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Key Trends in Wealth Management 2025

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The wealth gap will widen, increased social media presence

Globally, we have already witnessed a great deal of consolidation within the wealth management segment as companies seek scale and cost synergies to offset rising compliance and regulatory costs.

As margins are squeezed, more and more advisers are leaving the segment and increased capital, and regulatory requirements provide a significant barrier to new market entrants.

These actions have led to a focus on the HNW and UHNW segment that in turn, has created a significant advice gap in many regions.

The use of AI and machine learning may offer various solutions that, in time, could help to enable the more cost-effective provision of advice, permitting a re-entry or refocus on the retail and mass affluent segments but in many regions, the service offered to these segments remains transactional and many consumers are turning to alternative channels to both seek and receive advice.

The rise of ‘Finfluencers’ on social media sites such as TikTok is somewhat disturbing. Less than 20% of the content shared contains any form of disclosure statements but members of Gen Z are believed to be five times more likely to seek advice from social media channels that people aged 40 or above.

When coupled with a continued growth in income equality, which most regions are still unable to combat with revised tax structures, it’s difficult to see this situation changing in the short term.

Organizations that are able to achieve cost efficiencies via scale, leverage technology for more efficient service delivery and deliver a compelling service with a sufficient margin are likely to find a large and eager addressable market in most markets however it is increasingly likely that this would need to be supported at a government level to help to alleviate some of the regulatory costs that currently prohibit activity in this segment.

It goes without saying that the longer-term challenges society will face if the vast majority of people give inadequate consideration to areas of planning such as healthcare, insurance and retirement could represent a ticking timebomb.

Data Consolidation

Craig Iskowitz, founder and CEO of technology consulting firm Ezra Group highlighted that Morgan Stanley was one of the first banks to launch an internal AI powered assistant but goes on to predict that in two to three years, every Fortune 500 company will have something similar.

According to a recent study by Wipro, approximately 44% of firms have already integrated AI extensively, while another 56% are in the moderate adoption phase.

With many wealth managers facing rising regulatory costs and increasing competition, many, if not all will be implementing some AI or machine learning technology. The challenge of course is that generative AI applications require extensive datasets to learn, generate and predict accurate and effective outcomes, and as a result, we anticipate that data consolidation will be a key focus for 2025 and beyond.

Due to the progressive renovation of systems over a long period and the organic way in which many wealth managers have scaled, existing data may reside in silos, across multiple disparate systems, rendering it, for the most part, of little or limited use.

In order to leverage the datasets required by most AI applications, wealth managers will need to cleanse, consolidate and structure this data to maximize its value to their organization.

With an urge to move fast, the time, cost and effort in ensuring that data models are ‘fit for purpose’ should form a vital first step in the road to successful AI adoption.

Migration to SaaS

The key drivers for a migration to SaaS environments remain unchanged, to seek cost savings via greater operational efficiency and enabling banks and wealth managers to focus more on differentiated service offerings and less on the ongoing maintenance of their technology infrastructure.

In 2025, these drivers will likely pick up speed from additional tailwinds. Globally, regulators appear to feel more comfortable with cloud hosted environments and although concerns on sensitive client data remain in some regions, we are seeing a number of rules that were hampering SaaS migration finally begin to relax.

The demand elasticity that only cloud environments are able to provide is essential for business that are continuing to push data hungry applications, predominately those that incorporate AI and machine learning.

The increase in competition is also forcing a greater focus on solutions and service offerings, winning and retaining wallet share and focusing on the overall customer experience. This additional spending on front office activity is driving an increasing desire to outsource back-office functions and technology to both BPO and SaaS Infrastructure providers.

Family Office & External Asset Manager Competition

This was a key trend that was highlighted in 2024 and one which is repeated for 2025.

Many Private Banks and Wealth Managers continue to report attrition rates, particularly amongst more junior roles and whilst there have been many new hires in the private banking space in 2024, we continue to see growth in the EAM, boutique and Family Office segment.

External asset managers and boutique investment management companies are building highly specialized teams, enticing relationship managers, and critically, their customers, with the promise of more advanced technology, greater flexibility in areas such as the ability to work from home, bespoke compensation plans, a wider product choice and perhaps for some, less rigid oversight.

We are also seeing some relationship managers leaving banks to join emerging financial technology companies providing hybrid advice to a younger, more digitally native customer base.

Whilst total compensation continues to be the most cited reason amongst leavers, a perceived lack of overall flexibility remains a core driver for much of this attrition.

Increasing Specialization

As discussed in the previous point, the growing number of boutique investment firms is leading to the emergence highly specialized firms offering bespoke advice in areas such as philanthropy, succession, estate and tax planning, global mobility and ESG.

The ongoing generational wealth transfer has seen an erosion of loyalty to legacy banks as younger clients seek less traditional investment options and service offerings.

The wealth transfers themselves have driven a requirement for very specific advice, especially in areas such as tax, estate and succession planning.

As the boutique and EAM marketplace becomes more crowded, many are seeking to specialize. It is widely felt that a younger generation of investors will be less inclined to show total loyalty to a single institution in the way their parents may have done and instead, are more likely to ‘multi-bank’ – using different firms for different requirements and seeking ‘one off’ engagements for specific areas of their planning.

The firms themselves will accept they may not achieve complete ‘wallet share’ but by hiring the most highly qualified individuals within their niche field and marketing their capabilities within a more narrow domain, they will be able to compete and scale effectively.

Automation and prediction

As mentioned, regulations and data models notwithstanding, we expect 2025 to see a significant increase in the use of new technology, much of which will be focused in areas such as automation and predictive analytics.

Automation is already being adopted successfully in many organizations and is helping to reduce costs in areas such as financial crime mitigation, KYC checks and anti-money laundering.

More advanced 'digital assistants' will aim to support both RM's and their clients with basic enquiries, hopefully better than most Chatbots do today. We can also anticipate capabilities in areas such as the production and distribution of client specific bespoke marketing material, the automated production of reports and statements of advice and the active monitoring, screening and housekeeping of client positions within investment portfolios.

Predictive analytics may help boost productivity and profitability by automating previously laborious product research and anticipating both client needs and areas of interest based on comparisons to pre-defined personas and membership of similar peer groups.

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