

Developing Trends

Legacy & Succession Planning for Asia's HNW Families

A panel of eminent wealth management professionals gathered at the Hubbis Asian Wealth Solutions Forum to set the scene for the broad discussion of high-net-worth (HNW) client wealth succession in Asia. The overall conclusions were that experience in dealing with wealthy families is ever more essential, expertise in a broad array of products and solutions are vital, as is a clear understanding on the regulatory implications of onshore and offshore solutions.

These were the topics discussed:

- *What are the practical considerations today for HNW clients in wealth protection?*
- *Do they even know what they own? How do they organise this?*
- *How are these needs developing? And how can you help clients understand these needs?*
- *Do we need to simplify the conversation with clients and go back to basics?*
- *What does the word 'advice' mean today - and who is licenced and capable of providing it?*
- *Are banks providing the services clients want - or just providing them the services they have to sell?*
- *Do clients understand what's critical and what's not?*
- *How are you upgrading your platform and services to make the most of this opportunity?*

PANEL SPEAKERS

- **Woon Shiu Lee**, Managing Director, Head of Wealth Planning (Trust and Insurance), Bank of Singapore
- **Rohit Bhuta**, Chief Executive Officer, Crossinvest
- **Gerard Gardner**, Global Head Wealth Solutions, EFG Wealth Solutions
- **Simon Lints**, Chief Executive Officer - Singapore, Schroders Wealth Management



EXECUTIVE SUMMARY

The correct approach to wealth transfer is vital

While inter-generational wealth transfer appears to be every wealth manager's favourite topic, solutions and the broader market are becoming ever more commoditised, so advisers must first build relationships and understand client needs. In short, a great opportunity awaits those who approach their clients sensitively.

Wide-angle perspectives and expertise required

Private bankers and wealth advisers must broaden and raise their knowledge of the regulatory impact of onshore and offshore solutions and the interplay between them.

Wealth transfer is not a commodity

To discover the personal and family needs of HNW clients requires a number of in-depth discussions while trust is built. Those bankers who approach this segment while wanting to achieve short-term revenue flows will likely struggle in the wealth succession space."

Clients gradually appreciate the need for information

HNWIs and families in Asia have a greater appreciation than ever before of the need to surrender information, as they now understand the compliance obligations of the banks and financial institutions today.

Tax evasion no longer on the table

Tax is no longer seen as a driver for products and solutions for clients or for their advisers.

Succession and Wills remain tricky discussions

It is surprising how often long-established wealthy family founders will not have had meaningful discussions with wealth advisers on succession strategies. Bankers often tend to side-step these sensitive discussions or have not built deep enough relationships.

Built an infrastructure of expertise

Banks and wealth managers cannot proffer tax or legal advice. They should have knowledge of the general concerns and build a network of trusted partners to whom to refer their clients.

Advice should be objective

How can advisers ensure their advice is not another form of product selling? The answer is to charge fees for that advice, rather than see it as a means of generating fees based on action taken as a result of the advice.

Conversations encompass broader perspectives nowadays

Whereas a decade or more ago the focus in client discussions was wealth enhancement, the discussions today, especially for those older HNWIs, increasingly encompass social and human perspectives.



“WE HAVE RATHER **COMPLICATED** this entire environment, as far as I am concerned,” said one expert, on opening the discussion. “Inter-generational wealth transfer is on everyone’s lips, but this means we lead every discussion with it. However, while in Europe and the US wealth has been accumulated over generations, in Asia it is relatively new, so while there is a clear need it is far from their only need.”

He said that on top of this these families in Asia are usually over-banked. “Realistically,” he remarked, “we live in an increasingly commoditised world, so the solutions we can offer are almost the same as competitors. So, the only difference is how we approach it if we lead in with a product or a solution. But we do not know what they know, or they do not know, so my advice is the first and foremost conversation needs to be a conversation where we sit down and identify what are their needs that are as yet unfulfilled. And the short answer is there is a great opportunity if approached correctly.”

Greater expertise needed

A private banker commented that is relationship managers can go into the details and merge the onshore and offshore discussions that will greatly help with winning more. “To do this effectively,” he argued, “the knowledge and skills base of your entire team must be raised, we cannot just rely on



GERARD GARDNER
EFG Wealth Solutions



ROHIT BHUTA
Crossinvest

bankers having only broad conceptual discussions with the clients. The bankers must, for example, be aware of issues relating to direct and indirect taxes that might arise, especially when related to offshore companies. Additionally, the bankers must be able to anticipate change as well. Keeping abreast of all the changes in onshore and offshore jurisdictions is crucial, as the clients are waking up to the reality that they cannot do these things themselves nowadays.”

Another CEO noted that the lives of the clients and the wealth management community are becoming ever more complex. “We can no longer rely on plain vanilla solutions, especially as the regulatory environment becomes ever tougher,” he observed. “To achieve the required goals, we need experience and expertise.”

Wealth succession - not a commodity product

A fellow panellist advised the audience not to think of wealth succession as a solution to be sold as a commodity. “This is a remarkably sensitive area for the client,” he cautioned, “so you need to spend time identifying their needs and as it is often difficult to discover their personal and family needs this will require a number of discussions. The problem, however, is that many people in our industry are under near-term pressure to deliver revenues or assets for their firms and that means they will likely struggle in the wealth succession space.”

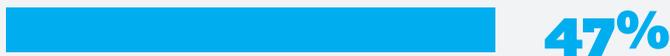
“In the past several years,” he added, “there is greater sophistication and more appreciation



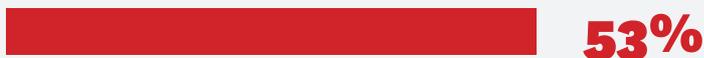
SIMON LINTS
Schroders Wealth Management

HAVE YOU GOT A WILL?

Yes



No



Source: Asian Wealth Solutions Forum 2018 - Singapore

by the clients of the needs of the financial institutions, with less ‘pushback’ on the need to provide detailed information, less resistance to the detailed information that we need in order to onboard the new clients.”

Asian clients in the new world of compliance

He said his colleagues are constantly amazed by the increasing willingness of clients to surrender information now where they would not have done in the past, as they appreciate the obligations of the banks and financial institutions today. “We all know the regulators and the financial authorities have been crystal clear in all jurisdictions, so the failings in this area will not be tolerated. And a second major change is the more sophisticated clients now recognise that tax is a non-efficient driver of product choice.”

The discussion evolved to talk about the Will. “I am sometimes completely amazed that even elderly wealthy Asian clients who have multi-bank relationships have not been asked to discuss succession and Wills,” said one expert. “Too many advisers skirt around these issues for fear of alienating the client, but we as professionals in this industry need to shake off that fear, but we need to develop the deep relationships first. My experience is that you will often be very surprised at how willingly people share information once they realise that they need to take action.”

Build relationships with deep roots

Another guest commented that from his experience a relationship will require at least



WOON SHIU LEE
Bank of Singapore

“FIRST ESTABLISH THE RAPPORT, BEFORE WE CAN TOUCH ON THESE DELICATE MATTERS,”

six to nine months to develop sufficiently. “First establish the rapport, before we can touch on these delicate matters,” he advised. “A platform of trust is absolutely critical.”

A fellow panellist concurred, noting that sometimes it takes several years to develop the trust necessary. “These are extremely sensitive subjects

DO YOU REGULARLY ASK CLIENTS THE RIGHT NEEDS BASED QUESTIONS?

Yes



60%

No



25%

Source: Asian Wealth Solutions Forum 2018 - Singapore

and we know that it takes a long time to build up the client's trust to the point at which they are willing to share their deepest information with you."

The discussion moved to the essence of advice. "We are not qualified to give clients legal or tax advice," said one banker "but at the same time purely generic discussions with clients are not effective, so it is a fine line we must read to avoid problems with our firms and of course the regulators. This means that we must have a solid understanding of rules in those markets where we conduct business, to avoid giving poor advice. Moreover, we need to develop a very strong network of advisers across insurance, law and tax, as there is no possibility that we can serve clients effectively on our own. We must leverage external advisers and help guide the clients, sort of tickle their interest, but then transition them to experts in particular fields at the right time."

Advice and sales must be separate

One wealth management head opined that advice should be seen separately from distribution. "Distribution is effectively selling for the aim of producing revenues, whereas advice should be purely for the benefit of the person you are advising. However, as an industry, we get somewhat confused as we will actually generate fees based on action taken as a result of advice. But that to me is not advice, it should be about charge the client a fee because we offer objective advice that results in a benefit, just like a tax adviser, or accounting advice. We need a clear demarcation between sales and advice."

The discussion shifted focus to the industry at large with one CEO explaining that the family offices that are his firm's typical clients want to focus these days on three core areas. "In general," he said, "the three aims of the founder generations are to ensure that the next generation is properly provided for, second that the next generations are both provided for and do not lose the money we the founders have generated, and thirdly, how at do I or we make sure we are well remembered in the future."

Another wealth management leader observed that there is a broad array of priorities for clients these days. "A decade or more ago," he noted, "they prioritised financial wealth creation and preservation, but 10 to 15 years later they are of an age where they are ripe for legacy transfer and they are more receptive to engaging with the younger generations and understand that they cannot simply impose their rules on them. Conversations are therefore much longer-term today and encompass social and human capital and the perspectives are far more inclusive."

Successful families focus on succession

"Families today are certainly more focussed on their own wealth succession to the next generation," concluded one expert. "But family dynamics are different in every situation and you cannot give meaningful advice without understanding those dynamics, which are in turn difficult to uncover. From my experience, once the money has been solidly made, you can look at how to consolidate and transfer that wealth. And then many families are more than happy once you get to the next generation to sell the family business or the family assets." ■

DO YOU THINK MOST WEALTHY ASIANS ARE MORE FOCUSED ON THE BUSINESS OR FAMILY?

Yes



55%

No



45%

Source: Asian Wealth Solutions Forum 2018 - Singapore