

The Single-Family Office: Keeping things Simple

Sebastien Hayoz, Managing Director of Asiatic Trust, is a keen advocate of the single-family office. But is this the preserve of the ultra-HNWI family or is it a more democratic option for a wider range of wealthy families? Hayoz gave his views in a presentation at the Hubbis Asian Wealth Solutions Forum in Singapore.

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ASIACITI TRUST, AN INTERNATIONAL trust and corporate services provider, offers specialised wealth management solutions to high net worth individuals, intermediaries, business owners and corporations. Hayoz is well-qualified to advise upon wealth structuring and assets preservation services as Asiatic offers a broad range of services in many countries, including Singapore, Hong Kong, New Zealand and Cook Islands.

“The single-family office topic is rather trendy currently,” Hayoz began, and proceeded to explain why. The reasons are rather simple, he reported. “For example, some recent surveys showing that trusts are too complicated and especially for those in Asia control is a vital issue and more than that there are complex issues to understand for trusts regarding succession.”

He turned to life insurance as another alternative. “It is a great so-



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lution, but it cannot address all the family's needs," he commented, "so it is better to see this as one component of the overall package. And the private trust company is an interesting vehicle, but it is even more complex to explain and for clients to understand."

For these and other reasons, Hayoz firmly believes the single-family office model addresses many of the issues a wealth family client will face and provides a solution that ticks many, perhaps most, of the boxes they will have listed as essential requirements.

Three core reasons

"There are three core reasons why we like this solution best," he explained. "First is the ease of establishing an appropriate family system of governance, perhaps not the fully-fledged corporate governance system, but one that works for the family. Second is that it is relatively easy to identify a strong rationale for the establishment of a family-office. Third, the cost of setting up

and the assets required to make it worthwhile are not so onerous as you might think."

Hayoz advised the audience of wealth management professionals that full corporate governance is appropriate for a large family office for ultra-HNWI families with a diverse and complex array of businesses and assets, while he advises the typical HNWI family to focus on the human needs type of the family, to understand human capital, the family mechanism, the family dynamics.

"For example," he clarified, "ever more frequently the second generation do not want to run the family business. My point is that if we understand the family needs and dynamics, then we can develop the appropriate internal system for family governance."

The 92% rule

Addressing the reason to establish, or to at least consider establishing, a family office, he focused first on succession planning. "It

is a key consideration of course for many families, but especially because of the rule of 92 which is known to lot of family office advisers; this basically states that 92% of the family wealth is lost by the third generation."

Another core reason is consolidation. "If one looks at the family, you see the multiple advisers and service providers they use, perhaps also different firms and people for the founders, the matriarch, the sons, daughters and so forth. Whereas the single-family office can serve as the conductor of this orchestra of service providers, helping coordinate these and potentially to consolidate so that it is far more efficient and also potentially cost-effective."

He advised that, additionally, consolidation means that the family will be able to more effectively centralise and control. "Here I do not mean control in terms of the investment management but more - and this is where it comes into great relevance these days - control of infor-

mation. You cannot circumvent any reporting obligations or reporting requirements, but the single-family office can maintain greater control on where family information is going and keep a tighter lid on it.”

Not only for the UHNW family

Hayoz also addressed the scale required for a family office to be worthwhile as a structure. “Recent research from a reputable financial institution highlights the optimal level for a single-family office as

wealth of USD150 million, or more. At that sort of level, the family office can staff itself appropriately, it will have access to a wider range of investment products and it can work to obtain more efficient pricing and lower fees from providers. However, I should note that it is also a very viable option for those families that have less than USD100 million, so it is not solely the preserve of the ultra-HNW family.”

To conclude Hayoz remarked that the family office has a very

understandable corporate-type structure. “People who are wealthy easily understand how a corporation works, and as they understand they can easily manage it properly. The people and even the board can be onshore, so again it is not some distant offshore entity.”

And he added that, whether local or international families, Singapore offers a tax-friendly, efficient environment with the widest array of financial and other service providers available. ■

