

Business Families in Transition – How the Wealth Management Community can Embrace the Opportunity?

Business and estate succession planning is a key area of rising emphasis in Asia's wealth advisory industry. As so many from the region's founder generation age, as more from the second generation take control of the family business and financial wealth, and as more from the third generation, often educated abroad, return from overseas armed with their overseas educations, there is a concomitant increase in both the focus and the professionalisation of solutions the wealth industry can offer in order to keep their private clients engaged for today and for the future. On June 15, Hubbis assembled a group of experts for a panel discussion to articulate the needs and expectations of the current and the next generations of Asia's private clients, to drill down into how the private banks and independent wealth management providers can offer the right advice and support in these areas, and how they can tailor their offerings and their approaches to retain and/or attract those next-gen and younger clients. Most importantly, they focused on how they can maximise the opportunities ahead, for those wealthy clients and, of course for the success and longevity of their own wealth management businesses. Lee Wong, the Singapore-based Head of Family Services for Asia at boutique international private bank Lombard Odier, was one of the speakers and, as usual, proved to be an excellent source of insights into the latest thinking and trends around these vital matters.

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LEE WONG
Lombard Odier

Lee opened her commentary by first highlighting the absolute need for open dialogue amongst family members. “No matter what kind of structuring solutions we envisage, and what type of transition we plan, or that a patriarch or matriarch has in place or in mind, you must have those discussions with the next generation and a true understanding of their various aspirations,” she stated.

If this type of approach is not followed, she said advisors and families will struggle to achieve the necessary alignment within their generations, and problem issues will quite probably arise in the future.

Seeing the gaps, bringing generations together

“For me,” she explained, “the key to all this is bridging the gap between the current generations and the next to help them move forward in the same direction, and together.”

Singapore-based Lee also addressed the role that a family office can play in facilitating robust business and estate transition. She noted that in Asia, the bulk of wealth emanates from family

enterprises, and the financial or investible wealth is often best managed through a platform such as the family office, at least for very wealthy client families.

Family offices as the hub and spoke

“The family office can help significantly in keeping non-business wealth separate from the business and help create a more holistic approach to the overall family estate,” she said. She indicated however that the family office can help in keeping a watch on the family business, but not directly managing it.

Moreover, the family office can act as the hub for the next generations to help them start and grow new businesses that might perhaps be more in line with their

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own interests and motivations, creating further diversity but also helping satisfy the preferences of the next and younger generations.

Lee indicated that the family office can, therefore, play a significant role in helping pull together the different strands of business, financial and property family wealth and helping manage both liquidity and diversification.

Step by step

She elaborated on what these types of conversations with clients actually entail, first noting that when they talk about an open and honest dialogue, that does not emerge simply by placing a bunch of family members together.

“We first need to explain the process to the family, about the importance of understanding each individual family member’s fears and concerns, as well as their aspirations,” she said. “You cannot just throw them all together in a room and expect results; you need to take a patient approach, and you need to tackle issues one by one. Some of these situations take literally years to resolve, and the bankers should not be the only ones to drive the process, it must be collaborative, and involve other experts in the ecosystem.”

Balancing different needs and expectations

Lee later addressed the issue the panel debated of the potential chasm between the need for private bank Relationship

Managers to generate revenues and assets under management in the near term and the need for the banks, and indeed many of the Relationship Managers not nearing retirement age to help generate future business from the next and younger generations.

She indicated that Lombard Odier is far less conflicted in this regard than some of the other big-name private banks. “We remain privately owned, and accordingly, our DNA is unique,” she explained. “From day one, we stress the importance of our bankers embracing a genuinely long-term approach in relation to our clients and their needs.”

She said the bank strives to

balance the challenges around Relationship Managers in this industry relating to these longer-term missions and objectives. “We truly aspire to be our client’s trusted advisor, not just for today, but for generations to come,” she said. “That is our official mission statement from the top of the bank, and that is very much the culture here.”

Opening the right doors

This means that Lombard Odier bankers are empowered to relate these narratives to their clients early on and to highlight to them the vital importance of focusing on these issues.

“But that does not mean the Relationship Managers are the best at delivering the depth of advice required,” Lee explained. “And that is precisely why I am here and why my team is with me on this mission. The bankers can focus on these matters and open the doors to their clients, we can deliver our core expertise to their clients. This type of ‘one team’ approach is vital.”

Teamwork pays off

Moreover, as to the collaborative effort she had highlighted earlier, she noted that the Lombard Odier Family Services team is working on these matters constantly and has assembled its own set of trusted

partners to help these clients achieve their goals, including, of course, specialist lawyers, accountants, consultants, trustees and other experts.

“We bring the ecosystem that we trust and rely on to support these clients,” she said. “Our bankers open these very important doors, essentially planting the seeds, and we then offer our expertise and our relationships to help them achieve their objectives. And we then remain aligned with our Relationship Managers to ensure that we maintain the momentum gained.”

Sophisticated solutions for a complex world

Lee expanded on these comments, noting that in a world in which wealthy families are increasingly complex and global, and also one in which there are more acute differences between the generations, expectations need to be carefully managed throughout the process.

“People can become upset when in their heads as a family member, as an owner, as a manager, they believe they are entitled to certain things, and the assumptions around such entitlements are often different amongst different family members and generations,” she observed. “Accordingly, throughout the entire process,

continuous communication is needed to identify these issues and to manage expectations, to help drive towards fairness and to avoid disputes.”

Empathy and openness

She also explained that some assets might mean more to certain family members. “It is vital for the patriarch or matriarch to be clear in their decisions and to explain them to family members,” she stated. “When people think about succession, they think about that one single point in time when that founder-owner passes away, and assets get distributed, but succession is really a much longer process that must be carefully articulated and properly explained and related back to the family value system. You cannot explain or resolve issues from beyond the grave.”

Into the future...

Lee closed her comments by advising bankers and clients to avoid direct discussions about death but to focus instead on the future and the legacy the founders want to achieve for their families. She said this is all about a smooth, equitable and transparent transition of business and family wealth, and the entire process should be tailored with the objective of retaining the family’s integrity and cohesiveness into the future generations. ■

