

**C**HILDREN born with the proverbial silver spoon pose a unique set of challenges for their wealthy parents.

With money in abundance, how do you imbue children with the drive to succeed, a strong work ethic, strong family bonds – and all that, tempered with humility? There are, sadly, numerous stories of rich kids gone awry. The adage that wealth is frittered away by younger generations is true of many fortunes.

Private banks are increasingly turning their attention to issues surrounding the “next generation” of clients. Many banks host week-long conferences attended by sons and daughters of clients.

Bank of Singapore (BOS) has gone a step further. In addition to conferences lasting one to two weeks, it has begun a more intensive, 60-day programme that offers young people a chance to attend accredited courses at the bank and a short internship as well.

Response to the programme has been overwhelming. “We struggle to put a cap on our intake,” said Adrian Chow, BOS’s head of learning and development. The latest programme, which ended last month, had 25 participants.

Such conferences clearly generate more costs than short-term revenues for the banks, but the opportunity to engage children of clients is clearly one that they are determined to pursue.

Mr Chow said: “This isn’t about making money from clients. We want to be their partners in their journey of making and transferring wealth. We want to build an experience with them, making the relationship sticky.”

PwC’s Global Private Banking and Wealth Management Survey 2013 says wealth managers have become less successful at retaining wealth when it is transferred to a spouse. About 75 to 100 per cent of assets retained in 2011 fell to 71 per cent in 2013. When wealth is transferred to children, the retention rate is even lower – 51 per cent.

The study said: “There is a risk to wealth managers retaining assets if they do not manage the inter-generational opportunity better.”

“To do this, wealth managers need to understand the future stakeholder landscape better to avoid loss of assets and having to develop new relationships with the surviving spouse, next-generation heirs or the boards of charitable foundations in a more competitive environment.”

A recent global survey of high-net-worth individuals (HNWIs) found that Asian clients distinctly preferred advice related to family rather than personal wealth. Just over 47 per cent of Asia-Pacific respondents said they required family wealth advice, compared to 26 per cent of HNWIs in the rest of the world.

**WEALTH MATTERS**

# Room to build next generation of clients

Ensuring family businesses thrive well into the future is key. **By Genevieve Cua**



**IN NEXT-GEN MODE**  
 SMU Associate professor Annie Koh believes families can build value (wealth) as well as family values which will stand the test of time. PHOTO: SMU

At BOS, the intensive programme involves content that clients would typically find in other banks’ programmes, such as backgrounding on finance, economics and financial products, trust planning, portfolio construction and philanthropy.

What may be unusual is that participants also attend one or two accredited courses which private bankers are required to attend. In their job attachments, they are assigned to brief stints at various departments, but are required to comply with bank secrecy and confidentiality rules. The most recent batch, for instance, worked on a real project – revamping BOS’s intranet site. Their proposals are now being implemented.

Part of the time was given over to charity. The recent batch took an elderly group out for a day at the Marina Barrage.

Talks on family businesses and entrepreneurship are frequently a feature of next-gen conferences. Entrepreneurial success is, after all, a key source of Asian wealth.

A study by the National University of Singapore Business School and Family Business Network Asia found that 52 per cent of SGX-listed companies are family-owned.

One resource that banks can tap into is the Business Families Institute (BFI) under the auspices of the Singapore Management University. Associate professor An-

nie Koh, BFI’s academic director, said the centre is a “neutral platform” to advance the study of business families in Asia. To date, its activities include research and education, not just for banks and wealth managers, but also their families. The institute has 14 founding families with businesses in various sectors who provide resources and strategic advice.

Professor Koh said: “For many families, the biggest worry is the curse of being rich. The first generation built the business from nothing, and they had a strong sense of having to work hard. While they want the kids to be stewards, they also want them to be stewards of value, not just of wealth.”

“The children, even if they are not in the business, should recognise that with all the good that has come to them, they have to do good, and do it well.”

She cites a number of prominent family businesses, such as Malaysian corporation YTL, that pursue the principle of “do good and do well”.

“How do we continue to tell that legacy soft story, to tell the kids that (wealth) isn’t your entitlement? How do you put into practice a structured system so that when Grandpa and Pa are not around, all this continues?”

Some families have articulated a set of “guiding principles”, not unlike a company’s mission statement. “It can come in the form of guiding principles, a family charter or council in which certain rules apply. They are a legacy statement, or your personal beliefs of what the family is trying to encourage. When it comes to stewardship, banks think of wealth transfer, but it is more about values transfer.”

Among the BFI founding members is a French family that is in its 12th generation. The family has a charter and value statement.

Yet another issue families face is sustainability, that is, the challenge of making the wealth last through multiple generations.

Typically, this becomes a concern when the family wealth reaches the \$100 million threshold. “We’re starting to see a wave where some parts of a family’s core business are monetised, and you see the set-up of family offices, not just for managing passive or public-sector wealth, but also to create an entrepreneurship platform. This platform can fund the next generation’s new business ideas, and, hopefully, they go beyond the traditional core business.”

Prof Koh added that nurturing entrepreneurship is a way to grow a family’s wealth. “Your value creation can’t come from managing the current pot. That management is best done by private banks. You set the banks a mandate to preserve the current wealth, and then you seed future prospective wealth creation. We help to build an entrepreneurial mindset within the family.”

Philanthropy is an activity and commitment that can also cement a family and serve as an avenue to express its values. She said: “Giving isn’t just about giving money; that’s the easy part. How do you give time?”

“Giving in an institutionalised manner allows families to engage other family members who are not in the business. The family gets bonded, but the sustainability of the project is critical.”

“One-time giving doesn’t make an iota of difference to some of the causes. But if you have a family that’s trans-generational, they can continue to give when you’re not around. A platform can be set up by a bank in an institutionalised manner so the giving becomes more sustainable.”

Clearly, banks that can tap Asian clients’ needs relating to their families stand to gain in the long term. Next-gen conferences, however, help only to some extent. The main parenting work to raise good stewards takes place well before adulthood.

Professor Koh said: “You can really get to a businessman’s heart if children are brought up right. Their biggest challenge is not the business. They’re good in running a business, but not as good in engaging their children... Maybe that’s the price (they pay)...”

“Our biggest struggle is to say no; that’s a critical skill. But a lot of us are busy, so we give them money but that doesn’t help them. The best thing to give your children is education. The entitlement mentality must go.”

“I’ve had projects where we have businessmen speak in a forum and they have all their children there to hear them. To me, that was their best moment.”

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