

The Future of Family Offices in Asia: The Rise of Governance

While family offices are well-established in North America and Europe, the growth of family offices in Asia is more recent and coincides with the phenomenal economic rise of Asia. The accumulation of wealth by families in Asia has been faster than in any other region of the world over the last two decades. Looking back at 2020, Knight Frank reported that China saw the largest increase in its ultra-high-net-worth (UHNW) population (9,594 additional UHNWs) followed by the US (6,080) and Japan (1,199). According to Knight Frank's latest report, Asia-Pacific's population of UHNWs is predicted to grow 33% in the next five years to 2025. The predicted rise of UHNWs to 168,567 in Asia-Pacific will largely be led by Indonesia (67%) and India (63%), with Chinese Mainland (46%) following behind. Over the same period, the number of billionaires and millionaires in Asia-Pacific is set to rise by 46% and 37% respectively. Asia-Pacific is already home to more billionaires than any other region (36% of the global total), with China being key to this phenomenon.

GET IN TOUCH

[View Sean Coughlan's LinkedIn Profile](#)

[Find out more about Trident Trust](#)

BY:

SEAN COUGHLAN,

Managing Director, Singapore,
Trident Trust

The rise of family offices in Asia

Traditionally, wealthy Asian families used to manage their wealth through holding companies or special purpose vehicles (SPVs). This choice was often driven by the perceived simplicity of setting up companies and by the need to maintain confidentiality. However, as wealth in Asia grew, these corporate holding structures became larger, more complex and more time consuming to manage.

A need therefore arose for wealthy Asian families to institutionalise the management of their family wealth and investments through a more effective structure: the family office.

The evolution of family office in Asia, from an investment hub...

It is safe to say that the older generations of Asian high-net worth (HNW) or UHNW families originally intended the family office as an investment hub, a formalised organisation structure to manage family assets and investments.

More recently, second and third generations of HNW and UHNW families have been favouring family offices which can function not only as professional investment advisors, but also as trusted partners to help them manage complex financial, tax and estate affairs, and handle many other administrative and lifestyle tasks, including residence and citizenship, education, healthcare and reporting.

It is an evolution from being just investment focused to offering a more holistic approach, including acting as a platform for corporate and family governance.

... to the rise of corporate and family governance

The influx of global regulations and inter-governmental cooperation is having a fundamental impact on family office structures, prompting families to centralise management and professionalise the governance of their worldwide financial affairs. The majority of Asian families demonstrate an increasingly strong desire for formal governance mechanisms across all areas of their operations,



SEAN COUGHLAN

Trident Trust

businesses and wealth management. This means embracing sound leadership, meritocracy and appropriate decision-making practices.

The rising importance of sound, formalised investment management governance goes hand-in-hand with enhanced family governance and other developments involving the family's succession arrangements, especially as Asian families become larger, more geographically and generationally diverse, with greater transparency demanded by all parties involved.

More than ever before, families have been realising that weak governance standards can be disastrous. It is not uncommon for family offices to be established by the founding patriarch or matriarch who has generated the wealth and continues to make all the key decisions both on the family wealth and the family. Ultimately the death of the founder can be a pivotal moment; if there is not a well understood and effective governance framework, there may be family discord and with no governance framework in place there will be no effective means by which the family can make decisions on key issues after the crucial event. The consequences can be dire – loss of investment opportunities and ultimately the family office breaking apart.

What could family offices in Asia do to help families put in place governance measures that are fit for the future?

A family governance structure cannot be an off the shelf template – families are bespoke and unique, and different frameworks will work for different families – so it should be a tailored solution based on the individual circumstances. Importantly, the governance framework should be shared across family members, not imposed by the first generation if it is to work effectively.

In order to approach decisions in a way that satisfies the diverse family members and that grows and safeguards wealth for future generations, family offices should help put in place a family charter or agree to formalise the approach and control of the family's wealth holding structures.

In addition, the family office could help set up an elected family council with members across generations. They can follow up all decisions made in the council and lay down a family constitution with rules for family members to follow. A family

constitution can set for example, family values and responsibilities for family members, define their rights or rules to sell family shares, etc. A family office could also assist to review and update the family constitution in time, including its policy and implementation status. Family gatherings and training for members can also be arranged by the family office.

Conclusion

Given the wide flexibility in shaping family offices and defining governance framework to cater for different needs and circumstances, it is essential to work with a trusted professional partner that has experience in advising on wealth management structures and expertise in putting in place tailored governance measures.

If you are considering setting up your own family office and you are looking for a professional advisor that can provide independent, neutral advice around oversight, control and supervision, our offices in Hong Kong and Singapore can help ensure everything is in line with the long-term vision for the management of the family's financial assets and affairs. ■

About Sean Coughlan

Sean Coughlan is Managing Director and has overall responsibility for Trident Trust's Singapore operations. Sean has held senior positions at both independent and institutional trust companies during his 30-year career, which spans both Asia and Europe. He has advised many international high-net-worth clients on the use of trusts and other estate planning vehicles. Sean is a Fellow of the Association of Chartered Certified Accountants and a qualified Trust & Estate Practitioner.

