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More ultra-rich individuals interested in setting up family offices in Singapore



The increased number of family offices in Asia is also due to the fact that wealth has been growing in the region over the last 20 years. ST PHOTO: KUA CHEE SIONG



Sue-Ann Tan

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SINGAPORE - Singapore's growing status as a financial hub is luring increasing numbers of well-heeled families from across the world to set up offices here to manage their money.

Experts point to Singapore's regulatory environment and geography as key factors in its attraction as an investment destination for the world's wealthy.

A family office is an advisory firm set up to help manage the assets of a rich family.

It not only handles financial investments, shares, properties and other assets, but also takes care of the family's tax and legal affairs.

They also usually have frameworks that cover succession planning, business ownership matters, family compensation and employment standards for family employees, among other issues.

Family offices came under the spotlight with the collapse of Archegos Capital Management, a family office that managed the personal assets of tycoon Bill Hwang.

They have continued to grow in popularity here, with data analysis firm Handshakes estimating that 221 single and multi-family offices opened in Singapore last year.

This is a jump from 129 in 2019 and 22 in 2018. In 2017, only eight family offices were set up here, noted the Business Times last week (May 4).

Reports in February said that the ninth richest person in the world, Google co-founder Sergey Brin, opened a branch of his family office here.

He joins a host of other ultra-high-net-worth individuals who have set up shop here, including British inventor James Dyson and Chinese hotpot chain Haidilao co-founder Shu Ping.

Benefits for singapore

There were about 400 single family offices operating here as at the end of last year, according to the Monetary Authority of Singapore (MAS).

A single family office only focuses on that one family unit, while a multi-family office caters to several families. Some banks also have in-house family office services.

The MAS said: "These single family offices were established in Singapore due to our stability, competitive business environment, the availability of talent from our wealth management industry as well as the breadth and depth of investment opportunities that we offer as an international financial centre."

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Beyond a roll call of famous names, these offices also bring benefits to Singapore.

"Single family offices generate employment in Singapore directly by employing advisers and investment professionals, as well as indirectly when they work with external finance, tax and legal professionals on wealth planning and operational matters," the MAS noted.

It added that offices expand the pool of capital for Singapore-based start-ups and business ventures, as well as funds that invest in such companies.

"Singapore-based companies may also benefit from the guidance offered by the principals of these family offices, many of whom are owners of successful businesses," noted the MAS, which is working with the Economic Development Board to build an ecosystem to help meet the evolving needs of these offices.

These include deepening the professional capabilities of the industry as well as strengthening the connections for the family offices with local and global counterparts.

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RISKS THAT LARGE AFFLUENT FAMILIES FACE

Financial



- Asset diversification
- Single stock concentration
- Liquidity
- Poor performance and loss

Business



- Key person leaving
- Liability and litigation
- Tax exposure
- Reputational and operational risk

Ownership



- Legal exposure and liability flow
- Fiduciary risk
- Asset protection and succession

Family



- Reputational risk



- Family conflict and litigation
- Peripheral businesses and new ventures
- Property

Physical



- Assets and collectibles: For example, art, antiques, jewellery
- Family lifestyle: For example, aviation, hobby business, new ventures
- Medical and travel emergencies
- Kidnap and ransom

Source: GOLDEN EQUATOR WEALTH STRAITS TIMES GRAPHICS

Growing interest

Standard Chartered Private Bank has been helping an increasing number of wealthy families across Asia set up offices here.

"These are typically financially sophisticated families with a net-worth of several hundred million dollars and which are already investing in a wide range of financial solutions," noted Mr Cedric Lizin, the bank's regional head of private banking for Asean and South Asia.

The increased number of family offices in Asia is also due to the fact that wealth has been growing in the region over the last 20 years, with an emphasis on planning and grooming for the next generation to take over, he noted.

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Google co-founder Sergey Brin's family office to open in Singapore

Hedge fund billionaire Ray Dalio set to open family office in Singapore

Golden Equator Wealth managing partner Gary Tiernan said: "The problem is that there is a global phenomenon that suggests as little as 10 per cent of family wealth successfully transitions beyond the third generation.

"One common thread in families that do manage to successfully transition wealth beyond the third generation is the existence of a family office."

He added that Singapore has long been recognised as an important financial centre, with a robust legal system and pro-business policies.

Families have been attracted by the residency and tax schemes here, for instance.

"Over recent decades, strong private banking and trust company professions have been developed. These are well regulated and supported by a skilled labour force," Mr Tiernan said.

"The foresight in building these professions has extended to family offices."

Interest has also come from areas outside the region.

Mr Lee Lung Nien, chairman of South Asia at Citi Private Bank, said: "There has been a significant amount of interest from a cross section of profiles from three key regions - namely North Asia, North America and the Middle East.

"Broadly, interest from outside of Asia has come from those wishing to establish an Asia presence so as to take advantage of the investment opportunities in the region.

"Within Asia, there has been particularly strong interest from the new wealth being created from high-growth places."

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Why open a family office

A family office appeals to tycoons to manage their wealth like a business, said Mr Philip Kunz, HSBC Private Banking head of global private banking for South-east Asia.

Family offices can be focused on a variety of areas such as wealth preservation and creation, used as a platform for long-term legacy, control and continuity, or as a mode for next-generation engagement and communication.

This is especially important as wealth in Asia is still young, held by tycoons that are in their prime and not ready to hand over the wealth, he said.

"It's common for different generations to clash over future business directions, investments, philanthropy, and management styles," noted Mr Kunz.

"So an experienced and neutral family office adviser can help a family make thoughtful, informed decisions in a collaborative way, and adjust them over time."

Investment trends

Family offices can also be investing assets in a variety of areas. One hallmark of them in Asia is a focus on real estate, noted Mr Tiernan.

But other areas like digital assets are also growing, together with impact investing as focus shifts to sustainability.

Mr Lung from Citi said: "Depending on the client's profile and risk appetite... there is interest in alternatives like private equity and real estate funds, together with niche direct private investment (pre-IPO rounds) on selective sectors such as electric vehicles, biotech and disruptive big data applications."

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