

EY Family Office Study

APAC analysis

EY Single Family Office Study

Introduction

This report presents findings from the EY 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 Mainland, 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 and regulation

Pace of change warrants fresh perspectives

66%

are not very confident that their tax operations are high performing



Digital transformation

Urgency to transform to digital and address cybersecurity needs

78%

plan to make significant investment in 3+ digital technologies



Risk and reputation

Lack of robust structure and enforcement of risk management

58%

have a structured process in place for identifying risks



Strategy and governance

Rising importance of a broader view of long-term value

82%

believe it is important to measure & optimize nonfinancial performance



Survey findings in top four areas of focus

Wealth & regulation Pace of change warrants fresh perspective

76% are significantly concerned about three or more regulatory issues

52% are significantly concerned about government/public requirements for transparency

74% are concerned about the tax consequences of remote working

Digital transformation Urgency to transform to digital and address cybersecurity needs

72% have experienced some kind of cybersecurity breach

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

28% have a cybersecurity training program for family members

Risk & reputation Lack of robust structure & enforcement of risk management

34% say decisions about risk management are NOT taken at the highest levels of the organization

58% large family offices have a structured process in place for educating family members

40% smaller family offices (globally) have a structured process in place for educating family members about risk

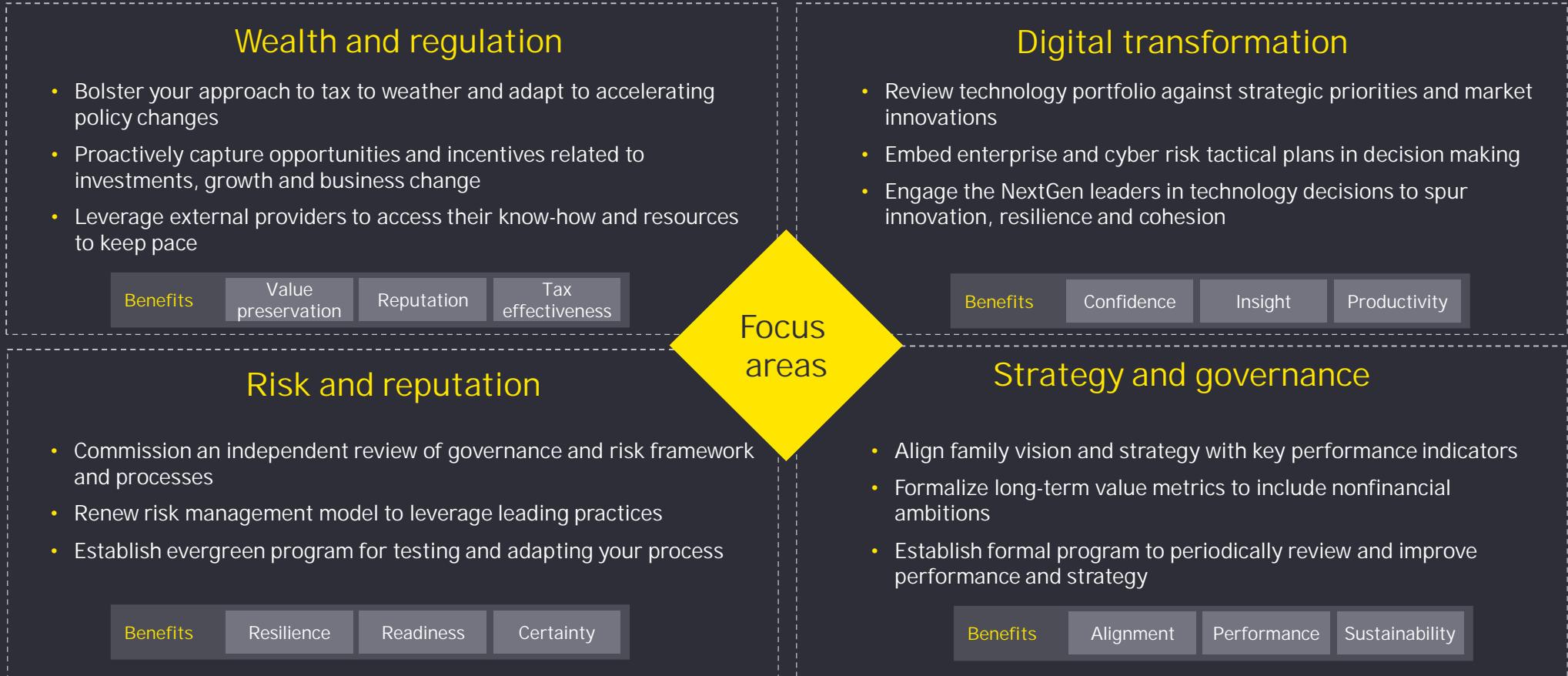
Strategy & governance Rising importance of a broader view of long-term value

28% monitor and optimize nonfinancial metrics to a significant extent

50% plan to exclude investments that do not align to the family's ethics and values

30% plan to enhance tax transparency in next 12 months

How family offices are responding





1

Wealth and 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

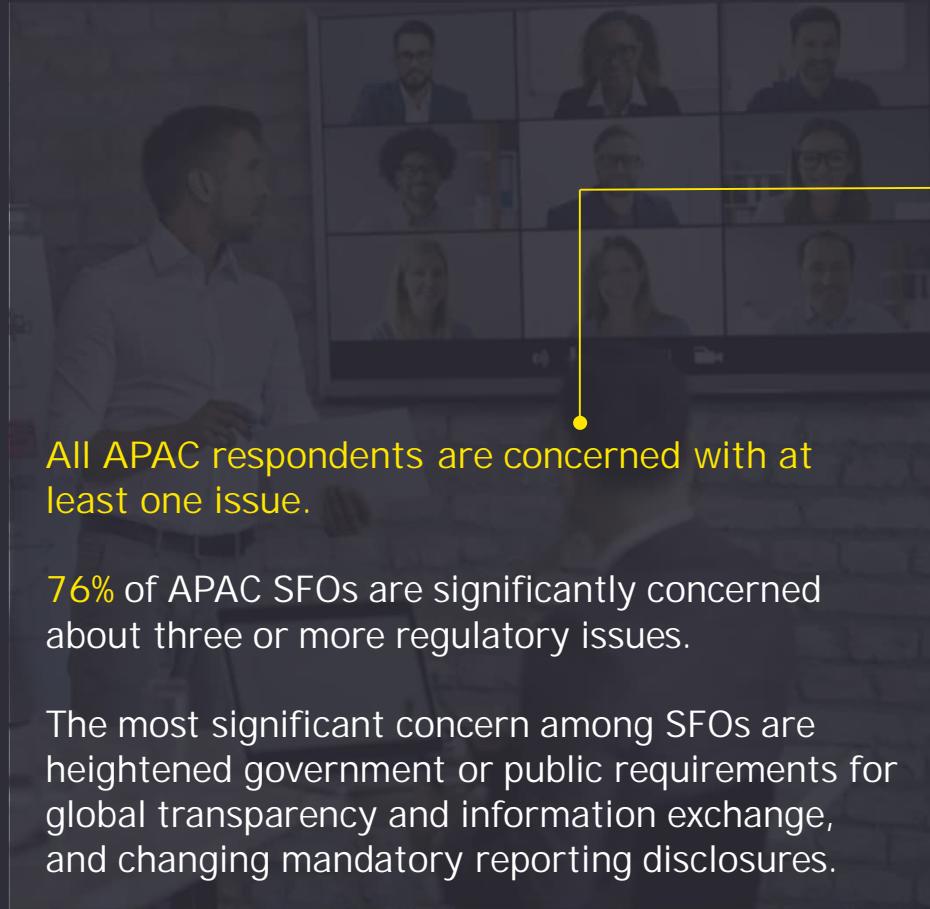


Family offices and family businesses aren't just worried about the next two or three years, but the next fifty to one hundred years

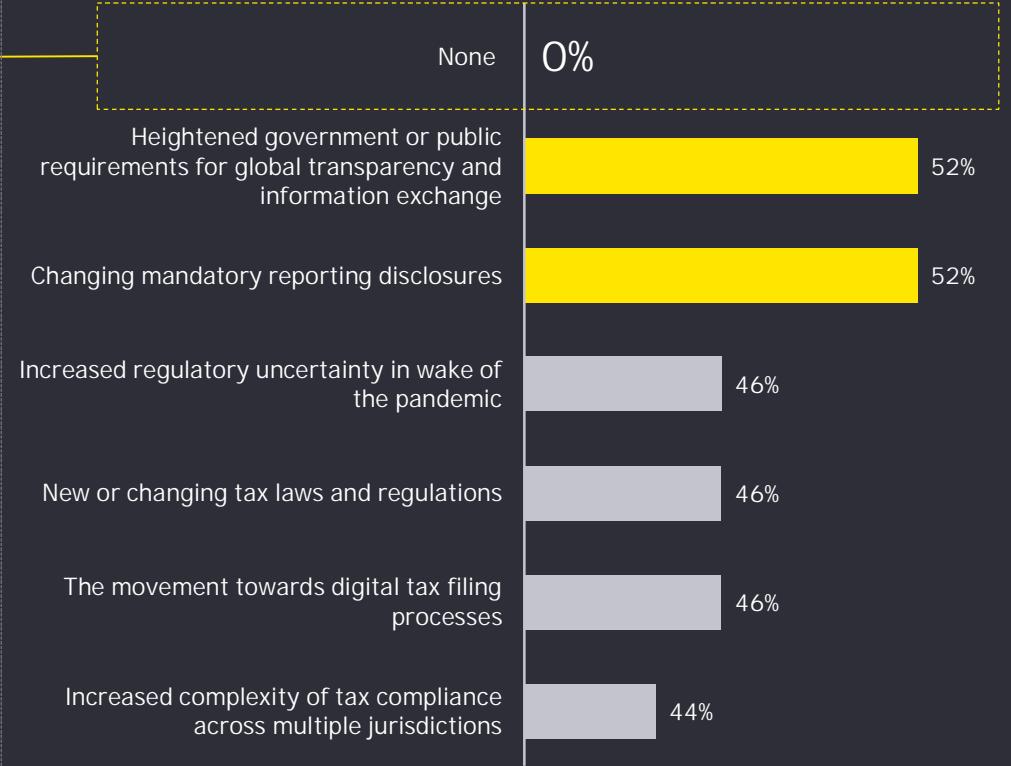
Family Office



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



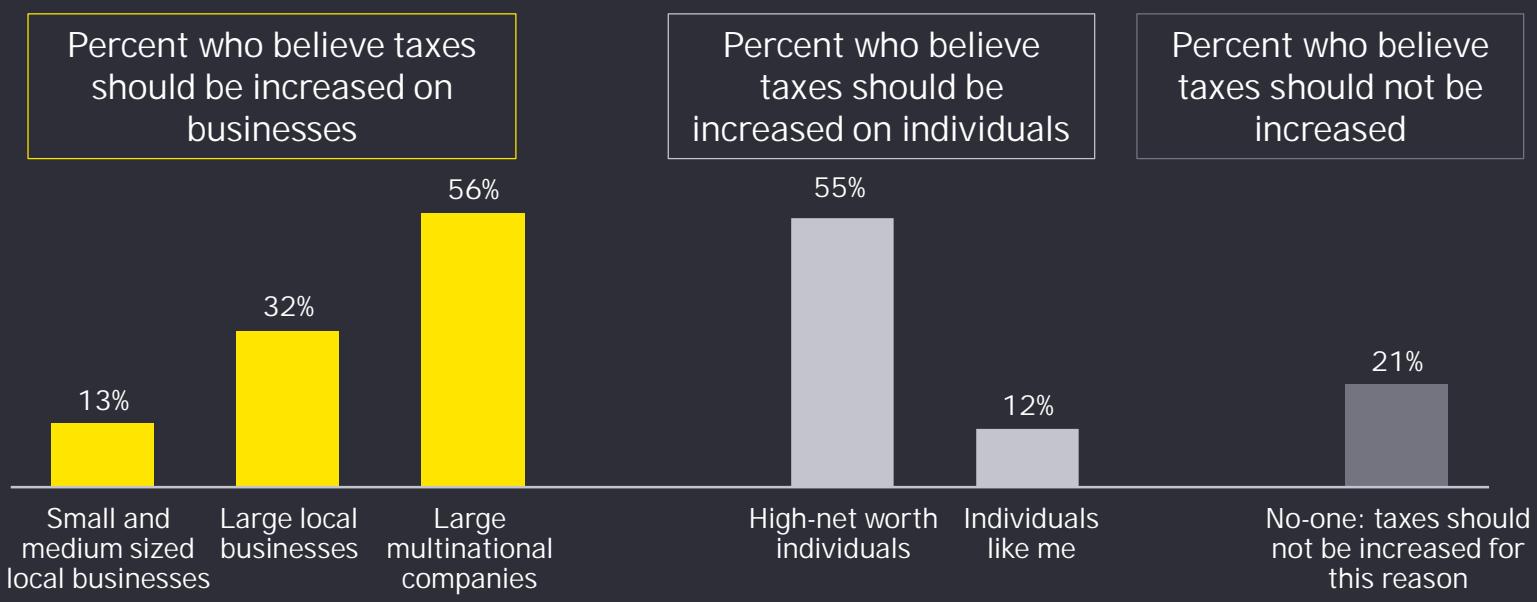
Percentage reporting these issues are of significant concern to the family office



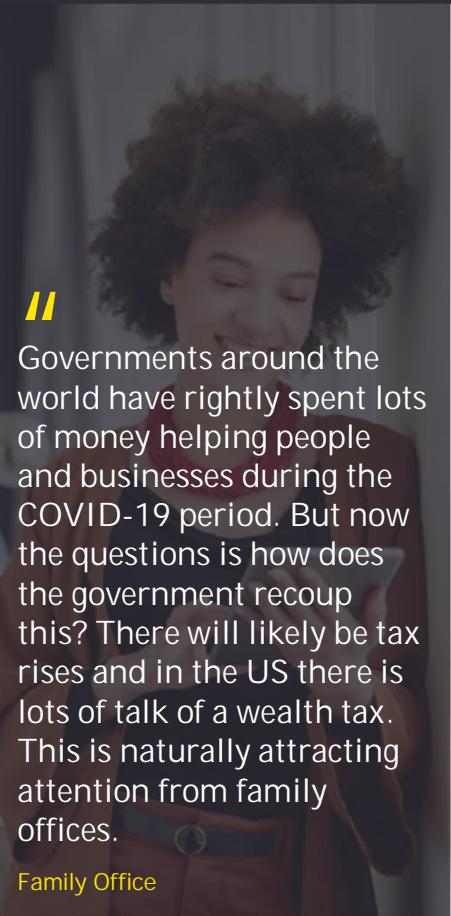
...and research shows tax pressure on companies and high-net worth individuals is rising

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)



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

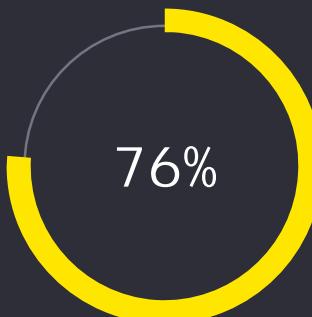
A clear majority of APAC SFOs are concerned about how new ways of working will have tax consequences for their family members and their connected businesses.

“

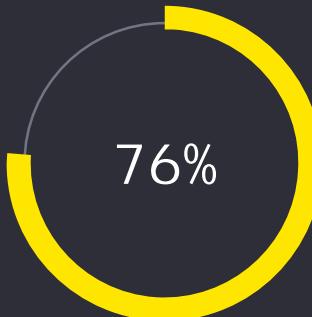
We're always thinking about the potential for data breaches and privacy. In a remote world there's heightened risk of this. The other big issue relates to state and local taxes. Most people live in a different area to where our office is, which has created some tax complications.

Family Office

Concerns over the potential consequences of increased virtual work



76%



76%

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.



2

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

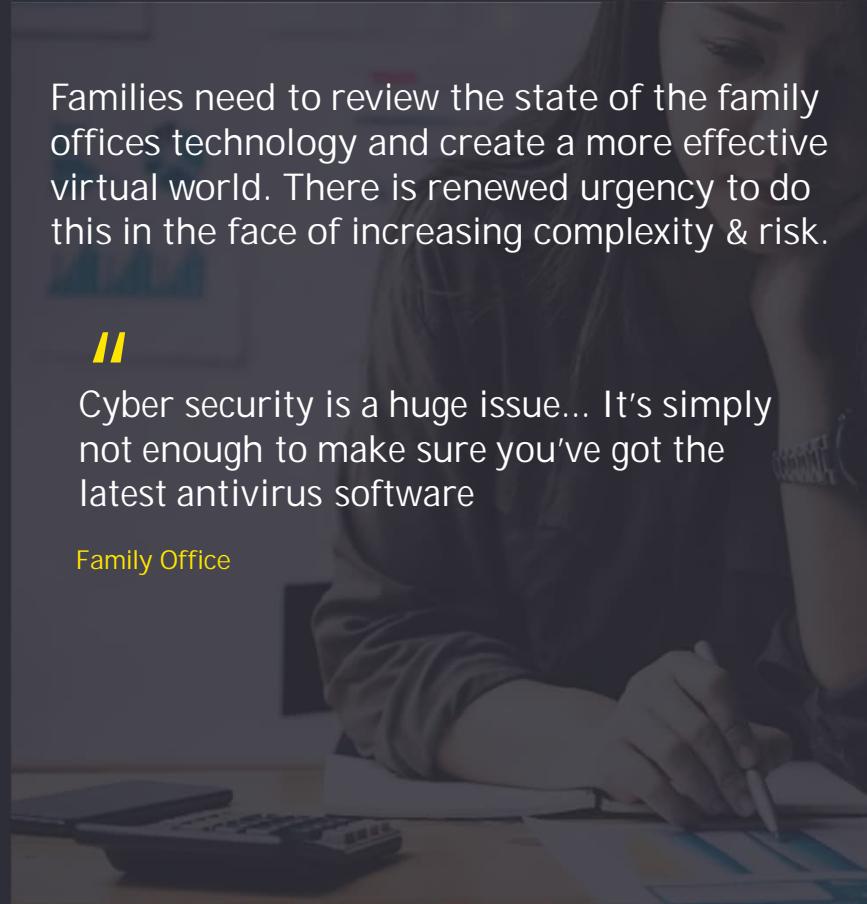
- Review technology portfolio against strategic priorities and market innovations
- Embed enterprise and cyber risk tactical plans in decision making
- Engage the NextGen leaders in technology decisions to spur innovation, resilience and cohesion

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.

II

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.

II

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

In the last 6 months

0%

7-12 months ago

6%

1-3 years ago

44%

3+ years ago

22%

We've never experienced a cybersecurity/data breach

28%

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

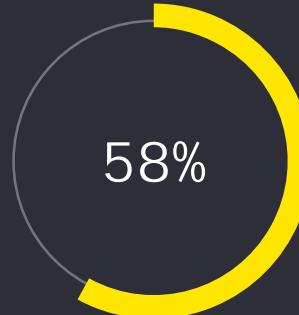
Given the multitude of evolving threats to security and legacy, risk management is clearly crucial. However, many family offices report gaps in their approach.



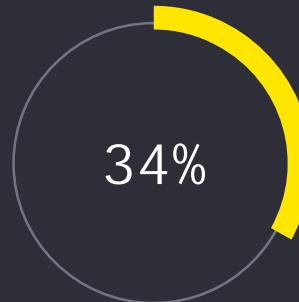
It can be complex as a family office to manage risk. I can tell employees what to do to mitigate risk but I can't tell a family member.

Family Office

Risk management processes and procedures



have a structured process in place for identifying risks



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



4

Strategy and governance

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 nonfinancial 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 nonfinancial 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.

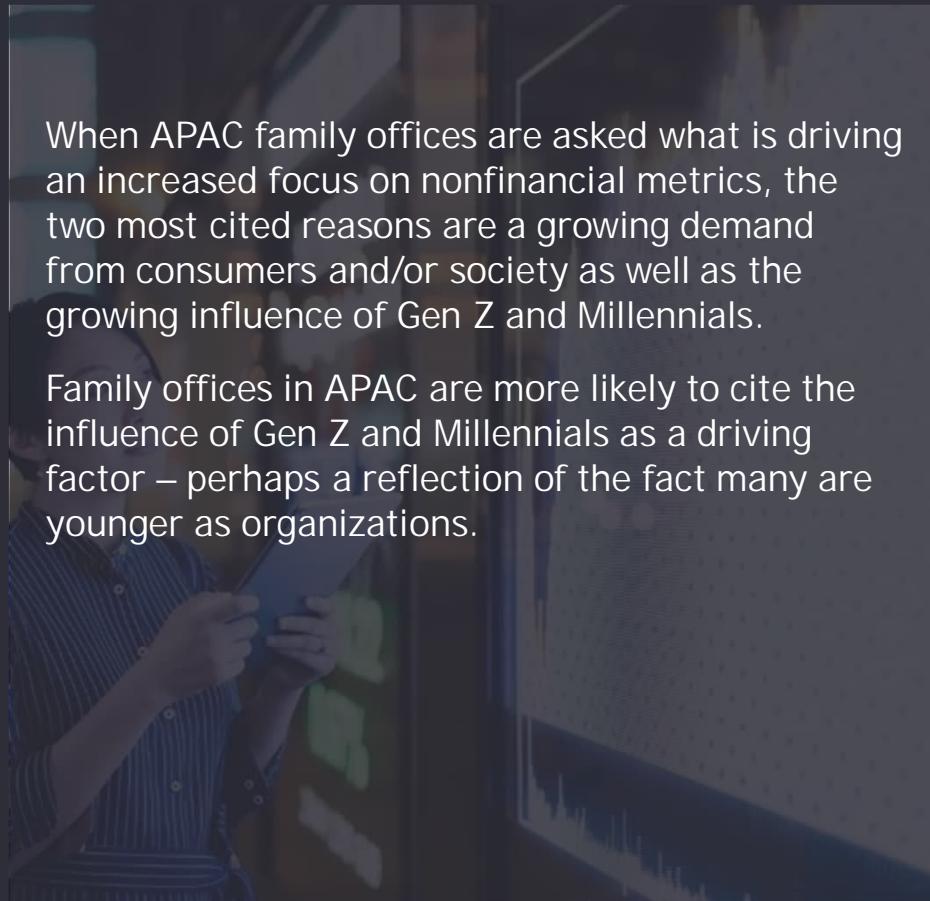
Operating costs and percentage growth in AUM are more likely to be used in APAC while talent retention and engagement are more likely to be used in Western Europe.

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 nonfinancial performance



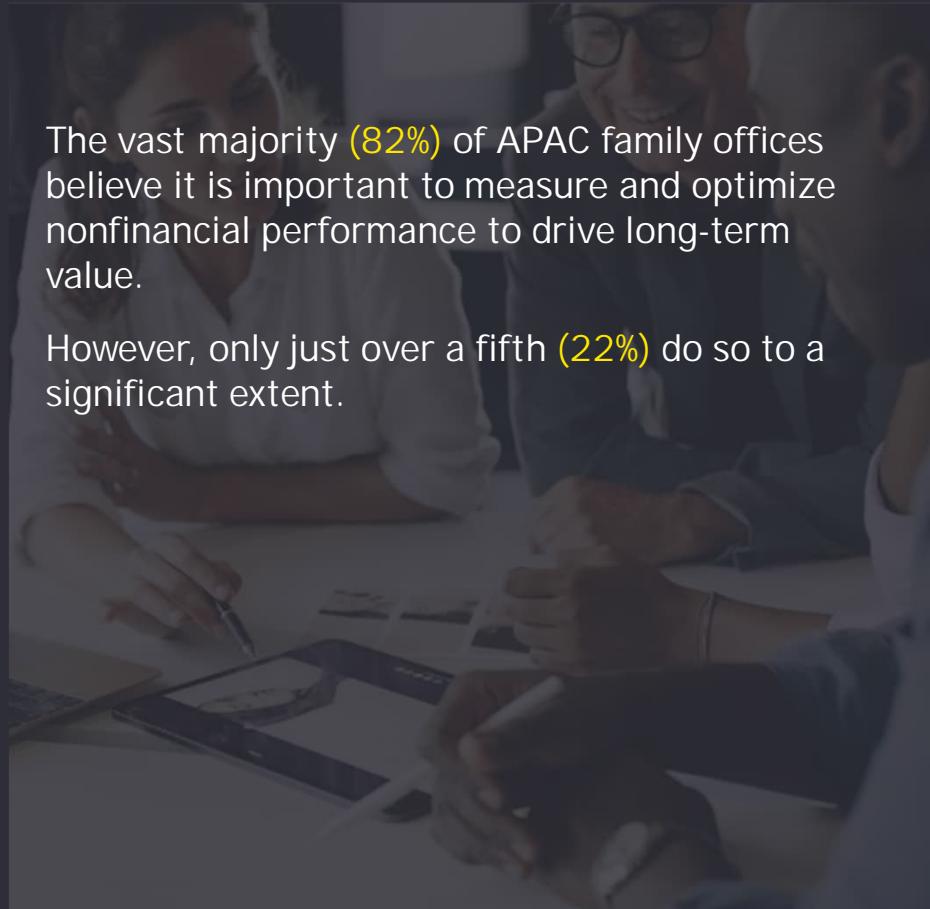
When APAC family offices are asked what is driving an increased focus on nonfinancial metrics, the two most cited reasons are a growing demand from consumers and/or society as well as the growing influence of Gen Z and Millennials.

Family offices in APAC 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 nonfinancial 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%

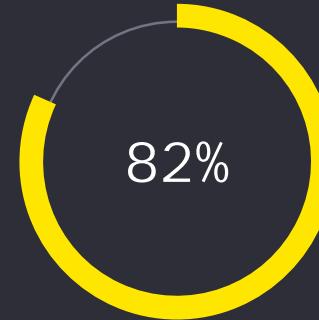
APAC family offices believe in monitoring a range of metrics to drive Long-Term Value



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

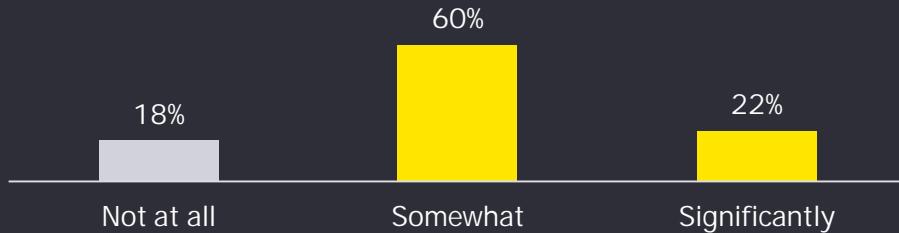
However, only just over a fifth (22%) do so to a significant extent.

Importance of measuring and optimizing nonfinancial performance



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

Extent to which family offices monitor and optimize nonfinancial 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.

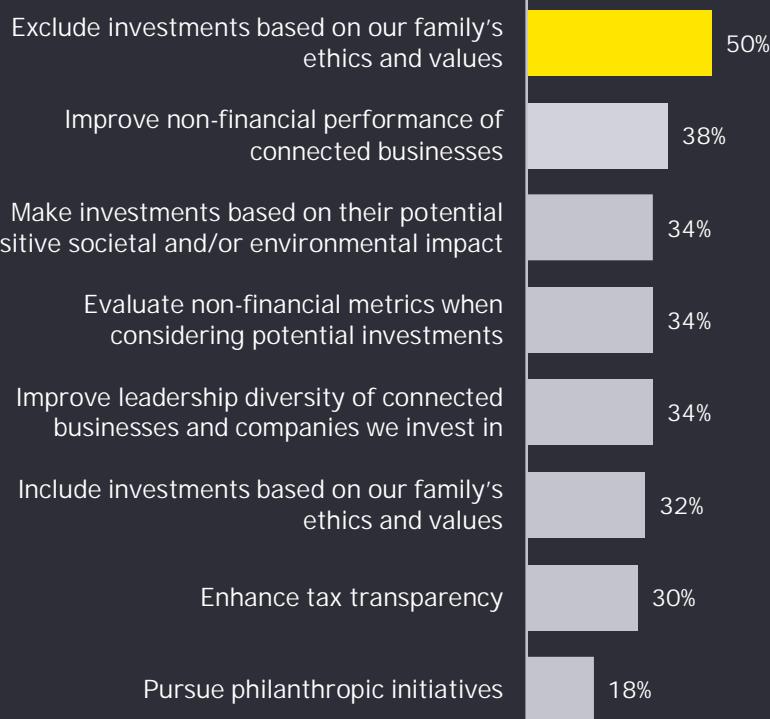
Over the next 12 months, **70%** of APAC SFOs plan to implement at least three of the three initiatives listed in the chart to the right.



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 leading 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

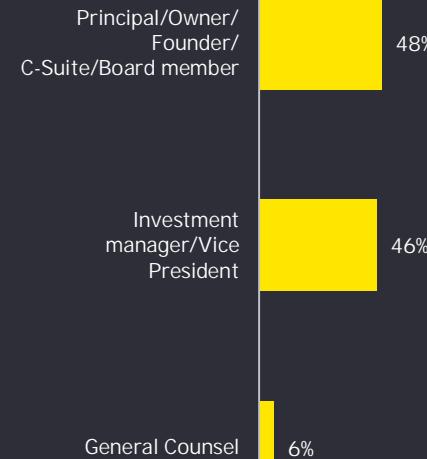
Single Family Offices of
different sizes

20 **Small** with minimum
\$250m-499m AUM

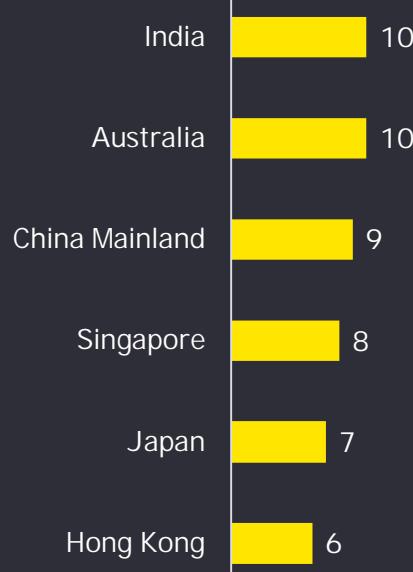
15 **Medium** with
minimum \$500m-1b AUM

15 **Large** with minimum
\$1b AUM

APAC roles



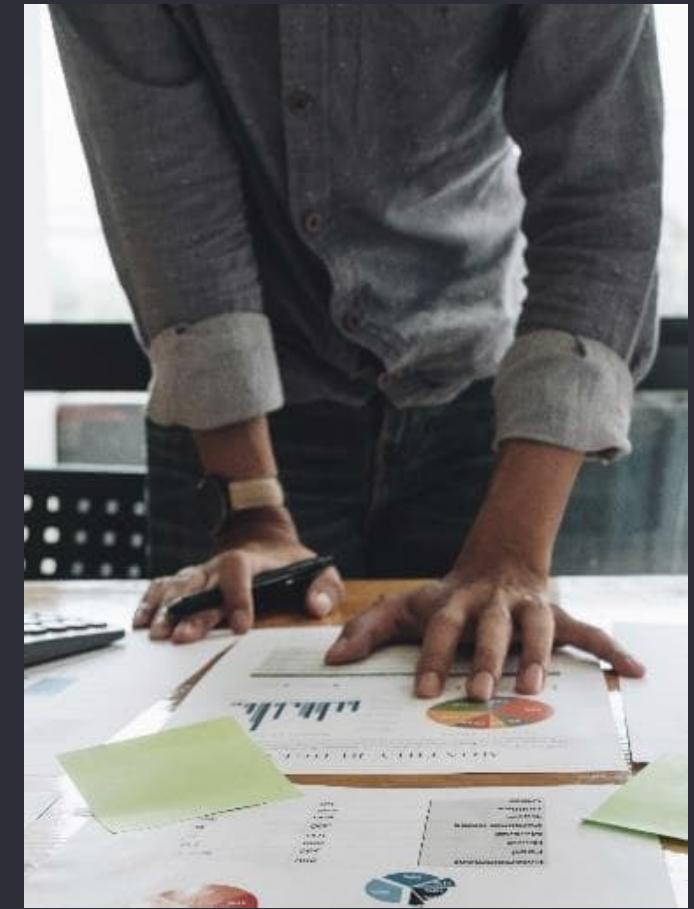
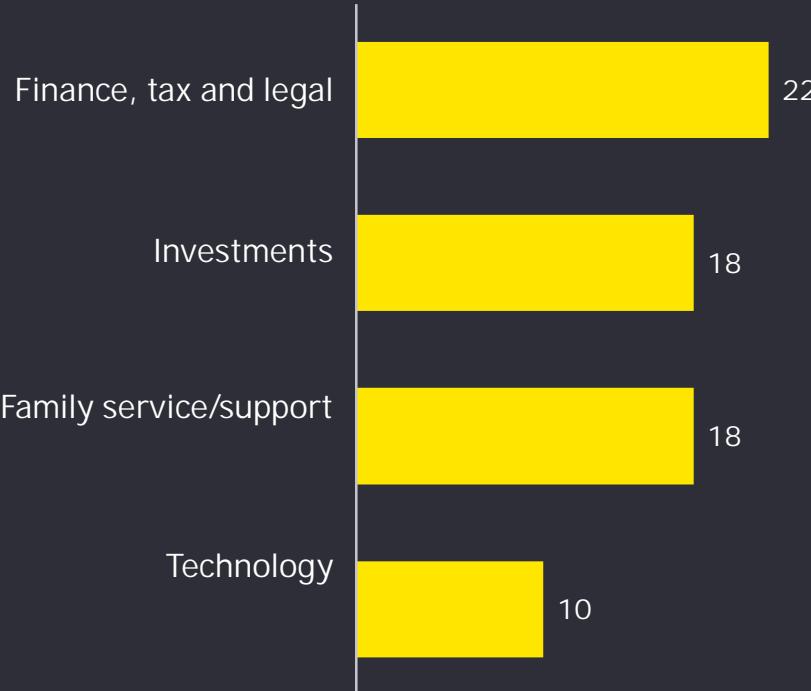
APAC jurisdictions



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

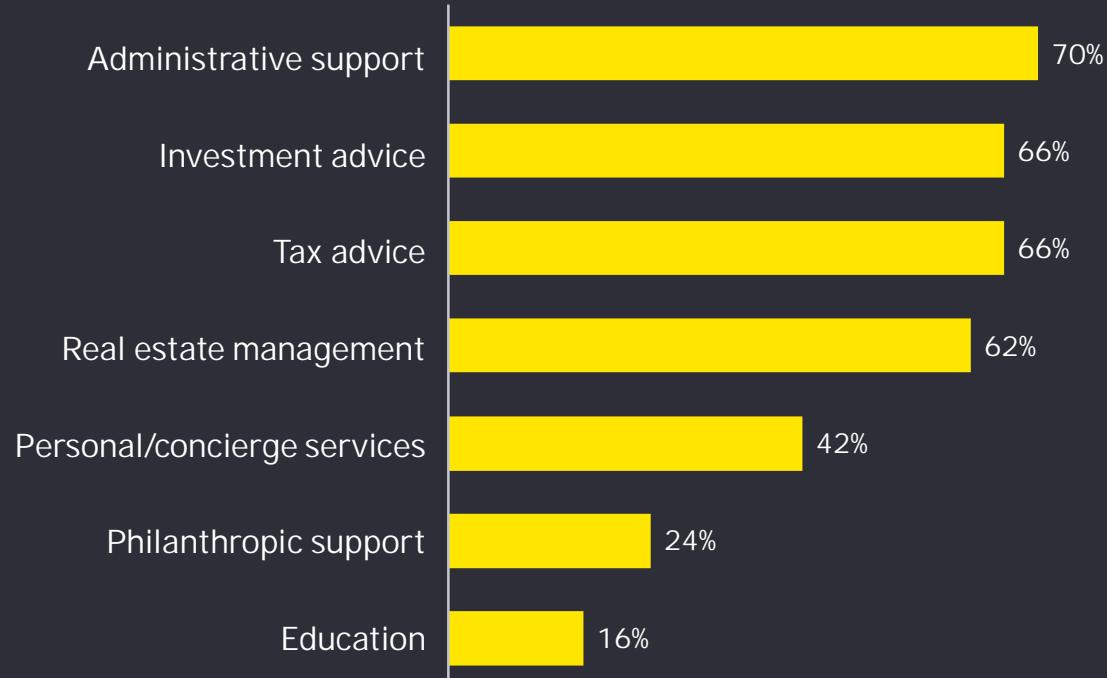
Average number of FTEs serving a given function, APAC family offices



APAC family office services offered



Percentage of family offering each service, APAC family offices



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