

RHTLaw Asia LLP's Sze Kuan Sim on Navigating Business and Family Dynamics

At the recent Hubbis HNW Insurance Summit 2023 held in Singapore, we had an enlightening panel discussion which delved into the evolving landscape of family offices in Asia. Family offices, a well-established concept in the West, have recently gained more traction in Asia as tools for ultra-wealthy families to manage their assets in a structured manner. Yet, beyond mere asset management, the real essence of these entities lies in the balance they strike between managing businesses and navigating intricate family relationships. Sze Kuan Sim, Of Counsel at RHTLaw Asia LLP, discussed the growing trend of family offices in Asia. He emphasized their dual role in managing family businesses and navigating family dynamics. While families often handle business matters with ease, they face challenges in internal relations. Sze Kuan highlighted the need for advisers to adopt a holistic approach to provide a comprehensive strategy that integrates business and family governance. He also touched on the importance of family governance, challenges with traditional advisory fee structures, and the rising significance of insurance products in Asia.

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SZE KUAN SIM (SECOND FROM LEFT)
Of Counsel
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Opening his contribution

to the panel, in response to a thought-provoking question which was raised about the nature of advice affluent families receive,

The Dual Facets of Family Offices

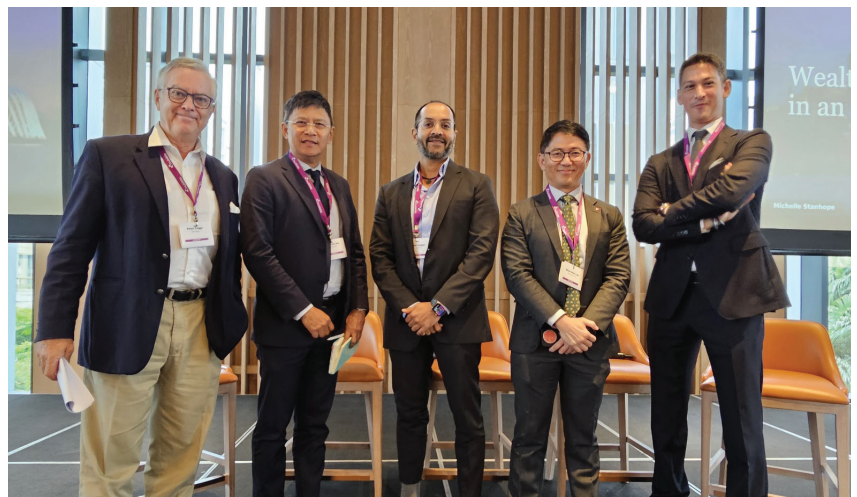
Diving deeper into the subject, Sze Kuan highlighted the dual responsibilities of a family office.

Firstly, it aids in managing the family business, an arena where families typically possess profound expertise. The second, and possibly even more critical role, revolves around navigating family dynamics. While managing business matters is usually straightforward for these families, dealing with internal familial relations can be more challenging and less tangible.

Sze Kuan observed that external advisors often zero in on their specialized areas, whether it's banking, finance, legal structures, or trusts. However, from a broader perspective, families truly need a close and trusted advisor. This advisor should provide a comprehensive view, aiding families in understanding their

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Sze Kuan Sim explained that “in parts of Asia, family offices have emerged as the latest trend. However, it’s essential to understand that they aren’t a novel concept. Originating in Europe and the US, family offices were designed to allow ultra-wealthy families to manage their assets in a more structured and deliberate fashion. This is the very practice we are keenly adopting and nurturing in regions like Singapore and throughout Asia.”





overall scenario, guiding them on resource allocation, and integrating varied pieces of advice into a cohesive strategy.

To bring his point home, Sze Kuan shared a personal anecdote. “Often, private bankers and advisors ask me to engage with the younger generation of wealthy families. These young individuals typically want to understand the concept and role of a family office. In these sessions, I give them an overview of how family offices can serve as a bridge, linking family business strategies with family governance structures, and enhancing communication within the family.”

Family Governance in Focus

Sze Kuan then delved into the matter of family governance structures, emphasizing their importance in preserving family harmony and ensuring the longevity of family businesses. He said, “There’s an age-old

saying: Family fortunes seldom last beyond three generations. Surprisingly, many studies support this notion.”

For Sze Kuan, the essence of family governance isn’t about crafting a complex, theoretically robust structure. Instead, it’s about understanding and encapsulating a family’s core values and principles. “The aim,” he explains, “should be to document the family’s fundamental decision-making principles. This document needn’t be extensive - a concise 5 to 10 pages could suffice.”

However, the creation of this document is only half the battle. Sze Kuan emphasized the need for consistent implementation, saying, “A plan that gathers dust on a shelf is of no use. Families must continuously employ and adapt it, updating it based on arising circumstances and feedback from family members.”

In Sze Kuan’s perspective, the family office plays a pivotal role

in facilitating this continuous evolution of family governance, ensuring its effective application, and ultimately helping families navigate the intricate dynamics of managing both their business and interpersonal relationships.

Rethinking the Hourly Rate Paradigm

Pivoting the conversation to a different aspect of professional advisory services, Sze Kuan highlighted a prevailing industry challenge: the hourly rate billing model adopted by most professional advisors, including law firms.

Sze Kuan shared an innovative approach they have adopted to address this challenge at RHTLaw Asia. He explained, “At RHTLaw Asia, we embrace a multidisciplinary approach which allows us to explore alternative fee-charging models. Beyond traditional legal services, we provide an array of professional services like asset management, asset listings on digital exchanges, and more. These diversified offerings not only generate income but also grant us the flexibility to move away from a strict hourly rate model.”

He recognized the prevalent sentiment, especially in certain regions, where clients find hourly rates burdensome. “In today’s climate,” Sze Kuan noted, “hourly rates can sometimes pose a significant challenge for clients.” However, by integrating various revenue streams, RHTLaw Asia finds itself in a unique position to offer more client-friendly billing options, adding another dimension to their client-centric approach.

Rising Interest in Insurance Products

Concluding his remarks during the discussion, Sze Kuan emphasized the increasing significance of certain insurance products in the Asian market. Drawing attention to the forthcoming topics of the event, he pointed out his personal observations on how clients are gaining more interest in insurance

products, particularly in Private Placement Life Insurance (PPLIs).

Sze Kuan highlighted the reason behind this surge of interest: “With the tax and beneficial ownership disclosure rules in Asia becoming more intricate and transparent, clients are in search of solutions that address their concerns about tax and privacy.” He further noted that while these insurance

solutions are already mature in Western jurisdictions, they are now gaining momentum in the Asian markets.

He concluded by encouraging the audience to take note of the discussions being had around HNWI Insurance. “This is an evolving and intriguing sector. I urge everyone to stay attentive to the conversations being had.” ■

Getting Personal with Sze Kuan Sim

Sze Kuan Sim, Of Counsel at RHTLaw Asia LLP started his career in Singapore and became a partner at one of the major law firms there. During the height of the dot-com boom, he and a few colleagues left the firm to establish their own dot-com business. However, after the dot-com bust, Sze Kuan transitioned to work at one of Asia’s largest venture capital funds, which primarily focused on life sciences, where he spent eight years. Subsequently, he joined a renowned Asian multinational company. In this capacity, he managed the company’s corporate legal matters, oversaw their licensed asset management arm in Hong Kong, and served as the general counsel for the company’s family office. After dedicating 14 years there, Sze Kuan now runs a private practice in both Singapore and Hong Kong.

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