POSITIONING TO TAP THE WEALTH TRANSITION POTENTIAL ACROSS ASIA

Hubbis's Asian Family Wealth Forum 2014 in Singapore explored how advisers need to deliver various solutions for clients to structure their assets amid a transparent environment where regulation and tax reforms have made collaboration between specialists a critical part of the process as part of estate, succession and legacy planning.

The unprecedented scale of the inter-generational transfer of wealth happening in Asia, largely from the first to second generations, continues to present significant opportunities for relevant players in the wealth management industry.

To make the most of these, speakers at the Hubbis Asian Family Wealth Forum 2014 in Singapore in November discussed and debated how to create more professional, targeted and bespoke advice to create the right structures within today's more regulated and transparent environment.

Some of the key take-aways included:

MAXIMISING ASIA'S WEALTH STRUCTURING OPPORTUNITY

- Rather than just consider offshore assets, there is now a growing need to talk about what to do with onshore assets

- Business owners are taking a much closer look at what their succession planning will look like, starting with governance

- The rapidly-changing landscape over the past few years has led to a focus on tax compliance with various structures

- Wealthy individuals and families are gradually realising the need to address all their business and personal matters – but there is still a psychological hurdle for many clients to overcome

- There is a lack of certainty over whether many advisers know how to advise their clients in the best way, especially given the regulatory and tax reforms driving transparency

- To be able to provide the right type of advice, it is more realistic for advisers to work in partnership with third-party professional services firms which have global knowledge

> **“ The rapidly-changing landscape over the past few years has led to a focus on tax compliance with various structures ”**

- A lot of work has to be done to assess the relevance and appropriateness of some of the structures set up 10 to 15 years ago – at a time when it was common to have multi-layered structures

- Indonesia and China are two of the more exciting markets for wealth structuring in Asia, yet there is good potential for wealth structuring solutions across the region

FINDING A JURISDICTION OF CHOICE

- The tougher regulatory and tax frameworks which everyone is now subject to are starting to have a significant impact on the types of structures which are appropriate for wealthy clients – and also which jurisdictions they should be set up in

- In relation to structures, there is a flight to quality in terms of the jurisdictions being used, with Singapore, Hong Kong and New Zealand among the more favoured locations for onshore structures

- Yet more sophisticated structures are still being set up in offshore centres such as the BVI, Cayman Islands and the Seychelles

- Ultimately, there is now more of a level playing field, providing the structures meet local requirements

- In line with the new regulatory and tax regimes, compliance must be at three levels: the jurisdiction in which the entity is set up; the home tax residence of the ultimate beneficial owner (UBO); and the UBO's current place of tax residence

- While the goal of advisers and professional services firms is to reduce the complexity as part of conversations with clients, the reality is that there are still huge areas where FATCA is unclear

- There is a growing need for more individualised advice for clients. In turn, this is spurring advisers need to find specialists with the necessary experience which can advise them on their specific needs

- Some banks are exploring what they view as core and non-core to their businesses, to assess delivery models for the fiduciary services part of the business

CREATING EFFECTIVE FAMILY OFFICES

- Family offices provide an effective option in terms of creating a structure to manage the various complexities and complications involved when there are multiple people and professionals looking after multiple assets in multiple geographies

- To formalise the family office, the decision-making process should be about how to run the assets within the structure

- Banks in Asia should look to provide their platform and services to family offices, whether single family offices (SFOs) or multi-family offices (MFOs), rather than trying to compete with those organisations

- This structure then enables the family office to seek advice from and collaborate with third parties which are best placed to provide it

- A big challenge is identifying an individual with a diverse skill-set to run the family office, given that they will need to be able to coordinate a lot of other third parties or in-house specialists

- Making sure clients get the best advice

- There needs to be a realisation among advisers that they cannot be everything to everybody – they must not be afraid of turning to experts and being the link between the client and specialist

- A family office doesn't necessarily need to custodise its assets with a bank. Plus, there is a danger for clients which use multiple banks of not having a clear overall picture of what assets they in fact have

- Growth might be more likely to come from the SFOs, or from families who aspire to have an SFO but lack a sufficiently liquid asset base to justify the cost of setting one up

- Many advisers under-estimate the power of listening – plus, it is also essential for advisers to be very explicit so that the client is clear about what advice they are actually getting from the adviser, and what advice will be outsourced

- Depending on how open individual family members are to certain topics of conversation in relation to legacy planning, an adviser must be equipped with potential tailored solutions in terms of what can be done for that client – in a tactful but practical way

- As part of getting the right advice, a family needs to make the distinction between their business and personal wealth – after which they are ready to have a conversation about who is the most relevant provider of advice for them

> **"There is a growing need for more individualised advice for clients. In turn, this is spurring advisers need to find specialists with the necessary experience which can advise them on their specific needs"**

- Regardless of the trigger, the important thing is to evolve the conversation to focus on the relevant aspects of estate and succession planning

- When it comes to the adviser managing the relationship with the professional services firm, this also all boils down to trust

- Ultimately, advisers need to be transparent and maintain a totally unbiased approach which also delivers a best-in-class solution

- Getting more out of being philanthropic

- Philanthropy is an increasingly important aspect of the wealth planning process, connected to preserving family values while achieving something positive

> "There is a clear trend of clients focusing on philanthropy via development strategies which reflect their value systems"

- While education was a primary driver for philanthropy among Asian clients around two years ago, the focus has shifted to the environment, health care and social entrepreneurship, as well as social investing

- There is a clear trend of clients focusing on philanthropy via development strategies which reflect their value systems

- Many families use philanthropy as an effective tool as part of their overall wealth planning – and to get the second generation involved as part of the transfer of family values

- A more business-like approach towards philanthropy is happening – with these principles entering the due diligence process in order to get the right information from the potential recipient to assess if that is the right organisation to work with

- There is a need to further professionalise the giving process, by spending time understanding in more detail why people give and how they do so