



# EY Family Office Study

APAC analysis

# EY Single Family Office Study

## Introduction

This report presents findings from EY's inaugural Single Family Office Study.

The survey was conducted independently and confidentially by Longitude, a Financial Times Company, on behalf of EY Private.

The survey takes a mixed-methodology approach, with an online survey of 257 global decision-makers within single Family Offices globally, supplemented by in-depth qualitative interviews with a subset of this cohort.

Single Family Offices may be referred to as 'SFOs' or 'Family Offices'.

**Unless otherwise stated, the insights in this presentation focus on the 50 family offices in the sample from the Asia-Pacific (APAC) region.**

*Only family offices headquartered in Australia, China, Hong Kong, India, Japan or Singapore are considered in this analysis.*

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# What's top of mind for APAC's leading family offices?

## Wealth & Regulation

Pace of change warrants fresh perspectives

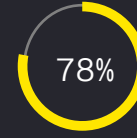


are not very confident that their tax operations are high performing



## Digital Transformation

Urgency to transform to digital & address cybersecurity needs



plan to make significant investment in 3+ digital technologies



## Risk & Reputation

Lack of robust structure & enforcement of risk management

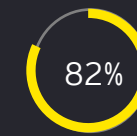


have a structured process in place for identifying risks



## Strategy & Governance

Rising importance of a broader view of long term value



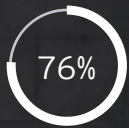
believe it is important to measure & optimize non-financial performance



# Survey findings in top four areas of focus

## Wealth & regulation

Pace of change warrants fresh perspective



are significantly concerned about three or more regulatory issues



are significantly concerned about government/public requirements for transparency



are concerned about the tax consequences of remote working

## Digital transformation

Urgency to transform to digital and address cybersecurity needs



have experienced some kind of cybersecurity breach



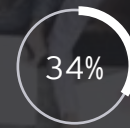
53% have experienced a security breach within 1-3 years.



have a cybersecurity training program for family members

## Risk & reputation

Lack of robust structure & enforcement of risk management



say decisions about risk management are NOT taken at the highest levels of the organization



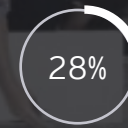
large family offices have a structured process in place for educating family members



smaller family offices (globally) have a structured process in place for educating family members about risk

## Strategy & governance

Rising importance of a broader view of long-term value



monitor and optimize non-financial metrics to a significant extent

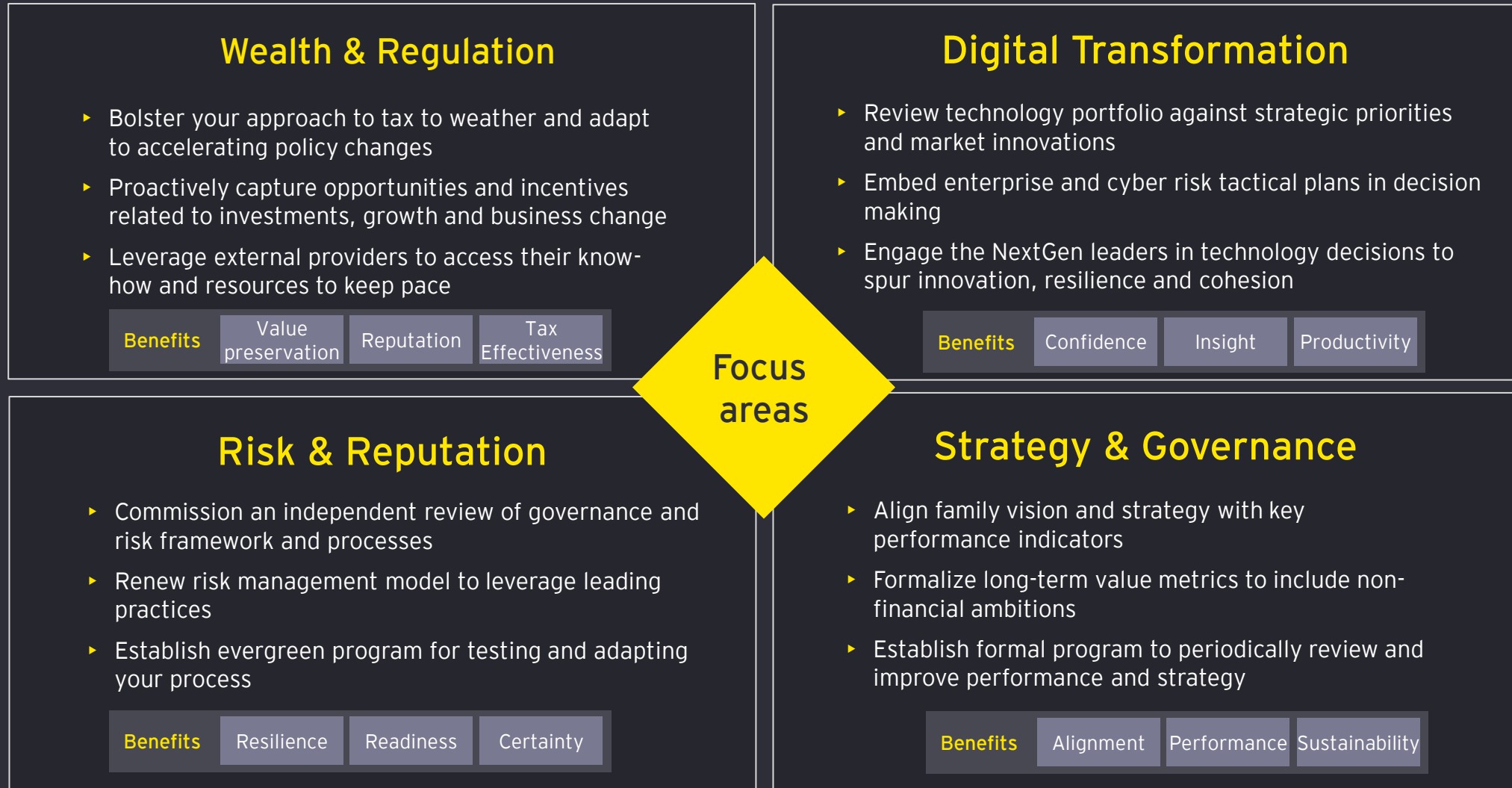


plan to exclude investments that do not align to the family's ethics and values



plan to enhance tax transparency in next 12 months

# How family offices are responding





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## Wealth & regulation



# Wealth & regulation

Thoughtfully organizing and managing your tax affairs is more important than ever

## Megatrends

- ▶ Accelerating tax policy changes
- ▶ Rising pressure on HNWI for tax transparency and contributions
- ▶ Increase in virtual work
- ▶ Lack of confidence that tax operations are optimized

## Actions

- ▶ Bolster your approach to tax to weather and adapt to accelerating policy changes
- ▶ Proactively capture opportunities and incentives related to investments, growth and business change
- ▶ Leverage external providers to access know-how and resources to keep pace

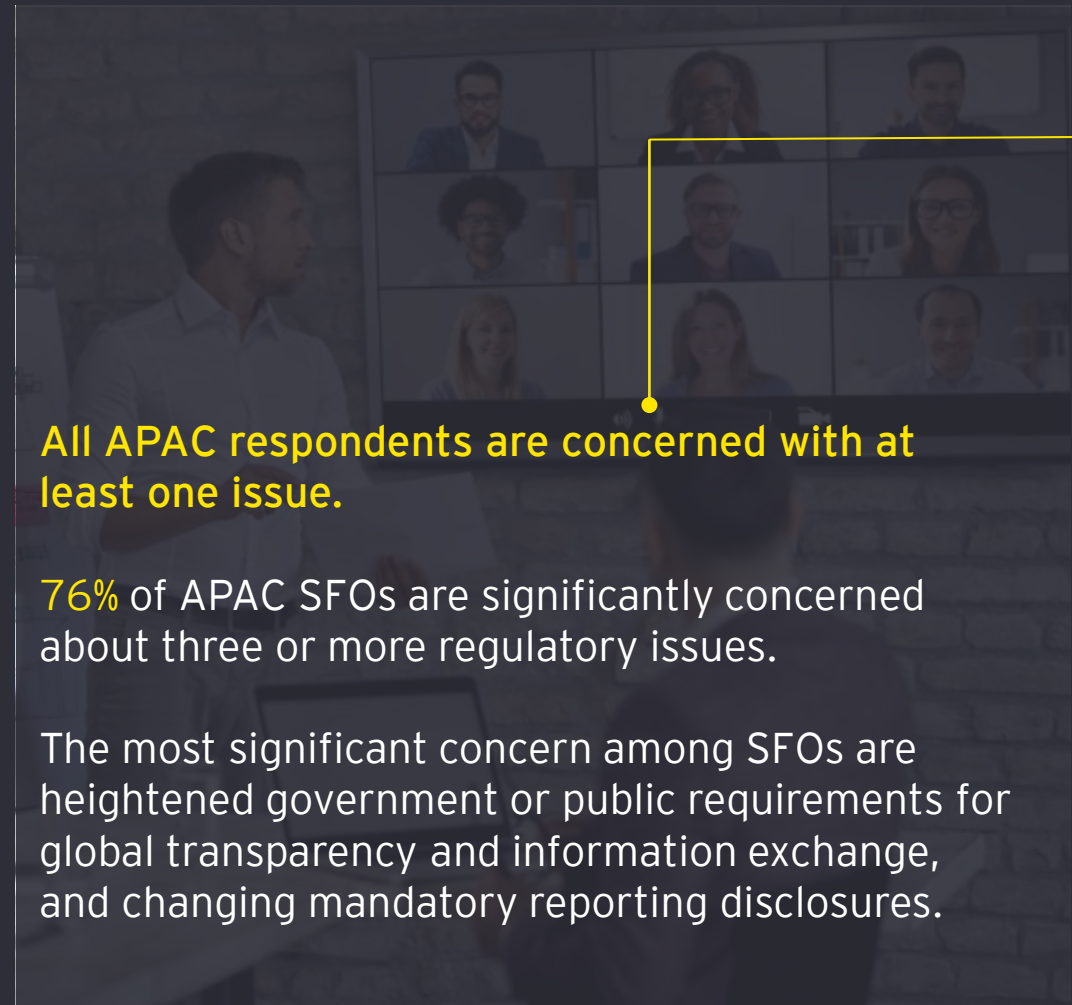
More than ever, families need to understand and enhance their internal and external capabilities to increase confidence in people, process and technology for tax

“

Family offices and family businesses aren't just worried about the next two or three years, but the next fifty to one hundred years

Family Office

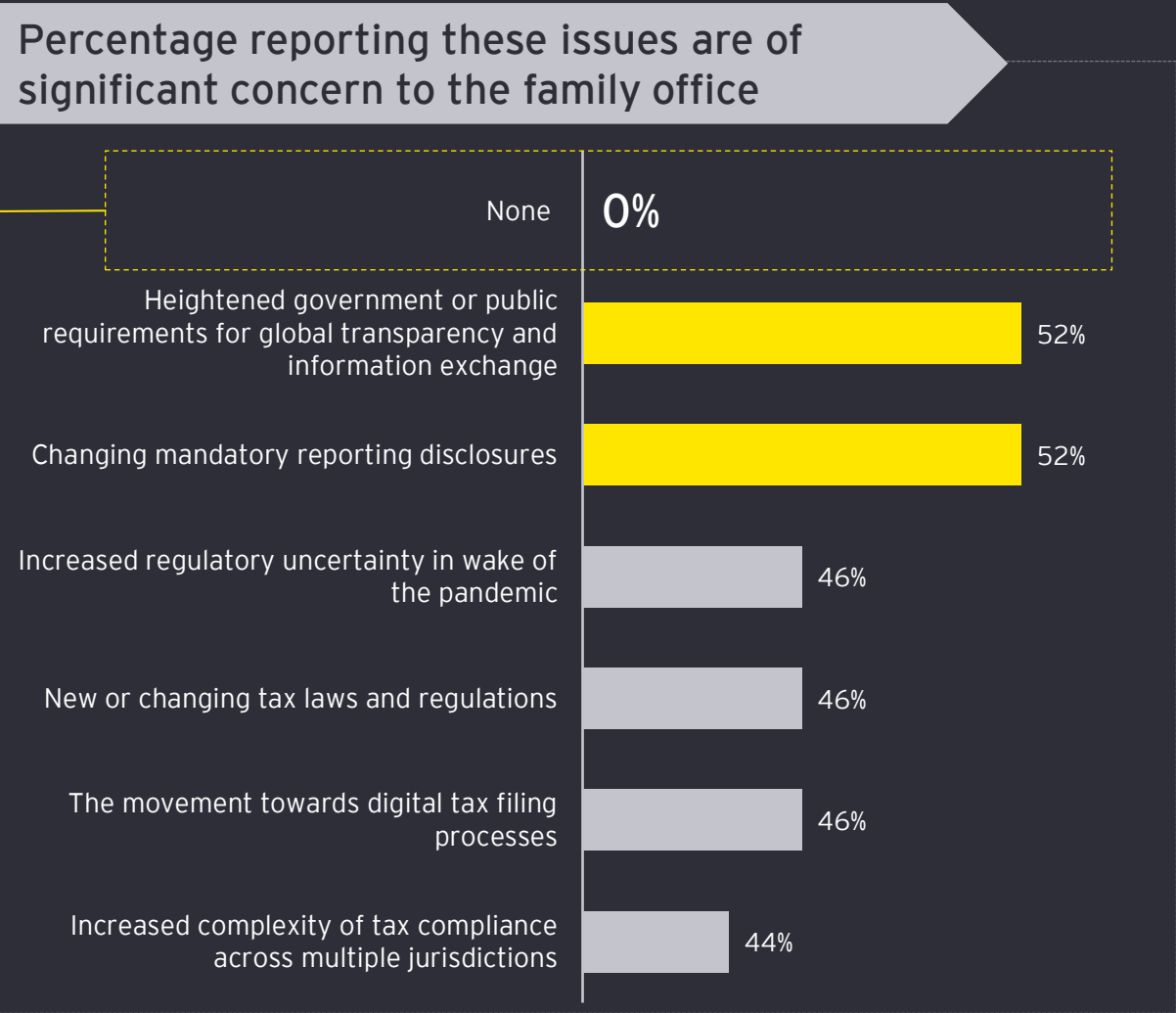
# APAC family offices express concern about a number of regulatory issues...



All APAC respondents are concerned with at least one issue.

76% of APAC SFOs are significantly concerned about three or more regulatory issues.

The most significant concern among SFOs are heightened government or public requirements for global transparency and information exchange, and changing mandatory reporting disclosures.

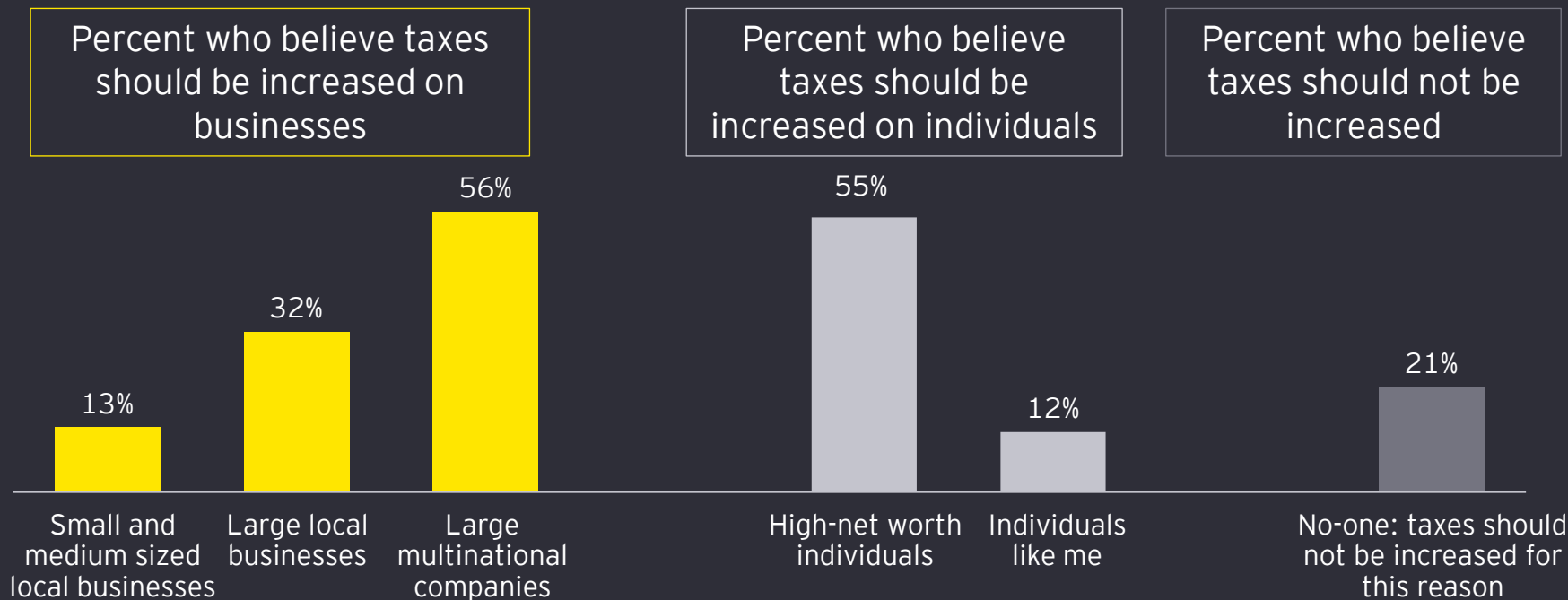




# ...and research shows tax pressure on companies and high-net worth individuals is rising

14,000 consumers, from 20 key global markets, were asked the following question related to their views on tax policy:

“Governments sometimes increase or decrease taxes as a country’s circumstances change. We’re interested in your views on potential tax increases for the following reasons. Who, if anyone, do you think should be responsible for paying increased taxes to cover the cost of government expenditures associated with the pandemic?”



Source: EY Future Consumer Index Survey (data gathered in Q2 of 2021)

“ Governments around the world have rightly spent lots of money helping people and businesses during the COVID-19 period. But now the questions is how does the government recoup this? There will likely be tax rises and in the US there is lots of talk of a wealth tax. This is naturally attracting attention from family offices.

Family Office

# APAC family offices display a distinct lack of confidence in their tax operations

Across each of the tax areas we asked about, only a minority of SFOs are very confident their tax operations are high-performing.

SFOs in APAC are least likely to be very confident about their tax operations being high performing in relation to the cost of tax operations and the people who work in their tax operation.

“Companies now need to be much more transparent about their taxes to both shareholders and tax authorities...Family offices and family businesses aren't just worried about the next two to three years, but the next fifty to one hundred years. If you want to be sustainable for the long term, you can't get entangled in a cross border tax issue.

Family Office

## Percentage who are **Not Very Confident** their family offices tax operations are high-performing



# The impact of virtual work is further increasing concerns about tax

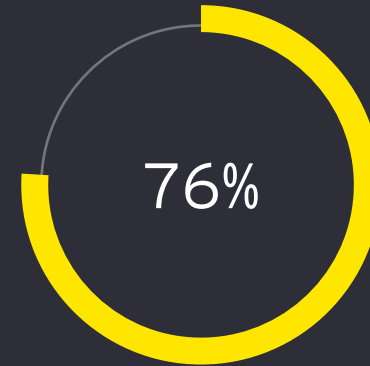
A clear majority of APAC SFOs are concerned about how new ways of working will have tax consequences for their family members and their connected businesses.

“

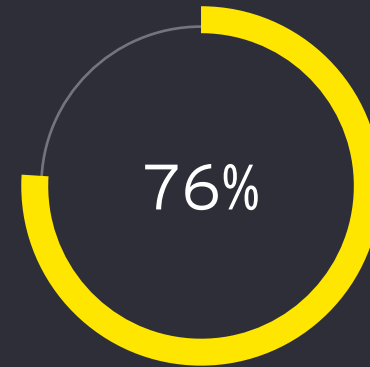
We're always thinking about the potential for data breaches and privacy. In a remote world there's heightened risk of this. The other big issue relates to state and local taxes. Most people live in a different area to where our office is, which has created some tax complications.

Family Office

## Concerns over the potential consequences of increased virtual work



are concerned about the tax consequences of **family members working** in different jurisdictions than they previously did



are concerned about the tax consequences of **connected business employees** working in different jurisdictions than they previously did.





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## Digital transformation

# Digital transformation

Robust technology capabilities are needed to succeed in today's digital environment

## Megatrends

- ▶ Plans to make significant technology investments
- ▶ Most family offices have experienced some kind of cybersecurity or data breach
- ▶ Despite acute concerns over cybersecurity, most family offices do not have plans or practices in place to respond

## Actions

- ▶ Review technology portfolio against strategic priorities and market innovations
- ▶ Embed enterprise and cyber risk tactical plans in decision making
- ▶ Engage the NextGen leaders in technology decisions to spur innovation, resilience and cohesion

Families need to review the state of the family offices technology and create a more effective virtual world. There is renewed urgency to do this in the face of increasing complexity & risk.

“

Cyber security is a huge issue... It's simply not enough to make sure you've got the latest antivirus software

Family Office

# APAC family offices are making significant technology investments

78% of APAC SFOs plan to make significant investments in three or more digital technologies and tools in the coming two years.

Technology supportive of IT hardware and family portal technology is most likely to receive investment in the coming two-year period.

“

Cyber security is a huge issue... It's simply not enough to make sure you've got the latest antivirus software.

Family Office

## Percentage of family offices who plan to make a significant investment within the next two years





# Most APAC family offices have experienced a cybersecurity threat

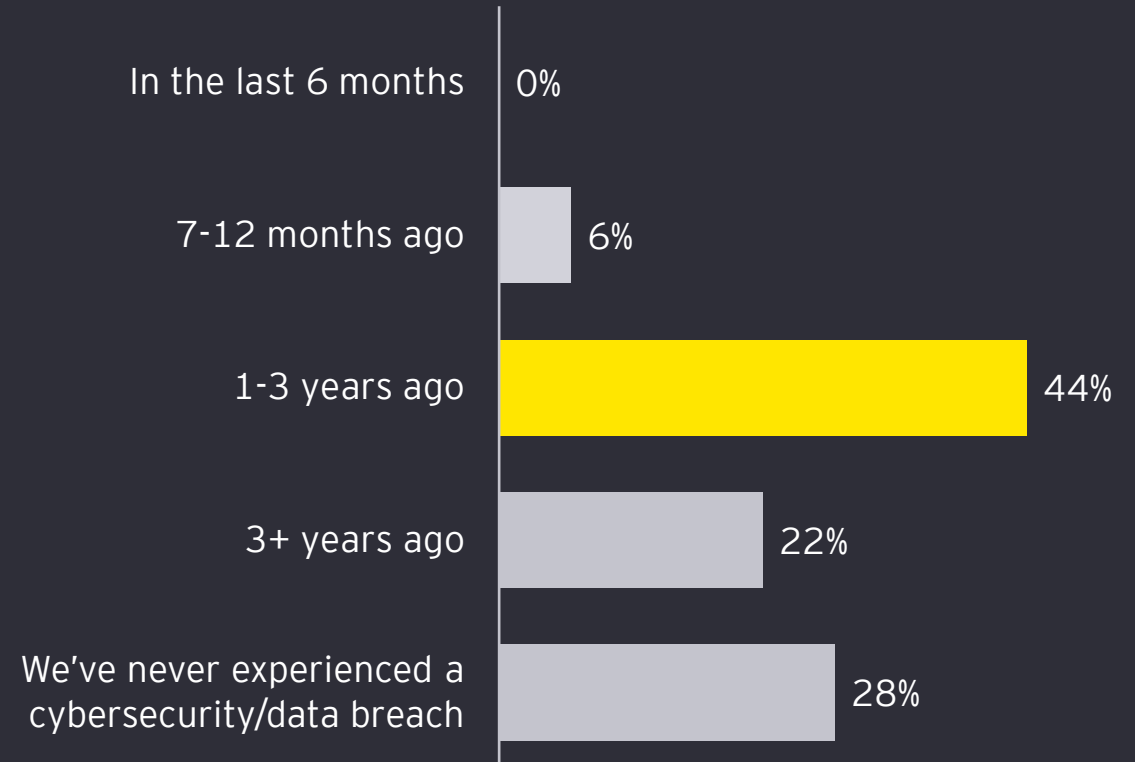
72% of APAC family offices have experienced some kind of cybersecurity or data breach. 50% have experienced a breach within 1-3 years.

“

As soon as we launched our family office website, we were hit by many cyber attacks. So we invest heavily in preventing attacks. And though they are often not particularly welcomed by the family, we've added additional security steps before family members can access emails.

Family Office

## Experience of cybersecurity or data breaches



# Despite cybersecurity concerns, most APAC family offices do not have many plans in place to respond

Overall, less than a third of APAC family offices have a cybersecurity incident response plan, cyber training for employees or family members.

56% of APAC family offices say they don't even have policies and procedures in place for assessing third parties and suppliers.

A lack of preparedness creates clear vulnerabilities and increases risk.

Percentage of family offices who **Do Not** have the following plans or practices in place to protect against cybersecurity attacks and data breaches



3

## Risk and reputation





# Risk and reputation

Managing risk requires a continuous process and consistent focus

## Megatrends

- ▶ Lack of structured risk management programs and processes
- ▶ Gap between perceived and actual risk
- ▶ Difficulty in enforcing risk management processes on family members
- ▶ High interest in outsourcing risk management

## Actions

- ▶ Commission an independent review of governance and risk framework and processes
- ▶ Renew risk management model to leverage leading practices
- ▶ Establish an evergreen program for testing and adapting your process

Families need to put risk at the forefront of everything they do in order to properly embed resilience and respond to a growing series of threats.

“

The family office has only recently started to focus properly on risk management... It can be complex as a family office to manage risk

Family Office

# Many APAC family offices display a lack of confidence about their risk management processes

Given the multitude of evolving threats to security and legacy, risk management is clearly crucial. However, many family offices report gaps in their approach.

“

It can be complex as a family office to manage risk. I can tell employees what to do to mitigate risk but I can't tell a family member.

Family Office

## Risk management processes and procedures

58%

have a structured process in place for identifying risks

34%

say that decisions about risk management **Are Not** taken at the highest levels of the organization

A blurred background image of a meeting room. Several people are seated around a long wooden table, looking at documents or laptops. A large, glowing incandescent lightbulb hangs from the ceiling in the foreground, casting a warm light. The room has a rustic feel with a brick wall in the background.

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## Strategy and governance

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# Strategy and governance

Families are focusing on purpose and long-term value (LTV) to preserve reputation & wealth

## Megatrends

- ▶ Lack of alignment between family objectives and cost-based KPIs
- ▶ Metrics focused on cost rather than value
- ▶ Growing pressure from society and younger generations to focus on non-financial performance metrics
- ▶ Increase focus on environmental, social and governance

## Actions

- ▶ Align key performance indicators with family vision and strategy
- ▶ Formalize long-term value metrics to include non-financial ambitions
- ▶ Establish formal program to periodically review and improve performance and strategy

For a family to achieve its desired legacy, it must be intentional about strategic planning. The greater the complexity and size of the family, the more important planning becomes.

“

We have seen a change in conversation among owners. There's an increasing focus on vision, values and purpose as a foundation of our strategy

Family Office

# Family offices deploy a range of metrics to measure performance

83% of APAC family offices use metrics to measure performance.

Operating costs and percentage growth in AUM are more likely to be used in Asia-Pacific while talent retention and engagement are more likely to be used in Western Europe.

However, across all regions the most widely deployed metrics focus on cost rather than value.

Performance metrics used by SFOs in different regions

	Overall	North America	Western Europe	Asia-Pacific
Operating costs	59%	63%	49%	73%
% growth in AUM	40%	39%	30%	55%
Talent retention and engagement	38%	38%	53%	27%
The family's effective tax rate	34%	35%	30%	33%
Metrics related to philanthropic or charitable giving	32%	33%	34%	21%
Risk adjusted return on investment	32%	31%	40%	21%
Workforce diversity and inclusion	31%	31%	38%	21%
Client (family) satisfaction	26%	26%	26%	27%
Carbon footprint	25%	32%	32%	21%

# Growing pressure from society is driving a focus on non-financial performance

When APAC family offices are asked what is driving an increased focus on non-financial metrics, the two most cited reasons are a growing demand from consumers and/or society as well as the growing influence of Gen Z and Millennials.

Family offices in Asia-Pacific are more likely to cite the influence of Gen Z and Millennials as a driving factor – perhaps a reflection of the fact many are younger as organizations.

## Factors driving family office focus on non-financial performance, by region

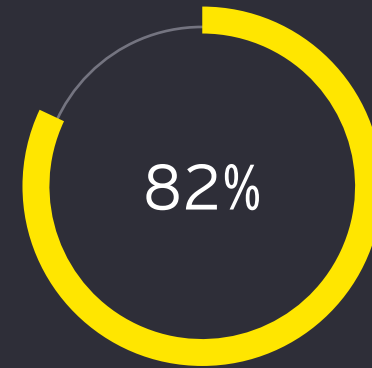
	Overall	North America	Western Europe	Asia-Pacific
Growing demand from consumers and/or society	35%	38%	30%	39%
Growing influence of Gen Z and Millennials as an important customer and employee group	34%	29%	36%	37%
Our peers or competitors are already doing this	32%	34%	33%	24%
Pressure from family principals	31%	34%	22%	39%
Pressure from younger family members	28%	27%	33%	20%
New regulation (on disclosure, reporting, climate change, etc.)	28%	20%	36%	34%

# APAC family offices believe in monitoring a range of metrics to drive Long-Term Value

The vast majority (82%) of APAC family offices believe it is important to measure and optimize non-financial performance to drive long-term value.

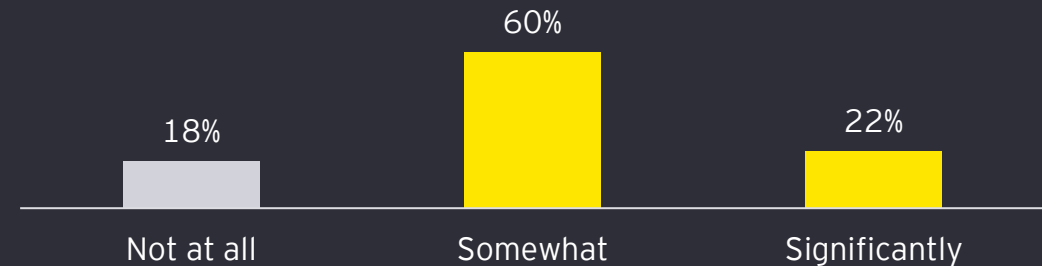
However, only just over a fifth (22%) do so to a significant extent.

## Importance of measuring and optimizing non-financial performance



believe it is important to measure and optimize the non-financial performance of connected businesses or the family offices reputation and wealth in the long-term

## Extent to which family offices monitor and optimize non-financial metrics





# APAC family offices are deploying a number of approaches to optimize & measure performance

Family offices plan to optimize performance and secure their legacy in multiple ways, and many are making investment decisions based on environmental, social and governance (ESG) factors.

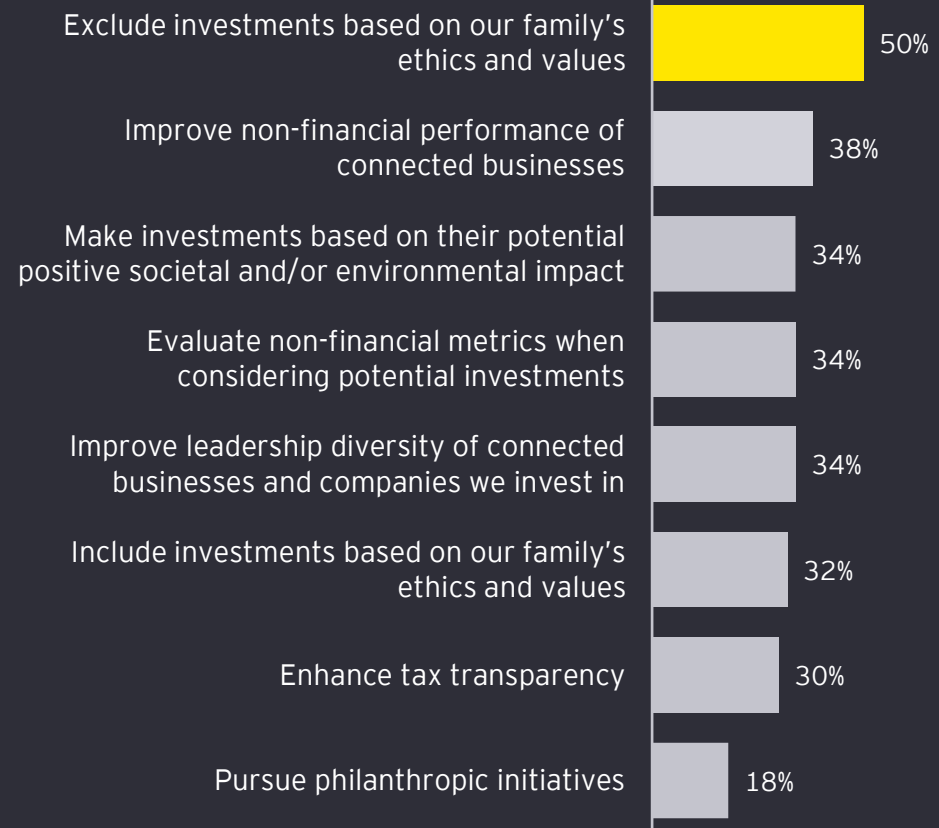
Over the next 12 months, **70%** of APAC SFOs plan to implement at least three of the three initiatives listed in the chart to the right.

“

Sustainability is in the DNA of the family. We promote this by insisting on the highest quality environmental standards in our real estate, including our offices. We also promote sustainably through our investments.

Family Office

## Percentage who plan to do the following in the next 12 months



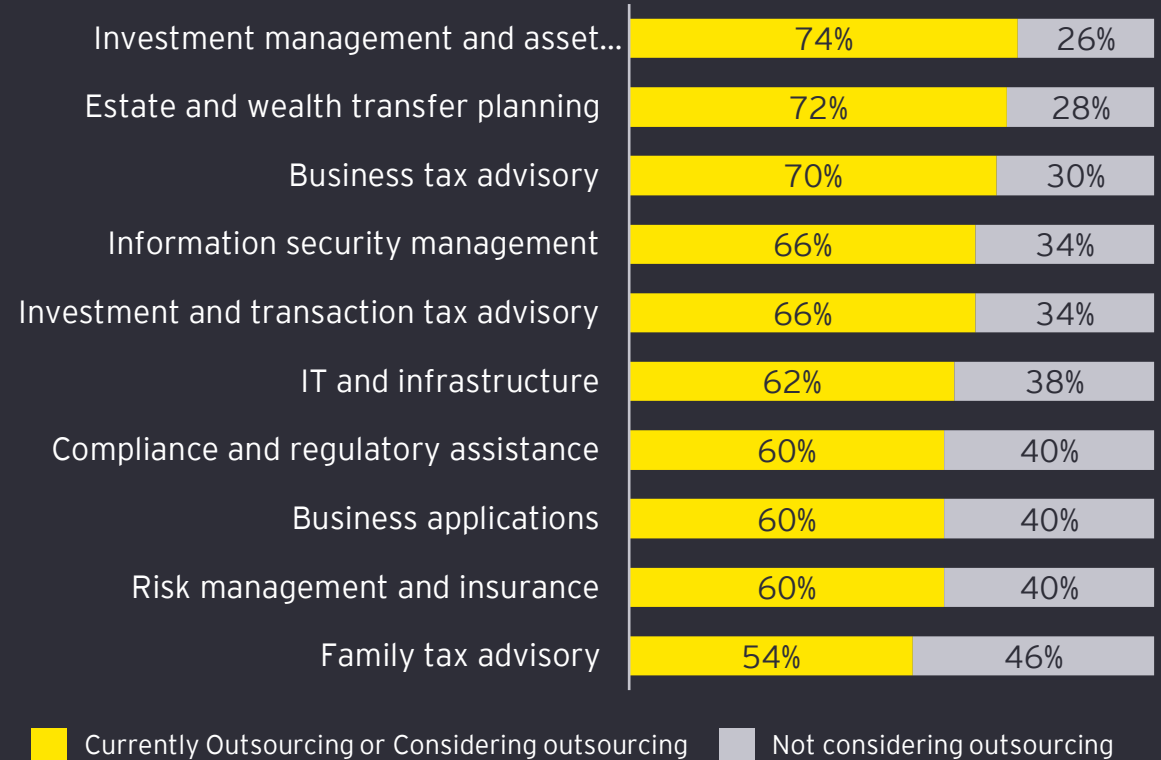
# Most APAC family offices are considering the use of external expertise to bolster their in-house capabilities across a range of areas

To address a multitude of external demands and pressures, family offices are considering outsourcing to strengthen their tax, risk management, investment and technology capabilities.

On average, 64% of APAC family offices are either currently outsourcing or considering outsourcing in some area. This highlights that, whatever aspects they are best-in-class in, family offices are generally still considering the outsourcing of at least some aspects rather than building capabilities.

While only a minority are currently outsourcing, the fact that a majority are now considering doing so may suggest a shift in approach to deal with growing challenges.

## Degree of outsourcing by capability





5

## Survey demographics and family office benchmarking

# Summary of APAC survey demographics

50

Single Family Offices of  
different sizes

20

Small with minimum  
\$250m-499m AUM

15

Medium with  
minimum \$500m-1b AUM

15

Large with minimum  
\$1b AUM

APAC roles

Principal/Owner/ Founder/ C-Suite/Board member	48%
Investment manager/Vice President	46%
General Counsel	6%

APAC countries

India	10
Australia	10
China	9
Singapore	8
Japan	7
Hong Kong	6

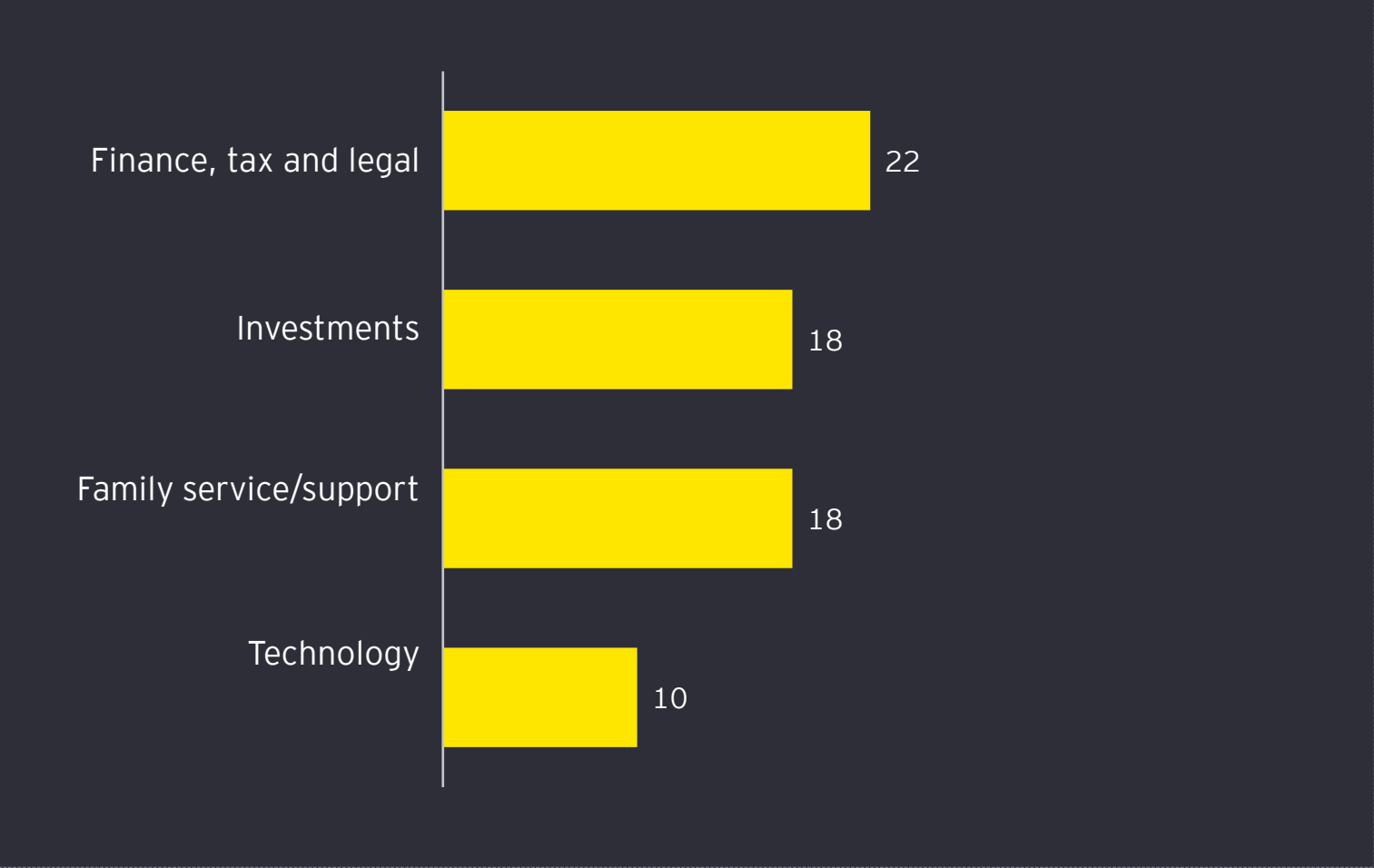
The online survey was completed by participants on the basis of confidentiality and therefore no names (of the individual, family office, or connected business) have been disclosed to EY at any stage.





# Family office employment by function

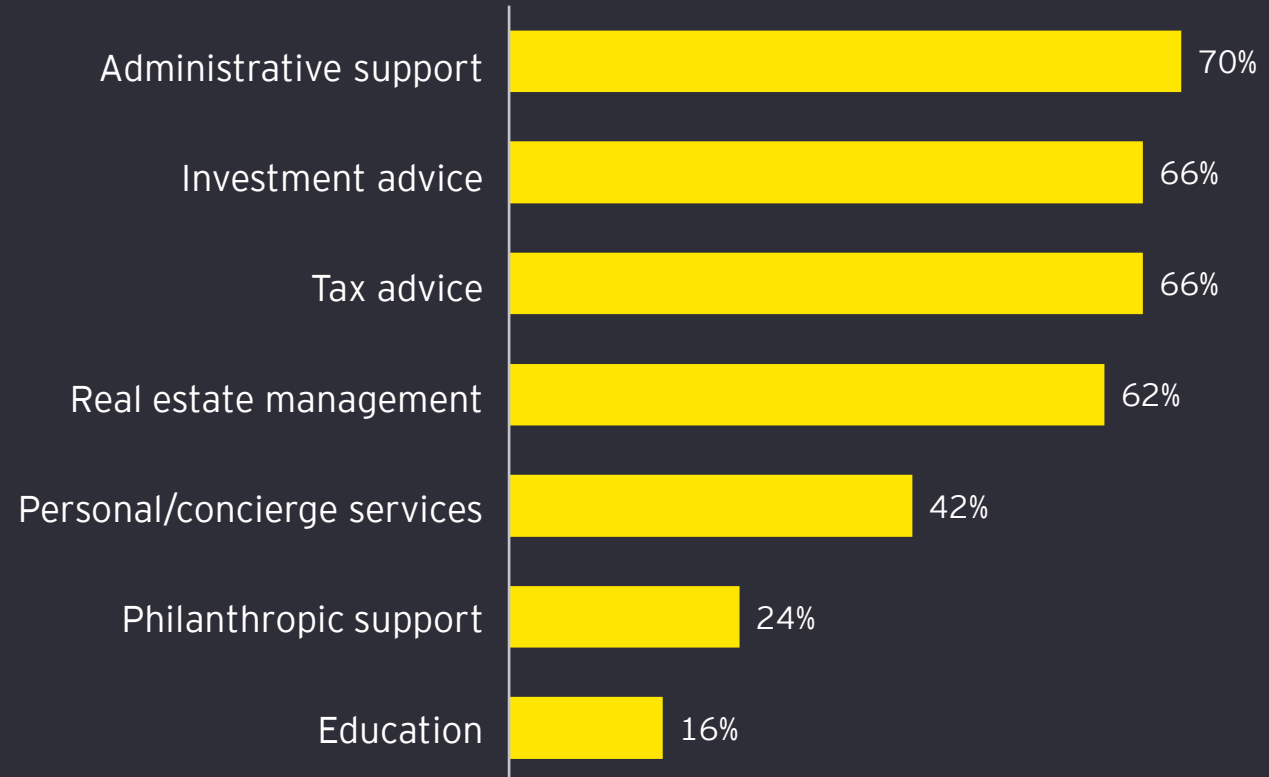
Average number of FTEs serving a given function, APAC family offices



# APAC family office services offered



Percentage of family offering each service, APAC family offices



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EYG no. 009691-21GbI

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