# The Second and Third generations Await in Indonesia's Wealth Management Market

*The wealth management industry must develop its proposition and communication methodologies to gain maximum traction with the second and third generations of wealth in the country, especially as these individuals are more worldly and well educated. The regulator will also want to ensure that as much of this immense and rapidly growing wealth remains onshore, and more returns to the country, so must also adapt proactively.*

***These were the topics discussed:***

- *What challenges do wealthy families have and how is that changing?*
- *Are we ready for the intergenerational wealth transfer?*
- *How can we make the most of the opportunity that Wealth Planning and Structuring represents to us?*
- *How are the insurance products and solutions offered developing?*
- *What is the value proposition of insurance?*
- *Whats the level of interest and demand from your clients in using insurance products and solutions?*
- *When you consider all the options - UL VUL PPLI ect - what most relevant today? For you? Your clients?*
- *Curating the right solution for clients - what's thrown in the mix today?*
- *How do you maximise partnership with the right specialists?*
- *What specific trends are we seeing from Indonesian clients?*
- *Tax and transparency - problem or opportunity?*

## PANEL SPEAKERS

- **Marcus Hinkley**, Head of Private Client Services - Asia, Hawksford
- **Max Ezerins**, Legal Consultant, Sovereign
- **Thomas von Rueti**, Chief Commercial Officer, Singlife
- **El Lee**, Co-Founder and Chief Operating Officer, Onchain Custodian
- **Irene Lee**, Director - Head of Business Development, Alpadis

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## THE KEY TAKEAWAYS

### Addressing the generational disconnect

There is all too often a major 'disconnect' between the founder or parent generations and the second and third generations. Wealth management experts must be aware of these gaps and address them as openly as possible.

### Structures for preservation first

Wealthy clients too often look at structures for tax mitigation, rather than wealth protection and preservation. Paying a fair amount of tax will not erase wealth, but not having the right structures in place and the right family organisation and governance and constitutions will potentially wipe out family wealth.

### Multi-generational buy-in required

People are living longer, and it is essential to organise succession planning for the family assets and businesses well in advance of the 11th hour. Effective estate planning requires buy-in from all the key family members across the generations.

### The differences are significant

The second and third generations might be tending to be less ostentatious about their wealth. Private bankers need to understand what drives these generations and therefore adapt their products, services and approaches to suit those.

### Being proactive

Wealth advisers need to understand their clients as well as possible in order to offer proper advice on protection of the client wealth, not just from relationship problems, but also in the event of lawsuits relating to their businesses, or other factors. Plan early, and plan well was the advice from one expert.

### Leverage your capabilities

Wealth management firms should work closely with external experts, such as trust experts, lawyers or accountants, to boost their and the clients' proposition.

### Governance protocols and family constitutions strongly advised

Without an appropriate family structure and governance, there is less likelihood of preserving wealth from generation to generation.

### Insurance offers part of the solution

Insurance structures can often be well employed as part of smart succession planning, but they are instruments, not the solution in itself. Liquidity in the event of someone's death is vital, but this should be part of a sensibly organised and executed plan.

MAX EZERINS
Sovereign

**THE DISCUSSION OPENED WITH A PANELLIST REMARKING THAT WHAT HE SEES MOST OFTEN AS AN ADVISER TO WEALTHY PEOPLE IS THE DISCONNECT BETWEEN THE GENERATION,** sometimes with the founders, the holders of the wealth adopting a very inflexible view on their wealth transmission and the conditions attached. The flip side being the next generations often do not buy into the older generations' views, which are rather prescriptive. This makes it tough when advising and drafting trust and other documents for the first generation. But drafting for the second or younger generations means drafting with a more flexible perspective.

This expert cited an example of an Indonesian client who decided to take alternative citizenship in St. Kitts in the Caribbean, and then moved to Hong Kong. "He is a classic second gen," he noted, "his parents having made a lot of money here in Indonesia in business, but this individual did not want to take them over." Accordingly, this expert and his firm worked with this person to help structure his affairs on a global basis, help him with his own succession planning and advised and helped on key areas such as estate planning, tax planning and so forth.

"This is a typical type of story out here in Asia," he noted, "with very interesting clients who may be domiciled to one country, living in another country, assets around the globe and children and other family members around the world."

EL LEE
Onchain Custodian

MARCUS HINKLEY
Hawksford

Another expert highlighted how, for the typical global client they deal with, tax is the first issue to address, resulting in the key structures to be designed and created. "But it is often important to take clients away from that topic and talk about things like succession because sometimes it is easier to lose wealth through family discord, relationship crises, business problems and so forth. It is therefore important to consider multi-generational buy-in through the use of things like family charters, or family constitutions. Moreover, people are living longer, but it is not good for people to be taking over their family affairs at 60 or 65, so leaving tax aside, the family needs buy-in and structures in place earlier on."

Another guest noted that the second and third generations are less ostentatious about their wealth, something that private bankers need to be aware of. He cited the example of the founders who might want a giant yacht and huge parties, while the younger generations prefer more intimate settings and gatherings. "Bankers and advisers need to realise this and understand what drive these generations to continue to bank with them," he commented. "It is not so much about making them money, really, they are usually so rich, but they need your assurance and your validation." And to enable this, they need to be connected digitally, to embrace connectivity via new technologies.

Another guest reported that one of their clients wanted advice recently on moving cryptocurrency assets seamlessly to their offspring in the event of the deaths of either the founder, or the wife, or both.

"We are all fearful of certain things," came another voice. "Death, taxes, and the dissolution of relationships. Wealth advisers need to offer proper advice on protection of the client wealth, not just from relationship problems, but also in the event of lawsuits relating to their businesses, or other factors. So, it is very important as wealth advisors for us to actually speak with our clients, understand their needs correctly and then come to some measure of control as to what we can do to help them continue protecting, managing and growing their wealth, not just for themselves but also for the successive generations."

The same expert strongly recommended that families plan fast, plan quick, plan well. "Most clients want to do what's best for themselves and for their family. If they don't want to succeed the family their family businesses, then hire professional managers who can help them to do that. They can still continue doing what they want but they need to have in place a proper structure, proper planning, proper advice to enable them to do what they want to do. In short, don't wait, plan and act early.

IRENE LEE
Alpadis

Another guest pointed back to the importance of bringing good tax advisers into the equation. "We've had an example earlier this year where we were engaged by an individual who had a complex structure that had been set up over many years, a very successful business in Thailand, and he engaged us to sort out the structure or at least execute on a new structure so that investment could come into that business; we introduced that client to two tax advisers who we deemed would be excellent advisors. They provided very good

advice to the client for no charge at that stage, but provided some solutions that would be available that would ameliorate tax and we took the client from another adviser who took a different approach. And the client later engaged the second expert to provide the tax advice. That all really solidified our relationship with the client and added value as well."

A panellist focused on family governance, noting that without an appropriate family structure and governance, there is less likelihood of preserving wealth from generation to generation.

Turing to insurance, a guest highlighted the importance of insurance structures in succession planning. "But it is an instrument," he said, "it is not the solution in itself, it's part of the solution. The good thing is insurance is generally a relatively simple structure which generates enough liquidity to facilitate a succession plan, but it is not the succession plan itself, that needs to be handled separately."

The same expert added further insight and detail on universal life structures, and variable universal life, noting that the main difference between the two products is the investment component.

"Each of the insurance products used here comprises a protection element, which is what the insurer will pay if that person passes away, and an investment element, which is the amount we accumulate over a period of time," he explained.

THOMAS VON RUETI
Singlife

"In the traditional universal life, the insurer will give you certain guarantees that they will pay you a certain interest every year plus illustrated interest but there is a reasonable level of certainty, but of course the price and the guarantee cost money. The variable one is the whole investment risk and opportunity is with the client. So, the client basically combines an investment account with death coverage in one solution." ■