

JP Morgan's Paul Knox on the Road Ahead for Advisory in Asia



Paul Knox is a Managing Director and Senior Wealth Advisor at JP Morgan Private Bank in Asia, based in Hong Kong. He has over thirty-five years of experience in advising wealthy individuals and families on both domestic and international tax and estate planning as well as family governance and succession issues. He also has wide experience in advising philanthropists on both tax and structuring issues in relation to charitable giving, and moved to Asia in November 2019, after a career spent dealing with global clients out of London. Hubbis had the pleasure of a virtual 'meeting' with him recently, during which he elucidated his vision of the evolution of wealth, estate and succession planning and structuring in Asia, and offered his insights into the road ahead. He explained why to be successful in the world of HNW and UHNW advisory, it is vital to be genuinely interested in the clients, to listen to them intently, and to keep listening, in short to offer them as much EQ as IQ.

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Knox opens the discussion by explaining that his and his team's role is to ensure clients understand the options available to them in estate and succession structuring and help them see the pros and the cons of each alternative scenario.

Avoiding the pitfalls

"There are often some pitfalls, some bear traps, that they cannot foresee," he reports, "and this is especially the case of course for ownership of overseas assets, for example in the US, where those assets are often potentially exposed to US estate tax. We can then encourage these clients to obtain the necessary legal and tax advice, but on the basis that they already have a strong grasp of the issues to address."

He explains that he is precluded by regulatory licenses from offering professional advice on tax or other matters, or even himself offering investment advice, although other teams in the bank can, of course, provide the latter.

Guiding lights

"My mission is to steer these clients in the right directions," he reports, "and then work in partnership with other selected, relevant and top-quality professional service providers to collectively achieve the outcomes the clients require. These wealthy individuals and families understand our mandate from the outset, and appreciate our capabilities in offering the bespoke guidance that truly helps them get to grips with the key structuring and succession planning issues; they can then hone the final outcome with confidence with those other specialists, some of whom we work with regularly."

The world is shrinking

As a broad generalisation, leaning on his experience over many years working out of London, Knox explains that tax issues appear less of a driver in Asia, trusts are more popular and generally there is greater use of offshore companies, more so than in Europe where he says there is tighter control of foreign company rules and more sophisticated tax avoidance rules.

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"However, the world is becoming a smaller place, and Asia will eventually mirror that situation, but for now there is, in practice, more flexibility in planning options than you see elsewhere in Europe or the US."

He cites simple situations such as clients not fully appreciating that the US exemption on estate duties is a mere USD60,000 for non-US persons, or that an Asian founder's child marrying a US citizen would mean they would later likely have US grandchildren, and what implications that might present for the estate planning. "There are consequences in law and tax of all such eventualities, and as Asian families become increasingly globalised in terms of location, residence and distribution of assets, these issues are increasingly prominent," he comments.

There are simple issues such as what would happen to the shares held in an offshore entity, for example a BVI company, if the holder passes away. "Do they need only a Hong Kong will," he ponders, "or do they need another will, or do they need a trust? These are some of the questions that arise from fairly ordinary situations, and the answers are not always obvious, although the solutions are available, given the right guidance."

Even issues such as the purchase or ownership of UK property are quite complex these days, as income, capital gains or estate duties can apply if the structuring is not based on the correct advice. "In short," Knox says, "our mission is to help direct the clients to understand the issues, and then take remedial action working with professional advisors and experts to create the right solutions for their needs."

Decoding and demystifying

He also observes that a core mission is to decipher the glut of good and 'fake' information available. "Actually, with this proliferation of information, clients increasingly need to be able to call an expert and ask them to help guide them through on the right path," he observes. "At this stage of my fairly lengthy career, I would say the need for



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people to actually take advice is as great now as it ever has been, and probably greater. So, for me, this represents a huge and fascinating opportunity out here in Asia."

Working for the team

Although Knox's team is not a fee-generating unit within the bank, it provides a service that he says is in ever greater need for the bank's wealthy private clients. "Our role provides us with a deep understanding of the situations of these clients, of the structures and planning they might have in place, and then help the clients understand the longer-term aspects of their wealth planning," he reports.

"It is important for them to see that we are concerned about the preservation of their wealth for the longer term, and are not just concerned about more immediate wealth management decisions," he adds. "We cover numerous key issues with clients, and we are here to handhold them through all sorts of periods of transition, whether it's liquidity events, whether it's transition of wealth through generations, whether it's

transition of wealth on divorce, or whatever the concern might be. Clients find it reassuring to know that there are people like myself here who have a lot of experience, able to help and advise them, to help steer them through what are often very challenging times. And they are also reassured that we are forward thinking, helping them anticipate future problems, and then guiding in them to address those head on."

A new chapter

Knox also observes that clients in Asia now largely realise that the old way of doing things is indeed in the past. New global regulations, for example FATCA, CRS, AEOI, CFC and substance rules have changed the situation irrevocably.

"People just have to understand that the good old days of, for example, just setting up a BVI company, paying your regular fees and forgetting about it are over," he reports. "There are new charges, new forms to fill out, and therefore also additional need for professional advice. For example, many clients need to know how they can collapse these structures easily and bring the assets back under their control in the most efficient and cost-effective ways. The days of the product-led advice have gone, and clients need nowadays to have advice on the pros and cons of everything that they all that they're doing."

Constant change

Knox remarks that rules are changing all the time, and with governments around the world seeking additional revenues to help bail out impaired state finances, there is likely to be even more change ahead. "We have seen many instances of new

legislation coming in, for example in the UK real estate market with the introduction of the tax on enveloped dwellings, or ATED, after which along with some other changes, all of a sudden the tax exemptions for non-residents were stripped away bit by bit. People need to know how to react, how to restructure efficiently."

This is of course, just one example, he says. But across the globe, the tax and regulatory world is moving rapidly these days, and jurisdictions tend to feed off each other more and more, seeing what others are doing and then closing loopholes on tax avoidance, or simply introducing changes designed to maximise revenues without upsetting too many voters.

Robust planning required

"It is all about managing these shocks," Knox comments. "As a result of all these changes and a more robust planning approach by the wealthy, we are seeing perhaps two conflicting trends. One is around the simplification of structures, with people now really wanting to know what they have, how they work and how they can be controlled properly. But on the other hand, people are also thinking that with so many geopolitical and other risks, it makes sense to diversify assets and to have more than one corresponding structures, so that if there is a problem in one jurisdiction, they might not have the problem in the second. Generally, however, people's understanding, and their resultant structuring, are both becoming more robust and relevant."

Addressing the concerns of succession and the next generations, Knox observes that

some matriarchs and patriarchs will address these issues head on, while others are more reluctant.

Nurturing and preparing

“For those that want to engage in these discussions positively, then the key thing is, how do you encourage sort of the concept of stewardship of wealth in the

make the right decisions, to hold the businesses, to exit, to bring in external management, or explore other options,” he comments.

“We seek to help our clients understand these and other key issues around governance, encouraging a view of the family across multiple generations.”

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next generation? And how do you prepare the next generation to be responsible inheritors of wealth? How do you ensure the right family members take control of the family businesses, in other words those who have the right skills? These and many other issues are central to the discussions we hold with these clients.”

And he explains that these issues and the ensuing discussions are highlighting the vital and expanding role of family governance. These families are making more sophisticated and objective decisions, deciding for example not to leave businesses to family members to manage, but potentially to introduce external professional management.

Governance in the spotlight

“Governance determines that the family as a whole is more able to

He points to a JP Morgan programme called ‘Teaching Children About Wealth’, which aim to prepare the children to have the right range of skills to manage wealth as and when they reach early adulthood. “This might be around saving, spending, borrowing, even cybersecurity,” he reports. “There are seven core criteria that we consider a responsible child would need to be conversant with on reaching the age of 21. Clients seem to really like the programme, especially those that are more proactive in these areas.”

He says the programme also helps with the whole area of communication around wealth, getting the next and younger generations involved in discussions around wealth, discipline, responsibility and building skills sets relevant to the real world.

Laying the groundwork

“These individuals need to become conversant with wealth, with handling money properly, with dealing eventually with lawyers and accountants,” says Knox. “Giving them their own experience of managing some of the wealth, often at quite early ages, can truly help them later on, when they actually attain that family wealth. And this whole process helps the older generations engage in discussions that will help the whole succession process, and thereby help ensure that the younger generations end up benefitting from the wealth, not being burdened by it, so it enhances their lives rather than diminishes them in some ways.”

Bespoke, not off-the-shelf

He also remarks that to arrive at the right structures, there is no simple way, no one size fits all solution. “It all starts with a conversation on what the client wants to achieve with their wealth, and actually that is something that many advisors seldom ask and that many people don’t think about, especially if they are entrepreneurs and so busy generating the wealth. Having a vision looking ahead to the future generations is valuable, although for some of these clients they are more focused on today and feel that whatever they pass on, they pass on. Whatever the approach of the clients, we tailor our approach and the structures we suggest to their preferences and their expectations.”

He elaborates on this point, adding that the patriarchs or matriarchs who manage to articulate family values and are open to the whole discussion on the purpose of their wealth

generally are more successful in involving the next generations.

The shifting sands of time

“The oldest generation have historically been more focused on secrecy, asset protection and tax mitigation, but we see that on the whole being less of a concern to the nextgens, where there is far more awareness of the social impact of the wealth,” he reports. “Now there is more focus on empowering the next generations to make some of their own decisions, as well as helping them take responsibility for the family wealth. The earlier you can encourage the right dialogue around the transition of wealth, the better.”

Key Priorities

A key mission for himself and his team, Knox reports, is making sure the clients know what they offer, and where the team can add value. “These clients need to understand where exactly we can help them,” he explains, “and we need to communicate more about certain jurisdictions, as the global trend is towards onshore and midshore, so for example they need to know more about the

appeal and incentives of Singapore as a midshore jurisdiction. They should appreciate more about the family office, why Singapore, for example, is an increasingly important jurisdiction for the family office, and they should fully then appreciate the different options they have in constructing such a family office, how it should be staffed and controlled, the roles it can play. We need to keep conveying the reasons why the optimal planning and structures are so important to family wealth and estate and business succession, which is a topic that is ever more central to the wealth management proposition in this region.”

Recently relocated to Hong Kong, he is keen to understand and support Asian clients with over 35 years of experience and expertise advising wealthy individuals and families in London. “I arrived only shortly before the pandemic. If we can all travel easily again, that will certainly help.”

Asia and opportunity

He draws the discussion towards a close by noting that as midshore jurisdictions such as Singapore and Hong Kong are increasingly in favour over the pure offshore

jurisdictions where most of the structuring might have taken place in the past, there is great potential for his team’s offering within the region. “We have seen these markets working to develop new products and new entities to encourage more assets to migrate to them as midshore jurisdictions, and that will continue,” he says. “In Europe we have seen money still moving back onshore, and certainly the traditional purely offshore jurisdictions have challenges in the world of regulation we all face.”

His final word is that the work he and his colleagues conduct with clients develops as organically as possible. “We are not selling products or solutions,” he says. “We remain entirely objective, we try to let clients set the agenda, because the onus is on us to understand them and their priorities, and only then can we really bring our experience and expertise to bear across the diverse range of clients we deal with. The value we offer these clients resides as much in our EQ as our IQ, experience and expertise. If we combine these elements effectively, we are truly adding value.” ■

Getting Personal with Paul Knox

Knox has been with JP Morgan for nearly 15 years and arrived at the bank in 2006 from a prominent position at Ernst and Young LLP, where he was a Director and head of the Private Client Services group in London, as well as Chairman and original founder of the Ernst & Young International Private Wealth Group. He arrived in Hong Kong in November 2019, only a few months before the pandemic-induced lockdowns across the globe.

He originally graduated from Durham University and is also a qualified UK lawyer. He is a member of the Society of Trust and Estate Practitioners and has served as Co-Chair of its International Committee as well as being an advisor to its UK technical committee and a member of the Family Business Special

Interest Group. He was also Vice Chairman of the UK charity Philanthropy Impact until relocating from London to Hong Kong.

He was actually born in Portugal but moved to the UK when he was less than a year old, and then grew up in Kent, known as the Garden of England. Before moving to Hong Kong, he had spent nearly the whole of his career in London, always dealing with an international client base.

He recalls his time at Ernst & Young, where he had spent 17 years until 2006, in his last role there heading their tax team as a lawyer. "I was never on the accounting side," he remarks, "I went there to provide succession planning and estate planning advice to the firm's huge international client base, and after a great 17 years with EY, it was a natural to join JP Morgan, again focusing on exactly these same topics of estate and succession planning that I enjoy so much."

He recalls that his early days with EY were during an exciting period for London from the late 1980s onwards when it was becoming ever more global, with clients and advisors coming from every corner of the globe.

"We learned a lot about jurisdictions and about planning and structuring in an increasingly international world," he recalls. "It was fascinating and exciting. A career highlight while at EY was creating the first International Private Client Network within the firm, linking up within the worldwide firm to our colleagues around the world doing similar private client work, meeting at conferences twice a year in nice locations, such as Amsterdam or New Orleans or New York. It opened a whole world and really broadened my knowledge around international tax and succession planning issues."

He is looking forward to the resumption of travel, to get out and meet clients around the region, but he is also appreciative of the time he has spent in Hong Kong thus far. "It has been a positive time despite the pandemic, getting to see and enjoy Hong Kong and its landscapes and seascapes," he says. "I am looking forward to a resumption of travel, but also to see Hong Kong in all its hustle and bustle again."

His final word is one of advice to the younger generations. "Having a broad experience is a good thing," he comments. "My advice is not to specialise too young, because you can get quite easily trapped in a role. Try to keep learning and obtain multiple experiences. And if in this industry, keep listening to the clients, you do not need to keep trying to show how smart you are, you need to build your own EQ, you have to be somebody that clients want to spend some time with, who they are comfortable picking up the phone to. Be interested in your area of expertise, be interested in the client, but also be interesting as well. With a broad perspective and broad experience, clients will want to engage with you, and that means you are on the road to providing the best advice for them."

