



Wealthsimple's \$5 Billion Valuation: Why Big Banks Should Take Note

Description

Should the big banks in Canada feel threatened by [Wealthsimple](#)? The [digital wealth manager's valuation](#) soared to \$5 billion after raising \$750 million in its latest funding round early this month. Digital platforms could win over younger Canadians, which traditional banks are eyeing to grow their customer base.

Wealthsimple is a seven-year-old money management platform that aims to bring investment management services to millennials. According to its CEO, Mike Katchen, Wealthsimple is now the springboard of over one-and-a-half-million users to build wealth.

Digital generation

The wealth demographics in North America are fast shifting to the younger millennials, or the digital generation. Technology is undoubtedly reinventing the way investors interact, communicate, and make decisions.

Wealth industry analysts believe real-time analytics, AI, virtual reality, and blockchain technology will cause a transformational change in the next five years. The heightened interest of some of the world's leading investors could make Wealthsimple the leading edge of the massive transformation in the financial services industry.

Simple but most powerful financial products

Wealthsimple's growth is rapid. The commission-free retail investment platform has captured a generation of financial consumers, because its financial products are simple but powerful. Besides stock trading, the FinTech giant democratizes financial products for consumers through peer-to-peer money transfers and crypto-asset sales.

Millennials want providers to meet their expectations. Since convenience is topmost in their minds, Wealthsimple leverages technology and capitalizes on this preference by offering services like

automated investing, saving & spending, and tax filing.

Expect Wealthsimple to grow its customer base with the launching of Wealthsimple Shariah World Equity Index ETF. The said ETF on the NEO Exchange targets the emerging sector of Islamic finance. Wealthsimple Shariah primarily consists of Shariah-compliant equity securities in developed markets anywhere in the world.

Digitizing SMEs

In the banking sector, **National Bank of Canada** ([TSX:NA](#)) is at the forefront of digital transformation. Canada's sixth-largest bank is also the leading franchise in Quebec. This super-regional bank helps small- and medium-sized enterprises (SMEs) go digital to better compete in the marketplace.

Operio, or Operational Intelligence for SMEs, is National Bank's cloud-based accounting consulting solution for SME growth. The solution is exclusive to the customers of this \$30.83 billion bank. The bank prides itself on having the expertise to accompany businesses in digital transformation.

Investing in its platforms to deepen client relationships is an ongoing concern. National Bank combines technology and advisory services to render a more personalized approach to customers. The bank owns 80% of Credigy in the U.S. and 100% of ABA Bank in Cambodia.

Wealthsimple isn't a publicly listed company. If you want to [invest your free money to make more money](#), National Bank is a reliable source of passive income. At less than \$100 per share (\$91.56), the bank stock pays a decent 3.1% dividend. In the last 20 years, the total return is 1,425.82% (14.58% CAGR).

Up to the challenge

Wealthsimple is at the right time and the right place. While the FinTech giant is a competitor and attracts the millennial generation of the internet era, Canadian banks have enormous financial resources to invest in technology and compete in the digital world. Also, they have been around for centuries and have endured the worst recessions in history.

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