

# Dealing with wealthy Indian families

*The growth of India's private wealth is being driven by entrepreneurs. The country's blossoming wealth management industry is working out how to ensure that top-flight concepts and solutions can be discussed and attained with these individuals as well as the other wealthy families.*

*These were the topics discussed:*

- *What's the increasing importance of wealth solutions and planning?*
- *What challenges do Indian business families have and how is that changing?*
- *How do they protect their assets?*
- *How do they deal with family succession?*
- *What are the effects of transparency on the conversation with clients?*
- *How can you have a proactive, sensible and sensitive conversation around wealth solutions with clients?*
- *Migration to different Jurisdictions - comparatively where is best?*
- *Philanthropy and Giving in India - what trends are we seeing?*
- *Family & Business Governance - any important developments?*
- *The next generation is increasingly important. How do we make the most of this opportunity?*
- *What's the future for International Financial Centres?*

## PANEL SPEAKERS

- Bijal Ajinkya, Partner, Khaitan & Co
- Arpita Vinay, Wholtime Director, Centrum Wealth Management
- Amrita Farmahan, Senior Executive Director, Avendus Wealth Management
- Richard Nunn, Head of Business Development, Jersey Finance
- Vinita Iyer, Senior Vice President - Estate Planning, IIFL Wealth Management



## EXECUTIVE SUMMARY

Wealth management firms in India are not only trying to build their client relationships for current revenues, they are also learning how to position themselves for the future, by cementing relationships with the founder generations while expanding their connections with the younger generations who will inherit so much of India's family prosperity, as well as creating their own companies and wealth.

A panel of experts assembled by Hubbis at the India Wealth Management Forum discussed the central concerns of India's high-net-worth families, what products and services they need, what investment strategies they tend to pursue, if they need to revise older structures in offshore jurisdictions as global regulations and compliance inexorably tighten their grips, and whether they are receptive to discussions around estate planning and succession.

Entrepreneurs account for an estimated 50% or more of India's private wealth growth, so the advisory community needs to understand this target market intimately and to build their connections to these individuals as well as their families. India's early generation founder patriarchs and matriarchs are ageing, and the transmission of their assets needs to be addressed more proactively than ever before. Meanwhile, the younger generations have a wider global perspective on domestic as well as offshore investment and are increasingly receptive to ideas for offshore structuring and even residence in global jurisdictions.

Although India's wealth management sector is relatively young, the market is certainly in favour of the industry, as economic growth and private wealth creation are so robust and projected to remain so for the foreseeable future.

**S THE WEALTH MANAGEMENT INDUSTRY PUTTING** its message across that it can help India's swelling ranks of high-net-worth individuals (HNWIs) and ultra-HNWIs manage their wealth and help them transfer this effectively to younger generations through comprehensive estate planning? What are the key trends in their investment preferences? Do they go offshore for structures, or to buy foreign assets? Do they even follow the path so well-trodden by numerous non-resident Indians (NRIs) and migrate to other jurisdictions? Five leading wealth management experts from India and from abroad exchanged



BIJAL AJINKYA  
Khaitan & Co



ARPITA VINAY  
Centrum Wealth Management

their views on these key matters in the second panel of the Hubbis India Wealth Management Forum.

"I see a very challenging environment for wealthy families here, which is awkward for them but positive for the advisory industry," commented one international panellist. "The pain and pressure points are very much on the regulatory side, as the intense local and global drive for transparency is top of the agenda and confidentiality is effectively dead."

He referred for example to the Common Reporting Standard (CRS) and to BEPS, which stands for Base erosion and profit shifting and is part of the OECD's effort to hammer tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

"All this means worldwide we are seeing a period of rationalisation, with more people reviewing what they have, where they have assets, the types of jurisdictions that they are currently doing business with, the types of jurisdictions in which they want to be doing business in the future and probably for the first time really having a close look at the types of jurisdictions and entities that will still be here in around 10 to 20 years' time."

This is also changing the mindsets of HNW families he added. "We are seeing a real change in the types of investments and the methodology. There is much more bravery for families now, seeking out different asset classes and the world is becoming incredibly small in that respect. For example, what once worked, buying some real estate in Europe perhaps through a historic structure or an old jurisdiction might no longer work, so the families are looking more diversely across numerous asset classes."

Another expert commented that this is an ideal time for the expansion of the wealth management industry. "There has never before been such a wide range, breadth and depth of solutions and products available across asset classes. Families are striving to pick the right strategy for investing for the future and also for long-term planning. There is more emphasis on performance within the family offices, with more decisions delegated to professionals to manage the wealth. We



AMRITA FARMAHAN  
Aventus Wealth Management

are now beginning to see discussions on legacy planning with a 10 to 15-year perspective, whereas traditionally the outlook was a few years at most."

He added that the regulatory and tax complexities today demand better solutions and appropriate use of jurisdictions. "No one solution fits all. Indian families are at different stages of their wealth accumulation and therefore have different priorities and time horizons. We have seen many owners sell in the past decade and now want their wealth managed, so this industry is growing and there are multiple players now to choose from. It is an exciting time."

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### IS DIGITAL BECOMING MORE IMPORTANT THAN EVER?

Yes



No



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Source: Indian Wealth Management Forum

In India, remarked one expert, about 70% of listed companies are family owned, which means a massive amount of work in the future as the owners and the businesses transition. “But conversations along these lines are not easy with individuals and families,” he noted. “Discussions about my time in the sun are always awkward and there is always great complexity in the way each family is structured and operates, across the generations. The good news is that egos and preferences can be better managed with structured approaches and there is a growing understanding and appreciation of the separation of ownership, management and value. For the adviser, we must be careful to handle all the elements professionally and sensitively to ensure all parts are well handled.”

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Another expert commented that many of those in the room might not have a clear structure for their future. “When it comes to a will, to demise, succession, many families do not want to discuss these worst-case scenarios.” The suggestion, therefore, is to begin with discussions around taxes and inheritance tax as a first step and then evolve the dialogue to include the subject of succession and other sensitive areas.



RICHARD NUNN  
Jersey Finance

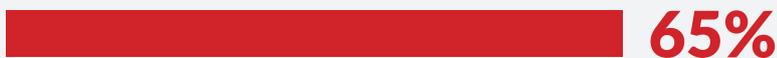
“Clients, in all honesty,” said one panellist, “used to think about ways of hiding assets, accounts and so forth, but today that is changing to asset protection, from creditors, from spouses and also in relation to succession. Nevertheless, at the same time, they are fully aware that their information will become known, either by the authorities or simply by way of a nuisance leak. In the aftermath of the Paradise and Panama scandals, Indian HNWI’s have been tidying up their accounts in those sorts of jurisdictions and also considering moving residency to mitigate tax or taxes on their estates. And finally, I would add that HNWI’s realise they need to pay up for specialist expertise.”

**DO WEALTHY FAMILIES UNDERSTAND THE NEED TO DO SUCCESSION PLANNING?**

Yes



No



Source: Indian Wealth Management Forum

The discussion turned to the importance of international financial centres for offshore investment and structuring. “If you look ahead 10 to 20 years there will be a lower number of IFCs, for sure,” stated one expert. “The impact of global regulation will force it to happen. And within each surviving jurisdiction, there will be more investment and more consolidation going on.”

He also highlighted how clients across the middle east and India are revising structures they might have set up in the 1980s or 1990s or the 2000s, driven by demands from administrators in these jurisdictions for more information, possibly including the source of wealth, even going back several decades. More work creates more fees and that means jurisdictions that were lower cost are now more expensive and less competitive with those markets that have long exercised tighter administration and standards.

Impact investing and philanthropy have both been rising in prominence in India. “This has all been very personal to the families and behind closed doors,” said one panellist, “but now they realise that there are regulations and that this needs to be handled in a more structured manner.”

Different generations amongst the wealthy families of India are increasingly building family constitutions, although a reality is that the older generations still believe that their values and their ways are the only way forward. “However, it is important to engage the younger generations, who are the future of the families,” explained one expert. “Communication of family values and objectives and open communication with the advisers are essential. It is all about balance, the older generation might be wise, but the younger generations



VINITA IYER  
IIFL Wealth Management

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might be very smart, so as advisers and service providers we need to ensure that all their different views are heard and incorporated. That also helps the bankers or advisers maintain their business relationships across these generations.” ■

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#### DO YOU HAVE A WILL

Yes



No



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Source: Indian Wealth Management Forum