

The family office continues to capture attention in Hong Kong and China. Detailed, official statistics on family offices in Asia are lacking, but few would disagree that there has been a surge in the number of family offices, in all forms. Given what we have seen in 2015, in what direction might the development of the family office head in 2016?

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### **Fast Growth**

Detailed, official statistics on family offices in Asia are lacking, but few would disagree that there has been a surge in the number of family offices, in all forms. Some are spin-offs from the businesses of old-money families that want to institutionalise the process. Others are set up by families that are about to experience or have just experienced the first major exit event of the family business. So we have already seen quantity; will quality be the focus in 2016?

### **Young Generation Takes The Lead**

The earliest family offices were usually the brainchild of the patriarch, implemented by family members in the second or third generation. The newest crop of single family offices is driven and led by members of the younger generation, who are returning from overseas, and whose average age lies in the early 30s. Members of the younger generation are innovative and full of new ideas. Will they need help from professionals to get their parents and grandparents to buy into the family office concept?

### **Can Chinese Family Offices Catch Up?**

Compared to their western counterparts, Chinese family offices have lagged behind. The learning curve is steep. Over the past one or two years alone, family office-related conferences and articles have shown a marked increase in depth of knowledge and sophistication. Nevertheless, there is a clear gap between what Chinese family offices are capable of delivering now and what they aspire to be. What and how long will it take to close the gap?

### **Investment Remains The Key Activity**

In Hong Kong and especially China, family offices are still seen mainly as a tool to manage investments and create even more wealth. Succession planning and provision of services to family members are secondary priorities. This situation is anticipated to continue; it is yet to be seen whether and when the tide will begin to turn. Perhaps education is the key to raising awareness of the importance of succession and governance?

### **Multi-Family Office Boom**

We have seen an increase in the number of single family offices. The same is true of both multi-family offices (which service more than one ultra-high-net-worth or high-net-worth family) and family-office service providers (which provide administrative and support services to family offices). In China, most family offices are multi-family offices, while, in Hong Kong, there are roughly equal numbers of single and multi-family offices. Multi-generational offices are also emerging in Hong Kong as families mature and branch out.

### **Us And European Multi-Family Offices Coming To Asia**

Some established multi-family offices from the US and Europe (especially London and Switzerland) are attempting to penetrate the Asian market. Some are looking to partner with local players, while others are setting up their own establishments in Hong Kong and China. The super-wealthy in Asia will benefit from the experience of established family offices, especially on the governance side. How will western wisdom be adapted to suit local needs and resolve local issues? Some succession-planning tools used in the west are not readily available to the Chinese. How can the two approaches be reconciled?

### **Less Secrecy**

Family offices used to be extremely secretive. This has changed and they are now more open to co-investment opportunities with institutions. But this exposure can lead to tax audits and investigations, especially for investment-centric family offices with fund structures that mimic those of institutional funds. More regulatory considerations are necessary, and information disclosure has become a bigger concern. A fundamental question is: how can a family office strike a balance between protecting the confidentiality of the family and meeting regulatory requirements?

### **Final Remarks**

Here are some thoughts to leave you with. Can the family office, as a concept, deliver what it promises? Is it going to be as big as people anticipate? Will it be the next big thing?