Family Office Services in Asia

We have been in the corporate and trust business since 1929 and have been providing Family Office type of services to high-net-worth (HNW) and ultra-high-net-worth (UHNW) clients and families since the beginning of the last decade. About the same time, we have begun exploring the markets of Asia and the Middle East to find out in how far there was potential and demand for Family Office Services.

This article is to outline and summarise what our experience in both, providing Family Office Services and trying to understand the market needs in Asia, is.

What we believe Family Office Services should be about

The globalisation of world economies with its inherent complexity as well as phenomena like the still ongoing global financial crisis make it more and more difficult for HNW and UHNW clients and families to ensure continuity of their operations and wealth.

The increasingly high degree of specialisation in the financial services industry forces them to control their operations and wealth and to face and deal with the often cumbersome process of negotiating with multiple parties and legal entities which use different professional languages, have varying motivations, are located in various places and jurisdictions, with different cultures and increasing accountability.

The bottom-line objective of our Family Office Services offering is to make life easier and more efficient for our clients, by offering them one single point of contact and control, meaning a real “One Stop Shop Solution”. Family Office Services are typically not standardised but tailored to the client’s and the families’ specific personal and professional needs.

We do not manage any moneys ourselves, but we provide for services and solutions such as structuring and protecting of assets using corporate and trust structures, estate planning, advice on wealth preservation, cross border tax planning, education planning and help with the transition of wealth to the next generation as well as philanthropy and lifestyle management, such as maintaining homes and yachts.
Our historical background, our size and worldwide network of (i) own subsidiaries and offices in multiple jurisdictions, including Hong Kong, Shanghai and Singapore and (ii) long and closely related correspondents as well as the experience of our staff and related professionals put us in a position to provide those services in a highly responsive, flexible, transparent and efficient way.

**Market Situation in Asia**

Asia is the world’s largest continent with the highest population and is expected to be and remain the region of growth in the coming years. Figures from the International Monetary Fund show that Asian economies are growing at a faster rate than their counterparts in the West. China (8.9 %) and India (6.1 %) showed the largest nominal GDP of all countries worldwide, in 2011.

But even leaving aside the growth engines of China and India, GDP in the US or Switzerland did grow at a substantially lower rate than Malaysia, Singapore and Thailand in 2010 and 2011. These three Asian economies did even grow faster than Brazil. China’s economy has been projected to surpass the US’s GDP as the biggest in the world by 2030 and India is rivalling China as the next up-and-coming economy.

As economies like China, India, Singapore, Malaysia and Thailand, etc. are growing rapidly, there is plenty of wealth being created in these countries and the whole region. Singapore is expected to have become the world’s top wealth management centre by 2013, overtaking Switzerland and London, according to a study published by PricewaterhouseCoopers LLP, back in June 2011.

**Market Potential for Family Office Services in Asia**

As outlined above, Asian economies are developing rapidly and wealth in Asia is expected to rise at about double the global rate of almost six (6) per cent (%) through the next five (5) years. As a result, there is a steadily growing number of HNW and UHNW clients and families in Asia with the need and wish to preserve their wealth. Consequently, it does not surprise, that Asia has become a highly attractive region for and that its development is expected to create an even stronger need for qualified providers of Family Office Services to advise these HNW and UHNW clients and families.
In this context, there is a wider issue of a generational transition in many Asian families, at the current time. A large number of patriarchs with immense wealth in Asia have reached their seventies or eighties, while their children are in their forties and fifties. Over the next decade, there will be a lot of wealth changing hands in Asian families and providers of Family Office Services can help with this process.

Bernard Fung, Head of Family Office Services at Credit Suisse Private Banking, Singapore, agrees. “Although family offices in Asia are still at an earlier stage of development compared to the more mature markets, the exceptional wealth creation that Asia has seen in the past few decades will start to undergo a major phase of generational transition in the coming years. Families globally have managed this generational transition by having in place the ‘right’ principles and processes governing interactions between family business, family and investment governance, succession and legacy planning and, in many cases, appropriate professionally managed family office operations,” he says. “We believe that the potential of the family office segment will be immense in Asia in the coming years.”

The challenges of providing Family Office Services in Asia

Family Offices in Asia are still relatively rare, given the amount of wealth currently existing in Asia. “The term Family Office is still a mystery to many Asians, especially the Chinese”, says Simon Mar, founder of a multi-family office in Taipei. On the other hand, Mar explains, "everyone in Asia knows the content side of the term Family Office, it's just the name which is unfamiliar." However, “the multi-family office model is still not that popular, particularly in China.”

There is still a certain amount of distrust of financial advisors and formalised structures being very common in the West are not yet as popular in Asia. One of the reasons for this is the fact that the concept of sharing knowledge and information is still alien to many Asian clients and families and that they are more secretive compared to their counterparts in the West or elsewhere in the world.

Asian clients and families tend to be very hands-on minded and reluctant to give up and transfer control over their operations and wealth to providers of Family Office or other services. David Chong of Portcullis TrustNet Group said in an interview back in 2010: “A lot of wealth in Asia will be handed over to the next generation in the next five to ten years, yet Asian families often lack trust in their advisers – creating a hurdle to the development of family offices.”

However, it appears that this is changing slowly and more and more Asian clients and families are beginning to adjust to the idea of seeking advice from providers of Family Office Services, for
these providers to look after their operations and wealth and to guide them through and help with the transition of wealth to the next generation. Some people in Asia are saying that it will take another ten (10) years for a Family Office Services market to develop, as children in the succeeding generations having been educated in the West begin to take over the reigns from their parents. It is widely expected that this will bring a change in attitude to a more transparent environment and that the next generation will be less hands-on and relying more on professionals.

We shall be there and ready to deliver, once this point in time will have come and the said change will have happened.