FINANCIAL INSTITUTIONS

GLOBAL WEALTH REPORT 2024

The GenAI Era Unfolds

July 2024

Introduction

Global net wealth staged a significant recovery in 2023, growing by 4.3% after a difficult year in 2022.

Much of the growth was due to a rebound in the financial markets, accompanied by a rise in the volume of assets under management (AuM). Financial wealth—a subset of global wealth—rose by almost 7%, following a decline of 4% in 2022. The gains were especially strong in North America and Western Europe, while growth in China remained more subdued. Cross-border wealth followed a similar pattern. Key booking centers such as Switzerland, Singapore, the US, and the United Arab Emirates (UAE) grew in line with recent trends, while Hong Kong witnessed a notable slowdown—growing by just 3.2%—due to reduced inflows from mainland China.

Yet in spite of the upswing, profitability continues to be a concern. Wealth managers improved their profitability margins modestly, which was a notable achievement compared to both their asset management peers and the 2-basis-point decline that the wealth management industry endured in 2022. Most of the improvement, however, is attributable to windfall profits from net interest income. That trend is not likely to continue in the current environment, with funding costs rising and interest rates expected to fall—especially as inflation, operational inefficiencies, and tightening regulations continue to bite. We therefore anticipate that profit margins will not increase dramatically in the near term unless the industry experiences a positive shock.

In fact, that positive shock could be on the horizon if wealth managers tap into the full potential of generative AI (GenAI). This technology can unlock efficiencies across the value chain and allow greatly enhanced client interaction and personalization at scale. In this report, we examine GenAI's transformative power, as well as the crucial role that an effective compliance setup can play in ensuring a successful transformation.

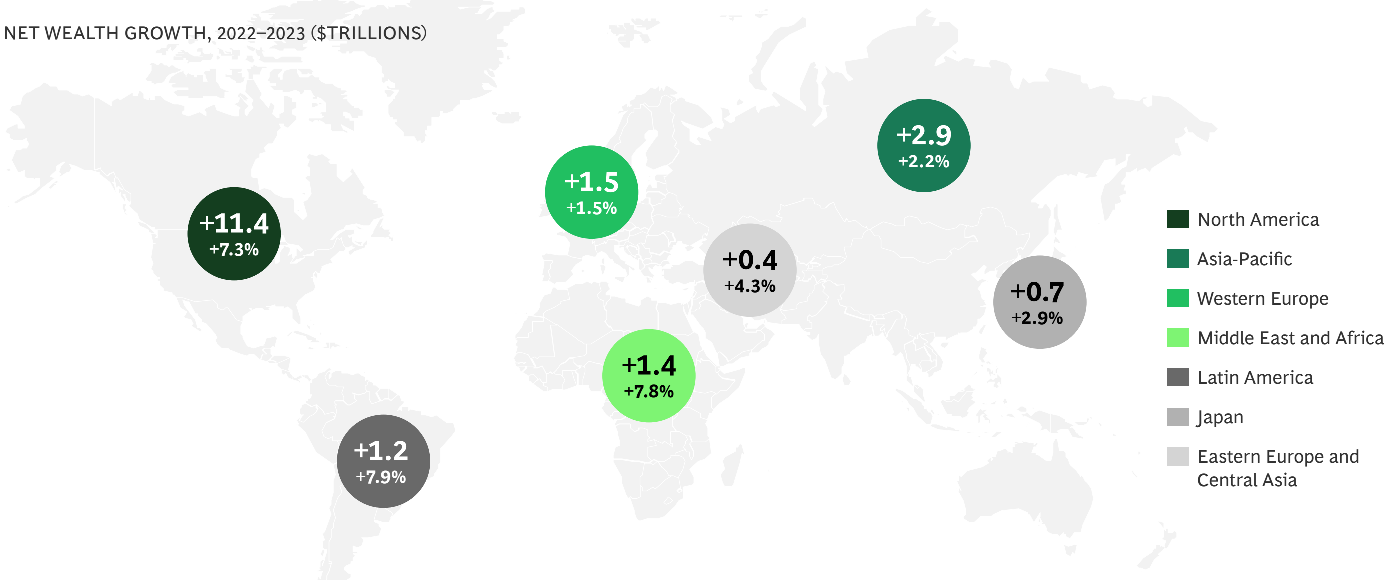
Market Sizing: Global Gains but Modest Profits

Global net wealth, which comprises financial wealth, liabilities, and real assets, grew by 4.3% in 2023, to $477 trillion. (See Exhibit 1.) This represents a promising recovery from 2022, when total wealth rose only 0.2%, although it is still modest compared to the average annual growth rate of 7.1% achieved from 2014 to 2021.

Financial wealth rebounded to grow by almost 7% in 2023, rising to $275 trillion following a 4% decline in 2022. The robust performance of global public equity markets was a key contributor to the recovery. Equities grew by 15.8%, to $72.5 trillion, on the back of strong corporate earnings and a decrease in global inflation, which fell to 4% after reaching 7% in 2022. The strong public equity performance also boosted life insurance and pension fund portfolios, which grew by 3.6% to $67.1 trillion, after dropping by 8.7% in 2022.

Exhibit 1 Three Regions Account for More Than 80% of Global Net Wealth

NET WEALTH GROWTH, 2022–2023 ($TRILLIONS)



North America	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	116.1	126.5	166.9	8.9%	6%
Liabilities	21.3	22.0	27.6	3.4%	5%
Real assets	62.8	64.6	87.2	2.9%	6%
Net wealth	157.6	169.0	226.6	7.3%	6%

Asia-Pacific	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	57.3	60.3	87.0	5.1%	8%
Liabilities	17.2	18.0	23.3	4.9%	5%
Real assets	91.5	92.3	116.9	0.8%	5%
Net wealth	131.7	134.5	180.6	2.2%	6%

Western Europe	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	49.9	52.1	62.7	4.4%	4%
Liabilities	13.0	13.3	15.2	2.3%	3%
Real assets	64.6	64.2	73.9	–0.6%	3%
Net wealth	101.5	103.0	121.3	1.5%	3%

Middle East and Africa	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	7.3	7.9	12.4	8.3%	9%
Liabilities	1.3	1.3	2.2	6.7%	11%
Real assets	11.8	12.6	20.4	7.3%	10%
Net wealth	17.8	19.2	30.6	7.8%	10%

Latin America	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	7.4	8.0	12.2	7.8%	9%
Liabilities	1.5	1.6	2.5	8.9%	9%
Real assets	9.7	10.5	15.7	8.0%	8%
Net wealth	15.6	16.9	25.5	7.9%	9%

Japan	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	14.8	15.4	18.4	4.2%	4%
Liabilities	2.6	2.6	3.0	2.2%	2%
Real assets	10.7	10.8	12.6	0.9%	3%
Net wealth	22.9	23.6	27.9	2.9%	3%

Eastern Europe and Central Asia	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	4.7	5.1	7.4	8.4%	8%
Liabilities	0.9	1.0	1.5	7.1%	8%
Real assets	6.6	6.7	9.4	1.7%	7%
Net wealth	10.3	10.8	15.3	4.3%	7%

Global	2022	2023	2028	Growth 2022–2023	CAGR 2023–2028
Financial assets	257.5	275.2	366.9	6.9%	6%
Liabilities	57.7	59.9	75.2	3.8%	5%
Real assets	257.7	261.7	336.0	1.6%	5%
Net wealth	457.4	476.9	627.8	4.3%	6%

Source: BCG Global Wealth Market Sizing 2024.
Note: Wealth in local currency was converted into US dollars at the 2023 year-end exchange rate across all time periods. Net wealth = Financial wealth + Real assets – Liabilities.

In this environment, global client business volume (CBV) of wealth managers—the sum of AuM and loans—rose by 10.2%, compared to a 12% decline in 2022. The return on CBV was largely due to windfall profits from net interest income. With strong markets to support them, wealth managers could improve their return on CBV by about 5.2 basis points in 2023. However, a cost increase of 4.2 basis points erased almost all of these gains, leading to a profit margin improvement of just 1 basis point. As we look ahead, wealth managers can no longer rely on a favorable environment to boost profitability. Profit margins for the industry have decreased by more than 40% since 2007, and we anticipate that the long-term negative trend will continue unless the industry takes action now to transform the existing business model.

The long-term negative trend in profit margins is likely to continue unless the wealth management industry takes action now.

Financial Wealth Trends by Asset Class

Private equity and other unlisted equity holdings grew by 3.9% to $34.1 trillion, up from 2.7% in 2022, despite high interest rates and slower dealmaking. Bonds saw a 20.5% increase to $7.9 trillion, driven largely by long-term securities, a preferred asset class in higher-interest-rate environments. Cash and deposits, on the other hand, declined by 2.8% to a total of $74.4 trillion as consumers allocated savings to higher-performing asset classes and, with inflation remaining relatively high for the year, increased their spending. Liabilities rose at a slower rate than in previous years, when interest rates were lower, growing only 3.8% to a total of $59.9 trillion.

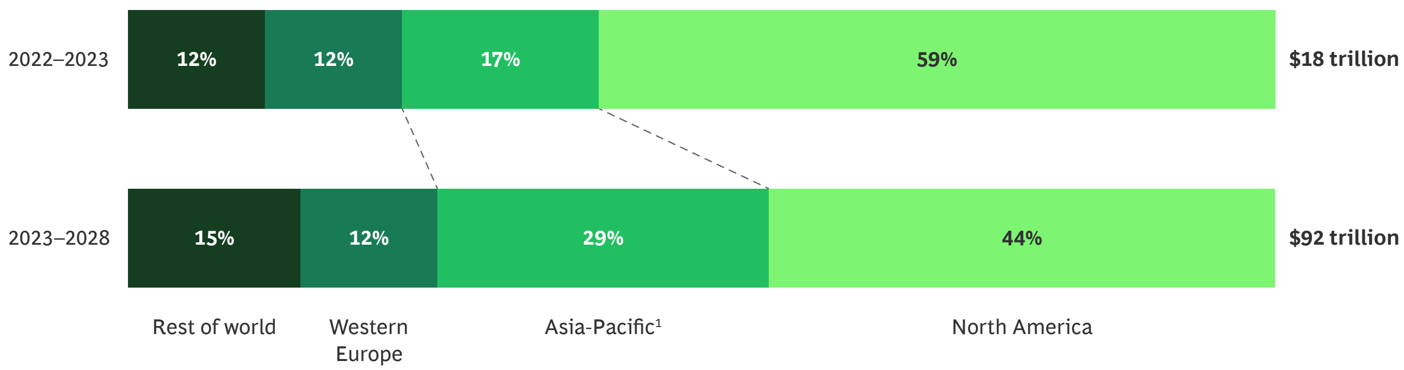
We expect to see a return to historical averages in the years ahead, led by the positive momentum in equities along with decreasing inflation and stabilizing interest rates. Under these conditions, we anticipate that net wealth will grow at an average annual rate of about 6% through 2028.

Financial Wealth Trends by Region

Financial wealth in the developed economies of North America and Western Europe took a particularly hard hit in 2022, but both regions bounced back in 2023. North America was among the fastest-growing regions, accounting for more than 50% of all new financial wealth in 2023, propelled by an enormous recovery in the stock market. The S&P 500 rose more than 24% over the year, with tech and semiconductor stocks leading the field; Apple, Nvidia, and Microsoft became the first companies to reach market caps in the $3 trillion range. The recovery was not as strong in Western Europe, where financial wealth rose 4.4%. Investors in this region had less exposure to equities, and the stock markets achieved more modest gains. Stoxx Europe 600, for example, rose by only 16%.

Financial wealth growth in the Asia-Pacific region was only 5.1% in 2023, primarily due to a slowdown in wealth creation in China. Nevertheless, we expect the region to see a significant increase through 2028. (See Exhibit 2.) In addition to China, India is well positioned to drive wealth creation, having generated $588 billion in new financial wealth in 2023, its largest increase in history. We expect India to add about $730 billion annually to the overall growth of the region through 2028.

Exhibit 2 We Expect Asia-Pacific to Contribute Nearly 30% of New Financial Wealth by 2028



Sources: BCG Global Wealth Market Sizing 2024; Global Wealth Report 2024.
Note: Wealth in local currency was converted to US dollars at the 2023 year-end exchange rates across all time periods.
[1] Excluding Japan.

The Top Booking Centers in a Changing World

Cross-border wealth grew by 5.1% in 2023, to $13 trillion, a 1 percentage point increase over the year before. The most remarkable growth dynamics emerged in the UAE. The UAE is currently the world's seventh largest booking center, and is on a trajectory to surpass the Channel Islands and the Isle of Man as the sixth largest by 2028.

North America also demonstrated robust growth, especially in contrast to Asia-Pacific, where Hong Kong's anticipated rise to become the top global financial hub was stalled by a temporary but significant slowdown in inflow from mainland China. Singapore now appears to be in a position to challenge Hong Kong's rise over the long term. Although these trends may shift again, we expect ongoing geopolitical tensions to keep demand for diversification and safe haven booking centers high over the next several years, leading to slightly faster growth of cross-border wealth overall.

Switzerland remains the largest booking center worldwide, growing in line with its historical average of 4.8% and gaining the most wealth in absolute dollar terms. Wealth flows from Western Europe and the Middle East were the primary sources of Switzerland's growth in 2023. Despite temporary concerns over sanctions and asset freezes, as well as a large banking merger, the country continues to be a stronghold of cross-border wealth, building on its neutrality, stable economy, low inflation, and highly developed financial infrastructure.

Still, Switzerland and other European cross-border booking centers such as the UK and Luxembourg are growing at a slower pace than those in Singapore, the UAE, and the US. The shift is occurring mostly because of stronger demand for geographic diversification, a continued surge in wealth generation in Middle Eastern and Asian markets. We expect Switzerland to keep its position as a leading booking center for now, capturing about 15% to 20% of global new cross-border wealth through 2028, but there will be strenuous competition for first place. (See Exhibit 3.)

Exhibit 3 Switzerland Had the Largest Absolute Growth as a Booking Center, While the UAE Had the Highest Percentage Growth

BOOKING CENTER (2018 / 2023 / 2028)	GROWTH, 2022–2023 $billions	GROWTH, 2022–2023 Percentage	SIZE ($TRILLIONS) 2023	SIZE ($TRILLIONS) 2028	CAGR, 2023–2028	Top source region, 2023
Switzerland	121	4.8	2.6	3.1	3.6%	Western Europe
Hong Kong	74	3.2	2.4	3.2	6.0%	Asia-Pacific[1]
Singapore	120	7.8	1.7	2.5	8.5%	Asia-Pacific[1]
US	68	5.6	1.3	1.8	6.9%	Latin America
UK mainland	38	4.3	0.9	1.1	3.8%	Western Europe
Channel Islands and Isle of Man	21	3.4	0.7	0.7	2.7%	Western Europe
United Arab Emirates	48	8.9	0.6	0.8	7.7%	Middle East and Africa
Luxembourg	24	4.5	0.5	0.7	4.6%	Western Europe
Cayman Islands	21	5.2	0.4	0.5	4.4%	North America
Bahamas	17	4.8	0.4	0.5	4.7%	North America
Others	84	5.0	1.7	2.1	4.1%	
Total	637	5.1	13.2	17.1	5.3%	

Mature markets | Growth markets

Source: BCG Global Wealth Market Sizing 2024.
Note: Wealth in local currency was converted into US dollars at the 2023 year-end exchange rate across all time periods.
[1] Excluding Japan.

Hong Kong's cross-border wealth growth slowed significantly in 2023, to 3.2%. The slowdown was the result of slower growth in mainland China, which accounts for more than 70% of Hong Kong's cross-border flow, as well as increased flows of Chinese wealth into Singapore, particularly from the affluent and high net worth segments. (See the appendix, "About Our Methodology.") This was a major comedown from Hong Kong's CAGR of 10.4% from 2018 to 2023, and the lowest performance among all major booking centers.

To reignite growth, Hong Kong is seeking to diversify. For example, it is strengthening its status as a global hub for family office services, as well as working to improve market liquidity and cement its role as a cross-border renminbi hub. In addition, Hong Kong is initiating financial market transformation through innovative technologies such as distributed ledger technology, while attracting IPOs from high-growth sectors. If it succeeds in these strategies, Hong Kong should regain its growth path and may eventually surpass Switzerland as the world's largest booking center.

Singapore has not been immune to the economic slowdown in the Asia-Pacific region. Its growth of 7.8% in 2023 is well below its 2018–2023 CAGR of 11.1%. But unlike Hong Kong, Singapore has more diversified sources of wealth. China is the nation's largest source of new wealth in absolute terms, but Singapore is also capturing flows from other fast-growing economies in the region. It is the largest booking center for Indian wealth, holding about one-quarter of all Indian cross-border wealth. We expect Singapore to become the region's fastest-growing booking center over the next five years, with a CAGR of around 8.5%.

The UAE continues to experience impressive growth. In 2023, around 40% of the UAE's cross-border inflow came from Saudi Arabia and other prosperous Middle East markets, and its overall cross-border wealth grew by 8.9%. The UAE is on track to become the sixth-largest booking center in the world by 2028, with an annual growth rate of about 7.7%.

The UAE has increased its role as a cross-border hub for Asia and Africa, too, partly by building closer ties with China and attracting significant international investment in the luxury real estate market. These sources can help offset a slowdown in inflows from Russia, which were a major growth driver in 2022 and 2023 in the aftermath of Western sanctions. This one-time influx of wealth has already been relocated, but the UAE is also responding to international pressure related to the ongoing war in Ukraine by implementing stricter banking rules and increasing its monitoring of Russian companies.

> In addition to the UAE, whose growth as a booking center has been impressive, the region's standout performer is Saudi Arabia, which we expect to see grow by about 6.4% annually through 2028.

The US is the fastest-growing booking center for Western wealth and continues to be an attractive destination for global wealth. Cross-border wealth inflows increased by 5.6% in 2023 and, by our estimates, should grow by about 6.9% a year through 2028, almost as high as the projected rate in Singapore over the same period. In particular, Florida is a prime destination for Latin American and Western European investors and hosts a large number of registered investment advisors (RIAs). RIAs have grown rapidly over the last decade and now hold nearly 20% of the US wealth management market, with continuous double-digit AuM growth.

About half of all cross-border wealth in the US comes from Latin American investors seeking safe havens from economic uncertainties and local currency fluctuations. Another one-fifth of all cross-border inflows come from Western Europe. Most of these inflows come from ultra high net worth investors and family offices investing in real estate, privately held companies, or the highly attractive US IPO market.

GenAI and the Future of Wealth Management

Imagine that you are a wealth management client, and an urgent question about your portfolio comes up during a holiday. Instead of waiting for a response from your relationship manager, you receive instant support from a smart assistant in the form of a chatbot that provides a personalized response. And the next time you talk with your relationship manager, you discuss new investment opportunities rather than having to review old portfolio reports.

In the meantime, a relationship manager is getting ready to meet with an important client. A smart assistant helps generate tailored investment ideas and put together an advanced draft of the meeting agenda. During the meeting, the assistant provides ad hoc insights and recommendations based on market trends and past interactions with the client. Afterward, it shares its notes and suggests next steps to take.

These scenarios are now within reach, thanks to the rise of GenAI. Wealth managers have started experimenting with several applications along the value chain to enhance client experience and increase efficiency. GenAI has the potential to bring client interactions to a higher level while reducing costs and unlocking productivity across the board. As a result, it could deliver a positive shock that the industry needs to boost its long-term profitability.

BCG's GenAI in FI benchmarking survey of more than 60 major financial institutions, including many wealth managers and private banks, found that 85% of respondents believe that GenAI will be a highly disruptive and/or transformational force. But while everyone is talking about it, many players remain hesitant to fully commit, as 82% say that they lack both an overarching, longer-term GenAI strategy and short-term implementation roadmaps.

In this chapter, we showcase the most relevant current and future GenAI applications in wealth management, and we offer a comprehensive guide to help you transition from standalone use cases to full integration of GenAI into your digital transformation journey.

Exhibit 4 GenAI Has Transformative Applications Throughout the Value Chain

SELECTED APPLICATIONS

FACT

Client acquisition	Onboarding	Servicing	Internal support
Supercharged document creator Helps draft RFP/pitch documents by creating content tailored to each client's risk profile, including tailored client-outreach communication	**KYC assistant** Analyzes KYC data to accelerate onboarding and periodic reviews	**Smart assistants** Answers basic client questions, provides tailored product advice, and supports front office through compliance policies and procedural insights	**Transaction monitoring** Reduces the incidence of false positives and streamlines the process of handling alerts in transaction monitoring and client screening
Event-based lead generation Identifies liquidity or life events (e.g., job changes or promotions) through social media, targeting prospects with personalized marketing	**Smart negotiation** Leverages all existing client information to assist the relationship manager (e.g., tailored pricing recommendations based on client profile)	**RM copiloting** Assists in preparing client meetings, generating personalized investment recommendation and client communication	**Advisor retention** Lowers turnover and improves engagement through predictive indicators of attrition
Find my advisor Uses algorithms to match clients with best-fit advisors (e.g., by using a swiping mechanism)	**Fully personalized onboarding** Creates a tailored and interactive onboarding experience, including drafting of customized financial plans	**Holographic wealth advisor** Acts as an immersive, interactive holographic avatar that provides clients with personalized advice, harnessing the firm's entire knowledge base	**Training and education** Trains relationship managers (e.g., with onboarding/new products) and clients (e.g., by providing financial literacy education and product information)

FUTURISTIC VISION

Most impacted segment: All Affluent High and ultra high net worth

Sources: BCG analysis; case experience.
Note: KYC = know your customer; RFP = request for proposal.

Using GenAI Throughout the Value Chain

Opportunities to improve processes and operations exist throughout the value chain, but they are especially promising in four areas: client acquisition, onboarding, servicing, and internal support. (See Exhibit 4.)

Client Acquisition

Early adopters are now piloting the use of GenAI to support client acquisition. They are testing tools that create personalized pitch documents from various internal and external sources. In addition, in line with data privacy regulations, these tools might collect client background information from external sources and autonomously insert it into the customer relationship management (CRM) program.

A more advanced GenAI tool that could serve as a supercharged document creator may soon be available. This tool would be able to screen and summarize requests for proposals (RFPs) and draft responses while allowing a human to chat with the tool to make changes. The GenAI RFP drafting tool would have access to the wealth manager's entire repository of previous RFP responses, enabling it to easily generate high-quality drafts, ensure compliance and quality control, and minimize instances of internal misalignment and service delivery issues caused by overlooked information.

Our research and project experience indicate that these GenAI applications could reduce the amount of time that relationship managers spend on preparing documents such as RFPs and client pitches by up to 50%. Given the large manual effort that goes into prospecting professional clients, these applications should be especially powerful for banks that are active in higher-end wealth segments and in the external asset management space.

> Early pilots have found that GenAI use can raise client conversion rates significantly. In the long run, it could increase conversion rates by up to 100%.

Already, incumbents and fintechs frequently use platforms such as LinkedIn, Instagram, and Tiktok to target potential clients—especially in the next-generation market—on the basis of demographic and behavioral characteristics. Looking ahead, we expect that wealth managers will soon start identifying high-potential leads much more systematically, using large language models and other GenAI applications to browse M&A databases and news platforms to pinpoint prospective clients in connection with particular life or liquidity events. In addition, GenAI will enable wealth managers to source new leads from such categories as underserved clients within the bank's own retail or corporate networks. The GenAI application may run analytics against the bank's CRM, screening for specific client addresses or transaction patterns. A future GenAI application might match those leads directly with the best-suited advisors, comparing each advisor's client book with the prospect's personal and industry background.

Onboarding

GenAI analysis of know-your-customer (KYC) information can accelerate onboarding and periodic client file reviews. GenAI solutions ensure that the KYC files are complete, plausible, and consistent with other available information. GenAI can also help verify client identity and perform periodic reviews to keep the information current. For example, at certain intervals, the application can compare the country information in a KYC file directly against transaction patterns and media screening results. Moreover, it can automatically check the file against red flags and notify relationship managers early on if any potential concerns arise. The automated system provides immediate feedback to the front office, reducing the need for multiple iterations with KYC review teams. Industry players have observed reductions of more than 50% in the hours required for client file reviews. Several large wealth managers are partnering with specialized regtech companies to propel such efforts.

>50%

Potential reduction in working hours required for client file review

Servicing

Several wealth managers are leveraging generative pre-trained transformer (GPT) technology to introduce chatbots that serve either their clients or their staff. For example, a leading European bank is collaborating with a major tech player to use GPT technology to develop a conversational avatar that can interact with clients to provide quick portfolio insights, execute basic transactions such as automated payments, change addresses, or digest specific queries. Although banks are currently testing such applications on basic tasks with noncomplex clients, we believe that they will soon expand this technology to handle more complicated requests involving wealth management products and services. It may also be able to offer clients advice and learning opportunities that other clients in comparable circumstances such as location or income have found useful.

The same technology can provide internal support. A North American wealth manager has launched an AI assistant that can enhance relationship managers' efficiency. The AI tool receives rigorous training on comprehensive internal documents in a closed workspace and fine-tunes its accuracy through ongoing user feedback. The wealth manager equips the tool with knowhow provided by various experts at the firm—from product strategists to the CIO to market specialists—so that the relationship manager can quickly refer to this knowledge base when working with clients.

~30%

Savings potential in advisory resources for both 1.5 and second lines of defense

Beyond investment knowledge creation, a number of players are training GenAI models to analyze compliance policies, procedures, training materials, FAQs, and prior service communications. This way they can provide faster, more personalized level 1 support to the front office. The relationship manager is able to offer faster client service while also reducing the workload for the risk advisory teams. For example, the relationship manager can get quick answers to questions on required KYC documents by using GenAI-based chat solutions. Within the risk management framework created by the Institute of Internal Auditors for large banks, use cases in the wealth management industry have indicated that it's possible to save approximately 30% in advisory resources in both the management and compliance function of the second line of defense (LoD) and the fraud risk control specialists who serve as the 1.5 LoD. (See the sidebar "Transforming Compliance Processes.")

Another major source of administrative work for relationship managers involves preparing for client meetings, including assembling documentation. Most wealth managers are now testing copilot tools that provide support for tasks such as aggregating data, reviewing portfolios, drawing up reports, developing product ideas, and drafting client outreach communications. These tools will help bring virtual meetings to the next level by supplying relevant client information such as investment goals and risk profiles, generating real-time trading ideas and next-best-action suggestions, and updating the CRM system through conversational cues. Post-meeting, the GenAI tool can produce a client report, suggest next steps, and package the resulting material for final review by the relationship manager.

These efficiencies will significantly improve meeting quality and scalability while also enabling the relationship manager to spend more time with clients. A major global wealth manager aims to triple the number of portfolio reviews that a single relationship manager can conduct per week, from three to nine.

Transforming Compliance Processes

The second line of defense (LoD) plays a key role in managing and mitigating risks related to GenAI, thereby making it possible for wealth managers to use the technology. This LoD owns the risk framework and assessment, and monitors the compliance of the frontline employees, risk managers, and compliance specialists in the first LoD with GenAI-related standards. The second LoD consolidates the AI model inventory and reports on associated risks.

In our experience, financial institutions should fully incorporate GenAI-related risk into their risk landscape. GenAI will have an especially strong impact on regulatory compliance, cyber/IT/data risks, model risks, outsourcing and vendor risks, and reputational and sustainability risks. To cover these tasks in the second LoD, institutions can use various setups, ranging from fully integrating GenAI topics within the second LoD to setting up virtual GenAI risk teams, to establishing dedicated GenAI units.

But the compliance function itself must operate at maximum efficiency to accommodate a successful GenAI transformation. We are seeing GenAI use cases that will transform the way compliance reviews are conducted. However, a number of readily accessible non-high-tech approaches can reshape compliance processes, too. Here are six such approaches to compliance:

- **Front-Office Support Model.** Institutions can transform the 1.5 LoD so that, instead of being simply a control function, it works as a support and collaboration model. For example, in client file reviews, KYC analysts in the 1.5 LoD may initiate the review, prepare the file for the relationship manager, and highlight the focal points. The analysts can work collaboratively with the relationship manager throughout the review process to build deep client knowledge.

- **Risk-Based Approach.** Sophisticated and dynamic client risk rating (CRR) models that focus on more than 20 input factors can help accurately identify high-risk clients and reduce the number of clients classified as high-risk by as much as 10 to 20 percentage points. Institutions should tailor these models to specific client segments, with attention to individual characteristics and risk indicators. Combining a modern CRR with a granular KYC questionnaire and an end-to-end client life-cycle process review will ensure efficient monitoring, documentation, and decision making.

- **Compliance by Design.** This measure integrates preventive controls and direct user guidance into workflows, streamlining processes across various LoDs. The approach is effective in areas of strong growth, facilitating the work of new employees who have less experience. For example, a wealth manager might integrate cross-border regulation checks into travel booking tools to assure compliance.

- **Tailored Information and Documentation Requirements.** Using detailed risk assessments to tailor information and document requirements streamlines the compliance process and reduces interactions. For example, a team can calculate a preliminary CRR during prospecting and onboarding, which can then provide guidance to add depth to the source of wealth corroboration.

- **Early Feedback and Transparency.** A high-risk client benefits when the relationship manager can provide feedback and transparency at the outset of the onboarding process, facilitated by preliminary assessments from the compliance team. Best practices include giving clients access to an online portal where they can track the process's progress. The compliance team can provide a preliminary CRR to help reduce the effort related to onboarding and free up resources.

- **Business Insights from Compliance Data.** These insights can improve client service and advice. Establishing a unified data platform for client life-cycle management and customer relationship management enables a wealth manager to provide more customized client service. It can also reveal new business opportunities—for example, when a news screening engine identifies a company sale. Combining information from contact notes and KYC into an integrated profile will give a relationship manager a comprehensive analysis for both business and risk purposes.

GenAI will significantly reshape job functions, enabling relationship managers and their teams to focus more on the human aspects of client relationships.

Internal Support

Wealth managers are starting to use GenAI to monitor transactions and screen clients by such means as media and name screening. Early adopters are realizing significant efficiency gains in their processes for generating and handling alerts. Part of the improvement involves a reduction in the number of false positives, which results in fewer cases being escalated to the front office. One technique that they use is alert triaging, in which rule-based and GenAI-based models determine when the system can automatically close an alert. One of our clients reduced the number of false positives by more than 40%. The increased number of automated alert processes also reduces the amount of work of that teams in the second LoD must perform. In addition, GenAI-based models can prepare alert dossiers and draft suspicious activity reports from data relating to customers and transactions.

Each of these steps in the value chain typically consumes a significant amount of frontline time. In our experience with AI use cases, we have found that the time savings achieved with GenAI across the board can have a measurable impact on client experience. (See Exhibit 5.)

>40%

Potential reduction in false positives, lowering relationship managers' time spent on escalation

Exhibit 5 GenAI Can Save Time and Enhance the Client Experience Across the Value Chain

VALUE CHAIN STEP	Client acquisition	Onboarding	Servicing	Internal support
Typical frontline time allocation	5–10%	15–20%	50–60%	15–25%
Overall time savings potential with AI	**15–20%**	**20–30%**	**20–30%**	**10–20%**
Impact on client experience	Low High	Low High	Low High	Low High
Key impacts (industry examples)	Early pilots are achieving estimated conversion rate increases of up to 100%	A global player saw a >50% reduction in working hours required for client file review	A global player expects a 70% quality uplift by introducing a copilot	In a European institution, GenAI led to a 40% reduction in false positives

Sources: BCG analysis; case experience.
Note: All figures are estimations.

How Far Can GenAI Go?

There has been a lot of speculation about whether and to what extent GenAI might eliminate the need for people. Although it does have the potential to reconfigure the value chain, GenAI is unlikely to take over the human relationship manager's critical role in the near future. History suggests that GenAI—like other major breakthroughs, such as the introduction of the internet—will eventually produce operating models that strike a balance between full automation and traditional banking.

Enhancements that emerge from GenAI will pave the way to higher revenues, efficiencies, and client satisfaction. Early studies indicate that employees who use GenAI for administrative tasks are almost 30 percentage points more satisfied at work than peers who don't use use GenAI at all. As of now, we estimate potential frontline time savings of up to 30% from GenAI. Because the technology is quickly evolving and the industry is only starting to grasp its true potential, however, that figure is likely to increase.

All wealth management client segments will see dramatic changes, but we anticipate that the most significant near-term impact will be in the affluent segment. Here, the technology might soon be able to acquire and onboard prospects almost independently of a human relationship manager, while catering to the clientele's day-to-day banking needs. In the future, an advanced AI assistant might also be able to answer product-specific questions and provide personalized advice on simple products at scale, depending on the regulatory regime.

In higher wealth segments, where client needs are more complex, the technology's biggest effects are likely to come from combining high-quality GenAI-supported advice with the relationship manager's human touch. These clients greatly value trusted relationships, personalized human support, and deep understanding of their unique circumstances. In an extreme scenario—which we do not expect to materialize soon—the roles of advisors, investment experts, and other specialists may someday merge into a holographic advisor designed to work on its own or with a human. We can imagine an all-encompassing tool that will have access to the firm's vast client data and advanced servicing capabilities, and will be able to embrace a knowledge base that takes it far beyond the roles that exist today.

Action Steps for the GenAI Journey

Today, most wealth managers primarily use GenAI to enhance specific tasks rather than to overhaul entire functions or business models. As GenAI rapidly evolves, however, wealth managers can draw significantly more competitive advantage from developing a more wide-ranging view of how to incorporate the technology into their overall strategy and existing digital transformation roadmap. (See the sidebar "Distributed Ledger Technology in Private Markets.") To avoid getting stuck in an eternal "proof-of-concept" phase and to benefit from GenAI at scale, companies need to take six preliminary steps:

1. **Set a North Star and ambition level.** Base your choices on what GenAI means for the overall strategy. How far does your organization want to go in the next three to five years, and what strategic objectives should you set for enterprise-wide productivity, cost-out, and revenue growth?

2. **Incorporate the voice of the business.** This involves testing use cases with clients, relationship managers, and other internal stakeholders to prioritize the applications that deliver the biggest impact.

3. **Classify GenAI applications along the "deploy, reshape, invent" (DRI) framework.** And once you have established the DRI perspective, continuously update it:

   - **Deploy.** Develop and deploy applications that can quickly deliver broad productivity gains of up to 20% across the value chain and can easily be embedded in daily operations—such as virtual assistants that perform basic internal or external inquiries.

   - **Reshape.** Design applications that can transform critical business functions or processes rather than just scratching the surface. For example, an advanced virtual assistant can take over such tasks as conducting compliance checks, performing financial planning, and drafting client communications.

   - **Invent.** Commit to developing innovations that require a solid AI foundation and have deep transformational impact. One such potential breakthrough is a virtual wealth advisor that uses human-like capabilities to serve affluent clients.

4. **Set the investment appetite.** This step involves estimating the short- and long-term financial and nonfinancial benefits that you expect to gain from the GenAI applications. Define measurable and actionable KPIs for tracking the impact.

5. **Develop a GenAI implementation roadmap.** The roadmap should seamlessly incorporate the highest-value GenAI applications, as well as understanding their implications for your organization's overall tech stack, data capabilities and partner ecosystem, while aligning with existing digital initiatives. It should reflect what is possible, taking into account such factors as technical feasibility, investment requirements, and risk and regulatory constraints.

6. **Derive people and organizational implications.** GenAI will impact 70% or more of the workforce, so a broad review of your people strategy should focus on the upskilling, hiring, and retention measures needed to cope with the coming changes. In tandem with this effort, review certain aspects of your organization structure, such as stronger centralization of expert teams or establishment of GenAI coordination and delivery squads.

Distributed Ledger Technology in Private Markets

A comprehensive view of digital transformation in wealth management should go beyond AI to incorporate additional groundbreaking technologies. Among the existing possibilities, distributed ledger technology (DLT) stands out. This technology records transactions across multiple participants (nodes) in the network in a central ledger that is visible to all participants, without central authority. DLT uses a consensus mechanism combined with cryptography to establish a single source of truth.

Early adopters are launching DLT applications that answer various needs in the wealth management industry. For example, the technology can simplify and optimize the investment life cycle for alternative investments. The alternatives space currently suffers from significant inefficiencies due to the bespoke nature of the funds and investment processes.

One solution aims to create a readily accessible single source of truth across data and document sources to facilitate seamless workflows and interactions across all ecosystem participants, including wealth managers, general partners, fund administrators, custodians, and transfer agents. Another DLT solution focuses on transaction settlement. The application can shorten settlement times from days to hours, significantly reducing reconciliations in the process. The system can also help establish a more transparent audit trail for transaction history and can boost liquidity in a typically illiquid asset class—improvements that should enhance client satisfaction.

We believe that these early innovations present significant opportunities for wealth managers to expand their alternative investments offerings and to optimize and streamline other future workflows.

Conclusion

GenAI will transform the wealth management industry in ways that we can't fully anticipate today. Our experience with initial use cases, however, leads us to believe that wealth managers who embark on the transformation journey now will be in a position to help define that future. A digital transformation plan that includes GenAI—along with a strategy for harnessing its upside and addressing all of its ramifications—will deliver efficiencies and client enhancements that the world has only begun to imagine.

About Our Methodology

In preparing this report, we used a segment nomenclature that uses the following measures of personal wealth:

$0–$250K

Retail

$250K–$1M

Affluents

$1M–$100M

High net worth individuals

>$100M

Ultra high net worth individuals

Financial wealth represents that of the total adult resident population, collected by market and by asset class from central banks or equivalent institutions, based on the global System of National Accounts (SNA). It encompasses cash and deposits, bonds, public and private equities and investment funds, life insurance and pensions, other accounts receivable, and cross-border wealth.

We split financial wealth into investable and non-investable wealth. Investable financial wealth consists of total financial wealth minus life insurance, pensions, and unlisted and other equity. Real assets consist of nonfinancial wealth—including real estate, consumer durables, and valuables such as nonmonetary gold, artworks, antiques, and other metals valued at current prices. Liabilities include credit cards loans, mortgage loans, and other short- and long-term loans.

Approximately, 70% to 80% of a country's total wealth is sourced from central banks or monetary authorities and is very high-quality and reliable data.

For markets that do not publish consolidated statistics about financial assets, real assets, or liabilities, we conduct a bottom-up analysis with market-specific proxies in line with the SNA. Proxies originate from the market's central bank or equivalent institution.

We perform forecasting of financial wealth at the individual sub-asset-class level, using a fixed-panel multiple regression analysis of past asset-driving indicators, applying these patterns with forecast indicator values, and using a sophisticated AI/ML forecasting approach. We consistently source indicator values from EIU and Oxford Economics for the whole time series—both past and future—and we adjust future values on the basis of local market expertise and expectations where needed.

We include cross-border wealth as part of financial wealth. We calculate it on the basis of triangulations of different data sources, including publications by national financial monetary authorities, the Bank of International Settlements, the International Monetary Fund, and BCG project experience. We base our estimates of growth in cross-border wealth on assumptions regarding net inflows and outflows, appreciation and performance of current cross-border assets, and shifts of existing cross-border assets between financial centers.

Data on the distribution of wealth is based on resident adult populations by market, as well as on the use of econometric analysis to combine various sources of publicly available wealth distribution data, including rich lists. Growth rates of wealth segments account for shifts of individuals into and out of segments over time as they get richer or poorer. Hence, for example, negative growth in the lowest segment generally means that people have become richer and moved up into a higher wealth segment.

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