

PwC Expert John Wong on Charting the Evolving Needs & Expectations of Greater China's Ultra-High-Net-Worth Families



John Wong, Partner at PwC in Hong Kong, stands at the forefront of navigating the complex needs of Greater China's ultra-high-net-worth (UHNW) individuals and families. With over two decades of pioneering service, Wong and his team have been instrumental in educating and guiding China's first wave of HNWIs through the intricacies of wealth preservation, tax planning, and succession strategies. As the demographics and sophistication levels of these clients evolve, so too does the approach of PwC, adapting to offer holistic, multidisciplinary and multifaceted local and global solutions that cater to both the pioneering generation and the digitally-savvy, globally-minded next-gen heirs. John's insights into the establishment and strategic location selection for family offices highlight the appeals of Singapore in the region, and Hong Kong's latterly improving position as a global wealth management and structuring hub that balances excellent financial market skills and traditions with modern financial innovations to cater to the dynamic needs of Asia's wealthiest families.

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JOHN WONG
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John opens the conversation by addressing some of the key challenges at the moment in wealth and estate structuring and their personal financial affairs for Greater China UHNW clients, John Wong, Partner at PwC in Hong Kong, delves into the intricate evolution of private client services in Greater China, emphasising the pivotal role his practice has played over the last 23 or 24 years. Beginning in an era when the concept of wealth management for the newly affluent was truly nascent, PwC identified the need for comprehensive education for China's first generation of HNW and UHNW families, many of whom are now listed on prestigious wealth indices like the Hurun Report.

John highlights the initial challenge of educating these HNWIs about the fundamentals of wealth preservation, trust structures, tax planning, and the importance of succession planning for both onshore and offshore assets. "These people, predominantly in their 40s and 50s at the time, required guidance to navigate the complexities of safeguarding their newly acquired wealth, which often spanned diverse sectors from traditional industries to the burgeoning new economy," John reports.

An evolving landscape

Fast forward to today, and the landscape has shifted significantly. The current generation of wealth holders is far more sophisticated, having been educated by many private banks, asset managers, and others in the wealth and professional services ecosystem. "This sophistication necessitates a holistic approach from service providers like PwC, which now focuses not only on wealth planning but also on the seamless integration of global asset allocation strategies," John elucidates.

A key evolution in the industry is the emergence of a highly educated group of next-gen wealth inheritors. These individuals, possibly the second or third generation within their families, bring a wealth of

knowledge and digital savviness to the table. They often act as internal advisors for their families while navigating the selection of external service providers.

"PwC's engagement with these next-gen leaders involves a nuanced approach," he explains, "recognising their propensity to innovate within their family's governance structures and to contribute significantly and often positively to the family legacy and planning."

Wong sees the trend towards the establishment of single-family offices in Hong Kong as particularly noteworthy. These entities, driven by next-gen initiatives, are pivotal in consolidating investments, ensuring comprehensive succession planning, and maintaining tax compliance across all family assets. This development aligns with Wong's advocacy for Hong Kong as a premier hub for family offices, showcasing the city's strategic importance in the wealth management ecosystem.

The holistic approach

"As the preferences and requirements of UHNW families evolve, we at PwC adapt, offering tailored, multidisciplinary approaches to meet the changing demands of both the current and next generations of family business leaders in China and Greater China,"

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he states. "This strategic adaptation ensures that PwC remains a leader in the private client services sector, addressing the intricate dynamics of wealth in Greater China with expertise and foresight."

Zooming in further on some more of the key challenges clients and advisors face, John emphasises the need for a comprehensive approach to address the multifaceted challenges faced by ultra-high-net-worth (UHNW) families in Greater China. For practitioners at PwC, the imperative is clear: to devise wealth protection and transfer strategies that take into account the myriad factors influencing family assets across generations. This requirement places a premium on technical proficiency and an in-depth understanding of the specific parameters that define effective family wealth management.

Adapting to the rigours of global regulation

Central to the challenges confronting Chinese clients is the global taxation landscape, which demands unwavering compliance. John highlights the necessity for these families to adopt a compliant mindset, particularly in light of newer and very stringent regulations such as the Common Reporting Standard (CRS). The management of assets, both within China and internationally, introduces additional complexity due to the country's regulatory and foreign exchange controls. Ensuring that structures holding domestic and offshore assets adhere to all relevant laws and regulations remains a significant hurdle.

John's insights shed significant light on the enduring challenges of tax compliance, regulatory navigation, and the holistic management of

JOHN WONG – A SNAPSHOT OF THE FAMILY BUSINESS AND PRIVATE CLIENT SERVICES LEADER, PWC HONG KONG

John is the PwC China Family Business and Private Client Services Leader. He has more than 30 years of experience specialising in helping high net-worth individuals and families primarily based in Asia Pacific with Chinese and other nationalities to devise tailor-made tax planning, family wealth and business succession planning to achieve the specific personal and family goals of such clients by using trusts, insurance and other appropriate structures for the implementation of such planning as well as setting up family offices and devising family governance and constitution.

He has extensive experience in advising various China and Hong Kong based international financial institutions and trustees and is also a frequent speaker at wealth forums and tax seminars.

family wealth. These challenges underscore the critical role of adept wealth management practitioners who can guide families through the intricacies of maintaining compliance while safeguarding and transferring their wealth efficiently across generations.

He then focuses on the delicate matter of selecting the right offshore jurisdictions for the establishment of family offices, emphasising the need for a tailored approach that aligns with the client's unique requirements and asset profiles. From his vantage point as an advisor, he stresses the importance of understanding each client's asset allocation and the global distribution of their holdings. He also acknowledges the complexity that arises when families own diverse assets spread across different countries, ranging from real estate in the UK and US to art collections and private equity investments.

John discusses the evolving role of family offices, not as a novelty but as a longstanding mechanism for

managing wealth and addressing non-investment functions like succession planning and family governance. "The idea of having a family office has become increasingly popular, underlining the need for and also facilitating more sophisticated management of the family's assets and affairs," he says. "Deciding to establish a family office is only the beginning; the critical question then becomes where to locate it and how to structure it."

Highlighting Hong Kong's merits, John describes the city as a traditional financial centre renowned for its professional services, banking infrastructure, and strategic position as a gateway to China.

While advocating for Hong Kong based on its strengths, he remains objective, acknowledging that what suits one family may not suit another. Ultimately, the choice of location for a family office should be influenced by where the family



predominantly resides, ensuring that the office can effectively serve its primary beneficiaries. This approach to selecting a jurisdiction reflects a commitment to providing bespoke advice that respects the diverse needs and aspirations of ultra-high-net-worth families in Greater China.

Cases in point

John provides two practical illustrations of the strategic considerations behind setting up family offices in multiple jurisdictions.

He first recounts the story of a client from China, notable for their high net worth derived from offshore assets linked to an offshore listing. This client initially established their first family office in Beijing, a decision influenced by the residential location of some family members. Within China, this family office operated under the guise of a private investment company due to the absence of a specific licensing category for family offices in the country.

“The global nature of the family’s asset allocation necessitated the creation of a second family office outside of Mainland China to manage offshore assets effectively, with Singapore chosen for this purpose, driven by a combination of factors including its early adoption of family office-friendly policies and tax incentives which Hong Kong had not yet implemented,” he explains. “The client opted for Singapore’s attractive 13X incentive scheme, demonstrating the influence of regulatory and tax considerations on the decision-making process for the location of family offices. The client has also established his third Family office in Hong Kong after the enactment of the tax incentives.”

John further elaborates on the evolving landscape of family office setups, highlighting the strategic pivot of another one of his clients from Singapore to Hong Kong. This move was motivated by several factors, including the later promotional efforts by Hong Kong to attract family offices, the geographical and cultural proximity to China, and the allure of tax concessions. His narrative underscores the tailored approach to establishing family offices, and he stresses that the decision-making process is influenced by a myriad of personal and financial considerations, including the family’s residency and immigration plans.

He further discusses the concept of having a ‘HQ’ family office in one centre complemented by ‘satellite’ offices across various jurisdictions. This structure allows families to manage their global assets effectively while addressing the diverse needs of family members who might be spread across different countries. The headquarters typically oversees a broad range of functions beyond investment monitoring, including family governance, philanthropy, and managing family affairs, providing a comprehensive solution to wealth and asset management.

The jigsaw puzzle

John then sheds additional light on the sophistication of today’s clients, particularly the next generation, who come to the table highly educated and well-connected within the financial and advisory sectors. “They expect more than just basic advice; they demand innovative, value-added solutions that offer a comprehensive understanding of how various

wealth management tools can work in concert to achieve their goals,” he reports. “It is vital to take and present a holistic view, as we see the advisory process like completing a jigsaw puzzle where each piece contributes to the overall picture.”

This approach is crucial not only for earning the respect of next-gen clients but also for catering to the diverse needs of the entire family. While the first generation may focus more on the business side of affairs, next-gen members often undertake detailed research to inform the family’s strategic decisions, he elaborates. “This caters to what has been a shift in wealth management services, with advisors now needing to blend traditional knowledge with cutting-edge insights to meet

the evolving demands of multi-generational families, ensuring solutions are tailored to both the immediate and long-term interests of their clients.”

The final word – Hong Kong’s brighter lustre

John returns to the relative position of Hong Kong, reiterating that it has long been a pre-eminent financial hub, and is most definitely so for family offices and wealth management in general today. “Yes, Hong Kong was later than Singapore in introducing tax concessions for single family offices, but they stepped up and made some very positive changes. Moreover, Hong Kong has always been a compelling choice for financial activities due to the absence of estate tax, gift tax,

and capital gains tax, and now, with the introduction of profits tax exemption for single family offices, its appeal has only grown. We have seen a rising number of enquiries from clients interested in leveraging Hong Kong’s tax planning benefits, especially in light of global tax environment changes such as the OECD’s foreign source income and economic substance rules,” he reports.

His final word is to compliment the efforts of Invest Hong Kong in promoting the city’s advantages globally and says he sees Hong Kong as a prime choice for managing investments in Asia and Mainland China due to its strategic location, underscoring the city’s role as a key gateway and hub for the greater China region. ■

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