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Local investment firms vying for piece of millionaire club pie

Economists project that Western Canada will have country's fastest growth in affluent Canadians

Richard Chu

The millionaire club in Western Canada is projected to grow faster than anywhere else in Canada.

That, according to Keith Sjogren, director of strategic consulting for Investor Economics, bodes well for financial advisers and investment managers based out in B.C. and the rest of the west.

"Advisers that are in Vancouver and Calgary should stay there," Sjogren said. "Don't come east. There are too many here [in Ontario], and you've got a better market in the future."

Currently, about 16% of Canada's millionaires are in B.C. and 14% are in Alberta. That compares with 38.5% in Ontario and 21% in Quebec. Most are what Sjogren calls mass-millionaires, who have between \$1 million and \$5 million in liquid financial assets that exclude real estate holdings.

Sjogren estimated that the gap between the two western provinces and Ontario and Quebec will narrow over the next 10 years.

Demographics also show that the number of Canadians with financial assets between \$500,000 and \$1 million is also expected to almost double by 2016 to 749,000 from 382,000 in 2006.

Vancouver's Phillips, Hager and North Investment Management Ltd. has been one of the first out of the gate to service this segment of the wealth market. Since 1964, the investment services firm has been servicing private clients, non-profit organizations and institutional investors. Out of its more than \$69 billion in assets under management, \$13 billion belong to private clients and their families.

Other firms, however, are also tapping the growth in the number of high-net-worth households. London, U.K.-headquartered CMC Markets, which offers derivative and foreign exchange trading services for investors with \$500,000 in net worth, opened its first retail-level office in Vancouver last year to service growing demand for its products in Western Canada.

Serge Lacroix, CMC's Vancouver general manager, noted that the business has consistently met its monthly targets. He added that CMC plans to open offices in Calgary to tap a growing market there that the Vancouver office is currently serving. The firm also received an Investment Dealers Association licence a few weeks ago that will expand its offerings beyond its limit of servicing accredited investors with at least \$500,000 in net worth.

Adrian Mastracci of Vancouver's KCM Wealth Management has also seen significant growth in his business managing discretionary accounts valued mainly in the \$1 million range. He credits his firm's growth both to expansion in the affluent market and from clients seeking second opinions.

But B.C.'s credit unions have also invested more time and resources in providing wealth management services to affluent customers. In 2000, Vancity launched an aggressive growth plan to provide wealth management for all its members.

It now has in-branch investment specialists for members with net assets of up to \$150,000 and investment advisers for clients with net assets between \$150,000 and \$400,000. It offers discretionary investment services for clients with assets with more than \$400,000 through its Vancity Investment Management Ltd. (VIM) subsidiary.

A boutique offering, VIM has seen percentage growth in the low double-digit range, according to Rick Siekski, Vancity's senior vice-president of member services.

He said the growth is being driven by such factors as demographics and the increase in the number of people who have between \$500,000 and \$1 million.

The North Shore Credit Union has also seen significant growth in the segment. It reported a 40% revenue increase in its wealth management segment in 2007 and a 50% increase in assets under management to \$300 million from \$200 million in 2006.

NSCU's president and CEO, Chris Catliff, said the credit union has spent the past five years tailoring itself to service affluent Canadians.

"A credit union is supposed to focus on a segment, and historically it came from focusing on different employee groups ... and we have changed our whole credit union focus on the mass affluent and emerging wealthy as a segment, because they're so prevalent here on the North Shore and in the Sea to Sky [corridor]."

Catliff said the credit union's goal is to increase its revenue from its wealth management division to 30% of total revenue from its current 7%.

"It's the fastest growing part of our revenue," he said. "We're following the baby boomers. We're following the demographics, and we think it has a very bright future that serves a definite need." •

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They're in the money

Number of millionaire households by province (2006):

BC: 77,000 (16.4% of national total)

Alberta: 68,000 (14.4%)

Saskatchewan: 13,000 (2.7%)

Manitoba: 12,000 (2.5%)

Ontario: 181,000 (38.5%)

Quebec: 100,000 (21.2%)

Atlantic: 19,000 (4%)