

The Complex Needs and Expectations of UHNW Families and the Opportunities Arising for Asia's Private Bank



In the increasingly complex world we inhabit, Ultra High Net Worth clients and their families have ever-increasing financial, investment and wealth structuring needs and ever-greater expectations from their private bankers than in the past. Asia continues to mint more and more UHNW clients and family offices, with their founder-principals coming from the many dynamic and diverse Asian economies, and also moving into Singapore and Hong Kong from the global economies outside the region. Hubbis recently asked Paul Knox, Managing Director of JP Morgan Private Bank in Hong Kong, to scan the many and often intricate challenges faced by mega-wealthy families, and to review how top-flight private banks can identify and respond to those needs. He shone a spotlight on the multifaceted concerns of these modern UHNW families, underlined the importance of tailored investment and other wealth solutions, highlighted the importance of taking a holistic view of advice encompassing detailed estate and legacy planning, and explained why a 360-degree and forensic attention to detail are vital to the UHNW private bank client proposition. He also pointed to the resurgence of activity in Hong Kong and told us why he believes that plenty more of the SAR's golden era lies ahead.

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PAUL KNOX
JP Morgan Private Bank

Hong Kong regaining its shine

Opening the conversation, Paul first emphasised what he

and its bedrocks of expertise and talent will shine through, not only for clients from across the Greater China region but also for clients from the world over.

Paul pointed to Hong Kong's growing prominence as one of Asia's family office centres, fuelled by clients from the region, from across the borders, but also from the world over, especially as the local government and regulator work more efficiently to improve fiscal and other incentives for new entrant family.

Paul acknowledged that the term 'family office' can vary, spanning grand institutions for the very wealthiest of families to somewhat more modest

proposition, not only for local UHNW families, but also those from far further afield.

Amongst such measures, he pointed to an updated version of the Capital Investment Entrant Scheme (CIES), and to measures to allow single family offices in Hong Kong that are managing family-controlled investment holding vehicles (FIHVs) to avail themselves of tax concessions on their gains and profits.

But Paul also stressed that the decision of where to anchor a new family office is inevitably based on far more considerations than just tax incentives.

"The decision ultimately encompasses a quite diverse

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considers to be Hong Kong's enduring presence as Asia's financial markets and wealth management epicentre. He maintains that the challenges Hong Kong was confronted with in the last few years were transitory, and he reported that he remains optimistic about the jurisdiction's resurgence, surrounded as it is by the vast economic might of Greater China and the Asia region. He believes that Hong Kong's conducive business environment

operations, but maintained that in any such cases, Hong Kong has remained steadfast as one of the key global financial centres. Overall, Hong Kong, Singapore, Dubai and many other centres have unique advantages that will benefit our clients who are global in nature, where they have businesses and families across jurisdictions. For example in Hong Kong, recently authorities' efforts are now well directed to creating a far more compelling

array of financial, fiscal, legal, fiduciary and regulatory skills and factors, as well as the lifestyle and personal preferences of the key decision-makers," he commented. "Hong Kong's overall proposition, far beyond simply the financial and technical aspects, is, I believe, remarkably attractive and also improving. In my view, the depth of financial expertise here, the quality of advice available, the robust infrastructure, the top-tier education system, the excellent

logistics and other outstanding facilities, all combine to make Hong Kong an ideal choice for a family office. This will become even more evident in the open-borders, post-Covid environment out here.”

The wider picture

The discussion then shifted away from Hong Kong and family offices, with Paul commenting on the pertinent subjects that should be addressed, especially considering the challenges faced by ultra-high net worth individuals.

Paul notes that subjects like family and corporate governance, along with wealth structuring, were of paramount importance. In turn, as families expand their reach globally, elements such as citizenship through investment and residency grow in significance. The ongoing search for flexibility combined with global geopolitical uncertainty remains a primary focus. Even as these challenges evolve, their relevance remains steadfast. Their discussions frequently revolve around the safeguarding of assets and the emphasis on robust asset protection.

Promising for private banks

Commenting on the opportunity this all presents to private banks like JP Morgan, Paul highlighted that these financial institutions stand to benefit immensely. They have a unique position to offer tailored and localised advice on a global platform to help UHNW families and individuals with diverse priorities across jurisdictions. “Each family is different, each family will have very different concerns,” reports Paul. “Even individuals can have

Getting Personal with Paul Knox

Knox has been with JP Morgan for nearly 18 years, having 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.

After working and living in London for nearly four decades, Paul found the period when he moved to Hong Kong to be invigorating and refreshing, yet challenging. From a work perspective, he has encountered a vast range and diversity of clients from different cultural backgrounds. The relative simplicity of the Asian tax systems provides clients with more flexibility and options when considering wealth transition and succession matters. Nonetheless, there's a significant emphasis on the responsibilities that accompany the ownership and stewardship of wealth.

From a personal perspective, Paul is often told that the last three years have been among the most challenging in Hong Kong's recent history. The restrictions on travel meant that he has become intimately familiar with Hong Kong. While the city buzzes with vibrancy and energy, there are also numerous serene beaches and hiking routes for an escape. Now that travel has resumed, Paul is also beginning to explore short getaways to other parts of South East Asia. He believes that Hong Kong remains one of the safest and most enjoyable places globally, with a genuine multiculturalism that makes it an accommodating place to reside.

different concerns, people have different views about how they want to pass on their wealth to children. Understanding what it is they are trying to achieve, what their own family's issues are, and helping them to navigate through times of change and uncertainty are where clients consider us to be most valuable."

Another evolving facet is philanthropy, Paul reports, where clients seek to maximize their giving's impact, be it through conventional philanthropic routes, social impact investments, or their corporate endeavours. Private banks can offer both a local and global perspective. And thus, by sharing experiences and showcasing what other affluent families are undertaking, they can enlighten clients on their available options, though recognising that solutions may vary based on individual family needs.

inherit and manage wealth. And in turn, Paul sheds a light on some of the consideration which may be burdening the next generation. "Maybe I don't want the wealth. Maybe I don't want to get involved in the business anyway. And as wealth matures, maybe some of these issues become more real," he says. "Against the multifaceted challenges ultra-high net worth families face, understanding and addressing concerns tied to intergenerational wealth transfer becomes paramount."

And this context is what drives the need for conversations centered around preserving legacy, whether that entails maintaining wealth, stewarding a family business, or advancing philanthropic causes. Newer challenges have also emerged, like planning for modern families that may include a spectrum of differing perspectives or social

Modern times bring broader considerations

Bringing the conversation to a close, Paul gave perspective amidst the context of the globalised world in which we live, remarking that the current generation of private clients need to be encouraged to give due attention to gauging their own apprehensions surrounding wealth transition. Preparing the next generation to responsibly handle inherited wealth may be a leading concern, and thus appropriate plans should be put into place. Advisors should guide these private clients in their exploration of various wealth structuring avenues to shield their fortune not just from family disputes, but also from potential pitfalls like financial mismanagement or the repercussions of unstable family dynamics, to ensure an enduring legacy.

And on the topic of legacy, the dialogue between advisor and end-client should also account for

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Helping families with comprehensive solutions

Expanding further, Paul comments that the necessity for key decision makers to recognise and anticipate potential conflicts and issues, such as family disputes or inadequate preparedness to

ideals amongst its members, or situations where there's no direct next generation. Paul also highlighted the complexities of advising such families, noting the importance of approaching each situation with an open mind and not making presumptions based on conventional financial solutions or services.

discussion as to what this means for each family. This allows for an understanding of a family's desired legacy, be it centered on wealth, an established business, or philanthropic endeavours. While the family often remains the best custodian of these legacies, situations arise where there might be no immediate heirs, presenting

a unique challenge. Modern planning scenarios also incorporate newer family dynamics, with relationships between family members differing wildly in the case of each family unit.

An advisor's approach, Paul suggests, should be grounded in a genuine intent to understand client concerns rather than

a predisposition to pitch certain financial solutions. Being receptive to clients' real concerns, even those unspoken or not yet considered, is vital. "It's being prepared to raise quite challenging questions," Paul says, "and seeing whether clients are willing to engage in addressing those questions or not, which again, depends

on what stage of the journey a client is on." This is especially pertinent when engaging younger clientele, who might initially be dismissive of succession planning. However, the introduction of these considerations often plants a seed, prompting clients to eventually confront and address these paramount issues when life events make them more tangible. ■

