Super RICH OR nouveau poor?

When £3 million is considered a paltry sum, just what does it take to make it onto the rich list? And what do those on the list do with their money? **Will Hawkes** investigates.

THE WORLD'S TEN RICHEST

1 CARLOS SLIM HELU Lebanese-Mexican Helu made his first fortune in 1990 when he bought fixed line operator Teléfonos de México (Telmex) in a privatisation deal. Made $19 billion last year. His wealth is now estimated at $67 billion thanks to a share in his America Movil group.

2 BILL GATES The founder of Microsoft recently announced his impending part-retirement from the company; he plans to spend his time and money tackling serious disease around the world. Worth $56 billion.

3 WARREN BUFFET The son of a Nebraska politician, he bought a controlling interest in textile firm Berkshire Hathaway in 1965; he's been on the up, financially speaking, ever since. Worth $52 billion.

4 INGVAR KAMPRAD The founder of Ikea first sold furniture in 1947; now his company has stores in 37 countries and counting. Worth $33 billion.

5 LAKSHMI MITTAL London's only representative in the top five, Indian-born Mittal made his money in steel. His company, Arcelor-Mittal, accounts for 10% of world production of steel. Worth $32 billion.

6 SHELDON ADELSON The casino magnate who revolutionised Las Vegas is now building a $3.5 billion super-casino in Singapore. Worth $26.5 billion.

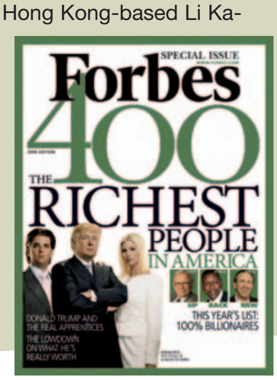
7 BERNARD ARNAULTS French chairman of luxury goods business LVMH, which is now expanding rapidly in Asia. Worth $26 billion.

8 AMANCIO ORTEGA Self-made clothing entrepreneur, Ortega's Zara empire now encompasses 3,000 stores in 64 countries. Worth $24 billion.

9 LI KA-SHING Asia's richest resident, Hong Kong-based Li Ka-Shing owns a diverse operation that includes shipping, mobile phones, electricity and real estate. Worth $23 billion.

10 DAVID THOMSON Co-chair of Canadian media group, Thomson Corp, which has been in family hands since it was founded in 1934. Worth $22 billion.

Source: Forbes



Billionaires, it seems, are big news. Take, for example, the Russian, Roman Abramovich, whose ownership of English football club Chelsea has made him a regular in most UK newspapers and his club one of Europe's most feared; or Sheldon Adelson, the son of a Boston cab driver, whose trade show and casino empire has made him a cool $26 billion fortune.

These men are at the forefront of a massive growth in the number of world billionaires. According to Forbes magazine, there are now at least 946 billionaires (in US dollars), and rising: 178 people entered the list for the first time in 2007. Not since the days of so-called robber-barons, such as Andrew Carnegie and John D Rockefeller at the end of the 19th century has the wealth of a select few caused such comment.

But what has the effect of these stratospheric fortunes been on those less well off? It's not just the poor and the middle classes who are feeling the pinch. A new class has emerged of once-wealthy individuals, many from old families, who are now finding their 'mere millions' just aren't stretching like they used to.

Privatisation and deregulation

The growth of private fortunes over the past 15 years has been remarkable. How has this occurred? One explanation is that the example of the UK in the 1980s has been copied around the world: state-owned utilities have been privatised and money allowed freer rein to roam beyond national borders. This process has taken place in China, India, South-East Asia, Africa, Latin America and, most notably of all, Russia.

> 'PEOPLE DISAPPEAR FROM THE RICH LIST BECAUSE THE BOTTOM LINE KEEPS GOING UP.' WILLIAM CASH

The US, too, has seen a massive boom. According to Matt Miller, Editor of the *Forbes 400* (which documents America's richest citizens), there are 415 billionaires in the US now - and counting. 'We are seeing a tremendous swelling of billionaires here in the US,' he says. 'There are more than 400 of them now – 415 at our last count and I'm working on the *Forbes 400* right now and I'm sure there will be more than 415 by the time we come out [in September]. New York City has well over 50 billionaires – that's the biggest in terms of a city. In terms of states, California has over 90 billionaires. They're concentrated in two areas – San Francisco/Silicon Valley and Los Angeles.'

A look at the figures suggests what Miller says about the US is true around the world. From Germany to India and China, the group of people with personal wealth of £200 million or more is rising.

Investment targets

So what do these super-rich like to spend their money on? According to William Cash, editor of the quarterly journal *Spear's Wealth Management Survey*, whose average reader is worth around £3 million, they look for ways to enjoy themselves and get a good investment at the same time.

'Our readers like to enjoy life but they always want to have a kind of investment angle,' he points out. 'They will collect art, but they will collect art that is bankable, so if they want to sell it down the line they can for more than they bought it for. What we try and guide them towards is how to enjoy life but also to get a return on how one spends one's money. These people aren't stupid. They're not just spending money on a whim.'

New rich, new poor

This growth in the super-rich has had an impact on all parts of society. The creation of once unimaginable fortunes means that those once regarded as rich (as Cash points out, '£3 million is not rich these days – to be a millionaire is nothing') have found themselves 'on the fringes' of London life, as Cash puts it.

This has been reflected in *The Sunday Times Rich List,* where a moderate inherited fortune no longer cuts the mustard. Philip Beresford puts it thus: 'Are [the people on the list] richer than they used to be? Definitely. In the first list in 1989 a £70 million fortune meant a position at number 92. In 2007, it takes a £770 million fortune to achieve the 92nd position. That is eleven times the previous level and I think that comfortably outstrips inflation.

'People disappear from the *Rich List* because the bottom line keeps going up, so they don't make it. Some are family companies that have fallen on hard times; others are old aristocrats who just don't make the cut anymore; a lot of internet entrepreneurs disappeared after 2001. There isn't really a trend. It is mainly because the bottom line keeps pushing people out.'

William Cash believes the rise of the super-rich has had a very significant effect in London. 'There's a new breed of poor,' he says. 'These are people who were brought up to expect to be fairly comfortably off with a private income but now find themselves very much on the fringes of things and I think that is an interesting development.

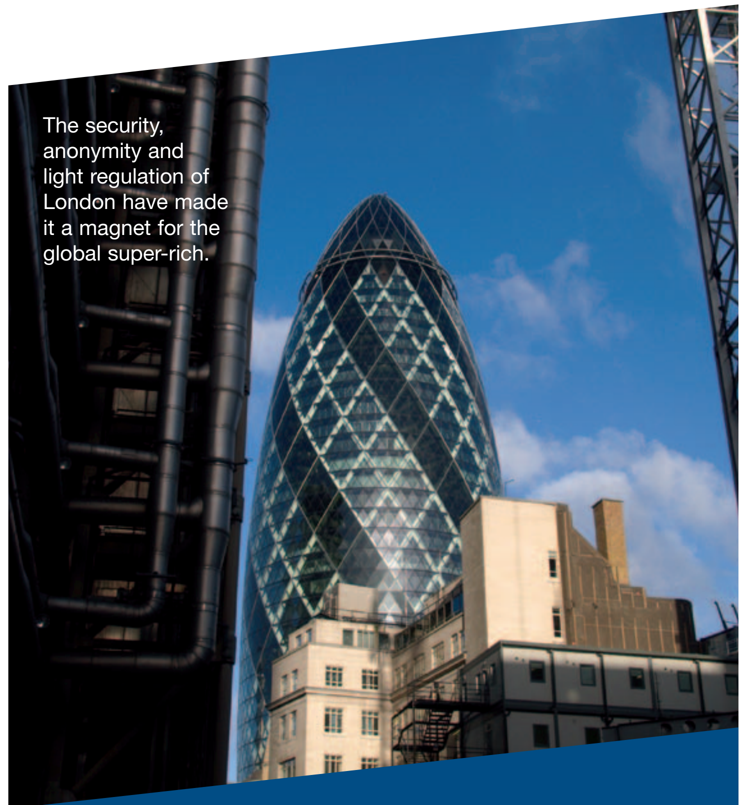
'There are a lot more people with titles living in less desirable areas of the city, who you wouldn't expect to see there, all because foreign money has come and upset the local economy.'

A good outlook

This is the situation now, but what does the future hold for the super-rich? Matt Miller believes we are likely to see more and more billionaires.

'The boom will continue,' he asserts. 'I still think that as the world's economy continues to grow both inside the US and out you are going to see a continuing increase in billionaires, as long as the market continues to grow, as long as oil prices stay high, as long as there is real estate (in London and in New York, the amount of real estate is finite). If you own land, then that investment is going to appreciate. As long as you have these natural resources, you will see more billionaires.'

So times are looking good for those in the art-dealing and yacht-fitting businesses. Meanwhile, that central London property seems ever more elusive for those mere millionaires among us. ■



The security, anonymity and light regulation of London have made it a magnet for the global super-rich.

LONDON: capital of the super-rich

London, which last underwent a comparable economic boom in the 1980s, is now a magnet for the super-rich, wherever they come from. Led by Indian steel magnate Lakshmi Mittal (worth some $32 billion, according to *Forbes*), rich men and women from around the globe have flocked to London in recent years. Why? There are a number of reasons, argues Philip Beresford, editor of *The Sunday Times Rich List*, the annual publication cataloguing the UK's richest residents.

'It is a financial centre,' he notes. 'Then there is the culture, the security and the anonymity they find here. There's also the ease of access time zone-wise to Asia and North America. There's good transport links, good schooling for their children, and obviously, the tax breaks.'

David Harvey of Step (the Society of Trust and Estate Practitioners), a London-based global association of tax lawyers and financial advisers, emphasises that it is London's perceived financial acumen that has seen it attract so much foreign money in the past few years.

'The first reason [people come to London] is the quality of advice available and the long-term strength of the financial markets here,' he says. 'We have a record of strong financial services, there is strong advice with a good regulatory structure. Things are broadly transparent – of course nowhere is perfect – and we can see how New York has gone down in the last couple of years because of over-regulation. I have got no doubt that the non-domiciled tax arrangement is also a major factor.'

London's relatively new status as capital of the super-rich is down to a combination of reasons, argues *Spears Wealth Management Survey* editor William Cash. 'America has allowed itself to lose its dominance as financial capital of the world,' he says. 'London is much better placed in terms of the markets; we don't have nearly so much regulation. This is a very relaxed, non-regulatory place to do business. Most importantly, London has a very international outlook, and has had since the big bang in the 1980s.'