

What Is a High-Net-Worth Individual (HNWI)?

High-net-worth individual (HNWI) is a person or family with liquid assets above a certain figure. The term is often used by the financial services industry. Although there is no precise definition of how rich someone must be to fit into this category, high net worth is generally quoted in terms of having liquid assets of a particular number. The exact amount differs by financial institution and region but could range from people with a net wealth of 6- to 7- or more figures.

The VHNWI classification—very high-net-worth individual—can refer to someone with a net worth of at least \$5 million. Ultra-high-net-worth individuals (UHNWI) are defined as people with investable assets of at least \$30 million, usually excluding personal assets and property such as a primary residence, collectibles, and consumer durables.

Understanding High-Net-Worth Individuals

A high-net-worth individual classification generally qualifies for separately managed investment accounts instead of regular mutual funds. This is where the fact that different financial institutions maintain varying standards for HNWI classification comes into play. Most banks require that a customer have a certain amount in liquid assets and/or a certain amount in depository accounts with the bank to qualify for special HNWI treatment.

The most commonly quoted figure for membership in the high-net-worth club is around \$1 million in liquid financial assets. An investor with less than \$1 million but more than \$100,000 is considered to be "affluent" or perhaps "sub-HNWI." The upper end of HNWI is around \$5 million, at which point the client is then referred to as "very HNWI." More than \$30 million in wealth classifies a person as "ultra HNWI."

HNWIs are in high demand by private wealth managers. The more money a person has, the more work it takes to maintain and preserve those assets. These individuals generally demand (and can justify) personalized services in investment management, estate planning, tax planning, and so on.

Where Do HNWIs Live?

The Capgemini World Wealth Report reveals that as of 2017, the United States had the most HNWIs in the world, at more than 5.28 million, and seeing 10% growth in its HNWI population from 2016. The entire HNWI population globally grew by 11.2% in 2017.

Moreover, 61.2% of the global HNWI population reside in four countries: the United States, Japan, Germany, and China. The major country with the largest increase in HNWI population for 2017 was India, growing 20% from 2016. South Korea had the second-best growth, with a 17% increase. North America had 31.3% of the HNWI population, and Asia-Pacific had 34.1%. Of the HNWI population in North America, the U.S. made up 96% of the continent's HNWI population.

Europe saw a 7.3% growth in HNWI population for 2017, with Germany growing by 7.6%. Ireland posted the highest HNWI population growth in Europe, coming in at 15.3%. Meanwhile, the HNWI population for the U.K. was just 1.2%. Sweden was the only market to jump two places in the HNWI population ranking, coming in at 23rd, and posting 14% HNWI population growth.