

PRIVATE BANKER

INTERNATIONAL

January 2015 Issue 316

www.privatebankerinternational.com

The tug of philanthropy



How the other half gives: Private banks with the correct know-how and network can make a huge difference to wealthy clients' philanthropic lives

- Trust and UHNWIs: Family Hive
 - Country survey: Australia
- Société Générale Security Services' outsourcing solution
 - Automation in Asia's private banking market

timetric



Of an awkward acronym and valuable client segment

CONTENTS

NEWS

- News Digests
- News Analysis
- People Moves

ANALYSIS

6-7: WEALTHINSIGHT: EXPERT COMMENTS

14: LIQUIDITY PROFILES

FEATURE

4-5: PHILANTHROPY

As a new generation of philanthropists rises, the dynamics of giving are becoming significant factors affecting wealthy clients' relationships with private banks. Rebecca Eastmond, EMEA head of philanthropic services, JP Morgan Private Bank, talks to **Meghna Mukerjee** about channelling philanthropic activity effectively

9: TRUST AND UHNWIS

Caroline Garnham, founder and CEO of Family Hive, an exclusive online community for wealthy clients and advisers, talks to **Meghna Mukerjee** about the unique ways of servicing the valuable UHNW community, and how a significant relationship with wealthy clients is dependent on building trust

10: TECHNOLOGY: AUTOMATION IN ASIA

Operational efficiency for private banks fails to get the attention it requires. Timetric, in association with SmartStream, hosted two executive briefings in Hong Kong and Singapore on enabling efficient middle- and back-office operations. **Sruti Rao** highlights the key takeaways

11: SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES' OUTSOURCING SOLUTION

Outsourcing is becoming more common in wealth management, and in the UK, Société Générale Securities Services has recently launched a front-to-back-office wealth management service. **Valentina Romeo** speaks to head of sales Michael Le Garignon

COUNTRY SURVEY

12-13: AUSTRALIA

Australia is enjoying its 23rd consecutive year of economic growth, flourishing as a wealthy country, mainly thanks to its vibrant property market and healthy savings culture. With the family office sector developing rapidly, Valentina Romeo talks to domestic players to understand how private banks are shaping their business models for the wealthy

COMMENT

16: SOCIÉTÉ GÉNÉRALE PRIVATE BANKING HAMBROS

Ultra High Net Worth Individuals or 'UHNWIs' are a valuable, difficult and elusive lot. This elite group remains the most lucrative segment for banks and wealth managers and competition for their business is fierce.

Representing less than 1% of the global HNWI population, the UHNWIs still manage to account for approximately 33% of global HNWI wealth.

Their needs, however, are unlike the HNWIs. Winning the loyalty of these UHNWI clients is challenging to say the least. They don't give in easily and a cloak of secrecy surrounds them.

However, the potential size of their investments offers banks and wealth managers large-scale profitability, substantial assets under management (AuM) boost, and an opportunity to build long-term, beneficial relationships.

UHNWIs' needs are exceedingly niche. This ranges from their voracious appetite for information, to the particular kind of yacht they want, to what causes they believe in and wish to donate money towards. Their demands can often be deemed outrageous, but they expect them to be met. Swiftly.

Alongside needs around managing their growing wealth, UHNWIs also have needs around creating an appropriate legacy – individualistic and tricky at the best of times.

PBI's sister company WealthInsight published an insight report this month – *Business Strategies for Targeting UHNWIs*. The report clearly highlights how it is becoming increasingly important for private banks and wealth managers to understand UHNWIs as well as build brand loyalty and, most importantly, trust.

UHNWIs are powerful in shaping business in the 21st century (think Bill Gates, Warren Buffet, Michael Dell to name a few), thus they are not disconnected to the common man. Their lives affect a country's GDP and growth significantly.

Earlier in January an Oxfam report made headlines as it predicted that by 2016, the richest 1% of the world may hold more wealth than the rest of the 99%.

The report findings are based on data from the Credit Suisse Global Wealth datebook 2014. It said that the share of the world's wealth owned by the richest 1% increased from 44% in 2009 to 48% last year.

Oxfam's executive director, Winnie Byanyima, demanded "urgent action" to narrow the gap between rich and poor, calling the scale of global inequality "simply staggering".

There has been a lot of talk since about how the findings don't paint an accurate picture of global wealth. There has of course been debate around how dangerous or not the steady rise of wealth inequality is and its various repercussions, but that is a discussion for later.

For now, what can be confidently said is that whether one likes it or not, the rich are indeed getting richer, as is the milieu of their requirements from advisers and relationship managers.

It is time banks, family offices and wealth managers alike review their strategy towards servicing these clients in the best possible way and carve out their specialities to be both relevant and necessary in their UHNW clients' lives.

Meghna Mukerjee

meghna.mukerjee@uk.timetric.com

Follow Private Banker International



Search for 'Private Banker International
– Timetric Financial Services'



Search for @BankerNews

The spirit and strategy of giving



As a new generation of philanthropists rises, the dynamics of giving are becoming significant factors affecting wealthy clients' relationships with private banks. Rebecca Eastmond, EMEA head of philanthropic services, JP Morgan Private Bank, talks to **Meghna Mukerjee** about channelling philanthropic activity effectively

Philanthropy may be a small part of a wealthy clients' portfolio but it is an increasingly crucial part. Private banks with the correct know-how and contacts can make a huge difference to their clients' philanthropic lives.

However, a key job for philanthropy advisers is to primarily find out what their clients really care about and "help them find their passion", says Rebecca Eastmond, EMEA head of philanthropic services, JP Morgan Private Bank.

Eastmond, who joined JP Morgan six years ago as part of the private bank's UK operations, informs that charitable giving is growing globally and has done so for over seven years. However, the degree and nature of giving differs across geographies.

Circumstances and sentiments

According to Eastmond, everybody has the impulse to help. It is the circumstances that determine what clients can realistically do.

Philanthropic inclinations differ based on several factors, one of them being the government's role in welfare.

"People in the US give a lot, but you have to look at it in the context of 'what does the state provide?' Compared to some European countries with a strong welfare system, there is a very clear need for US individuals to get involved in the community.

"I do a lot of work in Scandinavia. Initially, people would say to us, 'there's no giving in Scandinavia', but actually we find that our Scandinavian clients are very philanthropic and strategic in what they do. However, many of them focus on supporting causes in the developing world rather than at home" says Eastmond.

"Additionally, how philanthropists seek to effect change varies from country to country. To take an extreme example, if the country you are from has issues with corruption at government level, you are unlikely to try to influence policy.

"Whereas in a country like the UK where the system is stable, to influence policy change, you can put in effort to influence government, and that actually means something," she adds.

Team spirit

JP Morgan Private Bank established its UK philanthropy team six years ago. It draws from 50 years of experience in providing philanthropic services globally.

"If you open an account with us, you don't get one person – you get a team of people. We make sure we provide the best advice you need," says Eastmond.

At the time of launch, JP Morgan surveyed clients around what they want in the UK for philanthropic services.

The response proved that clients wanted to give more than they were. There were barriers to giving, however, and an important one was having fewer opportunities to learn from others.

Thus, JP Morgan regularly arranges small discussions for wealthy clients to get to know each other and potentially collaborate.

"Within our network of clients, we have some of the most thoughtful and innovative philanthropists in the world. We bring people together to discuss both broad themes around philanthropy and niche topics.

"We have organised dinners on a wide range of topics – from marine conservation to social entrepreneurship to criminal justice

to domestic violence. When two clients leave one of our discussion dinners and go on to build something together, you know you're on to a winner," says Eastmond.

Trends – passing and present

Eastmond joined JP Morgan when the global financial crisis had just begun. Giving continued through the recession and what philanthropy learned from it, according to Eastmond, is the effectiveness of money.

Currently, more clients are thinking about effectiveness. "Everyone knows the value of effective philanthropy – some of that comes through examples such as Bill Gates and Warren Buffet."

A progressing trend visible in philanthropy is that of wealthy individuals backing small businesses. "If you're an entrepreneur, you really understand business. Both in the UK and internationally, we have clients who are involved in mentoring and financial support," informs Eastmond.

While social impact investing is also a growing trend, the market for it is still nascent, notes Eastmond.

"It is part of more people's portfolios, and demand for product in this area is growing significantly. But if you look at what's out there as investible propositions, there is a long way to go in terms of scale and track record. In time, as the market develops, more people will get involved and the sector will become more and more mainstream."

Another ongoing trend is the simultaneous global-local aspect of philanthropy, from "large-scale giving to targeted, community based giving".

This trend partly owes its popularity to the steady rise of self-made wealthy indi-

viduals entering the philanthropic spectrum, highlighting different mindsets people have towards giving – broadly based on inherited and self-made wealth.

“On one hand, there is the mindset of stewardship. These clients feel: ‘I’ve been handed something precious. Part of my role in society is to care for others. I need to stay in wealth and ensure the next generation can keep it going.’

“Set against that, there are a lot of our clients who have made money themselves. They feel wealth comes with a greater responsibility – some of that might be ensuring their children are able to thrive, and some might be ensuring others who are less fortunate have opportunities to succeed.

“Part of what we need to do is to make sure everybody has the right mindset,” explains Eastmond.

Starting young

Gearing the next generation up for philanthropy from as young as six years is increasingly interesting to clients, adds Eastmond.

“There is a massive generational transfer of wealth now underway in the US and Europe. The effect of this affects not just those inheriting now, but also their children. If you have small children, how do you teach them to use money as a positive force?

“A great way to grasp the value of money is to understand the idea of giving it away, because you can see what it means.

“We worked with a few families last year on programmes for children – mainly aged 8-16 years. The kids created a list of what they care about.

“We found some themes that tended to appeal to the children: they care about the environment, about issues that they see close to home – like homelessness, and about other children who are less fortunate than themselves.”

The key is to give the children opportunity to take responsibility for making decisions and arranging gifts.

A small pot of money is arranged and the children decide how best to use it. One simple way to do this is to work with a community foundation to source local projects that the kids can really understand, and where a small gift will make a big difference – whether that is planting orchards to providing facilities for the local park.

“Many of us may not even know what’s going on three streets down from where we live,” says Eastmond.

Another side of getting the next generation involved is through enabling older children to think about what they will do with their gap years, or how they can volunteer.

“Last year we also worked with children



Rebecca Eastmond, JP Morgan Private Bank

of wealthy families – people in their 20s and early 30s – who were taking on responsibility for their family businesses’ philanthropic activity. They take the foundation work seriously. They’re not only thinking about giving money away, but also about how the company itself operates.”

Acknowledging excellence

JP Morgan Private Bank is sponsoring the Beacon Awards for Philanthropy. The awards have been running for 12 years in the UK. Winners this year will be announced on 21 April.

Eastmond, who is on the judging panel, says: “The Beacon Award is a prize for inspirational philanthropy. What it does, through a laborious process, is bring together examples of great philanthropic practice so that people who are doing good things can act as role models for others.

“It provides positive messages around giv-

ing and what that does for societies. The nomination process is complex. A shortlist of above a 100 people is created and approximately 12 awards are made.”

Eastmond says what she has learnt from the process is that HNWIs and UHNWIs are becoming “really strategic” with their giving.

“Even though it is money they are giving away, one thing that I think all of the winners have in common is that they treat it as investment – with a business strategy.”

Going forward, a growing area of interest for wealthy clients is giving to environmental and conservational causes.

“It’s really fundamental and it’s hard to think about what an individual can do as these are big issues.

“We at JP Morgan are developing our own understanding of the complexities in this area along with our clients, and arranging educational sessions with experts,” says Eastmond. ■