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A Roadmap for Generational Wealth in Asia
Mentorship

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White Paper

Campden Research
A division of Campden Wealth

In partnership with Campden Wealth Research

Contents

Foreword

Asian family businesses contribute significantly to economic activity and social development, perhaps more than in any other region in the world. The Credit Suisse Research Institute found that almost 1,280 listed companies above US$500 million in market capitalization in Asia (excluding Japan and Australia) to be family influenced. In addition to this, the proportion of family businesses is even higher in unlisted or privately held companies. Many of these family businesses will see generational transition of ownership and leadership in the next decade or so.

Credit Suisse is privileged to have served many of the world's business families since 1856. We recognize that generational wealth is a holistic combination of financial wealth, assets and the family business. To help families and their businesses prepare for this generational transition, Credit Suisse has collaborated with Campden Wealth Research to present the series "A Roadmap for Generational Wealth in Asia".

The Roadmap series comprises a number of papers that focus on various aspects of generational wealth transfer and provides a framework for families to consider how to manage such transitions. The papers also aim to be empirical, by containing survey-based methodologies of family businesses across Asia, to provide the reader with a form of peer learning through insights into what other business families are doing and thinking about.

The first paper in the Roadmap series dealt with the various dimensions of reputation of a family business.

We are delighted to present the second paper of the Roadmap series, which examines how the next generation can be better prepared to assume responsibility for the family's holistic wealth.

The various findings of this paper largely resonate with our own impressions gained from our dedicated specialists and experienced relationship managers who have been working closely with many business families across Asia on these issues. One such observation is that majority of families (over 70%) are at best "somewhat prepared" for generational transition within the current market cycle (one to five years).

While we see many families still focused on the growth of their businesses as an entrepreneurial imperative, they tell us that the challenges there are perhaps easier to surmount than the challenges of generational transition. There is also hope for growth that will placate all stakeholders on either side of the transition and allow the next generation to "earn its place". An increasing number of families also realize that they may need to develop more formal ways of developing the next generation and managing their family wealth, just in case market cycles or growth takes a turn. To this end, Credit Suisse has conducted hands-on programs for well over a decade to help our next generation clients develop the networks that will support them over the long term. For instance, through our Young Investors Program, we have enabled the next generation to focus on the elements of entrepreneurship and financial literacy. The subsequent election into a self-managed social network of alumni across the world, Young Investors Organization, allows the exchange of thought-provoking ideas and pursue peer-to-peer learning in the fields of finance, business and personal development.

We trust this paper to be of interest and guidance to family business leaders on both sides of a generational transition, and look forward to presenting future papers of the Roadmap series.

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Executive summary

Oftentimes, in Asia, discussions around family wealth management focus on the institutionalisation of wealth management structures. A host of professionals purport to unravel the complexities of creating wealth management structures, such as a family office. Indeed, an entire cottage industry has grown around this topic in Asia in the last few years, following the incredible growth of private wealth in the region. Proponents of institutionalisation assume that if you create the right structure, family wealth will take care of itself for generations to come.

But managing a family's legacy is not so simple. Not only is it difficult to decide on what structure is right for your family, but implementing a plan to build a resilient wealth management structure is also challenging. Here it is important to consider the value of financial and wealth management education. With this in mind, Credit Suisse partnered with Campden Wealth, the global leader in information, education and network facilitation for families of significant wealth. The result of this study is the second instalment of a six-part research partnership between Credit Suisse and Campden Wealth, titled "A Roadmap for Generational Wealth in Asia."

Our purpose in undertaking this study, then, was threefold. First, we sought to understand how family business leaders in Asia regarded financial education, while looking also at the relationship between these views and family wealth management objectives. Second, we wanted to gauge family leaders' current wealth management objectives and relationships with managers, as well as which types of advisors are core to intergenerational family wealth management. Finally, we wanted to delve deeper into family elders' views on the next generation of family leadership, paying particular attention to professional experience and mentorship.

Surveying High Net Worth family business leaders across the region, we found remarkable similarities in their views on wealth management education, priorities and expectations for the next generation of family leadership.

This second instalment of the "Roadmap" addresses three core areas of family wealth management education:

Experience

Just over a quarter of participating Asia-Pacific business leaders believe that the next generation is suitably prepared for family wealth leadership transfer. Although preparedness improves as an expected transition edges closer, perceptions of preparedness remain quite low. The next generation should not hesitate to begin familiarising themselves with the workings of the boardroom, as well as the family council. If the next generation is not yet involved in family wealth management decisions on a day-to-day basis, family governance structures, such as the family office, are useful ways of learning about family wealth management decisions for the day when it's time to take the reins. Because families can ossify over time, next-generation family members have the opportunity to look at family structures with fresh eyes, facilitating beneficial change.

Relationships

Advisor relationships are both longstanding and, in general, have a stabilising impact when dealing with the turbulence of transition. Both next-generation family members and advisors need to be aware that relationships require nurturing - across generations and before transitions occur. Having a working relationship with more than one family member allows advisors to help think strategically about the family's wealth, and from multiple perspectives, about the family's purpose for its wealth. Inter-family relationships need to be nurtured also, providing guidance to the next generation about the nature and importance of advisor relationships, so that junior family members better understand an advisor's role in looking after the family and, importantly, its wealth.

Mentorship

When it comes to education and mentorship, family comes first. Family members are the primary providers of wealth management education, and often arrange the professional and formal education for the family's next generation of leaders. For families seeking to develop early-stage (that is, for young or inexperienced family members) wealth management education, games and hi-tech platforms, such as market and planning simulators, are a great way to create a setting that promotes learning, healthy competitiveness and intergenerational dialogue. Professional experience is also very important, which can often be achieved through planned and early exposure of next-generation family members to different departments of the family business. These practices also facilitate an immersion in family values and priorities, while also providing a context for wealth management education and the application of formal study to practice.

Section 1

Experience

- Twenty-seven percent of participants consider their families to be prepared for generational wealth transfer. Participants closer to a succession event are more prepared for generational wealth transfer;

- Growth is the key wealth management strategy of participants. Preparing for wealth transfer (to the next generation) does not feature as a wealth management strategy for over a quarter of participants. These participants display low levels of preparedness for transition;

- Participants closer to a succession event are more likely to pursue wealth preservation strategies, as well as strategic preparation for wealth transfer. Participants prioritising preservation strategies are also less confident in their wealth management decisions;

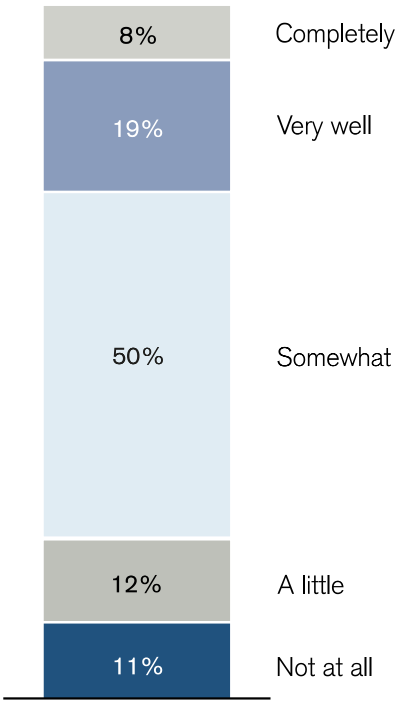
- The next generation is the third-most active grouping in managing family wealth, behind the family office and family elders;

- Seven out of ten participants do not expect either a change in management or strategy in the next 12-24 months.

How prepared is the next generation?

How prepared are next-generation family business members for wealth transfer? Our participants, of whom 92% are in senior management roles within the family business or are family elders who own controlling stakes in the family business (but are not actively involved in day-to-day management), are uncertain. Just over a quarter of participants, regardless of relationship to the family business or age, hold considerable confidence in a successful, future wealth transfer.

Figure 1.1 How prepared are you for generational wealth transfer?



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Participants closer to a succession event, however, attribute higher levels of confidence in their preparedness, compared to those families where wealth transfer is further away. However, overall perceptions of preparedness among Asia-Pacific business-owning families are still low; for instance, typically, a participant representing a family that is 1-5 years away from generational transfer is only "somewhat prepared" for this event. This lack of confidence may not be a result of lack of wealth management experience or education, but rather a reflection that business-owning families in the region remain focused on the growth of their business.[1] Regardless of the reason, however, it is important to note that there remains significant work to be done so that families of wealth feel confident in their readiness for managing the wealth that serves as a pillar of the family legacy.

A question of prioritisation

Reviewing participants' wealth management objectives may help illuminate why participants lack confidence in their own readiness. Across the sample, growth stands as the key wealth management priority, whilst formally preparing for transfer is often given little regard as a wealth management function. Notably, this study's business-owning family participants report a higher interest in capital growth, compared to regional peers from more formalised, family office structures (which also own operating businesses).[*, 2] This distinction characterises the role of the family office as a mechanism for the consolidation and control of wealth, wherein income or capital growth is not always a priority.

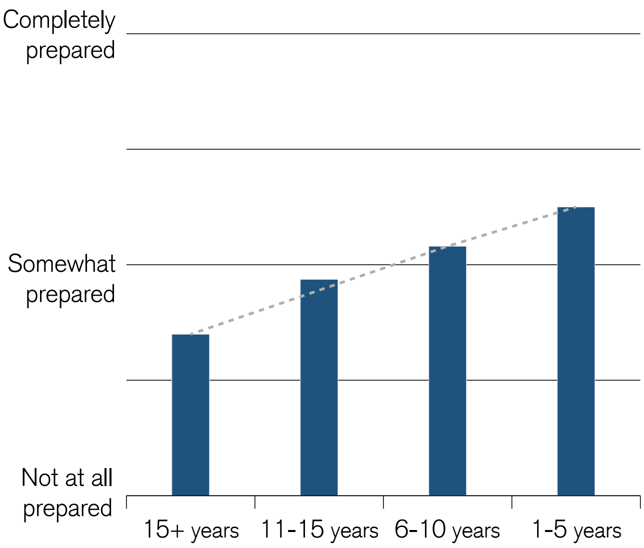
Not only is growth the key priority for many participants, but some participants report no other core wealth management objective. Additionally, a quarter of participants do not consider transfer preparation to be a key wealth management objective for the family. Understandably, and as aforementioned, these family members hold low degrees of confidence in their own preparedness for transfer. This situation evokes a chicken-or-egg scenario: are families with low levels of confidence unprepared or are unprepared families (rightly) lacking in confidence? Either way, the solution is clear. Families need to discuss, in detail, amongst family members and with trusted advisors, what needs to be done in order to prepare the family for a successful wealth management transfer. And while official and institutional structures can certainly facilitate smooth transfers, ultimately it is people who make decisions – not constitutions, not structures. A framework and a plan for transfer is only as good as the awareness, education and experience of those individuals – be them family members or external specialists – leading the transfer.

* In Campden Wealth's landmark *The Global Family Office Report 2014*, 27% of business-owning family offices in Asia-Pacific reported pursuing growth strategies with regards to their investments, compared to 35% of participants for this study.

Preservation is the default of the uncertain, while confident families pursue growth

Participants who prioritise wealth preservation strategies are less confident in their wealth management decisions. Those families that prioritise growth are significantly more confident in their wealth management decisions. But what about transitions? How do family priorities shift over time, particularly as transition nears? Notably, families become more confident in their preparation as the expected (or planned) succession nears, as illustrated in Figure 1.2. This shift is accompanied by an increased interest in wealth preservation and next generation transfer preparation.

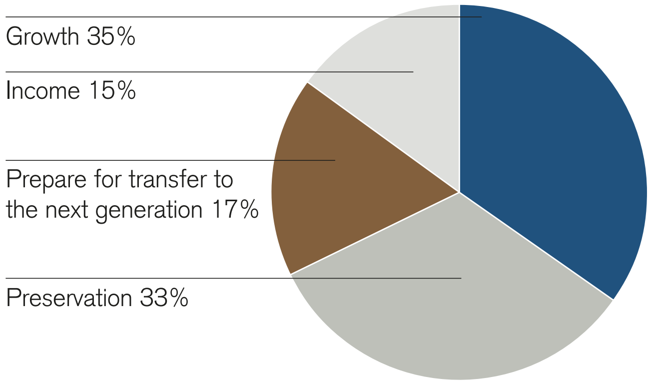
Figure 1.2 The relationship between expected transition horizon and preparedness for generational wealth transfer



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

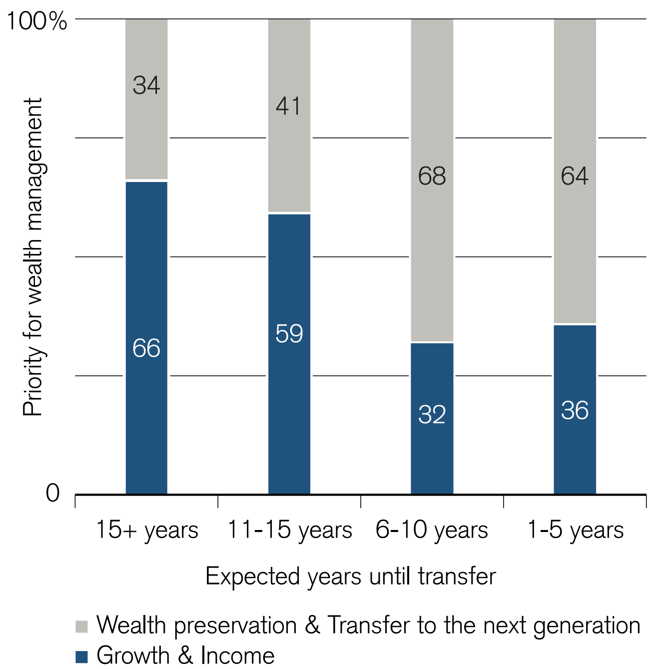
Reviewing the relationship between wealth management priorities and confidence in wealth management decisions further elucidates this relationship. While income and generational transfer preparation are certainly less common as primary wealth objectives for participants, those families that prioritise these strategies exhibit higher levels of confidence in wealth management decisions, regardless of the horizon of an expected or planned transition.

Figure 1.3 Primary family wealth management objectives



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Figure 1.4 Family wealth management objectives, by expected transition horizon



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

You cannot spell "family office" without "family"

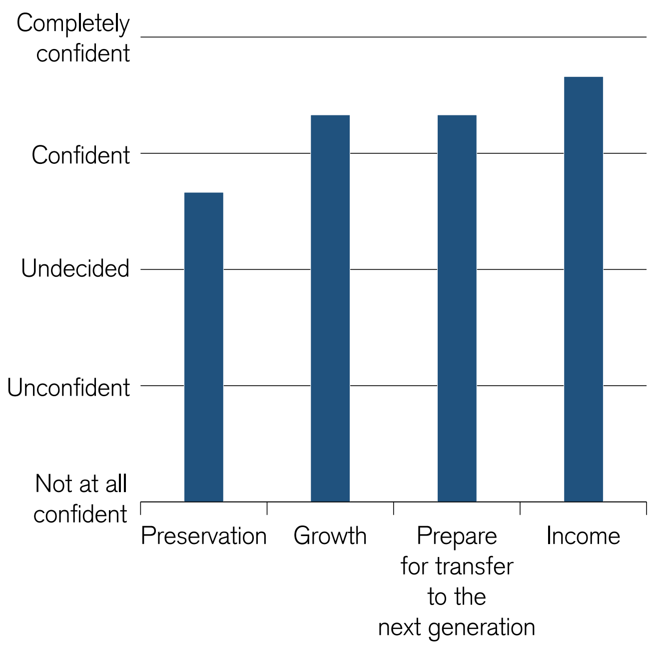
As well as the strategic focus of families, it is important to know how family wealth is actually managed, and by whom. For roughly half (53%) of participants in this study, the family office manages the family wealth on a daily basis. In some cases, these offices are the only party involved in managing family wealth. But for many participating business-owning families, the family elders lead the family wealth management effort, followed by the next generation in involvement. Interestingly, the next generation evidences an all-or-nothing characteristic when it comes to involvement: participating families exhibit either high degrees of next-generation family member involvement, or no involvement at all. So while some families are yet to have young family members involved as leaders, when the next generation is involved, it plays an active role. The question remains, then, how to best prepare the next generation for this involvement – not simply to improve a family's confidence in its readiness, but to ensure its sustainable, resilient performance.

As a whole, this study's sample can serve as a proxy for the current state of family wealth in Asia-Pacific: some families are quite organised – complete with sophisticated, independent and professionally managed family offices – while many business-owning families remain focused on the operating business and have not yet developed formal structures for family wealth management. Family member involvement runs this gauntlet, as well.

> "I am now directly involved in managing my own family wealth, but not my parents' or siblings' wealth. The family business, which was founded by my grandfather, is in its third generation, so it forms only part of my direct family wealth."*

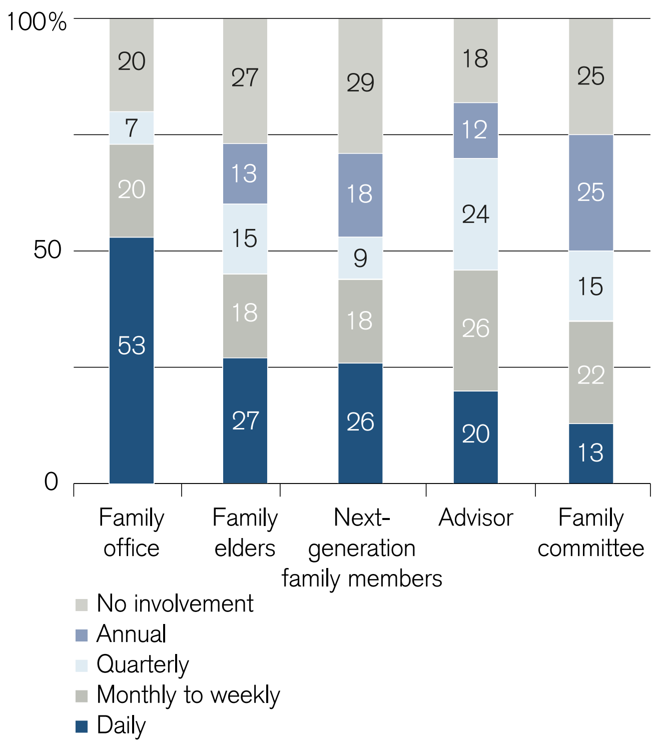
* All quotations provided in this report are attributable to Asia-Pacific family business owners who participated in interviews for this confidential study. In order to honour their request to remain anonymous, no identifying details will be disclosed in citations.

Figure 1.5 Confidence in wealth management decisions, by primary family wealth management objective



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Figure 1.6 Involvement in family wealth management, by relationship



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

The role of the family committee

Because family committees are most likely to convene annually, it may be tempting to understate their importance for managing family wealth. However, family committee meetings set expectations and investment guidelines for managers, to be followed and adhered to by advisors, investment professionals, or family office chief investment officers. Although such involvement is indirect, the family committee is critical for developing a family's wealth management strategy and objectives.

The family committee also presents an educational opportunity for family members, especially the next generation. Not only does the committee allow family members to communicate about their individual priorities for family wealth, but it also facilitates healthy dialogue between family leaders and managers, advisors and executives, while also affording macro- and granular details about the economy, markets and individual investments. In short, the family committee is a training ground for family leadership, even if some family attendees cannot vote or are not yet ready to voice their opinions.

Staying the course with strategy and management

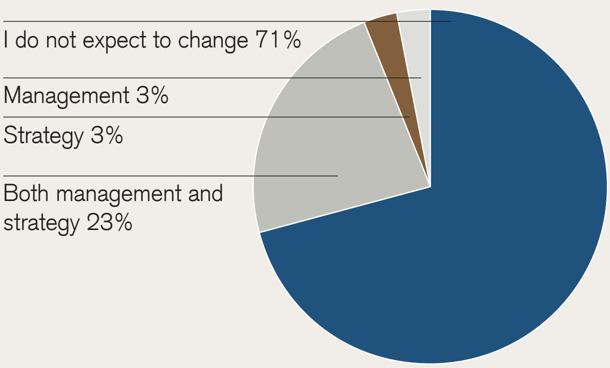
How do families expect to change wealth management strategies or management structures in the next year or two? This study found little expectation to implement changes in the near-term, with seven out of ten participants reporting that they do not intend to change their strategy or management over this period.

But what about the remaining 30%? Of those considering a change, the majority report planning to implement changes in both strategy and management. That is, the two are inextricably linked. But what will these changes amount to, most probably?

For the significant minority of participants reporting a projected change in strategy, a shift toward strategies of growth and next generation transfer preparation are key considerations. Changes in management, however, are mixed, reflecting a variety of priorities amongst families. Fifty-six percent of change-seekers are looking to outsource more responsibility, while the remaining participants are looking to increase family involvement or establish a family office to manage the family's private wealth. Outsourcing and family office creation stand as testament to the confidence that participants hold in the region's service providers. Even if families could "go it alone", they're choosing to involve non-family professionals, in order to provide industry expertise and best practice.

It is important to note that participants' resolve around family wealth management is quite consistent: Neither generational status, duration since the last family transition, or projected next transfer appear to influence intentions around changing family wealth management strategy or management. Once a family decides on its strategy and the means by which it will pursue that strategy, it appears that its commitment is resolute.

Figure 1.7 Expectations to change family wealth management and/or strategy



Primary changes

Management
Outsource more, decrease family involvement.

Strategy
Increase growth objectives, reducing preservation.

Both management and strategy

Management
Increase family involvement, establish a family office, and outsource more.

Strategy
Increase growth and next generation preparedness objectives, reducing preservation.

Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

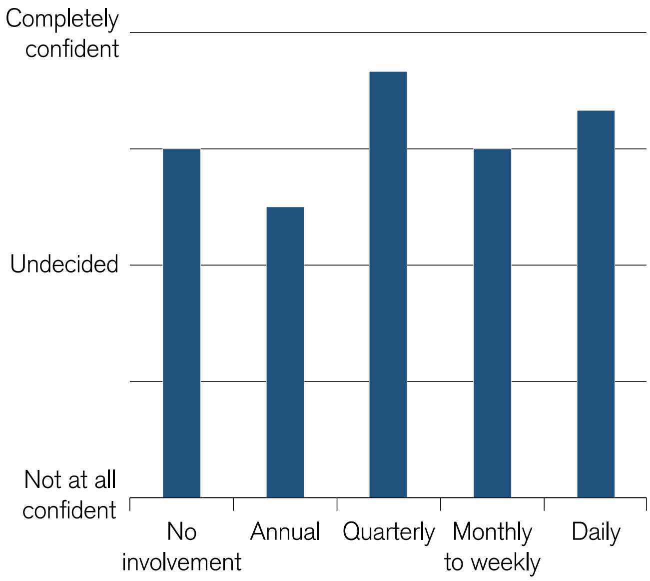
Roadmap for the next generation

Next-generation family members are agents of change;[3] furthermore, the study found high degrees of next generation involvement in family wealth management. For those next-generation family members who have not yet accrued experience with family wealth planning, execution or oversight, the family committee or the family office offer great opportunities for education, experience and mentorship.

Regardless of the degree of next-generation family member involvement in family wealth management, a minority of elders (27%) consider their progeny to be prepared for generational transfer. Importantly, this opinion holds regardless of the degree of next generation involvement in family wealth management: elders exhibit no improvement in decision-making confidence or next-generation preparedness with increased involvement by the next generation. The burden of proof, then, lies with the next generation. Regardless of whether next-generation family members are involved daily or annually, it is unlikely that they will impress elders – until it counts. If young family members get involved early – by actively seeking education, experience and mentorship – then they'll be best prepared, not simply to impress, but to perform.

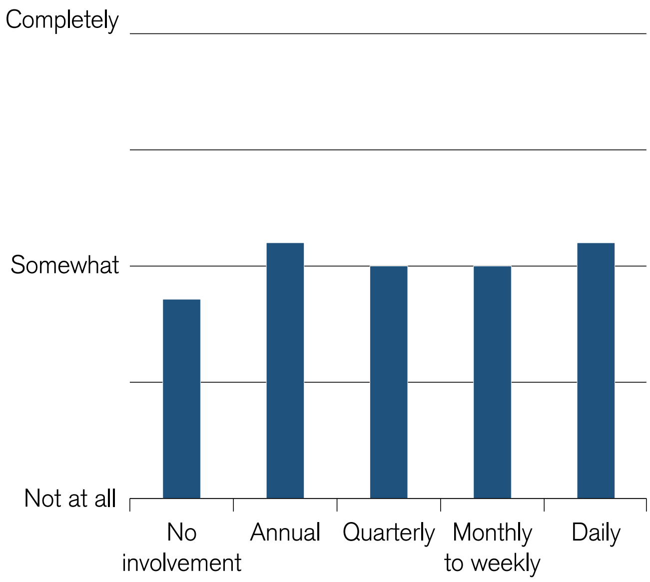
> "We aim to groom the next generation into individuals who can take responsibility and be mature, responsible adults, so to speak. So all-around [personal] development is given a lot of importance."

Figure 1.8 Confidence in wealth management decisions, by next generation involvement



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Figure 1.9 Preparedness for generational wealth transfer, by next generation involvement



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Section 2
Relationships

- Participants with longstanding advisor relationships, and those who engage with advisors more frequently, are more satisfied with their relationships and consider advisors more important to achieving their wealth management goals;
- The family office is the most important service provider in achieving family wealth management goals, followed by asset managers and tax specialists;
- Participants closer to a succession event display higher levels of satisfaction with their advisors;
- Relationships and quality of advice are the most important aspects of advisor offering for participants, regardless of their level of wealth, gender, age or country of residence;
- While family-centred education programmes may be useful for advisors to better understand client needs, among participants, these programmes are the least important wealth management education tool;
- Professional networks are particularly important for family elders.

Which advisors do wealth holders value the most?

When it comes to advisor relationships, engagement is key. Indeed, those advisors with the longest-standing relationships and the highest frequency of engagement are deemed not only with higher levels of satisfaction in the services they provide, but also as the most important facilitators of achieving the family's wealth management goals. Family offices, here, lead the way, despite the (relatively) recent emergence of these structures for families in Asia.[2] Following closely are accountants, tax specialists and investment management consultants. While the family office can serve as a hub for advisors and managers executing investment and family succession plans, in this study asset managers have some of the shortest relationships with families, but remain integral to achieving family wealth management objectives.

Participants find third party service providers, such as private banks and investment banks, less important, as well as less likely to merit satisfaction with service provision. A key challenge for these advisors, then, is to not only strive to nurture relationships with family members, but ensure that family members understand exactly how third party service providers can add value to the family wealth management plan.

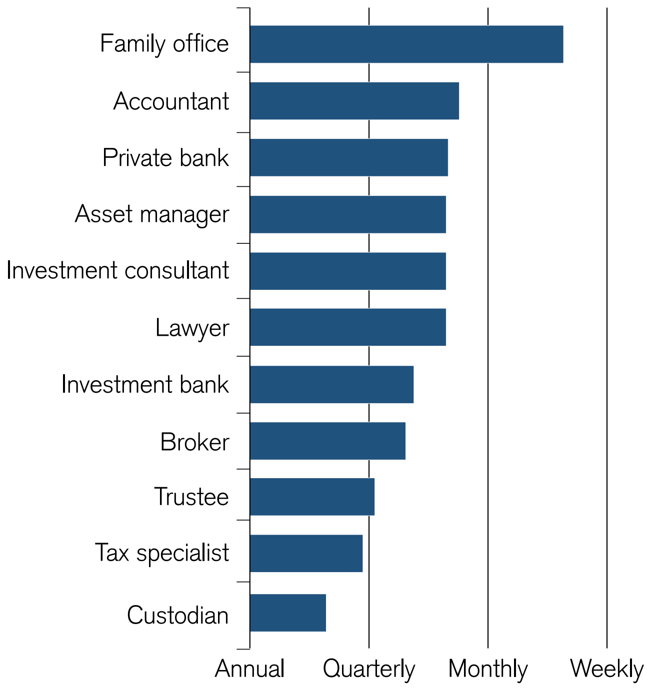
Lawyers, it seems, have found a way to strike this delicate balance: whereas they may only engage a family on a quarterly or monthly basis, satisfaction is high for this group, as is the importance attributed to the services that lawyers provide. Legal support, then, is a quintessentially "sticky" relationship for families and a model that custodians, trustees and even brokers should look to replicate as they seek to nurture relationships and add long-term value to the family wealth management plan.

For advisor relationships, timing is everything: participants closer to a succession event report higher levels of satisfaction with advisors. In particular, lawyers retain importance throughout the expected transition horizon, as passing onto the next generation is fraught with legal issues regarding everything from property distribution, tax, to employment issues. Legal advisers are therefore well positioned to support family wealth succession planning and execution.

Figure 2.1 Average duration of family relationship with financial advisors and service providers

Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Figure 2.2 Average frequency of family engagement with financial advisors and service providers



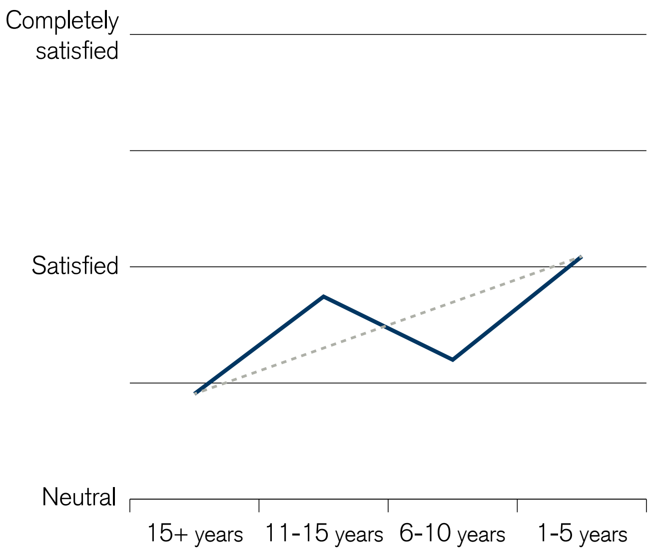
Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Wealth management advisors

When it comes to family perceptions of the value of wealth managers, quality is king. But therein lies the challenge for families seeking new advisors: How does one gauge, from the onset, the quality of relationships and advice that an advisor will provide? This is why reputation and referral remain key drivers for Asian business-owning families seeking and forming new advisor relationships. And because reputation takes time to build, family-to-family trust is a core component of advisor reputation.[3] Crucially, participants in this study rate relationships and quality of advice higher than any other metric of evaluation. This relationship holds regardless of the level of wealth, gender, age or country of residence of participants.

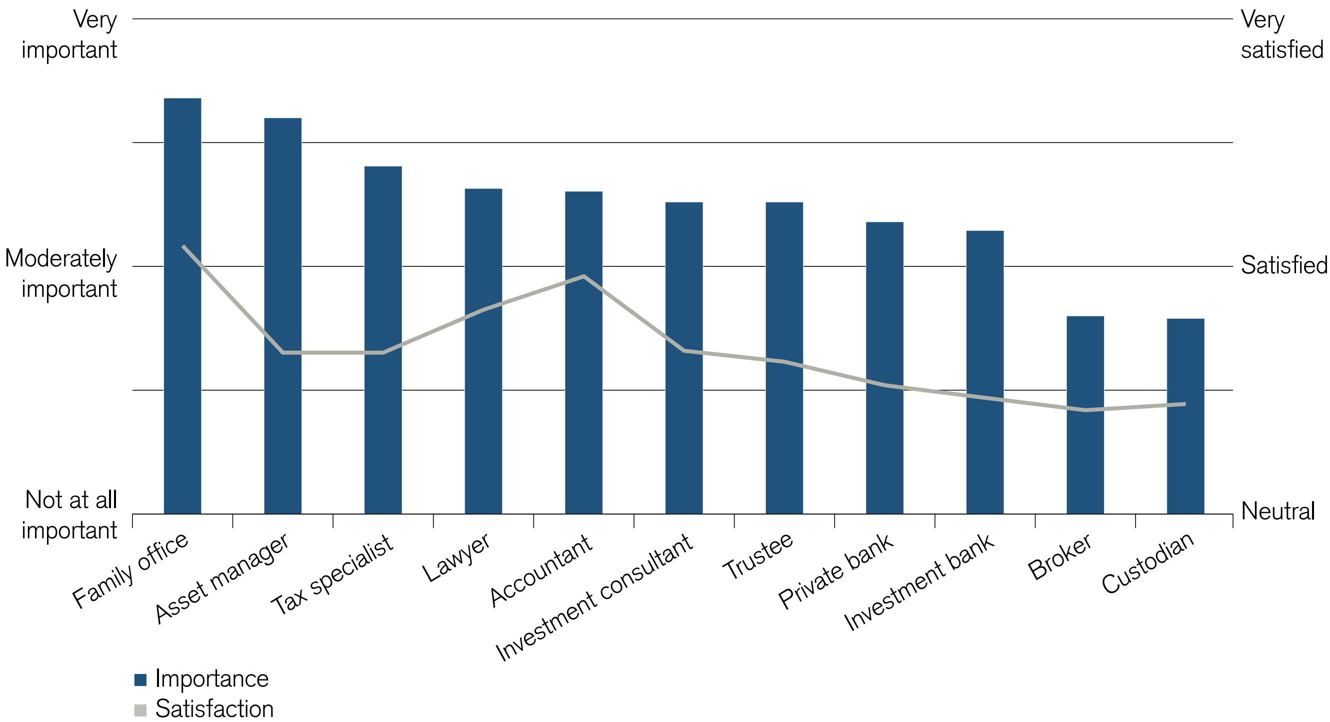
Some advisors spend quite a bit of time pitching elements of an offering that family members consider peripheral when it comes to implementing a family wealth management plan. Specifically, cost, convenience and control (exemplified by the availability of research or the freedom to pursue other interests) trail reputation-based considerations and core quality of services provided. The lesson for advisors is simple: families are looking for advisors with impeccable service credentials, who are committed to long-term relationships.

Figure 2.4 Average satisfaction with financial advisors and service providers, by expected transition horizon



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

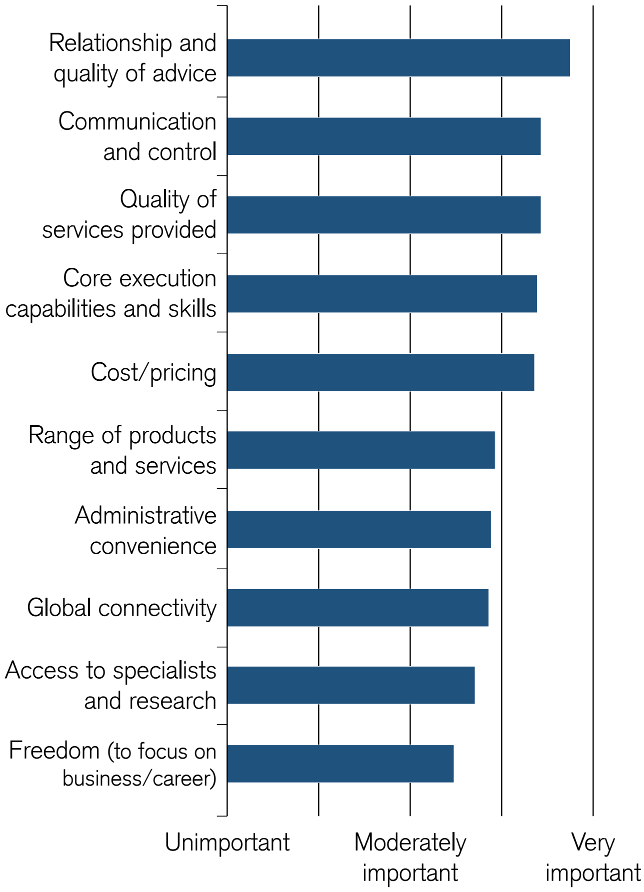
Figure 2.3 Value of family wealth management, by type



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Retention is often a good proxy for quality, and what is evident from participants is that they hold a long-term outlook with regards to their advisors. Some structures may be new to the field, such as the family office, which on average in Asia is only thirteen years old, but family offices have an innate advantage when it comes to overall relationships.[2] Relationships already exist within an inter-family spectrum, across operating business industry or executive professional or educational networks. For new, alternative service providers, such as asset managers, client recruitment might be a first step, but retention occurs only when family members trust advisors, which requires patience and a long-term commitment to supporting the family in its pursuit of a wealth management strategy.

Figure 2.5 What factors are most important for selecting a wealth management advisor?

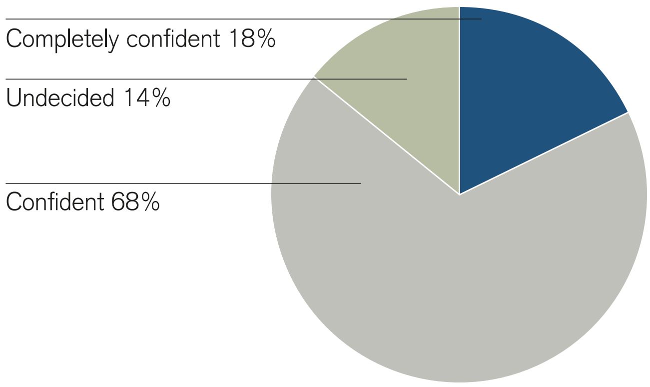


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Confidence is key

A family's clarity of vision and long-term outlook is connected integrally to the high degrees of confidence cited by this study's participants. This confidence in one's own wealth management decisions allows family members to establish and direct long-term relationships with providers and advisors in a way that advisors can get on with their work. With concerns for cost and specialist information or offerings relegated to subordinate priorities, advisors are freed to focus on performance, consistent execution and management of accounts. But whence does such family confidence stem?

Figure 2.6 How confident are you in your wealth management decisions?



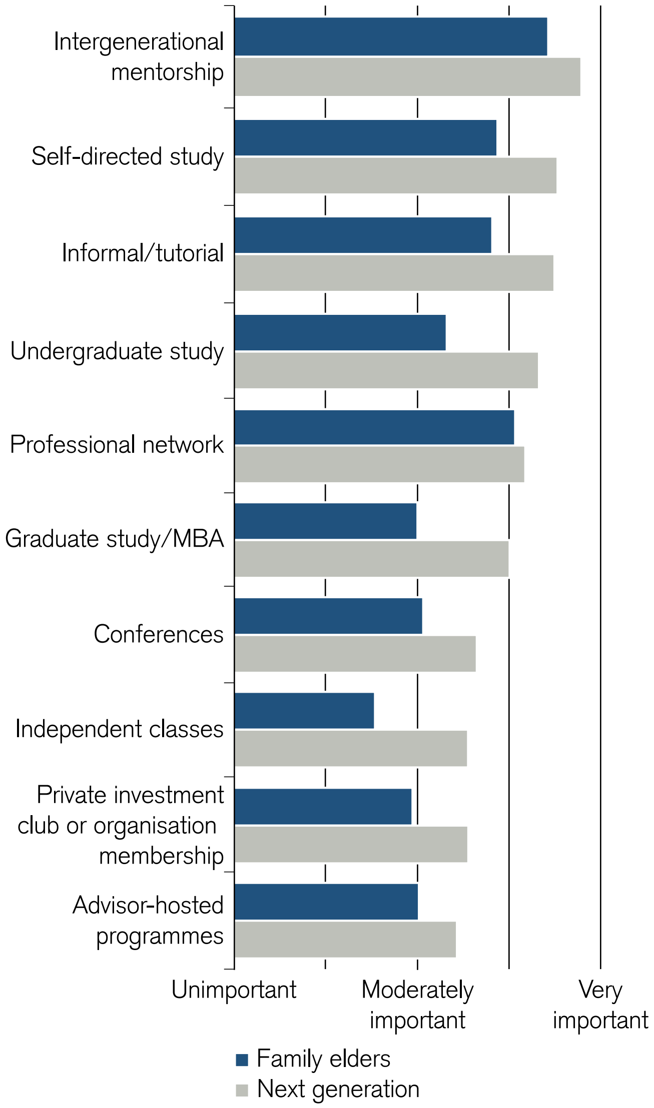
Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Mentorship is a driving factor for confidence among participating family members, for both elders and the next generation of family leadership. Education (both self-directed study and formal, university education) is important early on – that is, for the next generation – while one's professional network becomes more important with age. It is important to note here that professional experience is not a differentiating factor intergenerationally; that is, participants attributed equal importance for professional experience as a factor for both elders and the next generation. A professional network, however, is proportionally more important for elders than it is for the next generation, perhaps due to the fact that younger family members typically exhibit nascent networks.

But not just any networking opportunity will suffice for increasing the next generation's competency. Rather, advisor-run programmes, clubs, and organisations offer lower degrees of value, compared to conferences. It is important to notice, here, that conferences offer a unique blend of education and networking. Tip that balance and families report deriving less value from networking-oriented opportunities for the next generation.

Advisor-hosted programmes function best as a mechanism for building relationships, while also providing advisors with an opportunity to learn how to better support family members. For the next generation, all other educational opportunities are deemed more important than advisor-hosted programmes.

Figure 2.7 How important are the following forms of education for your family?



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

"I know of many advisor-run programmes…that do similar things and all of that has its merits, if it is done properly. I used to be at [a major wealth management firm] and I know that its next generation programme was appreciated by families. The only issue I had with it was that it was often difficult to maintain focus on the kids. Bankers tend to pick out the parents and try to recruit them as investment banking clients… The programme was primarily a client on-boarding exercise…

…But if you have a structured stay-in programme in an offsite location, maybe then it is different. I am not sure how well the structures have evolved. I mean there's a place for it, but it needs to be done in the right way, for the right reasons – rather than pushing internal or business client agendas. That's what I have seen happen, more often than not."

Roadmap for the next generation

Utilising advisors effectively requires savvy. Family elders and the next generation need to assess which advisors provide dedicated service and a cost-effective offering. Experience counts, also, as does reputation and referral.

For the next generation, and for families-in-transition, an advisor's importance can change drastically, depending on family (and market) conditions. Both next-generation family members and advisors need to be aware that relationships require nurturing across generations and well in advance of family transition. Certain family members may require a more hands-off approach, or alternatively, a hand to guide them.

Focusing on service delivery and execution can help the family navigate a difficult transition, leading to greater confidence in family wealth management decisions and preparedness for transfer. The perspective and wisdom offered by a long-time family advisor during a family transition is a valuable asset that young family members should not underestimate.

Inter-family relationships need to be nurtured also, as family members are fundamental components of family wealth management education, compared to advisor hosted programmes. The opportunities to learn best practice from elders, to inherit their networks, and to witness their dealings with advisors, effectively allows the next generation to access a family's "memory bank" while forging one's own perspective in preparation for family leadership.

Section 3

Mentorship

- Participants regard informal mentorship as the most important form of wealth management education, compared to formal and other informal means of education for the next generation;

- Eighty-six percent of participants emphasise the importance of professional experience in achieving family wealth management goals;

- Informal conversation, traditional higher education and facilitating real-life investment opportunities are the primary ways that next-generation family members receive mentorship and education in family wealth management. While the family office often plays a role, other family members are the primary educators of the next generation.

Mentorship is a two-way street

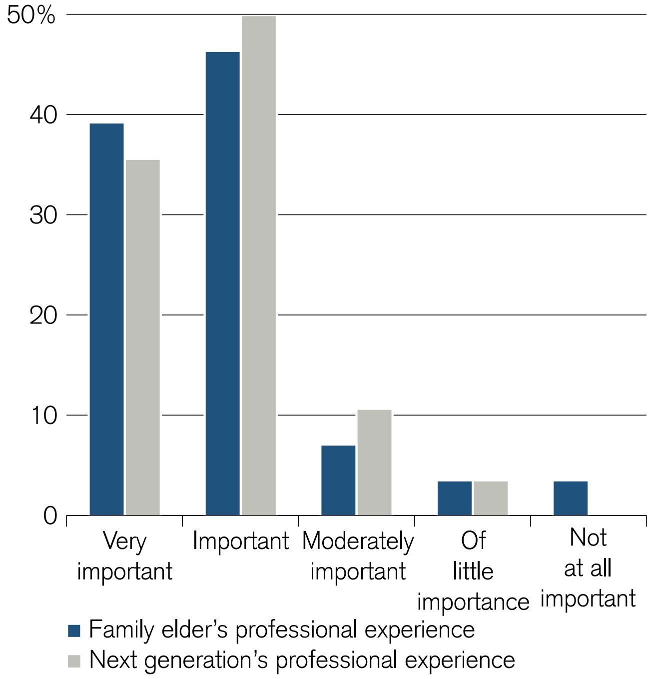
> "Whenever [the next generation] is back in town [from university], we arrange internships for them at group companies. This enables them to get a flavour of what we stand for, how we treat our people, what it is that we do. We know that their university courses – such as art history – will be very different from what is required at the company, which is an industrial, technology and engineering group. So interning provides an interesting perspective on the family business – the goings on, the people in it. And that is something that we began when the kids were about 15 or 16 years of age. If you get them involved at an early age, then they will develop a better sense of the business."

How can family members – and, particularly, family elders – ensure that the next generation is ready to lead the family wealth management strategy? While this report began by addressing the role of family-member professional experience and relationships in creating conditions for effective family wealth management, it is important to reconsider next-generation education and skill development. There are many questions that family elders must ask concerning degree, type and location of education, as well as the relevancy of this education to both the family business and family wealth.

These questions presume that education warrants preparedness, but this study finds a more tenuous connection between education and family readiness. For Asian business-owning families, experience is integral for confidence. And experience resides squarely with the elders. Mentorship, then, serves as the bridge for preparing the family for a wealth transition. As already noted in Figure 2.7, participants consider informal mentorship and self-directed study more important than any type of formal education, such as advisor-hosted programmes and MBAs.

More than 85% of participants attributed high degrees of importance to professional experience in achieving wealth management goals. Applying knowledge proficiently and accurately in a work environment reinforces the lessons learned in both formal and informal education. For next-generation family members, it can also reinforce a sense of identity with the family business, creating an awareness of the processes and personality of the family brand. This experience and familiarity with the family business can help next-generation family members navigate the family wealth management space, especially when mentorship is incorporated, so that elders gain trust in the competency and vision of the progeny.

Figure 3.1 How important is professional experience in achieving family wealth management goals?



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Professional experience is just one facet of how the next generation might receive mentorship. For this study's participants families, the next generation receives mentorship most often informally, such as family conversations. Higher education remains a priority for these families, but entrepreneurship exhibits similar levels of importance. For many business-owning families in Asia-Pacific, supporting entrepreneurship not only facilitates professional mentorship for young family members, but it also instils family values in the next generation. In those cases where young family members are successful, it also adds to the family coffer.

While philanthropy is often lauded as a resource for professionalising next-generation family members,*,[4] this study's participants do not utilise it extensively. So-called "Next Generation" programmes exhibit weak ratings, as well. However, in this instance, families may be (perhaps rightly) distrustful of the use of these programmes by advisors for recruitment, as well as the limited value such programmes may deliver.†

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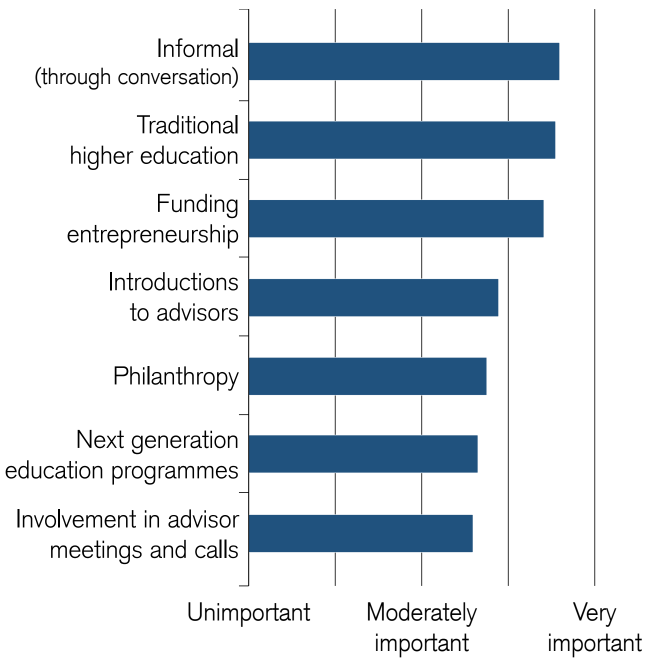
* For example, a 2012 Campden Wealth report found that 56% of North American family elders use philanthropy to teach young family members about wealth.

† Next-generation programmes are often perceived as – in the words of one participant – "a holiday for the kids."

Advisor-hosted programmes and family meetings are not typical tools of mentorship, as each involve mostly passive engagement. Participating in the family wealth discussion – either through informal conversation or by developing one's own investment strategy or business plan – is where learning takes place.

Family engagement is typically active engagement, making family members the most valuable sources of next generation mentorship. Furthermore, family members are best suited to observe and evaluate a young family member's progression and development over time. Family elders are also well-positioned to make important introductions, so that next-generation family members can form their own relationships with a family's trusted advisors. This reinforces the importance of Figure 2.3: when it comes to family wealth management, participants make little distinction between key decision-making roles and key mentors for the next generation.

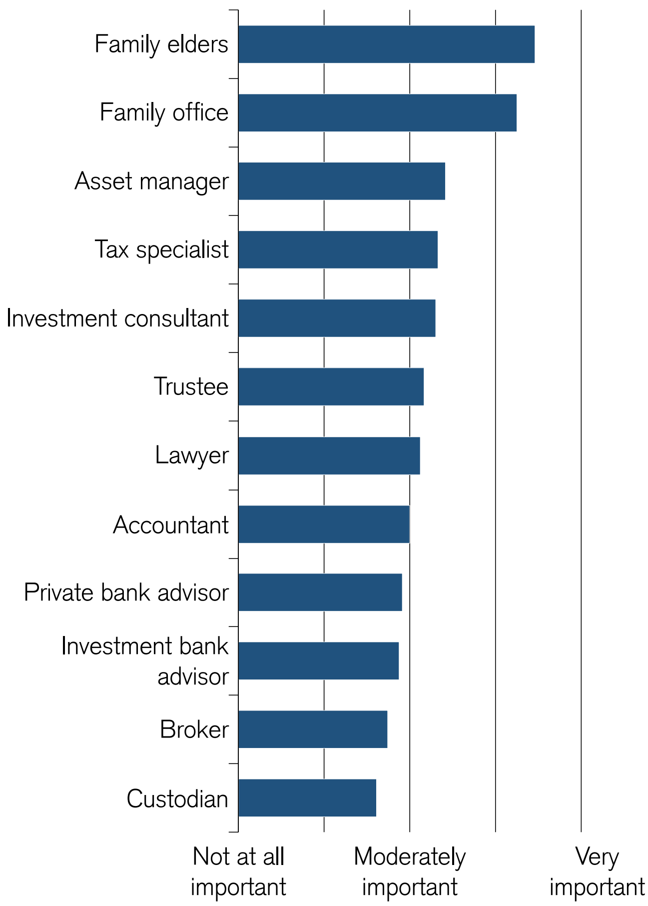
Figure 3.2 Importance of next generation mentorship and education, by type



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

"The principal fell ill, so we did not have as smooth a transition as one would hope. Which is something you want to avoid, right? Instead of jumping into a frying pan, you hope to ease into the overall situation [of wealth management]. At least then you have time get a clear idea of what the family does, what people are really like."

Figure 3.3 Importance of next generation mentors and educators, by type



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

The role of technology in aiding mentorship

Families seeking to develop early-stage wealth management education might benefit from the use of global simulation games and technological tools mentioned in the extended interview quotation below. The benefits of such an approach are threefold: first, simulations allow students (or mentees) to visualise the impact of decisions made today on the family in the long-term. Second, it requires active engagement, which this study's participants identify as a key requirement for effective mentorship. Third, gaming – if performed in a team or family environment – promotes group interaction, often a valuable exercise for family communication and cohesion.

> "Recently, I attended a global investment simulation game. It lasted for half a day, and it was done beautifully. You did not need to be a finance guru to participate in the programme. As it turned out, the winning team was actually a bunch of people who had nothing to do with finance. That's how accessible the programme was.
>
> It definitely encouraged logical thinking, but it was much better than classroom sessions where it's just a monologue of someone teaching you about analysed returns. That's probably not the right way to educate my children, who are millennials. A competitive, question-promoting environment helps keep young family members engaged and interested in the material. So we are thinking of replicating this exercise, but in a format where parents and children team up to compete against other parent-child teams."

Gaming and simulations, if not conducted properly, have limitations, if not outright risks. For instance, the largest risk is losing the game, which might tempt players to exhibit high-risk behaviour. This can be mitigated by encouraging competition between players or teams, or by improving the rules or the realism of the simulation. In these scenarios, family elders can lead by example. Furthermore, it is important to understand not only the technology that a family or its advisors use to manage wealth, but also risk parameters, market and macro-economic factors, and basic calculations that elders might have needed to master in order to build the family wealth decades or years prior.

Technology is a fantastic tool for educating the next generation about wealth management processes, though it is not a replacement for mentorship and study. Mentorship is a two way street, and the next generation can teach family elders about new technologies and how they might be incorporated into the wealth management decision-making or operational structures in the future.

Roadmap for the next generation

Participants value mentorship as a key driver for family wealth management and transfer preparedness. Importantly, family members lead the mentorship process – either through directly mentoring young family members, or through introductions to academic, professional and family contacts. While there is no substitute for practical, first-hand experience, gaming and technology are useful ways to transmit some elements of next generation education at an early stage.

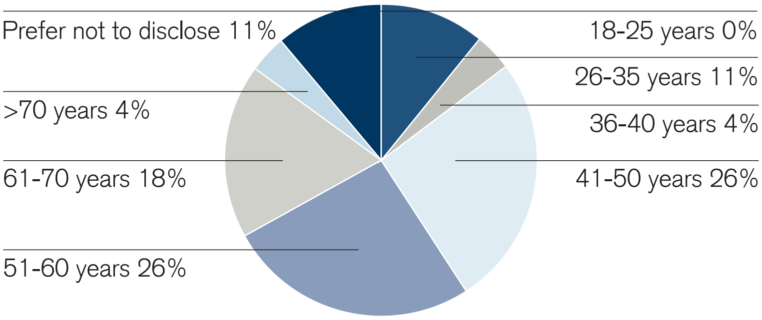
Combining formal education with informal mentorship and practical, professional experience (be it internships in the family business or entrepreneurial ventures) equips the next generation with a variety of means to learn how to effectively direct managers, consult advisors and engage other family members. Finding the right blend of these developmental measures should ensure that the next generation of Asian business-owning families are prepared for family wealth management succession.

Profile of participants

Participants' age

The majority of participants were aged 50 years or older. No participants were below the age of 25.

Figure 4.1 Participants' age

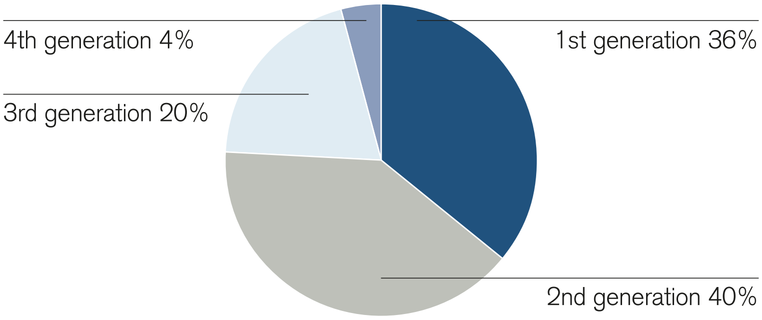


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Generation within the family business

The majority of participants represented family businesses that have experienced at least one family leadership transfer or succession event.

Figure 4.2 Generation in the family business represented

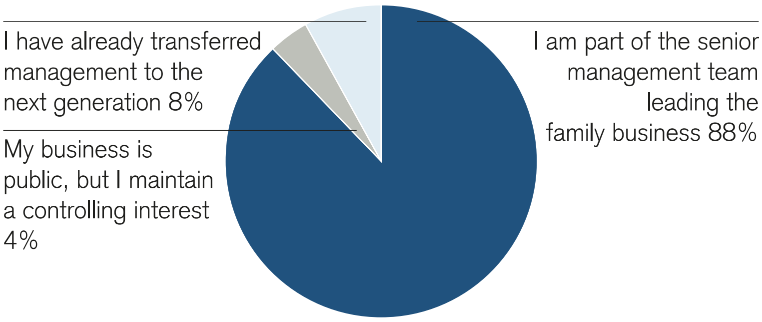


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Participants' position within the family business

The majority of participants are currently part of the senior management team in the family business.

Figure 4.3 Participants' position in the family business

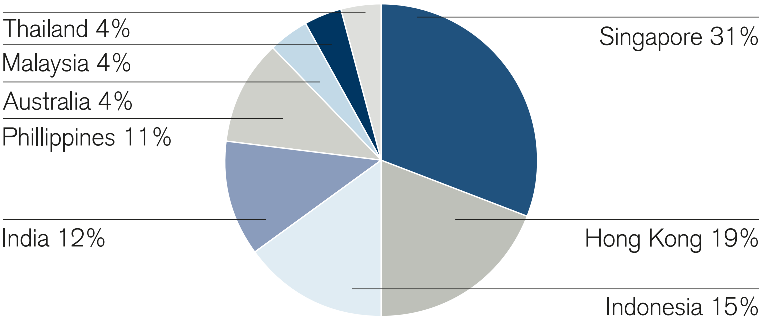


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Family business location

Approximately 65% of participants were from South East Asia, with other regions being significantly smaller proportions.

Figure 4.4 Location of family business

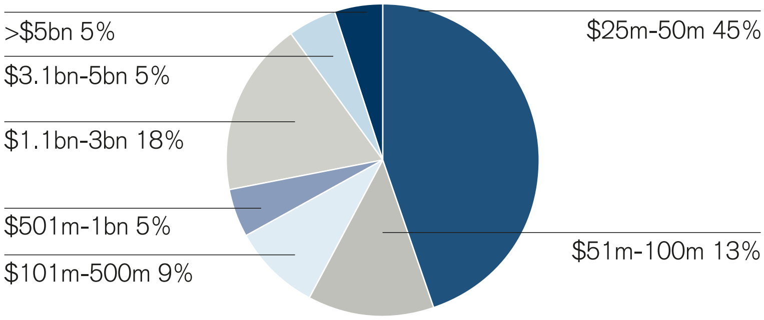


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Family business revenue

The majority of participants had 2014 revenue greater than USD $50 million. Those with incomes greater than three billion are concentrated in Indonesia, India, Thailand, Hong Kong and Singapore.

Figure 4.5 2014 revenue of the family business

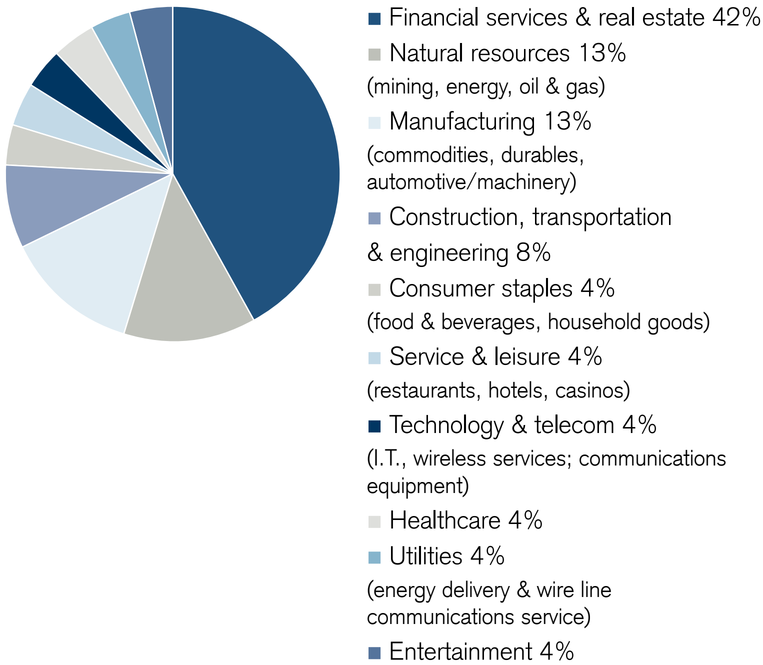


Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

Family business industries

Participants' family businesses constituted over 10 primary industries. 42% of the family businesses represented were involved in financial services and real estate. Natural resources and manufacturing were also prominent businesses.

Figure 4.6 Primary industry of the business



Source: *A Roadmap for Generational Wealth in Asia: Mentorship*

List of Figures

Endnotes

1. Campden Wealth and Standard Chartered Private Bank, 2014. *Business Before Wealth: Understanding High Net Worth Business Owners In Asia, Africa And The Middle East.* [Online] Available at: http://www.campdenresearch.com/content/business-wealth-hnw-business-owners-asia-africa-and-middle-east.
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Methodology

Research for the report consisted of a structured survey, began in winter 2014 and concluded in early 2015. Upon participation being tallied, with a total of 38 wealth holders participating, analysis began and aggregation took place. The average net revenue of the family businesses represented was over USD $900 million.

We thank all of the participants for their participation and insight and we look forward to presenting the next instalment of the Roadmap, which will focus on philanthropy.

Credits

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