

3 wealth management trends to watch in 2021

By [Maarten Ackerman](#)

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The Covid19 pandemic has been one of the greatest disruptors in living memory, causing major upheaval across all facets of our everyday life. Within the wealth management space, it has further acted to accelerate many of the changes that were already in the pipeline, seeing three major trends emerge as we enter 2021.



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1. Taking the industry virtual

Technological advancements and the fourth industrial revolution (4IR) have seen the world slowly shift from the physical to the virtual, and businesses have been playing with the idea of introducing and making use of digital solutions for years.

But the rapid changes brought on by the pandemic have forced businesses to quickly introduce remote-working and urgently seek out “no-contact” solutions. Employees and clients alike have quickly adapted to meeting via Zoom, Skype and Microsoft Teams rather than face-to-face, as well as making arrangements for virtual onboarding and going paperless.

Additionally, the pandemic seems to have paved the way for robo-advice to play a greater role within the financial planning space than it has previously, especially given the meteoric advancements in computer learning and artificial intelligence (AI). While many individuals still prefer speaking directly to an advisor and appreciate the value of human contact, many also enjoy the speed and convenience of robo-advice for assistance with certain financial decisions and transactions.

2. Searching for new safe haven assets

In their efforts to prop up economies and support more individuals with social grants, governments and central banks around the world have amassed huge amounts of debt. As a result, central banks have been manipulating interest rates, holding them below inflation in order to afford this debt and gradually work it down to more sustainable levels.

In effect, however, this means that central banks are using the savings that were supposed to be paid to future generations in the form of interest to fund the debt for our current generation.

The dilemma for many long-term investors, and those investing towards their retirement, is that where those seeking a low-risk portfolio would previously have opted for cash and bonds, the reality is that they will now grow poorer from the minute they place money into these types of investments. Investors and wealth managers now need to look for suitable safe haven alternatives to cash, constructing portfolios from assets that are still absolute return in nature (or that are able to generate returns above inflation), but from a diverse range of asset classes.

These may include assets such as the Swiss franc or Japanese yen, which have typically performed well when the wheels fall off equity markets. Although they currently offer depressed yields, US bonds may also merit consideration as one of the best uncorrelated asset classes that still offers benefits in difficult economic times. Gold, silver and palladium also represent attractive alternatives. And finally, once they are properly regulated, certain cryptocurrencies may also begin to earn a position as safe haven asset.

3. Introducing better-cost solutions

We are now entering a low-return environment, and the typical equity portfolio is only expected to deliver mid-single digit returns on the basis that cash and interest rates, the discount rate, are currently at all-time lows. Additionally, capacity growth will slow as the world recovers from the pandemic, and a shift in geopolitical trends towards a more inward focus with less trade will also cap economic growth potential.

This slowdown is again likely to be reflected in more muted equity returns, bringing heightened attention and downward pressure to bear on fees. In this type of environment, investors and wealth managers therefore need to ensure that investment solutions are competitive and cost-efficient.

It's therefore positive to see players in the wealth management industry becoming more creative in terms of their pricing structure. Furthermore, developments in the virtual world mean that there are also a number of savings to be found in transitioning away from old ways of doing business that can be seeded down to clients. The industry is currently combing through the entire investment supply chain in order to introduce cost-efficiencies with new technologies, from client onboarding, to making use of AI support in generating active investment strategies, right down to investment platforms and products.

Overall, there are many exciting and challenging times ahead for the wealth management. It will be extremely interesting to watch how the industry responds to these latest trends and developments, and what new innovations may emerge.

ABOUT THE AUTHOR

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