

Largest Transfer of Wealth in History Brings Opportunity and Anxiety for the Wealth Management Industry

Description

In 2016, **Canadian Imperial Bank of Commerce** estimated that there were 2.5 million Canadians over the age of 75 with a combined net worth of \$900 billion or more. Beneficiaries of this coming transfer of wealth, the largest in Canadian history, will mainly be those between the ages of 50 and 75. According to CIBC, the average inheritance received by this demographic over the past decade was \$180,000.

After the 2008-2009 Financial Crisis, the stock market has seen tremendous gains, and housing valuations have ballooned. It stands to reason that this average inheritance is going to see expansion in light of these developments.

The top asset managers in Canada are going to be watching closely, and the competition for this wealth transfer, as well as the fight for retention, is going to be fierce.

CI Financial Corp. ([TSX:CIX](#)) is one of Canada's largest investment fund companies. It operates through CI Investments, financial and wealth planning industry leaders like Assante Wealth Management and Stonegate Private Counsel as well as Grant Samuel Funds Management and First Asset Capital Corp. The financial planning and wealth management industry has experienced challenges with the rise of services offering reduced fees, such as online direct brokerages and robo-advisors.

The transfer of wealth combined with the rise of these alternative financial planning services has the potential to make companies like CI Financial nervous. However, data shows that the beneficiary generation between the ages of 50 to 75 still feel most comfortable with an advisor. The millennial generation, however, is increasingly mistrustful of advisory services and far more likely to use online services that provide simplified solutions.

A 2015 study from Chicago-based Spectrum revealed that a quarter of American millennials did not use a financial advisor. A further 40% said that they were open to using a robo-advisor. This technology is still relatively new, and priorities are subject to change with age. Still, these numbers should be making those in the wealth management industry anxious. Assets controlled by millennials in the U.S. and Canada are set to more than triple between 2018 and 2061.

In its May quarterly report, CI Financial reported that average assets under management were \$119.4 billion in Q1 2017 — an 11% increase from the same quarter in 2016. It posted gross sales of \$4.6 billion — up 29% from Q1 2016. The company revealed that earnings per share increased 21% to \$0.51.

CI Financial will hold a conference call on the afternoon of Thursday, August 10. The stock has declined 10% in 2017, but it has still seen an increase of 1% from the same period in 2016. It also boasts a dividend of \$0.12 per share, representing a dividend yield of 5.44%.

Investors can feel good about adding a stock with a 5% dividend yield to their portfolios. The share

price has suffered in 2017 in spite of a positive Q1 earnings report. An impressive second quarter could bode well for the final third of this year.

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