

# To trust or not to trust? Are HNW Asians warming to the wealth management industry?

*High net worth Asian clients and wealth management professionals have not always had the most comfortable of relationships. But as HNW Asian clients now face a complex world of financial opportunities and regulatory risks they are getting closer to the advisory community. A panel of wealth management experts at Hubbis Asian Wealth Solutions Forum had some thought-provoking insights into recent and future trends.*

*These were the topics discussed:*

- *Clients are so busy haggling over pennies - have they lost track of the big picture?*
- *How can we change this 'cheap' mind-set in Asia?*
- *Do clients understand what's critical and what's not?*
- *CRS - who really understands it? How do clients get the 'right' advice about CRS - and avoid the large amount of mis-information?*
- *Do clients trust banks enough to give them this opportunity? Who do they trust?*
- *Is there a conflict of interest still at most private banks that prevents the right level of engagement with clients?*
- *Do we need a more independent family office-type structure to serve clients better?*
- *Does a conversation around wealth solutions need to be independent and open architecture?*
- *Are wealth planners at private banks now frustrated and shackled? Are they just glorified insurance salespeople?*

**T**HERE HAS BEEN A SEISMIC SHIFT in the Asian HNW and UHNW wealth management business since the late 1990s; at that time few clients wanted to pay for advice. The expansion of CRS [Common Reporting Standards] and the unerring drive by governments across the globe for fiscal and tax transparency has encouraged wealthy Asian clients to seek out - and pay for - tax, legal and estate planning advice to correctly structure their

## PANEL SPEAKERS

- **Woon Shiu Lee**, Managing Director, Head of Wealth Planning (Trust and Insurance), Bank of Singapore
- **Britta Pfister**, Managing Director, Head Wealth Planning Asia Pacific, Rothschild Trust
- **Anthonia Hui**, Chief Executive Officer, AL Wealth Partners
- **Walter de Oude**, Founder & Chief Executive Officer, Singapore Life
- **Shanker Iyer**, Founder & Chairman, The Iyer Practice
- **Gez Owen**, Managing Director & General Counsel, Hubbis



WOON SHIU LEE  
Bank of Singapore





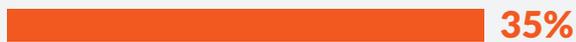
BRITTA PFISTER  
Rothschild Trust

**DO YOU FEEL CONSTRAINED IN THE ADVICE YOU GIVE YOUR CLIENT  
BECAUSE OF THE FEAR OF LITIGATION?**

Yes



No



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

affairs. The wealth management and planning industry is also benefitting from this shift.

If HNW clients in Asia do not seek and adopt the best advice, they know they increasingly run the gauntlet of tax and other regulatory offences in their home and/or overseas jurisdictions.

Meanwhile, the wealth management sector in Asia has, in the past 15-20 years, developed greater expertise and there is now an acute awareness of both the regulatory as well as the financial risks. Conveying these various risks to clients is vital.

Panel members agreed that when wealth managers provide expert advice, most clients today do not complain about fees, assuming they are agreed in advance and sensible.



ANTHONIA HUI  
AL Wealth Partners

After all, as one panellist noted, people in Asia have no hesitation in paying lawyers, accountants, and doctors for their professional services. Similarly, they are accommodating of fees levied by top-tier advisory firms, provided they add value. However, panellists did also note that there are some visible exceptions to this generalisation around the region, even today.

**Governments tighten their grip**

The worldwide thrust towards transparency in the financial markets, combined with the global impetus towards tax and estate transparency, presents a major challenge to wealth planners. The panel noted that advisors should be careful about advising on CRS matters. One panellist flagged caution against promoting convoluted structures to sidestep CRS.

Moreover, advisors and their clients should be very careful about tax residency matters; for example, one panellist noted that a secondary residence or even citizenship/passport does not necessarily mean that the holder has left his or her original tax domicile.

In short, advisors should only recommend what they know to be defensible in law and should steer well clear of grey areas, for the sake of the client as well as their own professional reputation and status.

One panel member noted that success fees for the wealth management sector should in most cases be avoided, as advisors cannot guarantee results. It is far better to charge fees for time spent on advisory work or for specific advice or transaction execution.



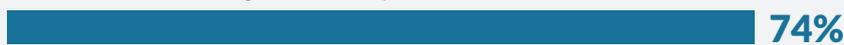
WALTER DE OUDE  
Singapore Life

**WHICH IS THE BIGGEST PROBLEM IN MANAGING A CLIENT'S EXPECTATION ON COSTS?**

High costs of your advice



Lack of client's understanding of the value of your advice



Failure to give a realistic cost estimate



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore



SHANKER IYER  
The Iyer Practice

### **Stick to core expertise**

Asset managers are often given detailed information by their clients but should stick to their core expertise and send clients to other professionals for matters outside their direct area of specialisation. Those same advisors might, however, help those clients interface with other experts, such as lawyers or accountants or tax planners, to help the clients interpret that advice. Fees levied for this type of service are generally considered acceptable nowadays, although again this is not always the case across the whole of emerging Asia.

A panel member noted that each client and each situation should be judged on individual merits. For example, if a client is facing a major challenge such as a tax investigation it is more advisable to help that client without charge in the reasonable expectation that client will later repay such support with future business flows. After all, the wealth management business is all about trust.

Panellists concurred that reasonable and fair clients generally understand that wealth planning professionals cannot, or rather should not, overstep certain professional and ethical boundaries.

### **Remember... things sometimes go wrong**

Wealth advisory professionals should always recognise that advice can come back to haunt them, for

**IF HNW ASIANS DO NOT SEEK AND ADOPT THE BEST ADVICE, THEY KNOW THEY INCREASINGLY RUN THE GAUNTLET OF TAX AND OTHER REGULATORY OFFENCES IN THEIR HOME AND/OR OVERSEAS JURISDICTIONS.**



GEZ OWEN  
Hubbis

example, if a certain investment later fails, in part or whole. Clients can - and do - sometimes turn hostile if things go awry.

Advisors and managers, therefore, need to be transparent from the outset, lay out the risks and rewards to their clients, keep clear records for future reference, be careful not to promote overly risky investments, either from a financial or regulatory viewpoint. And at the end of the day advisors should make it abundantly clear that the client is the ultimate decision maker.

Panellists also agreed that while personal relationships are highly valuable it is also important to maintain an appropriate distance from the client; espe-

**THE WORLDWIDE THRUST  
TOWARDS TRANSPARENCY IN THE  
FINANCIAL MARKETS, COMBINED  
WITH THE WORLDWIDE  
GOVERNMENTAL IMPETUS  
TOWARDS TAX AND ESTATE  
TRANSPARENCY PRESENTS A  
MAJOR CHALLENGE TO THE  
WEALTH ADVISORS.**

---

**DO YOU FIND IT DIFFICULT TO COLLECT A FAIR FEE FOR THE WORK YOU UNDERTAKE?**

Yes



No



---

Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

cially if impartial advice is to be given and well received. Top advisors have the experience and confidence to be able to tell clients the facts, to give them a reality check that some less experienced or more ‘ambitious’ advisors might not give.

In the unfortunate event of a client renegeing on a pre-agreed fee there are various courses of action, depending on whether that client is simply intransigent or suddenly facing financial difficulty. But as a generalisation, these problems can largely be avoided by a clear discussion with the clients upfront to set out the basis of the working arrangement and the fees to be charged. And if circumstances change, then the advisor needs to be transparent with the client.

In conclusion, establishing the appropriate fees for asset and wealth management services for the HNW and ultra HNW sector is as much an art as a science. The most experienced and most successful in this industry combine their expertise in financial and regulatory matters with their understanding of the client and their understanding of people. ■

**...ESTABLISHING THE APPROPRIATE FEES FOR ASSET AND WEALTH MANAGEMENT SERVICES FOR THE HNW AND ULTRA HNW SECTOR IS AS MUCH AN ART AS A SCIENCE.**

**DO YOU THINK INCREASED PRICING TRANSPARENCY REGULATION WOULD BENEFIT THE WEALTH SOLUTIONS INDUSTRY?**

Yes



No



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

**DO YOU FEEL THAT PRICING WITHIN YOUR ORGANISATION IS TRANSPARENT AND FAIR?**

Yes



No



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore