

**Iain Johns**, Group Head of Private Client Services at JTC Group, discusses how Jersey leads the way in the delivery of private client services and more complex structures involving trusts, companies, limited partnerships and foundations for international families.

China is a growth market for Jersey, as it has the 4th largest population of High Net-Worth Individuals (HNWI) globally after USA, Japan and Germany.<sup>1</sup> In 2012, China's HNWI population increased by 14.3%, to reach 643,000, and HNWI wealth grew by 15.6% to US\$3.13tn.

It is important to recognise that the region has particular wealth management needs. According to The Asia Pacific Wealth Report 2013 from Cap Gemini & RBC Wealth Management, HNWI's in China have the highest need for advice on family wealth (56.5%) versus 21.1% seeking advice on personal wealth. This figure rises proportionately to size of their wealth – 64% of HNWI's in the wealth band of US\$10m to US\$20m prefer advice on family wealth. This is because, unlike in developed markets, the majority of Asian HNWI's are still first-generation wealthy. They have made their fortune from their own business, for example entrepreneurs in China represent over 40% of total HNWI's, with 5% being ultra-HNW (the highest among all HNWI profiles).<sup>2</sup>

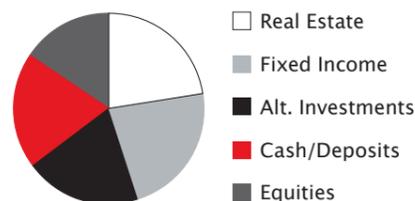


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**HNWI Portfolios**



**Complex requirements**

In our experience, professional wealth advisors to Chinese HNWI's are managing larger and more complex relationships due to the higher rates of business ownership in China, as well as a growing acceptance of family wealth and succession planning. This is also recognised by Cap Gemini which reported that compared to HNWI's in the rest of the world, those in Asia-Pacific (excluding Japan) said their wealth management requirements were more complicated. This indicates a need for more robust services, potentially including family offices and estate planning, although these are emerging requirements in this HNWI population. Chinese HNWI portfolios reflected the trend in the report, being allocated to cash/deposits and equities in equal measure (22.5%). The balance of the HNWI portfolios were spread across real estate (19.9%), fixed income (19.6%) and alternative investments (15.5%).<sup>3</sup>

**Trusts and foundations**

Trusts have been the bedrock of Jersey's finance industry since the 1960s and became an even more significant vehicle once the Jersey Trust Law became a part of Jersey legislation in 1984. Since that time, as well as serving as a blueprint for trust legislation in other jurisdictions, the Jersey law has been modified and continues to evolve to remain relevant to the modern international investor.

A popular vehicle for investors has been the Private Discretionary Trust in which the trustee has largely unfettered discretion to exercise his or her own judgment as to the timing, manner and amount by which beneficiaries of the trust might benefit from trust assets. It is particularly useful when, at the time of its formation, the needs of the individual beneficiary or group of beneficiaries cannot be predicted.

Discretionary Trusts are one of a range of trust vehicles that are commonly used for wealth management strategies, each designed to suit individual circumstances. Several others, including Fixed Interest, Purpose and Reserved Power Trusts, can also be called upon. Trust selection on behalf of HNWI's will depend upon the circumstances of the settlor and the manner in which it is intended to benefit the beneficiaries.

Investors have alternative structures they can consider, most notably foundations. A foundation has the characteristics of both a trust and a company and has civil law recognition as a separate legal personality. It therefore has wider appeal in civil law jurisdictions.

**Private Trust Companies**

The Jersey Private Trust Company (PTC) is an example of a vehicle that has been promoted in the region by Jersey Finance and by firms who actively market themselves in the location. A PTC is owned either by a Jersey Foundation or a Jersey Purpose Trust. A highly effective vehicle when consolidating the administration of various family trusts, the PTC arrangements significantly increase the family's influence and, to some extent, control over the destiny of the assets placed in trust for both present and future generations.

Importantly, for the wealth management industry, 95.2% of HNWI's in China are confident in their ability to generate wealth over the next 12 months, which is a higher rate of confidence compared to the world average of 79.9%. With over 50 years' experience, Jersey offers a robust, modern and sophisticated legal framework that has enabled it to support the evolving needs of one of the world's most important HNWI populations. ■

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**A view on Jersey: Kensington Trust Group**

We are an independent trust company with a well-established presence in South East Asia and a network that also extends into Europe and the Caribbean through strategic alliances with selected partners in key international financial centres.

Through our strategic alliance with JTC Group, our Hong Kong office has seen the benefits of Jersey as an international finance centre due to the breadth and diversity of the services provided, in particular investment vehicles designed for private clients and high-net-worth individuals. Jersey is also recognised as an important gateway for corporate investment into western markets.

The Jersey Finance Hong Kong office has acted as a hub for the development of the Greater China market since 2009 and this investment by the Jersey authorities is recognised in the region as an important link between China and Jersey.

Jersey is also well-respected in the region for the quality of its regulatory oversight and the recognition it has earned from global bodies such as the IMF and the OECD.

<sup>1</sup> The World Wealth Report 2013 from Cap Gemini & RBC Wealth Management  
<sup>2</sup> McKinsey Global Private Banking Survey 2013, Capturing the New Generation of Clients  
<sup>3</sup> The Asia Pacific Wealth Report 2013 from Cap Gemini & RBC Wealth Management