

Hawksford's Marcus Hinkley Looks at the Role of Family Governance and Structures

Marcus Hinkley, Head of Private Client Services for Asia at the international private client, corporate and fund services group Hawksford, posed a simple but alarming question to delegates at the Hubbis Asian Wealth Solutions Forum. “Will your clients’ families destroy their wealth, or will their wealth destroy their family?”, a question which he stated Philip Marcovici had previously put forward. His talk then focused on the many areas that families need to address, as early as possible, to achieve an efficient and family-sensitive succession of wealth, including family governance, the family constitution, the impact of divorce, and the need to balance the expectations of younger generations.

“**WANT TO FOCUS ON FAMILY GOVERNANCE IN MY TALK TODAY,**” Hinkley began. “By far and away the most interesting aspect of my role is helping successful business owners with family governance

arrangements, and the broader remit of preserving people’s wealth. My clients are clearly very good at wealth creation, but they often have a blind spot when it comes to preserving that wealth, so I work at the intersection between wealth creation and wealth preservation. To coin a sporting analogy, it is all about playing defence. My role is to help clients break the rags to riches to rags, cycle.”

Continual assessment

He explained that his approach is to explain risk. Wealthy clients tend to understand risk as it relates to wealth creation but are not as familiar with mitigating risk in the wealth preservation context and in doing so, he explains how structuring helps prevent the



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risks of both, as he calls it, external and internal threats. External threats might be tax issues, country risks, political risks, even personal risk and family risk from kidnapping or extortion, or perhaps cybersecurity and data privacy risks. Internal threats could range from divorce to extra-marital affairs, managing succession to the next generation, and a host of other potential dangers to wealth preservation.

“Statistically”, he said, “the most significant form of risk is the internal risk. The risk of divorce, for example, can wipe out half of someone’s fortune, or the second generation might erode the business and assets of the first generations. As time passes through the generations, the more likely it is that the assets in the family will end up eroding. And then there are other relationships. So, how often do I see in my business that I am speaking to a client and his wife, and then they will have another meeting a couple of weeks later with the client and his mistress and seeking to achieve ring-fencing of structures, assets and information flow.”

Structuring yourself for the future

The importance of mitigating internal risk is why we emphasise family governance. If you have a family business, then family governance is critical because you will want to organise your family in a corporate structure; then you will want leadership development, financial business education, to help make sure that your second generation or third generation have the same skills as the founders, or even more so.”

Hawksford’s origins date back six decades, but in its current guise dates back to the 2008 management buyout of the trust and private client arm of Rathbone Trust Co Jersey from Rathbone Brothers, a UK-listed wealth management and investment services firm, where it had been a successful business division for decades. UK private equity group Dunedin was the buyer and remains the controlling shareholder to this day.

Singapore is today the regional Asia centre for Hawksford, and Hinkley sees it as an ideal strategic hub for the rapidly growing wealth management and

corporate markets, and also notes Singapore’s position as a ‘smart’ technology-enabled financial centre, which aligns with the Hawksford vision.

Hawksford’s Asia expansion continues

Singapore became Hawksford’s focal centre when in 2014 the firm made its first major acquisition, buying the Singapore-based corporate services business in Asia named Janus, which also served clients in Hong Kong. Then in 2017, Hawksford was granted a trust licence by the Monetary Authority of Singapore.

The company made a further major leap forward in the region early in 2018, when it acquired People & Projects (P&P) as part of the firm’s strategic expansion in Asia, bringing into the group a dynamic, full-service corporate services business with a strong track record of supporting international corporates.

Hinkley explained that he had arrived in Asia in 2011 when the whole area of family governance was only a backwater. But then the wealthy clientele of the region suddenly most readily began to

embrace family governance from about 2013-2014; since then it has moved far more centre stage, much like how the whole family office area has become front of mind today.

Embracing the concept of governance

“There has been a rising acceptance of this whole concept,” he reported. “Family governance is about trying to put in place a governance framework, so, for example, taking corporate ideas, corporate governance and putting them into the family context. It is about putting in place a structure, be it a trust, a company or putting in place ideas or a framework, a family chapter, for example, or just starting a conversation with the family as to how to transition their family wealth.”

And Hinkley explained it is about creating the family business continuity. “How do families bring in the second and younger generations in the most effective way? This whole area, of course, includes leadership and development training programmes. Succession planning is critical, including processes for family conflict resolution. Within your family governance structure, you must have a system in place to identify and manage disputes, or there is a real risk such disputes might end in complete chaos and destruction.”

The family constitution

Hinkley then offered more insights into the family constitution. “Many talk of family constitutions in sweeping terms, but actually how many people have ever read one? Or significantly, drafted

one?”, he said. As such, to help bridge understanding he gave delegates more detail on the family governance protocol, including examples of what a family constitution might include, such as a mission statement, a review of the family values, a statement of intent for wealth succession, of family business ownership and management, a detailed definition of who is in the family, education objectives, social responsibility, and so forth.

Hinkley then drew his talk towards a close by offering the audience insights into the Hawksford toolkit for wealth structuring and solutions, which may bring together some or all of a host of different elements, including: Wills, Lasting Power of Attorney, the Company, the Trust, the Foundation, Residence Planning, the Family Constitution, the Family Committee and the Family Office.

Seeking optimal solutions

Hinkley’s final comment was that he had joined Hawksford in 2018, drawn to the firm given its 60-year heritage in private client services and due to its reputation as a trusted partner to wealthy and ultra-wealthy clients. “We see today that the needs of these HNW clients in Asia are ever more complicated, requiring intricate structuring of their business and family affairs, which require a deep understanding of concerns and the wealth planning ‘toolkit’ of solutions. At Hawksford, we use a combination of these tools to help the families we work with achieve the optimal wealth structuring and solutions.” ■

