



## The Hispanic Wealthy: The Next Big Wave in Financial Services

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Mention the term "wealthy Hispanic" to most Americans and many are likely to think of celebrities such as New York Yankee pitcher Alex Rodriguez, TV personality Geraldo Rivera, actress Jennifer Lopez, and singer Gloria Estefan. Many others are prone to regard the term as an oxymoron, associating Hispanics exclusively with lower-skilled service occupations.

The reality is that Hispanic High Net Worth Individuals (HHNWI) form one of the most dynamic, fast-growing, and lucrative niches in the U.S. marketplace.

The last decade has witnessed a 126 percent increase in U.S. Hispanic households making more than \$100,000 per year – a total net worth of half a trillion dollars. Five geographic markets – Los Angeles, New York City, Miami, Houston and Chicago – represent over 45 percent of the total affluent Hispanic market.

Affluent Hispanics are not a homogeneous group but comprise, for the most part, four attractive sub-segments:

- **Heavy hitters.** Age 50-70; 250K+ annual income; Ivy League grad; executive/established entrepreneur; second generation; bilingual/bicultural; need education, estate planning, retirement services.
- **Young professionals.** Age 35-50; 175K+; highly educated; first generation; highly mobile; acculturated and bilingual; need asset management; financial/educational planning; mortgages.
- **Immigrant entrepreneurs.** Age 45-70; 150K+ annual income; educated in home country; senior executive/entrepreneur; bicultural; international; conservative; inherited and created wealth; needs comprise real estate; secure/principal protected investments; banking, FX, and cash management services.
- **Small business owners.** Age 35-65; 750K+ in annual sales; limited education; first generation; not acculturated; cash is king; prefers Spanish; needs retirement (401K) and cash management and banking services.

Financial services firms are competing heavily for this market. Citigroup's outreach to Hispanics entails innovative product development, a national focus, linkages with Hispanic Chambers of Commerce, and bilingual materials. Bank of America's priorities are strong brand awareness in 40 Hispanic markets; customized programs based on length of time in the USA, and language. Goldman Sachs is strategically positioning itself to penetrate the Hispanic market as well. Over the next five years the company's merchant bank plans to spend as much as \$50 million buying up marketing and advertising companies that cater to the growing Hispanic population in the U.S.

However, no financial services firm has as large a footprint, recognition, and credibility among affluent Hispanics as Merrill Lynch. In fact, the firm's Hispanic base has grown faster than its overall client base. Active involvement in local corporate communities nationwide and the development of strategies for penetrating specific geographic areas give Merrill Lynch a competitive advantage. The firm's sponsorship of Arte Americas, the world's premier Latin American art fair, attracts hundreds of affluent Hispanic clients.

As the size, wealth, and diversity of affluent Hispanics grow exponentially, financial services firms should shape their strategies with the following in mind. First, HHNWI are very familiar with retirement planning (although only one-third have a financial plan) as well as stocks and bonds, but lack knowledge about hedge funds, structured products, and managed future funds. Consequently, this creates a significant opportunity for financial firms to educate and advise affluent Hispanics about the risks and rewards of these products.

Second, a younger generation of HHNWI is more knowledgeable, sophisticated and demanding in terms of products and services. They will force financial advisors to be at the top of their games to keep them satisfied. Third, Hispanic business owners and their

companies – a sector growing at 25 percent annually – offer a mother lode of opportunity. The owners of these enterprises (more than two million businesses, generating nearly \$300 billion in revenue) have a multitude of financial needs. Fourth, thanks to wealth generated in the region as well as wealth fleeing out the region (courtesy of Messrs. Chavez, Morales, and Correa), affluent Latin Americans and their offspring are enlarging the size of HHNWIs residing (part-time as well as full-time) in the U.S. Their particular financial needs must be met, as well.

In their best-seller of a few years ago, *The Millionaire Next Door*, the authors found a growing group of individuals who are not caught up in today's earn-and-consume culture, allocate funds efficiently in ways that build wealth, and ignore conspicuous consumption for the most part. Affluent Hispanics are no exception.

That millionaire next door may be named Wellington, Saunders, or Gilmore. But in the near future, do not be surprised if the surname is Perez, Jimenez, or de la Vega. Financial services firms would be wise to develop a winning strategy, plans and timetable to ride the next wave in financial services – the affluent U.S. Hispanic market – *now*.

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