What wealthy families want from their advisers

In today's complex and uncertain regulatory and investment climate, the changing needs of wealthy families demand advisers who can respond quickly and with relevant guidance.

As global initiatives such as the Common Reporting Standard (CRS) and Automatic Exchange of Information (AEOI) force more transparency, wealthy families are increasingly looking for holistic advice. This goes way beyond opinion and guidance on regulatory issues; it means coming at it from the family and ownership perspectives.

As a result, advisers who are able to cater to the needs of different generations, while also keeping in mind the harmony of the family as well as the growth of the business, are best suited to serve clients today.

This is according to make leading practitioners from multi-family offices in Hong Kong and Singapore, based on a recent Hubbis survey.

HOW TO ADD VALUE

Wealthy individuals and families invariably have cross-border interests. These might range from assets in different countries and multiple tax residences, to children living abroad and business interests in several countries.

These clients are therefore looking for advisers who can do much more than just asset management. They expect their wealth managers to be familiar with the regulatory frameworks of the jurisdictions within which these families live and operate – in order to piece multiple matters together to come up with solutions.

Further, clients often need to look for advisers outside their home country. This might be for confidentiality reasons or, in the case of emerging markets, to get access to more expertise or experience.

A key thing that wealth managers can also provide to their clients, according to practitioners, are real solutions through direct expertise, or via access to best-in-class specialists such as trustees, lawyers, insurers, property agents, and others.

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Meanwhile, managing the overall risk is of utmost importance for clients. They are also looking for advisers who can see the whole picture and consolidate assets and asset allocation.

However, the biggest added value is when an adviser can assess the emotional value of a client's wealth.

This is often the only way to gain the real trust of the client, according to several practitioners.

ADVISER SELECTION

When trying to find the right match, wealthy families seem to believe most in word of mouth.

They typically select advisers based on long-term and tested relationships, often coming from strong referrals from close friends and family.

This is in addition to them seeking proven competency and experience in the area of the desired service. Yet it usually takes about one to two years for the trust to build between an external adviser and a family.

One way for advisers to achieve this trust, say several practitioners, is to avoid focusing exclusively on products, and instead to provide a truly independent view on the options available to the client.

THE RIGHT PROFILE

Those wealth management firms which are considered to be the most successful in delivering on what wealthy families want, tend to be those with the most extensive and effective multi-jurisdictional reach; as a result, they are more likely to be able to find solutions in more complicated legal environments overseas.

It is key for these firms to establish long-standing relationships that span multiple generations with their clients.

This not only helps in building trust, but also aligns values and interests.

As a rule-of-thumb, wealth management firms and multi-family offices need to be of a certain size to cater to client needs. And the main difference between newly set-up firms versus more established ones is critical mass – to be able to leverage with banks and to have access to the right managers on good terms, say the more experienced practitioners.

From an investment perspective, it seems that many wealthy families are becoming disillusioned with public markets. Hence, they are looking for more uncorrelated investments and private market exposure.

But what continues to remain critical for these clients, is their attachment to their wealth – and therefore capital preservation. They are therefore in need of advisers who can look beyond prioritising asset gathering and profit making. Instead they want advisers who can make a difference in how their wealth can be managed.

This might often require the advisory firms to sub-contract functions, rather than attempt do everything in-house; the cost of such a set-up may not justify the effectiveness to serve the clients' needs.

For example, outsourcing functions like a CIO Office to independent advisers or specialist managers often provides a fresh perspective, and can be invaluable in helping to diversify risk.

DIGITISATION OF SERVICES

Aside from the hype about the role of digitisation within wealth management, practitioners say that those advisers whose practices are deeply integrated with technology are inevitably more efficient and can reach a larger number of clients.

However, there is some scepticism.

For instance, while financial activities such as record-keeping and number-crunching can be simplified using technology, the ability to really help in making investment decisions through artificial intelligence or algorithmic tools is still yet to be proven in a consistent way.

Ultimately, to service clients' needs most effectively, practitioners say that it is essential to deploy a mix of technology, personal financial management apps and rules-based financial planning that presents an overall picture to the client of all their assets, liabilities and spending. ■

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