

UBS's tie-up with Wealthfront brings in younger customers and the tech they love

Article

The news: Swiss bank **UBS Group AG** will buy the robo-advisor **Wealthfront** for \$1.4 billion, per a press release. Founded in 2008, Wealthfront oversees \$27 billion for over 470,000 US

clients, focusing on affluent millennial and Gen Z investors, which [number](#) 130 million in the US alone. The deal is expected to close during H2 2022.

What are UBS's plans for Wealthfront?

- It's a [May-December](#) marriage. UBS CEO Ralph Hamers [said](#) the deal would help his 150-year-old [company](#) grow its US business. He added that Wealthfront's solution fits in with its strategy of targeting high-net-worth and ultra-high-net-worth individuals (HNWIs and UHNWIs).
- UBS [plans](#) to use Wealthfront as a foundation for its new digital offering.
- It also will [add remote human advice](#) to Wealthfront's digital-only offering through its **Wealth Advice Center**, which serves its core affluent clients, and **Workplace Wealth Solutions**, which is available to employees of corporate clients.

The last of the disruptors: Digital-first, mass-market-friendly upstarts like Wealthfront [gained traction](#) after the US financial crisis thanks to their affordable, well-designed digital wealth management solutions and consumer [distrust](#) of larger FIs.

- The robo-advisors' growth was admirable despite operating on thin margins—but their large customer bases were expensively acquired. They [struggled](#) to build their brands and achieve scale.
- Incumbents were quick to launch similar functionality, and many offered it for free. **Vanguard** leads the space now with over \$200 billion in assets, and **Schwab** has over \$60 billion.
- Wealthfront rivals **Robinhood** and **SoFi** made it to IPOs. Empower Financial bought **Personal Capital** for roughly \$1 billion. **Betterment** is now alone as an independent, and newcomers are increasingly unlikely.

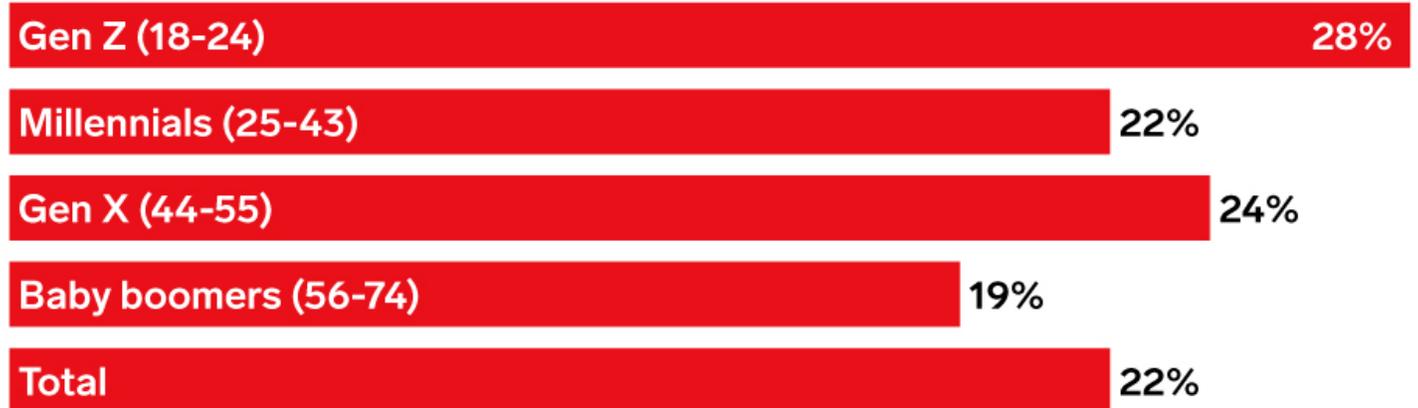
What the acquisition means for UBS: UBS is future-proofing its business against the upcoming **great wealth transfer**—when baby boomers, who are the incumbents' current clients, bequeath an [estimated](#) \$30 trillion to \$68 trillion to their millennial and Gen Z adult children.

- HNWIs control [more than one-third](#) of the investable assets in the US—and more than 67% are older than 60. On average, [52% of financial advisors' clients are 60 or older](#), according to Cerulli Associates.

- As those clients pass on wealth to the next generation, firms that stay focused on wealthy older clients and traditional investing could fall behind as their clientele ages and shrinks.
- Advisers at incumbents like UBS are strategizing about how to reach out to millennials, but they have to cross a generational gap: Roughly half of brokers at US wealth management firms are over 55, according to Cerulli Associates, and UBS is in line with the average.
- These advisors may not be as tech-savvy as what Deloitte calls the new “re-wired” investor, who increasingly turns to digital and mobile tools to take control of their finances. According to MagnifyMoney, 29% of Gen Zers would prefer a robo-advisor over a traditional financial advisor, compared with just 18% of all consumers surveyed.
- Gen Zers tend to distrust conventional financial institutions and question whether these companies really understand their attitudes and needs. Friends and family were the top sources of financial advice for all age groups, including Gen Z, and all income levels. More than half (53%) of Gen Zers got financial advice from friends and family, compared with 44% for millennials, 37% for Gen X, and 25% for baby boomers, perCreditCards.com.
- Through Wealthfront, UBS acquires a sizable customer base within the millennial and Gen Z demographic. It also gets the digital tech and an omnichannel experience needed to reach out to them.
- Adding carefully targeted assistance and services that emphasize personal connections could also appeal to Gen Z: Before the pandemic, Civic Science found that Gen Zers were “a throwback when it comes to in-person banking.”

US Internet Users Who Began Investing for the First Time During the Coronavirus Pandemic, by Generation, Aug 2020

% of respondents in each group



Source: Stash and LendingTree, "Stash and LendingTree Team Up to Uncover COVID-19's Impact on Americans' Personal Finances," Oct 5, 2020

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