TRANSFORMATION OF THE PRIVATE OFFSHORE WEALTH MANAGEMENT SERVICE INDUSTRY IN THE EMERGING ECONOMY

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Abstract

Dollarisation in emerging economies of Southern Africa like Zambia and Zimbabwe, led High-Income Earning Individuals (HIEI) to invest offshore as an investment diversification strategy. The turbulent past experiences influenced African HIEI behavior in relation to their wealth management approaches. HIEI started looking for ways to protect its financial assets against future political and economic volatilities. The purpose of this study was to equip academics and the wider commercial fraternity with practical and strategic knowledge of the emerging markets’ offshore wealth management services industry. This would assist emerging markets to regulate HIEI markets, boost capital flow, fight tax evasion to allow banks to assist, help governments protect pensions, promote transparency in investments and avoid negative effects of dollarisation. Data were collected from 81 participants including HIEIs with offshore investments, those individuals without, financial advisors, and the Securities Exchange Commission (the industry regulator). The study used a qualitative approach in its methodology using questionnaires, interviews, and a computer-aided system for data analysis. We found that HIEI feels their wealth is under attack and looks towards offshore investing as a refuge. We identified the desperate urge of African HIEIs to secure their wealth as the main influence driving the offshore investing phenomenon.

Keywords: Wealth Management, Dollarisation, Offshore Investment, Financial Statement, Financial Advisory, Return, Risk

1. INTRODUCTION

One of the countries that dollarized in the early 2000s in southern Africa was Zimbabwe. Zimbabwe is one of the countries located in the Sub-Saharan African territory. The Zimbabwean economic crisis, which first began at the start of the millennium, saw the advent of dollarisation almost a decade later in 2009. Dollarisation was a response by the Zimbabwean government to sojourn the effects of
hyperinflation and economic decay that were taking place at the time. Many people lost their financial investments in the form of pensions, personal savings, life, and insurance policies. The Zimbabwean dollar (ZWD) was phased out and the multi-currency structure was introduced at the start of 2009.

Dollarisation bankrupted a lot of Zimbabweans. Pensioners shrank their retirement funds vanished while life savings became history as the Zimbabwean dollar ceased to exist. Most of the above-mentioned savings and investments were denoted in ZWD. Emerging markets struggle with the poor capital flow as offshore investments exacerbate capital flight. The market for High-Income Earning Individuals (HIEI) lacks proper regulation, promotes tax evasion, reduces transparency, and cultural barriers, which hinder banks to offer intermediation.

This study examines the evolution of the personal offshore wealth management services industry in mainly Southern Africa, post the dollarisation period of 2009. The study explores how investing offshore is being used as an investment diversification strategy by African HIEI. These HIEI wish to protect themselves from financial losses similar to those experienced during the dollarisation period of 2009. The purpose of this study was to equip academics and the wider commercial fraternity with practical and strategic knowledge of the emerging markets’ offshore wealth management services industry. This would assist emerging markets to regulate HIEI markets, boost capital flow, fight tax evasion, remove cultural barriers to allow banks to assist, help governments protect pensions, promote transparency in investments and avoid negative effects of dollarisation.

A good example of how dollarisation can redesign an entire economic landscape is a typical case study of Zimbabwe. In early 2000, the Zimbabwean government, against much public outcry, enforced the fast-track agrarian reform program. This program displaced thousands of white minority farmers off the land to make way for the redistribution of farms to the black majority. The exercise was marred with chaos and gross human rights violations. This led to the implementation of sanctions by the EU and USA on Zimbabwe in mid-2000 (Chengu, 2009). By late 2006, the Zimbabwean economy was on its knees. Inflation rose at an average rate of 10 000% per day and basic commodities totally disappeared off the supermarket shelves due to the runaway hyperinflation and price-fixing policies imposed by the government, USAID (2007).

The general leadership in Zimbabwe came under immense pressure to arrest the hyperinflationary situation (Chengu, 2009). The formation of the coalition in the form of the Government of National Unity (GNU) in 2009 by the three principal political parties at the time, i.e., the Movement for Democratic Change led by Morgan Tsvangirai (MDC-T), the Zimbabwe African National Union-Patriotic Front (ZANU-PF) and the Movement for Democratic Change led by Arthur Mutambara (MDC-M) led to the stabilization of the economy.

The GNU resolved to abandon the use of the Zimbabwean dollar (ZWD) on 31 January 2009. This led to the subsequent dollarisation of the economy. Dollarisation allowed for the use of multiple currencies as legal tender. The multicurrency system, which is still in place today, allows Zimbabweans to transact locally using a number of different international currencies such as the United States dollar (USD), the South African rand (ZAR), the Botswana pula (BWP) and the British pound (GBP).

As the economic turmoil in Zimbabwe persisted in 2009, HIEI lost great value and weight to hyperinflation. This led to a broader loss of faith in the local financial markets, financial regulators, financial institutions, and a lack of confidence in portfolio management as a whole. The Zimbabwean government exhibited shortly before dollarisation in 2009. The mistrust between the government and its citizens has once again been heightened.

This has caused a run on the banks and the RBZ has come in with new regulatory restrictions such as withdrawal and international transfer limits to try and slow the rapid outflow of foreign currency out of the banking system (Kachembere & Majaka, 2017). The concept of offshore investing was formally regarded as a convention for the super-rich. Most HIEI in Zimbabwe, pre-dollarisation, did not engage significantly in the field due to restrictions on foreign exchange and above-average performance of the local investment assortments at that time (Chowa, Mhlanga, & Munakamwe, 2014). It could, therefore, be concluded that at the time, there was no justification or appetite for offshore investment services by HIEI.

This study used a qualitative approach in its methodology, making use of research tools such as questionnaires and interviews. This approach required that the respondents in the study be contacted individually to collect the relevant data. The sample population included:

1. HIEI with offshore investments.
2. HIEI without offshore investments.
3. Financial advisors (FA).
4. The Securities Exchange Commission (SEC) — The industry regulator.

The paper is structured as follows: Section 2 illustrates the literature review, Section 3 discusses the methodology, Section 4 presents the findings and Section 5 concludes the paper.

2. LITERATURE REVIEW

There are varying definitions of wealth. Bicknell (2006) states that “wealth is what is used to fulfil peoples’ wants after all their needs have been satisfied” (p. 8). Dun & Bradstreet (2009) give a more specific definition, which supports the one given by Bicknell (2006), and elaborate that “wealth can be defined as the amassed resources that help one achieve a certain lifestyle without the need for an active livelihood” (p. 6). Schulmerich, Leporch, and Eu (2014) take a different stance when they state that emotions play such a large part in our financial decision-making, that having a great education, or a high intellect is no guarantee of financial success or happiness.

Chhabra (2005) asserts that age is a determining factor in investment decisions when he notes that individuals at the pinnacle of their earning potential have a greater capacity to accept more risk than individuals approaching retirement. The wealthier investor seeking some form of legacy goals and ambition may take a greater risk on the part of their portfolio. Diversification comes into play as returns
or losses in the short term differ from those in the long term (Alles & Athanassakos, 2006). If you need your portfolio to fund your lifestyle over the long term, then you need to factor this into your investment strategy. There have been earlier attempts to quantify rational decision-making capabilities investors should have by Noonan and Smith (2011), who note that investors should also possess high levels of both self-awareness and emotional intelligence, financial education, and experience as well as a secure relationship with money.

A study by Saunders, Lewis, and Thornhill (2012) into business research methods points to the importance of identifying the missing elements in the focused study, first by taking time to understand the background and origins of the subject matter at hand. Saunders et al. (2012) support the notion further by adding that research possibilities implicitly overlooked in the current literature are then identified in the broader body of knowledge and aligned to the study’s main philosophy. Scalicone (2011) describes derivatives as “financial securities whose performance is derived from the price of an underlying asset, security or index” (p. 3). More specific to this study are the Offshore Derivatives Instruments (ODIs), which Whaley (2007) describes as the entry vehicles into the international derivatives market by overseas investors. These can be options, futures, forwards, or swaps. Due to the speculative nature and risk factor of derivatives, this study only focuses on futures and options.

The introduction of the Bond notes in Zimbabwe by the RBZ, with an imposed value equivalent to the USD in late 2016 as a stop-gap measure to try to curb the excessive outflow of foreign currency, has been viewed as the final nail in the coffin by most HIEI. They feel that the Zimbabwean government is trying to smuggle back the local currency that will lose its value along the way once again (Nymunda, 2017). Zaharoff (2004) highlighted that the investor’s asset allocation is as important as his cash flows, i.e., is the client a high spender or a saver on a yearly basis? What will be the investor’s withdrawal pattern? Will he withdraw on a regular basis or at particular junctures? And if so, will the amounts vary, or will the investor withdraw fixed amounts? Such activities could have adverse effects on the investor in a declining market.

2.1. Wealth management

As illustrated by Goel (2009), wealth management is an all-inclusive method of providing resolutions to financial challenges in the investor’s life cycle. Goel (2009) considers the futuristic outlook of the wealth management services industry by looking at wealth from a dual perspective, namely, the client’s and the wealth manager’s view. Dun & Bradstreet (2009) examine the actual wealth management process in greater detail and establish that the relationship boundaries between the HIEI and the wealth manager are set during the wealth management process and are based on the client’s values and goals. This conclusion supports the findings by Goel (2009) relating to the two-way nature of the relationship between the client and the wealth manager.

Goel (2009) specifies that the wealth management process is made up of four crucial components, namely, planning, implementation, supervision, and monitoring, a premise which expressly opposes the notion of wealth management being the same as investment management or money, as purported by to Dun & Bradstreet (2009).

Brunel (2006) explains that the first step in the wealth management process is to understand and appreciate the issues and opportunities available to the client. The planning step puts in place a wealth management strategy agreed upon by the client and wealth manager. The implementing step pertains to the application of the developed wealth management strategy. Finally, the supervising process is about monitoring decisions and actions that have been previously taken to measure their effectiveness.

People have different reasons for investing offshore. Some invest to achieve certain goals in their lives both for present and future purposes. Fernandez and Hendrikse (2020) noted that global corporations and elite individuals view the offshore world as highly interlaced with the offshore world for reasons of secrecy, tax, and related aims to boost asset protection and financial returns, aid disbursements too highly. Andersen, Johannesen, and Rikkers (2020) argued that aid-dependent countries coincide with sharp increases in bank deposits in offshore financial centers known for bank secrecy and private wealth management, but not in other financial centers. Winger and Frasca (1991), in their study into the legal aspects and deliberations to consider when engaging in financial investments, explain that liquidity, future savings, retirement, and speculation are some of the main considerations. Below are further explanations of these main considerations:

- **Liquidity risk mitigation.** The liquidity of an asset is measured by the swiftness with which it can be changed into cash with no effect on the value of the asset. This type of investment is necessary to provide convenience in the transitions between cash flows during irregular income and expenditure patterns. Returns are sacrificed for these kinds of investments and are mostly used as a buffer for emergency expenditures (Winger & Frasca, 1991). A key challenge in the Zimbabwean economy is the lack of liquid cash as evidenced by long queues at the banks and the restrictions on remittances as the government tries to curb the foreign currency hemorrhage that is taking place.

- **Future savings.** In preparation for large expenditures like purchasing property, holidays, or the children’s education, people often save to accumulate funds. The nature of the long investment horizon encourages a riskier approach, which brings about prospects of high returns. There are also chances of high losses as well. Rubaba (2015) acknowledges that the near collapse of the Zimbabwean economy pre-dollarisation presented challenges to the financial sector, which caused the closing of a number of banks and financial institutions. Individuals lost entire life savings in these institutions in the form of unit trusts, pension schemes, and life insurance plans when dollarisation occurred, as most were denoted in United States dollars (Rubaba, 2015).

- **Retirement.** Usually taken for granted, it is a critical element of life planning. People need to understand that in order to maintain a certain
lifestyle during retirement, which is equal to, or even better than the one they enjoyed during their working lives, will require a certain level of planning. Mutemeri (2013), in a study on the Zimbabwean pension system after dollarisation, explains how individuals spent decades saving and preparing for retirement but are now wondering if the whole process was worth it, as more and more Zimbabweans are failing to afford retirement as their previous savings were eroded by inflation and nullified by dollarisation.

Speculation. Those individuals with excess money or those who have the means to adequately provide for future requirements may be drawn to speculative investments with the objective of trying to take advantage of market changes. This is usually very risky as investors can lose a substantial amount of their money whilst in search of exceptional returns. This type of investment activity is usually for those who are knowledgeable and skilled in the art of speculative investing.

2.2. Offshore investments for African HIEI

Global banks have started embracing the universal bank concept of integrating investment banking and private banking to be able to tap into the high net-worth individuals (HNWI) and ultra-high-net-worth individuals (UHNWI) markets (Santacruz, 2018). Santacruz (2018) states that as far as the HNWI market is concerned, there are still challenges in terms of government regulations, cultural barriers faced by global private banks, natural preference for wealth preservation, self-management of wealth, and offshore investing. Before the introduction of the hundred trillion dollar-note, a total of thirteen zeros on the ZWD had been removed. In late 2008, the hundred trillion-dollar note was the highest denomination of the ZWD at the time, Mamvura (2015). Hungary’s Pengo in 1946 had the largest currency denomination but was overshadowed by the Zimbabwean dollar after all the revaluations had been factored in (Mamvura, 2015).

The late afternoon of 31 January 2009 will go down in the memories of many as the day the Zimbabwean economic landscape shifted. It is the day, on which the then Minister of Finance, the Hon Patrick Chinamasa, announced the start of the multicurrency system. The system allowed for the general, transactional use of a basket of various international currencies in Zimbabwe. The common currencies used in Zimbabwe since then include the United States dollar (USD), the South African rand (ZAR), the Botswana pula (BWP), and the British pound (GBP).

The multicurrency system revalued anything that was previously denoted in ZWD at zero. Bank deposits disappeared overnight and other investments like pensions and life policies were revalued to nil (Chowa et al., 2014). The impact of dollarisation was felt most by HIEI, whose wealth was concentrated in financial assets in the form of bank deposits, bonds and stocks. Pensions and other similar fixed contribution structures instantly lost their value when dollarisation was introduced in 2009 (Mamvura, 2013).

HIEI is at odds as to how best they can protect their financial assets against political and economic volatilities in the future. Africa has a middle class consisting of young, high-income earning professionals made up of specialist engineers, doctors, entrepreneurs, and other highly remunerated individuals. These individuals are pivotal to the growth and development of the African economy. There has been a surge in offshore investment services uptake in Zimbabwe post dollarisation, as reflected in the 47% increase in offshore investment approval request applications to the RBZ in 2016 alone as compared to the same period in 2015 (Mangudy, 2017).

It, therefore, becomes imperative that the above-mentioned individuals do not consider emigrating overseas in search of greener pastures due to an economic environment that is not favorable for local wealth accumulation and preservation. The need to create an efficient portfolio base with optimal returns is the main objective of any investor. The need for foreign elements in a portfolio is necessary as a hedging measure (Corcoran, 2013). It has been proven that a geographically spread portfolio of assets can be superior relative to a local one with regards to risk-adjusted return (Corcoran, 2012). Fagereng, Guiso, Malacrino, and Pistaferri (2020) claimed that heterogeneity in returns does not arise merely from differences in the allocation of wealth between safe and risky assets that is returns are heterogeneous even within narrow asset classes and returns are positively correlated with wealth.

2.2.1. Advantages of offshore investments

Butler (2012), Alstadsæter, Johannesen, and Zucman (2018), and Nelken (2005) describe at length the significant benefits that can be derived from investing in financial assets in tax haven jurisdictions. Butler (2012) and Nelken (2005) agree that the benefits of investing offshore include tax advantages, diversification, less regulation, privacy, and specialist expert services. Alstadsæter, Johannesen, and Zucman (2019) found that tax evasion rises sharply with wealth, a phenomenon random audits fail to capture. According to Wealthworks (2016), an offshore investor one is able to enter into investment openings and industries that are unavailable locally such as international pharmaceuticals, IT, health care, and electronics, not to mention entry into blue-chip enterprises such as Microsoft, Facebook, and Apple, to name a few.

2.2.2 Arguments against offshore investments

With changes to how international finance now operates, most fiduciary institutions are now concentrating on the drawbacks of these tax havens. Governments view them as conduits for money laundering, instigators of tax losses, propellers of externalization, and abusers of national sovereignty because of their lack of transparency and total disregard for international sanctions. Lane and Milesi-Ferretti (2018) found that international integration reflects much weaker capital flows to and from advanced economies, with diminished cross-border banking activity, and an increase in the weight of emerging economies in global GDP, as these economies have lower external assets and liabilities than advanced economies.
2.3. Offshore investment destinations (tax havens)

Palan et al. (2013) describe offshore tax haven jurisdictions as “locations, not all independent or sovereign that create their financial and tax regulations in such a way that attracts non-resident individuals or corporations that wish to escape regulatory constraints in their own jurisdictions” (p. 7). These locations have strong communication infrastructure together with state-of-the-art facilities that allow wireless international business to take place electronically (Barber, 2007). The lack of consistency in the openness and implementation of tax laws undermines sovereign jurisdictions’ abilities to execute impartial imposition of tax on a population as tax havens restrict the information needed to implement these tax regulations (Faccio, 2016; Sigler, Martinus, Iacopini, & Derudder, 2019).

Barber (2007) gives a full summary of the points to consider when selecting the best tax haven for offshore investment. These include the tax arrangements, political, geographical, and economic solidity, exchange controls, international accords, banking and professional support, legal systems, secrecy, and confidentiality as well as investment incentives and opportunities. According to Ferrell and Friedrich (2016), it was discovered that of the Fortune 500 listed firms, at least three in every four have interests in tax havens. Galaz et al. (2018) showed that while only 4% of all registered fishing vessels were currently flagged in a tax haven, 70% of the known vessels implicated in illegal, unreported, and unregulated fishing were, or have been, flagged under a tax haven jurisdiction. They also found that between October 2000 and August 2011, 68% of all investigated foreign capital to nine focal companies in the soy and beef sectors in the Brazilian Amazon was transferred through one, or several, known tax havens (Galaz et al., 2018).

According to Butler (2012), financial management is an investment advisory practice that adds all the elements of financial planning, portfolio management, and a series of other financial services for HNWI and HIEI who wish to enlist the expertise of a financial advisory specialist to coordinate all their banking, legal resources, estate planning and tax services. Lustig (2013) attributes Peter Lynch’s success in stock trading to the core investment principles of investing money in areas in which one has knowledge, intuition, and a key ability to use common sense. Swensen (2009) adds that one should only invest in assets and investments one understands. Hickman (2007) defines an investment, as being any asset, tangible or intangible, that has the ability to relate a periodical return or a variable increase in the value of the particular asset.

By considering offshore investments, one can build an investment nest egg that will have a high degree of protection and growth while one sleeps (Barber, 2007). Barber (2007) examines the advantages and disadvantages of investing offshore and concludes that on any given scale, the advantages of investing in a safe haven outweigh the disadvantages immensely.

With the advent of various financial constraints in Africa, such as the current foreign currency shortages and economic slowdown, the African governments, through their Reserve Banks, have begun to put in place regulatory measures that will adversely affect the growth of the offshore investment services industry in Africa.

The future of offshore investing is now certainly shifting towards greater transparency regulations and openness as more superpowers like the US and some European countries realise the negative effects of tax haven financial systems (Taxjustice.net, 2014). One of the reasons tax havens are so popular with investors is the confidentiality and security of one’s private information (Gravelle, 2009). Such levels of privacy are likely to be reviewed as this privilege may be compromised in the coming decade.

The Reserve Bank of Zimbabwe (RBZ), through its 2016 monetary policy statement, made it very clear that all unproductive outward remittances of foreign currency would be curtailed in the medium to long term. The policy dictates the measures being implemented to curb capital outflows and cash movement through the implementation of restrictive exchange control measures.

Looking forward, it is anticipated that as the economic crisis continues, more restrictions may be introduced, therefore it is imperative that investors take advantage of the current opportunity to move as much of their wealth offshore. These policy implementations are similar to those currently being implemented in Myanmar. According to the Thailand Law Forum (undated), remitting funds outside of Myanmar is very difficult due to the restrictive exchange control regulations in place as a result of low reserves of foreign currency in the country.

These low reserves have pushed the Myanmar government to tighten its exchange control and import requirements in relation to outward remittances, by insisting that all outward remittance activities should have government approval first. The Thailand Law Forum (n.d.) goes on to highlight that remittances below USD 50 000 per month for offshore expenses and investments will require Central Bank of Myanmar approval given that sufficient documentation is provided to justify the remittance.

3. METHODOLOGY

The multi-method technique of collecting data was used in this study. This encompassed the use of questionnaires, interviews, and existing literature. Bryman (2015) supports the use of multiple methodologies because of their ability to outdo the single methodology approach insofar as they provide greater scope for data analysis and collection. The research strategy utilized was dependent on primary data. The study used a qualitative approach in its methodology, making use of research tools such as questionnaires and interviews. A survey style of data gathering and analysis would have been appropriate but was not applicable because of security concerns. A computer-aided system of data analysis was used which assisted in the creation of graphs, tables, and trends applied in analyzing collected information. Feedback from various respondents through...
questionnaires and interviews was analyzed and interpreted to deduce meaningful information concerning HIEI behavior. Conclusions were drawn from exhumed meaningful information and comparisons from information gathered using questionnaires. Data was collected from HIEIs with offshore investments, those individuals without, financial advisors, and the SEC (the industry regulator). Most of the information was gathered from the stakeholders in the offshore investment and financial services industry, namely, investors, HIEI, financial advisors, and the SEC (the industry regulator). A total of 81 participants took part in this study with 14 being financial advisors (FA), 35 being Offshore Investing Individuals (OII), and 32 Non-Offshore Investing High-Income Earning Individuals (NOHIEI). Most participants were males constituting 64% of the total participants. The pertinent questions in this study are:

1. Is investing offshore a viable and sustainable wealth management strategy for African HIEI?

   To fully answer this question, there was a need to identify the respondents’ definition of wealth management. This would pave way for the second part of the question, which sought to identify if investing offshore by African HIEI can be considered as a viable and sustainable wealth management venture.

   It was noted during the coding, assessment, and analysis phase of the questionnaires that most respondents referred to wealth management as being a process made up of various elements including financial advice, long-term strategic planning, preservation, and security of one’s wealth.

2. What is the future of the private offshore wealth management services industry in Africa?

   It is evident that there is a gloomy outlook towards the future of the offshore services industry in Africa due to local and international factors, which are negatively affecting the development of the industry. There is a lack of will from the government to tackle the economic crisis, which has inevitably led to the continued deterioration of the economy. This will result in the depletion of much-needed foreign currency, crucial to an import-reliant country like Zimbabwe.

   More stringent exchange control measures are expected which will, in effect, affect the remittance of investable funds abroad, as already seen by the introduction of limits and quotas by local African banks on international remittances through the Visa and SWIFT platforms.

3. What are the determinants fueling the growth and development of the offshore wealth management services concept in Southern Africa post dollarisation?

   Observation has identified the urgent need by Zimbabwean HIEI to secure their wealth in a safe currency and jurisdiction as the main influence and determinant driving the offshore investing phenomenon. This is very important to note as it highlights the fear HIEI has of the effects of keeping investments locally in Africa. The research highlights the anxiety most respondents have of a repetition of the pre-dollarisation scenario in Zimbabwe, which was dogged with massive hyperinflation, immense political instability, and economic turmoil.

   The study, therefore, concludes that the negative effects of dollarisation have increased the appetite of Africa HIEI for offshore investments as a mitigating measure against the adverse effects of dollarisation. These findings are similar to those of Butler (2012) who drew attention to the need for individuals to diversify their investments so as to spread the risk associated with keeping one’s investment in a specific or singular form, in this case, mitigation against country risk.

4. Is investing offshore a viable and sustainable wealth management strategy for Zimbabwean HIEI?

   The sustainability of investing offshore is, to a certain extent, guaranteed if the investment is made in a safe jurisdiction and in carefully selected investments that will grow and allow the investor to achieve their medium to long-term objectives. For those who have already invested offshore, the political and economic events taking place locally in Zimbabwe will have little to no effect on their investments.

   However, the question of the viability of such a trend is a topic for greater discussion. The current regulations regarding offshore remittances may, in the not-so-distant future, inhibit local HIEI with local funds from remitting them offshore to fund their offshore investments.

   The research, therefore, concludes that yes, the offshore investing practice is sustainable for those who are already invested or are currently investing offshore, but the practice may not be viable in the medium to long term if the funding of these investments continues to originate from local Zimbabwean sources.

4. FINDINGS

4.1. Financial advisory

   The research has identified that the wealth management process requires a relationship to exist between the client and the financial advisor to allow for a systematic structure of goal setting, implementation, monitoring, and adjustments where necessary. The first step is to develop a goal-based wealth plan that reflects the client’s risk tolerance, expectations, capacity, and needs. From there, the wealth plan can be implemented, with subsequent monitoring of the original wealth plan to make sure that the set goals are being reached. The ability to create a good wealth plan is also reliant on the financial literacy of the client.

   As illustrated in Figure 1 below, most respondents had a fair working knowledge of the financial market.
Most financial advisors indicated that a number of their clients have a fair working knowledge of the investment market while a small population of 15% was actively participating and trading on the market. This presents a challenge to the rest of the investing population with basic to general market knowledge. They risk investing in assets that they may not be conversant about. Identifying the appropriate investments, taking a look at required risk and return would then force the goal-setting process to take a longer period of time.

As shown in Figure 2 below, the research established that most OII had general savings that were not directed by any specific agenda, as the preservation of excess foreign currency was currently the main reason for investing offshore. A part (19%) of the respondents indicated that their main reason for investing offshore was for real estate purposes, both locally and internationally, as the property is considered as a safe investment by most investors, as per the findings by Baum and Hartzell (2012).

4.2. Prospects of the private offshore wealth management services industry in Africa

The study paints a gloomy picture with regards to the future of the offshore wealth management services industry in Africa. The country is struggling with depleting Nostro account balances, leaving less foreign currency readily available for the importation of basic necessities needed in the country (Chengu, 2009). Investing offshore is a form of attack on the country’s sovereignty as it undermines the operations of the local economy by diverting much-needed foreign currency. This has been considered a fact as far as the Zimbabwean government is concerned.

The Zimbabwean government is now moving into a “state of emergency” mode in trying to curtail the hemorrhage of foreign currency out of the country (Chengu, 2009). To a lesser extent, the government could allow the industry to grow, so as to encourage foreign direct investment (FDI) if the investors, mostly expatriates, are allowed to freely move their money in and out of the system. However, indications are that individuals may be stopped altogether from investing offshore in the short to medium term. The research recommends that investors turn to technology for solutions, especially if the HIEI has external sources of income.
5. CONCLUSION

Findings from the literature, mostly by Butler (2012), highlight the importance of incorporating all the elements of wealth management, i.e., the financial, tax, legal, and estate planning essentials, into a holistic process that effectively allows the client to achieve their medium to long term financial objectives. Palan et al. (2013) encourage investors to first research their chosen offshore investment destination, its political stability, infrastructure development, tax, and exchange control regulations. These are the main considerations one should take into account when intending to invest offshore. Zimbabwe is in fact one of the poorest countries on the continent with high levels of unemployment, hence the focus on wealth preservation offshore is essential, taking precedence over wealth accumulation aspirations. With an 85% response rate, the study identified the reason for this investment approach as circling around the hard lessons learnt during the hyperinflationary periods prior to dollarisation in 2009. Most of the HIEI is focused on having their investments offshore for general savings purposes, with the anticipation of at least outleting inflation. Both primary and secondary data indicate that the wealth management services industry is in for a tough time as the current economic situation in Zimbabwe is forcing the government to adopt stricter regulations on investment remittances outside the country with the aim of preserving foreign currency. International pressure is pushing for greater transparency and accountability with regards to the offshore investment frontier.

The study found that the negative effects of dollarisation have increased the appetite of HIEI for offshore investments as a mitigating measure against the adverse effects of dollarisation. These findings are similar to those of Butler (2012) who drew attention to the need for individuals to diversify their investments so as to spread the risk associated with keeping one's investment in a specific or singular form, in this case, mitigation against country risk. The research also supports the findings of Correa and Wang (2016) on the use of dollarisation as a stop-gap measure to stabilize a country in political and economic turmoil. Since 2009, Southern Africa's economic performance, though somewhat stagnant, is considered as significantly improved when compared to the pre-dollarisation periods. The various regulators also need to ensure fair control of the operations of the industry as it is prone to abuse. The lack of information and clear regulations specific to the operations of the offshore investment services providers leaves the investors vulnerable. However, this study specifically identifies the wealth preservation and security aspect as the main reason HIEI is investing offshore. The research summarizes this behavior as emanating from past experiences pre dollarisation in 2009 that resulted in most African individuals losing their life investments.

The future of the African offshore wealth management industry is in jeopardy. Increasing government interference through the implementation of stringent regulations on offshore remittances is to date the major threat to the survival of the industry. Industry players will have to come up with innovative ways of keeping the industry afloat, as it is an essential part of the economy. The literature from this study supports the notion of investing offshore as a wealth management strategy, but at the same time advises a cautious approach. The unavailability of literature sources with regards to Zimbabwean and emerging African offshore private wealth management services practices, in general, proved to be a major limitation to the study. The study was based on a very sensitive topic in Zimbabwean history close to the hearts of the respondents. This could have caused respondents to lack objectivity in responding to the questionnaires.

The study makes the following recommendation that future research should conduct a study into the viability of transforming Zimbabwe into a tax haven for local African investments, for regional economic growth and development. The study encourages a culture of research and certainty before engaging in offshore investing activities. The future, however, is marred by more uncertainty, hence greater diligence is encouraged.

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