

S'pore's 55,000 millionaires hold US\$260b of assets

By Leslie Yee - Oct 11, 2006
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(SINGAPORE) The number of US dollar millionaires in Singapore is estimated to have grown to 55,000 at the end of last year, 13.4 per cent more than at the end of 2004, says the first Asia-Pacific Wealth Report published by Merrill Lynch and Capgemini.

The US investment bank and the French consultancy say that the figures mean that Singapore has the highest percentage of such high net worth individuals (HNWIs) among eight Asian countries.

Between them, Singapore's HNWIs held US\$260 billion (S\$413 billion) of assets in 2005. The report defines HNWIs as people with net financial assets of at least US\$1 million, excluding their primary residence and consumables.

The report estimates that a third of Singapore's HNWIs, or 18,000, are of Indonesian origin, with this group of people holding approximately US\$87 billion in financial wealth.

Seven hundred of the Singapore group, around 1.3 per cent, are defined as ultra-HNWIs, with financial assets of more than US\$30 million each.

In Singapore, women account for 24 per cent of HNWIs. By industry, HNWIs in Asia-Pacific primarily came from the manufacturing sector but in Singapore, the financial services industry led the way, accounting for 21 per cent. Based on the report, which covered China, Hong Kong, India, Indonesia, Japan, Singapore, South Korea and Taiwan, Singapore had the highest percentage of HNWIs in its adult population, at 1.48 per cent.

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Among the eight countries, Singapore's HNWIs had the third highest average net worth at US\$4.7 million per person, behind Hong Kong

with an average of US\$5.3 million and China's average of US\$5 million.

Merrill Lynch global private client's market director for Singapore Tho Gea Hong says: 'The solid stock market performance and economic growth were the key drivers of wealth creation in Singapore last year.'

According to the report, the number of HNWIs in Asia-Pacific grew in 2005 by 7.3 per cent over 2004 to 2.4 million while the number of ultra-HNWIs increased by 12.1 per cent to 15,600 in 2005, suggesting a concentration of wealth. Total wealth of Asia-Pacific's HNWIs came to US\$7.6 trillion in 2005, up 8 per cent year-on-year.

The report forecasts Asia-Pacific HNWIs' financial wealth growing at an annual rate of 6.7 per cent, outpacing the global rate of 6 per cent, to reach US\$10.6 trillion in 2010.

The report says that Singapore's HNWIs had the highest allocation to alternative investments in Asia-Pacific at 37 per cent.

Alternative investments are defined as including structured products, hedge funds, managed funds, foreign currency, commodities, private equity and 'investments of passion' like fine art.

The asset allocation of Singapore's HNWIs for equities, real estate, fixed income and cash/deposits was 22 per cent, 17 per cent, 13 per cent and 11 per cent respectively.

The report says that financial advisers predict that the region's HNWIs will significantly increase their allocations to alternative investments and slightly increase allocations to equities, at the expense of their allocations to cash/deposits.

'The future of the global wealth management industry lies within Asia. As home to some of the world's fastest growing economies, Asia presents exciting growth opportunities for wealth management providers,' says Raymundo Yu, chairman of Merrill Lynch Asia-Pacific region.

Merrill Lynch, like other banks, is eyeing exciting opportunities in the private banking space in Asia.

The US financial giant's global private client market managing director, South Asia, Kong Eng Huat, estimates that based on making a return

of one per cent on US\$4.1 trillion of wealth in Asia ex-Japan, banks are looking at a revenue pool of some US\$41 billion.

Based on one private banker serving 100 clients, Mr Kong estimates that there is need for around 10,000 private bankers to serve one million HNWIs in Asia ex-Japan, but notes that currently there are probably around half that number of private bankers in the market.

Mr Kong says that Merrill Lynch is looking to increase its number of private bankers in Asia by some 20 to 25 per cent every year for the next few years.

Currently, the US firm has around 120 private bankers in Singapore. In the entire Singapore market, Mr Kong estimates that there are around 2,000 private bankers.

The report identifies Singapore and Hong Kong as regional wealth management hubs, whether as bases for regional headquarters or as account centres for offshore clients in neighbouring territories. The report says that Shanghai is destined to grow in stature as a wealth management centre serving China's onshore market.