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WEALTH MANAGEMENT

Wealth Management Update: Growth Is Uneven, Cost Are Rising

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Revenues for wealth managers have increased, largely driven by recent market tailwinds, but cost-to-income pressure is becoming the defining challenge.

Growth is diverging by region and business model, and leaders are responding by sharpening focus and investing in platforms, automation, and artificial intelligence (AI) to lift productivity and protect margins. Scale and digital capabilities continue to separate leaders from laggards, but front-office and technology spending remain the largest cost items, putting advisor productivity and workflow digitization at the center of margin protection and client asset growth.

As technology and operations spending shifts toward platform modernization and cloud adoption, firms are also rethinking how to balance cost, control, and scalability. With revenue growth uneven across regions in 2025 and early 2026, firms will need sharper choices on operating priorities and where they invest to sustain profitability.

SCALE AND DIGITAL CAPABILITIES ARE WIDENING THE GAP BETWEEN LEADERS AND LAGGARDS

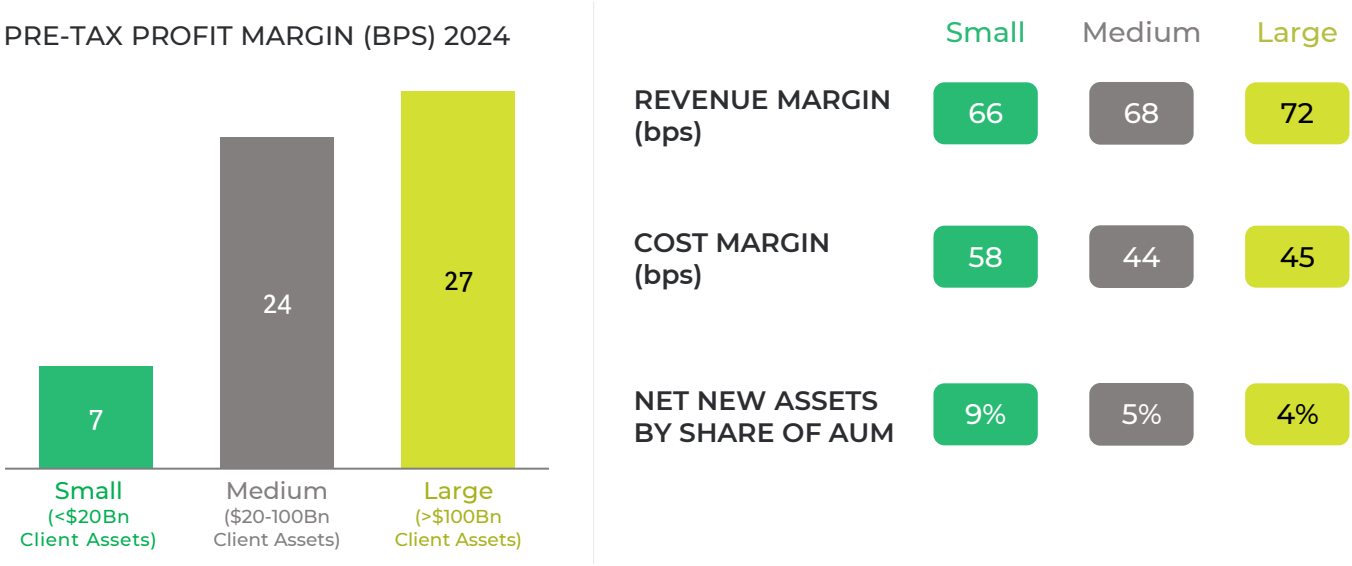
Scale continues to be a key driver of profitability in wealth management, with large institutions outperforming smaller peers through higher revenue margins and superior pretax profitability (**Exhibit 1**). This advantage is driven by shared infrastructure, broader product suites, and stronger client monetization.

Mid-sized firms benefit most from incremental increases in scale, as cost efficiency improves rapidly during this phase of growth. Beyond this point, rising complexity and investment needs – especially in digitization – reduce further cost advantages.

AI is emerging as the next major driver of performance. Early signals indicate that firms embedding AI into relationship manager productivity, operations, and client engagement are widening the gap to competitors. Large wealth managers have the budgets, data, and talent to invest heavily in digital platforms and AI but must balance this with accumulated technical debt and complex legacy architectures.

EXHIBIT 1

Scale Advantages Translate Into Higher Margins, Despite Stronger Asset Growth At Smaller Firms



Source: BCG Expand Global Wealth Manager Performance Benchmark 2025
Notes: bps = basis point (0.01%); Client Assets = Sum of deposits, invested assets, and lending; Revenue Margin = Return over average client assets; Cost Margin = Cost over average client assets; Cost excludes depreciation, amortization, and other non-operating expenses. See "About Our Methodology" for detailed definitions.

CLIENT FOCUS, GEOGRAPHIC COVERAGE, AND OPERATING MODEL ARE ALSO PERFORMANCE DRIVERS

While scale and digital maturity explain a meaningful share of performance dispersion, client segment focus and operating model choices also matter. Winning firms are making deliberate trade-offs on client coverage, onshore and offshore geographic footprint, and business model design.

1. CLIENT SEGMENT FOCUS: UHNW DEPTH AND AFFLUENT SCALE

- Wealth managers are sharpening their UHNW focus as wealth concentrates and demand rises for private markets and family office advice, but margins remain tight given high-touch complexity
- The affluent segment is the fastest-growing client segment globally, but particularly in Asia and Latin America. Affluent relationship managers often manage smaller books but around 7x more clients than UHNW-focused relationship managers, making scalable digital personalization critical for profitable growth
- Firms that run distinct playbooks for UHNW and affluent clients outperform one-size-fits-all models

2. ORGANIZATIONAL SETUP: UNIVERSAL VS PURE-PLAY MODELS

- Universal banks are typically more profitable due to shared infrastructure, diversified revenue mix, and lower cost ratios, with revenue per relationship manager about 1.4x higher than at pure-plays
- However, pure-play wealth managers tend to attract clients who value independence and specialization, and they earn a higher share of fee revenue (around 65-70% vs. 60-65%). They often face thinner margins due to standalone cost structures and more limited balance-sheet leverage
- The line between models is blurring as pure-plays scale through partnerships, while universal banks adopt more boutique-style servicing amid market consolidation. Future leaders will pair institutional scale with focus and agility to build efficient, client-centric organizations

3. WHERE TO PLAY: MATURE VS GROWTH MARKETS AND ONSHORE-OFFSHORE MODELS

- Mature markets deliver stable profitability, supported by advisory and other recurring fees, but slower net new assets growth puts pressure on productivity and digital efficiency. Growth markets, notably Asia and the Middle East, have higher net new assets growth and margins from larger mass affluent base, but revenues remain more transactional, reinforcing the need to build fee-based income
- Onshore and offshore economics have converged as compliance and tax transparency have increased. Offshore books are slightly larger (about 1.1x), but productivity is similar. However, multiple booking centers (especially in Singapore, Hong Kong, and Switzerland) still matter for UHNW clients seeking diversification
- Strategy matters: mature markets must lift productivity and deepen advice with digital tools, while growth markets must convert inflows into recurring revenues. Advantage depends less on booking location and more on data-driven, scalable advisory models

COSTS ARE RISING – MARGINS UNDER PRESSURE WHILE PRODUCT COMPLEXITY RISES

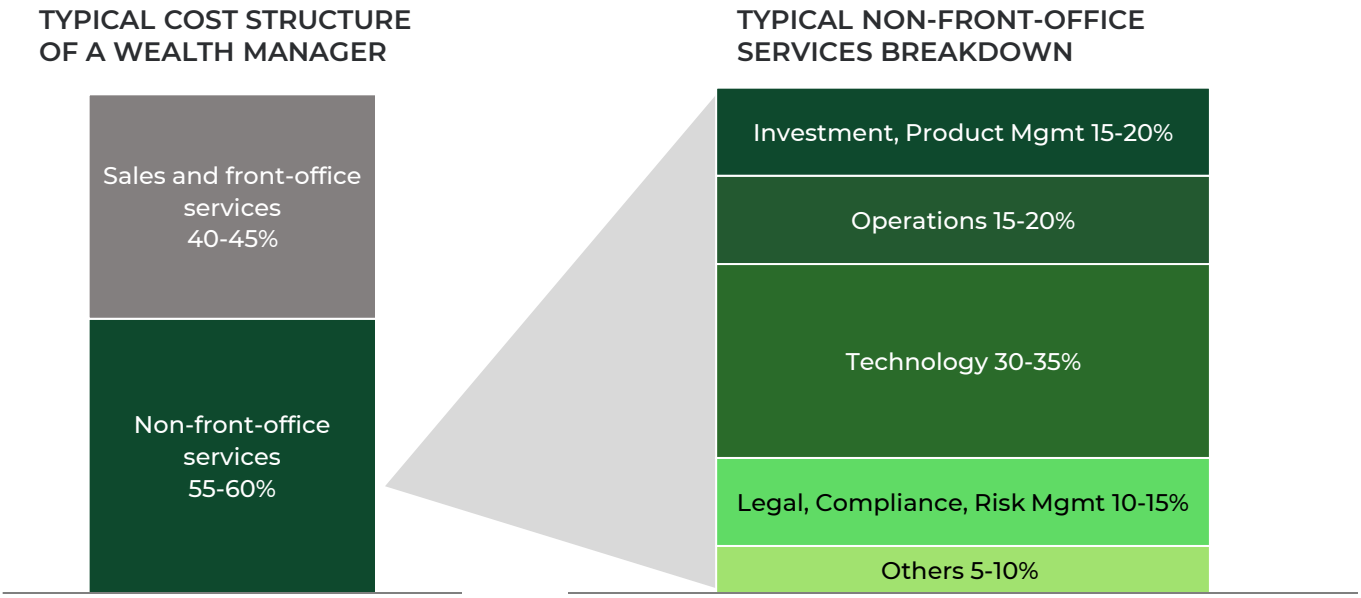
Cost-to-income ratios have risen steadily due to higher talent costs and sustained technology investment, only easing in 2024 and 2025 as stronger markets lifted recurring fees and transaction-based income. Margin improvement has therefore been driven mainly by revenue tailwinds rather than structural efficiency. Firms have also broadened offerings to attract and retain clients, and alternatives are now a must-have for UHNW clients – requiring specialist teams, dedicated technology, and new operating processes that add complexity.

Exhibit 2 highlights where cost pressure is most concentrated. Front-office expenses remain the largest share of the cost base, and technology is the largest non-front-office line item as firms shift to digital engagement and platform modernization. Wage inflation and talent scarcity continue to push technology and operations costs higher, particularly in developed markets. In the United States, there are effectively no "medium-cost" locations left, pushing most activity into the high-cost tier.

To scale profitably, firms need tech-enabled operating models that free the front, middle, and back office from low-value tasks. Productivity gains will come from redesigned advisor workflows, digitized processes, and technology embedded across the client lifecycle, not incremental cuts to smaller support functions.

EXHIBIT 2

Front Office Makes Up Nearly Half of the Cost Base, Highlighting the Need for Tech-Enabled Productivity



Source: BCG Expand Global Wealth Manager Performance Benchmark 2025
Notes: Others in Non-Front-Office Services includes Accounting and Finance, HR, Communication and Marketing, and other expenses

TECHNOLOGY SPEND KEEPS RISING AND FIRMS INCREASE INVESTMENT IN NEXT-GEN CAPABILITIES

Over the past five years, wealth managers have increased technology investment to modernize core platforms, improve client engagement, and meet rising regulatory expectations (**Exhibit 3**). Despite periodic cost-control efforts, technology spending has still outpaced revenue growth, lifting the technology cost-to-income ratio.

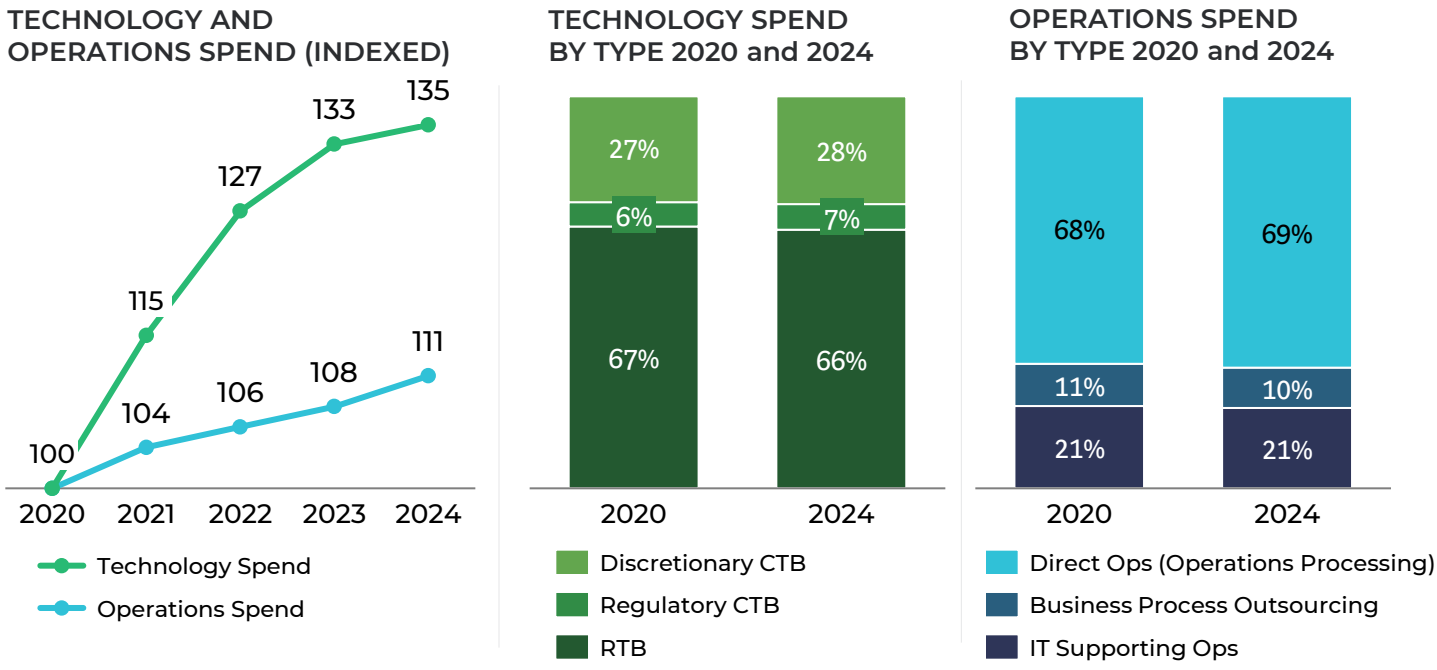
Run-versus-change ratios have stayed broadly stable, with a modest tilt toward change-the-bank spending (CTB) as firms deliver new capabilities and meet expanding regulatory requirements since 2022, including cybersecurity, liquidity, operational resilience, and sustainability reporting.

Firms have also increased reliance on cloud and external software providers, accelerating a shift toward modular and scalable architectures. Cloud adoption and vendor-driven development remain major drivers of structural cost pressure.

In 2025, firms began investing in AI at scale, with full programs launched and early pilots reaching completion. AI budgets now represent 5–10% of development spend. Mindful of prior SaaS and cloud adoption initiatives, firms are taking a more cautious approach to AI vendor integration to manage lock-in risk and cost escalation.

EXHIBIT 3

Technology Spend Has Outpaced Operations Spend As Operations Budgets Come Under Cost Pressure



Source: BCG Expand Wealth Management Technology and Operations Benchmarking 2025

Notes: Data sample includes 18 major global wealth managers. CTB = Change -the-bank, RTB = Run-the-bank. See "About Our Methodology" for detailed definitions. Numbers may not sum up to 100 due to rounding. A flat IT Supporting Ops spend as a proportion of total Operations spend may indicate that productivity gains have not yet scaled, or that the operations mix is unchanged because key investments sit outside the Operations cost base.

OPERATIONS SPEND ALSO RISING, REINFORCING THE NEED TO CHOOSE THE RIGHT OPERATING ARCHETYPE FOR COST AND SCALE

Operations spending is up 11% since 2020 (**Exhibit 3**), driven by inflation in personnel-heavy activities, but it has grown more slowly than technology spending as firms prioritize modernization. Firms are also reassessing outsourcing across the value chain as control requirements and scale evolve. This is reflected in a 1 percentage point decline in business process outsourcing as a share of operations spending from 2020 to 2024. Client service activities, including call centers and branch support, remain the largest cost component at about 40% of operations spending. Investment in these roles continues to rise given their critical impact on client satisfaction and retention.

Firms are relying more heavily on AI, supported by stronger cloud and data foundations, to absorb volume and reduce manual effort while keeping critical client service roles in place. Stronger risk governance and staff training are increasingly important as regulatory expectations around AI (e.g., the EU AI Act and forthcoming SEC guidance) evolve. Over time, automation and workflow digitization are expected to lower the operations cost-to-income ratio and improve efficiency.

As cost pressure intensifies, wealth managers are reassessing how and where operations are delivered. Rising cost per head in developed markets, especially North America and Europe, makes operating setup a strategic decision. **Exhibit 4** summarizes three common operating archetypes and how firms are using them.

1. ONSHORE HUBS FOR MAXIMUM CONTROL AND PROXIMITY

- Firms run operations primarily in their home markets (often high-cost locations) to maximize control, cultural alignment, and proximity to the business
- This supports service quality and close collaboration with frontline teams but comes with high labour costs and limited scalability for standardized work
- In practice, many firms keep client-facing and key control roles onshore while shifting more standardized activities to lower-cost models

2. OUTSOURCING THROUGH SPECIALIZED PARTNERS

- Firms outsource select processes to specialist providers (often leveraging large custodial or platform players) who can provide access to industrialized infrastructure and add flexible capacity
- Trade-offs include reduced control, vendor lock-in, and limited customization, so some firms increasingly limit vendors to project-based or specialized work

3. CAPTIVE CENTERS AND GLOBAL CAPABILITY CENTERS (GCC): IN-HOUSE HUBS FOR END-TO-END CONTROL

- Build and operate firm-owned offshore centers in lower-cost locations (e.g. India, Poland, the Philippines, and Malaysia), often achieving the lowest CIR among the models. Even with wage inflation, cost per head remains structurally lower than in developed onshore markets
- They combine structural cost advantage with operational control, help retain institutional knowledge, and enable firms to design processes to their own risk and service standards, especially when scaled across business units
- These are typically used for core, repeatable activities that benefit from standardization

Leading firms blend these archetypes, using onshore hubs for critical client and control roles, outsourcing selectively for specialist needs, and captive centers or global capability centers for scalable core operations.

Operating model design is now a board-level priority, and firms with a diversified footprint are better able to keep cost-to-income ratios in check, unlock AI-enabled productivity, and support growth without adding the same level of overhead.

EXHIBIT 4

Noncritical roles are shifting offshore, with captives and selective outsourcing used increasingly in combination

	ONSHORE HUBS	OUTSOURCING	CAPTIVE CENTERS / GCCs
TYPICAL CIR	4.0-5.0%	3.0-4.0%	2.5-3.0%
ADVANTAGES	• Strong management oversight • Cultural & time-zone alignment • Simplified regulation and compliance	• Scale without upfront investment • Frees internal teams for higher-value work • Fast deployment and flexible capacity	• Lowest structural CIR • Broad skilled talent pools • Strong institutional knowledge retention
DISADVANTAGES	• High and rising labor cost • Limited scalability • Mostly 9-to-5 coverage	• Reduced control and transparency • Vendor lock-in risk • Limited customization under standardized models	• Requires setup investment • Management & governance effort • Slower integration across business units initially

Source: BCG Expand Wealth Management Technology and Operations Benchmarking 2025, BCG Expand Analysis

2025 REVIEW AND 2026 OUTLOOK: STRONG MOMENTUM, BUT THE BASIS OF COMPETITION IS SHIFTING

Firms continued to grow through 2025, supported by market appreciation and steady fee-based inflows, offsetting lower net interest income. However, performance diverged by region and business model as client behavior and product mix reshaped revenue pools, resulting in uneven growth among global wealth managers (see **Exhibit 5**).

In the Americas, revenue growth was supported by end-to-end wealth offerings, higher equity and alternatives activity, and continued strength in advisory mandates. Workplace channels remained an important acquisition funnel and a gateway into wealth advisory relationships, while self-directed activity reaccelerated in the second half of 2025 and contributed to both transaction-based revenues and advisory pipeline growth.

In EMEA, slower AUM growth and pricing pressure in traditional mandates led to lower revenue growth. In APAC, wealth managers benefited from rapid growth in affluent and HNW segments, strong transaction-based flows, and increasing uptake of fee-based offerings.

EXHIBIT 5
APAC Wealth Managers Led Revenue Growth in 2025

8-13%	5-10%	10-15%
Americas wealth managers delivered 8-13% revenue growth, driven by strong equity markets, resilient net interest income from higher securities-based and custom lending, and deeper advisory and discretionary relationships. Robust trading activity and selective alternatives distribution kept the region the largest and most profitable wealth pool.	EMEA wealth managers grew by 5-10%, supported by targeted deposit campaigns, broad-based fee growth, and rising discretionary mandate uptake. European firms continued to modernize their footprints to enhance distribution and fee capture.	APAC wealth managers saw a revenue mix that became increasingly fee-led amid net interest income pressure in Hong Kong and Singapore, while client capital redeployment supported sustained double-digit growth in transaction-based revenues across mutual funds, structured products, and equities.

Source: BCG Expand analysis
Notes: Data sample includes 20 major wealth managers across Americas, EMEA, APAC. Revenue growth analysis as of Q4YTD 2025

With markets stabilizing and client activity recovering, firms entered 2026 on stronger footing, but long-term success will depend on how well firms respond to a more competitive landscape. Rising client expectations, persistent cost pressure, and rapid advances in AI are reshaping what it means to deliver high-quality advice and scalable service.

AI will be a major enabler – not by replacing advisors but by elevating them. Firms that invest in strong data foundations and workforce readiness can unlock meaningful productivity gains while delivering more tailored client engagement.

Winning models will be advice-led and digitally powered, blending human expertise with intelligent automation across the client lifecycle. For UHNW clients, this means maintaining real advisory depth, while building out a scalable, hybrid service model for the fast-growing affluent segment. It also requires modernizing delivery through a deliberate mix of onshore hubs, vendor partnerships, and captive centers.

Finally, “scale” will be defined less as a simple AUM number and more as a measure of how well firms deploy talent, technology, and data across markets. Firms that execute on these priorities will be better positioned to capture rising global wealth and shape the next phase of differentiation in wealth management.

ABOUT OUR METHODOLOGY

For benchmarking purposes, we apply the following definitions:

- **Firm Size**
  Based on client assets managed by a wealth manager. Large firms have client business volume greater than USD 100 billion, medium firms have USD 20 – 100 billion, and small firms have less than USD 20 billion.
- **Business Model**
  Pure play managers refer to those having a dedicated, stand-alone wealth management business. Universal banks refer to wealth management businesses that are a part of a broader banking organization typically providing retail, corporate and investment banking services.
- **Geographic focus**
  Mature market players are defined as firms with most of their activity in developed markets (e.g., North America and Western Europe), whereas growth market players primarily operate in developing markets (e.g., Asia and Latin America).
- **Client segment**
  Average client assets and liabilities per individual client, with high-net-worth defined as exceeding USD 2 million and affluent defined as below USD 2 million.
- **Booking model**
  Onshore are players with majority of their business in a local market, while cross-border refers to players that place a large focus on clients whose assets are booked outside of their domicile.
- **Direct Operations (Operations Processing)**
  Pure processing costs of the operations function, including internal staff-related costs.
- **Business Process Outsourcing (BPO)**
  Third-party outsourcing of discrete operational processes.
- **Technology Supporting Operations**
  Technology spend enabling and improving day-to-day operational processing and service delivery.
- **Technology Change-the-Bank (CTB)**
  Spend on strategic transformation initiatives or regulatory-driven change programs.

The benchmarking results in this report are derived from a proprietary dataset. The analysis is based on 2024 end of year data. All averages are weighted by average client assets, with outliers excluded from the weighted averages. Revenues, costs and profits are shown in relation to average client assets, unless otherwise specified.

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