AI-based client engagement enriches the **client experience**

Wealth management firms are capitalizing on the ongoing **intergenerational wealth transfer**

Wealth management firms are strategically **embedding social equity and inclusion** to drive business outcomes

After high-profile collapses, **rebuilding trust** is crucial for **digital assets'** next growth phase

Asset tokenization enables a more **efficient** financial system

Intelligent automation is a powerful **efficiency enabler** across the entire value chain

Digitalized client journeys are boosting productivity and streamlining operational costs

Reliable and traceable ESG metrics are now a must

Enterprise Management

RETAIL BANKING

Banks compete for **customer deposits** as they navigate through business turbulence

New-age players are switching gears from **hyper-growth** to **profits**

Banks pamper **affluent customers** with **personalized products** and services

Banks expand ESG data use beyond **compliance** to **strategic decision-making**

Digital operational resilience is a top priority as **cybersecurity threats** increase

Cost control is necessary to **hedge** against **economic volatility**

The next **wave of innovation** in cloud lies in **edge computing, sovereign cloud, and cloud marketplaces**

Banks explore **generative AI** to elevate **productivity**

Data is evolving from a proprietary asset to a **shared, open resource**

Decentralized finance continues to evolve; banks need to be ready for soon-to-come **regulatory frameworks**

Intelligent Industry

PAYMENTS

Real-time treasury empowers corporate clients' **decision-making** and **cash management capabilities**

Card alternatives – **pay by bank** and **BNPL** – are on the rise

Cloud-native composable platforms enable back-end reimagination

Digitalization will streamline **accounts payables/receivables processes**

Local and regional payments initiatives may challenge the dominance of **card schemes** and **interconnected payments networks**

Regulatory initiatives spark **payment innovation** and **robust security**

Instant payments offer a **potential efficiency boost**

Central banks embrace **CBDC** to maximize **financial inclusion**

Tokenization opens new frontiers for **value creation**

AI upside for payment services includes **productivity and client satisfaction**



WEALTH MANAGEMENT TOP TRENDS 2024 – PRIORITY MATRIX

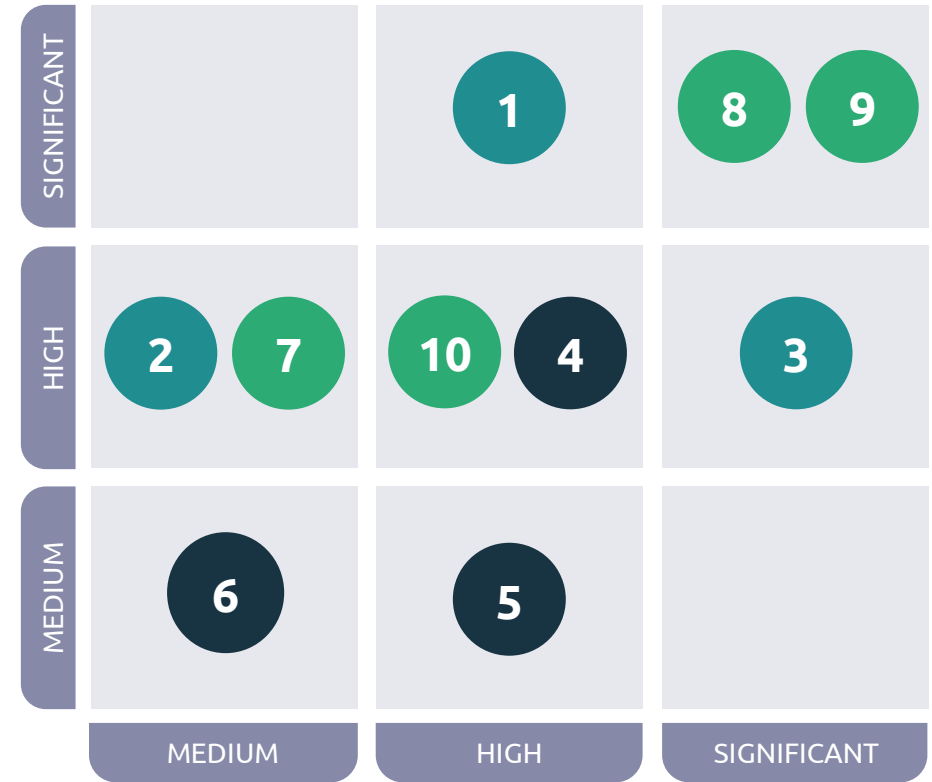
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Intelligent Industry

- 1 Increasingly influential **affluent segment** can boost the top line for wealth management firms
- 2 **Fixed-income investing** is back as a **safe and profitable** vehicle for wealth growth and stability
- 3 **Generative AI**-based client engagement enriches the **client experience**
- 4 Wealth management firms are **capitalizing** on the ongoing **intergenerational wealth transfer**
- 5 Wealth management firms are strategically **embedding social equity and inclusion** to drive business outcomes
- 6 After high-profile collapses, **rebuilding trust** is crucial for digital assets' next **growth phase**
- 7 **Asset tokenization** enables a more **efficient** financial system
- 8 **Intelligent automation** is a powerful **efficiency enabler** across the entire value chain
- 9 **Digitalized client journeys** are boosting productivity and streamlining operational costs
- 10 **Reliable and traceable** ESG metrics are now a must

Adoption priority 2024



Business impact 2024

The Priority Matrix presents Capgemini’s view of 2024 trend prioritization in an operating environment considering:

- Softening inflation and high interest rates, coupled with stagflation trends
- Geopolitical instability
- Dynamic regulatory activity
- Intense competition and increased focus on customer centricity due to the impact of new-age players
- Operational cost overruns and high capital lock-in

▪ **Adoption priority** The criticality of adopting a 2024 trend to maximize value creation because of its sector importance.

▪ **Business impact** The effects of a trend on the sector’s 2024 business as it relates to customer experience, operational excellence, regulatory compliance, or profitability.

Circumstances will vary for each firm depending on business priorities, geographic location, and other factors. For more information, don’t hesitate to contact us at wealth@capgemini.com.

Source: Capgemini Research Institute for Financial Services analysis, 2023



FROM 2023 TO 2024, WHAT HAS CHANGED AND WHAT HAS NOT?

TRENDS 2024	
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10	Reliable and traceable ESG metrics are now a must

TRENDS 2023	
1	ESG regulatory standards aim to curb corporate investment greenwashing
2	Demand for outsourced chief investment officer (OCIO) services is on the rise
3	Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies
4	Amid volatility, investors seek new portfolio strategies, such as direct indexing
5	Wealth management firms refocus on the mass-affluent segment
6	Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet
7	Evaluating cybersecurity for future readiness
8	A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities
9	The wealth management industry is consolidating to achieve scale
10	Family offices showcase bespoke services while facing regulatory dynamics

New trends

- Asset tokenization has emerged as a useful way to bolster the security and liquidity of financial assets
- Digital client journeys and the development of generative AI are helping wealth management executives achieve profitability with a superior client experience
- The great wealth transfer offers a strategic opportunity for wealth management firms to grow

Trends evolution

- Affluents continue to be of significant interest for wealth management executives in their search for sustainable revenues
- As ESG and social inclusion considerations take shape, wealth managers are looking for reliable metrics
- In the face of prolonged market volatility, investors are turning towards fixed-income investing

Deprioritized trends

- Chief investment officers have become a staple of the wealth management industry
- Consolidation, digitalized core and cybersecurity measures have been well adopted by wealth management firms
- Women have now become a proportionate part of the investor base of wealth management firms



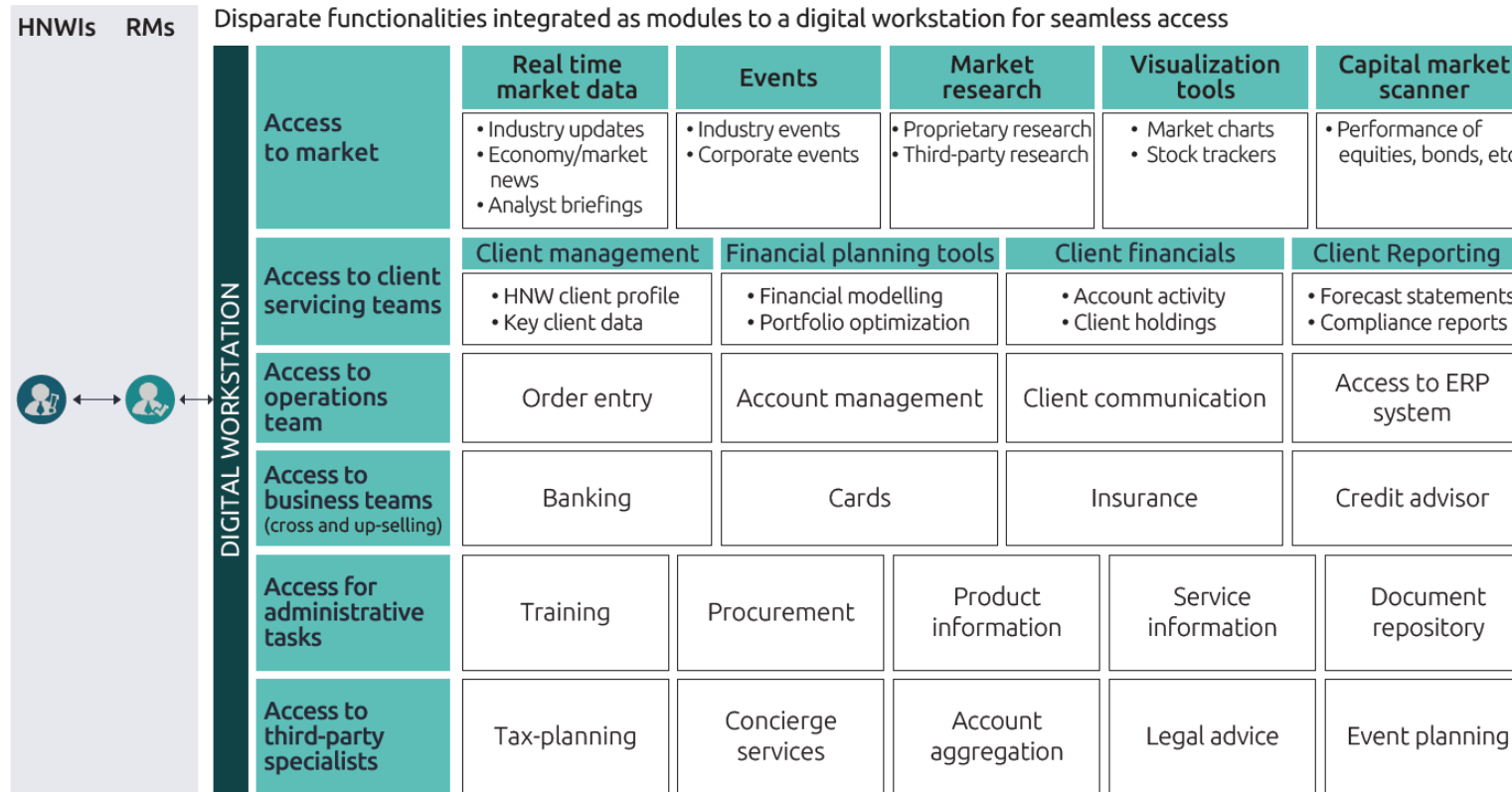
DIGITALIZED CLIENT JOURNEYS ARE BOOSTING PRODUCTIVITY AND STREAMLINING OPERATIONAL COSTS

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The value chain in wealth management is often bogged down by manual operations that are tedious, time-consuming, and prone to errors which reduces the productivity of the RMs and increase the costs for the WM firm



Partnered with software and IT services provider Comarch in Q3 2023 to develop a **digital wealth platform** with 24/7 client portfolio access

Source: Capgemini Research Institute for Financial Services analysis, 2023

Digitalization can transform the whole wealth management industry. Firms that enhance value can potentially change their advisory model – from **transactional interactions** to **life partnerships**.



INTELLIGENT AUTOMATION IS A POWERFUL EFFICIENCY ENABLER ACROSS THE ENTIRE VALUE CHAIN

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With advancements in AI analytics and optimization algorithms, the wealth management industry will see greater adoption of these technologies in their existing processes

Portfolio management and client enablement

Automated insight

Reading earnings transcripts to assess management sentiment

Relationship mapping

Identifying nonintuitive relationships between securities and market indicators

Alternative datasets

Alternative data can be compared with data that is traditionally used by investment companies

Growth opportunities

Using client data to gauge future growth along with clients' behavioural patterns

Client outreach

Smart client outreach and demand generation via analytics, using alternative data sources such as social media data

Front, middle, and back-office efficiency

Operations Intelligence

Using ML to automate function

Powering risk performance

AI-based algorithms and ML to monitor for suspicious transactions, and trigger response protocols

Reporting and servicing

Generating reporting for clients, portfolio and risk commentary, and marketing material using natural language processing

On-demand reporting

Chatbots and ML are used to respond to employee or investor queries, generating management reporting on-demand

Employee insights

Monitor employee conduct risk and employee morale

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Announced a multiyear innovation partnership with Nvidia Corp. to embed AI into the bank's financial services and **generate multiple AI-based applications**, including intelligent avatars, speech AI, and financial fraud defense

Source: Capgemini Research Institute for Financial Services analysis, 2023

By harnessing AI-powered tools, organizations can **optimize workflows, save time, enhance efficiency, and cut costs**, gaining a competitive edge in the ever-evolving financial landscape.



GENERATIVE AI-BASED CLIENT ENGAGEMENT ENRICHES THE CLIENT EXPERIENCE

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Generative AI, through its ability to create personalized and insightful content, can assist wealth managers in gaining a deeper understanding of client needs, optimizing investment strategies, and providing enhanced value

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Streamlined lead generation

Accurately segment prospects and have a better chance of winning new clients.



Improved personalization

Tailor investment offerings and improve customer engagement overall.



Enhanced automation

Free RM's time for more client facing and cognitively demanding tasks.



Streamlined compliance

AI systems can process regulatory information from a myriad of sources at a lightning-fast speed



Improved decision-making

Deeper insight into customer and market data, enabling effective decision-making.

Vanguard®

Has introduced the Vanguard Digital Advisor platform, which relies on **generative AI algorithms** to offer customers **personalized portfolio suggestions** and **automated investment guidance**

Source: Capgemini Research Institute for Financial Services analysis, 2023

By leveraging generative AI, wealth managers can **generate realistic financial scenarios, optimize asset allocations, and provide personalized recommendations** based on risk tolerance, expected returns, and investment horizons for their clients.



INCREASINGLY INFLUENTIAL AFFLUENT SEGMENT CAN BOOST THE TOP LINE FOR WEALTH MANAGEMENT FIRMS

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Affluent segment requirements for low-cost, digital-first wealth management services are rising, prompting firms to rethink their segment strategies

A highly digitalized setup

- 1/3rd of wealth management firm executives globally consider building out existing infrastructure and creating/leveraging in-house teams to target and serve affluents as the best way to pursue this new opportunity.
- WM firms need to speed up digital transformation to boost productivity and RM efficiency, develop AI-driven digital tools, and orchestrate client-facing, omnichannel experiences.

Build WaaS capabilities and leverage retail banking

- 71% of Affluents said they will likely seek wealth advisory services from their retail banks in the next 12 months.
- WaaS can enable WM firms to package core capabilities into modules and embed them with third-party partners, such as retail banks or independent advisors

Build/acquire a composable digital platform

- 47% of pure wealth management firms support establishing a dedicated affluent segment platform.
- Build, partner, or acquire platforms that offer a one-stop-shop for affluents by consolidating wealth services, banking, and VAS offerings, augmented with self-service tools to improve client engagement

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Launched wealth management services in October 2022 for **Affluent wealth-band** clients in China via its **WE.UBS digital platform**

Source: Capgemini Research Institute for Financial Services analysis, 2023

Traditional WM firms can **enhance** their service in the affluent market by **either partnering with or acquiring WealthTech** companies, enabling them to differentiate from competitors and deliver exceptional value.



WEALTH MANAGEMENT FIRMS ARE CAPITALIZING ON THE ONGOING INTERGENERATIONAL WEALTH TRANSFER

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As aging investors transfer wealth to the next generation, firms must align with beneficiaries' aspirations



Diversify and upskill advisor workforce

to establish better connect with the next-generation of clients



Engage with the next-generation early

through targeted events and programs on financial literacy and leadership development



Utilize digital channels

to communicate effectively with the next-generation of digitally-savvy investors



Tailor investment strategies

to serve the dynamic preferences of the next-generation

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Use a **tailored approach**, with senior bankers assisting the older generation, associates working with their children, and junior bankers supporting the grandchildren

Source: Capgemini Research Institute for Financial Services analysis, 2023

WM firms are customizing their services for younger generations, **providing digital advisory and adapting investment strategies** to align with the diverse interests of the **new heirs**.



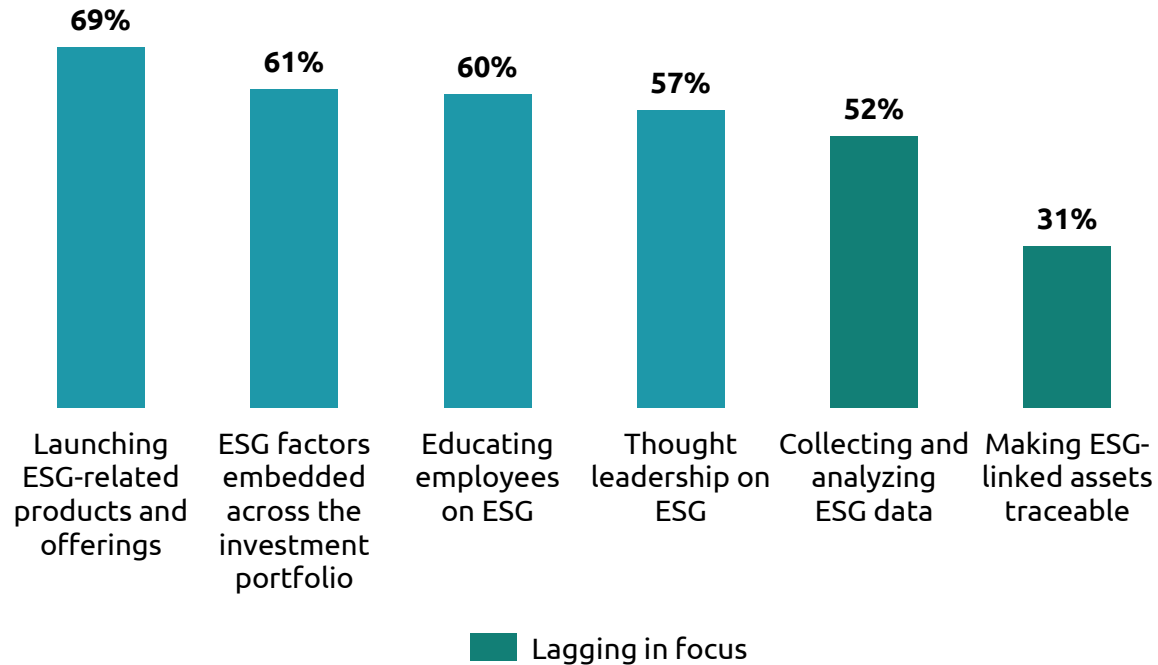
RELIABLE AND TRACEABLE ESG METRICS ARE NOW A MUST

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The establishment of standardized and readily accessible ESG scoring metrics is crucial for instilling trust among investors



Key areas of focus for wealth management executives when considering ESG-related investments.

As ESG assets are becoming a staple in the industry, investors and relationship managers are increasingly keen on **measuring the impact** of their ESG investments.

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BlackRock

Introduced a new suite of **ESG-focused funds** catering to clients' long-term investment needs

Source: Capgemini Research Institute for Financial Services analysis, 2023

ESG metrics are set to gain importance in the coming years as **investors diversify their portfolios**. The availability of these metrics will enable asset management firms to **offer tailored ESG-aligned funds** and **enhance their portfolio offerings**.



WEALTH MANAGEMENT FIRMS ARE STRATEGICALLY EMBEDDING SOCIAL EQUITY AND INCLUSION TO DRIVE BUSINESS OUTCOMES

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Wealth management firms are increasingly focused on creating, measuring, and communicating impact to meet the needs of socially-conscious investors



Improving financial health

through financial literacy initiatives for underserved communities



Driving community development

by investing in improving social infrastructure



Supporting small businesses

through funding, mentorship, and networking



Building a diverse advisor workforce

by hiring and upskilling employees from diverse backgrounds

Firms are driving social impact through **mentoring and networking** for minority groups, **providing capital** for entrepreneurs from diverse backgrounds, and **investing in vital infrastructure** for underserved communities.

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Morgan Stanley

Launched JumpStart to provide youth from diverse backgrounds with **financial literacy** and **career guidance**

Source: Capgemini Research Institute for Financial Services analysis, 2023

WM firms benefit from supporting diverse communities, **fostering trust and loyalty among clients**, enhancing their social impact and reputation, and **improving client and employee retention**.



ASSET TOKENIZATION ENABLES A MORE EFFICIENT FINANCIAL SYSTEM

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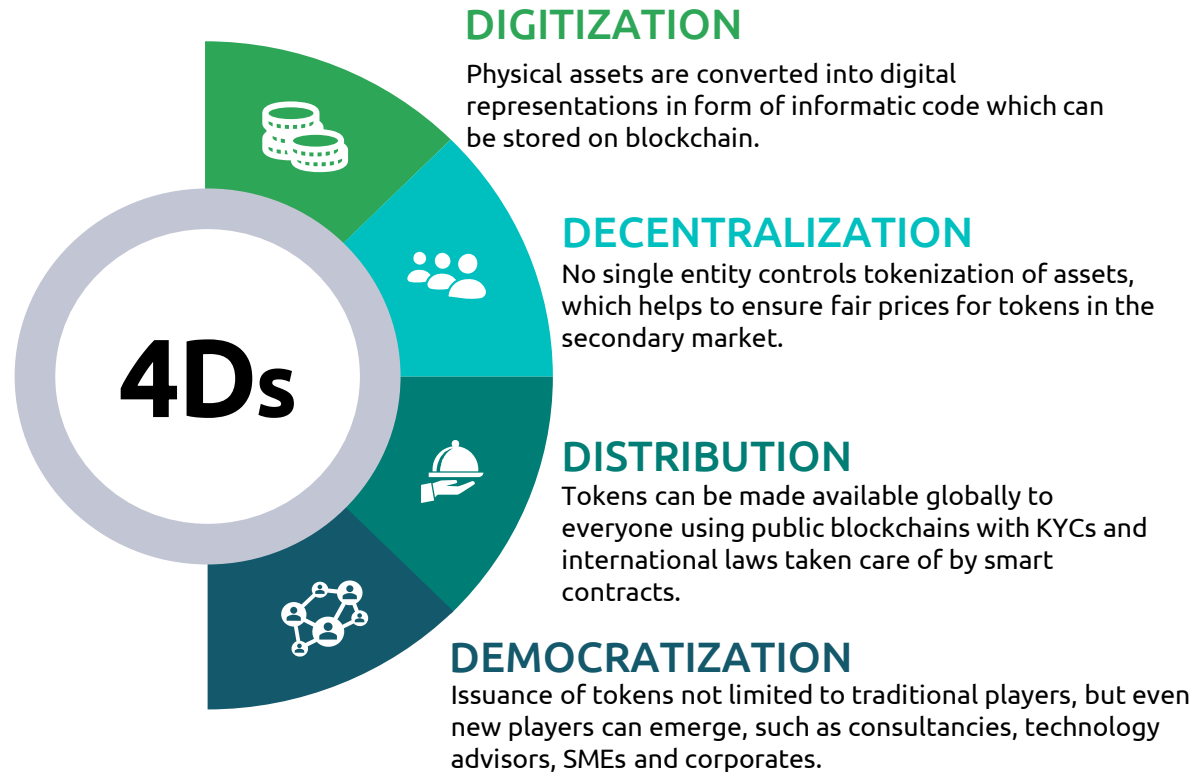
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Tokenization has the potential to transform financial services by expanding access to a broader global audience through electronic assets that were previously not traded

4Ds OF TOKENIZATION

Tokenization of assets is primarily driven by Digitization, Decentralization, Distribution and Democratization embedded in the new financial system



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KKR

Launched its first **tokenized private equity feeder fund** on the Avalanche blockchain

Source: Capgemini Research Institute for Financial Services analysis, 2023

WM firms should ready themselves by establishing the **essential infrastructure** for **tokenization**, including onboarding, management, and seamless integration with existing systems.



FIXED-INCOME INVESTING IS BACK AS A SAFE AND PROFITABLE VEHICLE FOR WEALTH GROWTH AND STABILITY

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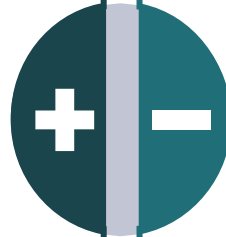
Rising interest rates and uncertain equity returns prompt wealth managers to focus on fixed income to hedge risks and grow wealth

Pros of Fixed Income Portfolio Management

Regular interest payments

Less risk than equities

Some fixed-income securities are government-backed



Cons of Fixed Income Portfolio Management

Returns tend to be lower than returns on stocks

Credit and interest rate risks

Inflation can impact returns

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charles SCHWAB Asset Management

Launched three new **short-duration U.S. Treasury bond ladder strategies**, as client appetite for fixed income grows

Source: Capgemini Research Institute for Financial Services analysis, 2023

With government and corporate bonds providing historically robust real yields, investors and wealth managers are turning to fixed-income products as it will serve as a **buffer against volatility, generates returns, and preserves wealth.**



AFTER HIGH-PROFILE COLLAPSES, REBUILDING TRUST IS CRUCIAL FOR DIGITAL ASSETS' NEXT GROWTH PHASE

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Cryptocurrencies require trust from investors, who look for clear regulations and reliable financial institutions in the conventional sector



The crypto winter impact

After a period of record highs, the crypto market crashed in late 2022 with both cryptocurrency market capitalization and trading volumes taking a nosedive.



Investor optimism

Despite the unexpected crash, retail investors, HNWIs, and institutional investors remain positive towards crypto investing and majority expect their allocation towards digital assets to increase in the coming years.



Crypto in mainstream

Large banks and wealth management firms are increasingly providing crypto-custody, advisory, and asset management services for crypto-backed assets, boosting investor confidence and acceptance.



Regulatory outlook

The MiCA Regulation will apply in the EU before the end of 2024. Similar regulatory frameworks across the globe will reduce market uncertainty, protect investors, and drive wider crypto adoption.

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Will soon integrate **crypto trading and reporting** into its **advisor workstation**, becoming the first large advisor custodian

Source: Capgemini Research Institute for Financial Services analysis, 2023

With new regulations providing **legal clarity and enhanced investor protection**, WM firms are expected to expand their **crypto-related services**.

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