



Research on Factors Influencing High-Net-Worth Individuals in Asian Countries to Choose Family Offices in Singapore

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Abstract. In recent years, the number of high-net-worth individuals has been increasing. Many high-net-worth individuals are concerned about wealth transfer, preservation, and appreciation, so they wish to take advantage of family office services to make their expectations come true. This article adopts secondary research as the major methodology, conducts analysis based on wealth transfer, preservation, and appreciation, and generates solutions on how Singapore is great to select to set up a family office. The result indicates that many high-net-worth individuals are sensitive while selecting successors. They expect their successors to have a good education background, have passionate about being the successor, and have the ability to preserve wealth and make wealth appreciated. In terms of wealth preservation and appreciation, high-net-worth individuals expect family office agencies to guide them in making investments, for example, offering them investment suggestions. No matter how to invest, the most important idea is to keep risk management in mind and constantly monitor the popularity of various investment fields, so that high-net-worth individuals can make better investment decisions.

Keywords: Family office · High-net-worth individuals · Wealth management · Wealth transfer · Singapore

1 Introduction

1.1 Research Background and Motivation

Family offices are wealth management advisory companies that serve high-net-worth individuals worldwide. Since high-net-worth individuals are scarce worldwide and they are demanding services, the professional is considered the major component of the family office. To ensure services are professional, family offices generally provide a total solution, including budgeting, insurance, charitable giving, wealth transfer, tax services, etc., for individuals or families. Many high-net-worth individuals regard Singapore as a good place for setting up family offices because of its stabilized business and political environment, well-developed legal system, favourable tax policy, as well as specialized talents in finance, investment, and wealth management. According to the research from

Camden Wealth, the number of family offices in Singapore has doubled in the recent few years. This passage will discuss strategies that encourage high-net-worth Individuals in Asian countries to set up a family office in Singapore. While encouraging high-net-worth Individuals in Asian countries, this passage would start by reviewing literatures related to family office as well as wealth transfer; after that, high-net-worth individuals' needs and wants will be interpreted, and solutions based on high-net-worth individuals' needs and wants would be presented. In terms of solutions, both the individual solution and the combined solution will be incorporated, and those solutions would be categorized into several categories, including Human Resources Management, Marketing, etc. To resolve this problem, it is essential to understand the characteristics of successors, and difficulties generated from those unique characteristics, which is attribute to the solution of Human Resources Management.

1.2 Literature Review

After deciding that this passage would focus on strategies that encourage high-net-worth individuals to choose a family office in Singapore, and it will analyse those high-net-worth individuals' needs and wants, and generate solutions based on them, literature about family office and wealth transfer will be reviewed in this situation. With the growth of high-net-worth individuals worldwide, the demand for family offices has become more popular than ever. China has one of the greatest numbers of high-net-worth individuals worldwide, and most of them are Entrepreneurs, who are at least 54 years old and expect to take advantage of a family office in recent years. In general, these people are concerned about the professionalism of family office because they expect professional family office agencies to help them successfully transfer wealth to the next generation, and ensure all kinds of wealth are preserved and appreciated [1]. However, several high-net-worth individuals in Asia are disappointed with current family office services. Many of them believe that the law and regulations about family offices still take time to be perfected, and perfected laws and regulations are prerequisites for professional family offices [1]. Due to gaps in law and regulations, high-net-worth individuals have higher possibilities of getting into trouble, for example, they have to pay extra taxes, and endure higher risks on investment which is considered an important factor in damaging wealth transferring.

In addition to limitations on law and regulations, many high-net-worth individuals struggle with wealth transfer, and they are afraid of making mistakes in wealth transfer. It is important to know that many high-net-worth individuals want their next generations to manage and preserve wealth, and ensure wealth achieves appreciation. However, almost all high-net-worth individual worldwide worry about that wealth never survives three generations [2]. The difficulty of wealth transfer is attributed to the difference in personal beliefs between high-net-worth individuals and their next generations. According to Hurun Report, the second-generation high-net-worth individuals generally start thinking about wealth transfer at the age of 38 on average, while, their parents, who are the first-generation high-net-worth individuals, are not considered wealthy transfer until 55 years old [3]. It is glad that the second-generation high-net-individuals recognize the importance of wealth transfer earlier than their parents. High-net-worth individuals should be aware of their next generations who hardly preserve wealth or make wealth appreciated. Since the second-generation high-net individuals live in an outstanding

environment, their life is so luxurious that they never work hard to study or work, and some second-generation high-net-worth individuals' luxurious life even led their family to bankruptcy. In 2018, a Chinese second-generation high-net-worth individual, Tiantian Zhang, frauded his partnership for 170 million RMB to satisfy his needs for luxurious life and gambling; because of fraud and Zhang's luxurious life, Zhang's family got into bankruptcy within a second [4]. In the case of making wealth disappear in a second, many high-net-worth individuals are very serious while dealing with wealth transfer. At this moment, the family office should pay attention to wealth transfer, and offer those high-net-worth individuals' solutions on wealth transfer while serving them.

1.3 Research Contents and Framework

After pointing out the research background and motivation, and reviewing literature about the family office as well as wealth transfer, especially on the weaknesses of family office and how struggling high-net-worth individuals face in terms of transferring wealth to their next generation, this passage will specially discuss the needs and wants of high-net-worth individuals. Once identified high-net-worth individuals' needs and wants, this passage will introduce the methodology used in this passage. In terms of methodology, this passage would regard secondary research methods, such as case studies, as the major research strategy for high-net-worth individuals who are scrutinized with their identity and are too busy to participate in interviews. As the secondary research method is established, this passage will generate results and solutions based on an analysis of those sources. A conclusion will be used to wrap up this passage, and in conclusion, this passage will not only review what the passage has talked about but also come up with limitations and future suggestions on research related to this topic.

2 The Customer Profile of High-Net-Worth Individuals

To encourage high-net-worth individuals to choose a family office in Singapore, the first step is to define the family office's target customers. In fact, high-net-worth individuals are not defined officially. However, like Forbes, Capgemini, and RBC Wealth Management mentioned, if someone has at least \$ 1 million in liquid assets such as cash, stock, bonds, etc., it is reasonable to suggest that an individual can be regarded as a high-net-worth individual. Within high-net-worth individuals, if someone has more than \$5 million and less than \$30 million, these people are considered as very high-net-worth individuals, and ultra-high-net-worth individuals are called as their liquid assets exceed \$30 million. Therefore, this passage will regard individuals who have at least \$ 1 million in liquid assets as the target customer.

After noticing target customers, their needs and wants should be analysed and transferred to possible solutions. Most Asian high-net-worth individuals come from China and Japan, according to Statista on the number of high-net-worth individuals in the Asia Pacific region. In China, there were more than 1300 thousand high-net-worth individuals, while, in Japan, this number reached nearly 3400 thousand by 2019. As for those high-net-worth individuals, nearly 20% of them are business owners, and their biggest

concern is wealth transfer. When discussing wealth transfer, most high-net-worth individuals decide to transfer their wealth to their next generation, let their next-generation manage and make wealth even prosperous, as well as ensure wealth can be transferred among multi-generation. Although transferring wealth to the next generation seems to be a simple solution, many high-net-worth individuals, especially those 45 years old and elder individuals, are afraid of “discussing wealth transfer” for the tendency of arousing family conflict [5]. It is reasonable to suggest that the family office should take high-net-worth individuals’ needs for wealth transfer into account, and a well-developed wealth transfer plan should be initiated.

Besides wealth transfer, more than 50% of high-net-worth individuals expect their wealth to be preserved. To ensure wealth is preserved, these high-net-worth individuals prefer to rely on wealth management agencies to help them make decisions. While selecting wealth management agencies, high-net-worth individuals generally consider the reputation of agencies, the service quality of agencies, and the products which agencies provide as important factors. In terms of reputation, recommendations are essential sources of reputation. Hsiu Ting mentioned in the passage *Factors Affecting Wealth Management Services: From Investors’ and Advisors’ Perspectives* that many investors’ decisions are made due to recommendations from others. In fact, most recommendations come from comments on banking service features such as “interest charged on loans, and interest on savings accounts”. Although many individuals are fascinated with friendly employees and modern service facilities, these can only be considered as secondary factors in encouraging high-net-worth individuals to select wealthy management agencies, compare with banking service features. Besides recommendations and services, many high-net-worth individuals care about investment products and consider this as the most important factor. Diversifying investment products help investors to obtain the lowest risks within investment portfolios. However, nearly 80% of investors believe that investment products are not diversified, and this led many of them to doubt the professionalism of wealth management agencies. It is reasonable to suggest that providing high-net-worth individuals with diversifiable solutions is an indicator of professionalism, and with professionalism, many high-net-worth individuals would be attracted in choosing certain wealth management agencies.

3 Methodology

After identifying the profile of high-net-worth individuals, and understanding these people’s needs and wants, it is reasonable to suggest that high-net-worth individuals expect to transfer wealth to the next generation, make wealth preserved, and achieve appreciation if possible. More importantly, high-net-worth individuals are demanding wealth management agencies. They expect wealth management companies to offer various investment products and make products diversified so that risks can be strongly reduced. To offer solutions for assisting high-net-worth individuals in transferring wealth to the next generation, this passage will discuss real-life cases, and solutions will be generated based on analysing those case studies. In terms of wealth preservation and appreciation, this passage would incorporate various secondary sources, such as datasets and journals, through discussion. In fact, these secondary sources will primarily focus on how

Singapore family office agencies assist high-net-worth individuals to achieve wealth preservation and appreciation, as well as suggestions on choosing wealth management agencies [6]. It is also essential to know that risk management and diversifying investment products are always prioritized on making investment decisions as well as managing wealth. Therefore, the solutions on risk management for high-net-worth individuals in wealth management will also be given.

3.1 Case Analysis

After noticing that high-net-worth individuals wish their wealth transferred to their next generations, family office agencies should provide detailed and particular solutions for those individuals. In fact, solutions related to wealth transfer can refer to cases of wealth transfer. According to Statista the average number of children of billionaires worldwide, most billionaires have 2 children, but there is also nearly 25% of billionaires have only one child [6]. However, in Asian countries, most high-net-worth individuals come from China and Japan, and it is non-negligible that some high-net-worth individuals in China would only have one child because the Chinese one-child policy was established in the 1980s when these high-net-worth individuals are legal to get married and born child [7]. At this moment, it is better to categorize high-net-worth individuals in Asia into someone who has only one child and someone who have more than one child, while analysing cases on wealth transfer.

As for high-net-worth individuals who only have one child, the most difficult is how to educate their child to become the ideal person to inherit wealth. High-net-worth individuals are passionate about education, especially higher education, so their children normally have pursued degrees from excellent universities worldwide [8]. After high-net-worth individuals' children graduate, these people will ask their children to work at their enterprise by asking them familiar with the enterprise's founders, general managers, clients, tasks, and responsibilities of each department, as well as asking them to cultivate work experience on management, so that they can become the next CEO of the enterprise. Although high-net-worth individuals have offered their children the best educational opportunity in the world and opportunities for them to develop work experience, high-net-worth individuals still need effort on evaluating their children's abilities and responsibilities. In terms of abilities, the high-net-worth individual should examine whether their children can preserve wealth and manage an enterprise, while, responsibilities generally refer to children's willingness to inherit their family wealth. It is important to know that about 30% of high-net-worth individuals' children are not interested in inheriting family wealth [8]. In this case, high-net-worth individuals should spend time persuading their children, and if their children are still uninterested with inherit, it is better to find someone else to inherit wealth.

Although family conflict can be ignored by high-net-worth individuals who have only one child, they blocked the possibility of selecting successors. When high-net-worth individuals have more than one child, they can choose successors among their children. While selecting a successor, high-net-individuals do need to pay attention to their children's education for a good education is the foundation of success. As many high-net-worth individuals worry about the family conflict through the process of choosing successors, it is also a good idea to expand the range of choosing successors which

means that high-net-individuals do not really have to transfer their wealth to their sons or daughters—if high-net-worth individuals' discovery that their nephews, brother, sisters, etc. are ideal successors, it is also a good idea to make high-net-worth individuals' nephews, brother, sisters, etc. become successors. In the passage Research on how Chinese entrepreneur select successors, Hongmei Gu set an example that the CEO of a taxi corporation choose his nephews as the successor because his nephews are hardworking and demonstrate a strong passion for managing a taxi corporation, in contrast to his son and daughter who only passion with being a teacher or a government officer. There is no doubt to suggest that the CEO of this taxi corporation resolve the family conflict. As the CEO initially asked his son and daughter to choose their career path, the CEO will recognize whether his son and daughter are the ideal people to be the successor. This is better than assigning one of his children as the successor to other children who may be disappointed by his father's decisions. After the CEO of the taxi corporation noticed his nephews' passion, he immediately assigns his nephews as his successor which make wealth successfully transferred [9].

3.2 Research on Diversity Strategies

Besides wealth transfer, many high-net-worth individuals expect wealth management firms to help them manage risks, preserve wealth, and make wealth appreciated. Singapore Temasek Holding Company is a wealth management agency in Singapore aimed to manage the Singapore government's investment in enterprises. This firm originated a model called the Temasek model which provides guidance on wealth management. Risk management is an important component of the Temasek model which emphasize that risks in strategy, finance, and operation should always be monitored. Besides these risks, the audit committee and the government must play an essential role in terms of auditing the performance of both Singapore Temasek Holding Company as well as their invested companies [10]. Since high-net-worth individuals are serious about risks, and a number of them are disappointed with wealth management plans without distributed risks, wealth management firms should concentrate on risk management, so that high-net-worth individuals' wealth can be preserved. As wealth is preserved, many high-net-worth individuals wish their wealth to be appreciated. To make wealth appreciated, high-net-worth individuals can diversify their investment products and invest only in growing sectors [11]. Singapore Temasek Holding Company performs well in diversifying investment products and selecting a growing sector—its investment fields range from Infrastructure, Transportation, Communication, and Banking to Finance, and it constantly monitors the popularity of each field to adjust investment decisions. In fact, Singapore Temasek Holding Company's adjustment on investment strategies is expressed as changing the equity ratio of each investment. When the investment is in popular fields, Singapore Temasek will increase the equity ratio. However, it would reduce when fields are lacking attention. It is reasonable to suggest that determining a popular field is important for the wealth management field as this is high-net-worth individuals' expectations of wealth management [12].

4 Results and Discussion

By analysing cases on wealth transfer, it is reasonable to suggest that high-net-worth individuals are demanding with selecting their successors to achieve wealth transfer. When high-net-worth individuals choose successors, the first factor is whether the successor has a good education. Once the successor obtained a good education, high-net-worth individuals are willing to ask their potential successors such as their sons, daughters, nephews, brothers, and sisters in terms of their interests in being the successor. After the successor's passion is determined, high-net-worth individuals would concentrate on teaching the successor and evaluate whether they have characteristics, such as entrepreneurship, insight, responsibility, etc., which are mandatory to successors [9]. When the successor shows the ability to successfully manage enterprises, and make wealth preserved and appreciated, it is reasonable to suggest that wealth transfer is completed.

Family office agencies in Singapore can provide high-net-worth individuals with needs on wealth transfer for Singapore has excellent education which definitely meets high-net-worth individuals' expectations on their children's education. In Singapore, students are required to learn two languages and can use both languages in a professional way. However, there is no guarantee that all students can use two languages skill fully. In this case, schools in Singapore adopt an education streaming system that applies the Confucius' teaching model-teaching students according to their aptitude [13]. With this teaching method, students are more likely to find their passion on study and discover their strengths. Besides education on teaching student knowledge, schools in Singapore always regard morality education as the essential part of education. With morality education, students will know how to be a good person, which includes being someone who has strong responsibility. As individuals know how to be a good person, they are more likely to succeed in their careers. Besides knowledge and morality education, advanced education in Singapore is also popular. Singapore's universities pay a lot of attention to encouraging students to participate in both teaching and seminars. Through the seminar, students will obtain more opportunities in expressing their own ideas which encourages students to think and created better ideas. With practice in generating and expressing ideas, students can develop their skills in innovation. With great practice in innovations, those successors will form a better understanding of innovation, so that they can come up with various innovative ideas for managing their enterprise [14].

In addition to wealth transfer, many high-net-worth individuals expect their wealth to be preserved and appreciated. No matter wealth preservation and wealth appreciation, risk management should always be remembered. To encourage high-net-worth individuals to choose family office agencies, it is essential for family office agencies to always remember risk management, and offer a solution that can generate higher profits for high-net-worth individuals with relatively lower risks. What is more, family office agencies should constantly evaluate investment fields in terms of the popularity of each field. Once a field is no longer popular, it is important to announce high-net-worth individuals to stop investing in these fields. Finally, the communication between high-net-worth individuals and family office agencies should be kept. There is no doubt to suggest that high-net-worth individuals are sensitive to the trend in various fields. As for family office agencies, it is essential to constantly interact with high-net-worth individuals to share

ideas on investment fields. In this case, wealth preservation and appreciation can be better performed.

5 Conclusion

Since the number of high-net-worth individuals increases, the need for a family office will be increased. As for family office agencies, it is important to understand high-net-worth individuals' needs for wealth transfer, wealth preservation, and wealth appreciation. Singapore is a good place for high-net-worth individuals to choose in using the family office service. In terms of wealth transfer, Singapore's education will not only offer high-net-worth individuals' successor knowledge but also teach them how to become good people. After learning knowledge in multiple fields, successors can apply knowledge in these fields in the real world, so that successors can make better decisions while managing their enterprises. Apart from knowledge, the morality education in Singapore provides great opportunities for those successors to understand the characteristics of a good person. Knowing how to become a good person is more important than learning a sufficient amount of knowledge as a good person is more likely to obtain admiration from others. Making wealth preserved and appreciated is also important to high-net-worth individuals. To ensure wealth is preserved and appreciated, it is essential to remember risk management and investment decisions should keep pace with the risk management and follow the trend of development. When risks are securely monitored, and investments are followed by the popularity of fields, high-net-worth individuals are more likely to make wealth preserved and appreciated. Although wealth transfer, preservation, and appreciation are identified in this passage, researchers still need to be aware of the limitations. As this passage solely relies on secondary sources while doing analysis, and sources may not be updated, the result of this passage may not be accurate. In future studies, if there have opportunities in doing primary research, it is better to adopt interviews and questionnaires as the research method. Therefore, the result will be presented more professionally.

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