

No place to hide

Savvy HNW clients in Asia are starting to question the advice they have been getting from their wealth managers and other advisers, especially around areas such as tax, compliance and wealth structuring, says Kevin Lee of Zhong Lun Law Firm.

Wealth managers and advisers need to start more effectively balancing what they do and don't tell their clients as part of their efforts to better manage expectations.

This is based on the fact that they are likely to come under increasing scrutiny over the quality of advice they may be giving HNW

This is according to Kevin Lee, a Hong Kong-based partner of Zhong Lun Law Firm, which specialises in advising HNW individuals on diverse matters including succession planning, multi-jurisdictional tax, compliance, asset preservation, family governance and more.

He questions whether some advisers have been over-stepping the mark

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clients in relation to their wealth management needs. Litigation might even be on the horizon, if clients are penalised by authorities after the clients rely on such advice.

when it comes to what they are talking to their clients about.

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KEVIN LEE

Zhong Lun Law Firm

tion advice,” he explains. “Whether the wealth planner in the bank gives out this information is up to each

bank, and the institution has to set its own rules.

The relationship manager (RM) may not have the same analytical training as the wealth planner and therefore there may well be a different line drawn for RMs."

Litigation might not happen just yet with Chinese clients, seeing as this group is not as litigious, preferring to avoid the associated publicity.

"A lot of clients are only just finding out about CRS now, and are desperately asking their bankers what to do," he explains. He is worried that some advisers may be openly proposing solutions that are not based on sound advice, though he emphasises this is not the case with those planners with whom he normally works.

Further, this continues to be an evolving area, where the OECD and local

back-up the initial conversation an RM has internally with a wealth planner who is trained to advise the client.

He believes it to be fair enough and quite common for these practitioners to address some of the 'standard' issues in-house. "If it is tax-related or a technical matter beyond their knowledge, they need to follow the policies and get external advice."

FINDING A BENCHMARK

Where an RM might make a wrong decision about what is appropriate advice to give, meanwhile, can come with clients they have known for 15 or 20 years, for example.

Here, trust has grown to a point where the input from the banker is akin to being personal advice.

Lee says that part of the problem is also based on clients not fully understanding how to make the right choices about which professionals to engage.

Indeed, like-for-like comparisons are key in this regard. "Most clients don't know how to shop around," he says.

"How are they supposed to know the 'going rate' unless their friends have done something similar? But there is also a danger that a friend who has passed on information might have needed help with something that was much simpler."

At the same time, clients will often get what they pay for. "If there is too much pressure on fees, we may drive some good advisers out of that market," adds Lee. "It then opens a door for people trying to break into the market who may not have experience and are learning on the job. It's a balance [for the industry]." ■

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Things might change, however, in the not-too-distant future. As the next generation moves offshore, these individuals will grow accustomed to different expectations and standards.

KEEPING THE RIGHT DISTANCE

Ultimately, advisers should be looking to manage their clients' expectations when it comes to any type of deal.

"I don't think the adviser should step into the client's shoes commercially and say something is not worth the investment of time or effort.

That is a commercial decision," says Lee. "A good adviser knows where the line is drawn."

Lee also sees the Common Reporting Standard (CRS) as a major issue. This is a challenge given that client education and adviser knowledge are still very much evolving on this topic.

governments can easily introduce patches to fix any gaps.

The only thing that advisers are seemingly able to do in such a situation, says Lee, is to provide an explanatory and analytical service. But this isn't something that will likely satisfy most clients who hunger for "solutions". Neither will they be willing to pay for it.

KNOWING THE LIMITS

In terms of wealth structuring, Lee advises RMs against trying to steer an outcome for a client. "They should be handing off matters to wealth planners and external advisers, if that is an area in which they are not competent enough," he explains.

Without sufficient experience in a specific situation, a banker or adviser may create risk by trying to merely delay any action until a proper solution is worked out. The right approach, says Lee, is to