

Family office set for big growth



ASHLEY COUTINHO
Mumbai, 3 December

The family office space is likely to explode in 5-10 years as wealth grows exponentially and wealthy families feel the need to add a layer of professionalism to their family business and investment structures, ensure smooth transfers of wealth over generations, and embark on co-investment opportunities.

At present there are about 45 standalone single-family offices in India compared to 2,300 in the US, 1,900 in Europe and about 900 in Asia, a joint report by Edelweiss Private Wealth Management and Campden Family Connect, a membership network for the ultra-wealthy community, observes.

"India has witnessed the generation of vast sums of personal wealth, thanks to the recent sales of assets, exits from family businesses and the economic growth of the country. Consequently, family offices are becoming increasingly popular in India. However, the fact that there are only about 45 formal family office structures in existence demonstrates a dearth of understanding on the purpose and services offered by family offices," said Amit Patni,

director, Campden Family Connect.

Of the 78 families, with average family wealth of \$6-45 million and average family office assets under management (AUM) of \$318 million, studied for this report, 49 per cent utilised family office services.

These services most often (22 per cent) come in the form of hybrid family offices — family office services that are embedded in the family business, a common form of early family office development. However, families are professionalising their wealth management structures and have been establishing single-family offices that are independent of the family business (19 per cent of respondents), or establishing/joining multi-family offices (8 per cent).

About a third (32 per cent) do not use wealth management services, take their wealth management advice from family or friends (18 per cent), or rely on external advisers (31 per cent).

"India has about 150,000 HNW (high net worth) families with a cumulative net worth of \$2 trillion. This number is expected to rise

HOW WEALTH MANAGEMENT SERVICES ARE USED BY THE FAMILIES



Source: Edelweiss-Campden 'The Family Wealth Report 2018'

to 400,000 HNW families with a net worth of \$5 trillion by 2025. We are witnessing openness from these families to the concept of a family office beyond traditional wealth management," said Anshu Kapoor, Head-Private Wealth Management, Edelweiss, said.

Over half of the families (54 per cent) operate on an investment strategy of preservation plus growth. The most popular asset classes among respondents are fixed income (28 per cent of respondents), equity

(26 per cent), private equity (16 per cent) and real estate (12 per cent). Over the next 12 months, families, on average, intend to invest more in equity, private equity and developed market fixed income, and less in developing market fixed income, real estate and

hedge funds. India remains the focus for family investment with 99 per cent of families investing in India.

In preparation for the large-scale generational transition that has begun to take place globally, 62 per cent of families in India now have some form of succession plan in place. However, only 19 per cent of these are written and formally agreed upon.

India remains the focus for family investment with 99 per cent of families investing here