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ENTREPRENEURS IN ASIA WILL PASS ON WEALTH TO THEIR FAMILIES, BUT MANY ARE UNDERPREPARED, SAYS HSBC REPORT

Globally, more than a third of entrepreneurs are considering an exit from their business within the next five years, with more Asian entrepreneurs, on average, planning to discontinue managing their business.

Business transfer to family members, is top of mind for entrepreneurs in Asia but many are underprepared, the inaugural HSBC Global Entrepreneurial Wealth Report finds. On the other hand, where Asian entrepreneurs exit by a share disposal, they are less likely to sell their entire stake in their business, providing the possibility to retain their influence in it.

More than half of the Asian entrepreneurs expressed that they want their wealth used for charitable or philanthropic causes or sustainable/ impact investing. They would also prefer having their wealth used to invest in future businesses – either their own or others.

Asian families, while ahead in planning their wealth, lag behind in the discussion with the heirs.

When it is time for them to exit, Asian respondents show a greater preference to transfer their business to the next generation of immediate family instead of selling the business. 61% of entrepreneurs in mainland China and 53% in Hong Kong want to transfer their business to the next generation of their immediate family or to another family member; in France, the figure is much lower at just 36%.

However, the study shows that majority of these entrepreneurs in Asia, with approximately 70% in Singapore, Hong Kong and mainland China, have not yet started the wealth transfer conversation with their families. The findings also show that 8% of entrepreneurs globally have never intended to bring up their wealth transfer plans.

Henry Lam, Regional Head of Wealth Planning and Advisory, Asia Pacific at HSBC Global Private Banking, says: "Our finding indicates that many entrepreneurs are aware of the importance to prepare their wealth for succession but not as many have started to prepare their heirs. Deciding how to deploy family wealth or who will drive the family business in the future is a time that can lead to stress, high emotions and uncertainty. In fact, almost one in two former entrepreneurs we surveyed globally say they would have consulted more with their family if given the chance to exit differently and almost half of next-generation entrepreneurs recommend that others seek more formal advice about wealth transfer based on their own experience of coming into the family business. Our role as advisors is to help facilitate an open and early dialogue within the families we work with to help smoothen the process of wealth transfer."

Exiting a business may not be an easy business

Across geographies, the key enabler for entrepreneurs planning to pass on their business is when the next generation is ready to take over. Of those planning to exit through sale, the majority are focused on finding a suitable buyer.

Aik Ping Ng, Head of Family Office Advisory, Asia Pacific at HSBC Global Private Banking, says: "An important first step in identifying a suitable buyer is determining what that means for you and your family. Beyond just a discussion on the right price, the family should have an honest dialogue on how this sale will impact other stakeholders – clients, suppliers, employees and other minority shareholders, for example. For the family, managing the liquidity event effectively through proper wealth and transition planning is paramount. Setting up a family office could create a second engine of wealth creation that the family needs."

A strong desire to deploy family wealth purposefully

Entrepreneurs around the world are equally family-oriented, with over 70% wanting to preserve their wealth for the next generation or distribute it to them. While two out of five entrepreneurs in India, Singapore and Hong Kong are more likely to invest in future businesses, echoing the report's findings that, post-exit, many plan to continue business-related activities.

Using the proceeds for charitable causes or sustainable/ impact investing is a notably popular choice for entrepreneurs in India (70%) and mainland China (58%), while this is much less likely in the UK or the US (37% each)[1].

Lam adds: "Philanthropy is a natural but effective way to get the next generation more involved in the family business and educate them about family wealth and values. Charitable planning can be used to assess how successful the next generation manages, invests and distributes the assets. These results can provide insight on how prepared the next generation may be for managing the family's broader wealth and family business."

Other key findings from the HSBC Global Entrepreneurial Wealth Report include:

- Entrepreneurs often have a global outlook, with nearly half living in more than one country or territory and three quarters trading with overseas markets. They are not just in search of business opportunities abroad: international investments and real estate are personal drivers.
- More than half of entrepreneurs in Hong Kong and mainland China look internationally for their children's education.
- Hong Kong shows the biggest proportion of cross-border trading activity (96%) and also has the highest proportion of entrepreneurs currently expanding into new markets.

The HSBC Global Entrepreneurial Wealth Report gathered data from 973 current and former HNW entrepreneurs across nine different markets: France, Hong Kong, India, mainland China, Singapore, Switzerland, the UAE, the UK and the US. Click here to read the full report.

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Note to Editors:

1. Result extracted from a multiple-choice question where respondents could choose multiple answers out of the seven options available.

About HSBC Global Entrepreneurial Wealth Report
A total of 973 HNW entrepreneurs with investible assets of at least USD2 million across nine different markets were surveyed via an online questionnaire or by telephone interview in March and April 2023. The survey was available in Arabic, Chinese (Cantonese), Chinese (Mandarin), English and French. Responses were gathered from France, Hong Kong, India, mainland China, Singapore, Switzerland, the UAE, the UK and the US.

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