Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Hard-pressed British urged to spare a thought for millionaires

The aftermath of a long-awaited general election, coupled with the England football team's ultimately thwarted advance through the Euros, inevitably eclipsed recent apocalytic headlines that the UK is confronting a mass exodus of millionaires.

On the same day that Prime Minister Keir Starmer unveiled his plan for government and England advanced to the final in Berlin, a chilling report revealed that Britain's millionaire population was set to plunge by 17 per cent in the next five years.

Even if the attention of the average voter or football fan had not been elsewhere, their likely response might well have been a resounding "so what?".

Set against statistics showing rising child poverty, overcrowded prisons and lengthening hospital queues, the fate of the plutocracy is probably well down the general public's list of concerns.

So, do the latest wealth figures matter? And what do they actually reveal? And what do they say about the fate of the country as its embarks on the new Labour government's promised era of change?

International "nomadic" millionaires

The latest Global Wealth Report from Swiss-based UBS, which predicted the 17 per cent plunge, said it amounted to the UK losing half a million of its current three million millionaires by 2028. It is currently third in the global millionaire league table, behind the US and China.

Perhaps the first thing to bear in mind is that the statistics extend well beyond the super-rich. Almost one in 20 adult Britons is technically a millionaire in US dollar terms. However, the £770,000 sterling equivalent would barely buy them a semi-detached home in an outer London suburb.

Some 400,000 such "millionaires" disappeared almost overnight in 2016 after the fall of sterling following the Brexit referendum slashed the dollar value of their assets.

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Even if a millionaire is defined as anyone with liquid investable wealth of $1 million, that is still a relatively low bar. At this relatively modest end of the millionaire cohort, it is unlikely that many will be upping sticks and fleeing to Dubai or Monaco.

Rather, what is preoccupying wealth managers is the departure of what UBS's Paul Donovan described as international "nomadic" millionaires.

The chief economist at UBS global wealth management told reporters that the highly mobile wealthy had been attracted to the UK over a number of years to reach a level that was "disproportionately high" given the size of its economy.

Their relocation, driven by structural changes in the world economy, would therefore disproportionately impact the UK.

The growing attraction of low-tax destinations

Some media inevitably linked the threatened departure to the election of a Labour government, ostensibly out to tax the rich. Under the headline "Britain to suffer world's biggest exodus of millionaires as Labour takes power", the Conservative-supporting Telegraph said the projection came amid fears among the rich about new wealth taxes.

Donovan did not cite the election result as a contributing factor to the UBS forecast, while acknowledging that changes to rules for so-

called non-domiciled taxpayers, already mooted by the previous government, made a "small, not substantial" impact.

More significant were the growing attraction of low-tax destinations such as Singapore and the UAE, coupled with the departure of much of London's Russian oligarchy as a result of post-Ukraine invasion sanctions. As early as mid-2022, society magazine Town and Country noted that the affluent postcodes of "Londongrad" were turning into a ghost town.

Two years earlier, Parliament's Intelligence and Security Committee cautioned that Britain had welcomed Russian money, with few, if any, questions asked about the provenance of this considerable wealth which then went on to be recycled through the London "laundromat".

If a country is losing large numbers of millionaires to migration, it is probably due to serious problems in that country - Henley and Partners

Those who service the nomadic super-rich naturally talk up the benefits of hosting global millionaires rather than focussing on such downsides.

Henley and Partners, which offers residence and citizenship advice for investors, said in a recent report that millionaire migration figures were an important overall indicator of the health of an economy.

"If a country is losing large numbers of millionaires to migration, it is probably due to serious problems in that country," according to H and P. "It can also be a negative sign for the future, as wealthy people are often the first to leave."

The firm, which spurred the first "Millionaires flee UK" headlines with its own wealth survey in June, says inward migration of the wealthy and talented supports the economy in terms of foreign exchange revenue, business start-ups, higher stock market valuations and job creation.

The UK will continue to be an attractive destination for the super-rich

These are all areas in which the new chancellor, Rachel Reeves, will be counting on seeing progress as she pursues her "national mission" to boost growth.

Labour looks set on a middle course that will shun any tax-the-rich rhetoric while tightening some fiscal rules that might well impact the better off.

Wealthy incomers, whether investors or tech entrepreneurs, are more important to the economy in terms of the productivity and innovation that they can generate than in terms of the tax they pay.

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With a first glimmer of hope that growth might already be recovering, the UK will continue to be an attractive destination for the global super-rich, given its well-developed educational, research and cultural base.

Millionaires may come and go but the ups and downs of international league tables should perhaps be treated with some skepticism.

A Britain confronted by neglected public services, a housing crisis, and a still fragile economy, will need more than just the nomadic super-rich to save it.