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Population and Wealth of U.S. High Net Worth Individuals Reaches Record Levels as Wealth Creation Expands Beyond East and West Coasts

New U.S. Wealth Report reveals wealth in technology and energy-centric cities is on the rise

New York, Minneapolis, September 18, 2014 – A continued economic recovery, strong equity market performance, rising real estate values, and an "energy renaissance" that pushed U.S. oil production to its highest levels in over 20 years, boosted the population and wealth of High Net Worth Individuals (HNWIs)[1] in the U.S. to record levels in 2013, according to the U.S. Wealth Report 2014 released today by Capgemini and RBC Wealth Management. The population of U.S. HNWIs jumped 17 percent to 4 million and their investable wealth by 18 percent to reach $13.9 trillion. Growth rates of both the HNWI population and HNWI wealth in the U.S. exceed the global averages of 15 percent and 14 percent respectively.

"Steady GDP growth, reduced unemployment, a falling deficit, and an energy renaissance boosted investor confidence and energized risk appetites in 2013," said John Taft, Chief Executive Officer, RBC Wealth Management - U.S. *"These factors contributed to record wealth levels in the U.S. Over the last five years, some of the strongest growth in wealth occurred in the energy and technology-centric cities of Dallas, Houston and San Jose, indicating that a broader mix of geographies and industries is driving wealth creation in the U.S."*

Twelve Cities Are Home to the Majority of U.S. HNWIs

Growth in U.S. HNWI wealth was driven by the top 12 cities[2] by HNWI population – New York, Los Angeles, Chicago, Washington D.C., San Francisco, Boston, Philadelphia, Houston, San Jose, Dallas, Detroit, and Seattle – which are home to more than two-thirds (69 percent) of U.S. HNWIs and three-quarters (75 percent) of U.S. HNWI wealth.

[1] HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.
[2] "Cities" refers to Metropolitan Statistical Areas (MSAs), which are geographic entities defined by the U.S. Office of Management and Budget (OMB) which generally include the named city as well as many important neighboring counties.

While New York still reigns, holding almost three times more HNWIs (at 894,000) and wealth ($3.2 trillion) than second-ranked Los Angeles (at 330,000; $1.2 trillion), it recorded the second lowest growth rate (12 percent) in HNWI population of the top 12 MSAs, ranking only slightly higher than Detroit (11 percent).

Tech and energy-centric cities increasingly leading HNWI population and wealth growth

The Texas cities of Dallas and Houston were stand-outs, leading in both HNWI population growth – at 20 percent and 18 percent respectively – and wealth growth, at 24 percent and 22 percent respectively. In fact, Dallas entered into the top 10 HNWI population centers for the first time, edging out Detroit.

While HNWI wealth remains mostly concentrated along the East and West coasts, the report notes that, between 2008-2013, three of the four fastest-growing cities in HNWI population and wealth have been those with ties to energy – in the case of Dallas and Houston, and technology – in the case of San Jose, pointing to a new pattern of HNWI wealth creation in the U.S.

Greater risk-taking supported by surging trust in wealth industry

According to the report's Global HNW Insights Survey[3], U.S. HNWIs' trust in all aspects of the wealth management industry surged by double-digit rates between early 2013 and early 2014. Trust in wealth managers and firms increased 12 percentage points each to 84 percent and 87 percent respectively, putting U.S. HNWIs well above their peers in the rest of the world[4] (71 percent and 72 percent respectively).

Increased trust supported a greater appetite for risk, with allocations to alternative investments up by four percentage points to 13 percent of portfolios, while equity allocations remained the highest across the globe at one-third of portfolios (and up to 41 percent in Washington D.C., highest in the U.S.). U.S. HNWIs were also more inclined to invest beyond North American borders, with their international allocations up to 33 percent in early 2014 from only 20 percent of portfolios a year earlier. This trend was particularly driven by HNWIs aged under 40 who invested 53 percent of their wealth in foreign markets.

Despite increased trust in wealth managers, HNWIs' assessment of wealth manager performance dropped by six percentage points to 73 percent, though remains much higher than the rest of the world average of 59 percent. Declining scores signal opportunities for firms to reposition their offerings to meet specific HNWI preferences, especially for HNWIs under 40 versus their counterparts aged 60 and over.

Younger HNWIs are more likely to classify their needs as complex (38 percent vs. nine percent), seek family wealth advice (35 percent vs. 13 percent) and demand digital (internet, mobile, email) contact over direct personal contact (39 percent vs. 15 percent).

[3] The Capgemini, RBC Wealth Management, and Scorpio Partnership Global HNW Insights Survey 2014 queried more than 4,500 HNWIs across 23 major wealth markets in North America, Latin America, Europe, Asia-Pacific, the Middle East, and Africa. A total of 1,080 HNWIs were surveyed in the U.S. across 19 MSAs: Atlanta, Baltimore, Boston, Chicago, Dallas, Denver, Detroit, Houston, Los Angeles, Minneapolis, New York, Philadelphia, Pittsburgh, Portland, San Diego, San Francisco, San Jose, Seattle, Washington D.C.

[4] The Rest of the World, excludes data from the U.S., and includes data from the 22 other countries covered in the report: Australia, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Netherlands, Singapore, Spain, Switzerland, U.S., United Kingdom, Brazil, China, India, Indonesia, Malaysia, Mexico, Russia, South Africa, and United Arab Emirates.

Given the strong preference for digital interactions, wealth management firms will need to take proactive steps to meet increasing demands in this area.

"There is great opportunity for wealth management firms to reposition and strengthen their offerings in response to declining performance scores," said Jean Lassignardie, Chief Sales and Marketing Officer, Capgemini Financial Services. *"One way to respond to clients is by developing an integrated channel experience that not only maintains their wealth manager relationship but enhances it through digital enablement."*

As U.S. HNWIs expressed a pronounced preference to work with a single firm (54 percent vs. 11 percent multiple firms), firms that work with them will need to continue to deliver against the specific needs of their clients to drive high satisfaction levels.

Younger and female HNWIs could signal shift in causes supported by U.S. wealth

Making a positive impact on society through investing time, money or expertise is important to the vast majority (88 percent) of U.S. HNWIs and extremely or very important to 56 percent. HNWIs under 40 are particularly focused on driving social impact, with 81 percent citing driving social impact as extremely or very important.

Younger HNWIs also favor different causes than their older peers (aged 60 and over), citing social programs, race relations, gender inequality, energy security and unemployment as their top five priorities, while their older counterparts favor child welfare, education, and health. Given the rising wealth among younger HNWIs, there could be a shift in the types of social issues that get the most attention in the U.S. moving forward.

Female HNWIs are likely to have a greater influence on driving social impact going forward. As with younger HNWIs, female HNWIs place great value on driving social impact, with 62 percent citing it as extremely or very important, compared to 50 percent of male HNWIs.

View the report at www.us-wealthreport.com.

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*Scorpio Partnership Global Private Banking KPI Benchmark 2014. In the United States, securities are offered through RBC Wealth Management, a division of RBC Capital Markets, LLC, a wholly owned subsidiary of Royal Bank of Canada. Member NYSE/FINRA/SIPC.

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