

Independent Wealth Management – The Growth, Challenges & Changes Ahead

The discussion began with an expert highlighting how in the early days of opening their business there was little understanding of the value or positioning of EAMs and IAMs. “There was significant resistance from all directions, but by building long-term relationships with our clients over many years and these clients have been following me even when I went independent. We have also worked very hard to build the community, educate the clients and participate in events such as this. We want the market to understand we are not in competition with the private banks, we are here to complement them. The understanding of the regulators is also vital.”

These were the topics discussed:

- What does the IAM landscape in Singapore look like today and what's the outlook for the industry?
- In comparison to ten years ago, what has changed?
- What are the regulatory and compliance challenges for independent wealth management?
- What are some of the common challenges for the IAMs and multi-family offices (MFOs) today?
- How can you transition clients to the next generation of bankers?
- How do you transition your business to the next generations of clients?
- How has the competitive environment changed?
- Do you hire, or develop talent internally, or do both?

PANEL SPEAKERS

- **Simon Lints**, Chief Executive Officer - Singapore, Schroders Wealth Management
- **Philipp Piaz**, Partner, Finaport
- **Shirley Crystal Chua**, Co-Founder & CEO, Golden Equator Capital
- **Prof Gunter Dufey**, Professor Emeritus of Corporate Strategy, International Business and Finance, U of Michigan Ross
- **Jaydee Lin**, COO & Managing Partner, Raffles Asset Management
- **Anthonia Hui**, Chief Executive Officer, AL Wealth Partners
- **Oliver Balmelli**, Deputy Chief Executive Officer and Head of Private Banking, EFG Bank



[Link to Content Summary page](#)

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THE KEY TAKEAWAYS

The IAM community builds

A decade ago, when some of the panellists formed their own independent firms, there was little understanding of the proposition they represented, and considerable resistance from the main protagonists in the industry. Ten or more years later, the IAMs are working more collaboratively with the significant incumbent players, for example the top private banks, as well as with the regulators.

Conveying the value propositions

While there remains much more work to be done to convey the value proposition to would-be clients, those IAMs that have been able to build and retain true relationships, have won an ever-larger share of the client wallet.

Catching on

The IAM sector is far more established in Switzerland or the UK, than in Asia, with an estimated 30% of assets managed by boutique firms in Switzerland against only about 5% in Asia. But that represents opportunity and Asia is catching up with Europe, a lot quicker than many might think.

Trust and experience = sustainability

The growth of the independent segment is driven by trust, talent, experience, reliability, and sustainability. IAMs must prove themselves to be totally client-centric in order to survive and prosper.

Independence day

Independence of thought and action is ideally aligned with an open architecture to serve clients. Every action and piece of advice from the IAM should be in the best interest of the clients.

Younger generations beckon

There is a widespread shift in the control of wealth from the original, founder-patriarch generations to the second and third generations. IAMs must recognise this and move with the times.



Education must increase

While there is growing interest and curiosity in the IAM offering amongst clients, the deep understanding is lagging behind. Accordingly, one expert advised greater efforts to educate the clients and their families on how they can customise the European expertise and multifamily office concepts for the Asian family environment. This is especially important as the people who are controlling the wealth, running the businesses, are getting younger and younger and gradually becoming the leaders for the family wealth.

Alignment with the clients

IAMs have a choice, as to whether to rapidly seek out more AUM, or to find clients they can grow with because their philosophies are aligned. Compatibility with the client is essential.

Finding talent to fit the model is tough

There is a dearth of talent in the market that are willing to jump with their clients to independent firms, and who fit the cultures of the IAMs. Many IAMs are hunting for that talent. Those bankers seeking pastures new often prefer to establish their own firms, including MFOs.

All about the family

Even if a seemingly qualified banker is ready to move to an IAM, is he or she the right fit? To survive and be successful in a boutique firm, experts advised, the adviser must have great empathy not just with the clients, but also with the broader family and multiple generations thereof.





“YES,” SAID ANOTHER PANELLIST, “WE HAVE TO ENSURE that we are not really cannibalising the relationships and we, for example, will certainly continue to work together with other banks and other custodian banks.”

The IAM’s key: virtue

An expert highlighted how the growth of the independent segment is driven by trust, talent, experience, reliability, and sustainability. “Those of us early movers in this sector all figured that we can do more for our clients than if we were to just stay back in the banks, with the range of offerings, a deeper understanding of the clients and their needs. We want growth, but it has to be sustainable and solid. We are not here for the quick buck, we are not here to take the client for a ride, we are literally here to stay.”

Independence of thought and action is ideally aligned with open architecture to serve clients, one panellist remarked, adding that every action and piece of advice should be in the best interest of the clients.

Younger clients the future

A guest highlighted how the clients have evolved. “The clients for the industry are changing,” he observed. “There are old guys like me but there are younger clients, especially in this part of the world. Some have inherited, some are still very active in their businesses. in Europe it is largely old money, in Asia, the money is younger and the client base is still very active.”



PHILIPP PIAZ
Finaport



JAYDEE LIN
Raffles Asset Management

A specialist in multi-family offices reported how the client base has an expanding interest in independent asset management. "The interest and curiosity are there," they said, "but the deep understanding is not there. So, in the last one to two years we have started to educate the clients and what it means to be in a multifamily office or have independent asset managers. We also observed that we should talk a lot about our understanding of the Asian culture, customising the European expertise setup and multifamily office concept for the Asian families. We see that increasingly the people who are controlling the wealth, running the businesses, are getting younger and younger and the next generations must become good custodians, to continue to preserve their legacy and to grow their wealth, to truly be the leaders for the family."

She added that for wealth to endure through several generations, the Asian families must be aligned in understanding and creating a vision.

Another panellist observed that compliance has been taking some of the enjoyment out of dealing with clients. "I would truly like to see less focus on the compliance side and more on the entrepreneurial side and actually allowing people to develop those relationships with younger clients. Sometimes I think the compliance factor can restrict the relationships from flourishing."

Value systems

One perspective on expansion by independent firms came from a guest who explained how the founder-shareholders' personalities and character pervade

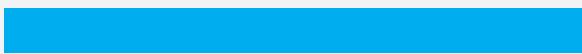


ANTHONIA HUI
AL Wealth Partners

the business and that is what attracts and retains the clients. "Your value system dictates how you want your business to look, what kind of clientele we want to work with, because being a small boutique firm, even with banks, unless you are multinational, large, universal banks, you cannot be all things to all men. Accordingly, we understand what types of clients we will click with and what type of clients we will

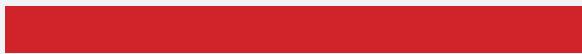
ARE INDEPENDENT FIRMS REALLY INDEPENDENT?

Yes



50%

No



50%

Source: Independent Wealth Management Forum 2019 - Singapore

not be able to help. So, I started looking into the segmentation that I wanted, not driven by AUM but by client compatibility that I want to work with.”

Through the exercise, they elucidated, they recognized that to find relationship managers who actually can subscribe to the same values and the same modus operandi is very difficult. “I haven’t found many people who actually have matched up to the kind of standards I have set. That is actually more my fault than their fault, but the result is that we do not want to risk the name that we have built through our entire career, in case perhaps of one minor mishap that you choose the wrong people to join. That threat is greater than anything.”

IAMs offer choice and empathy

Another perspective was added by a panel member who observed that in the bigger name firms, the global banks and brands, people often leave not because of differences in philosophy or competency but differences in the politics. “The larger the organisation,” he remarked, “as you all know the worse the politics. I am a client myself and have been orphaned twice by relationship managers who I really liked in recent years. We are still friends but of course, it’s limited what I can do with them. But independent advisers give me more choice to look exactly for the person and the organisation that suits my particular, admittedly somewhat odd, style. IAMs give me just a little bit more flexibility and that I appreciate.”

The discussion turned to whether the independent sector had successfully communicated its value proposition to clients.

Behind Europe, but catching up

“If you go to the Switzerland or the UK,” an expert observed, “where this industry has been around for decades, people are much more aware that there is such a thing as independent advice outside the banks. Here in Asia we have been around for I would say 10 years, 12 at most, but most of the growth probably came around four to five years ago, especially in terms of the industry working together as illustrated through the associations. So, I would definitely say we are catching up with Europe, a lot quicker than many might think.”

He added that Singapore is witnessing a lot of interest for China’s private wealth, for example, to come to Singapore rather than Hong Kong. “And there is more interest from the European countries to book their assets in Asia, not to evade taxes, this is in anyway a thing of the past, but because that is where the action is, be that asset managers, be that custodians, the diversification of management as well as custody makes a lot of sense.”

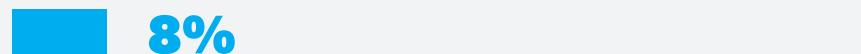
“There was a comprehensive study done by an independent agency commissioned by a private bank last May, in Singapore,” added another expert, “that found that the total AUM managed by IAMs is only 5%, whereas in Switzerland, it is already 30%. This

DO CLIENTS AND PRIVATE BANKERS CLEARLY UNDERSTAND THE VALUE PROPOSITION THAT MFOS AND INDEPENDENT WEALTH MANAGERS REPRESENT?

Partially



Yes



No



Source: Independent Wealth Management Forum 2019 - Singapore

means we think the outlook is bright, as there is an opportunity and we are in the sweet spot now.”

As to the client understanding of the value proposition of the independent firms, he added that growth has to come with quality, the growth has to happen sustainably. “I think our industry, much more than the bank sector, relies on good quality advice, good quality products and that will be the basis of good growth and good quality. And as we know, good growth takes time.”

Seeking a broader offering

Another experienced professional observed that today clients ask for a broader range of services and solutions than ever before. “Today,” he said, “we see clients directly asking us for financial solutions, do we have a trust company, do we have credit solutions? Yes, we offer all of that. We are transforming very quickly.” But for the clients to fully understand that more holistic, expansionary value proposition takes time.

“I do not think we should say we are at fault for the clients not fully appreciating the value proposition we as independents offer,” came another voice. “It is like anything, when a new phenomenon is to be developed it takes time, and through the process, we will see the rewards and risks, we will see the mishaps and also the gains. We are a growing industry. Just like banking started with retail consumer banking and turned into merchant banking and investment banking and then private banking and private banking now evolved to another level which is independent advisers like us around in this room and I think this is an evolution of the industry. This is clearly a new development evolved out of the needs of our clients and evolved out of the passion of the people who want to be in this industry.”

“Agreed,” said another panellist, “the way we can develop as an industry, as a community, is not only the offering or the platforms that have evolved from various custodian banks, it is also the various offerings we as EAMs or independent asset managers have access to, not just the standard stocks or bonds we can purchase these days or the brand name funds and the ETFs. We have access to a wide array of investments, from art, to bespoke wine portfolios, to gold, we are really seeing tremendous growth in these offerings, and that is a sure sign to me that we are in a good trajectory.”



SIMON LINTS
Schroders Wealth Management



OLIVER BALMELLI
EFG Bank

“WE SEE CLIENTS DIRECTLY ASKING US FOR FINANCIAL SOLUTIONS, DO WE HAVE A TRUST COMPANY, DO WE HAVE CREDIT SOLUTIONS? YES, WE OFFER ALL OF THAT. WE ARE TRANSFORMING VERY QUICKLY.”

Talent - a small pool

“Certainly nowadays,” added another attendee, “one of the main challenges for us IAMs to grow is the hiring of talent, hiring of bankers with big books for instance because in order to grow, for this whole industry to grow, it can grow organically by acquiring new clients or you can

grow inorganically by acquiring new families, onboarding other family offices, onboarding other bankers. But there is only a small pool of bankers that are willing to make the jump and there are so many IAM firms competing for that person.”

He added that almost every other week there will be news of an experienced banker who just left a bank, but that is often to set up an IAM or set up a multifamily office. But hiring into an existing firm is very tough. “The talent pool is very small, so we actually focus on building from within, grooming the next generation of talent. We also focus on young talent, people who are passionate and hungry and determined and driven, to help bring this IAM industry to the next level.

Do you fit?

The final word went to an expert who observed that being the top salesperson in a bank does not make them necessarily the best manager in an IAM. “Having the skill set and having the kind of resilience and having the kind of profile that we are trying to look for in an independent asset manager is quite different. They need to go very deep in understanding the family, not just the first generation but the next generation, how to bridge the gap, how to understand the skillset and develop the tricks to really bring the family together and manage not just their wealth assets but also the other soft and social components of the entire family. That is going very deep with the family and that is what encourages the client to move their entire family assets to under your management.” ■



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