

# What is Wealth Management and How Will the Model Develop in Vietnam?

*A panel of experts discussed the evolution of the wealth management industry in Vietnam and how the industry's prime movers can set the tone and standards for its long-term, sustainable growth. The opportunities are numerous as the growth path for the economy and private wealth are virtually assured. But there are plenty of pitfalls and the challenge now is the build a vibrant, successful wealth management business founded on ethics and professionalism.*

*These were the topics discussed:*

- *How do you build a wealth management platform?*
- *What challenges do wealthy families have and how is that changing?*
- *How do they deal with family succession?*
- *How can RMs have a proactive, sensible and sensitive conversation with clients?*
- *What motivates HNW clients?*
- *What is fund selection and portfolio construction?*
- *Why is long-term investing so important?*
- *What have wealth managers in Asia learnt about distribution and product diversity?*
- *Children are the biggest focus Vietnam clients - why is that?*
- *Are all clients focussed on the 'future of their kids'?*
- *Big issue in Vietnam is that people want to move kids' education overseas*

## PANEL SPEAKERS

- Rohit Bhuta, Chief Executive Officer, Crossinvest
- Kimmis Pun, Managing Director, Head of Private Banking, VP Bank
- Gaurav Srivastava, Head of Affluent Banking & Wealth Management, Vietnam Prosperity Bank
- Jeroen Simons, Director, HNW Business Development Director, Sun Life Financial
- Pierre Vanrenterghem, Manager, South East Asia Rosemont





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## EXECUTIVE SUMMARY

In the early years of the development of a wealth management model for a young economy such as Vietnam, caution and care are both essential, as the steps taken can set the tone for the decades ahead in which fundamental growth of the economy and private wealth are virtually assured.

Can Vietnam's onshore financial sector quickly develop a vibrant and professional wealth management industry from what is today a very modest base? A panel of experts debated this, as well as the 'whys' and 'hows' in the third panel discussion of the Hubbis Vietnam Wealth Management Forum.

How do you build a wealth management platform? What challenges do wealthy families have and how are they changing? Is there sufficient planning for family wealth transition? What motivates high-net-worth (HNW) clients and what do they need? Can the wealth management industry offer the right balance of products, services and advice for this relatively young market? Can the relationship managers and their financial firms take the long-term view, or will short-termism prevail? How does the industry address the needs of the young population of the country?

The conclusion reached throughout the discussion was that Vietnam's wealth management industry needs to broaden its range of products and services, must improve the skills of the institutions and the client-facing



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professionals, should dissuade members from short-termism, and encourage clients to take a conservative and longer-term view of their wealth preservation, generation and estate succession.

And overriding all these goals, the industry should encourage a mutual respect for ethics and the generation of trust and communication.

**A**N EXPERT OPENED THE DISCUSSION BY providing insights into the development of the wealth management offering in India, as an example of the type of evolution Vietnam might see.

“It is the client that must come first,” they said, “and we must tailor the services and products to the client base and local environment. We cannot assume that what works in one market will be relevant or acceptable to another country. In India, we tried to establish a proposition that was aligned with the client interests, so first and foremost we must know what is that we want to offer to our clients. Wealth management overall is very broad proposition and for our firm, we have chosen a model that is entirely transparent in discretionary portfolio management (DPM) where we do not earn short-term commissions or retrocessions and such. We align ourselves clearly with the long-term interests of the clients.”

**“IT IS THE CLIENT THAT MUST COME FIRST, AND WE MUST TAILOR THE SERVICES AND PRODUCTS TO THE CLIENT BASE AND LOCAL ENVIRONMENT.”**

The same expert explained that the choice of team members is vital. “We look for private wealth advisers, we do not seek salespeople. Unfortunately, in Asia over the years, the private



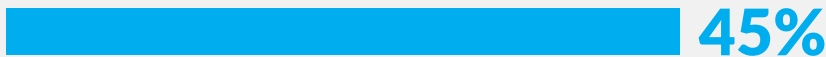
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banks have created salespeople with large incentives to generate revenues; some I know of in Singapore even have weekly sales targets.”

But the same expert reported that their firm has seven private client advisers, their average age is about 50, they have been in the private wealth space for a long period of time, they are knowledgeable, relationship-led, they are able to handle and communicate well with the top levels of clients, whether that is a board chairman worth USD500 million or a more modest client. And, most importantly, they are not driven by product sales and short-termism.

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Source: Vietnam Wealth Management Forum

### Look for the 4Ps

Another banker concurred, adding that the right business culture must be engendered, as well as the right team members put in place, along with further skills development. “And we need the product line to offer diversity to the clients,” she noted. “I have the 4Ps, which are diversified products, professional people, advanced platform and optimal performance.”

**“MANY PEOPLE ARE CHASING THESE FAIRLY LIMITED NUMBERS OF CLIENTS, AND PERHAPS EVEN MORE SO IN VIETNAM DUE TO ITS STATE OF DEVELOPMENT. NOT EVEN FACTORING IN THE NEWER ROBO-ADVISORY CHALLENGERS, THERE IS A LOT OF COMPETITION OUT THERE, SO THE BUILDING AND MAINTAINING OF RELATIONSHIPS ARE VITAL AS YOU AND YOUR CLIENTS JOURNEY THROUGH LIFE.”**

A panel member asked whether bankers and wealth advisers tend to over-complicate matters and obfuscate what should be far simpler products and concepts for their clients. And whether enough attention is paid to the entire needs of the client and their families.

Families have many issues to address, and these days family members and assets are spread across the world. “All this creates a lot of matters to resolve,” noted one expert. “for succession purposes, for business purposes, for tax planning and so forth. Transitioning wealth from the first to second generations is always problematic and this is a massive task in the rapid growth markets of Asia. People need to understand that building wealth and preserving wealth are two very different tasks. In some countries such as Vietnam we see a lack of knowledge in the financial markets, and sometimes a lack of advisers or lack of willingness to take advice.”

Another panellist observed that the universe of HNWIs’ although growing fast, the actual numbers of people holding investible assets of



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USD1 million or more are still relatively low. “This all means,” he said, “that many people are chasing these fairly limited numbers of clients, and perhaps even more so in Vietnam due to its state of development. Not even factoring in the newer robo-advisory challengers, there is a lot of competition out there, so the building and maintaining of relationships are vital as you and your clients journey through life.”

### Ensuring the growth of insurance

Insurance is an essential product in the mix for wealth market clients. “The size and range of products have evolved dramatically in recent years, and there are many invaluable solutions for HNWIs, from Universal Life to whole of life products, retirement space, the annuity business, and so forth.”

There are many questions that insurance can answer, this expert surmised. For example, keyman insurance for a business. Insurance for liquidity and succession planning, life insurance to satisfy philanthropic needs. “In Vietnam,” a panellist observed, “this is all at a very early stage of development, but the uses will be many as the market develops here.”

### Develop your people

“One of the obvious challenges here in Vietnam is the market opportunity in terms of product development when the regulatory involvement is very limited,” commented one expert. “Secondly, we need to develop real talent in order to bring them to the levels required for wealth management. The third dimension is the client segment; this has been a market dominated by deposits and we need to convert these clients to financial planning and goals-led investments.”

Overall, he remarked that the industry needs products with better ‘pull’ for the clients as well as RMs that are much better skilled at client-centric conversations. “And overlaying all that,” he added, “we need the right compensation and business models to drive the best behaviour.”

### Delete the short-termism

The challenge that another expert sees in Vietnam is also that the approach so far has been rather short-term, so wealth management firms need a far greater effort to engage with the clients to help them take a longer-term view. “To give a perspective on this,” they reported, “when I look at the time deposit book in the industry, more than half the book matures at six months. And the equity market performance has been sporadic, so last year was, of course, phenomenal, with 50% returns, so we made great returns, but this year when the market has been fairly challenging in the last three to four months. We need to manage between these two sorts of extremes, upgrade our RM skills, enhance client-centric behaviour and improve our product capabilities.”

Another panellist addressed the demands placed by the arrival of many new regulations including the Common Reporting Standard (CRS), Automatic Exchange of Information (AEOI) and others. “These have dramatically increased the need for clients to be prepared and to ask for and heed proper advice from a tax, compliance and succession planning viewpoint.”

### Parallel perspectives

Alignment of interest is a key feature the experts agreed they would prefer to see more of on the future. “We need an alignment of the banks’



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interests, the wealth managers’ interest and clients’ interests and until that happens our industry, unfortunately, does not have a good reputation and we deserve that reputation. IN Vietnam, following good models from elsewhere, such as India, we need clear demarcations between advisers, distributors and so forth, so that there are fewer conflicts of interest.”

Another panellist concurred, adding that it is always advisable for the adviser to see the relationship from the client’s perspective. “If someone were selling to you the products you are promoting and with the approach you are taking, how would you see that? It is very important to have this perspective.”

Quality of advice and quality of service are the two essential ingredients for success, opined another expert. “If your advice is judicious, keeping clients’ interests in mind and you are there to serve the client for long-term, then I think you can win and retain the client.”

“Yes,” added another guest in conclusion, “ethics and trust are vital. We are a profession and we have the responsibility toward our clients, toward our staff, toward the regulators sometimes, but it will be ethics and trust that will endure.” ■