

Helping Wealthy Indonesian Families in a New Transparent World

Panellists on the third group discussion at the Hubbis Indonesia Wealth Management Forum gathered to analyse the difficulties that wealth management advisers face when dealing with wealthy Indonesian families, and to highlight some of the advances being made in helping their high-net-worth (HNW) clients

These were the topics discussed:

- *What are the needs of wealthy Indonesian Families?*
- *How are they dealing with legacy and succession planning?*
- *How do you have a conversation with clients around sensitive family issues?*
- *New tax developments?*
- *What's the role of insurance in this mix?*
- *What are the practical considerations for HNW clients in wealth protection and transfer?*
- *How are these needs developing? And how can you help clients understand these needs?*
- *What trends are we seeing in Philanthropy?*
- *How do wealthy clients structure their non-investment assets?*
- *Do clients really understand the problems they have?*
- *How do we need to think about Indonesian taxes on investments (bonds, stocks, funds, ...) for Singapore booked accounts for Indonesian nationals' subject to CRS?*

PANEL SPEAKERS

- Chris Burton, Country Managing Director, Vistra Singapore
- Jeroen Simons, Director, HNW Business Development Director, Sun Life Financial
- Richard Piliero, Regional Executive, Finaport
- Benjamin Szeto, Partner, Private Wealth, RHTLaw Taylor Wessing
- Hassan Karim, President Director, Zurich Life Insurance
- Malcolm Lim, Director Sovereign Straits Trust Limited, Straits Trust & Management





RICHARD PILIERO
Finaport

EXECUTIVE SUMMARY

Panellists on the third group discussion at the Hubbis Indonesia Wealth Management Forum gathered to analyse the difficulties that wealth management advisers face when dealing with wealthy Indonesian families, and to highlight some of the advances being made in helping their high-net-worth (HNW) clients navigate the new transparent world as regulation around the world proliferates and tightens.

Topics included the value of personalised products, getting clients on board with new tax regulations and transparency, as well as the importance of early, good-quality succession-planning and building trust with the younger generations. With these tips, wealth management advisers can better serve the current generation of wealthy families, as well as shaping themselves to better protect and preserve the wealth of future generations.



JEROEN SIMONS I
Sun Life Financial



HASSAN KARIM
Zurich General Insurance

THE DISCUSSION BEGAN WITH an attendee asking, “what help do wealthy families expect from their wealth advisers?” to which an expert answered that from a wealthy person’s point of view, the initial conversation tends to be wildly overcomplicated. “The wealthy person is not necessarily a tax or investment professional,” he explained.

Added to this, wealth advisers should be finding ways to meet the client’s needs, whether the client is aware of them or not. “Most private bankers try to sell their clients products without first explaining the problems that need solving,” explained a panellist, “instead, do your homework and show that you can meet their needs with personalised investment, insurance and succession-planning solutions,” he suggested.

Indeed, one of the main challenges that many wealthy Indonesian families face is succession-planning. “They could simply hand their assets straight to their offspring; but this is not always the best way, especially if their son has a penchant for fast cars,” a panellist joked. “In addition, with personal interests such as art collections, many individuals worry about their collections becoming fragmented when passing them to the next generation. A viable alternative is a trusted third-party nominee who can protect assets and distribute them responsibly,” he explained.

Insurance - providing vital liquidity for uncertain times

Another challenge for high net worth (HNW)



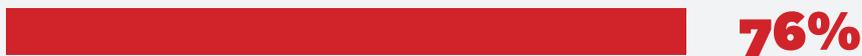
BENJAMIN SZETO
RHTLaw Taylor Wessing

DO YOU HAVE A WILL?

Yes



No



Source: Indonesian Wealth Management Forum 2018

families is a lack of personalised insurance products. Insurance is valuable for anyone, but especially for HNW families. Its purpose is to provide liquidity at an unknown point in time. It also needs to provide a known value as part of an estate that may have variable asset value, and it must protect and generate returns.

“In Indonesia right now, there is a distinct lack of HNW insurance products,” explained a delegate. “If you do an internet search for HNW art insurance, in Indonesia you will find nothing at all, whereas the UK has many pages of search results. HNW individuals are accumulating assets such as art and wines as never before in Indonesia and are probably not aware that their general insurance home contents policy will not cover them for what they need,” he warned.

No borders too big for the world’s regulators

“In the old days, wealthy clients would visit Switzerland with bags of gold to invest, to avoid paying tax in their country,” quipped an attendee. “The world has now changed, and wealth management has become much more transparent. What are some of the problems HNW families are facing, and how can we help?” he asked the panel.

“There is no longer any possibility of evading tax obligations,” answered an expert. “Here in Indonesia, in the past, it was popular to set up companies or trusts in Singapore or move assets there. Now the Common Reporting Standard (CRS) reports all movement and interest income to the tax authorities, and the Controlled Foreign Corporation (CFC) rules make it less attractive to set up international structures,” he continued.



MALCOLM K-L LIM
Sovereign Straits Trust

“MANY HNW FAMILIES IN INDONESIA WANT TO BE TAX COMPLIANT, BUT ALSO DESIRE TAX EFFICIENCY,”

Wealth management advisers can now help their HNW clients by ensuring they are tax compliant and transparent and fulfil all their obligations. “Many HNW families in Indonesia want to be tax compliant, but also desire tax efficiency,” hedged an attendee. “It helps in these cases to shift the focus from tax to legacy-

DO YOUR CLIENTS STILL TRY AND AVOID PAYING TAX THAT THEY MUST PAY?

Yes



No



Source: Indonesian Wealth Management Forum 2018

planning, and separating business risk from family fortune,” he added.

“Tax liabilities must not be ignored but can be planned for, for example by considering structures in Hong Kong or Singapore. Client beneficiaries must also hold the correct passports and be tax residents in the right place. It must all be considered, and ultimately, if avoidance becomes evasion, the authorities will catch up with them,” an attendee explained.

“Most clients will still try to avoid paying tax,” explained a panellist. “The left-wing liberal agenda argues that it is morally wrong to avoid paying a fair share, and this is how the meaning of avoidance and evasion becomes blurred, but clients do increasingly understand the difference between avoidance and evasion,” he added.

Trust as the bridge across the generations

It is possible to lose substantial mandates if the next generation decides to do something different with the money they inherit. This can be avoided by ensuring wealth management advisers have enough relevant products and services to offer the next generation as well as the current investors. “What do we need to be offering this new generation?” asked a delegate.

“It is all about trust,” remarked an expert, “once you have won the trust of your client, you must maintain it, and also win the trust of their children. That is the segue into succession-planning, insurance and compliance with regulations, as these things are of the utmost importance to the younger generation, whether they know it or not,” he pointed out.

“Another key factor in winning over the next generation is making sure we adapt ourselves and our products to their needs,” added an attendee, “especially as the way people will be doing business in ten years is very different to what we know today.”

It is vitally important to continue those relationships with the next generation. “Regardless of what the patriarch or the matriarch wants for the future, as soon as those people are no longer around, things can change quite quickly,” explained an expert, “and so it is important to understand the dynamics in the family, who is going to be the main driver, what their objectives are going to be, particularly if you are thinking of introducing some new products or new objectives for the family.”



CHRIS BURTON
Vistra

“ANOTHER KEY FACTOR IN WINNING OVER THE NEXT GENERATION IS MAKING SURE WE ADAPT OURSELVES AND OUR PRODUCTS TO THEIR NEEDS,”

Plan early, plan well

“What advice would you give to clients looking to protect their assets?” asked a panellist. “Always prepare for the worst, begin as soon as you can, and good unbiased advice does not come cheaply, as these things will protect their wealth for the next generation,” answered an attendee.

Indeed, Indonesia is a country exposed to multiple natural disaster risks, including earthquakes, volcanos and flooding, and most individuals are unaware of the protection gap in general insurance. “A client could lose everything to a volcano eruption if not adequately covered,” warned an expert.

In conclusion, the panellists argued that it is important for HNW families to plan for succession early. “Clients do not like to think about it, and decisions involving who gets what are difficult,” admitted an attendee. “It can be hard to keep clients on track, but I advise to keep coming back to it, as the future is never certain,” he ended, to wrap up the discussion. ■