

The future of wealth planning – an insurer's view

By Christian Rockstroh

MANY ARTICLES HAVE recently been published, and many conferences organised, dealing with the broad topic of 'the future of wealth planning in times of uncertainty'. A good example is the STEP Alpine Conference, which will take place on 31 January–1 February 2018 in Interlaken.

Will wealth planning be needed in 20 years' time?

The answer is very clearly 'Yes, but...', and we need to look at the challenges which wealth planners will face. I offer a number of statements, some of which are contradictory. However, this is part of our professional life.

Wealth planning ≠ tax planning.

Managing taxes is part of wealth planning, but before tax planning should be considered, the family's thoughts and threats need to be spelt out very clearly. In other words, we need to apply a 'holistic' approach, including all aspects of the family's wellbeing – i.e. the tail should not wag the dog.

From KYC to UYC. 'Know your client' requires information such as passport copies, utility bills and source of wealth. 'Understand your client' (UYC) is looking at the client's and family's wishes, hopes and fears in order to understand the whole client story. UYC will become paramount to wealth planners because, without it, well-intentioned advice may not suit the client.

Forget about secrecy. The future (or is it already the present?) will be transparent. Whatever you do in your (professional) life, everybody will know. This is also true for all clients. You cannot and will not be able to hide from the public eye.

Small clients get small advice. Big clients get big advice. The costs of proper international wealth planning have grown

in the last few years and will grow further. This is mainly due to two factors. First, professionals need to get compensated for risks from the growing regulatory jungle and growing uncertainty. In times where professional advice may be under scrutiny, planning becomes more difficult and carries more risk. Second, families will become even more international, intentionally or by surprise (such as cross-border marriages of children). This will require more and more international planning, and only very wealthy clients will be able to afford the costs.

Complex structures will receive critical comments. If a wealth planner cannot explain 'this perfect structure' in a few words to the client and, one day, to the tax inspector or the public, the structure will not work. Simplicity is in, complexity is out. This is clearly in conflict with the previous statement and will make wealth planners' lives more complicated.

Specialists are needed. Banks will stop offering wealth planning due to conflicts of interest. Future wealth planning for HNWIs and UHNWIs will come from two sources. First, from pure wealth planning firms which concentrate on the planning side of things and select service providers to establish and maintain the plan. International legal and tax consulting

firms may develop in this direction. Second, wealth planning will come from specialist boutiques which not only provide the advice, but also implement the actual solutions. They will need a very wide range of knowledge and products. International wealth planning firms, and advisory and solutions boutiques, will need to cooperate a lot more in the future.

Manage uncertainty. Uncertainty in life is the essence of the insurance industry. In combination with trusts and similar tools, uncertainty becomes manageable. This is true today, and I do not see fundamental changes in the future.

Applying the soft approach. The children and grandchildren of the founders of wealth will have quite different aims in life. Maximisation of wealth, preferably combined with minimisation of taxes, will not be their most prominent motivation. Being born rich changes one's perspective on life. Wealth planning will need to address this with the help of family constitutions, family governance and generation planning. Successful wealth planners will therefore need to offer more 'soft' advice.

Health warning instead of a résumé. There will still be wealth planning in 20 years' time, but you know it won't come easy.



Christian Rockstroh
Partner
Dr. oec., TEP, Mediator (SCCM)
swisspartners Insurance Ltd
christian.rockstroh@swisspartners.com

www.swisspartners.com

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