WEALTH-X

APPLIED WEALTH INTELLIGENCE

HIGH NET WORTH HANDBOOK
2019

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EXECUTIVE SUMMARY

MODEST GROWTH IN THE GLOBAL HIGH NET WORTH POPULATION AND ITS WEALTH. In 2018, the world's High Net Worth (HNW) population — individuals with a net worth of $1m - <$30m – rose by 1.9% to 22.4m people, an increment below the rate of global economic growth. Their combined wealth also grew by 1.8% to $61.3trn.

MEDIUM-TO-LOW GROWTH IN EUROPE, THE MIDDLE EAST AND NORTH AMERICA. Backed by strong GDP growth and relatively more stable equity markets compared with other regions, Europe, the Middle East and North America saw positive growth in their HNW populations in 2018 (4.5%, 3.1% and 2.1%, respectively) and the wealth they control (4.4%, 3.4% and 2.0%, respectively).

LESS THAN 1% GROWTH IN HNW POPULATION AND ITS WEALTH IN ASIA. Asia, which saw its billionaires and UHNW populations grow faster than any other region in 2017, saw less than 1% growth in its HNW population and its wealth in 2018 (0.6% and 0.3%, respectively). While Asia's GDP (in current dollars) grew by more than 8% in 2018[1], its stock markets plunged by more than 11% during the year. This competing effect has resulted in almost no change in the HNW population and its wealth in the region.

LATIN AMERICA AND THE CARIBBEAN SAW THE BIGGEST DECLINE IN BOTH HNW POPULATION AND ITS WEALTH, FOLLOWED BY AFRICA. Both the HNW population and wealth in Latin America and the Caribbean, Africa and the Pacific shrank in 2018 (-7.6%, -2.5% and -1.9%, respectively for population, and -7.4%, -2.4% and -1.8%, respectively for wealth). While these regions saw GDP expansion in 2018 (except Latin America and the Caribbean), the stock markets in these regions were among the worst performers during the year.

THE TOP 10 COUNTRIES ACCOUNTED FOR 75.2% OF THE GLOBAL HNW POPULATION AND 73.8% OF THE TOTAL HNW WEALTH IN 2018. In absolute terms, the top 10 countries added more than 387,000 HNW individuals (up 2.4%) compared with 2017, with combined net worth in the countries rising by an annual $1.0trn (up 2.4%).

NEW YORK, WITH A HNW POPULATION OF JUST BELOW A MILLION, IS MORE THAN 65% HIGHER THAN THE SECOND BIGGEST CITY, TOKYO. With the addition of Dallas-Fort Worth metro area, the US now includes six of the top 10 cities in our ranking.

THE HNW POPULATION EXHIBITS A MORE EQUITABLE GENDER SPLIT THAN THE ULTRA WEALTHY POPULATION BUT REMAINS HEAVILY MALE DOMINATED. Additionally, a significantly larger proportion of the HNW population is purely self-made in comparison with its ultra wealthy counterpart.

THE ULTRA WEALTHY POPULATION IS MORE OCCUPIED BY LEISURE PURSUITS (SUCH AS SPORTS AND TRAVEL). The two groups appear to have the same level of interest in culture, through interests in the arts and music, although the ultra wealthy population shows greater interest in politics.

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[1] IMF, October 2018

INTRODUCTION

This first publication of the Wealth-X *High Net Worth Handbook* joins our two other annual reports, the *World Ultra Wealth Report* and the *Billionaire Census*. Based on our research, for the last six years Wealth-X has been able uniquely to provide in-depth analysis of the world's Ultra High Net Worth (UHNW) population, each with a net worth of $30m or more. This select group now accounts for over one quarter of a million people but remains an exclusive and rarefied population.

To complement our work in the UHNW arena, discovering insights into the much larger population of High Net Worth individuals (net worth of $1m–<$30m) is a logical development. Previously, this group has been researched principally through primary market research, where sample populations are necessarily a very small proportion of the entire 22.4 million individuals globally.

This report focuses on the profiling of the High Net Worth population in terms of its geography, demography, and personal and philanthropic interests. We again make use of our proprietary model to rank the countries and cities of the world in terms of their High Net Worth populations.

The report also looks to the future, presenting Wealth-X's outlook for the High Net Worth population and its combined net worth to 2023.

We reprise a previous study of the Wealth-X Institute examining the interests, passions and hobbies of the ultra wealthy, by investigating the breakdown of sports, art, music, and philanthropy. This granular exposition reveals some intriguing differences among the individuals at different levels of wealth.

The Wealth-X *High Net Worth Handbook 2019* provides the first detailed analysis of this affluent group globally, and we look forward to establishing this title alongside the sister publications covering the UHNW and billionaire wealth tiers.

OUR PROPRIETARY WEALTH AND INVESTABLE ASSETS MODEL

In order to size the High Net Worth population, its wealth and the top countries and metropolitan and urban areas, this report uses our regularly updated proprietary Wealth and Investable Assets Model. This model produces statistically significant estimates for total private wealth and estimates population by level of wealth and investable assets for the world, and each of the top 75 economies, which account for 98% of the world GDP.

Due to a lack of wealth distribution data, most wealth models estimate wealth distribution patterns using income distribution data. However, Wealth-X's proprietary database of more than 540,000 records of HNW individuals across the globe enables us to construct wealth distribution patterns using real, rather than implied, wealth distributions, making the model more reliable.

To profile the HNW population in greater depth, we continue to use our unique and proprietary Wealth-X Database, the world's most extensive collection of curated research and intelligence on wealthy individuals.

For further information, please see the Methodology section.

GLOBAL MAP OF HIGH NET WORTH

2018
High Net Worth population and total wealth
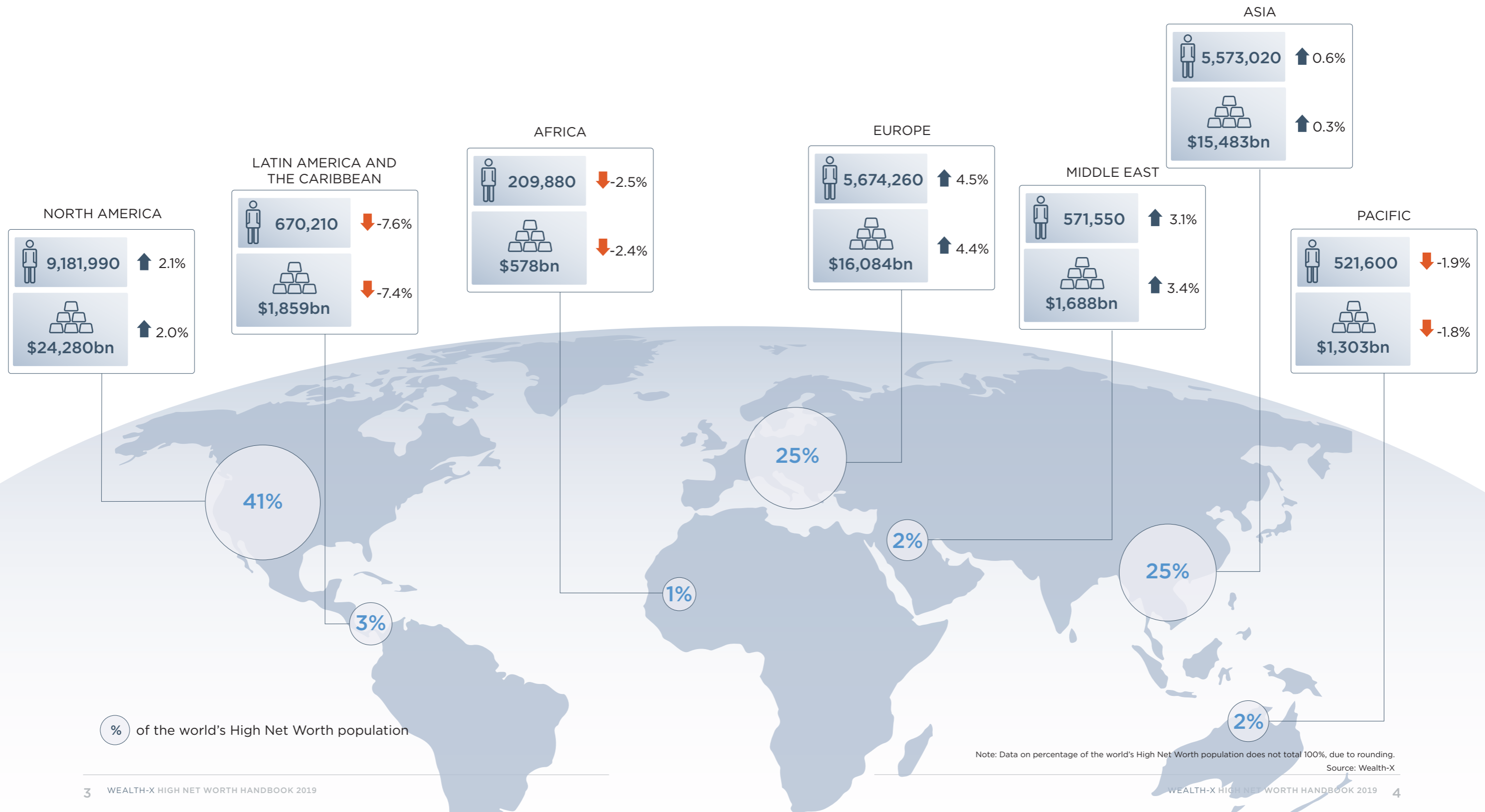
⬆ **1.9%** % Change in population from 2017

22,402,510
👤 Number of High Net Worth individuals

⬆ **1.8%** % Change in wealth from 2017

$61,275
Total wealth ($bn)

ASIA
👤 5,573,020 ⬆ 0.6%
🏛 $15,483bn ⬆ 0.3%

AFRICA
👤 209,880 ⬇ -2.5%
🏛 $578bn ⬇ -2.4%

EUROPE
👤 5,674,260 ⬆ 4.5%
🏛 $16,084bn ⬆ 4.4%

MIDDLE EAST
👤 571,550 ⬆ 3.1%
🏛 $1,688bn ⬆ 3.4%

LATIN AMERICA AND THE CARIBBEAN
👤 670,210 ⬇ -7.6%
🏛 $1,859bn ⬇ -7.4%

NORTH AMERICA
👤 9,181,990 ⬆ 2.1%
🏛 $24,280bn ⬆ 2.0%

PACIFIC
👤 521,600 ⬇ -1.9%
🏛 $1,303bn ⬇ -1.8%

25%

41%

2%

1%

3%

25%

2%

% of the world's High Net Worth population

Note: Data on percentage of the world's High Net Worth population does not total 100%, due to rounding.
Source: Wealth-X

THE HIGH NET WORTH POPULATION IN 2018

The global HNW population increased 1.9% in 2018, with similar growth in their combined wealth (1.8%). During the same period, the world's GDP, measured in current dollars, grew by more than 6.2% and the equity markets globally shrank by roughly 6.9%. The subdued growth in both the HNW population and its wealth, unsurprisingly, indicates this group's high exposure to equity markets globally.

The growth of the HNW population and its wealth varied significantly by region in 2018. Supported by strong GDP growth and relatively stable equity markets, Europe, the Middle East and North America saw positive growth in their HNW populations in 2018 (4.5%, 3.1% and 2.1%, respectively) and the wealth they control (4.4%, 3.4% and 2.0%, respectively). On the other hand, Asia, which saw its billionaire and UHNW populations grow faster than any other region in 2017, saw less than 1% growth in its HNW population (0.6%) and its wealth (0.3%). While Asia's GDP (in current dollars) grew by more than 8.0% during the year, its stock markets plunged by more than 11.5%. This competing effect has resulted in almost no change in the HNW population in the region. Both the HNW population and its wealth in Latin America and the Caribbean, Africa and Pacific shrank in 2018 (-7.6%, -2.5% and -1.9%, respectively for population, and -7.4%, -2.4% and -1.8%, respectively for wealth). While these regions saw GDP expansion in 2018 (except in Latin America and the Caribbean), the stock markets in these regions were among the worst performers during the year.

In terms of regional distribution, North America (41.0%) and the Pacific (2.3%) account for a larger proportion of all HNW globally, compared with their respective shares of the UHNW population (35.4% and 1.4%, respectively). Each of the other regions accounts for a larger proportion of the UHNW global population than the respective share of the HNW population.

Aside from organic economic growth, inflation erodes real currency value, making the threshold of $1m net worth increasingly attainable in the more affluent countries in the world. Coincidentally, the ratio of HNW to UHNW individuals is close to 100:1, mirroring the figurative 'one percent'.

HIGH NET WORTH TIERS

Wealth tier	Population			Wealth		
	Share of population	2018 population	Population year-on-year change	Share of wealth	2018 wealth (US$bn)	Wealth year-on-year change
$1m–$5m	89.3%	20,012,130	1.9%	61.2%	37,489.4	1.8%
$5m–$10m	7.0%	1,578,990	1.8%	17.6%	10,805.5	1.8%
$10m–$15m	2.0%	437,740	1.7%	8.7%	5,302.2	1.7%
$15m–$20m	0.9%	196,290	1.7%	5.5%	3,381.0	1.7%
$20–$30m	0.8%	177,360	1.7%	7.0%	4,296.9	1.6%
Total	**100%**	**22,402,510**	**1.9%**	**100%**	**61,275**	**1.8%**

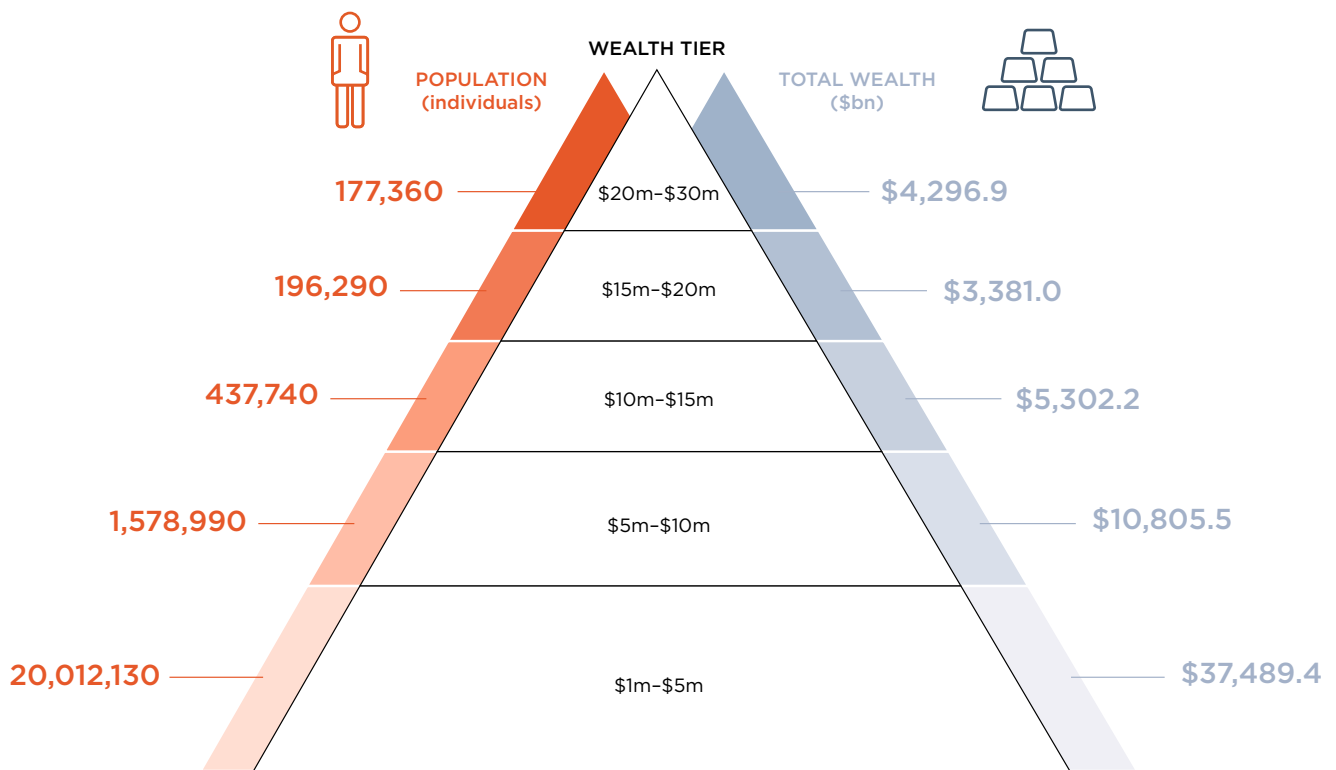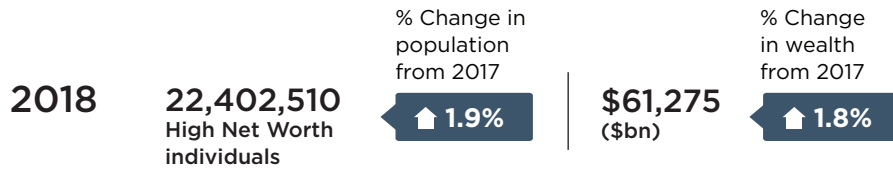Note: The shares may not add up to 100%, due to rounding.
Source: Wealth-X

According to the latest Wealth-X estimates of global private wealth, the number of individuals with net assets of $1m – <$30m totaled 22.4 million in 2018, with a combined net worth of $61.3trn — a colossal figure, almost double the combined wealth of all UHNW ($30m+) individuals combined. A breakdown by tier shows a similarly raked distribution to the wealth tiers of UHNW individuals, with the lowest band comprising the bulk of the population.

Just below 90% of all HNW individuals had a net worth of between $1m and $5m, with this group of over 20 million individuals holding a 61.2% share of global HNW wealth. Those individuals with net assets of between $20m and $30m — the closest to attaining UHNW status — held 7.0% of global HNW wealth, while accounting for just 0.8% share of the population.

Compared with the ultra wealthy and their broad range spanning tens of millions to tens of billions, the High Net Worth population showed minuscule differences in growth across all tiers. The absence of any real variance shows that despite the HNW population being much larger, the growth is more homogeneous, with the tiers subject to similar economic effects and faring much the same.

All five tiers recorded growth between 1.6-1.8%, with the rate of expansion marginally stronger at the low end between $1m and $5m.

HIGH NET WORTH TIERS

2018

22,402,510
High Net Worth
individuals

% Change in
population
from 2017
▲ **1.9%**

$61,275
($bn)

% Change
in wealth
from 2017
▲ **1.8%**

POPULATION
(individuals)

WEALTH TIER

TOTAL WEALTH
($bn)

POPULATION	WEALTH TIER	TOTAL WEALTH
177,360	$20m–$30m	**$4,296.9**
196,290	$15m–$20m	**$3,381.0**
437,740	$10m–$15m	**$5,302.2**
1,578,990	$5m–$10m	**$10,805.5**
20,012,130	$1m–$5m	**$37,489.4**

Source: Wealth-X

HIGH NET WORTH INDUSTRY TRENDS

At the micro level, Wealth-X conducts research on discrete wealthy individuals, and studies the macro characteristics of larger groups of these individuals. However, in order to give context to the data on HNW populations, in this section we look back at 2018 and examine the trends in three particular sectors that have a naturally high HNW presence.

WEALTH MANAGEMENT

Recent years have seen significant changes in how the wealth management industry serves the wealthy with regulation and profitability playing defining roles. There were two major trends already shaping the industry in 2018 that will continue to have a huge influence on how HNW wealth is managed.

There are now as many HNWs in Asia as in Europe, and Wealth-X expects Asia to be the fastest growing HNW region over the next five years. Building on their existing financial expertise, Hong Kong and Singapore are likely to remain key centers but other markets are developing or importing services to serve HNWs locally. In particular, the professionalization and development of services in China is progressing at pace with government regulations relaxed to benefit from the import of foreign investment expertise.

According to Asian Private Banker, the largest five wealth managers in the region have seen AUM grow by an average of over 25% to the end of 2017.[2] However, this isn't being matched by the number of new advisers with the total only having grown by 7%. To cope with this, there is intense hiring competition in the region. Firms are thought to be offering salary hikes of as much as 30%[3] to poach experienced wealth managers, and demand for Mandarin speakers is particularly acute.

However, wealth managers are starting to use a range of longer-term strategies to build a pipeline of private bankers: Bank of Singapore is running an internal 18-month training program for recruits and OCBC is teaming up with the Wealth Management Institute of Nanyang Technological University, Singapore, to 'upskill' more than 330 retail banking wealth advisors with private banking skills.

But scalable HNW offers are the 'holy grail' and technology will likely play a pivotal role in enabling this, especially given that the HNW population in most Asian markets are less familiar with the more traditional models.

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2 https://asianprivatebanker.com/asia-2017-aum-league-table/

3 https://www.bloomberg.com/news/articles/2018-09-03/wealth-managers-getting-crazy-pay-hikes-to-defect-in-asia https://www.bloomberg.com/news/articles/2018-09-03/wealth-managers-getting-crazy-pay-hikes-to-defect in-asia

More and more banks and wealth managers are implementing technology within their day-to-day services. While technology developments have previously focused on creating online 'robo-adviser' portals that have directly served clients without human involvement, they have failed to make significant headway in the HNW market: notably, UBS sold their UK Smart Wealth portal to their development partner, SigFig, after failing to make sufficient headway. That said, developments in the area are still evolving with providers such as Betterment LLC, the largest start-up in the automated financial advisory market, adding a tool for accounts with US$100k or more AUM to adjust investment allocations in more granular ways.

Harnessing technology to support their more traditional services, wealth managers are being driven to employ hybrid advice solutions, combined automation and human expertise, to improve the quality of advice, increase efficiency and reduce costs. For instance, Scalable Capital is now offering free initial automated consultations to clients and prospects. If the firm's services are deemed suitable for the client, the company will then charge a fixed fee of £200 for a comprehensive assessment. Merrill Lynch advisors will be able to text their clients via a secured app, that tracks, logs and archives all messages to ensure compliance and security standards.

Back office elements are also experiencing increased digitization with providers such as Commerzbank developing production of reports and analysis that it expects can become fully automated in some cases. Julius Baer has given its private bankers a digital assistant to help them with regulatory questions, trade recommendations, and to support them in rebalancing portfolios; all in an effort to allow them to spend more time with HNW clients.

LUXURY

In the last few years, the luxury sector has come of age — in more ways than one. From an acceptance of China's exceptionalism, to preparing for the 'next generation' of luxury consumers and online luxury sales and engagement, industry players are grappling with an array of challenges.

For the last decade, luxury brands became ever more reliant on the mushrooming population of Chinese luxury consumers to shore up global sales, while managing the brand image (and often decline) in the west. Now, more and more luxury businesses appear to be moving on from this single-issue era. While China remains an immensely important market to all luxury brands — including, increasingly, 'experience' brands such as hotels — luxury brands are more honestly reformulating themselves as holistic global brands, focusing on international growth beyond now increasingly saturated and highly competitive markets. The most significant outcome from this has been an acceptance of China's exceptionalism, and that 'another China' is not easily found.

There has also been a concerted industry-wide move to understand, appeal to, and ultimately sell to what is termed the 'next-generation' luxury consumers. Luxury brands have begun preparations in advance of their ascendancy to wealth and upper levels of income, insuring themselves against the risk that these individuals will not engage with their brand or products. There is considerable debate that this focus on the 'next-generation' — and not just those in traditional wealth markets — is leading to a luxury identity crisis. Brands have become more reactive to changing consumer tastes, resulting in more frequent brand revitalizations and radical collaborations producing the greater risk of alienating existing clientele, who may be forced to migrate to other brands.

One business model that continues to bear more fruit is that of online luxury sales. The largest luxury goods companies — once resistant to the transactional world of e-commerce — are now fully embracing its opportunities, and the reformulation of what consumers expect from luxury retail. In the last few years, we have seen the crystallization of two luxury worlds: one which focuses on an encyclopedic choice of luxury products available at a click; another which is doubling down on the experience mantra.

Meanwhile, the online world has opened up another evolution in the recent past too; the 'always-on', constant engagement of consumers. Luxury brands are pushing content out more regularly and evenly across multiple digital channels. This has created a continuous and ravenous need for new content, new ideas, new products and new brands. It has also created more and more 'noise', and consumers are having to work harder to differentiate and select. This will make brand loyalty — one of the most prized but elusive attributes of luxury brands — even harder to achieve.

PHILANTHROPY

Philanthropic giving has been on a sustained growth path for several years, driven by the strength of the global economy, stock market returns, and the emergence of digital platforms which make the process of giving increasingly convenient and transparent. In 2018; however, economic and regulatory factors emerged to slow momentum, which has changed the ways that Not-For-Profit organizations engage with HNW donors.

Between 2013 and 2017, charitable giving in the U.S. rose from $340 billion to $410 billion annually, but this phenomenal growth is estimated to have slowed by 3%–5% percent to the range of $390–$397 billion in 2018[4]. One of the major causes of this decline is the impact of economic uncertainty and stock market volatility on donor mindset and capacity, which affected giving as well as grant making, endowments, and fundraising.

One of the key areas of concern for fundraisers is the impact of the 2017 Tax Cuts and Jobs Act (TCJA), which increased the standard deduction on Federal Tax Returns, and is estimated to have reduced the number of households itemizing deductions for charitable gifts from 37 million in 2016 to 16 million in 2018, according to the Tax Policy Center. The new law also reduced corporate tax rates, and included exemptions for estates, which could further dampen enthusiasm for charitable pursuits by those entities[5].

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[4] https://www.usatoday.com/story/news/2018/12/26/giving-charitable-groups-bracing-drop-dontions-year/2352327002/

[5] https://www.taxpolicycenter.org/taxvox/21-million-taxpayers-will-stop-taking-charitable-deduction-under-tcja

While tax breaks provided a strong incentive to give, the TCJA is not expected to lead to a severe and sustained decline in philanthropy. HNW individuals give and volunteer for a number of reasons, including personal fulfillment, concern for the less fortunate, and belief in a value or cause, and that perspective remains intact. In fact, a survey of HNW individuals conducted by U.S. Trust in 2018 found that just 17% of wealthy individuals cite tax benefits as a primary motivation for giving[6].

Donor-Advised Funds (DAFs) have outpaced private foundations as the fastest-growing charitable giving vehicle, and now account for 10% of all charitable giving[7]. DAFs have become a hot topic in recent years, and the passage of the 2017 Tax Cuts and Jobs Act has increased the value of DAFs to HNW philanthropists, who can now take advantage of their flexibility in more creative ways, including front-loading tax deductions from contributions into a single year, donating appreciated financial assets to the fund, or using the fund to fulfill a complex grant agreement with a selected charity.

In the world of philanthropy, mega gifts such as the $2 billion that Jeff Bezos gave to the One Day Fund to help the homeless, or the $1.8 billion that Michael Bloomberg gave to Johns Hopkins University for financial aid, both in 2018, command most of the attention.[8] While mega donors are accounting a greater percentage of total giving, High Net Worth donors are also highly sought after, and have a significant role to play in driving philanthropy.
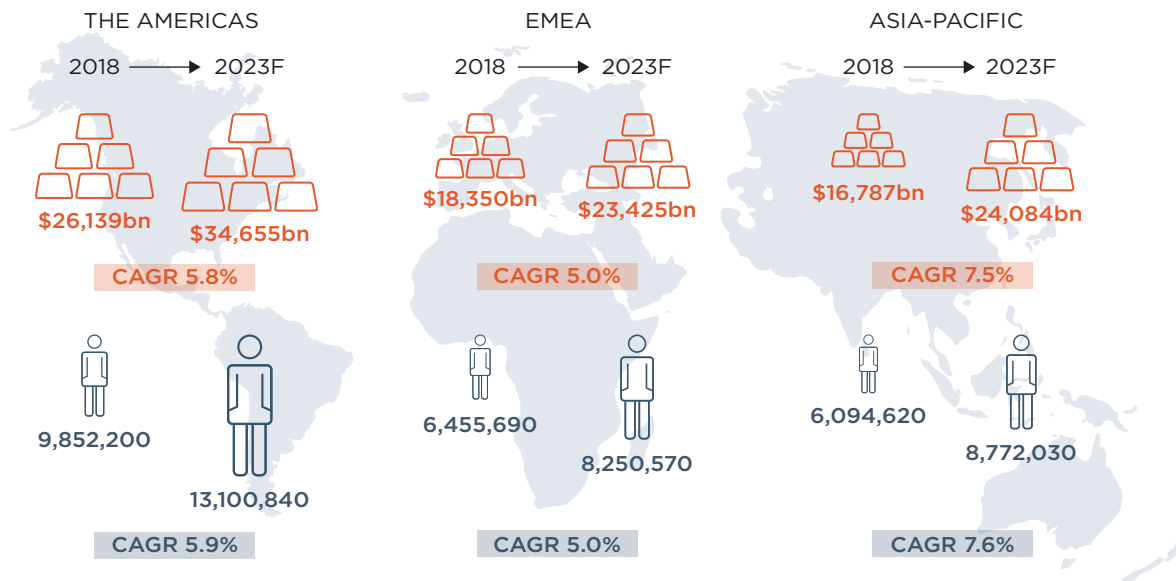
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[6] https://www.ustrust.com/articles/2018-us-trust-study-of-high-net-worth-philanthropy.html

[7] https://www.nptrust.org/philanthropic-resources/philanthropist/trends-in-donor-advised-funds/

[8] https://www.philanthropy.com/article/Billion-Dollar-Gifts-by-Bezos/245396

FORECAST 2018–2023

🟧 **Wealth ($bn)**   👤 **Number of High Net Worth individuals**

THE AMERICAS	EMEA	ASIA-PACIFIC
2018 → 2023F	2018 → 2023F	2018 → 2023F

THE AMERICAS

$26,139bn → $34,655bn

CAGR 5.8%

9,852,200 → 13,100,840

CAGR 5.9%

EMEA

$18,350bn → $23,425bn

CAGR 5.0%

6,455,690 → 8,250,570

CAGR 5.0%

ASIA-PACIFIC

$16,787bn → $24,084bn

CAGR 7.5%

6,094,620 → 8,772,030

CAGR 7.6%

F = forecast
CAGR = compound annual growth rate
Source: Wealth-X

With the modest growth in the global HNW population and its collective net worth in 2018, a stronger growth is forecast for the next five years. Dividing the world into three continental groups, the Americas, Asia-Pacific, and EMEA (Europe, the Middle East and Africa), Asia-Pacific is expected to enjoy the highest annual growth rate up to 2023, but all regions almost certainly will outperform GDP growth for the general population. (Note that observing the latter, it is often hastily assumed, implies increasing inequality; however, a detailed examination of individual country characteristics is required in order to understand concurrent changes in demographics and wealth distribution, beyond a single Gini coefficient).

By 2023, with the world's population passing the 8 billion threshold, we expect the number of HNW individuals to exceed 30.1 million, an increase of more than 7.7m compared with 2018. The amount of HNW wealth is projected to rise to $82.2trn, meaning an additional $20.9trn of newly created wealth over the next five years. At a global level, our forecast shows near identical compound annual growth rates of 6.1% for the HNW population and 6.0% for their combined wealth, indicating minimal change to average net worth. We anticipate some rational variation; however, the differences are far less pronounced than the variance of macroeconomic performance at the country level — the wealthy, as a population, continue to thrive, somewhat independent of their geography.

Asia-Pacific is forecast to experience the strongest growth in the number of HNW individuals and combined wealth. The region's HNW population is projected to increase at a compound annual growth rate of 7.6% over the next five years, with total net worth trailing slightly at 7.5%, leading to a minute reduction in average wealth. At some point in 2020–21, a significant milestone will be reached, where we expect the HNW population of the region to overtake that of EMEA.
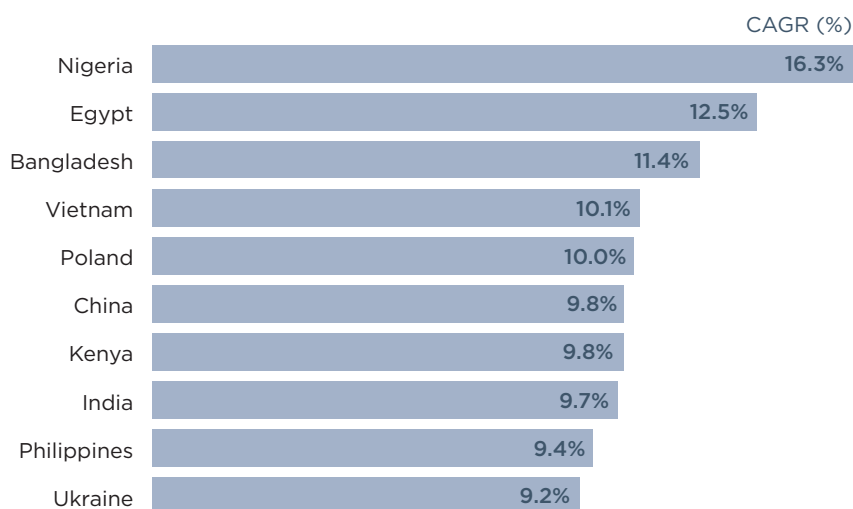
TOP 10 HNW COUNTRIES

Rank	Country	Population		Wealth	
		2018 population	**Year-on-year change**	**2018 wealth ($bn)**	**Year-on-year change**
1	United States	8,676,985	2.3%	22,683	2.3%
2	China	1,880,215	3.9%	4,989	3.9%
3	Japan	1,618,670	1.3%	4,394	1.3%
4	Germany	1,022,625	4.9%	3,010	4.9%
5	United Kingdom	893,905	1.5%	2,426	1.5%
6	France	877,380	4.7%	2,449	4.6%
7	Canada	505,010	-1.1%	1,597	-1.1%
8	South Korea	476,705	-1.2%	1,313	-1.2%
9	Australia	473,600	-2.3%	1,160	-2.2%
10	Italy	418,090	6.2%	1,219	6.2%

Note: Population numbers are rounded to the nearest 5. Annual changes are measured based on model inputs updated retrospectively and not on previously published figures. For further information about our wealth and investable assets model, please see the Methodology section.

Source: Wealth-X

TOP 10 FASTEST-GROWING HNW COUNTRIES (2018–2023)

CAGR (%)

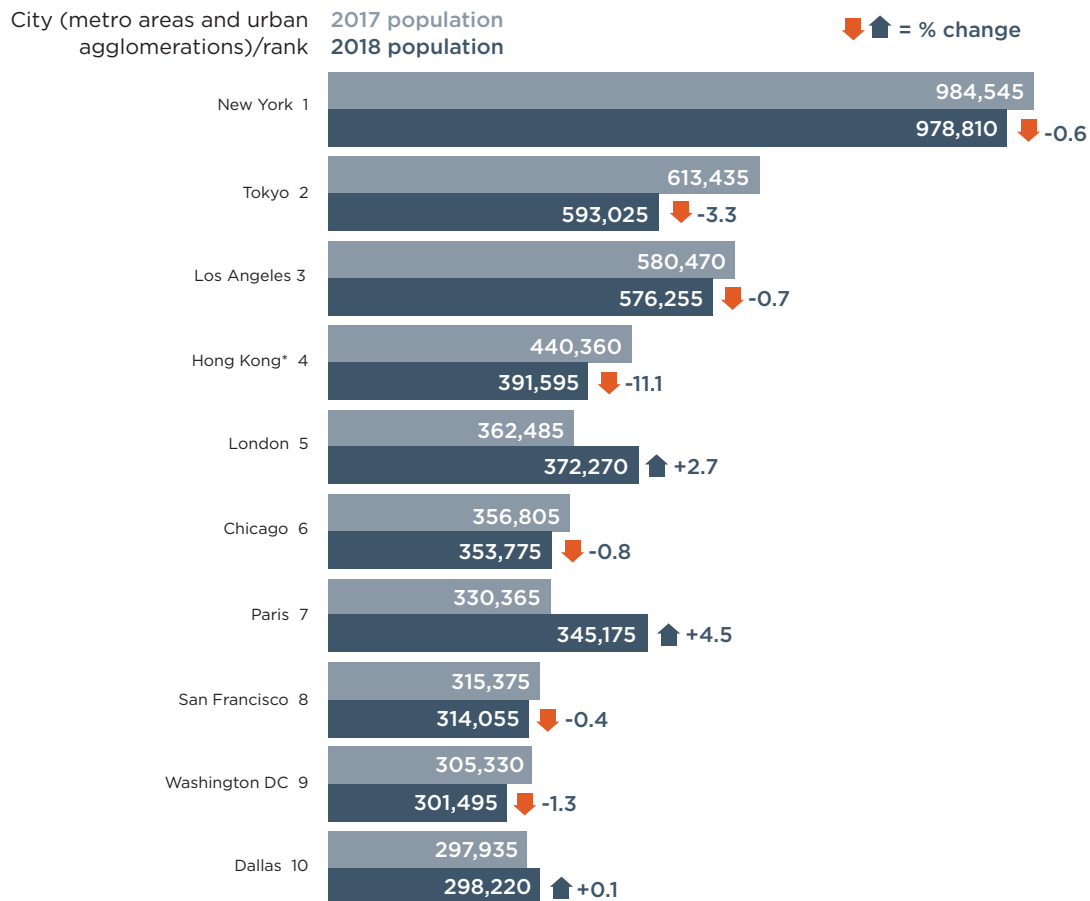| Country	CAGR
Nigeria	16.3%
Egypt	12.5%
Bangladesh	11.4%
Vietnam	10.1%
Poland	10.0%
China	9.8%
Kenya	9.8%
India	9.7%
Philippines	9.4%
Ukraine	9.2%

CAGR stands for compound annual growth rate.

Source: Wealth-X

HERE WE HIGHLIGHT THE MOST NOTABLE COUNTRY FINDINGS:

- The top 10 countries accounted for 75.2% of the global HNW population and 73.8% of total HNW wealth in 2018 — a fraction higher than a year earlier. In absolute terms, the top 10 countries added more than 387,000 HNW individuals (up 2.4%) compared with 2017, with combined net worth in the countries rising by an annual $1.0trn (up 2.4%).

- The **U.S.** remained by far the dominant HNW nation, as it has done since the concept of HNW was first recognized. Hampered by declines in equity markets and relatively slower GDP growth, the U.S. came in fourth in terms of growth in its HNW population and their wealth across the top 10 countries (2.3% growth for both population and wealth).

- **China** has the second-largest HNW population, at just under 1.9m individuals. It is also the only country in the top 10 to also feature among the fastest-growing HNW countries. Both HNW population and combined wealth recorded a 3.9% increase, above the world average, despite its volatile stock market performance during the year. The future growth is hard to predict; however, with 2018 marked by trade tensions with the United States.

- **Japan**, with just over 1.6m HNW individuals comes in third place. Modest growth continued in 2018, but the structural and demographic problems of massive government debt and an aging population remain a blight on strong economic performance.

- As the European economic powerhouse, **Germany** enjoys the fourth highest HNW population, and its economy seems at times impervious to political shocks, such as Chancellor Merkel stepping down at the end of 2020. The UK and France are not far behind in terms of HNW population, in contrast with the ranking of most populous UHNW countries, illustrating an interesting feature of their wealth distributions — both with a higher number of HNW individuals per capita than Germany.

- Canada, South Korea, Australia and Italy came in the seventh, eighth, ninth and tenth places, respectively. Each has a HNW population of between 400,00 and 500,000 individuals. Italy was the only country among these four that experienced strong positive HNW population and wealth growth (6.2% each).

- The top 10 countries with the fastest-growing HNW populations are a motley group. With a growth measure we would expect to see some less affluent countries with small HNW populations, but Poland and Kenya are two surprising cases, as they are not included in any of the growing number of acronym grouping (BRICS, CIVETS, MINT, EAGLEs, TIMPs, etc.) for emerging or growth-leading economies.

TOP 10 HNW CITIES

City (metro areas and urban agglomerations)/rank

2017 population
2018 population

🔻🔺 = % change

City	2017	2018	% change
New York 1	984,545	978,810	🔻 -0.6
Tokyo 2	613,435	593,025	🔻 -3.3
Los Angeles 3	580,470	576,255	🔻 -0.7
Hong Kong* 4	440,360	391,595	🔻 -11.1
London 5	362,485	372,270	🔺 +2.7
Chicago 6	356,805	353,775	🔻 -0.8
Paris 7	330,365	345,175	🔺 +4.5
San Francisco 8	315,375	314,055	🔻 -0.4
Washington DC 9	305,330	301,495	🔻 -1.3
Dallas 10	297,935	298,220	🔺 +0.1

Note: Population numbers are rounded to the nearest 5. Cities are defined on the basis of urban agglomerations and metropolitan (metro) areas, which include the built-up areas outside the administrative core. For example, New York includes New York City, Newark and Jersey City. Globally comparable city-level data is not available; as such, to ensure comparability is as precise as possible, we have sourced consistent metro- and urban-level population and GDP data. City definitions are from Oxford Economics. Major cities are determined on a nominal GDP basis in $. Annual changes are measured based on model inputs updated retrospectively and not on previously published figures. For further information, please see the Methodology section.

*Hong Kong is a semi-autonomous, special administrative region of China.

Sources: Wealth-X; Oxford Economics.

MOVING ATTENTION TO HNW POPULATIONS AT THE URBAN LEVEL, BELOW WE SUMMARIZE THE MOST NOTEWORTHY FINDINGS:

- In 2017, the financial center of **Hong Kong** overtook New York as the metropolitan area with the largest UHNW population. The region witnessed a 31.0% increase in ultra wealthy numbers, becoming the first city to exceed 10,000. In 2018 however, stock markets in Hong Kong (and China generally) reacted negatively to the US-China trade terms uncertainty. As a result, the HNW population in Hong Kong dropped by more than 11% in 2018. At 440,000 individuals, the HNW population is less than half of the New York metro area.

- **New York** saw its HNW population shrink by 0.6% in 2018. However, with just below a million HNW individuals, New York is still 65% larger than the second biggest city, Tokyo. With the addition of Dallas-Fort Worth metro area, the U.S. now includes six of the top 10 cities in our ranking.

- The Japanese capital **Tokyo** narrowly surpasses **Los Angeles** as the city with the second highest HNW population, but recorded a sharper decline of (3.3%) in its HNW population. Tokyo's forecast is better however. In addition to its importance as a major financial hub — the largest in Asia — the city will enjoy spending and investment in the run-up to hosting the Olympic Games in 2020.

- **London** and Paris are the European representatives in the top 10, with nucleated concentrations of HNW in their capital cities, in contrast to a more distributed pattern of wealth, for example, in German cities. While London continues to suffer the brunt of Brexit related uncertainty, with a relatively stable pound in 2018, the UK as a whole achieved over 7% GDP growth in 2018 (in current dollars terms), which resulted in the UK's capital achieving HNW growth of 2.7%. Paris, with France realizing more than 8% GDP growth in 2018 (in current dollars terms), also recorded a 4.5% growth in its HNW population.

- There is still no representation in the top 10 from China, whose largest city for UHNW and HNW is Shanghai, with 123,000 HNW individuals. But this belies the meteoric growth, with China accounting for 32 in the top 40 fastest growing HNW cities in the next five years.

TOP 40 FASTEST-GROWING HNW CITIES, 2018-2023

CHINA — 32
INDIA — 3
SAUDI ARABIA — 2
PHILIPPINES — 1
UNITED ARAB EMIRATES — 1
MALAYSIA — 1
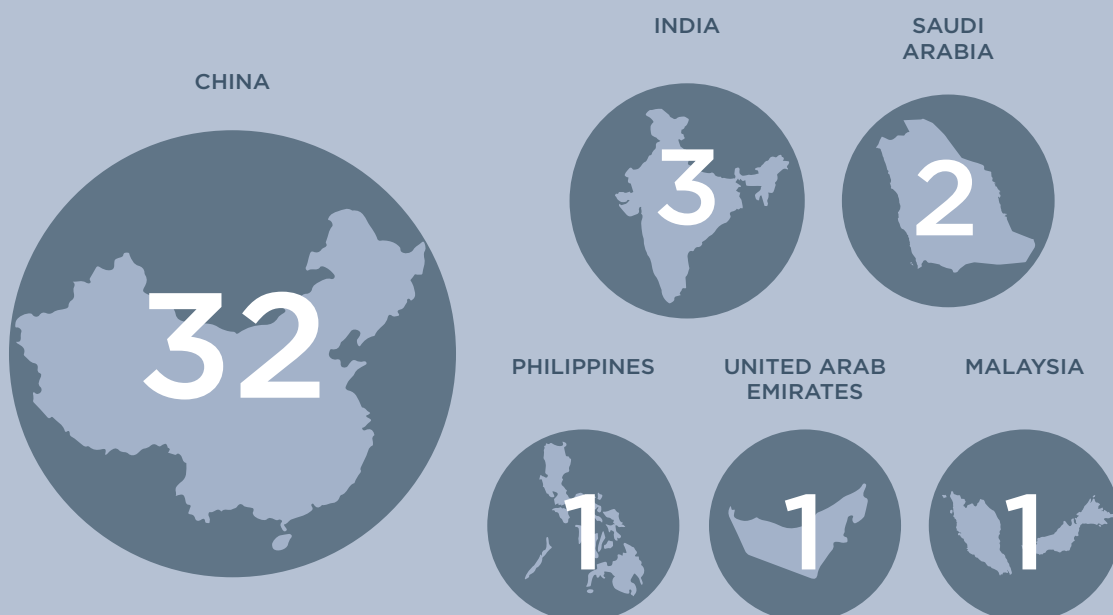
PROFILING TODAY'S HIGH NET WORTH
HNW/UHNW COMPARISONS

This section provides a breakdown of the global HNW population in 2018 by their asset holdings, gender, industry focus, wealth source, and preferred philanthropic causes. We then examine characteristics of the principal interests, passions, and hobbies of HNW individuals.
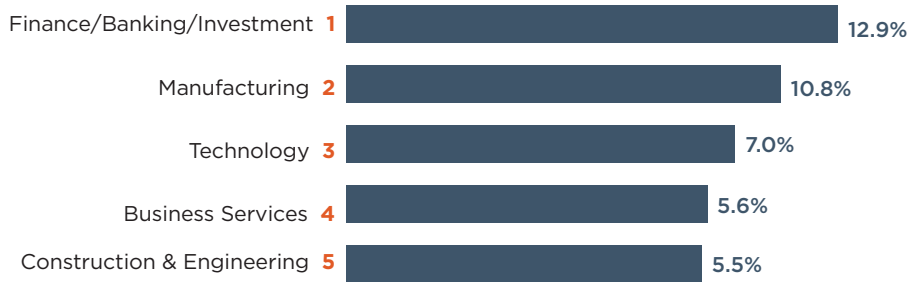
ASSET ALLOCATION

ALTERNATIVE ASSETS
16.1%

PUBLIC HOLDINGS
19.8%

PRIVATE HOLDINGS
23.5%

LIQUIDITY
40.6%
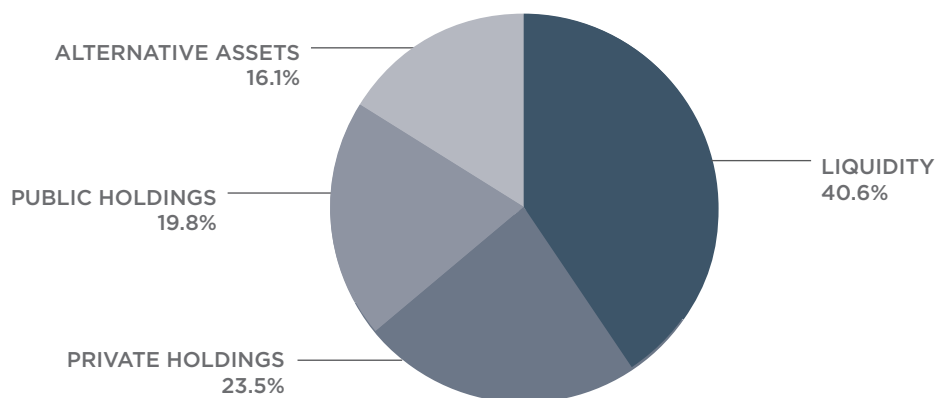
Source: Wealth-X

There was minimal change in the primary asset holdings of the global HNW population in 2018 compared with a year earlier. The largest proportion of HNW portfolios comprised liquid assets (primarily cash), accounting for 40.6% of the total. This is 5.7% higher than compared to the average UHNW individual — the principal difference in portfolio composition is that HNW have less than 20% in public holdings such as stock-market-listed equities (26.3% for UHNW), and over 16% in alternative assets (real estate and other luxury assets) whereas UHNW have on average 6.6%. This is unsurprising since at Ultra High Net Worth levels even the most expensive property and luxury goods are unlikely to constitute a significant share of total assets. The average value of luxury holdings is equivalent to approximately $8m for UHNW, and $515,000 for HNW individuals.
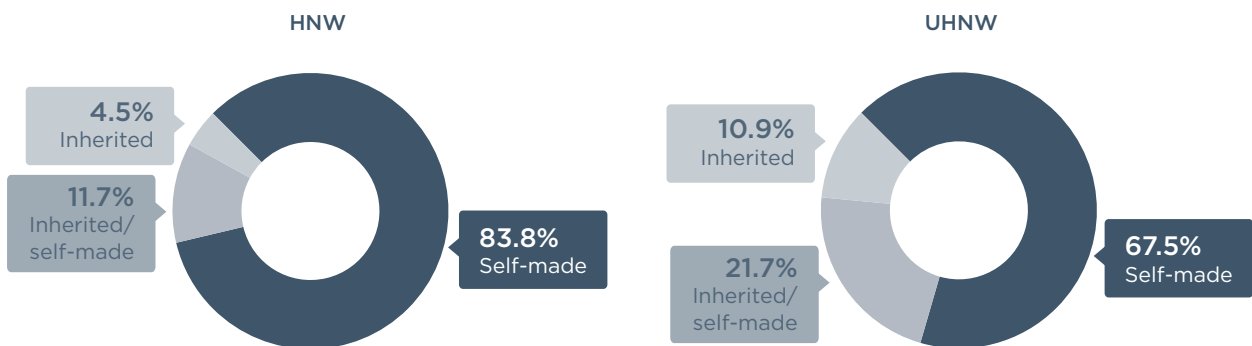
PRIMARY INDUSTRY

Finance/Banking/Investment **1**		12.9%
Manufacturing **2**		10.8%
Technology **3**		7.0%
Business Services **4**		5.6%
Construction & Engineering **5**		5.5%

Source: Wealth-X

Four out of the top five HNW and UHNW industries are the same. Similar to the UHNW peers, the majority of the HNW individuals have finance, banking and investment as their primary industry. Manufacturing and technology came second and third in terms of the top HNW industries, similar to the UHNW counterparts, though both industries have higher concentration of HNW individuals (10.8% and 7.0% of the HNW population, respectively) compared to the UHNW population (7.6% and 6.4% of the UHNW population, respectively). Business services as an industry is in the top five industries for both the HNW and UHNW population with almost identical concentration of both populations (5.6% vs. 5.2%, respectively). Finally, while the fifth industry for the HNW population is construction and engineering (5.5% of the HNW population), the fifth industry for the UHNW population (ranked 4th) is the non-profit and social organizations industry, where 5.9% of the current UHNW population is affiliated.

WEALTH SOURCE

HNW

4.5% Inherited

11.7% Inherited/ self-made

83.8% Self-made

UHNW

10.9% Inherited

21.7% Inherited/ self-made

67.5% Self-made

Source: Wealth-X

While some contemporary economic analyses (Piketty et al.) have asserted that inequality has increased in recent decades, inherited wealth has been in decline over the last centuries. Putting aside contentious discussion on inequality, we can observe distinct trends in an individual's source of wealth. The proportion of wealthy individuals whose fortunes are predominantly self-made continues to increase, and this is largely due to environments of free enterprise that foster accelerated wealth creation and the dynamism from technology-related industries.

Comparing HNW and UHNW populations, we see an even larger proportion of self-made HNW individuals — almost nine of every 10. Similarly, the proportion of inherited wealth drops to 4.5% for HNW. These differences are what one might expect given (relatively) small HNW fortunes.
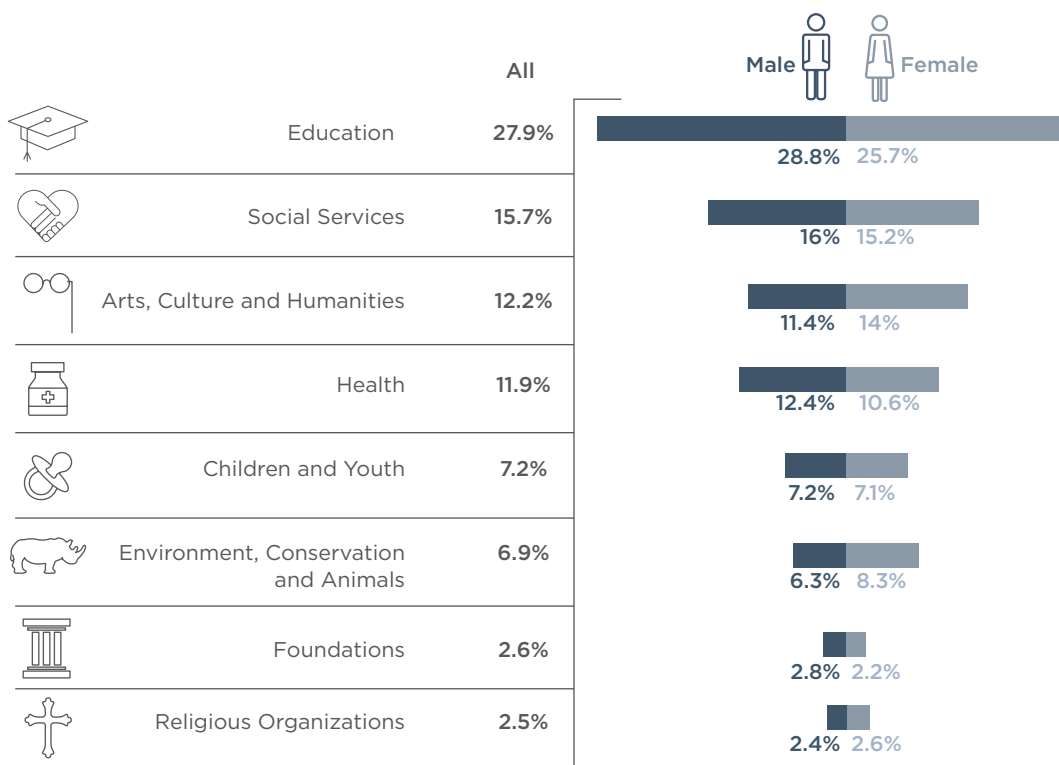
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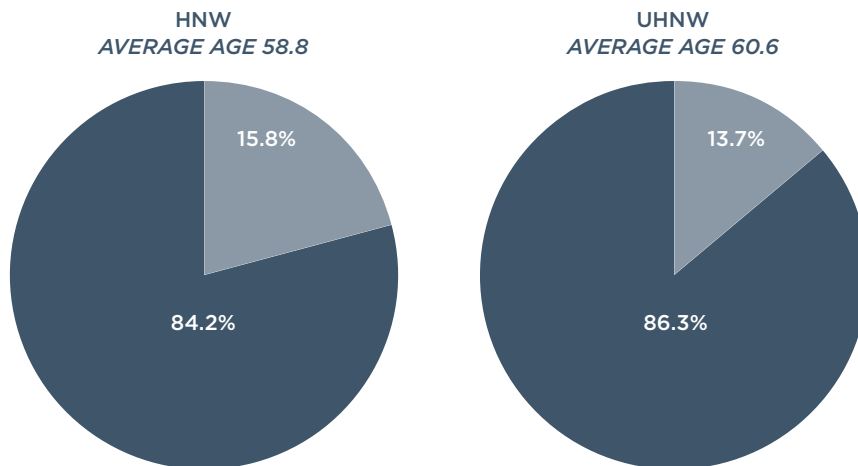
Source: Wealth-X

The HNW population exhibits a more equitable gender split than the ultra wealthy population but remains heavily male dominated. The proportion of women continued to rise gradually over recent years and increased further in 2018 to a record high of just below 16%. The average age of the HNW individual is almost two years younger than his or her UHNW counterpart, reflecting in a more general sense the additional time needed to accumulate greater wealth.

PHILANTHROPIC CAUSES

	All	Male	Female
Education	27.9%	28.8%	25.7%
Social Services	15.7%	16%	15.2%
Arts, Culture and Humanities	12.2%	11.4%	14%
Health	11.9%	12.4%	10.6%
Children and Youth	7.2%	7.2%	7.1%
Environment, Conservation and Animals	6.9%	6.3%	8.3%
Foundations	2.6%	2.8%	2.2%
Religious Organizations	2.5%	2.4%	2.6%

Source: Wealth-X

Outside of wealth creation, and with some fitting symmetry, philanthropic activities are one of the main activities of the global ultra wealthy population; and to a lesser extent, HNW individuals. After a dip following the global financial crisis a decade ago, global philanthropic giving has recovered and reached record heights. In addition to high-profile initiatives such as the Giving Pledge, changes in social attitudes continue to trend toward higher nominal giving among all affluent groups; although, paradoxically, they still give far less as a proportion of net worth than people of more limited means. There has been a wave of new methods and vehicles for philanthropy, driven by ethical and impact considerations — most agree that even when framed as investment opportunities or fiscally incentivized, the ends justifies the means.

Differences in giving by gender are slight, most notably in women favoring arts, culture, and humanitarian causes, and those that concern the environment or conservation; men have a somewhat greater interest in education, social services, and health. Causes supporting children or youth are almost identical, in contrast to a pronounced favoring of men among the UHNW population. Philanthropic giving through foundations could relate to all manner of causes, and therefore should be regarded as proxy for general philanthropy.

Note that percentages in the table represent the relative popularity of each cause, rather than the absolute proportion of HNW individuals. However, it remains the case that HNW individuals are less philanthropic on the whole than their wealthier UHNW counterparts (36.4% vs 56.9% — see table below).

INTERESTS, PASSIONS AND HOBBIES

Beyond philanthropy, the hobbies and interests of the wealthy form an essential part of understanding and engaging with these individuals — what motivates them, how they occupy their spare time, what they are passionate about (or alternatively and more crudely, how they spend their money). By devising a taxonomy of interests and pastimes this information can be useful for tailoring approaches to individuals, planning special events, creating private/non-profit collaborations, and so on.

Comparing the top-level categories between HNW and UHNW groups highlights a number of notable differences, the most striking of which is the almost 60% higher incidence of philanthropy among UHNW individuals, consistent with the sizable contingent who have completed their 'empire building' and moved on to a philanthropic phase in life — focused on giving back, creating a legacy, or simply underpinned by the psychological basis that drives philanthropy in later life.

Further to philanthropy, the ultra wealthy are more occupied by leisure pursuits, e.g., sports and travel. The two groups appear to have the same level of interest in culture, through interests in the arts and music, although the ultra wealthy show greater interest in politics. Real estate as an interest also shows a higher incidence among UHNW: both as an investment vehicle and in practical terms of habitation and lifestyle choice, it might be expected to have greater allure for the very wealthy and older demographic.

The HNW group, to counterpoint, have a greater interest in technology, science, writing, and languages. These, it would seem reasonable to suggest, correspond with a younger demographic, and as such, the differences between the group would appear to be more age related than capacity related. At the HNW level, there are not many interests or pursuits that are precluded, and the only significant example (outside the top 20) is aviation, which has an incidence of 14.5% for UHNW in contrast to 4.3% for the HNW group.

N.B.: The size of the HNW population constituting the sample set is sufficient for statistical significance; however, the caveats apply that these assume a representative sample, and that individual interests are fully identified with reasonable success; although the latter could not be expected to be exhaustive. Note also that the sample has global representation and 'cultural fairness', so any perceived bias reflects the known geographic imbalance of the HNW population more generally.

Rank	Interests, Passions and Hobbies	HNW	UHNW
1	Business	39.4%	56.9%
2	Philanthropy	36.4%	56.9%
3	Finance	26.5%	28.3%
4	Sports	25.5%	33.0%
5	Outdoors	25.1%	17.3%
6	Education	19.7%	17.8%
7	Technology	19.6%	14.6%
8	Public Speaking	19.1%	15.2%
9	Writing	15.5%	8.1%
10	Travel	12.3%	13.8%
11	Real Estate	11.3%	14.4%
12	Health and Wellness	11.0%	8.9%
13	Law	10.6%	6.1%
14	Art	9.4%	9.2%
15	Science	9.3%	7.1%
16	Music	9.0%	8.9%
17	Family	8.9%	13.2%
18	Politics	7.5%	13.9%
19	Animals	7.5%	N/A
20	Languages	7.4%	5.0%

Source: Wealth-X

The top-level categories give some sense of the relative popularity of interests among the wealthy; however, in order to give more color to these preferences and predilections, it is necessary to drill down to more granular subcategories. Certain interests lend themselves well to further differentiation, and we present three cases, below, that examine particular sports, music, and art.

MUSIC

Rank	Genre	% of HNW who like music
1	General	75.1%
2	Classical	10.4%
3	Rock & Roll	8.0%
4	Jazz	7.6%
5	Singing	7.1%
6	Pop	2.7%
7	Opera	2.6%
8	Country Music	2.3%
9	Hip-Hop	0.9%
10	Dance Music	0.8%

Source: Wealth-X

Rank	Instrument	% of HNW who like music
1	Guitars	11.3%
2	Keyboard/Piano	8.2%
3	Drums	2.6%
4	Violin	1.6%
5	Cello	0.9%
6	Saxophone	0.8%
7	Trumpet	0.7%

Source: Wealth-X

Examining HNW musical interests, the generalized affection for music is more pronounced than among the UHNW population. Perhaps unsurprisingly, with respect to favorite genres of music, HNW individuals like pop more, and opera and classical music less, than UHNW individuals.

In terms of favorite musical instrument, the guitar is significantly more popular among HNW individuals than UHNW — with the ranking of guitar and piano reversed. These differences aside, the preferences of HNW and UHNW are largely the same.

ARTS

Rank	Medium	% of HNW who like art
1	Photography	17.5%
2	Painting/Drawing	13.8%
3	Sculpture	3.2%
4	Antiques	1.8%
5	Ceramics	1.4%

Source: Wealth-X

In the 2018 Wealth-X *IPH Report*, the popularity of photography among the ultra wealthy was the surprise second-placed art medium; among the High Net Worth it is the most popular, relegating painting to the second spot.

Mirroring the differences between the groups in their musical preferences, the interest in art conforms to preconceptions about the appreciation of 'high culture': HNW individuals have a greater interest in antiques, and less in antiquities, than their UHNW counterparts.
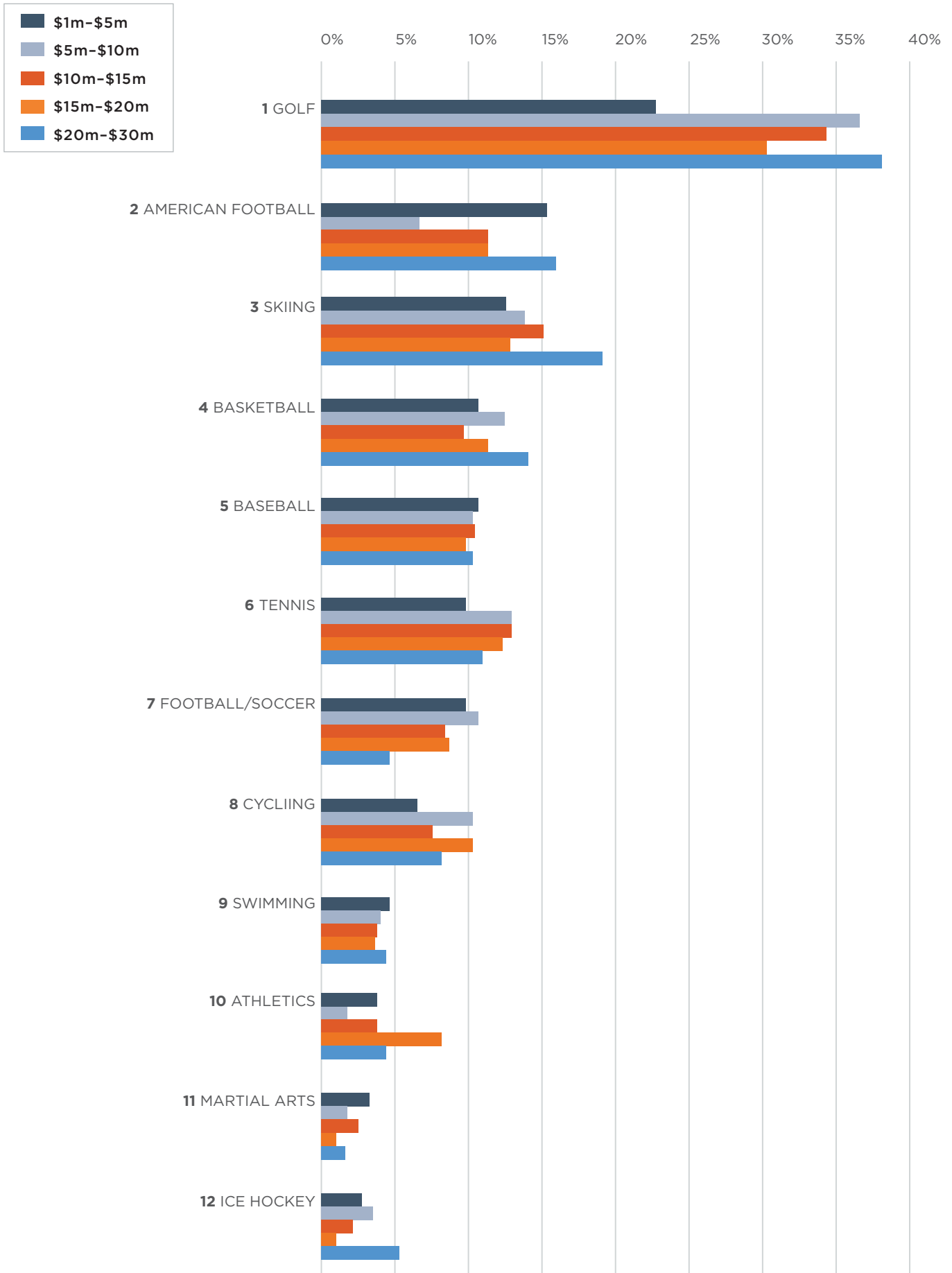
SPORTS

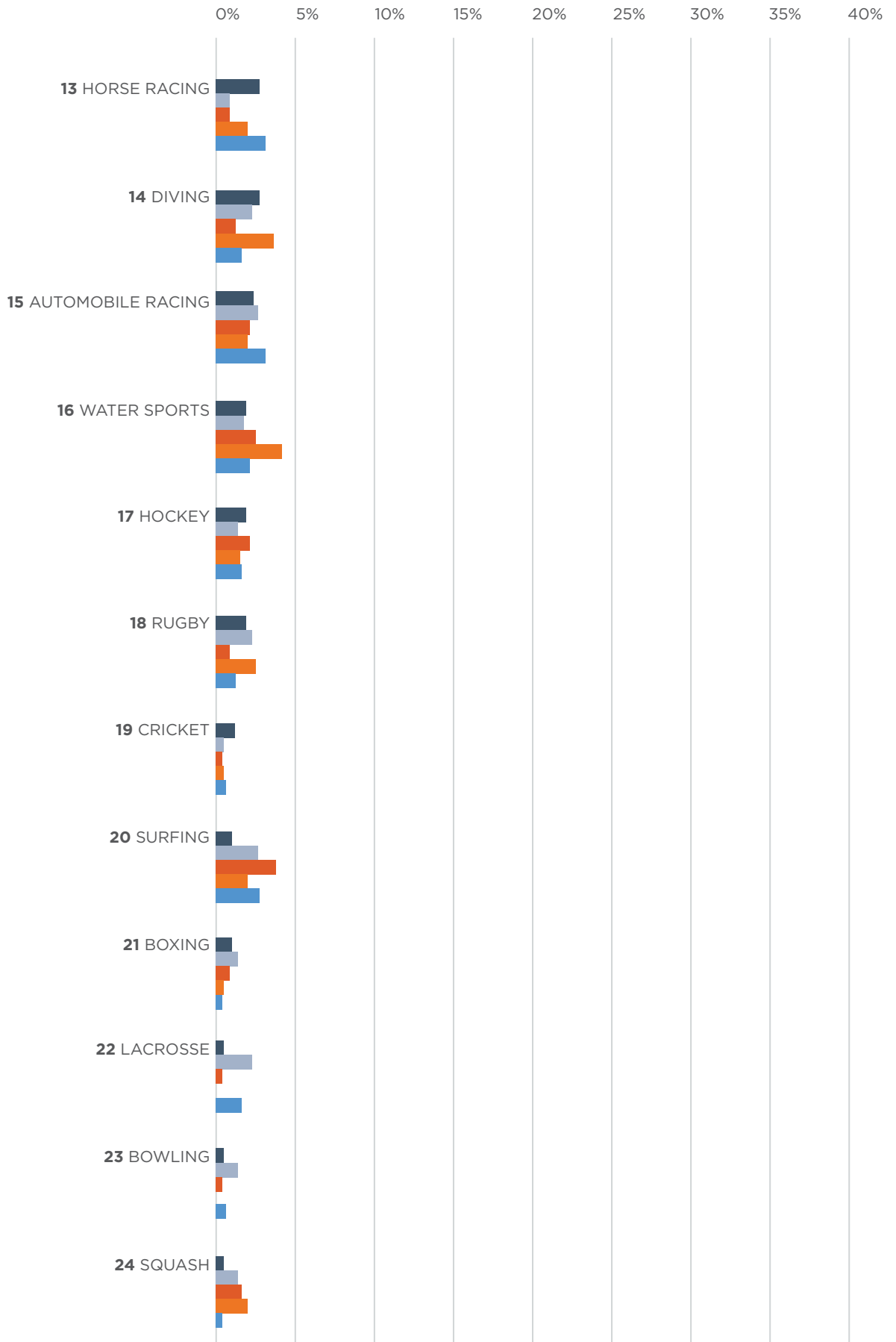| Sport	% of HNW who like sports
Golf	24.2%
American Football	14/6%
Skiing	12/8%
Basketball	10.8%
Baseball	10.7%
Tennis	10.1%
Football/Soccer	9.8%
Cycling	6,8%
Swimming	4.6%
Athletics	3.6%
Martial Arts	3.1%
Ice Hockey	2.8%
Diving	2.7%
Horse Racing	2.6%
Automobile Racing	2.3%
Water Sports	1.9%
Rugby	1.9%
Hockey	1.8%
Cricket	1.3%
Surfing	1.1%

Source: Wealth-X

Sports shows a similar ranking among UHNW individuals, but with some differences, reflecting the influence of the U.S. having over 40% of the world's HNW population. The top of the table features what are traditionally regarded as 'sports for the wealthy' (viz. golf, skiing, and tennis), and is punctuated by what can be regarded as predominantly U.S. sports: basketball, baseball, and American football. Again, as an effect of U.S. bias, football (soccer) features further down the table in seventh place, even though it is the global favorite among the general populace. High Net Worth individuals also differ from wealthier individuals in a greater interest in cycling, athletics, and martial arts

We can further segment interest in particular sports according to wealth tier. Among the sports that appeal to the wealthy, we can observe an ascending interest that correlates with the HNW tier. Other interesting anomalies are also evident; for example, an interest in squash is highest among those with $15–20m net worth.

SPORTS INTEREST BY WEALTH TIER

Legend:
- $1m–$5m
- $5m–$10m
- $10m–$15m
- $15m–$20m
- $20m–$30m

1 GOLF
2 AMERICAN FOOTBALL
3 SKIING
4 BASKETBALL
5 BASEBALL
6 TENNIS
7 FOOTBALL/SOCCER
8 CYCLIING
9 SWIMMING
10 ATHLETICS
11 MARTIAL ARTS
12 ICE HOCKEY

SPORTS INTEREST BY WEALTH TIER, *continued*

This is but one example, segmenting one subcategory of interest among the wealthy. In a similar vein, segmentation could be carried out using any number of demographic criteria. Later in 2019, the Wealth-X Institute will revisit the first Interest, Passions, and Hobbies study published in 2018 with a deeper examination of this developing area of research.

METHODOLOGY

To size and forecast the High Net Worth population and its combined wealth, we use our newly updated proprietary Wealth and Investable Assets Model. This model produces statistically significant estimates for total private wealth and estimates the size of the population by level of wealth and investable assets for the world, and for each of the top 75 economies, which account for 98% of the world GDP.

We use a two-step process. First, to estimate total private wealth, we use econometric techniques that incorporate a large number of national variables such as stock market values, GDP, tax rates, income levels and savings from sources such as the World Bank, International Monetary Fund, Organization for Economic Cooperation and Development (OECD), and national statistics authorities. Second, we estimate wealth distribution across each country's population. Due to a lack of wealth distribution data, most wealth models estimate wealth distribution patterns using income distribution data. However, Wealth-X's proprietary database of more than 540,000 records of HNW individuals across the globe enables us to construct wealth distribution patterns using real, rather than implied, wealth distributions, making the model more reliable. We then use the resulting Lorenz curves to distribute the net wealth in a country across its population. The database is also used to construct investable asset distribution patterns across each country's population. The model uses residency as the determinant of an individual's location.

Our model also estimates population, wealth and investable assets for the world's major cities, as ranked by nominal GDP in U.S.$. These cities are defined on the basis of urban agglomerations (UAs) and metropolitan (metro) areas, which include the built-up areas outside the administrative core. We find that metro and urban areas are closer to self-contained entities compared with city administrative cores (city proper) because more residents are likely to work and spend within the metro/UA boundaries. Globally comparable city-level data is not available, so to ensure comparability is as precise as possible, we have sourced all metro- and urban-level population and GDP data from Oxford Economics.

To profile the HNW population in greater depth, we continue to use our unique and proprietary Wealth-X Database, the world's most extensive collection of curated research and intelligence on wealthy individuals. Our database provides insights into their financial profile, career history, known associates, affiliations, family background, education, philanthropic endeavors, passions, hobbies, interests, and much more. Our proprietary valuation model (as defined by net worth) assesses all asset holdings, including privately and publicly held businesses and investable assets. The database uses the primary business address as the determinant of an ultra wealthy individual's location.

Although High Net Worth is sometimes used to cover all individuals with a net worth over $1m (i.e., comprising UHNW individuals too), we define the HNW group as those individuals with a net worth between $1m and $30m, and therefore it is mutually exclusive to the UHNW group.

A further distinction of Very High Net Worth exists at the $5m threshold to bisect the HNW group; however, since this represents only 10% of the population, we have not used it in this report.

The analysis of HNW characteristics is based on ~300k records, effectively a sample of 1.3% of the global population. We apply the model distribution to adjust these actual records in order to improve the representativeness of the sample.

Analysis of the data and additional insights were provided by the Wealth-X Institute. The Wealth-X Institute is a non-revenue generating research arm of Wealth-X dedicated to the development of unique data and analysis related to global wealth. By leveraging the Wealth-X global database of dossiers on the ultra wealthy, as well as examining the issues that influence their investing, spending, and philanthropic preferences, the Wealth-X Institute provides original thought-leadership, expertise, and best practice across the financial services, luxury, not-for-profit, and education sectors.

ABOUT WEALTH-X

The global leader in wealth information and insight, Wealth-X partners with prestige brands across the financial services, luxury, not-for-profit and higher-education industries to fuel strategic decision-making in sales, marketing and compliance. We have developed the world's most extensive collection of records on wealthy individuals and produce unparalleled High Net Worth market research to help our clients uncover, understand, and engage their target audience, as well as mitigate risk. Founded in 2010, with offices across North America, Europe and Asia, Wealth-X provides unique data, analysis, and insight to a growing roster of over 500 clients.

If you would like further information, please email contact@wealthx.com.

HIGH NET WORTH HANDBOOK 2019

WEALTH-X