

**Europe's Young Affluentials are Tomorrow's HNWs!**  
*(and already they own €360 billion in liquid assets,  
including over €100 billion in investment property!)*

A new report from Tulip Financial Research<sup>1</sup>, *The Affluent Markets in France, Germany and the UK*, investigates the HNWs of tomorrow. Today's HNWs have average liquid assets of €4 million+ and are the main target for private banks, investment advisers, asset managers and the like. But HNWs are an aging market: most are over 60, and many are retired.

The average Affluentials' age is under 40, yet they are already liquid asset Euro millionaires (Figure 1). They are high-earning (€150k+) high-flyers, and will rapidly become HNWs. These are vital clients for forward-looking businesses in the wealth market - and indeed these Affluentials already own €360 billion of private investments.

Figure 1: The Affluent Markets in France, Germany & the UK

Base: All Affluentials in France Germany and the UK	Average Liquid Assets: €s	No. of individuals 000s
<b>The Affluentials</b>	<b>€1.03 million</b>	<b>315</b>
The HNWs	€1.4.6 million	1227
The Super-Rich	€116 million	3

These Affluentials are now choosing investment advisers for the future: three out of four already take professional advice, though one in four are DIY investors. Affluentials represent an opportunity for wealth businesses to build long-term client bases that, unlike the HNWs, are youthful and open to new ideas.

**The Greater Affluent Use of Private Banks in France & Germany:**

A big inter-country difference is the much more important role played by private banks in France and Germany compared with the UK. About half of the French and German Affluentials use private banks for investment advice and management, whilst this falls to only one in six in the UK (Figure 2).

Figure 2: Affluentials' Use of Private Banks  
*Do you now use a private bank? And do you use it for investment  
Management and/or for investment advice?*

Base: All Affluentials in France, Germany and the UK	France	Germany	UK
	%	%	%
Use any professional investment advice	72	82	76
Have Private Bank Account	69	70	50
Use Private Bank for investment management &/or /advice	52	40	17

<sup>1</sup> This report, *The Affluent Markets in France, Germany and the UK*, is based on a new Tulip survey of 579 Affluentials in France, Germany and the UK conducted in November 2005.

### Why the French & German Affluentials Prefer Private Banks

Figure 3 shows why UK private banks are missing out: it's poor branding and, perhaps, a touch of reality: they may indeed provide poorer service than their French and German counterparts. In Germany and France the private banks have better reputations for personal wealth investment skills. And, in addition, their French and German clients believe this reputation enhances their financial status. In the UK private banks are mainly used by Affluentials just to obtain personalized service for ordinary current account banking.

Figure 3: The Reasons for Using Private Banks  
(Which two of these reasons best describe why you use a private bank?)

Base: All Affluentials using a private bank	UK	Germany & France	Index
	%	%	
The reputation of the bank enhances my credit standing	10	18	<b>180</b>
Private banks know about and are up to date on investment matters	18	23	<b>128</b>
Private banks have the right skills and back-up for my financial needs	34	42	<b>124</b>
They provide a personalised service from named individuals	59	53	<b>90</b>
The banks understand my personal financial needs	38	30	<b>79</b>

### The Impact of Private Bank Advice on Asset Allocation

Figure 4 shows that a private bank can have an impact on asset allocation. Affluentials advised by private banks have a quarter of their investments in residential or commercial property: those not advised have a lot more, well over a third, allocated to property. The private bank advised also have more assets allocated to equities and fixed interest investments. The evidence indicates that those using private banks as advisers end up with a more cautious and diversified asset allocation than the non-advised.

Figure 4: Affluent Asset Allocations by € Value  
How much (out of every £1000/€1000 of your current investments, is invested in....?)

	All Affluentials	Private Bank Advised	Not Private Bank Advised	Not Private Bank Advised
	%	%	%	%
Property Related Investments	32	25	36	36
Equity Investments	28	36	27	27
Savings/Money Market Accounts or similar cash investments	14	13	18	18
Fixed Interest Investments	11	19		11
Alternative Investments	8	8		8

### Property is the Top Asset Allocation in France, Germany and the UK

Figure 5 compares Affluent asset allocations by country: It shows that in France, Germany & the UK it is the single biggest single asset allocation. In France, however, where most use is made of private banks' advice, there is a greater allocation to fixed interest and a lower allocation to equity investments. The French Affluentials have the most cautious asset allocation pattern.

Figure 5: Affluent Asset Allocations by Country  
How much (out of every £1000/€1000 of your current investments, is invested in....?)

Base: All Affluentials in France, Germany and the UK	Affluentials			
	All	France	Germany	UK
	%	%	%	%
Property Related Investments	32	31	32	32
Equity Investments	28	23	34	31
Cash in Savings Accounts or similar cash investments	14	15	12	15
Fixed Interest Investments	18	23	13	15
Alternative Investments	8	8	9	7

John Clemens, Managing Partner of Tulip Financial Research Ltd, commenting on Tulip's report, said.

*"The report highlights the importance of Affluentials. Too much attention is focussed by the wealth industry on HNWs and Ultra HNWs, who are rich but old and set in their ways. There are huge opportunities with Affluentials, new, active investors, who have not yet developed long term relationships with investment service providers, They have new money to invest and justify major marketing focus.*

*And the study is not good news for the UK's private banks. They appear to have fallen behind their European counterparts in providing the services Affluentials want. They fail to understand the financial needs of young entrepreneurs, professionals and business people. This is results from poor branding, a dated image and, a belief that friendly relationships are more important than demonstrable investment skills and expertise. Affluentials want proven value for their investment money, not just friendly bankers."*

For more information or for copies of the report call John Clemens, Managing Partner, Tulip Financial Research Limited on 020 7582 6870 or email [info@tulipresearch.com](mailto:info@tulipresearch.com) . Reports are also available from Mintel International: call Jim Darling on [\(020\) 7778 7151](tel:(020)77787151) or email [jdarding@mintel.com](mailto:jdarding@mintel.com)

## Affluent Demographics

The table below shows the age, gender and work profiles of today's Affluentials. It demonstrates that there is a marked gender change: a third of today's Affluentials are female, whereas the older HNWs and Ultra HNWs are predominantly male.

Figure 6: The Demographic Profiles of Affluentials in France, Germany & the UK

		Affluentials		
	All Affluentials	France	Germany	UK
Gender	%	%	%	%
Male	65	64	72	59
Female	35	36	28	41
Age Group				
18-34	39	30	46	41
35-54	49	55	44	49
55+	12	15	10	10
Average Age	39	42	37	39
Working Status				
Working Full-Time	74	68	81	74
Working Part-Time	13	16	10	14
Retired/Not Working	12	16	9	12