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# Asian millionaires turn to independent wealth advisers

SINGAPORE - When the value of his $20 million portfolio plunged in the 2008 global financial crisis, luxury car enthusiast Gerard Tan followed a growing trend among Asia's elite investors by turning to an independent adviser for help.

A worker walks past an art installation still under construction in Singapore on March 4, 2014 His bank had put most of his cash in volatile emerging market bonds, which were hammered by the financial turmoil.

Tan, who asked that his real name not be used, kept his money in the bank, but engaged the services of an adviser unrelated to the institution in order to staunch the losses.

Six years after the crisis, a growing number of Asia's millionaires are turning to independent wealth advisers, who offer professional advice for a fee much like doctors and lawyers do.

Without pushing clients to buy financial assets, they offer an alternative to wealth managers working for private banks, which traditionally generate revenues on commission.

Banks put the focus on selling and this can sometimes lead to risks being overlooked in favour of revenue, according to analysts. "My positions were restructured and portfolio risks were managed," said Tan, a publicity-shy father of two who owns a range of high-end cars.

"I feel a lot more comfortable now about my market exposure," added the self-made businessman whose assets are now more than $40 million.

## Shifting client base

An exporter of manufactured goods in his 40s, Tan had heard about independent wealth advisers being quite popular in Europe and readily agreed when approached by a friend to try a Singapore-based firm.

"The concept and acceptance of independent wealth managers is certainly on the growth trend," said Justin Ong, Asia Pacific asset management leader at consultancy PriceWaterhouseCoopers (PwC).

This growth "is due to the demand for more transparency and also objective client service", he told AFP.

Most of Asia's investing public still favour commission-based selling, but the ultra-rich and "more sophisticated families" are more open to objective advice from independents, Ong said.

He added that while Asia's wealthy still prefer to invest in property, stocks and bonds, "passion" investments like yachts, wines or private jets are preferred by a niche segment.

Capgemini and RBC Wealth Management say the total assets of the Asia Pacific's 3.68 million millionaires were $12.0 trillion in 2012 and were expected to reach $15.9 trillion by 2015. That beats forecasts of $15.0 trillion for North America.

More of the rich in the United States and Europe take independent advice than those in Asia because family businesses in the West can date back 200 years or more, according to Mandeep Nalwa, chief executive of Singapore-based Taurus Wealth Advisors.

Independent advisers manage around 30 percent of the assets of the rich in the US and Europe, but the figure is just under 3.0 percent in Asia, where most family businesses are still run by their elderly founders, he added.

## Trust deficit

But the low base also means there is room to expand for both private banks and independents as the region mints more millionaires, and founders of family businesses hand over management to their children.

The 48-year-old scion of an estimated $4.0 billion Asian fortune told AFP that patriarchs like his nearly 90-year-old father who built the business from scratch "are used to making all the final decisions", and are not inclined to rely on advisers.

But their children are likely to be Western-educated "so we tend to trust advisers more".Nalwa said the 2008 crisis helped Asians realise the the value of independent advice.

"The biggest affliction of the wealth management industry is a deficit of trust. Clients make a lot of money when the financial markets move up but when a crisis comes they give back most of it to the market," he told AFP.

"That deficit of trust is caused by a push toward selling product rather than giving advice."

Abhineet Kaul, principal consultant at Frost & Sullivan, said the need for “dedicated, independent” advice will help drive demand.

He sees a move toward the separation of trustee functions in which private banks remain the custodians of the money and independent wealth advisers take on the management role.

“In principle, this offers the best of both worlds,” he said.

Independent wealth advising firms in Singapore number about 30, from about four just six years ago. Nalwa’s Taurus has expanded from only two people in 2008 to 24 now, with the value of “assets under advice” totalling $900 million.

Clients range from top-earning professionals to big family businesses.

“The crisis in 2008 shocked people to the core... Assets now need to be managed in a different manner,” said Nalwa.