

WEALTH TRANSFER, CO-INVESTING WITH CLIENTS AND THE NATURE OF PHILANTHROPY

At least \$16 trillion of ultra-high net worth (UNHW) individuals' wealth will be passed on to the next generation over the next three decades—the biggest wealth transfer in history from one generation to the next, and a large portion of that is in Asia-Pacific. A recent poll by SMU and Deloitte found that 83 percent of Asian families do not have concrete succession plans even though 85 percent expect to pass on their wealth in 5 or fewer years. Since most of the wealth in Asia has been created by the generation of entrepreneurs now reaching retirement, the fact that so few have made arrangements for the transition, coupled with the statistic that Asian family firms lose almost 60 percent of their value in the first transfer of power from the founder, should spur family patrons to begin the planning and structuring process immediately.

Campden Wealth research shows Philanthropy is an increasingly important function for family offices in Asia-Pacific, with one-third of family offices having endowments of at least \$15 million and 10 percent having over \$50 million. Giving in Asia-Pacific increased by 10 percent in 2014 over the previous year, with 77 percent of family offices in the region reporting some form of philanthropic engagement. In fact, a recent survey by CapGemini shows that more than half of Asian HNWI investors (54 percent) want more help in setting up clear social impact investment goals.

In our first Conversation, Danny Howell, Managing Director of Wealth Management of CreditEase, a Chinese company, talks about intergenerational wealth transfer, how families are getting involved in philanthropy and how his Mainland clients look at overseas investing.

Danny believes it is important for families to put structures such as family offices, external board members, voting and governance frameworks in place to smooth transitions and avoid family friction. This is particularly so in China, where a very large number of wealthy families are now facing into the challenges of both diversifying wealth from their family businesses, and establishing the structure and principles to support intergenerational wealth transfer.

On the topic of investing, Danny sees families looking to invest in ways that align with their own interests and values, as well as through people they respect and trust. There is a strong disposition to invest alongside advisors who also have skin in the game and therefore, CreditEase can be a good partner for such investors. This is also true of outward bound Chinese investment, he says. While the group seeks to preserve and protect a proportion of their wealth in more stable investments, Danny characterizes the group as generally having quite a high risk appetite and as being aggressive investors for much of the rest of their portfolio. He notes their preference, in taking part of their wealth offshore, is to invest alongside partners who know the regulatory and governance regimes in those jurisdictions. They will also often have a preference to seek investments in sectors or industries in which they have an exposure and familiarity with in their home country, but seek to diversify by investing with trusted partners in new geographies.

Regarding philanthropy, he says families are embracing it, through the younger generation with new programs often run as businesses, with expected returns, which might be a combination of financial and

impact. In fact, so-called 'environmental, social & governance' (ESG) considerations are being applied across the total investment portfolio now, and not just areas of philanthropic investment. Indeed, there's a view that these ESG considerations are consistent with identifying better and more sustained investment performance. Generation Xers are driving much of this change in approach for ESG-friendly investing.

Danny Howell
Managing Director,
CreditEase Wealth Management Hong Kong Limited

Danny Heads the HK Office Team of CreditEase in the development of offshore wealth product for CreditEase clients – both insurance and wealth/asset management. Prior to joining the Company he was Head of Wealth Management, Asia for one of the Region's leading investment advisory consultancies, consulting to family offices, private banks, securities firms, endowments and insurance companies. He brings expertise and investment advice in areas such as asset manager research and due diligence, portfolio structuring, governance, strategic asset allocation and risk analysis.

He has more than 20 years' experience in the financial services sector, including senior roles in wealth and asset management, business development and general management working in Australia and across Asia. Danny has a Degree (Honours) in Structural/Civil Engineering, and a Master of Business Administration.

About CreditEase

Founded in 2006 and headquartered in Beijing, and now with more than 50,000 employees and 150,000 active investment clients, CreditEase is a trusted provider of wealth management and personal financial services in the PRC. Within the Wealth Management business, the scope of their offering includes investment management products and services across a broad range of asset classes, for both onshore and offshore investment, and for client segments that include HNW and Family Office clients. www.creditease.cn

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CONTACT

Steven Seow
steven.seow@mercer.com