

Asia's wealthy at inter-generational tipping point

Various factors have set in motion an irreversible change in the wealth management landscape in Asia – the focus is on transferring family and business assets as smoothly as possible across generations, says Chris Marquis of HSBC Private Banking.

Families in the region are significantly more international than they used to be. Many in the younger generation, for example, which refers to sons and daughters now in their 40s (not just millennials), have studied in the US or EU.

wealth solutions (PWS) at HSBC Private Banking. "It's a real tipping point for [inter-generational] transition right now," he adds.

With a ballpark estimate of around 14,000 HNW individuals expected to participate



CHRIS MARQUIS
HSBC Private Banking

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in this inter-generational transfer in the next few years, accounting for trillions of US dollars in net worth, it is easy to see the extent of the opportunities – as well as consider the challenges.

CLEAR ADVICE TO CLIENTS

While a few thousand US dollars or euros left in a savings account is not much in the context of a HNW portfo-

lio, for example, the reporting requirements could cost a lot more.

Indeed, even Colleen Graffy, formerly US deputy assistant secretary of state for public diplomacy for Europe and Eurasia, and professor at Pepperdine University School of Law and Chairman of SEAL (the Society of English and American Lawyers), has no hesitation in calling FATCA extra-territoriality.

Marquis takes a pragmatic view. “The world has become a lot more transparent. In Asia, the tax regimes are relatively benign and therefore are less of an issue, however international families must carefully consider how they ensure the family enterprise remains compliant.”

give tax advice to clients, but we are very tax aware, and when we see there will be reporting issues, we always strongly advise, and on some occasions insist, our clients to receive independent tax and legal advice, particularly when they pass assets from their personal name into succession planning structures,” says Marquis.

A PATHWAY FOR PLANNING

Marquis is very alive to the needs of his clients. “We are dealing with individuals, so they are all different and we are working with a generation that pretty much created the business, so they want to sustain it.”

This is very much at the heart of the strategy of HSBC Private Banking’s

benefits, believes Marquis, for a client to utilise a professional trustee from a bank that has been in Asia for more than 150 years.

The open architecture approach also allows clients to consolidate a wide range of asset classes, ranging from financial assets located inside or outside of the bank, to residential and commercial property, to family businesses.

This open architecture approach aligns with the private banking business but is by definition not exclusive.

“The vast majority of our clients are multi-banked,” says Marquis, “and we’ve been in this business now for more than 70 years.”

In line with this, the long-standing relationship remains the same. “We are now dealing with the third, fourth and sometimes fifth generation of wealth that’s been created and sustained throughout those generations.”

WHICH WAY TO TURN

Where family business are held through PWS trust structures, regular dialogue with the families and flexibility is also key to this segment of the business.

“Some clients may look to exit business lines they feel they can’t continue and re-invest in other asset classes.

We help to ensure there is a forum for collective decision-making across the family enterprise so that all relevant facts and perspectives are considered,” says Marquis.

Examples include the transition from mature industries such as textiles where the value of the business is often in the real estate.

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“We are ensuring our clients are well informed and are taking appropriate professional advice,” he urges.

Although the various inter-governmental agreements are being signed, in terms of the impact on reporting to the tax authorities around a client’s private wealth, Marquis and his team are informing clients what these rules made between the governments mean for them.

This also makes external partnerships very important to the bank. “We don’t

PWS business. “We are really HSBC’s inter-generational succession planning business,” he explains.

“We look to help clients who want to pass their wealth effectively between the generations, in a transparent and compliant manner.”

PWS operates an open architecture professional trustee business with a separate legal entity structure providing effective succession planning solutions primarily for HSBC Group connected clients. There are significant

In such cases, he says that it might simply be better to sell the business and turn the property and goodwill into financial assets.

A bigger trend that the industry in Asia has been witnessing in recent years, meanwhile, is the shift towards making wealth work in a wider sense through philanthropy.

Using the increasing focus on philanthropy as an example, the PWS team at HSBC Private Banking takes clients out to visit projects that they are investing in, so they can see the social impact.

“It’s about focusing on those drivers [for the next generation] and identifying what matters to them, and then delivering that from a private wealth context,”

of their wealth planning, certainly won’t be easy.

Investing in the business happens already in the form of the bank’s internal training programme.

The aim, explains Marquis, is to bring people through to be senior leaders in the PWS business.

But he must also look at the recruitment channel. There are just not enough people to meet the growing demand for solutions, and the PWS offering has to recognise that fact.

He says he is looking for bright and ambitious people, and wants to give them the opportunity to learn the business through structured training programmes recognising both technical and relationship skills and privileged access to longstanding HSBC Group

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“As you look at the wider family enterprise, there are a lot more members of the family, referring to the extended families, and not all of them are going to be running the business,” explains Marquis.

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PRIORITISING TO KEEP UP

More broadly, the next generation is an important strategy priority for Marquis and the PWS business.

The bank talks to them about issues ranging from investments to succession planning to philanthropy.

“We’re looking closely at what are the drivers for this generation, as they are very different to the previous generations,” he adds.

Beyond just a digital engagement, he observes that the way they communicate with their relationship managers is going to be different from the approach their parents have taken.

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This also involves his team encouraging the current wealth creators to allow the next generation to have access to a private banker with some wealth to manage, in a responsible way.

Putting together these and the various other needs of the growing client base in Asia that is in need of advice in terms

client relationships. “It is really attractive for a number of professionals, whether they be in finance, accountancy or legal,” he explains.

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