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A Temenos white paper

5 Key Trends Driving Wealth Management in 2023

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Executive summary

2022 was an important year for the global wealth management sector. The global pandemic saw wealth managers scramble to digitize service offerings and enable both remote servicing and distribution.

Political challenges saw an increase in global mobility and record cross border asset flows as investors sought safe havens for their capital. Looking ahead to 2023, we see a number of challenges for the global economy.

Supply chain issues and pandemic drive monetary policies have led to a cost of living crisis in many parts of Europe. Rising interest rates, volatile markets and Inflation spikes look set to continue for some time.

Perhaps more than ever, investors will seek guidance from their trusted wealth advisers who themselves will need to be prepared to navigate these complex and uncertain times.

The most progressive and forward looking institutions will use this period as a time to refine their strategy. To identify key trends and invest. To increase operational efficiency and to minimize unnecessary costs. To enhance their product and service offering and, by doing so, to emerge in a strong position as normality resumes.

These are just some of the key trends that we anticipate will be top of mind for key decision makers in wealth management throughout 2023.

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Fintech Adoption

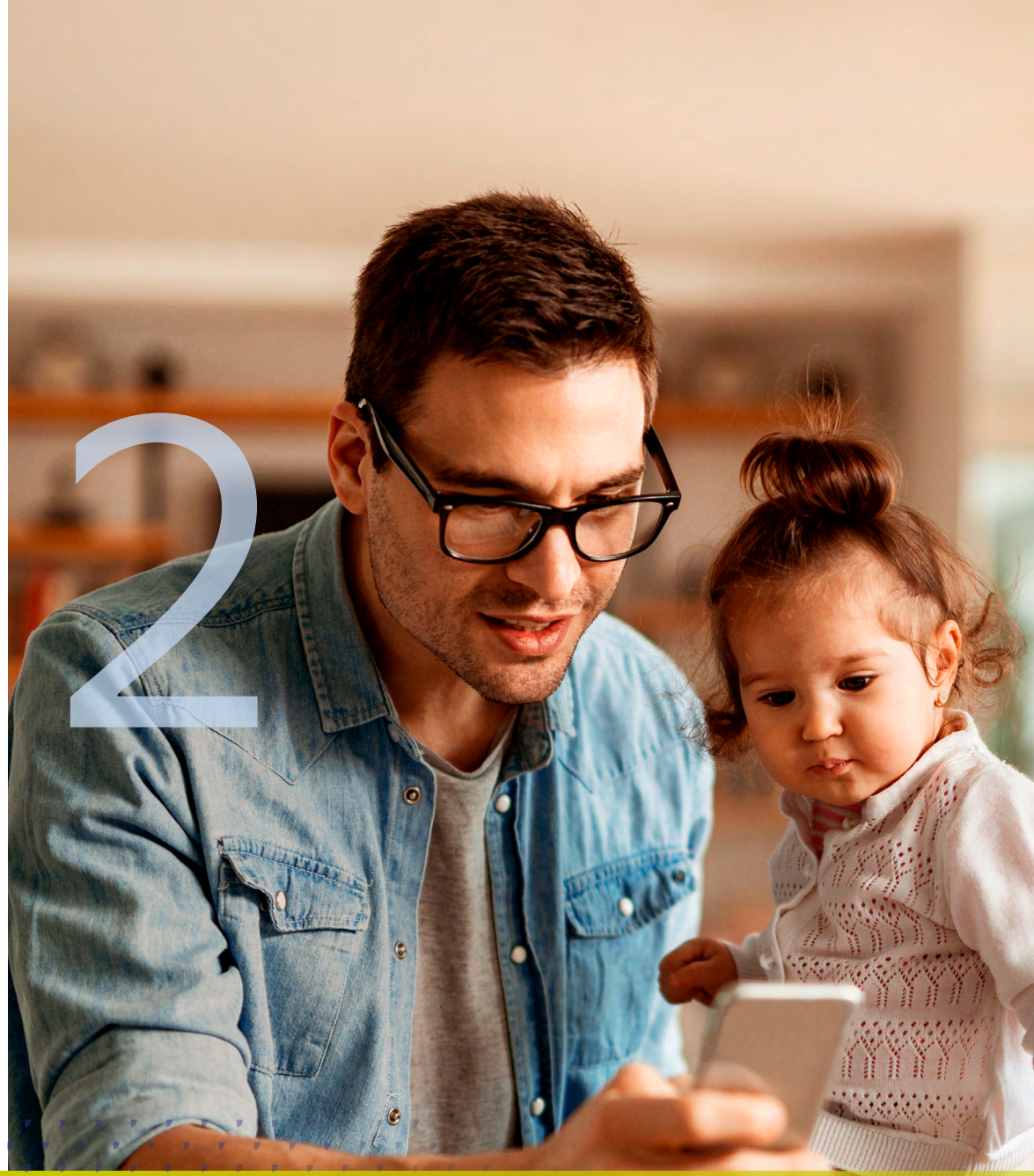
With rising costs and clients demanding more than ever, wealth managers, especially those in larger and less specialized customer segments, will recognize that the rapid ability to enhance a product or service offering may best be achieved by outsourcing to a specialist service provider or vendor.

In more specialized areas, for example, news and content management or crypto trading we anticipated more widespread adoption of bank / fintech partnerships. Clients themselves may seek out direct relationships with well-established fintech providers to meet some of their wealth management needs, especially from those 'non-financial institutions' with whom they already enjoy a trusted relationship, for example telcos or super-app providers.

The Generational Wealth Transfer

With an estimated 40 to 60 trillion dollars set to change hands from the original baby boomers to their Gen X and Millennial children, this trend will remain of critical importance to wealth managers focused on higher net worth clients.

In addition to ensuring that the organization has a service offering in place that will appeal to a younger client base, they will also wish to ensure that their clients are able to receive valuable advice in complex areas such as healthcare, retirement planning and inheritance tax.



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Environmental, Social & Governance (ESG) compliant frameworks

Multiple studies have shown that a younger generation of investors are seeking investments that reflect their underlying values and those that are not willing or unable to address client demands for ESG compliant portfolios risk losing those clients to other service providers.

The product landscape (including our own) has evolved to ensure there are now a number of tools available to assist in the implementation and execution of a robust ESG framework, yet wealth managers still appear reluctant to embrace these concepts as a core pillar of their service.

The myth that ESG compliant portfolios may lag non-compliant portfolios no longer hold true. Over 90% of S&P 500 companies voluntarily release some aspect of sustainability information to the market and many (including Temenos) have set their own sustainability targets. The universe is now broad enough to enable wealth managers to build solutions that can drive returns whilst still reflecting the values of the investor.

Hyper-personalization

One of the most common criticisms aimed at large financial institutions is that they do not sufficiently know or understand their customers. The ability to leverage existing customer data in a structured manner will enable the creation of insights that may lead bespoke or semi-bespoke proposals. These will, at the very least, create a perception of a unique, tailored offering that if formulated correctly, is more likely to appeal to the selected sub-set of customers.

As our ability to leverage both structured and unstructured client data and as we see more focus on reducing operating costs and growing market and wallet share, we anticipate a much wider adoption of data analytics to drive hyper-personalization at scale.

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Personalized or custom indexing

Reflecting rising trends focused on hyper-personalization and ESG, we see a rapid growth in personalized or custom indexing. Advances in technology have helped to ease the associated administration burden making this financially viable for a new range of potential investors.

Personalized indexing will enable clients to undertake better tax planning and to take advantage of tax loss harvesting to minimize liabilities. Likewise they can reduce concentration risk which is important given the dominance of some companies making up the world's largest markets.

Finally, they can use personalized strategies to more easily create custom portfolios that reflect their social values but still enable low management costs and significant diversification.

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Eric Mellor is a wealth specialist at Temenos, responsible for bridging the gap between customers and vendors, working with banks to define their wealth management goals and ambitions and translating these to practical, effective technology-driven solutions.

About Temenos

Temenos (SIX: TEMN) is the world's leading open platform for composable banking, creating opportunities for over 1.2 billion people around the world every day. We serve two-thirds of the world's top 1,000 banks and 70+ challenger banks in 150+ countries by helping them build new banking services and state-of-the-art customer experiences. The Temenos open platform helps our top-performing clients achieve return on equity three times the industry average and cost-to-income ratios half the industry average.

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