

## International Wealth Management Model and Construction of Wealth Management System with Chinese Characteristics

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**Abstract:** Wealth management business in China has just started in the initial stage of rapid development. In this context, this paper illustrates the international wealth management model and development process, and discusses the current situation of China's wealth management and the difference with the international wealth management mainstream model, based on which wealth management model with Chinese characteristics is constructed.

### 1. Introduction

Wealth management is a financial institution entrusted by customers to avoid financial risks and realize wealth appreciation. It plans its assets through financial tools and services, manages customers' assets and liabilities, and meets customers' financial needs at different stages. In recent years, this emerging financial industry has shown a strong momentum of development in the world. Wealth management can be invested in a wide range of areas. Rich products are provided and there is also a wide range of manageable wealth and allocated products. At present, the international scope of wealth management includes: cash deposit and management, debt management, personal risk management, insurance plan, investment portfolio and management, retirement plan and inheritance arrangement.

Many scholars have conducted comprehensive research on the global trend, current situation and prospect of wealth management in China in recent years. Lu Hongjun (2006) pointed out the challenges and opportunities of China's wealth management capacity building through the comparison of Chinese, American and Japanese wealth management professionals. Jiang Xuejun (2017), by describing the specific conditions of different people in different countries, proposed that appropriate schemes should be made for different customers, long-term investment plans should be considered, and diversified allocation should be carried out from the perspective of currency, industry and investment tools under the circumstance of innovation. Xu Ying (2017) discussed the trend of wealth management from the perspective of the trend and characteristics of wealth management and the requirements and conditions of wealth management in China, and emphasized the importance and urgent need of wealth management talents. Zhao Xin (2014) described the general situation of the development of wealth management in China, and pointed out the development obstacles of wealth management in China by analyzing and comparing international wealth management models. Xin Shuren (2015) analyzed the development trend of the wealth management industry, and defined the risk barriers and regulatory measures of the wealth management industry. Li Xiangyu (2016) analyzed the potentials and challenges in the wealth management market in China. He claims that China should not only learn from the successful experience of Switzerland and other countries, but also introduce the best practices to its home in order to enter the era of wealth value services. Tang Jia (2019) states that there are still many problems in the process of wealth management development in China, which urgently requires transformation and upgrading. He proposed six transformation strategies based on the differences between China's wealth management service mechanism and residents' wealth management demands as a valuable reference for the wealth management industry in China.

## **2. Development Trend of International Wealth Management**

After the financial crisis, the global wealth management market has undergone profound changes. From the perspective of the evolution path of American wealth management market, wealth management is undergoing the market evolution from "consultant mode" to "authorized management". Prior to the 1990s, most of the services provided by investment advisers to investors were limited to providing investment advice and reports, and they did not operate accounts for clients. Only a few investment advisers provided account authorization management services. The licensing of personal investment accounts used to be a service that private banks provided to high-end clients. Starting in the 1990s, asset management companies began to offer authorized management services to high-end investors, with minimum investment as low as 25000 dollars. However, due to the fact that the majority of investors are disappointed with the market returns, more and more investors turn to professional managers for paid authorization management services. Managers who authorize the management of accounts generally do not charge investors traditional trading commissions, but rather a certain amount of management fee based on the total assets under management. At the same time, the service of wealth management industry is expanding from bank brokerage to consulting and butler service in the early days, and the degree of specialization is getting higher and higher. Currently global wealth management displays the following new trends:

To begin with, the asset allocation of clients in wealth management is becoming more and more diversified and professional. Diversification is reflected from two aspects. One is the diversification of the product itself, which involves different fields. On the other hand, it refers to the diversification of investment subjects. Investment subjects are not only individuals or families with high net worth wealth, but also all kinds of public and private funds, university funds and pensions. Different wealth management plans are launched for different investment subjects.

Second, industry rules in wealth management are increasingly mature, and the wealth management industry is becoming more and more transparent. The wealth management industry used to be uneven. Some wealth management companies or third-party financial institutions seized customers' desire of pursuing high returns and lured customers' funds. Their professional ethics were deficient. At present, the market supervision system and rules based on the above defects are improving day by day.

Third, wealth management tends to be global and international. The investment needs of clients in many countries are no longer limited to the domestic market. Instead they are more likely to allocate their assets and wealth globally.

In addition, wealth management tends to be combined with the internet. In the past days, the complicated procedures of wealth management made people stay away from them. Now, the combination of Internet with wealth management brings more opportunities and gains for investors and promotes the democratization of wealth management in financial resources. The popularity of the Internet makes wealth management more popular than ever before.

## **3. Current Situation of Wealth Management in China**

After nearly 40 years of rapid development since the reform and opening up, China has become the world's second largest economy. With the rapid development of China's national economy, private wealth accumulation is increasing day by day. According to the 2019 global wealth transfer assessment report, China has experienced the largest increase in private wealth over the past 10 years, reaching 130 percent, second only to the United States for high net worth individuals. This is accompanied by the increasing awareness of private wealth management encouraged by the market mechanism. There is no doubt that nowadays China faces considerable opportunities in the wealth management market. Most investors believe that wealth management can reduce the investment risks caused by blind investment, help people to manage their wealth well, and achieve reasonable wealth allocation and inheritance.

From the perspective of the core notion of wealth management, real wealth management consists of three stages: product sales, financial consulting and wealth consulting. China's current wealth

management market is still in the first stage, that is, the initial stage of wealth management. From the perspective of industry development, it is obvious that there are still some problems in the current wealth management market which are shown as follows:

First, the system of China's wealth management market needs to be improved urgently. The most obvious problems of the current market performance are as follows: product sales accompanied by lack of management services, investors' investment portfolio and financial needs do not match, top priority on sales revenue, unlicensed agencies, etc. All of the above problems have become a serious barrier to the sound development of wealth management market in China.

Second, the wealth management market lacks uniform rules and unified information. The wealth management market is indeed a comprehensive cross-field market, which is in conflict with the separate operation and supervision system formed after the beginning of this century. Although major financial institutions have been emphasizing the importance of normative development in recent years, the process of normative development is slow due to the inconsistency of market information. Due to the financial development of science and technology, the agency has a lot of big data and solves the problems of backward infrastructure. Risk assessment and monitoring technology are constantly improving and early warning and information disclosure system are gradually established. However, how to search for the key information needed by using data classification is becoming a big obstacle to promote the development of wealth management market.

Third, the wealth management market lacks effective market demand. Demand in economics refers to the quantity of goods that consumers are willing and able to buy in a given period of time at a given price level. The effective demand in the wealth management market refers to the demand that investors are willing to take certain risks and gain profits. Demand that only wants to gain profits and is unwilling to take risks is not an effective demand. Throughout the current wealth management market, few institutions define the effective demand. They ignore the investor education, and fail to disclose the daily information of products through adequate communication, which directly result in the so called "stubborn disease" in the wealth management market—rigid payment. As investors are not mature enough, they may easily derive financial products that belong to the product level into institutions, or confuse different products together. They take it for granted that financial products of investment Banks should guarantee capital and return, and the risks and returns of all products are similar. To break the rigid payment, it is necessary for capital management institutions to strengthen the education of investors and improve the cognitive ability of financial consumers. There is still a long way to go to cultivate real and effective demand in the market.

In addition, there is still an urgent need of wealth management professionals. Wealth management is a comprehensive service business, which not only requires employees to have professional financial knowledge, but also to have a certain understanding of national policies, laws and regulations as well as good interpersonal skills. However, this kind of professionals are not in demand for the vast wealth to be managed in China, which leads to the lack of basic asset allocation ability and security guarantee for investors in the market. Current market in China is not open to a high degree and there is still a lack of alternative overseas products. As a result, problems such as unreasonable asset allocation, opaque charge, imperfect investment effect and frequent risk events arise. Frequent subscription and redemption increase investment capital, seriously affect the size of products and hinder the development of asset management industry such as funds.

#### **4. Construction of Wealth Management Model with Chinese Characteristics**

Wealth management in China is still in its infancy and has a long way to go. At present, it is necessary to proceed from China's actual situation, learn from the international advanced wealth management experience and gradually form a complete wealth management system by deepening the financial system reform, innovating the financial development model, improving the financial management system, strengthening supervision, and actively cultivating multi-level investment and financial institutions. Efforts can be made from the following aspects:

First, the training of professional personnel needs to be strengthened. To improve the professional level of wealth management, more attention should be paid to the cultivation of talents. With the continuous development of opening to the outside world, the financial industry presents the characteristics of diversification and internationalization. Although the financial industry in China is developing rapidly, expanding in scale and expanding in personnel at present, comprehensive talents with strong professional background are still in short supply. We need to cultivate more talents. Talent training should conform to the trend of diversification and internationalization. Personnel exchanges and training in banking, fund, securities, insurance and other industries also need to be strengthened. We should break through the limitation of separate management and cultivate all-round wealth management talents. We not only encourage talents to hold a variety of financial qualifications, but also pay attention to the operation and practice of professional practice, strengthen the professionalism and professional ethics of financial planners, and encourage overseas high-level financial talents to return to China for further career development. In terms of assessment methods, we should not completely put emphasis on sales revenue, but establish a set of reasonable assessment methods, comprehensively consider the performance of financial planners, focus on customers, and truly apply our professional knowledge and experience to maintain and increase the value of customers' wealth.

Second, due attention should be paid to the comprehensive accumulation of essential elements of wealth management. To achieve sustainable and overall development, the following elements need to be balanced: brand credibility, powerful system, safe and effective operation, excellent asset allocation and investment management ability, complete product line, excellent product quality, rich quantity and independent information. Only when the fees are transparent, the interests of investors and wealth managers are bound, and wealth managers are independent of product suppliers and do not rely on product sales commissions can the foundation of sustainable business model be established.

Third, the combination of wealth management and the internet needs to be strengthened. Under the background of the Internet, the single product should be gradually developed into an asset allocation mode to spread risk. Meanwhile, business innovation and mechanism innovation should be carried out in wealth management mode to break through traditional financial management mode and business operation mode, and change according to the behavior mode of customers in the Internet to meet the different needs of customers at different levels. Based on the innovation of the Internet, we can simulate the development trend of wealth and better help customers to realize the value appreciation and preservation of wealth.

## 5. Conclusion

In general, after hundreds of years of development, international wealth management has formed a sound management system and management mechanism. Meanwhile it also has a number of excellent financial management personnel. But the state of the system vary from country to country. Wealth management system with Chinese characteristics should be constructed by drawing lessons from foreign advanced management experience, speeding up financial reform and innovation, continuously strengthening wealth management system and the relevant legal regulation system and coordinating development between wealth management and relevant industries.

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