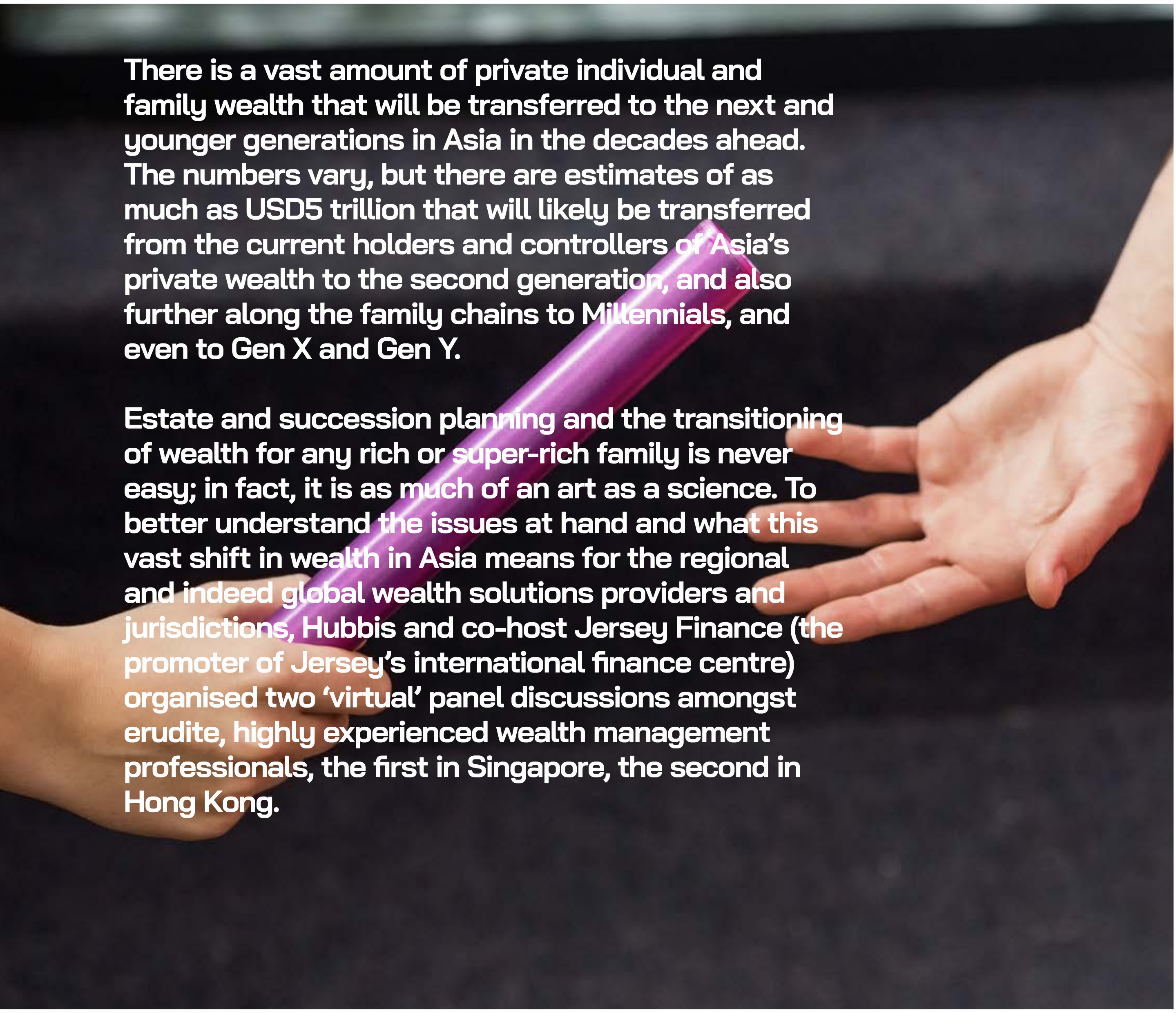
Wealth Management in Asia: Are the Generations Prepared for Wealth and Business Succession?



There is a vast amount of private individual and family wealth that will be transferred to the next and younger generations in Asia in the decades ahead. The numbers vary, but there are estimates of as much as USD5 trillion that will likely be transferred from the current holders and controllers of Asia's private wealth to the second generation, and also further along the family chains to Millennials, and even to Gen X and Gen Y.

Estate and succession planning and the transitioning of wealth for any rich or super-rich family is never easy; in fact, it is as much of an art as a science. To better understand the issues at hand and what this vast shift in wealth in Asia means for the regional and indeed global wealth solutions providers and jurisdictions, Hubbis and co-host Jersey Finance (the promoter of Jersey's international finance centre) organised two 'virtual' panel discussions amongst erudite, highly experienced wealth management professionals, the first in Singapore, the second in Hong Kong.

In this first discussion that took place with Singapore-based experts, the specialists contemplated the key issues surrounding this vital topic. The discussion ranged over issues such as how prepared the current and next-generations are for such a vast tsunami of wealth transfer, and how Asia's wealth management community is building meaningful conversations with families about wealth and family business succession issues, and then what mechanisms and structures are they proposing. How do advisors carefully guide and steer the controllers of wealth in Asia today to a proper wealth planning protocol and towards a multi-generational vision? What role should family and family business governance play in helping achieve a smooth transition of wealth and the avoidance of disputes within and between the generations?

What can wealth managers do to reach out and connect to the next generations, and then what do those younger private clients of today and of the future expect from the wealth management industry in terms of style, advice, investments, structures, jurisdictions, in fact from the entire range of wealth management services and solutions available and that they might want or expect in the years ahead?

The Key Observations

Different generations have different perspectives

The second, third and fourth generations (collectively the NextGens) of wealthy Asian families have been enjoying increasingly higher levels of education, often in global educational centres, meaning that these Asian generations are no longer as traditional as the founder patriarch/matriarch generation that today holds or controls much of Asia's vast private and corporate wealth. While the founders in the families might want or expect their children and grandchildren to continue in the family businesses and even adopt similar values and approaches, this is increasingly not the case.

Opening the door to dialogue

The older generation in Asia and the NextGens should embrace more open dialogue and communication in order for them to appreciate the differences in expectations and outlook and to recognise that these variations in style, approach, expectations, and hopes need to be well understood in order to help preserve family harmony and even to preserve the family wealth as it transitions through the generations.

Some families are ready, and many are not

Anecdotal evidence from the wealth management experts in the virtual discussion indicates clearly that while some of Asia's wealthy and uber-rich families are ready and well prepared to achieve wealth transition and to build family dynasties, many are not.

Seek the right way into the family core

It is not always the case that the founding patriarch is the lynchpin to help expedite conversations and later solutions for these families. It might often be the matriarch, or even other members of the family.

Building relationships that matter for the future

Naturally, it is vital for the wealth management community to maintain and build relationships with the founder generation of Asia's private wealth, but private bankers and independent asset management firms (collectively the IAMs) must make greater efforts to build their relationships with the NextGens, who essentially represent actual or potential clients in the Millennial bracket right up to their 60s. It is these generations who are shaping the wealth management industry of the future.

No guarantees the relationships will endure

Private banks and other wealth firms are finding that there is no guarantee that relationships will endure when private wealth in Asia transitions. These banks and firms need to understand who these newer clients are, what appeals to them, what they need and expect, and then tailor their services, products, approaches and personnel to them. If they do not, the assets under management (AUM) these banks and IAMs control will be lost potentially to new entrants, or other savvier and smarter incumbents.

Age matters

As a broad generalisation, the panel experts agreed that Asia's wealth industry must recognise that younger clients will work better with younger bankers and advisors. Of course, there is no substitute for experience, but as a broad and general rule, the banks and firms will need to adapt their teams to reflect the future, not the past in Asia.

Seeing the world in threes

Family wealth can be segmented into the family business, the family property, and the family financial assets. The dynamics around succession and structures mean that each of these asset categories has different challenges around succession. In all of these categories, careful planning for business continuity, estate transition and the transfer of financial assets must be pursued.

Start early, overcome cultural reluctance

There is no substitute for getting on with things, and the founder generation in Asia needs to cast off its cultural reluctance to speak in the open about succession arrangements. It is well known that the older generations in Asia tend to prefer to hold on to wealth and control of that wealth and the family businesses, but the key to achieving the best outcomes for the wider family is to take a transparent and professional approach, then plan and structure properly.

Recognise different skills and ambitions

Some of the NextGens might want to control the family business in the future, while many will prefer not to and will want to perhaps develop their own business interests. It is better to try to keep all of these different ambitions and activities within the family fold.

Numerous situations, numerous solutions, one key objective

The wealth advisory and professional services community in Asia and indeed globally needs to work together to develop the plans and solutions to cater to the smooth transition of Asia's wealth to the NextGens. Jurisdictions, structures of all types, and investments will need to be curated and coordinated, but there is no one-size-fits-all solution, each situation is unique and requires tailored solutions.

In a world of compliance, all structures need to be dynamic

Older structures families have in place need to be reviewed regularly and newer structures will last much less time as the world's regulators are constantly adding new layers of regulation.

The family office is on the rise

Family offices in Asia are significantly on the rise as families seek to professionalise and institutionalise family businesses and wealth.

A trusted advisor can act as the focal point and catalyst for good solutions

The trusted advisor in Asia can identify many of these issues and help families move towards the right outcomes, but to do so, they need to be open to working with and bringing in a wide range of skills and experts, and work across the generations, in other words to be inclusive.

Rome was not built in a day

The experts on the panel recognised that working with families, especially the ultra-high-net-worth (UHNW) families, towards estate and succession solutions takes a long time, perhaps years. To imagine this can be achieved rapidly is not realistic. But the key is for the family to head down the right path from the outset.

Structural solutions are less problematic than human issues

Throughout the entire process, it is always the human issues that will create hurdles or even crises. Empathy and cultural sensitivity are essential.

Asia's older generation is gradually opening the door to dialogue

On the positive side, Asian 'elders' are beginning to be more open about discussing tough subjects, issues like divorce or infidelity, illegitimacy, and sexual orientation, as well as addressing the issues of estate and succession planning.

The NextGens combine historical perspectives and a future focus

Asia's NextGens might have different visions of the family business, of investments, of their own futures from the founder generations, but they often strive to retain some of the values and legacy of the family business and culture, while building their own way.

The NextGens are more receptive to external professional advice

The panel agreed that the younger generations in Asia tend to be far more educated and worldly and receptive to working with external consultants and expert advisors, in order to modernise structures, strategies and to make the businesses more relevant. The big picture is that when succession takes places, all at once or gradually, change should be expected, it is simply a question of how fast and how extensive.

The NextGens tend to embrace a more inclusive and sustainable approach

The NextGens are more inclined to issues of social justice, the environment, and sustainability, with the investment focus and the direction of the family businesses also playing out on these themes once they gain control. The wealth management community will need to adjust its style, products, and solutions to accommodate these preferences and indeed expectations.

The NextGens tend to be more digitally native

The NextGens, even the older ones, tend to prefer technology solutions and value smart communication, technologically advanced solutions, and seamless interface. The wealth management community must continue to invest wisely and imaginatively to cater to these expectations.

Beware the hidden agenda

The NextGens are more worldly and more likely to question the motives of bankers, advisors, and professional services providers. Be wary of promoting products or solutions that are more advantageous to you as the provider, rather than being agnostic and client centric.

Bankers and advisors need to up their game

To satisfy the needs and demands of the NextGens inheriting or making Asia's wealth of the future, the wealth management professionals in Asia need to keep building all facets of their skills and appreciate key issues and trends across the wide spectrum from products, structures, jurisdictions, regulation, compliance, and of course keep building their human skills to keep and build their relationships.

Keep things simple, but also sophisticated

The final comment was that simplification is invaluable and the right step, but that over-simplification might result in some valuable benefits lost by the elimination of some structures and some jurisdictions.

The Discussion

The discussion opened with a prominent HNW and UHNW family client banker observing that the younger generations (collectively the NextGens) have developed different aspirations and motivations today from the older generations. She explained that Asian families tend to be traditionally brought up and educated, grooming them to follow their own paths, or to become involved in the family businesses, with a preference amongst the incumbent holders of the wealthy to see them within the family business fold.

"What we have been doing is to try to let the current generation understand that the next generation has a belief and interest, an emotional attachment to the family business and a wish to be able to contribute, but at the same time, their view of the world and their reality are starting to look different," she commented. Accordingly, it is important to have an open dialogue that recognises these differences and that strives towards family harmony. "We focus great attention and effort on bringing the two generations together, of bridging the gaps."

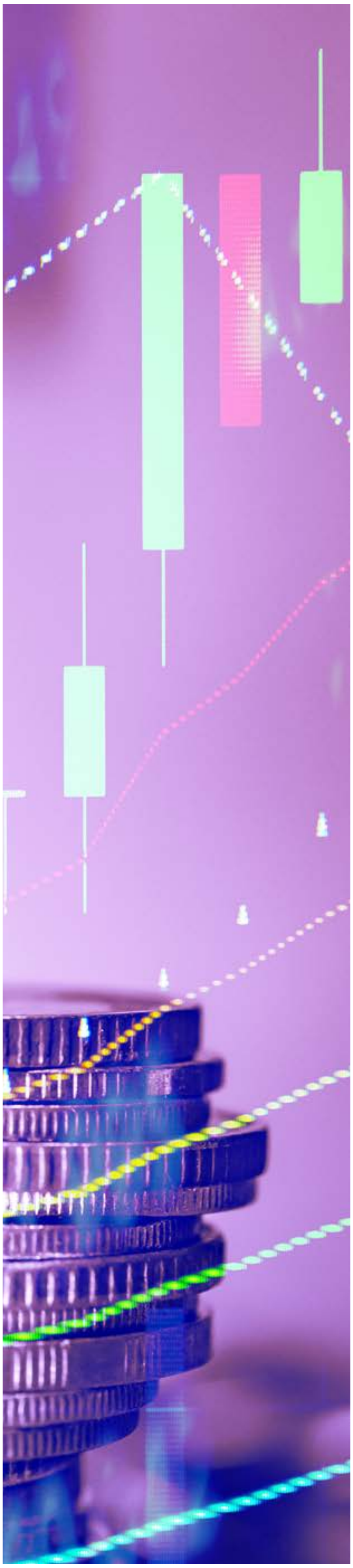
Focus on the future

Another banker explained that their (global brand) bank had conducted an exercise recently to identify which core clients are aged over 75 and which are 60-75. "There are several hundred clients in each group," he remarked, "and then we set about determining which we know intimately, including their family dynamics, and which have close relationships with us. We see through the analysis that some families are well coordinated in terms of their legacy and succession planning, whilst others are rather disconnected. We also realised that for the clients who are 75 and above it is a bit too late to really build up the relationship with them, but for all the other generations, from the 60plus group even down to those in their 20s, there is merit in really building on these relationships."

The big finding for the bank, he said, is that there is no guarantee of continuation of the relationship of the bank with the various generations. "We have to earn our stripes anew, build a relationship with them, and also build a business model that appeals to them," he said, "and we recognise that the private bank business model may not necessarily appeal to them at first."

Be relevant, be sensitive

Accordingly, the bank is looking deeper into digital propositions and other avenues, working on NextGen programmes and webinars. "It is about connecting to the NextGens, and assigning bankers to them," he explained. "It has been a massive exercise, actually starting first over two years ago, and the mission is to not lose AUM as clients pass it on or even pass away. We recognise that the bank may not appeal uniformly to each sibling in a family, for example if there are four of them inheriting. And we need to be conscious of making sure those who really inherit and maintain wealth, who continue in the family business line, are closes to the banks, for continuity. We can then expand from there, but clearly we do lose some AUM when transition takes place as well."



He explained that aligning bankers of appropriate ages is also important, so the advisors more closely match the age of the clients. "This doesn't always work perfectly, but in some situations, it is working beautifully," he reported, "and this is the same globally for the bank. I can also say that sometimes older bankers work very well with younger clients; it is clearly the mindsets and personalities that count. Actually, I am responsible for the NextGen programme globally, and it is really a major priority for the bank, something we will continue globally."

"The dynamics around succession and structures mean that each of these asset categories have different challenges around succession. With property titles, and names on those titles, with businesses it is control and shareholdings, and with the financial assets, it is surprising how many people never get around to even making a proper will that covers everything."

NextGens have different ideas

Another expert explained how a more visible trend of late has been to see the NextGens more often now taking over the family businesses, with more of them targeting start-ups and other investments. "It is fluid," he reported, "as sometimes they later go into the family business fold, but the general trends are there, and we devise our strategies and activities accordingly."

He also observed that it is easiest to see the family wealth in three segments, - the business, the property, and the financial assets. "The dynamics around succession and structures mean that each of these asset categories have different challenges around succession. With property titles, and names on those titles, with businesses it is control and shareholdings, and with the financial assets, it is surprising how many people never get around to even making a proper will that covers everything."

He noted that perhaps the saddest case have had ever come across was the case of two parents who had assumed all along that their daughters were going to take over the family business, and when they sat down in their late 60s to say the day had come when they would like to transfer the business they found their daughters had not the slightest interest at all and the parents were absolutely desolate."

Open the door early on

In short, it is far better to communicate early on and reach the right levels of mutual understanding. Another expert agreed, commenting that in the wealth planning space and governance space, those three categories of assets all require different considerations. "Very often," she said, "when clients look at succession, they do not look at ownership succession and management succession differently, but the issues are very different."

The same banker also cautioned that there are often situations where there has been no dialogue and where the older generations' plans for succession are not realistic, as the NextGens do not see things as their parents or grandparents see them.

The lack of willingness to speak in the open about the succession arrangements, even where the children and others have proven themselves responsible and dutiful, creates anxiety, as the NextGens are either surprised and not prepared, or disappointed as they are either left out or forced into something they don't like.

"The problems are especially acute," an expert commented, "where you have patriarchs and matriarchs, who often maintain tight control of the family business, so by the time they hand things over, the NextGens have not had enough hands-on experience of asserting control, so they often lack that confidence. There are a lot of these issues that come up because the dialogue is not taking place."

A good approach and open dialogue will, for example, identify if the family businesses need professional management, or management by younger family members. The economic value of well-run businesses then allows for wealth to be retained, and the NextGens can meanwhile also pursue their own business or other interests. "And who is to say the definition of a family business cannot be redefined to include new businesses which can actually add more value to the family as a whole over time," they observed, "so the dialogue and openness is valuable in helping everyone achieve their aspirations."

Asia - evolving the agenda

An expert highlighted how in the US, tax has forced these types of conversations on people, while in China, the reach of the tax authority overseas had really only just begun. "Consequently," he commented, "it has been easier for us to demonstrate to a family or to the second generation that there are real consequences if we get this wrong. Client privilege is one advantage that I think an accredited professional or legal professional has over the banker, who has to be very careful about what conversations they involve themselves in."

An expert observed that different countries in Asia require different approaches. "We can't necessarily transplant some of the common law techniques that we adopt in Singapore and Hong Kong easily to an Indonesian context, for instance," he said. "But speaking about Singapore, there are many options available in terms of structuring wealth, with most of the big Singapore listed business families having trusts at the end of their structures as well."

Control issues

He added that, generally, one of the biggest challenges is around control, minority shareholders, trusts, private trust companies, and then correctly advising those families about what it is to be a power holder in a trust, what are the liabilities, what are the limits that you can do, the role of independent directors, and generally, how they should be thinking and approaching all these issues.

He explained that the transition to external professional management requires appropriate governance mechanisms to be in place to work effectively for all parties.

Step by step

"It is all about being more sophisticated on how the control mechanisms transition and with it how the succession to the underlying wealth can be preserved and can be enhanced, and that is not yet really taking place," he said. "And in the context of family offices, they will need to address how this all plays out with regard to private trust company structures and discretionary trusts and so forth. All these areas must be dealt with professionally and thoroughly."

A lawyer added his perspective that multi-party discussions are required early on, which could include independent advisors, bankers, the tax advisors, and lawyers. "Even if we cannot settle the issues early on, we can at least encourage the clients and the NextGens to plan for the years ahead on all these issues discussed today. For example, we have a single family office client in Singapore, a large Singaporean family, and some of the NextGens are ready to put their own careers aside and start to learn about taking over the family businesses on a 5-10 year horizon. In short, the conversations are already taking place, well in advance. These types of early conversations are extremely important, and we can then plan properly."

Control, ownership, and management are often different

Talking about the family business itself is not actually talking about the ownership of the family business, said another guest, representing a trust firm. "Those are clearly two separate subjects," he elaborated. "One is really looking at who is going to manage the business, who is the most capable of managing the business, which family member most wants to do it, while the other discussion is on the current and future ownership. And usually you of course have different view at each level and for each person, depending on the family dynamic, their education, qualifications, experience and what they want to do with their future."

disputes. "I think as the general point, there is not yet enough focus on appropriate wealth planning solutions to ensure that structures and the family wealth are as robust and as well protected as they should be. For example, if a trust beneficiary or shareholder in a family business gets divorced, there are numerous ramifications."

He explained that people generally assume, for example, that wealth held in trust is completely immune

"Interestingly, we usually have more communication with the second generation who wants to make sure, rather than the first generation, because the second generation really wants to understand what has been done, what has been implemented, how it will impact them, what's going to happen when their mother or father dies, and so forth. Tax is always an issue for beneficiaries of trusts, so that is another key concern"

He explained that as trustee, their role is to implement the chosen path and structure. "Interestingly," he added, "we usually have more communication with the second generation who wants to make sure, rather than the first generation, because the second generation really wants to understand what has been done, what has been implemented, how it will impact them, what's going to happen when their mother or father dies, and so forth. Tax is always an issue for beneficiaries of trusts, so that is another key concern."

Beware the crisis

A lawyer added his perspective on what he called 'the elephant in the room', in other words what can go wrong due to divorce and family

from claims on divorce, or just because they have a business that has offices in different jurisdictions it is not necessarily going to fall within the divorce net in Hong Kong or in London. "But they would be wrong," he warned, "so these families need to be aware, more conversations are needed on all these potential pitfalls."

He highlighted the value of pre- and post-nuptial agreements, reporting that his firm is spending a lot of time working with the matriarchs and patriarchs of wealthy families. "We have a lot of discussions around the formulation of such agreements, and then the stress testing of them and the structures, making sure the trusts are being really run, operated, and managed in a way to ensure that

if things go wrong either with the settlor or if we are talking about with the beneficiary, the next generation, that those trust assets are not going to be left completely exposed. This must also be extended to corporate structuring."

Delay can spell disaster

He observed that at the moment, particularly in Asia, these discussions are gradually taking place, but not comprehensively, and not on a timely basis. "These conversations really need to be happening when things are all hunk dory and there are no problems within the family," he said, "but so often I will have families that come in to me saying things have gone wrong, relationships have broken down and we are planning to do X, Y, and Z, but by then it is damage limitation. Accordingly, having these discussions early, ideally as part of a family governance charter is essentially a form of insurance policy."

Another view came from an industry veteran who observed that the typical Asian client is very private. "The expectation that one can get in the front door and come away a couple of days later with a solution is simply not realistic," he said. "The reality is that it takes several years to build the solution because it takes several years to build the confidence levels that allow you to penetrate to different levels of the solution."

The trusted advisor as the catalyst

The process can be expedited somewhat, he added, where there is a genuine trusted advisor relationship in play, whereby the client can be encouraged by those advisors with such close

links to them to look at the broad implications and how solutions can be ideally suited to that client."

He remarked that the easiest early conversations are often around the liquid, investible assets, and then the trusted advisor or advisors can build outwards from that point, including more fixed assets, complex structures, the business operations, and corporate entities.

Years in the making

"The clients, especially the somewhat older ones in their 60s or above, but who are still running their businesses, want the confidence from their advisors that they are not simply losing control, but are taking the right steps towards a well-formulated transition plan that will then evolve. This may then take several years to build that, and that will take many honest discussions to build the right exit strategies and then to structure the right transitioning within the family. To conclude, this is a long process. It takes time and it requires the intermediaries - typically the bankers - to make the necessary introductions and to build the expectations."

A banker concurred that this can take many years, but also remarked how many impatient clients are out there, who expect solutions in a matter of days. "I like to explain it to them in terms of projects, breaking up what needs to be done into various volumes. What's important is to understand the patriarch, the kind of person the patriarch is, whether the benevolent type that wants to involve three or four generations of the family to come together to have the family constitution, or the 'my way or the highway' type of client. Whatever the character and style, you do it step by step and so far, these are for Asian families that I have dealt with, that has been pretty successful in most cases."

Human issues trump structural challenges

A fellow panellist agreed, adding that technical or structuring issues are far less problematic than the human issues. "The challenge I encounter is typically the client who think they know what they want, but it might not be what they really want, it might just be what they have heard their friends have done. The challenge is therefore to really figure out what exactly needs to be done, the intention, the end game, the objectives."

He explained that to achieve this, he tries to look at the family in three groupings, number one as a family member, number two as a business owner, and number three, as one of the managers of the family business, and of course, often a combination of all three.

"Our role is therefore to help them figure out where each of these family members fits in," he elucidated. "The positive thing these days is we find more Asian patriarchs and matriarchs are keen to get the NextGens involved, including the third generation. For example, we had a meeting recently with one patriarch, who also had his school age grandchild at the discussion."

An expert highlighted the question as to why Asian clients tend to leave their planning late and, in some cases, too late, and whether that is largely or partly a fault of the wealth management industry.

Look beyond your targets

"Perhaps the banker is too preoccupied with investments and making his or her KPI targets than bringing in the wealth planners to have a sort of soft intangible discussion which may not result in immediate gratification for the banker," he observed. "Are the property lawyers executing their instructions, but without raising questions about succession with property structures? Are accountants who are auditing the family businesses, are they just too narrowly focussed on their audit and accounting responsibilities and not really raising the conversation about the importance of succession? Are the people who help them set up the offshore structures taking the opportunity to have the right conversation with clients and are we as an industry, all of us, lawyers, trustees, accountants, bankers - are we all too narrowly focussed and somehow missing a bigger picture which can really help the clients? We ought to take a moment for introspection, I think."

A banker who focuses exclusively on asking these types of questions and working with their clients on these initiatives offered their insights. "We need to do well for the clients, and perhaps there is some idealism involved here, and I am lucky that I do not have KPIs to meet, that the bank offers full backing for my work, allowing me to focus on the family journey, to offer pure advisory even if this does not generate any revenue for me."

But the most important element for the bank, of course, is to embrace those NextGens at the same time as executing business for the older generations of clients.

Reaching into the centre

The same expert highlighted that it is far from easy to be in the position of being able to broach and then handle these discussions. The banker or advisor needs the trusted relationships in place, the confidence to delve into what are often highly personal matters, and the support of the bank to confirm that these types of conversations with the broad base of stakeholders in any family are valued and worthwhile.

"It boils down to the sort of holistic need of the clients, but very often they do not tend to recognise that holistic need, they tend to focus on a more tangible immediate result rather than an intangible longer term result, as the latter takes a lot more time, patience, and more discussion. It is difficult to define the value attributed to a two-year discussion about your family's strategic plan, when a client is more used to pricing the widgets they are selling or to discussing the price of the product they are trading through a bank. These are very different mindsets, and so it needs certain elements of maturity, sophistication and appreciation from the family generally as to the angle and value of this process relative to everything else they are doing."

He noted how, for example, some of the law firms have tried to set up a separate private office type business geared towards this, but not necessarily to great effect thus far in Singapore, for example.

But this same expert did say that there is the growing realisation that the families need the holistic advisor who is going to look at things completely independently and not sell a structure as a product or a solution as a product, but really to focus on selling or managing the arrangements of a client on a very holistic basis.

Hidden agendas?

"The problem, however," he remarked, "is that when these clients go to their bankers, or even the wealth planner in the bank, they often feel the bankers have some hidden trick, as they see and feel the conflicts of interest. This means that the opportunity in places like Singapore and Hong Kong is for more family office structures, more sophisticated multi-family offices, or independent consultants and advisors who are ex-bankers and who have the confidence to handle these matters impartially. This type of expert can then curate all the other service and advisory experts, who can turn all this into a reality for the families."

Another banker highlighted how, when clearly articulated, visions of the future from older generation clients are then executed by lawyers, the documents do not always truly reflect the wishes. This banker cited, for example, an elderly, but completely cogent patriarch, whose wishes really required a trust in perpetuity, but whose Singapore lawyer expedited a Singapore trust. "But that was not his vision, his vision was well beyond the next 100 years for his family and the wealth he had created," he commented. "This charitable, philanthropic

mission could only be truly realised through, for example, a Jersey trust that offers perpetual trusts and through which the actual wishes of such clients can be realised. In this case, with the approval of this client, I liaised with the lawyer and got things back on track. But in reality, that lawyer really only wanted to do what he wanted to do, not exactly the holistic vision my client had imagined."

The door is inching open in Asia

Additionally, he finds that more of these Asian 'elders' are beginning to be more open about discussing really tough subjects, issues like divorce or infidelity, illegitimacy and sexual orientation. "I find that my role really is to also help them discuss all these rather taboo topics, help them to come up with some kind of a plan, a roadmap to deal with such situations should they arise. It's challenging when such things are discussed but I think the important thing is that when things like these are brought up it helps the family to put in place a plan to deal with these scenarios when they arise. It may not be perfect, it may not solve the problems, but at least it takes some of the emotion out of the whole process."

Another expert commented that advisors should be aware that the inroad to discussions with the family is not always the founding patriarch. "In our practice," he said, "our inroad is often the women, the matriarchs. Because of the mindset shift, these issues are more prominent to their minds, they focus more on mitigation of issues than perhaps the returns, so they are more receptive often to such concepts and discussions."

Four types of NextGens

The discussion shifted to what the NextGens then change when they gain control of the wealth or the businesses, or both. A banker explained that his approach is to segment the age groups into four categories.

One is successors, people who generally take on leadership positions in their family business. Number two are the entrepreneurs. Number three the influencers, who are still in the family obviously, but they may be in the family office, they may be involved in the philanthropy, or they may be taking a lesser role in the larger family conglomerate, but still very influential in the direction of the family wealth. The fourth category are the inheritors, those who for cultural or other reasons are not later involved in family business.

Some of these characters want to make the family businesses more modern, more relevant, to restructure the businesses, and so forth. "The upshot," this expert explained, "is that there are often private bank and investment bank opportunities, including corporate restructuring, refinancing, M&A as the companies reorient themselves. In reality, the NextGens often have a different vision, but they also understand from their parents that they want to retain some of the values and legacy of the family business and culture, so they want to rock the boat only gently at the start."

A broader mandate ahead for the NextGens

He observed that the younger generations tend to be far more educated and worldly and receptive to working with external consultants and expert advisors, in order to modernise

structures, strategies and to make the businesses more relevant. “Sometimes these external advisors can help formulate and expedite the difficult conversations within a family, between siblings, amongst board members, and between different generations. The big picture is that when succession takes places, all at once or gradually, change should be expected. “Nothing is constant anymore in this type of environment,” he stated.

Change must be expected, came another voice. “It is simply a question of degree,” she commented, “and that often depends on how much dialogue had taken place before the transition. If the current generation and the future generation have a bit more alignment, then the change might be more moderate, but if there is no discussion taking place, very often what the next generation would do when they take over is to revolutionise things into the way they want to see the world.”

The sustainable approach

She also commented on differences in approach to philanthropy, with the older generations focusing more on education and the NextGens more on social justice, the environment, and sustainability, with the investment focus and family businesses also playing out on these themes.

“We have run next generation workshops before where the next generation has been asked to consider sustainability in their own family businesses,” she added, “and it is clear that when the NextGens take on the family financial portfolio or the family businesses, there will be shifts in these directions.”

Door open to expertise

She also remarked how the NextGens are more willing to embrace professional support and advice, particularly around remaining compliant. “They don’t want to deal with legacy and future issues and are willing to spend to make sure things are organised properly. When you look at the family office space, we have seen NextGens who might spearhead more research on how US and European families run their affairs; they are more interested in corporatising the family space.”

Another banker agreed, but added that many of the NextGens also recognise that they are also custodians of the family legacy and that there is a lot of pressure from the larger family to not threaten the family legacy for the sake of change. “When they become the CEO and the C-suite of the family business, they have to work out how to balance the need for change, embracing the future, technology and so on, and yet retain some of the values of the family business and the interest of the siblings who are the other shareholders or directors. It is not that easy.”

Upping skills for the NextGen clients

A lawyer agreed that there is a gap between the bankers and their clients that needs addressing, in terms of in-house expertise and referrals to the right legal and other experts to realise family visions as set out by the older or sometimes even younger generations. “There is a general trend toward bankers becoming smarter about knowing the substance behind who they are directing clients to, the quality is rising, but there are still a lot of people out there willing to do this for little or nothing because they are making backend on maybe a brokerage referral fee or something like that," he observed, calling for greater professionalism all round.

A guest said that in talking with the Singapore regulator, the MAS, in recent months, he had a discussion about the need for the average RM in private banks or EAMs to have some level of credentials in these areas.

"They should know what they are talking about when talking to clients about family offices and other longer-term plans and missions," he advised. "Singapore, for example, should have more investment in education in these areas, and thereby bring to bear a more intelligent conversation with the clients. To do so, certification would help or otherwise there is reputational risk to Singapore if these discussions and actions are not conducted at a sophisticated level, and if literally anyone is selling this type of advice, possibly at cut-throat fee levels."

Digital delivery

A lawyer commented that the NextGens expect more digital connectivity and solutions. He offered a few suggestions to make expediting a family's vision easier for all parties. One is E-access, in other words making it much easier for the many parties involved to see files electronically, to sign them, to edit them and also to have snapshots of their structure, their return, their investments or even that accounting data feeding into their accountant, and so forth. "This is especially necessary since Covid-19 and also for the NextGens, who really demand and expect this type of ease of access."

Keep things simply, but sophisticated

Sophistication can be expedited with simplicity. The final comment was that simplification of structures and solutions is valuable and the right step, but over-simplification might result in some valuable benefits lost by the elimination of some structures and some jurisdictions.

The final word

The final comment went to a Jersey Finance's An Kelles who observed that offshore financial centres and jurisdictions need to plan ahead to remain entirely relevant and effective for the future generations, wherever they come from around the world. "We must look at the next generations, who are crucial to our future," she added. "We must make sure that what we offer in terms of structures are relevant, that we are positioning ourselves constantly as the jurisdiction of the future. We must help facilitate those succession and transition plans and remain relevant for the NextGens, and we must of course be relevant for their future investment strategies, their structures, and accommodate the transition from older to younger holders of Asia's wealth. In short, we ourselves must adapt to become the jurisdiction for the NextGens as well." ■