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Headline: How banks are attracting children of wealthy clients

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The largest wealth transfer – estimated in the trillions of dollars – between generations is expected to unfold in the Asia-Pacific over the next few years.

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Next-generation programmes for children of wealthy clients may not generate revenues directly for wealth managers. But they are an integral part of a private bank's offerings.

This is because the largest wealth transfer between generations is expected to unfold in the Asia-Pacific over the next few years, estimated in the trillions of dollars.

Not far from the minds of bankers and advisers is the adage that wealth is built by the first generation, but is frittered away by the third generation. Surveys indicate that only a minority of the wealthy have a succession plan. Hence, wealth planners have their work cut out.

Campden Research's Global Family Office Report last year found that less than half of the families (43 per cent) surveyed have a plan to develop new leaders to take over the business.

In the Asia-Pacific the number is even lower; 39 per cent of family offices said they had a succession plan in place. Wealth managers who manage to distinguish themselves in this respect – with bespoke advisory and structuring services for families and an engaging NextGen programme to nurture young leaders – stand a good chance of remaining the advisers of choice for the younger generation, an aspect that cannot be taken for granted.

A number of common threads run through banks' programmes this year. The themes of sustainability and impact, for instance, feature strongly. This is in addition to standard features such as courses to familiarise participants with investments and entrepreneurship.

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Benjamin Cavalli, Credit Suisse head of private banking South Asia, says there is keen interest among NextGen clients in sustainability and impact investing. "They are often very excited to be able to practically invest in such solutions with the bank..."

There is also a growing awareness in the recent few years that there are investible solutions that do not compromise returns..."

CS' impact investment business includes over US\$7 billion of assets under administration and over US\$2 billion in client holdings. These include investments in small and medium sized businesses with a social or environmental mission.

Susan Sy, UBS head of family advisory & philanthropy services (Asia Pacific) says the younger generation of wealth owners are likely to raise their allocation to impact/ESG (environmental, social, governance) investments.

UBS raised over US\$550 million in the Asia-Pacific for its sustainable investing mandate earlier this year.

UBS marks the 16th year of NextGen programmes in Asia-Pacific. The flagship programme, the Next Generation Academy, takes place in Switzerland this year, and offers a platform for participants to learn more about family businesses. "Participants will learn why and how families remain successful through generations and cultivate a sense of ownership in their family business," says Ms Sy.

DBS Bank's Lee Woon Shiu, regional head of wealth planning, family office and insurance solutions, says sustainability and innovation will be central themes in the bank's Future Leaders programme. NextGen taking part will have a chance to interact and be mentored by a social enterprise – recipients of the DBS Foundation Grant. There are around 30 to 40 participants, age 18 to 25.

DBS will work closely with DBS Foundation on joint activities for clients and their children. "These create opportunities to explore the feasibility of having founders of these social enterprises funded or mentored by successful business owners. Also, having NextGen family members involved in such things as due diligence, angel investing and mentorship programmes allows them to become more aware of impact investment opportunities..."

Citi Private Bank runs a "multi-facted" programme to cater to a diverse group of NextGen whose ages range from the 20s to the 50s. "They are still in the process of succession. Depending on which stage, their maturity, knowledge and needs are different," says Money K, Citi Private Bank's global next generation managing director.

The Citi programme includes the Business Family Summit with Professor John Davis of Harvard Business School, which brings two generations together to explore succession planning and family legacy and unity, among other issues. There is also the Empowering Leaders Programme with Cambridge University to prepare successors in their 30s or 40s for leadership positions.

Non-bank advisers are not to be ignored, however. The Business Families Institute established by the Singapore Management University sets out to help business families become responsible stewards of their families and communities.

Professor Annie Koh, BFI's V3 Group professor of family entrepreneurship and academic director, says innovation and investments will be major themes for BFI over the next 12 months. "Innovation helps business to ride the wave of technological advancement and

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develop new markets... Business families are increasingly involved in new forms of investments. Hence, investment skills are critical for the next generation.”

She believes that NextGen programmes must teach participants three important elements. These are integrity which is grounded in strong values and ethics; passion or the motivation to keep learning and gain mastery; and purpose, so that business skills are put to good use.

Multi-family office Golden Equator chief executive Shirley Crystal Chua says the firm’s NextGen programme aims to build a strong foundation in finance among participants. Between five and eight candidates are expected, age 25 to 45. Participants may serve an attachment to chief executives of companies. This is intended as a form of mentorship and enables participants to gain insights into the strategic decision process, among others.

She also plans to set up a NextGen Foundation to work on solutions for “future societal challenges” and engage in impact investments. Golden Equator manages assets of between S\$600-700 million. The firm is understood to have a network of about 25 NextGen individuals, some of whom are already involved in various Golden Equator businesses.

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