

An Alchemist's Guide to Family Wealth in Asia

Ensuring that family wealth is preserved and passed on to future generations in an astute manner is both a science and an art. Michael Troth, Head of Trust and Wealth Planning and Family Office for Asia at Citi Private Bank, shares how the bank is helping its ultra high net worth (UHNW) families in Asia to preserve their wealth.



Executive Summary

Citi Private Bank has wide-ranging experience in guiding families to sustain and transition family wealth across multiple generations. Its family office practice began in the United States, the home of family offices, but is now global, extending to Europe and the Middle East, Latin America and of course across the vast continent of Asia where Citi is a household name.

Serving more than 1,100 family office clients worldwide, a team of experts from the private bank's Global Family Office Group located throughout the world is well-versed in the needs and issues faced by this group of unique families, and in tailoring solutions to meet their evolving demands.

These experts are on hand to offer the private bank's clients immediate advice on best practices and access to other associated products and services covering investment, lending, custody, and corporate advisory and financing that only a global, universal bank like Citi can provide.



Family offices in Asia - ever more popular

The family offices of today have grown rapidly in size and in wealth over the years, particularly in the last decade.

According to Campden Wealth's Global Family Office Report 2017, there are 5,300 family offices in existence globally, both single family office and multi-family offices, with an average of USD921 million in assets under management (AUMs). The report also estimates that there are a total of 900 family offices in Asia Pacific.

Through the private bank's interactions with family offices over the years, it has identified a range of complexities and opportunities that they have faced in the management of such structures, especially in situations of significant wealth.

Troth said, "We want to share the benefit of our experience in dealing with many family offices - more than 1,100 globally. We have compiled these insights into six White Papers that are digestible and valuable for families operating or considering establishing a family office as part of their overall holistic approach to family wealth planning.

"The White Papers cover numerous elements on the establishment and management of family offices as well as many of the delicate nuances, which are more art than science," he continued.

Key to sustaining wealth across multiple generations

One of the key areas of concern for family offices which Citi has identified is their ability to sustain wealth across multiple generations. Having achieved

Key Priorities

Troth shared that Citi takes a holistic approach when advising its UHNW individuals and families on wealth management, and revealed that there are increasingly more clients consolidating their wealth with the private bank.

He explained that Citi has done a lot of work globally for Asian UHNW families, and cited an example of how the private bank had worked with some large Asian clients who own real estate in the United Kingdom, who due to the recent tax reforms had to have their existing property ownerships restructured.

Similarly, according to Troth, if clients are looking to buy property in the United States, then it is important that clients are properly advised on the most feasible way to structure their ownership in order to minimise exposure to unnecessary risks.

"A large number of our Asian clients own international investment properties, and we have worked with a number of those clients and their advisors on establishing and maintaining the most appropriate holding structures. Engaging with clients on such matters can often lead to a wider dialogue with the families on various other aspects of structuring to protect the family's wealth for the future," Troth said.

In today's world of ever-changing tax transparency and regulations, there are still many benefits to be gained by holding assets through appropriate structures including trusts, to ensure a smooth distribution of assets to the beneficiaries.

For global families with investments outside their home countries and family members who are living overseas, it is extremely important for them to understand the extent of complexity involved to secure their wealth and assets and any potential issues that may arise in the process. It is always advisable to engage professional advisors including lawyers, tax advisors and private banks that they can depend upon to look after their best interests.

As one of the world's fastest growing private banks, Citi Private Bank is dedicated to serving worldly and wealthy individuals and families by providing customized, cross-border private banking solutions to them. With approximately USD460 billion in global assets under management, Citi Private Bank helps clients grow wealth, finance assets, and preserve legacies through objective advice and a truly open architecture investment platform.



MICHAEL TROTH
Citi Private Bank

great wealth, families often embark on estate and wealth management strategies designed to preserve their wealth for future generations.

“The reality is that despite the best intentions and efforts of family heads, attorneys, tax advisors and wealth managers, we know from a historical perspective that many, sadly perhaps most, families see their wealth largely dissipated after three generations,” said Troth. “There are so many reasons for this, for example, the excessive concentration of wealth in a business or a place, excessive consumption or debt, poor tax planning, divorce and many more,” he shared.

According to Troth, while there are families who have not been successful at holding on to their wealth, he has met numerous others who have been successful at keeping wealth in the family across several generations.

“Interestingly, these families exhibit some common characteristics which have given them a competitive edge,” he said.

Troth shared that families who have achieved successful multi-generational wealth transfer have an intuitive understanding that family values are the glue that binds family members together across multiple generations. These values are enduring and transcend political or social differences across generations.

“The best-prepared families create numerous opportunities for discussion, healthy debate, learning, and decision-making, often starting at an early age. Eventually, these families

sound governance is the shunning of nepotism and the avoidance of an entitlement culture, where no employment or board membership is guaranteed to family members and compensation is strictly determined on the basis of role, responsibilities, skill, and performance.

“These families take advantage of planning efficiencies as much as possible, at the advice of professionals including tax and legal experts,” he said. Troth added that these families understand that unexpected

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recognize that they are coming together for a greater purpose and are able to make effective decisions on behalf of the whole family or family enterprise,” said Troth.

Successful families will also ensure strong governance across all areas of their operations or business. Based on Troth, this means embracing sound leadership, meritocracy and appropriate decision-making practices. Two key elements of effective family governance are the development of the future family leadership and having a sound succession plan in place, according to Troth.

He further pointed out that closely associated with

events and situations happen, and will not hesitate to revise their plans as circumstances dictate.

Alongside planning is implementing the correct processes and good practices. “Leaving as little to chance as possible is another characteristic of successful multi-generational families,” Troth highlighted.

“Moreover, having formal family mission statements and well-defined rules across all the generations not only reinforce family values but also govern permissible behaviour.

Understanding such practices and adapting them to the values of the family is



an effective first step towards keeping wealth in the family across multiple generations,” he advised.

Engendering trust through dialogues

Troth explained that conducting regular discussions with families is an essential part of helping them to identify the key issues, which often results in the need to structure, or restructure, accordingly. “Through these

Asian families today are more open than they were a decade or two ago in discussing family matters. Such issues were more commonly kept or discussed only at the founder-creator level in the past.

Turning again to the family office discussion, Troth reported that there is a growing trend towards the establishment of family offices both in Hong Kong and Singapore due to the positive operating

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discussions, we often find that structures need to be updated to take account of current practices and laws and changes in family circumstances.” Troth noted that

environment that these jurisdictions offer, including but not limited to, certain tax exemptions that potentially may be available. ■

Getting Personal

Michael Troth has a long and expansive career in trust, estate practice and wealth management, having worked for leading financial institutions and global conglomerates in Jersey, Malaysia, Hong Kong and Singapore. Prior to joining Citi Private Bank in Singapore in 2001, Troth was the Managing Director of the Asian Trust business for Jardine Matheson Trust Corporation.

At Citi, Troth has served as the private bank’s Global Market Manager for Brunei, Malaysia, Philippines and Thailand, as well as managed fiduciary services for Citi Trust in Asia. In his latest role, Troth leads the private bank’s Trust and Family Office teams in Asia.

Armed with a wealth of experience, Troth has a historical perspective of Asia’s wealth landscape and business, having worked through the economic explosion in the 1990s to the Asian financial crisis, the global financial crisis, to the current state of wealth creation boom in the region.