

‘Ten Domains’ offers Clarity of Thought for Private Client Practitioners

The UHNW Institute is a non-profit, independent “Think Tank” focusing on thought leadership for ultra-high net worth families, family offices, their advisors and those serving those families more generally.¹ Recently, it published a model setting out the Ten Domains of Family Wealth.² The Institute believes that this model encapsulates everything advisors need to consider when assisting families to address their needs. Joanna Caen, Managing Director at PraxisIFM in Hong Kong, agrees.



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The Ten Domains of Family Wealth framework, recently developed by the UHNW Institute, covers everything from financial management to legal needs, health and family dynamics, social impact and philanthropy. The model has done a great job of teasing out the various needs and concerns UHNW families face and categorising them clearly. As a core framework, it can be used by advisors to ensure that families are at least thinking about the various issues they may face.

Although the model (and the institute itself) are aimed at UHNW families, and not merely the “affluent”, this model provides useful guidance to all families, no matter their asset base or family size or structure.

A holistic approach

For decades private client practitioners have focused on the financial, legal, and tax and other regulatory and compliance risk areas. Encouragingly, over the last decade or so there has been a real shift among those who aim to be industry and thought leaders to considering other aspects. However, it is still hard to raise health and well-being, or even family dynamics, with families.

The ‘Ten Domains’ model reminds us that the key issue to be addressed first and most deeply with families is building the advisor-client relationship. The Institute calls this the “core process domain” and Cindy Radu TEP calls it the “central organising domain”.³ Cindy’s description is apt because it reinforces the idea that this is the pillar around which the rest of the model operates. If that domain is as strong and developed as we would all hope, i.e., if we have the true trust, confidence, and faith of the family we are working with, then we should not feel we would be overstepping by mentioning “difficult” topics like those above.

The model also tells us that all the nine spokes of the model, the “content domains” in the Institute’s language, or “technical domains” in Cindy’s language, are equally important. Again, Cindy’s language is helpful because it indicates that all these domains require technical expertise to address. None of us are, or ever could be, experts in all of them. However, if we have the trust of the family, and a basic understanding of the issues arising for all domains, we can help families address the issues they may face.



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Useful in practice

Using this framework will help private client practitioners understand how to really become a family’s trusted advisor by making sure we consider all issues, not just those within our subject matter expertise. If used correctly it will show we care about the family’s holistic needs, not just those from which we make our fees. It will demonstrate true commitment to the family.

Second, it highlights some of the risks advisors/trustees face when dealing with families. For example – are the trust assets held overly concentrated in certain assets, without sufficient good reason? Holding significant stakes in family companies may be in accordance with a settlor’s wishes (or mandated by exercise of their reserved powers), but even with an Anti-Bartlett provision it is incumbent on private wealth professionals to review the asset holding from time to time and at least raise concentration risk with the family. Another issue the industry is increasingly facing, with an aging population, is mental capacity. If this can be raised with the settlor in a careful, sensitive way and at an appropriate time, it can guide conversations about health, family dynamics, and transition and estate planning, among others.

Mitigating risks

Using a set framework in this way also ensures that we are mitigating risks for our business where we can. When our primary contact with a family is through one of their advisors, or a member of a younger generation,

¹ <https://www.uhnwinstitute.org/>

² <https://www.uhnwinstitute.org/resource-library>

³ See Cindy Radu “The ten domains of family wealth” STEP Journal Issue 1 2021.

we do not always know the true wishes of the founder generation/power holders. By making ourselves trusted advisors of the family, not just those with whom we deal the most frequently, hopefully we can be informed of and aware of any issues before they arise. The flip side of this is that when we are seen as the family's advisors, not those of the settlor or other individual, then other family members will be less likely to see us as partisan and therefore may be more willing to engage with us for the longer term. We have all seen examples of the second generation changing the family's service providers after the first generation passes away because of perceived (or actual) bias against that second generation.

A universal model?

It is dangerous to generalise about how people from different countries or generations will want to develop their relationship with their trusted advisor, and seeing this framework as a positive resource is not the same as electing to take the model to any family and saying, "I've come across this great resource – let's sit down and study it together." However, we can use it to ensure consistency across all family client relationships. We should use the model to guide and structure our thinking in our conversations with families. For example, prior to an annual review with a family you might think about issues arising from leadership and transition planning that were beginning to arise during the last annual review and consider how to address them this time around.

When using the model with families the key is to have many communication skills and styles at hand. As we

know, some people prefer direct communication, others want a discussion. Some want to drive the conversation, some want us to. The ability to be linguistically flexible will help us all in our discussions with families, whether they are about or driven by the model, or otherwise. Sometimes even simple vocabulary changes help a conversation progress. For example, if a settlor is uncomfortable talking about their own mortality it may be better to talk about their "legacy planning" rather than "estate" or "succession" planning.

Widening our expertise

The 'Ten Domains' model is part of a growing recognition within our industry that we cannot simply focus on financial, legal or tax planning for our clients. Instead, while we can be subject matter experts in those areas, we need to know how to identify other issues which may be concerning families. We must be ready, willing, and able to discuss all of the technical domains of the model with families to ensure we are best serving their needs. While many professionals are trusted to advise on our traditional areas of expertise, what we need now from families is their trust that we can identify needs that may be more focused on their health and happiness than their financial needs, and that we can bring relevant expertise in to help navigate those issues. The process should be as intuitive for the family in areas such as governance, social impact and health and well-being as it is in financial and legal matters. When it is, then we will know we are truly families' trusted advisors. ■

