Asia's affluent getting younger, bolder with higher risk appetite

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Asia's wealthy ranks, despite their trademark entrepreneurship, are definitively conservative in personal wealth management, with a particular fondness for cash and probably real estate. They are risk-averse and invest predominately at home.

But a group of newly rich is quietly changing the equation. 'Something quite different from this year is, the average affluent Asian is getting younger, particularly in China and India, probably the result of fast-growing economy and the wealth being created,' said Bruno Lee, regional head of wealth management of HSBC.

The mass affluent in China age 36 on average, the youngest of all nine markets surveyed by HSBC in its third annual Affluent Asian Tracker, followed by two other big emerging economies - Indonesia at 38 and India at 39 - compared with 48 in Hong Kong, the oldest. Singapore stands in-between at 44.

This group of newly rich displays distinct investment preferences. 'Developing Asian customers have higher risk appetite, compared with those in developed Asian markets. They are younger, willing to take more risks and have higher earnings power,' said Mr Lee in a chat following the release of the bank's latest survey yesterday. 'They like to try out new things, outside their home base.'

For the first time, about a fifth of affluent Indians and mainland Chinese plan to invest in the next six months in structured products (despite toughening regulations in many Asian countries in response to the 2008-2009 financial crisis), such as the less complex, high-yielding variety related to foreign exchange, as well as in bonds, which is a new type of investments for Asia as a whole, and not just in developing Asia. In China, where risk appetite is highest among the region, as much as 16 per cent of the affluent plan to try their hands on foreign exchange for the first time this year, and a third of them are single or double income without kids, the highest proportion of all markets.

These are affluent individuals in the top 10 per cent income brackets of the population, with average liquid assets or mortgage value of US$190,000 region-wide. Those in Hong Kong have the most liquid assets at their disposal, at US$315,116, followed by US$296,297 in Australia and US$293,774 in Singapore.

One surprise is China, where the affluent is catching up fast, with as much as US$159,253 in liquid assets, higher than US$118,750 in Malaysia.

Across Asia, the survey found affluent Asians on average stash about half of their liquid assets in cash, in local currency, consistent with previous findings. The most cash-addicted are found in Indonesia, where a stunning high 77 per cent of liquid assets are in cash, compared with the region's lowest, of 42 per cent, for the affluent in Hong Kong. Stocks, predominately domestic-listed, constitute nearly a quarter of liquid assets for affluent Asians. Those in China, Singapore and Taiwan stand out for being most active in stock trading, with all conducting more than 30 trades in the past year. Singapore, in particular, led with the highest investment in stock, of US$113,207.

Foreign assets remain low in their allocation: Foreign currency deposits make up less than 10 per cent of an average portfolio, at about US$140,000. When they do invest overseas, it is done with the closest neighbours, most prominent featured in cross-border investments between Singapore and Malaysia, and between Hong Kong and China. A high 64 per cent of affluent in China have chosen Hong Kong as the destination to conduct international investments and open accounts.

The survey found strong investment appetite among the affluent in Hong Kong, China and India in the next six months, but that was before the recent global financial turbulences. 'In general, Asian investors have cautious risk appetite,' said Mr Lee.

One new product, the Chinese Renminbi deposits, attracts particular attention from one in 10 affluent in Hong Kong and Taiwan who plan to be first-time investors by year-end.

The survey does not include real estate, a less liquid but popular investment for Asians, but Mr Lee acknowledged it is an important part of Asian wealth and it may account for a bigger share than stocks.

The results were taken from a sample of 4,408 individuals randomly chosen for face-to-face interviews conducted from March to May by Nielsen, except in Australia where the survey was conducted online.

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