

Hawksford in Asia: Expanding Relationships and Broadening its Offerings

Marcus Hinkley, formerly a 20-year career lawyer, was appointed head of private client services for Asia at the Jersey-headquartered international private client, corporate and fund services group Hawksford in the second half of 2018. He was attracted to the firm, as he believes that the growing complexities facing the region's wealthy present Hawksford with an outstanding opportunity to more comprehensively service the region's high-net-worth (HNW) clients.

“HAWKSFORD IS A TRUST COMPANY,” states Hinkley. “We live in complex times for Wealth Advisors. For instance, when I first arrived in Asia seven years ago very little was spoken about family governance. What I have seen over the last seven years is a transition to family governance becoming a central element of private wealth advisory. As such, our role has become much more complex and sophisticated.”

Hawksford: ready for the next wave

Hinkley explained that from its Jersey headquarters Hawksford has for many years been known as a quality provider of private client services, including bespoke family business and family office solutions, and he has been tasked with ensuring that same quality of complex service is available to Asian clients out of its Singapore and Hong Kong offices. Providing advice on more sophisticated and holistic structuring around a family's needs, with family governance being a vital element of that dialogue.

Hawksford has a more than 60-year heritage in private client services, but in its current form it dates back to the 2008 management buyout of the trust and private client arm of Rathbone Trust Co Jersey from Rathbone Brothers Plc, a UK-



MARCUS HINKLEY
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[Link to Content Summary page](#)

[Link to Article on website](#)

[Link to Presentation](#)

[Link to Event Homepage](#)





listed wealth management and investment services firm, where it had been a successful business division for decades. UK private equity group Dunedin LLP was the buyer and remains the controlling shareholder to this day.

Rapid expansion in Asia

Hinkley operates out of the Hawksford HQ for Asia in Singapore, which is an ideal strategic hub for the rapidly growing wealth management and corporate markets of the region. Singapore had become Hawksford's Asia hub when in 2014 the firm made its first significant acquisition, buying the Singapore-based corporate services business in Asia named Janus, which also served clients in Hong Kong. Then in 2016, Hawksford was granted its full trust licence by the Monetary Authority of Singapore.

The company made a further major leap forward in the region earlier in 2018 when it acquired People & Projects Ltd (P&P). This was part of the firm's strategic expansion in Asia and brought into the group a dynamic, full-service corporate services business with a strong track record of supporting international corporates.

The deal was considered transformation for Hawksford's presence in the region, as P&P

operated out of Singapore and Hong Kong, as well through several offices in mainland China. Its arrival also nearly doubled the global headcount, with fifty per cent of Hawksford's manpower now based in Asia.

Hawksford's presence at the Asian Wealth Management Forum was part of the firm-wide effort to expand its HNWI relationships through connections to lawyers, accountants, private bankers, IFAs, external asset managers, family offices and other non-competing advisers and intermediaries in the region.

Hinkley explained to delegates that the typical HNWI clients tend to be entrepreneurial, risk-takers and big picture thinkers. "They are increasingly interested in wealth preservation structures, because, to paraphrase what Warren Buffett once said, the intersection between wealth creation and wealth preservation is to never lose money. And for us in our role, that is critical, to help these clients manage the internal and external risks to their wealth."

Managing the internal and external risks

Hinkley then elaborated on what the preservation of wealth means, from his perspective. "We deal with people who are already

successful in their financial life," he said, but our role is to help them keep that wealth, for themselves, for their families, and for the future generations."

Accordingly, the cornerstone of wealth preservation as Hinkley sees it is to play defence; although the HNWIs might be natural risk-takers when it comes time to setting up their structures for preservation and succession planning, risk should not be part of the equation.

"Wealth creation," he added, "is a very different skill set to wealth preservation. And I go to great lengths to my clients to explain that in the context of wealth preservation there are two discrete types of risk, the external and internal."

External risks, he elucidated, might be tax, or some form of political instability, possible confiscation of assets, pressure from creditors, the risk of data leaks, and in some regions of the world this can include physical risks such as harassment or even kidnapping.

Internal threats are about more about family, day to day life, divorce and other challenges that can destabilise wealth. "Divorce is the single biggest destructor of wealth in modern times," Hinkley noted, "and for the second and other generation, we all know

stories of wealth destroyed by relationships, for example mistresses, lovers and so forth.”

Beware, history shows...

He referred to Philip Marcovici’s book titled ‘The Destructive Power of Family Wealth’, in which the author posed the question as to whether the family will destroy the wealth, or the wealth will destroy the family. “It is a great read about the types of risks that a wealth owner should be protecting himself against,” Hinkley remarked.

He then focused on the importance of family governance. “This helps protect against the internal and external risks,” he explained. “This is especially important in Asia, where there are so many family businesses and where their succession is so critical. This is about leadership and development for the future, about financial and business education for the children. Succession planning forms an important element of this, as does structuring for that succession planning and conflict resolution.”

Family Governance – using a family constitution

Hinkley expanded this theme by commenting briefly on a family constitution. “My typical role,” he said, “is to establish structures for HNWIs, but some of what I am doing these days relates to

discussions with clients on family governance, without talking about structuring at all.”

For example, the client might already have the appropriate vehicles in place but wants to create or amend a tailored document, which ensures their governance. “For those unfamiliar with this sort of family constitution document,” he reported, “it will likely include the mission, the vision, the values of the family, particularly if it is legacy planning is a primary motive, or if the founder wants to create a legacy or a dynasty.”

Family governance, Hinkley explained, is a critical part of the constitution as is defining who the members of the family are. The document will define which generations are included, even focusing on the education and of course on future potential employment and the potential role of those family members in the business.

“Will this be based on merit or because they are part of that family?” Hinkley asked, rhetorically. “The document will cover areas such as whether family members are owners or custodians, how the family might be protected against divorce, not only of the founder but also of his or her second generations.”

For the largest and wealthiest ultra-HNW families, he added, the

constitution might even consider a family bank or possibly captive insurance. “And it is likely to include social responsibility,” he noted, “as the best way to create an enduring legacy is often to set up some sort of philanthropic charity or similar.”

Building out the dialogue

Hinkley closed his talk by explaining that the wealth structuring toolkit has several core tools, but that his starting point with clients is always to consider the simplest planning objectives, and then build out the dialogue from there.

“We might start off with a Will,” he remarked. “This is vital and simple to organise, as well as inexpensive. Lasting powers of attorney are also very important. Then we might move to a simple company structure, then some sort of trust structure as well, or foundation. Mobility planning is becoming even more important, so considering alternative citizenship and residence options can be considered. Where there is a family business, a family constitution is often valuable. And for some of the ultra-HNWIs, the family office is the ultimate step.”

Hinkley closed his talk by recommending a Workshop to be conducted later in the day at the Hubbis Forum by his colleague, to focus in more detail on the specific tools available for wealth planning. ■

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I TAKE RISK
I LIVE MY PASSION
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