

# Families matter – how wealth advisors and lawyers can help transition wealth

*A fascinating discussion took place when leading lawyers and financial consultants gathered at the Hubbis Asian Wealth Solutions event in Singapore to discuss how the wealth management industry can help family businesses and the transition of their wealth to the second and third generations.*

*These were the topics discussed:*

- *How do you talk to families about succession and business issues?*
- *What do UHNW families in Asia need – and how is this changing?*
- *What shared values should drive family behaviour?*
- *What's your role in all of this? How can you help set the family agenda – and keep the family together?*
- *How do you deal with the next generation?*
- *How should you advise families where the second-generation siblings have different personalities and strengths?*
- *How do you manage outcomes, process and fees?*
- *What governance structure can you put in place to minimise tensions and enhance longevity of the structure?*
- *How do you avoid working with the ‘wrong’ client? What do you do if it's not a win-win?*

**D** O ULTRA HNW CLIENTS IN CHINA OR HONG KONG choose their lawyers partly based on the numbers of their birth date, day, month, year? It appears they can, as one of the lawyers attending the panel discussion explained that they had to provide exactly that when a client was selecting them. It turned out that the numbers of the birth date indicated that the lawyer in question would bring ‘love’ to their client.

## Numerology and psychology

But that was not all. The client then arrived at the law office with a compass, apparently this part of the selection process was to protect one of the family members against the complications of a marital

## PANEL SPEAKERS

- **Kevin Lee**, Partner, Zhong Lun Law Firm
- **Patricia Woo**, Managing Director, Confidentem Private Office
- **Nigel Rivers**, Founder and Chief Executive Officer, Capital Solutions
- **Steven Seow**, Head of Wealth Management, Asia, Mercer

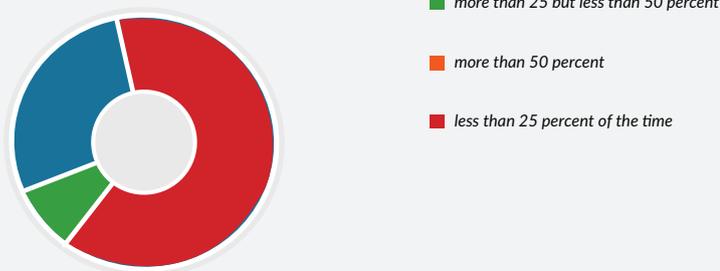


KEVIN LEE  
Zhong Lun Law Firm



PATRICIA WOO  
Squire Patten Boggs

HAVING HAD A CONVERSATION ABOUT INSURANCE WITH A CLIENT AND THEN REFERRED THEM TO A BROKER, THEN HOW OFTEN DO THEY ACTUALLY PROCEED WITH PURCHASE OF THE INSURANCE?



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

affair, even though that affair was simply a prediction for five years hence. “Love and fear driving decisions,” the lawyer said, “but we try to get our clients to focus on love, to be positive to their employees, community, family and further at large.”

Wealth transition dominates the advisory landscape of many wealth management experts, especially the transition of the ownership and management of the family business.

**ESTABLISHING THE RIGHT LEVEL OF TRUST WITHIN EACH OF THE GENERATIONS IS VITAL, OR ONE GENERATION CAN FEEL AS IF THE ADVICE MIGHT BE SLANTED TOWARDS ANOTHER GENERATION**



NIGEL RIVERS  
Capital Solutions

### **Understanding the family structure**

“We all know how difficult it is for the founders of such businesses to relinquish control, even when they have brought family members close to the centre,” said a financial consultant. “So, very often it is the wealth asset that causes the greatest issues amongst the families. There are ever more solutions but engaging the right family members in the right way is challenging. Often the second generation more receptive to the structuring and other ideas we present, but then it is always a major hurdle to then present it to the founder generation.”

### **Singapore and Hong Kong appeal as hubs of expertise**

Singapore and Hong Kong are benefiting from the establishment of increasing numbers of multi-family offices, away from, for example, the family founder offices in China. Singapore is making a drive to appeal to those families in the region looking to diversify investments in a more cosmopolitan centre, with especial appeal as it is outside China’s direct or partial influence. Reinvesting capital outside China in the right structures provides many opportunities to the advisory industry.

“There is greater sophistication from China these days,” said one lawyer, “with growing interest in asset protection, so we are seeing increasing numbers of

**WHETHER THE FAMILY WANT  
TO EMPHASISE WEALTH  
PRESERVATION OR WEALTH  
GROWTH IS ANOTHER VITAL  
FACTOR TO IDENTIFY**

trusts and other structures such as foundations. The fear of divorce amongst the second and third generations is a key factor, as well.”

One expert who deals with larger family offices of \$250 million and above notes that these personal challenges relating to wealth transfer - divorces and other intergenerational matters - are high on the priority list driving the need for tight structures.

One of the lawyers noted how often very considerable personal empathy is needed in order to identify and structure the best solutions for each of the generations involved. “As a family, trust and tax lawyer, my work is highly technical, but I also try to embed communication, compassion and empathy.”

Identifying the person or people who are the catalysts within families is essential. “If we do not achieve that engagement with them, then it can be a very difficult process,” said one expert. Establishing the right level of trust within each of the generations is vital, or one generation can feel as if the advice might be slanted towards another generation. With sufficient trust progress can be made.

“We have to avoid disenfranchising various family members, otherwise it is more difficult to resolve conflict,” that expert added.

### **Family values and transition planning**

Philanthropy is a discussion that is more prevalent due to the enormous wealth created in the past several decades and the more widespread desire for a lasting humanitarian legacy. “Making sure that the key values embedded in the family office are reflected in the internal investment policies, and the asset allocation is important, so we often also include discussions on charities and other philanthropy projects that they can participate in,” said one lawyer.

“For example, we are seeing more co-investment, for example investing in a hospital that is run as a social enterprise, or a children’s home or nursing home. We are seeing more of that in Singapore, with some of those investments achieving IPC status; this is effectively charity in which 250% of what the investor puts in is tax reducible. That is a big incen-



STEVEN SEOW  
Mercer

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HOW OFTEN DO YOU ENCOUNTER A CONFLICT OF INTEREST BETWEEN SECOND GENERATION SIBLINGS WHEN CONSIDERING APPROPRIATE WEALTH SOLUTIONS?



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

tive for a number of families here to gift in a very impactful manner.”

Another of the lawyers reinforced the importance of identifying the correct client to work with. “If we are working on succession planning and want to achieve family harmony, we must often take the founder’s views first, consider them and then go back with advice that such an approach could lead to confrontation and unease. Or it might be the second generation that have to be listened to and then we need to engage with the family to make sure we take the right approach. It is not easy.” Whether the family want to emphasise wealth preservation or wealth growth is another vital factor to identify.

“Some families want to create fundamental changes to the society, so they actually mobilise resources not only in terms of investing money, but they also use their own personal network, their own reputation, their own influence, to try to create positive changes in public policies like macroeconomic changes,” said one expert. “Some families put their hearts and money together to create spiritual centres, for example.” The panel all concurred that solving the essential wealth planning needs of HNW and UHNW families requires patience, understanding and expertise. But aligning those skills with the requisite fee revenues is perhaps easier for lawyers than for bankers and other intermediaries. ■