

Back to the Future in Private Banking

Mar 27, 2023 - 07:00

| Sacha Fedier, VT Wealth Management

2 minute read

IFMs have advantages over banks: they are not tied to a particular banking service or a limited number of investment products.



Advances in technology and changing customer needs have led to fundamental changes in the way financial service providers operate. While some of the traditional strengths of private banking, such as trust and discretion, remain important, one of the most important virtues – individuality – suffers. This is where the industry must adapt and find new ways to meet the needs of its customers again.

BENEFITS OF PERSONALIZATION

Clients expect tailored investment strategies and personalized advice. Traditional private banking can meet these expectations by building closer relationships with clients and better understanding their specific needs and goals.

But for that, the adviser would have to be able to remain loyal to the clients for years. And customers should be supported comprehensively and holistically based on their individual needs. This is a virtue of traditional private banking, but not necessarily the strategy of today's financial managers.

Some even argue that banking could actually become a “commodity” due to increasing competition and regulations. They are increasingly standardized, individual follow-up is increasingly offered only to private clients whose wealth greatly exceeds 10 million francs.

THE CHANCES OF DIGITIZATION

This is very unfortunate, because the latest technology makes it possible to understand customers better and to create tailor-made investment strategies, even from an investment fortune of significantly less than one million francs. Some tools allow, for example, the use of fractional positions, which makes it possible to reproduce complex investment strategies even on a small scale.

The "fine tuning" remains the prerogative of the client advisor, respectively of the portfolio manager.

Artificial intelligence and machine learning help analyze customer data and develop a better understanding of their needs. The "fine tuning" remains the prerogative of the client advisor, respectively of the portfolio manager.

Financial service providers need to be able to use innovative technologies to deliver more efficient and cost-effective services. Online platforms, automated investment strategies and monitoring processes can improve client retention and reduce administrative burden. However, this requires technical knowledge and a significant investment.

A WISE COLLABORATION

Collaboration is another important trend in private banking. Financial service providers must be able to cooperate with other players in the sector worldwide, who bring a wide range of expertise, whether in the field of corporate banking (financing/M&A/MBO & IPO), private market, real estate (off-market & mortgages), art financing or crypto/blockchain.

In this area, large banks are usually very limited and cannot make decisions freely and flexibly, although such networks allow the development of innovative solutions and better meet customer needs.

ADVANTAGES OVER BANKS

Independent wealth managers do indeed have a few advantages over banks: they are not tied to a particular bank or a limited number of investment products. This gives them the freedom to develop bespoke investment strategies and select the best products and services. They can thus better respond to the specific needs and objectives of their customers.

Due to simpler hierarchy and clear ownership structures, independent wealth managers are generally more flexible in implementing investment strategies. They can thus react more quickly and more effectively to market developments and changes in their clients' investment behavior and adapt their investment strategies in order to minimize risks and maximize returns.

Additionally, independent wealth managers are often more transparent about their fee structure and the investment decisions they make. This allows clients to better understand how their money is invested and what fees are applied. This transparency is essential for building trust, which in turn is the basis of a lasting relationship with the client.

Although, on the whole, independent wealth managers can offer true private banking compared to most banks due to their independence, client-centricity, flexibility, transparency and specialization, it is important for the Swiss financial center that banks in general do not lose touch and revive the virtues that have proven themselves. It must be ensured that the traditions of Swiss private banking can be carried forward into the future, subject to certain adaptations. By integrating technology, sustainability, education and collaboration, traditional private banking can remain relevant in the modern financial world.



Sasha Fedier
CEO and owner

Sacha Fedier is CEO and owner of VT Wealth Management, an independent Swiss wealth manager.



VT Wealth Management AG, Zurich, is managed by Sacha Fedier (CEO & owner), employs more than 30 people and brings together the best of two worlds: the relevant values of classic private banking with the use of the most modern. VT is therefore synonymous with vision and tradition. Client portfolios reflect the holistic approach to investment strategy as well as skillful diversification.