

The difficulties of gaining a new client's trust

HNW individuals are often inundated with wealth planning advice from banks, advisers or lawyers. Trust companies can provide quality wealth structuring advice tailored to a client's circumstances, but don't always get the chance, says Markus Grossmann of Trident Trust.

Wealthy clients in Asia tend to be 'multi-advised', and so are often sceptical of new financial advisers and reluctant to pay for advice regarding their wealth and succession planning. It is therefore particularly important for independent trust companies to create a good first impression, says Markus Grossmann, managing director for Singapore, Hong Kong and New Zealand at Trident Trust.

Grossmann says many wealthy Asian clients are unaccustomed to paying for advice on wealth structuring.

"Once you start talking about fees, many discussions with prospective clients come to a halt and you often do not hear back from them, as they then tend to see whether they are able to get this advice for free from another adviser," he says. "To some extent, this is understandable: they don't necessarily know if the adviser they are talking to is competent to give them good advice and they may not be attuned to the different

perspectives that advisers of different types can bring."

He says that clients who let independent trust companies assess their situation often realise their genuine understanding and then have very interesting conversations. But getting them to this point is the challenge. "Generally they are reluctant to pay for such preliminary advice until they have a very specific indication of what the proposed structure is going to look like."

This attitude stems partly from the fact that many private banks possess large wealth planning or advisory teams with substantial resources that the banking business model allows them to offer to the client for free.

Several law firms also advise on succession planning structures without friction over fees, as the concept of paying a lawyer by the hour for professional advice and guidance is quite culturally



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ingrained. However, many local lawyers lack sufficiently rounded experienced to provide the necessary international wealth and succession planning advice.

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This provides an interesting opportunity for credible and well-established international trust companies that straddle the wealth planning teams within the banks and the local private client legal practices.

SECRETIVE DISPOSITION

A key challenge is to get wealthy families in Asia to open up about their needs.

“Asian families tend to be quite secretive about their personal situation and plans, their business and their assets,” says Grossmann. “It’s like going to a doctor because you’re feeling sick and not telling him what your problem is, yet expecting him to provide a cure.”

Again, private banks and lawyers enjoy an advantage, because they have often served the family in other areas for years. Grossmann believes the key for independent trust companies to gain such interest is to demonstrate the value they can offer immediately.

“The first meeting is very crucial, and it requires the prospective trustee to really ask the right questions about the client’s situation and needs, and demonstrate they understand what they are doing,” he says.

“This conversation should also cover various possible solutions, structures and jurisdictions on a global scale and

international trust and corporate services providers are well placed for that kind of dialogue.”

Probably the best way for professional advisors to establish their value to HNW clients is to cooperate with private bankers and the private client legal practitioners. This in turn can create a productive tripartite partnership that benefits the client.

“Private bankers in Asia often hold a special position with HNW families; they are trusted and perceived as the sort of person that can ask appropriate questions about a family’s wealth and wealth planning needs,” says Grossmann. “Some banks introduce their own wealth planning team, but others come to independent, international firms like us. The private bankers serve as a crucial interface since they can provide the prospective trustee with invaluable insight into the family’s situation and wealth plans.”

PROVING WORTH

Although private bankers can help advisers get into the frame with their client, from that point it is up to the adviser to demonstrate their worth. This can come down to relevant expertise. Grossmann notes that many banks have little appetite for wealth structures that include non-financial assets, because it lies outside their

expertise, while some local lawyers may lack relevant experience. However this gap is closing slowly.

“To use my previous analogy, it’s like going to a GP who only has three medicines in stock,” he says. “It’s wiser to go to a GP with a full pharmacy and who takes the time to ask the right questions about your symptoms, your issues and concerns, and then offer you a tailored course of medicine. Such a practitioner can do a thorough analysis, and if he happens to be out of his depth is likely to have a network of specialists.”

Grossmann says this helps distinguish Trident as an international trust company. “We try to find out as much as possible about the client’s background and needs so as to craft a tailored solution that best advances their goals. And from time to time we may tap the expertise of specialised legal and tax advisers who are better suited to advise on a specific area that we may be unfamiliar with.”

In contrast, other advisers such as local law firms may only possess expertise in certain jurisdictions. The risk of such limited advice is that clients establishing solutions that do not fully align with their goals or changing circumstances, or the various regulatory developments coming into force.

“The new transparency rules under the Common Reporting Standard mean some types of solutions will have to be completely restructured or wound down,” says Grossmann.

“If a more thorough job had been done when setting up the structures, there would be much less need for them to be changed.” ■