



**Jersey Private Wealth
Report 2018**



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Photo credit: Helier Smith

Foreword Welcome to the Jersey Private Wealth Report 2018

Dear Reader,

We are delighted to present the Jersey Private Wealth Report 2018. A total of 82 Jersey based individuals participated in the independent research study, comprising of 40 private clients (High Net Worth (HNW) and Ultra High Net Worth (UHNW) individuals, High Value Residents (HVRs) and wealthy entrepreneurs) and 42 private wealth professionals (trustees, investment managers, family office professionals, private bankers, insurance brokers, estate agents, lawyers, tax advisers, relocation consultants). All participants have taken part in qualitative interviews, sharing their expert views, insights and experiences in the context of Jersey private wealth.

We explored aspects of private clients' selection criteria for Jersey based private wealth professionals and service providers. In addition, we investigated client communication, client relationships, client value, client service quality, client satisfaction, client trust, client loyalty and client retention. Furthermore, we explored key private wealth themes in Jersey such as family offices, succession planning, philanthropy, impact investing, privacy and security.

We also investigated private clients' banking, investments, collectibles, real estate, private equity, co-investing, lending, focusing on cryptocurrency, private jets and private client insurance. Finally, we asked private clients and private wealth professionals about their views on the future of the Jersey private wealth sector.

We would like to thank all the participants who kindly shared their insights and also our sponsors – AFEX Offshore, Cazenove Capital, Fine & Country, Islands, JCAP Treasury Services, Jersey Finance, Rathbones, Ravenscroft, Sancus, Standard Life Wealth and Vantage.

We hope you enjoy reading the report and welcome your feedback. We are committed to assisting global private clients and global private wealth professionals with their private wealth strategy through thought provoking insight.

If you require any further information, please do not hesitate to contact us. We look forward to working with you in the future.

Yours faithfully,



Dr Stuart Gibson CEO,
Gibson Strategy Limited

This report is dedicated to my father Sam Gibson, who, sadly and unexpectedly, passed away on 21st October 2018, the morning after I finished writing this report. He loved Jersey.

Executive Summary

Private client trust and loyalty. Trust is essential for successful and profitable long-term private client relationships. Greater trust is required when private clients require complex advice, such as investments, succession planning or tax, compared to simpler functions, such as transactional banking. Private clients want to trust the private wealth professional is not working independently, that expert professional advice given is the ‘house view’ of the investment manager or private bank. Private clients’ loyalty is influenced by private client service quality, client satisfaction, client trust, client communication, relationship commitment and client value.

Private client relationships. The relationship is between the private client and the private wealth professional (individual) rather than private wealth service provider (institution). A trusted ‘partnership’, consisting of open communication, honesty, integrity, trust, understanding, care and empathy. Private clients and private wealth professionals need to have ‘chemistry’ to have a successful long-term partnership. A co-pilot approach creates a long-term collaborative partnership, which is ‘two-way’, involving mutual respect, benevolence and trust. Incremental increase of shared trust, integrity and loyalty leads to strong bonds and intimacy experienced by a ‘professional friendship’. Results in mutual benevolence, increased share of wallet and private client referrals.

Succession planning. Wealth erosion is a major concern for Jersey wealth creators, as is providing a secure environment for future generations. Preparing and educating the next generation about family wealth is a big responsibility and parents are divided about how much to tell children and when. Entrepreneurs, who are still creating the wealth, find it difficult to hand over control, while a number of patriarchs want to maintain control ‘from the grave’ as part of their legacy. Divorce, remarriages and blended families are making families increasingly complex, leading to conflicts arising from fair distribution of wealth, while transfer of a family home can be emotionally challenging. Philanthropy plays a critical role in succession planning and is a way of engaging children in investment and governance issues.

Philanthropy. Wealthy individuals in Jersey want to give back to the local community. Most private clients in Jersey wish to remain anonymous, as philanthropy is personal and private. Philanthropic causes are driven by personal frustrations or concerns regarding important issues that are not being dealt with by an established charity. Philanthropy is a deliberate strategic vision for wealthy families in Jersey. Wealthy individuals/families want to create their own structure, whether it’s a trust or foundation, and want to be involved and retain control. Patriarchs/matriarchs want the flexibility to include their children in the family’s philanthropic structure. Some Jersey-based private clients and family offices use their own wealth to invest in a philanthropic cause. However, some will seek to collaborate with other like-minded UHNW individuals to co-invest together on larger philanthropic projects. Wealthy families employ the services of local philanthropic advisers to set up structures and provide good governance.

Social impact investing. A third of the interviewed Jersey private clients and family offices are involved in social and environmental impact investing, either directly or through funds. They want to invest in solutions that provide a positive impact on environmental or social issues, but also want to invest efficiently and effectively, receiving, in some circumstances, no financial return.

Family offices. The decision to set up a family office depends on many factors: 1) the amount of wealth – a UHNW of £100-500 million - to make it economically worthwhile; 2) the needs of different branches or generations of the family, who might have their wealth management and/or philanthropic requirements; 3) a question of overall efficiency of the family’s wealth; 4) the complexity of the family’s affairs – international cross-border issues and a mix of different assets in complex structures; 5) an opportunity to engage with the next generation and for children of UHNW individuals to be involved in the family office and the family’s philanthropic causes; and 6) to achieve privacy for the wealthy family – employing a small team of trusted people.

Substance. There is a consistent theme for jurisdictions wanting to tax where the ‘substance’ of the operation is; therefore, “if we have a family office in Jersey, in order to be taxed here, the substance of the operation needs to be here, actually employing staff on the island”. There is work to be done with regards to value chain analysis and understanding where the value of the transaction is. There are great opportunities for Jersey-based single family offices, multi-family offices and family office service providers, due to the abundance of high calibre, qualified, private wealth professionals based in Jersey.

Hedge funds. In line with global trends, Jersey private clients have significantly decreased their exposure to hedge funds.

Alternative investments. The top four reasons given by Jersey UHNW individuals for investing in collectibles: 1) personal enjoyment; 2) diversifying their wealth portfolio; 3) an appreciating asset; and 4) kudos amongst peers. 80% of those Jersey private clients interviewed invest in collectibles as an alternative asset. The value of collectibles (art, cars, wine, watches, antiques etc.) is driven by fashion and taste – when fashion is high the price is high, however, when it is out of fashion, the price could go spiralling down. Art collections are the highest rated investment, with cars, wine, watches and stamps following closely behind. 90% of the UHNW individuals interviewed in Jersey collect as a passion, rather than a long-term investment. Younger UHNW individuals are looking to invest in alternative collectibles, involving the latest technologies. Celebrity status continues to drive up sales of high-end alternative investments. Many of the investments of passion are long-term, generational wealth assets, due to their lack of liquidity.

Cryptocurrencies. There is a great deal of interest in, but very little actual understanding of, cryptocurrency, such as bitcoin, and blockchain, the technology behind it. Jersey private client investors and private wealth professionals are predicting that the bitcoin ‘bubble’ will burst soon. Until the government, regulators and global central banks work out how to regulate it, it will continue to be viewed with suspicion by Jersey private clients. UHNW investors are wary of cryptocurrency, because it is not tangible and is not perceived to have an intrinsic actual value. There is a widely held belief that the darker side of society – criminals – are using bitcoin to finance activity or hide money. This leads to some ethical questions about its use. While cryptocurrency is likely to be a short-term craze, it is recognised that blockchain offers more interesting, long-term possibilities for Jersey UHNW individuals. Investment into cryptocurrency is perceived to be a gamble, as the market is so volatile and there is a threat that Jersey investors could lose everything. The younger generation of private clients, with more understanding of digital technology, are more likely to invest in this type of currency.

1.1 Jersey - A Brief History

The history of Jersey is a fascinating story that dates back to prehistoric times. Jersey's first inhabitants can be traced back to 250,000 BC, when Palaeolithic hunter-gatherers resided in caves. This was long before Jersey became an island, when it became separated from the Normandy peninsula around 6000 BC. A famous landmark and ancient burial chamber, La Hougue Bie, dates back to a period approximately 2000 years later, when Neolithic communities had settled there and left evidence of their existence on the island.

Legend has it that the island's capital, St Helier, was named after a hermit, Helerius, a Belgian monk who settled on a small islet in 540 AD. Following his murder by sea-going raiders 15 years later, a chapel and oratory were built on the site of Helerius' cave. This was later replaced by a monastery, which eventually made way for Elizabeth Castle. Vikings arrived on the island almost 250 years later and gave the island its name.

William Longsword won the island for the Duchy of Normandy during the 10th century. Over one hundred years later, in 1066, Jersey became part of the Anglo-Norman realm, when William the Conqueror gained the English crown, having vanquished King Harold at the Battle of Hastings. When islanders pledged their allegiance to King John in 1204, a continuous relationship with the English crown began. The Royal Charters drawn up in 1204 – which detail Jersey's constitutional rights of self-government, judicial independence and freedom to set its own taxes – have remained the foundations of Jersey's success for 800 years. The island is loyal only to the English queen or king, not to any United Kingdom government or political party. Mont Orgueil was built on the east coast of Jersey in the 14th century, as a first line of defence against the French, although the French did manage to seize and rule the island for seven years during the Wars of the Roses (1455-85). In 1590, when he was Governor of Jersey and resident on the early structural site, Sir Walter Raleigh named Elizabeth Castle after the ruling monarch when it was built to defend St Aubin's Bay. During the English Civil War (1642-51), safe

refuge for King Charles II was provided on the island by Sir George (de) Carteret, Lord of the Manor and Seigneur of the Parish of St Ouen. In 1660, after the English throne was returned to him, King Charles II wrote to Sir George promising to reward him for his kindness. In 1664 the King made good his promise and gave George Carteret joint ownership of a province in America, which he renamed New Jersey in honour of his Island home. Following an attempt by the French to take over the island during the Battle of Jersey (1781), a series of Martello towers was built around the island, to defend it from future attacks. In 1902 the first Battle of Flowers was held, to celebrate the coronation of King Edward VII. A decade later, the world's inaugural International Air Race took place, with planes flying from St Malo to Jersey and back again. During the Second World War, the Channel Islands were the only part of Britain to be occupied by German forces. This came to an end on 9th May 1945. Liberation Day, along with the Battle of Flowers and the International Air Show, are still annually held events on the island today.

Jersey is the largest, furthest south and sunniest of the Channel Islands, and is situated within the Bay of St Malo, 14 miles west of Normandy. The island measures approximately 45 square miles, with a mean daily air temperature of 11 degrees. Being sheltered by the Cotentin and Brittany Coasts, Jersey enjoys a mild maritime climate, is well-renowned for export of early potatoes and for its breed of cattle. Laws were passed in 1789, making it illegal to import cattle into Jersey, in order to protect the purity of the breed. Dairy remains a significant industry today, along with tourism, banking and finance.

Located 85 miles south of the mainland, Jersey's allegiance is to the British Crown, but it is not part of the United Kingdom. The island is self-governed and its population of 105,500 is a mix of predominantly British and French cultures. Jersey is now an internationally recognised and well-renowned leading International Finance Centre (IFC). It benefits from political and economic stability and has strong international networks and partnerships.

“Located 85 miles south of the mainland, Jersey's allegiance is to the British Crown, but it is not part of the United Kingdom”

1.2 Jersey – The Island

Geographical area	45.5 sq. miles / 120 sq. km
Coastline	70 km
Terrain	Sandy beaches on the south and west coast, low terrain green countryside inland, coastal cliff paths on the north coast.
Capital	St Helier
Main language	English
Currency	British pound sterling/Jersey currency of same value (1:1)
Government	Parliamentary democracy
Population	105,500
Economy	International Financial Services, Agriculture (potatoes & dairy) and Tourism (726,800 visitors in 2017)
Parishes	Jersey is divided into 12 parishes, each with its own sea coast. Each parish is presided over by the elected head of parish, the Connétable, on issues relating to civil matters and by the Rector on issues relating to ecclesiastical affairs.
National symbol	Jersey Cow

The Jersey Flag



Geographic location

Jersey sits in the Bay of St Malo – just 14 miles (or 22 km) from the French coast and 85 miles (137 km) south of the English coast. Jersey is the biggest of the Channel Islands. Jersey is only 5 miles (8 km) long and 9 miles (14.5 km) wide and is made up of 12 parishes.

Languages

English is the main language spoken in Jersey. Other languages include Portuguese, Polish and Jèrriais (the Jersey language).

Climate

Jersey's southerly location and sheltered position in the Bay of St Malo means that it has a generally temperate climate. It is often warmer, with more sunshine hours, than you might experience elsewhere in the British Isles. Jersey Met produces a Jersey weather forecast for the local area.

Is Jersey tax free?

Jersey is not tax-free. The public revenues of the island are raised by income tax, by duties paid on certain goods (5% goods and services tax [GST]) and by other taxes and revenues. However, value added tax (VAT) is not charged in Jersey or the other Channel Islands.

Government

Jersey is self-governing and has its own financial and legal systems and its own courts of law. The States Assembly is made up of 49 elected members.

Jersey is a British Crown Dependency and is defended and internationally represented by the UK government. Today, the Lieutenant-Governor of Jersey is the personal representative of Her Majesty the Queen on the island. Jersey's government also issues its own internationally-recognised driving licences and is responsible for its own vehicle registration. Jersey has its own unique number plate sequence – number plates all start with the letter J or JSY. The island also has its own postal and telecommunications services.

Is Jersey part of Great Britain, the United Kingdom or the British Isles?

Jersey, Guernsey and the Isle of Man are part of the British Isles. England, Scotland and Wales make up Great Britain, while the United Kingdom includes Great Britain and Northern Ireland. Jersey is a British Crown Dependency.

Does Jersey have the same legal system as the UK?

Jersey has a Royal Court, which is equal to the UK's Crown Court for criminal matters, and the UK's High Court for civil matters. It also runs an administrative jurisdiction similar to that in the Divisional Court and receives statutory appeals from executive committees of the States. It exercises a supervisory and an appellate jurisdiction over the island's lower criminal and civil courts.

How did Jersey become self-governing?

In 1204 King John lost the Battle of Rouen against the French King Philippe-Auguste. The defeat signalled the loss of continental Normandy, united with the English Crown since the invasion of England by William the Conqueror in 1066. The Channel Islands, which by that point had been part of the Duchy of Normandy for more than a hundred years, might have been expected to align themselves with the French King in 1204, but they were persuaded to side with King John instead.

Among the privileges which the English king granted islanders was the right to be governed by their own laws. He instructed them to select their 12 best men as Jurats who, sitting with the Bailiff, became the island's Royal Court. A warden, later to become governor, was appointed by the King to organise the defence of the island.

Over the following centuries, islanders built defences like Mont Orgueil and Elizabeth Castle to protect themselves against French invaders. Despite attacks, Jersey remained loyal to the Crown and earned many privileges as a result.

Jersey's constitution

The constitutional position which Jersey enjoys today is founded on these links with the English Crown and confirmed in Royal Charters by subsequent monarchs.

Over a period of time, the Royal Court began to consult with the people through the Constables (or Connétables) of the parishes and with the church through the rectors. This consultation with the three estates of court, people and church was eventually formalised into what we now know as the States of Jersey. Significant constitutional changes in 1856 and 1948 saw the introduction of Deputies and Senators into the States, and the removal of the Jurats and the rectors. However, the 12 Jurats remain the lay members of the Royal Court and are today chosen by an electoral college, comprising members of the court and the States.

Jersey's cultural heritage is also evident in its customs and traditions, in its language (Jèrriais) and in its range of architecture.

The working population

A large proportion of Jersey's working population is professionally trained and works in the finance and support industries. The availability of internationally recognised accountancy and legal experts ensures smooth and professional handling of any business transacted within the island.

Encouraging best use of technology in all aspects of life, e-business initiatives are actively being encouraged by the States. The burgeoning e-business industry is also providing quality support for the dynamic needs of the finance industry.

Business communication links to the island are exemplary, with high standards of international telecommunications, information technology, postal and courier services. All major digital telephony, including internet networks and services, can be accessed in a secure, resilient and protected environment.

1.3 Jersey – The Population

Sources: States of Jersey Statistics Unit

On 27th March 2011 (census day), the resident population of Jersey was 97,857.

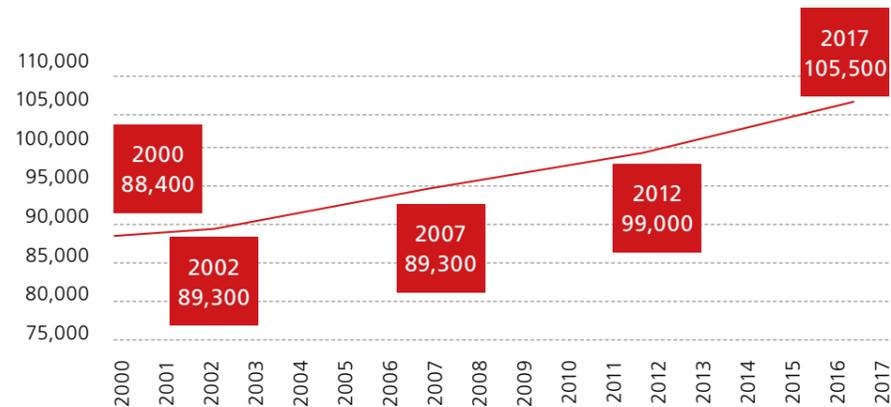
2017 Population estimate

Jersey's resident population at the end of 2017 was estimated to be 105,500. The latest report shows that:

- during the year 2017 the resident population increased by 1,300 people:
- net inward migration accounted for 1,200 of the increase
- natural growth (the excess of births over deaths) accounted for 100 of the increase
- total net inward migration of 1,200 comprised approximately:
- 400 net inward 'licensed' employees and their dependants
- 800 net inward 'registered' employees and their dependants

During the last 10 years, the resident population has increased by 11,500 people. Net migration has accounted for three-quarters (77%) of the total population growth over the last 10 years.

Figure 1. Total resident population from year-end 2000 to year-end 2017



Net migration

Net migration in 2017 is estimated at 1,200 persons into the island (see Figure 2). Natural growth has declined since its peak of almost 400 in 2011 to a low of 133 in 2017. This was due mainly to fewer births in 2017.

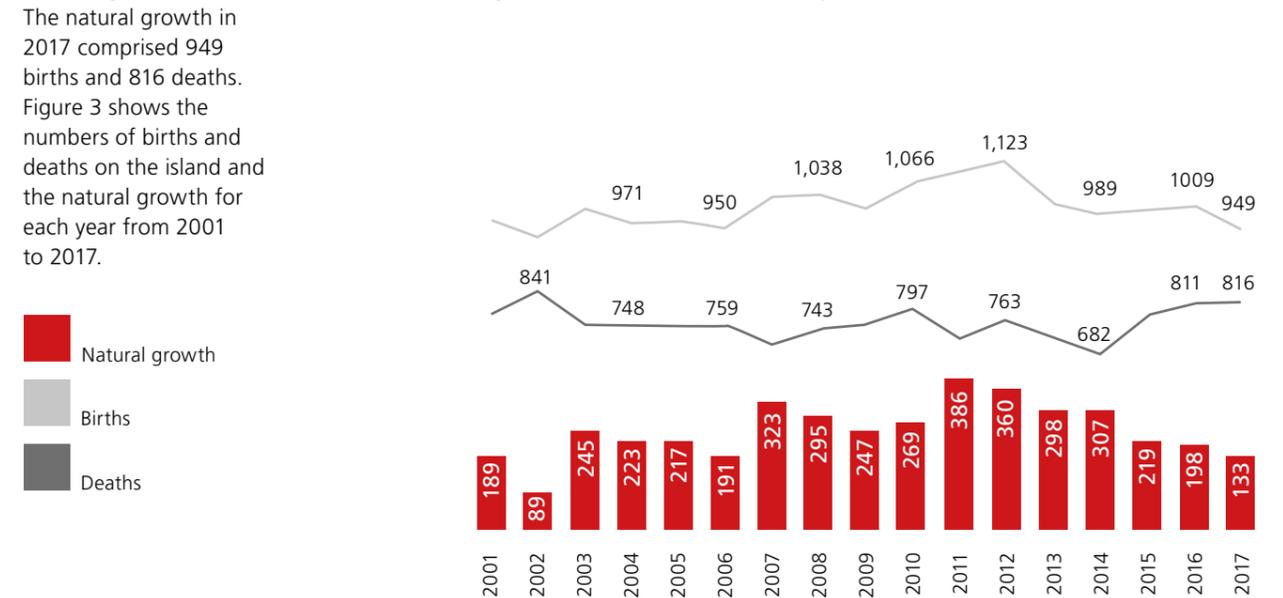
Figure 2. Net migration of people INTO the island per annum, 2001 to 2017



Natural growth

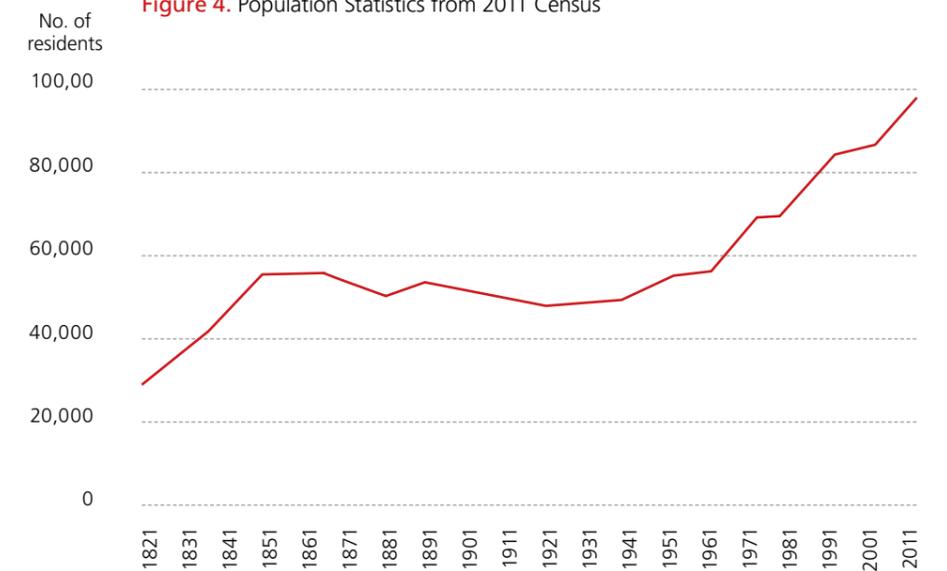
The natural growth in 2017 comprised 949 births and 816 deaths. Figure 3 shows the numbers of births and deaths on the island and the natural growth for each year from 2001 to 2017.

Figure 3. Births, deaths and natural growth, 2001 to 2017



Natural growth has declined since its peak of almost 400 in 2011 to a low of 133 in 2017. This was due mainly to fewer births in 2017.

Figure 4. Population Statistics from 2011 Census



Note: population figures from 1821 to 1951 include visitors not ordinarily resident. Figures from 1981 to 2011 include temporarily absent residents.

Sources: States of Jersey Statistics Unit

Age structure

In 2011, 66% of the total resident population were of working age (women/men aged 16-59/64 years). About a sixth (18%) were above working age and another sixth (17%) below working age. These proportions have been largely constant since 1981.

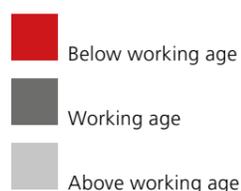
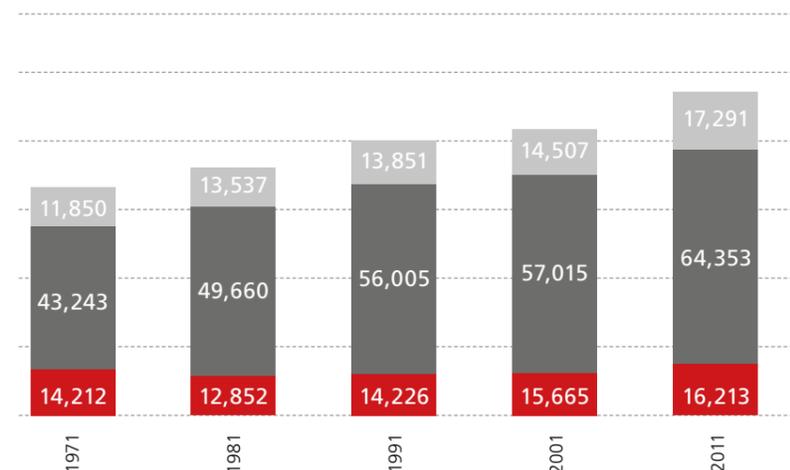


Figure 5. Age structure with respect to working age 1971 to 2011

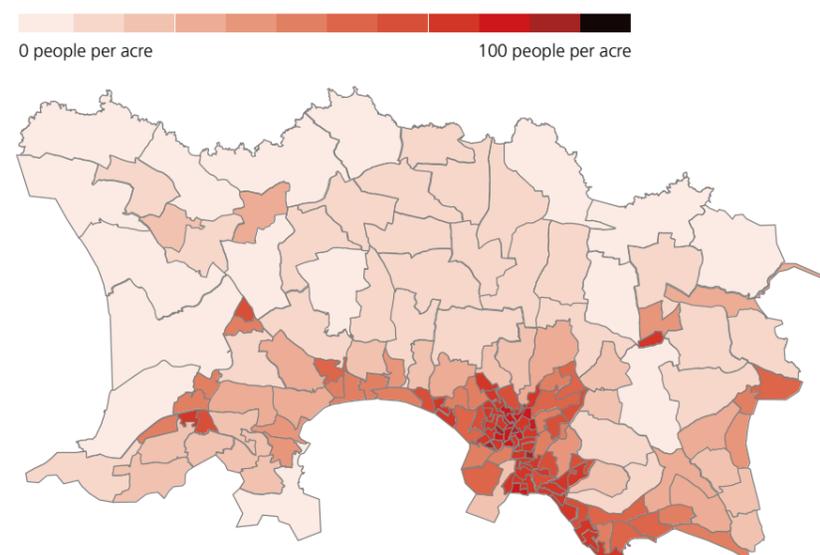


In March 2011, over four-fifths of the resident population of Jersey possessed housing qualifications. Around one in eight (13%) people in Jersey were non-locally qualified.

Population density

The population density of Jersey is approximately double that of England and about a quarter less than Guernsey. Figure 6 shows the pattern of population density across the island.

Figure 6. Net migration of people INTO the island per annum, 2001 to 2017



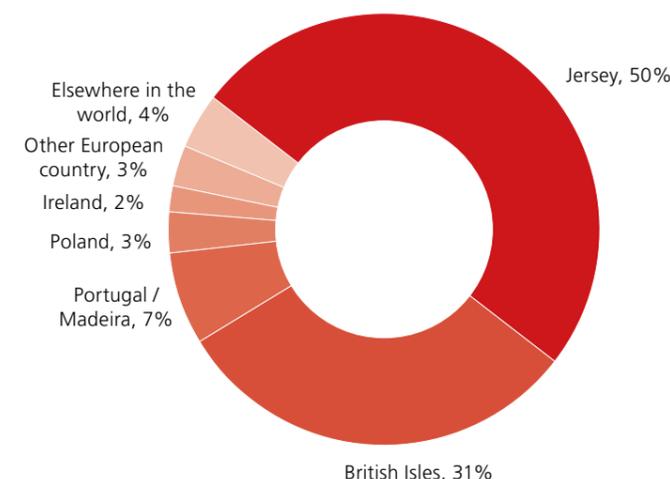
Place of birth

At the time of the 2011 census, half (50%) of the population was born in Jersey. Almost a third of people (31%) were born elsewhere in the British Isles. From the 1970s to 1990s the majority of 'Other Europeans' arriving in Jersey were from Portugal/Madeira. A significant change has occurred in recent years, with the proportion arriving from Portugal/Madeira falling, whilst those arriving from Poland has increased.

Population projections

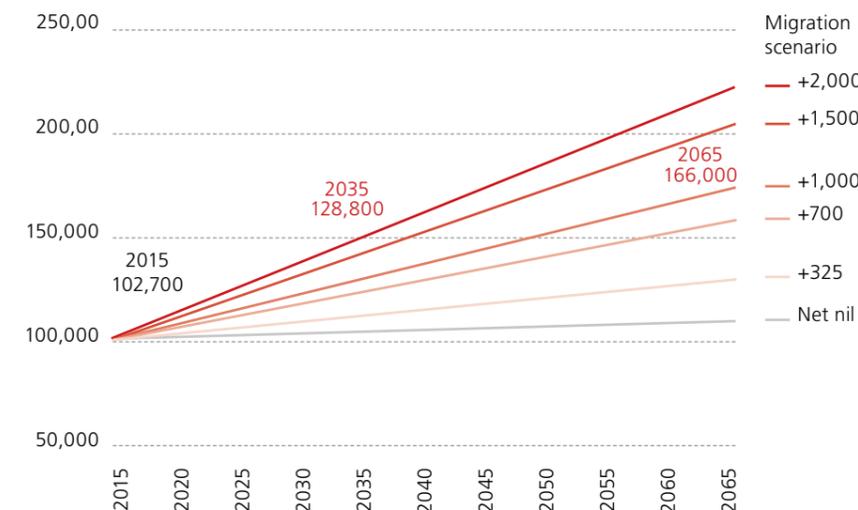
The population projections estimate the future size and structure of the island's resident population under different migration scenarios. Over the last four years, net migration has averaged +1,000 people per year into the island. If recent migration trends were to continue, it is estimated that Jersey's population would reach 128,800 by 2035.

Figure 7. Jersey population by place of birth 2011



The population projections use the 2011 Jersey census as a baseline and incorporate known levels of fertility, mortality and migration from 2011 to 2015. For 2016 onwards, each component in the projections (births, deaths, inward and outward migration) is an estimate based on recent trends.

Figure 8. Total projected population size from 2015 to 2065 under different levels of net migration





1.4 Jersey – The International Finance Centre

Jersey is one of the world's leading international finance centres (IFCs). Its forward-thinking approach, robust regulatory framework and political and economic stability have kept the jurisdiction at the forefront of global finance for more than 50 years.

Independence

Jersey has a unique constitutional position. Although its allegiance is to the British Crown, it is not a part of the UK and is not represented in the British Houses of Parliament. The island's domestic autonomy has been preserved via charter and convention, through 800 years of English history.

Stability

Jersey has its own democratically elected Parliament, which has consistently maintained responsibility for domestic affairs, including fiscal matters. Jersey also operates its own judicial system, which is based on common law principles.

Tax neutrality

Jersey offers a tax-neutral environment, with no Capital Transfer Tax, Capital Gains Tax, Value Added Tax, Withholding Taxes or Wealth Taxes. This provides tax

certainty and allows for fiscally efficient cross-border investment.

Without places like Jersey, bringing so many different investors together would be very difficult and much of this investment – and the benefits it can bring – would be lost. Jersey's island-based tax model allows investors to work together more efficiently. Investors pay tax in their own countries and in the country they invest in, without complex cross-border taxation issues and red tape. To ensure that the right tax is being paid, strong regulation is needed. Jersey-based financial experts make certain that the exact origin of all money in Jersey is known – and where it is going. This information is then shared with the relevant authorities and governments, working with them to ensure the tax due is being paid. This constant communication is vital to fighting financial crime and corruption.

Regulation

What sets Jersey apart from other IFCs is its strong regulatory framework – one of the strongest in the world – designed to bring clarity and transparency to the world of finance.

Jersey remains one of the best regulated IFCs, a position that has been acknowledged by independent assessments

from some of the world's leading bodies including the Organisation for Economic Co-operation and Development (OECD), World Bank and International Monetary Fund (IMF).

Jersey scored top marks from the OECD on tax transparency, receiving a 'fully compliant' rating in the OECD's Global Forum assessment, further reflecting the island's commitment to the highest standards of tax transparency and information exchange.

In 2016, Jersey was subject to a Mutual Evaluation by MONEYVAL and was found to be 'Compliant' or 'Largely Compliant' with 48 out of 49 of the Financial Action Task Force (FATF) Recommendations – the highest score amongst all states assessed.

The island has signed up to numerous cooperation and information sharing mechanisms, including Base Erosion Profit Shifting (BEPS) project and the Common Reporting Standards (CRS), and there is a central register of beneficial ownership that meets international standards, to help share information with tax authorities around the world.

The Jersey authorities have also signed 52 international tax agreements (39 Tax Information Exchange Agreements (TIEAs) and 13 Double Taxation Agreements (DTAs)) to date, which assist in building good-quality business with

those countries and are a reflection of Jersey's commitment to comply with international standards.

Substance

Jersey has a visible financial industry in its capital, St. Helier, and employs a quarter of the local workforce. In over five decades, Jersey has developed a breadth and depth to its range of products and services that competing jurisdictions find difficult to match.

Legal system

Jersey's robust, modern and sophisticated legal framework is the source and foundation of its finance industry. Developments and enhancements are continually being made to ensure flexibility and attractiveness to domestic and international markets.

Infrastructure

Jersey has an award-winning finance industry. Its expert and highly-skilled workforce works with key stakeholders, to develop products and services that add value to local and global economies, as well as to the futures of individual investors.

1.5 Jersey Financial Services Commission

The Jersey Financial Services Commission (JFSC) is responsible for the regulation, supervision and development of the financial services industry in the Island of Jersey for the following.

- Banking
- Collective investment funds
- Fund services business
- Insurance business
- General insurance mediation business
- Investment business
- Money service business
- Trust and company service providers.

The Registrar of Companies also falls under the remit of the JFSC. Additionally, the JFSC is the supervisory body for those sectors that are subject to regulatory oversight of their anti-money laundering and countering the financing of terrorism responsibilities, which includes:

- Accountants
- Lawyers
- Estate Agents
- High Value Goods Dealers
- Non-Profit Organisations.

Known as the Commission, the JFSC's key purpose is:

To maintain Jersey's position as an international finance centre, with high regulatory standards by:

- Reducing risk to the public of financial loss due to dishonesty, incompetence, malpractice or the financial unsoundness of financial service providers
- Protecting and enhancing the reputation and integrity of Jersey in commercial and financial matters
- Safeguarding the best economic interests of Jersey
- Countering financial crime both in Jersey and elsewhere.

In support of its key purpose, the Commission aims to:

- Ensure that all entities that are authorised meet fit and proper criteria
- Ensure that all regulated entities are operating within accepted standards of good regulatory practice
- Match international standards in respect of banking, securities, trust company business and insurance regulation, and anti-money laundering and terrorist financing defences
- Identify and deter abuses and breaches of regulatory standards
- Ensure the Commission operates effectively and efficiently, and is properly accountable to the Chief Minister.



1.6 Jersey Finance

Jersey Finance (JF), which is a not-for-profit organisation, was formed in 2001 to represent and promote Jersey as an international financial centre (IFC) of excellence. JF is funded by members of the local finance industry and the States of Jersey Government, and has offices in Jersey, Dubai, Hong Kong, and representation in London, as well as virtual offices in Shanghai and Mumbai.

JF is focused on developing a better, more certain future for businesses, for the general public at home and abroad, and for the finance industry as a whole. By working with the right people, and creating a safe and secure environment for investors, Jersey can help to grow both local and international economies.

Communication

JF is a central contact for journalists and anyone connected with the finance industry, both locally and internationally, as a source of comment, industry news and information. JF provides positive and transparent news, views and insights on Jersey Finance's role and the added value that Jersey as an IFC can bring to economies around the world.

Development

JF works with key stakeholders to provide tools and resources that create opportunities for its finance industry professionals to successfully promote their individual organisations, products and services.

Innovation

JF also works closely with the Government of Jersey and the regulator, the Jersey Financial Services Commission (JFSC), to ensure that the best interests of the finance industry are effectively represented, in terms of legislation, regulation and other key areas of innovation to enhance Jersey's jurisdictional product and services offering.

Jersey Finance's Vision

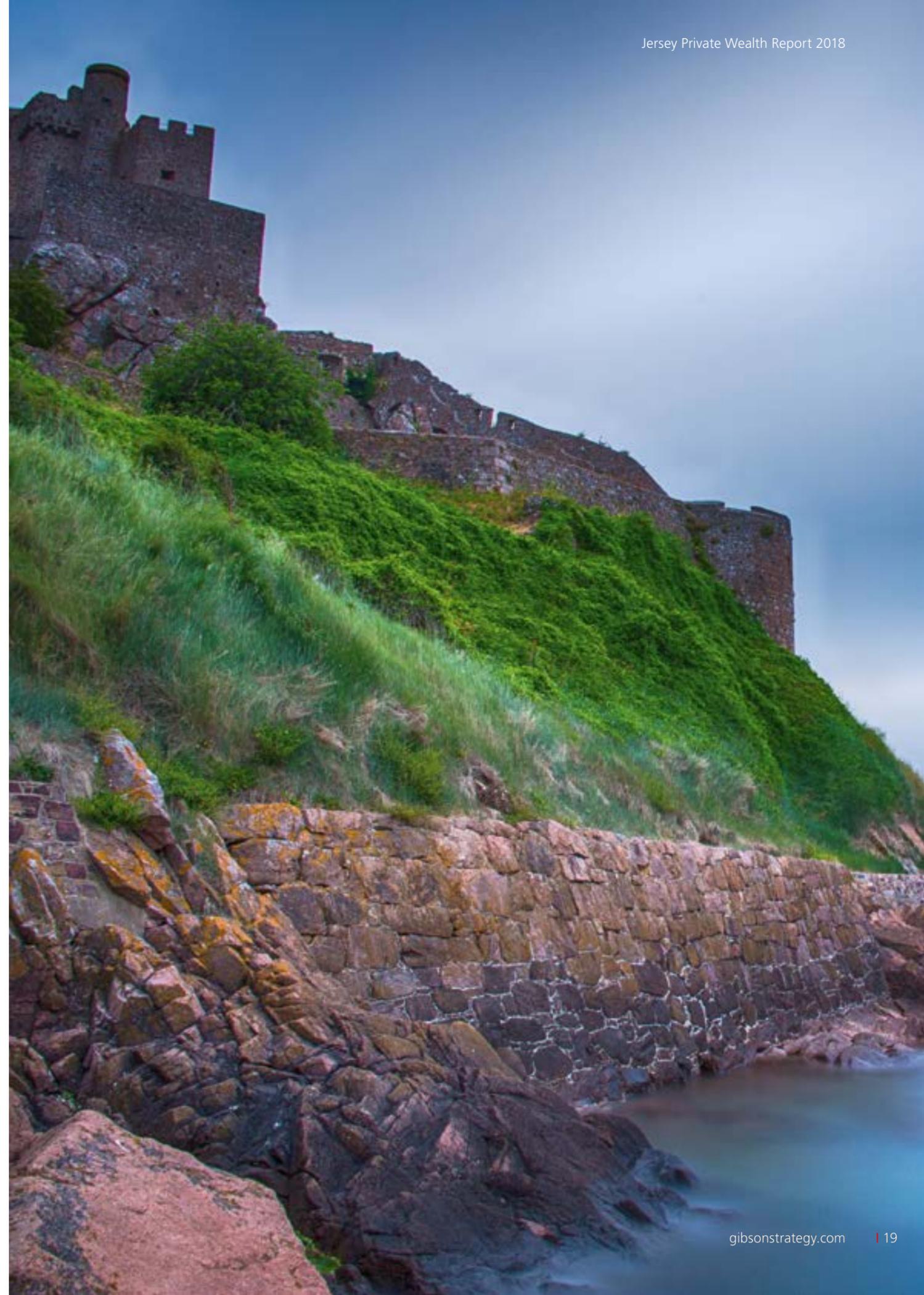
To promote Jersey as the clear leader in future-focused international finance.

Jersey Finance's Mission

JF works with its Members to champion the competitive position of Jersey's finance industry – both locally and internationally – by advocating the highest regulatory standards and the most attractive products and services, to suit the needs of global investors.

Jersey Finance's Values

- Teamwork – Great things happen when we work together, and through having trust and personal responsibility at the heart of all relationships
- Key stakeholder service – Be passionate about stakeholder service and make a difference by taking pride in delivering quality and value for money
- Knowledge – Strive for excellence, while remaining responsive to change, being curious, and learning, sharing and innovating
- Behaviour – Make Jersey Finance a great place to work, where people are inspired to be the best they can be, by communicating with impact and empathy, working with honesty and integrity, and respecting each other and its working environment
- Accountability – Understand the need for financial stewardship of government and member funds, keep good records, maintain transparency, and be confident of scrutiny.



1.7 Jersey Private Wealth in Numbers

£1.3tn

custodian of wealth
Total assets held in Jersey

Source: Capital Economics, 2016

£400bn

in trusts held in Jersey by
private individuals

Source: Capital Economics, 2016

US\$355bn

net asset value

The total net asset value
of regulated funds under
administration in Jersey

Source: JFSC, 2017

US\$264bn

net asset value

The total net asset value of
all alternative funds being
administrated in Jersey

Source: JFSC, 2017

366

Jersey Foundations formed
since their creation in 2009

Source: JFSC, 2018

182

regulated trust company
service providers

Source: JFSC, 2017

Over 50 years of
private wealth
expertise

Source: Jersey Finance, 2018

27
banking
licences

Source: States of Jersey
Statistics Unit, 2018

1,282

members of the Society of Trust
and Estate Practitioners – one of
the largest branches globally

Source: STEP Jersey Branch, 2018

More than
13,300

highly skilled and experienced
finance professionals

Source: States of Jersey
Statistics Unit, 2017

£118bn

Total bank deposits held in
Jersey at the end of 2017

Source: States of Jersey
Statistics Unit, 2018

1.8 Relocating to Jersey

Locate Jersey

Locate Jersey is the government team responsible for promoting, attracting and retaining inward investment and developing High Value Residency for Jersey.

Locate Jersey provides comprehensive, confidential and free advice to facilitate, support and guide individuals and companies through the process of relocating to Jersey.

Reputation

Finding a jurisdiction that can offer the very best tax advantages might be a motivation, but selecting a location to become a new home is about much more.

With its culture of safety and privacy, high quality health and leisure facilities, world-class restaurants, an exemplary education system and easy access to the UK, Europe and beyond, Jersey is the ideal location for families to prosper.

Peace of mind is priceless. Self-governing, with a stable government and independent fiscal and legal systems, Jersey provides an ideal environment for businesses to flourish.

With a highly-respected international reputation and recognised by both the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), Jersey's well-regulated business infrastructure ensures that High Value Residents (HVRs) will have peace of mind when they move their businesses to the island.

Jersey regularly ranks as one of the top offshore finance centres in the world. Its jurisdiction believes in protecting the hard-earned wealth of its residents and offers some of the most favourable tax advantages in the world, paving the way for growth and prosperity for HVRs and businesses.

Lifestyle

Unspoilt beaches. Clean and pure sea air. Conveniently close to international business centres, but far enough away to enjoy a relaxed lifestyle in a tranquil and secure location. With a pace of life that gives families space to thrive, Jersey is an environment where people and businesses flourish.

Where Michelin-starred restaurants sit alongside areas of outstanding natural beauty, cliff-top golf courses overlook Atlantic breakers, and everything is within easy reach.

Jersey's close proximity to France – just 20 kilometres away – adds a distinctly European feel to the island's ambience. It's the perfect setting for the good life, whether hosting

clients or just appreciating the island's wealth of natural resources.

Jersey's 8 by 14 kilometre landscape is home to a varied selection of property options, from contemporary sea view beach properties, to traditional granite country houses. All property sales and leases are overseen by the Jersey government.

Only a select number of High Value Residency and Essential Employee consents are granted each year, with each submission considered on the basis of the financial and social attributes that a candidate can bring to island life.

Jersey has a top class education system, with private schools costing as little as a third of those in the UK. With a comprehensive health service and a work-life balance that means families can be on the beach within minutes of leaving the office, Jersey is the ideal environment in which to enjoy success. A move to Jersey can give peace of mind for HVRs and their families.

Tax and Social Security

Personal income tax

- 20% maximum rate. All income tax payers also pay a 1% Long Term Care Contribution each year

High Value Residency income tax

- 20% on the first £725,000 of worldwide earned income (equivalent to £145,000) plus an additional 1% on all other worldwide income. 20% on revenue from Jersey property rental and development proceeds.

Company tax

- 0% standard rate
- 10% tax for certain regulated financial services companies
- 20% tax for Jersey utility and property income companies

Social security contribution for employees

- 6%

Social security contribution for employers

- 6.5% on earnings up to £4,290 per month, plus an additional 2% on earnings over £4,290 and under £14,188 per month (as at 01/01/2018)

GST (Goods and Services Tax)

- 5%

Health

Jersey's General Hospital provides a full range of services, with reciprocal health agreements covering specific treatments that require care at specialist UK units. The island has extensive private healthcare, good relationships with the main medical insurance companies, and over 20 GP surgeries, all of which are private practice.

There is a charge for GP visits, but the majority of prescriptions are free. The dental service is also privately provided and offers a full range of general and aesthetic dental care.

Education

Jersey values a high standard of education, with the island's GCSE and A Level results equivalent to the upper quartile of the UK education authorities. School places are offered to children at the beginning of the school year in which their fifth birthday falls. There are three types of schools in Jersey:

- free States of Jersey schools
- fee-paying States of Jersey schools
- private fee-paying schools (fees can be as little as a third of those in the UK).

High Value Residency

Jersey welcomes applications from highly skilled and economically active HVRs, who can demonstrate the ability to generate an annual minimum tax contribution of £145,000. To apply for residency, the following documentation will need to be provided:

- personal letter of application
- business profile of applicant
- financial profile
- two personal references
- two business references
- verified copy of valid passport
- Disclosure Certificate from the Disclosure & Barring Service (DBS) which was formerly known as a CRB Certificate – a basic disclosure can be done by Disclosure Scotland for any UK resident, whether living in Scotland or otherwise
- marriage certificate (only for those who wish to purchase a property in joint names).

Business relocation

Under Jersey law, a licence is required to operate a business and employ staff in the island. To qualify for a business licence, an individual must have been resident in Jersey for five years or have Entitled status through HVR, or Entitled to

work status, unless it can be demonstrated that the business is of high economic or social value to the island.

Key factors include:

- Corporate tax payable by the company (this only applies if it is a Jersey Financial Services Commission-regulated financial services business, or a utility company)
- If the business is non-regulated, and does not pay corporate tax, then a key factor would be tax payable in the island by owners and staff of the business
- Creation of high value jobs for islanders
- Training and development opportunities for islanders
- Graduate and school leaver opportunities
- Use of Jersey firms for work required locally (IT, legal, accountancy, HR etc)
- Corporate Social Responsibility (a commitment to the local community).

Business licence applications require a supporting business plan, which should include three years' audited accounts for the existing business and a three-year financial forecast, as well as details of staff for the Jersey business. Applications can be made for a Licensed permission, which is a time-limited consent allowing specialist staff and/or the owner of the business to work on the island and lease or buy appropriate housing. The role must be a position that cannot be filled by someone already entitled to live and work in Jersey.

Forming or registering a company in Jersey

Businesses must be registered with the Companies Registry (Jersey Financial Services Commission). If a non-Jersey resident wishes to form a Jersey 'Limited' company, a local professional service provider (with the correct permissions) will need to act on their behalf, as the business cannot be formed by someone resident outside Jersey. HVRs are also required to have a Jersey registered address for the business.

Registration cards

All new Jersey residents must apply for a registration card, which is required when signing a tenancy, lease or contract agreement, and when starting a new job.

Residential status

There are four categories of residential status in Jersey – Entitled, Licensed, Entitled to Work and Registered. (HVRs are approved under regulation 2(1)e of the Control of Housing and Work Law, but for residential status purposes they are given a conditional 'Entitled' status).



Residential / employment status	Definition	Housing	Work
Entitled	Someone who has lived in Jersey for 10 years	Can buy, sell or lease any property	Can work anywhere and doesn't need permission to be employed
Licensed	Someone who is an 'essential employee'	Can buy, sell or lease any property, apart from first time buyer restricted or social rented housing, in their own name if they keep their 'licensed' status	Employer needs permission to employ a 'licensed' person
Entitled for work	Someone who has lived in Jersey for five consecutive years immediately before the date the card is issued, or is married to someone who is 'entitled', 'licensed', or 'entitled for work'	Can buy property jointly with an 'entitled' spouse / civil partner. Can lease 'registered' (previously 'unqualified') property as a main place of residence	Can work anywhere and doesn't need permission to be employed
Registered	Someone who does not qualify under the other categories	Can lease 'registered' property as a main place of residence	Employer needs permission to employ a 'registered' person

Table 1.

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An offshore island globally renowned for its leading international finance and legal sectors as well as its beauty, Jersey gives you the benefits of a safe and high quality lifestyle, an infrastructure able to help manage and grow your wealth and a convenient location with ties and quick transport links to the UK and Europe.

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2.1 Private Clients and Family Offices

For the purposes of this report, there are two groups of private clients:

- 1) Private clients, who are users of Jersey private wealth services but don't live in Jersey; and
- 2) Private clients, who are users of private wealth services and also choose to live in Jersey.

The first group are global UHNW families, who might or might not have established a family office located in Jersey or elsewhere. The second group are local Jersey residents, who are UHNW families and may have a locally established family office.

Jersey's wealthy individuals and families are made up of the old Jersey families (land owners and business owners), local accountants and lawyers who have sold a trust company, local owners of businesses, who have sold to a private equity firm or listed a company and high-value residents relocated under the 2(1)(e) regulation (previously 1(1)(k)), supervised by the Jersey government.

The demographics of those wealthy families relocating to Jersey is very different from a decade ago. Entrepreneurial, younger, with families and who are still creating their wealth. Many are setting up and growing a business, establishing family offices and involved in philanthropic activity.

Private clients

The term 'private clients' is a generic term used in this report for high net worth (HNW) individuals, ultra high net worth (UHNW) individuals, high value residents (HVRs) and successful entrepreneurs. The term 'private client' refers to both individuals and families.

Definition of high net worth (HNW)

The high net worth wealth group comprises those individuals with wealth of US\$5 million or more, including equities, bonds, cash and deposits, fixed-income products, real estate (excluding primary residence), alternative assets and business interests.

Definition of ultra high net worth (UHNW)

The ultra high net worth wealth group comprises those individuals with wealth of US\$50 million or more, including equities, bonds, cash and deposits, fixed-income products, real estate (excluding primary residence), alternative assets and business interests.

Definition of a high-value resident (HVR)

The term 'high value resident' in the context of this report is the term used by the government of Jersey.

Background to 2(1)(e) Regulation

Since the 1970s, housing regulations in Jersey have allowed the government to grant consent to an individual to purchase certain properties in Jersey where they are satisfied that consent can be justified on social and economic grounds.

The determining factor as to whether the Jersey government is satisfied that consent can be justified on economic grounds has always been the amount of income tax that an applicant undertakes to pay. In 1970 economic applicants had to undertake to arrange their finances to pay Jersey income tax of at least £3,000 per annum. After a peak of £200,000 in the mid-1990s, the minimum now stands at £145,000. The number of successful applications had fallen from between 60 and 70 in some years in the early 1970s to 5 in 2005. Between 1990 and 2010 only 86 people were granted permission. This has risen to 34 approvals in 2017.

The States of Jersey exercises certain controls over the purchase and occupation of residential property on the Island, principally under the Control of Housing and Work (Jersey) Law 2012 (the Law) and the Control of Housing and Work (Residential and Employment Status) (Jersey) Regulations 2013 (the Regulations), which both came into force on 1 July 2013. The Law and the Regulations do not greatly affect the rules governing residency for high net worth individuals. Individuals granted consent under the Regulations are commonly referred to as 'high net worth individuals' or 'high value residents' and will need to obtain a registration card under the Law prior to his or her property purchase.

Since 2005, Jersey government has received a total of 178 applications from individuals to relocate their residency to Jersey, of which 173 have been approved and actually 152 have arrived, leaving 21 approved but not yet resident.

Sources: Locate Jersey

Figure 9. HVR client statistics 2007 to date (October 2018)

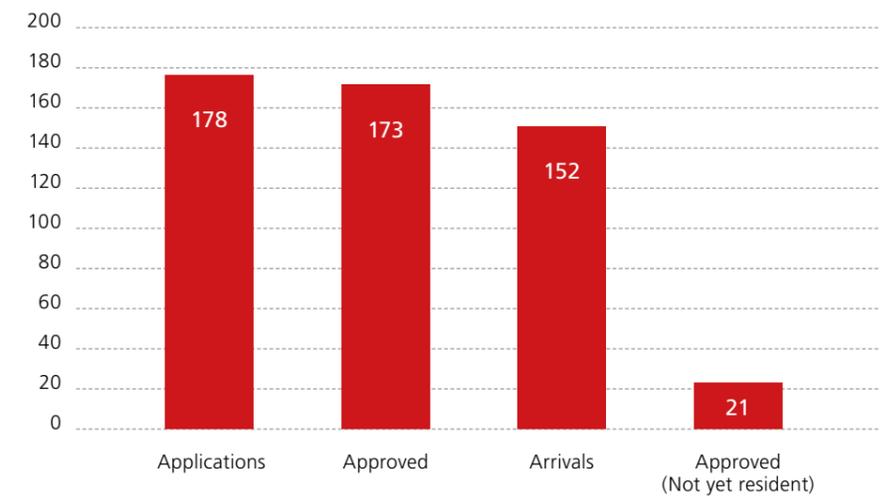


Figure 10: HVR client statistics 2005 to date (October 2018)

Overview of HVRs	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Approved	5	8	13	7	8	7	9	12	14	20	20	17	34	12	186
Arrivals			8	7	5	10	8	8	10	16	22	14	20	24	152
Departures /deaths		1	1		1	1	0	0	1	1	3	3	0	2	14

Sources: Locate Jersey

Figure 11: Nationality of HVR clients approved 2013 to 2017

British is by far the largest nationality of approved high-value residents at 84% (89 families) followed by French at 3% (four families).

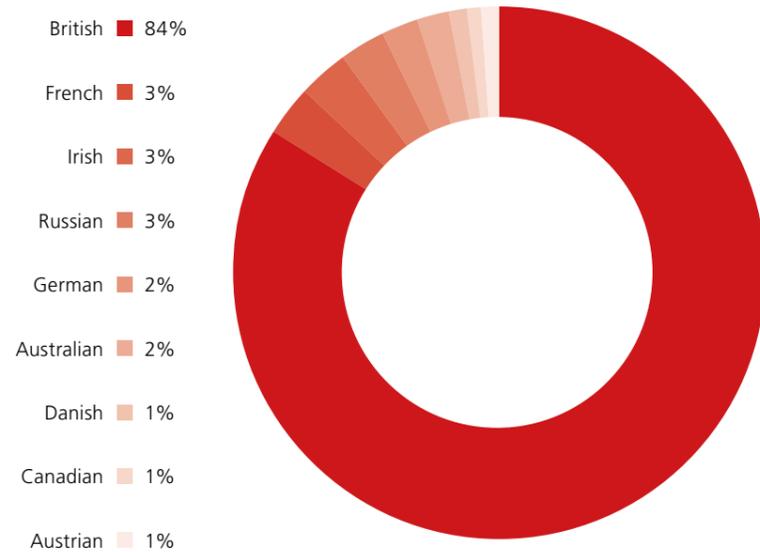


Figure 12: Nationality of HVR clients approved 2013 to 2017

HVR clients of the following nationalities were approved in 2013, '14, '15, '16 & '17		
British	89	84%
French	4	4%
Irish	3	3%
Russian	3	3%
German	2	2%
Australian	2	2%
Danish	1	1%
Canadian	1	1%
Austrian	1	1%
Total	106	

Figure 13: HVR clients living in these countries were approved 2013 to 2017

The UK made up the largest collection of HVR clients approved over the five year period between 2013 to 2017 at 72% (76), followed by Switzerland at 8% (nine).



Figure 14: HVR clients living in these countries were approved 2013 to 2017

The UK made up the largest collection of HVR clients approved over the five year period between 2013 to 2017 at 72% (76), followed by Switzerland at 8% (nine).

HVR clients living in the following countries were approved in 2013, '14, '15, '16 & '17		
UK	76	72%
Switzerland	9	8%
Antigua	2	2%
Australia	3	3%
Spain	2	2%
Germany	2	2%
Hong Kong	2	2%
The Netherlands	1	1%
Singapore	1	1%
Poland	1	1%
Morocco	1	1%
Luxembourg	1	1%
Russia	1	1%
New Zealand	1	1%
France	1	1%
USA	1	1%
Barbados	1	1%
Total	106	

Sources: Locate Jersey

Figure 15. Overview of HVR clients 2009 to 2018

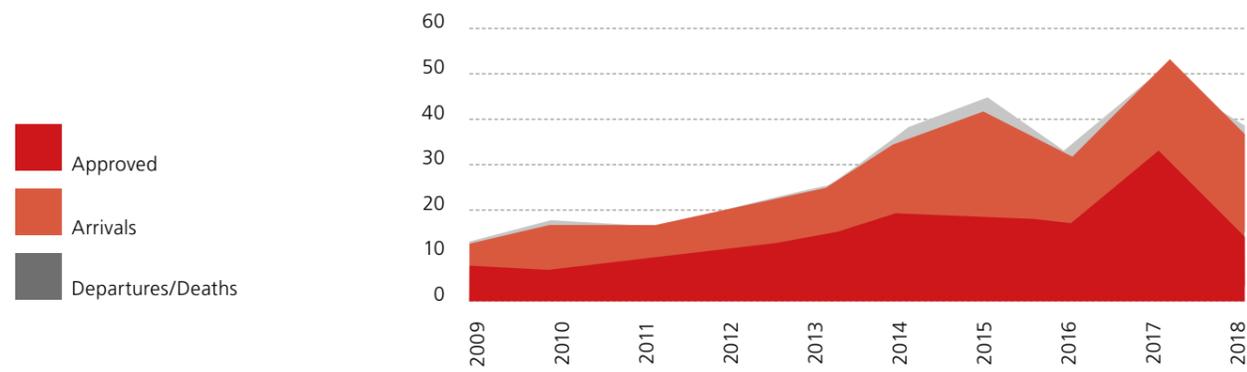


Figure 16. Overview of HVR clients 2009 to 2018

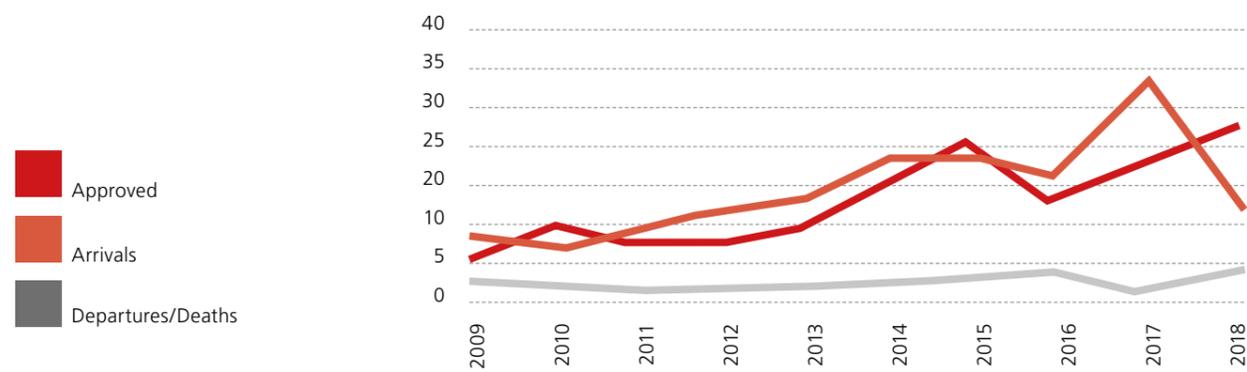
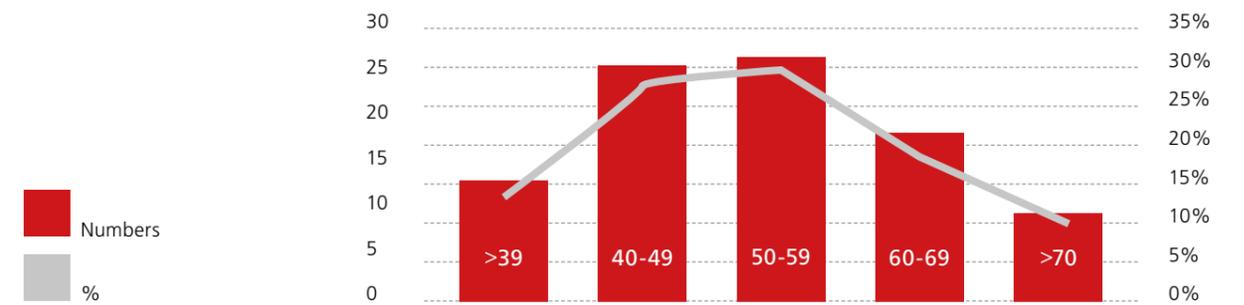


Figure 17: Age profile of HVR clients 2014 to 2017

The age profile of HVR clients for the period 2014 to 2017 shows that the largest percentage age category is 50-59 year olds (30%), followed by 40-49 year olds (27%).

Age profile for 2014, 15, 16 & 17 (No stats for 2013)		
	Number	%
<39	11	12%
40-49	25	27%
50-59	27	30%
60-69	17	18%
>70	12	13%
Total	92	100%

Figure 18: Age profile of HVR clients 2014 to 2017
(No stats for 2013)





Family offices

In every jurisdiction, the term ‘family office’ means different things to different people in the private wealth industry. The research study discovered two distinctive models:

1. Single-family offices - where a single wealthy family employs their own in-house team of experts to serve their own family requirements – as a result the set-up costs are high
2. Multi-family offices - where a number of wealthy families have teamed together in order to gain efficiencies - the multi-family office serves the needs of the different families

Read section 3.10 of this report for further research on family offices.

Globalisation of private clients and family offices

The study discovered that private clients and families are globally mobile. UHNW families travel the world with homes in many different countries with sons, daughters and family branches in different jurisdictions. The complex arrangement of assets and wealth structures makes Jersey an ideal location base to manage their wealth management strategy. With the help of foundations and personal trust companies, globally wealthy families have more flexibility and control over their assets.



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2.2 Jersey Private Wealth Professionals

Jersey has been providing private wealth services for nearly 60 years.

Jersey private wealth professionals and service providers

The study found that Jersey has a significant network of private wealth professionals, such as trust administrators, investments managers, bankers, tax advisers and legal advisers, who together assist private clients and family offices, locally and globally, with their private wealth management. The local presence of private wealth professionals creates 'substance' for the complex wealth structures.

Table 2 lists the many different categories for full members of Jersey Finance. The top five being Trust & Company Administration (88), Private Client Wealth Management (67), Fund Administration (65), Family Office (47) and Fund Managers (43).

Category	Number of Jersey Finance Full Members
Trust & Company Administration	88
Private Client Wealth Management	67
Fund Administration, Custody & Distribution	65
Family Office	47
Fund Managers	43
Accountancy	38
Banking	32
Investment Managers	31
International Employee Benefit Administrators	29
Compliance & Risk	27
Philanthropic Services	22
Islamic Finance	20
Law	20
Marine & Aviation Services	20
Business Consultants	19
TISE Listing Sponsors	17
Investment Consultants	15
Taxation Practitioners	14
Life & Pensions	13
Financial Planning	12
Investment Banking	7
Stockbrokers	7
English Solicitors	4
Insurance Brokers	4
Mortgage Brokers	3
Independent Financial Advisers	2
Captive Insurance Managers	1

Table 2: List of Jersey Finance full members by category.

Source: Jersey Finance

Jersey private wealth expertise

Jersey private clients and family offices interviewed look for "expertise and quality advice from our trusted private wealth professional, where we can build a long-term partnership." Jersey has a significant amount of private wealth knowledge and expertise.

- Jersey employs 13,270 highly skilled and experienced finance professionals
- Jersey has 1,282 regulated members of the Society of Trust and Estate Practitioners (as at May 2018)
- Jersey holds £400 billion in trusts established by private individuals
- 364 Jersey Foundations have been formed since their creation in 2009

Jersey private wealth structures

Private wealth professionals confirmed that they "use a number of different private wealth structures such as trusts, foundations and personal trust companies to help Jersey and global private clients and families with their wealth management strategy. This includes wealth protection, succession planning, family office, philanthropy, tax planning and legal services."

Jersey as a private wealth jurisdiction

Jersey, as an international finance centre, provides a stable and robust jurisdiction for those private clients and family offices that are concerned by local political or financial instability. The combination of the private wealth professional expertise, robust wealth structures and a respected legislation makes Jersey an excellent jurisdiction for private wealth services.

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Jersey Finance
Delivering Insight • Driving Innovation



Jersey for Private Wealth

Jersey is an award-winning international finance centre, which has been at the forefront of private wealth management for more than 50 years. The Island has over 1,200 members of Society of Trust and Estate Practitioners (STEP), offering expertise and experience in establishing and managing tailored structures for private clients. This, combined with a robust regulatory system and a mature and respected legal framework, gives an unparalleled welcome to high net worth families and individuals looking for wealth management solutions.

Central

It has a central time zone, making it easy to do business around the globe

Substance

A modern business environment supported by a politically stable government

For further information, please visit www.jerseyfinance.je or call ++44 (0)1534 836000

828
regulated trust company businesses

£400bn
currently settled by private individuals in Jersey trusts

364
Jersey Foundations formed since their creation in 2009

1,282
members of the Society of Trust and Estate Practitioners

www.jerseyfinance.je

www.linkedin.com/company/jersey-finance

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3.1 Private Client Selection Criteria

The research study found that the major factor influencing the private client when selecting a private wealth professional or service provider is the 'word-of-mouth' personal recommendation from a friend, relative, colleague or trusted professional adviser, such as private banker, lawyer, tax adviser, financial planner, trustee, investment manager or relocation consultant. This was evidenced by one Jersey private wealth professional, who commented "the word of mouth is important, if someone is happy he will tell another one or two clients."

The research found that 84% of the UHNW families interviewed were recommended to an individual, i.e. the private wealth professional, as opposed to the institution, i.e. the private wealth service provider. Further influences are categorised by, 1) jurisdiction; 2) relationship; 3) brand; 4) service; 5) product; 6) value proposition; and 7) price, as identified in Figure 19 below:

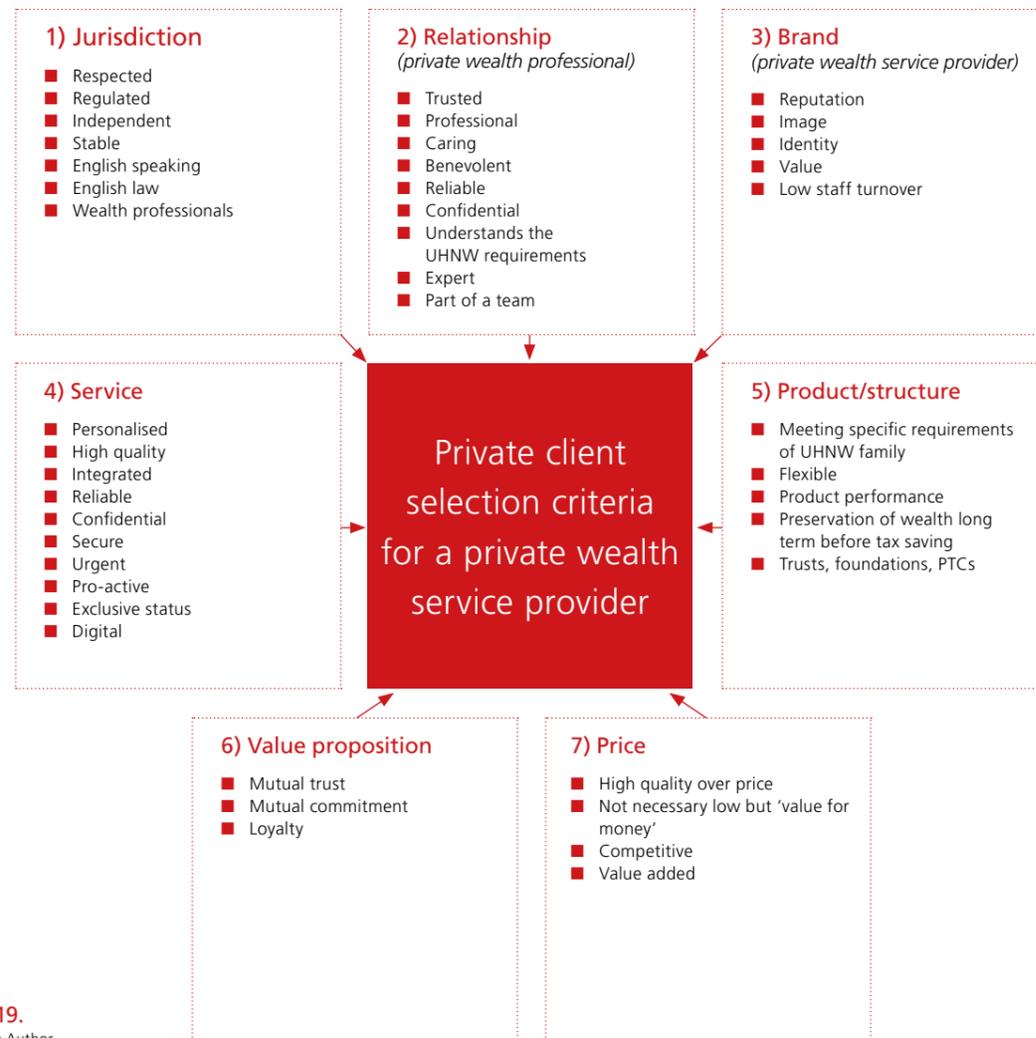
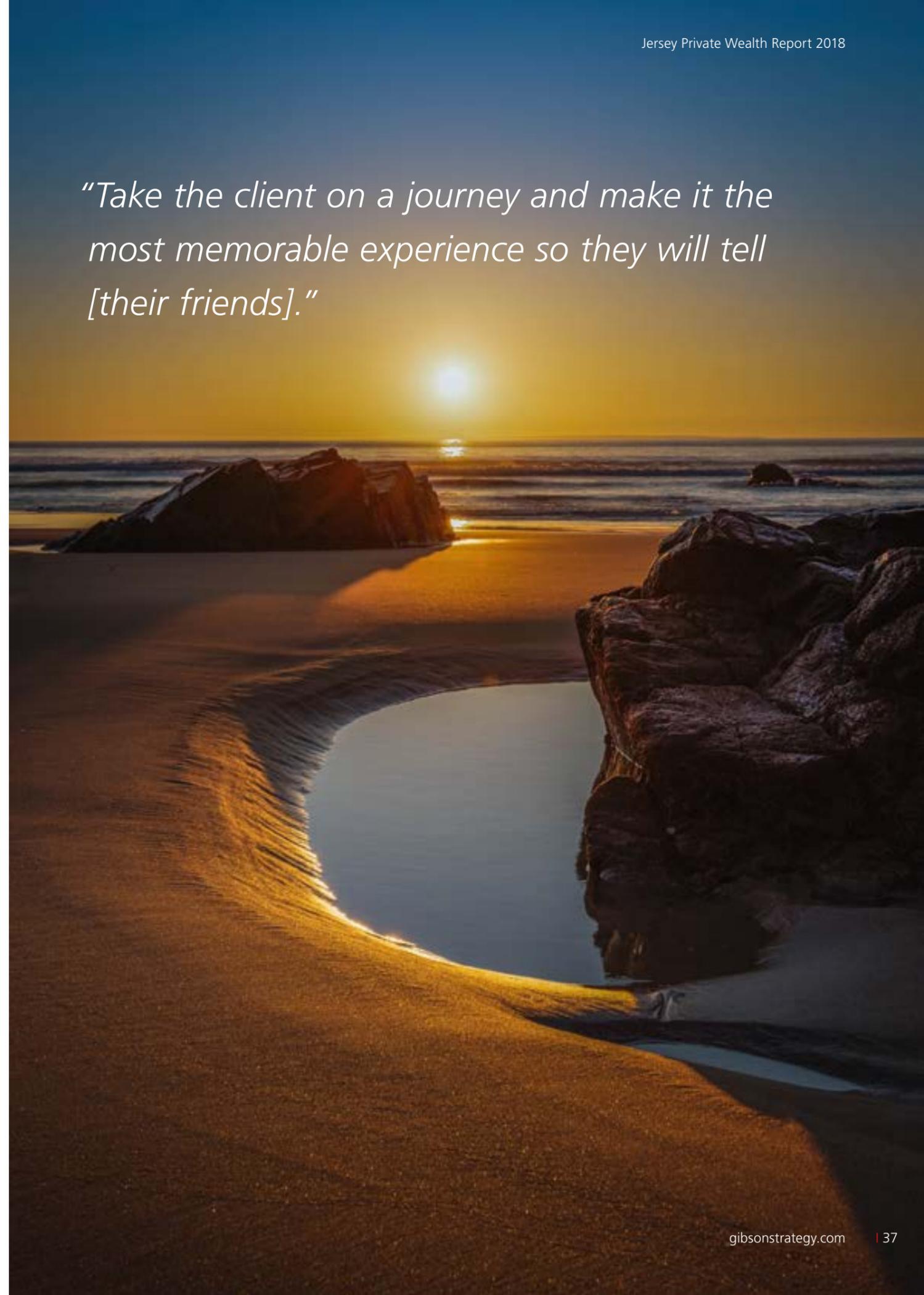


Figure 19. Source: The Author

"Take the client on a journey and make it the most memorable experience so they will tell [their friends]."



“Trust is fundamental in the relationship.”

Key Findings: Private client selection criteria for a private wealth service provider

- Brand, reputation, product offering, product performance, reliance, personalised service, team and ability to provide what UHNW individuals require
- Value proposition, relationship, exclusivity and status
- ‘Personalised’ expert professional advice with an ‘integrated’ wealth management offering, customised to private clients’ requirements
- Brand is initial hook; interaction between private client and private wealth professional co-creates a trusted relationship, brand becomes less significant
- Preservation of UHNW individuals’ information until trusted relationship exists
- UHNW individuals multi-bank to, 1) diversify their wealth portfolio and spread risk, and 2) compare different products and services
- Entrepreneurs prefer to have separate banks for business and private use

Private Wealth Professionals

The research found individual private wealth professionals selected by Jersey private clients included trust administrators, family office administrators, investment/asset managers, wealth managers, private bankers, legal advisers, tax advisers, insurance brokers and estate agents. Jersey private clients look for “access to a personalised service”, i.e. expert professional advice with an ‘integrated’ wealth management offering, customised to their requirements. “Somebody knowledgeable about not only banking but also with a legal background that understands shareholding trusts and other bits like tax planning, a ‘package deal’.” Private clients want to have consistency in the person they talk to at the private wealth service provider. “One of the most frustrating things is where I pick up the phone to speak to my service provider and I get a different person all the time, I don’t know them and they don’t know me. I want a personal service.” This issue was found specific to private equity trust/fiduciary firms rather than private banks, investment managers, legal firms and tax advisers.

In addition, the Jersey private client expects a digital private client service in investment management and private banking. They are looking for “decent internet banking, safe internet banking.”

Private Wealth Service Providers
Company private wealth service providers selected by private clients include trust/fiduciary firms, family offices, investment management firms, private banks, law firms, accountancy/tax firms and insurance brokers.

Jurisdiction

Private clients consider a respected and regulated jurisdiction as absolutely critical when selecting a suitable private wealth service provider. Further, an independent, stable jurisdiction that is English speaking and governed by English Law are equally as important. Finally, a jurisdiction that has expert private wealth professionals is a clear advantage.

Relationship

“There is only one criteria in life and that is integrity, integrity, integrity ... the slightest doubt of dishonesty whatsoever, they are fired, gone ... history.”

When selecting a Jersey private wealth service provider, private clients look

for the relationship with the private wealth professional to be trusted, professional, caring, benevolent, reliable, confidential, summarised by one private client, who said “they are a trusted partner ... the personal relationship is vital, based on confidentiality, honesty, trust and integrity” and another said “that is your wealth and you need to know it is being well looked after with someone who is caring and has empathy”; where the private wealth professional understands the UHNW individuals’ requirements, is an expert in their field and is part of a team at the private wealth service provider. The private wealth service provider understands the private client’s requirements, “they come to us for reliance, urgency and the team is very important but I think utmost it is the personalised service.” Further, the Jersey private client needs to know that the private wealth professional will look after their interests rather than those of the private wealth service provider, “I need to trust [the private wealth professional] and I need to understand that [he/she] is looking after my interests and not the interests of [the service provider] ... if there is the

slightest mistrust you lose me as a customer.”

Brand

The brand of the private wealth service provider is considered by Jersey private clients in conjunction with its reputation, image, identity and value. Many Jersey private wealth professionals were in agreement, for example, selection “has a lot to do with the branding, people with money will often choose banks that have a branding with some sort of exclusivity” and that “there is a perception that if you bank here then you have obviously made it.”

Brand (‘image, identity and value’) provides the initial hook, which attracts the private client to the private wealth service provider. However, the interaction between the private client and the private wealth professional co-creates a trusted relationship and brand becomes less significant as the private client becomes loyal to the private wealth professional. Nevertheless, brand loyalty does play a significant part, should the private wealth professional decide to leave the institution and try to take the private client’s business with them.

Service

The study confirmed that the ‘private client service’ whether trust administration, investment management, private banking, legal advice or tax advice needs to be personalised, high quality, integrated, reliable, - “when they are reliable, you trust them” - confidential, secure, urgent, pro-active and providing an ‘exclusive status’.

“Private clients expect immediate action ... I sell it to them that way – I am looking after a small portfolio of clients but I make sure each knows that their problem is my problem.”

“They can be high maintenance ... their expectations are a bit higher because they are high level business people.”

“Not more demanding, but maybe their expectation is higher.”

Product/structure

The majority of private clients

interviewed look for private wealth service providers to meet their specific product/structure requirements that will preserve the long-term wealth of their family wealth portfolio. The flexibility and high quality of the structure, whether a trust, foundation, investment management product, or banking product is by far more important than the price. In addition, wealth protection and preservation are more important than tax savings.

Value proposition

The value proposition component consisted of mutual trust, mutual commitment and loyalty between the private client and private wealth service provider, as one Jersey private client explained, “trust is the most important issue of all [...] it would be great service for the wealth professional to come and tell me something I hadn’t thought about and that could add value. But I don’t want a product pusher.”

Price

Over 90% of private clients interviewed consider high quality structures in terms of trust and foundations and high performance in terms of investment management products critical rather than low priced fees. However, the price needs to be competitive and be considered ‘value for money’.

“Ease and speed of service is essential. Price is also essential so it would definitely be between service and price.” Concern was expressed by a number of private clients that they had moved from private equity owned trust/fiduciary service providers because of escalating costs.

Multi-banking

“It gives you the chance to measure the different banks’ performances ... and puts you in a stronger position from a pricing model.”

The study found that as many as 76% of private clients multi-bank. Firstly, to diversify their wealth management portfolio and spread their risk and secondly, private clients compare the different products and private client

service they ‘personally experience’ in order to negotiate the best ‘deal’ in terms of product, service and price. It was found that “the private client will have multiple banking because they have multiple needs”, “they have enough to spread and believe in diversification in terms of exposure to banks.” Some wealth professionals believe that “they multi-bank because they don’t want to give all the information to one service provider.” Entrepreneurs and business owners prefer to separate their ‘business bank’ from their ‘private bank’. However, UHNW individuals with ‘highly complex’ wealth management requirements prefer to have a strong trusted relationship with one single private bank.

Summary

Jurisdiction, brand, reputation, product offering and the ability to provide what the private client requires are considerations when UHNW families consider a private wealth service provider; moreover, price is almost irrelevant; in addition, reliance, urgency and the team are very important. However, personalised private client service is of utmost importance.

“Keep it exclusive. People like exclusivity, they don’t like wearing the same shirt as the guy next to him, keep it exclusive.”

Additionally, it is the ‘value proposition’ and ‘relationship’ (trust, caring, empathy), that UHNW families look for when selecting a private wealth service provider. Succinctly put by one private client about their private wealth professionals, “Trust is essential. They know all the information about you and you want to know that it goes no further. Confidentiality and judgement are paramount and I must be happy to speak to them about anything.”

Furthermore, exclusivity and status are considerations; there is a perception that if you bank at a private bank, then you have obviously ‘made it’.

“personalised private client service is of utmost importance”

3.2 Private Client Communication

The study found that Jersey private clients' preference for a 'communications channel' depended on the type of private wealth service being delivered and is categorised by,

- 1) Expert professional advice;
- 2) Transactional banking, trust administration and instructions; and
- 3) Information and performance, as shown in Figure 20.

The factors in each category are identified below:

1. Expert professional advice - Investment, fiduciary, tax advice, two-way communication, openness, expert knowledge, pro-active, face-to-face meeting, telephone, email.
2. Transactional banking, trust administration and instructions - Transactions, account transfers, payments and investments, quick and efficient, responsive, secure, email, website, mobile app, SMS message.

3. Information and performance - Account/product information, knowledge, insight, secure, online/available 24/7, website, mobile app and SMS message.

"...accessibility to my private wealth professional is critical to my private wealth relationship."



Figure 20.

■ Theme ⚙️ Inputs ⬜ Components ⦿ Outcomes

The research revealed that private clients prefer digital engagement (website/online, mobile, SMS Messages) for, 1) executing banking transactions online; and 2) gathering information such as product information, portfolio updates, performance information, investment research and industry insight. They describe it as being “critical”, “120% important, significantly, I do all my banking over the internet, I very rarely go into the bank”, “if I didn’t have it, I will move to a bank that does have it.” Although one respondent did say “importance of online banking, for me zero.”

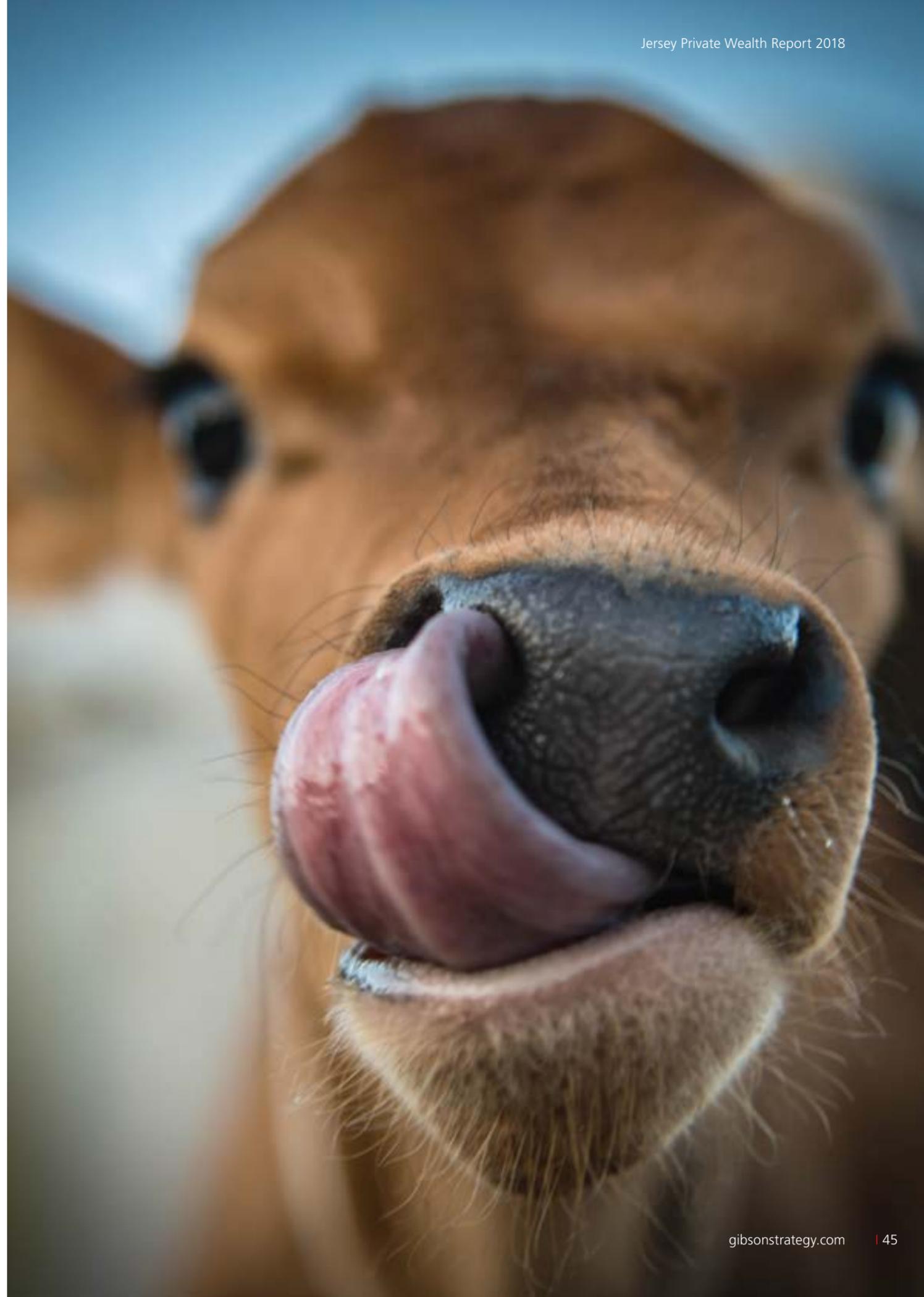
The private wealth providers were in agreement, “servicing over the internet is essential”, although one added a caveat, “but underneath it all, individual face time is so important.” One private wealth professional was quick to add that face-to-face interactions with clients also creates

opportunities which might otherwise be missed, “I believe in face-to-face and like the opportunity to go and deliver, even if it is a cheque book”, the client may just pass on a vital piece of information, “oh, by the way, I am selling my shares in the business.”

Jersey private clients value the speed, convenience and availability (24/7) of the digital communication channel which leads to client satisfaction, provided the digital service is reliable, secure, easy to use and quick. However, private clients prefer direct personal engagement (face-to-face meetings and telephone) with private wealth professionals when they require ‘expert professional advice’ on their investment portfolio, fiduciary, legal or tax affairs. As expressed by one private client: “Face-to-face meetings and accessibility to my private wealth professional is critical to my private wealth relationship.”

Key Findings: Private client communication

- Private clients’ primary communication choice is direct personal engagement (face-to-face meetings and telephone) with their private wealth professional when they require ‘expert professional advice’ on their investment portfolio, fiduciary or tax affairs.
- Private clients prefer digital engagement (website/online, mobile, SMS Messages) for, 1) executing banking transactions or trust administration services; and 2) gathering information; such as product information, portfolio updates, performance information, investment research and industry insight.
- Private clients want an integrated client communication experience to include both direct and digital, which needs to be open, trustworthy, honest and reliable, in order to improve the private client experience.



3.3 Private Client Relationships

The study found that the antecedents of private client relationship commitment are categorised by relational, collaborative and credibility, as identified in Figure 21.

The factors in each category are identified below:

1. Relational - Compatible, like-minded, attraction, personal, empathy, understand needs of the private client, intimacy, accessible, intelligent and knowledgeable.
2. Collaborative - Trusted partnership, shared values, mutual respect, mutual trust, mutual benevolence, team approach, understanding, close friendship and long-term.

3. Credibility - Honesty, integrity, openness, private wealth professional to act in the interest of private client not private wealth service provider, quick response, confidential, bond and loyalty.

“Exceed their expectation, try and pre-empt requirements, make them feel special.”

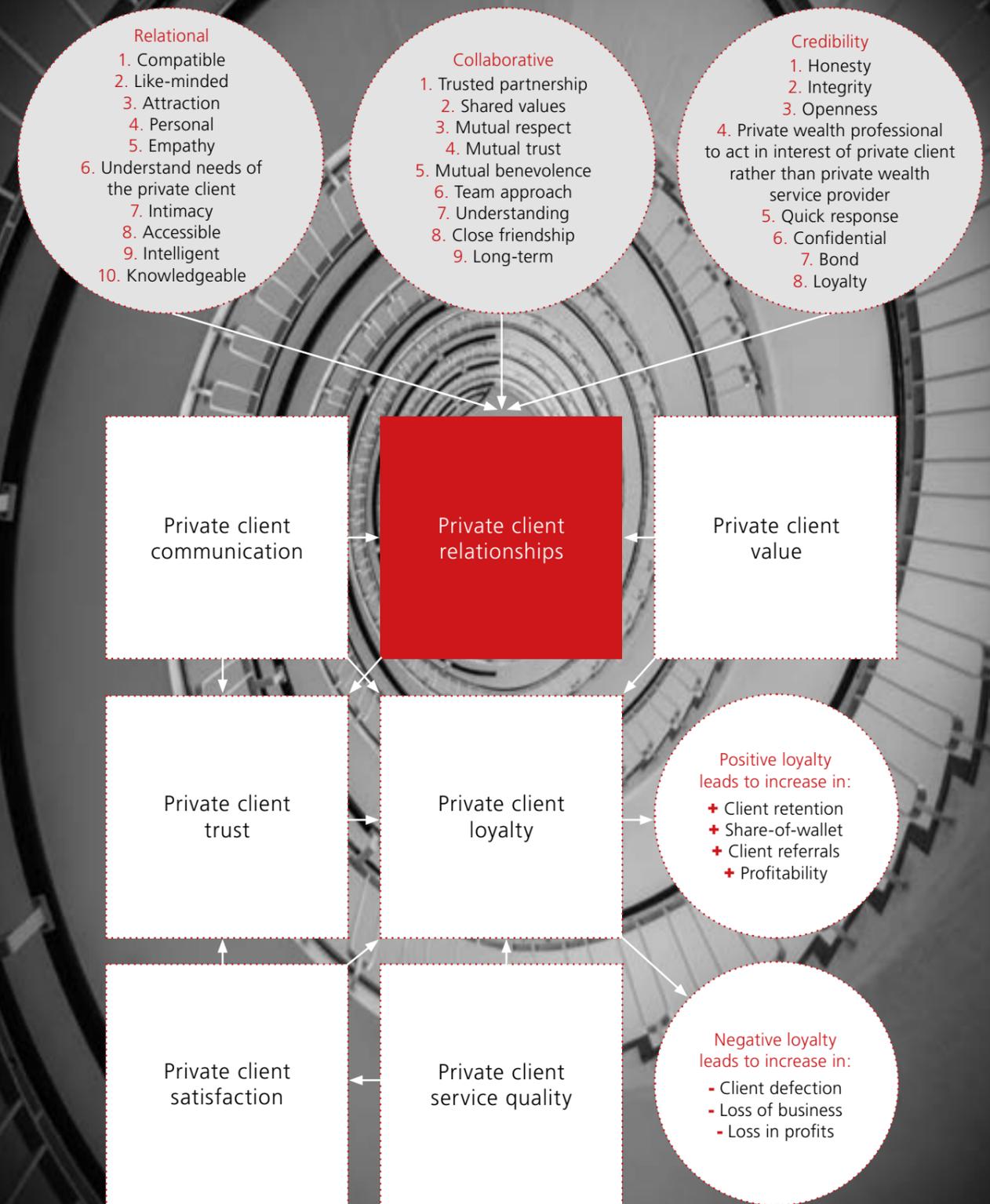


Figure 21.

■ Theme ⚙️ Inputs □ Components ○ Outcomes

“The chemistry is there, we get on well.”

Key Findings: Private client relationships

- The relationship is between the private client and the private wealth professional (individual) rather than the private wealth service provider (institution)
- ‘Like-minded’ and similar in age, to build a close, trusted relationship
- ‘One’ central contact at the private wealth service provider creates stronger relationship through mutual trust and loyalty. However, potential risk of single point of service failure
- Single relationship backed up with team who bring the expertise
- ‘Trusted partnership’ consisting of open communication, honesty, integrity, trust, understanding, care and empathy
- Private client and private wealth professional need to have ‘chemistry’ to have successful long-term partnership
- Co-pilot approach creates long-term collaborative partnership which is ‘two-way’ involving mutual respect, benevolence and trust
- Incremental increase of shared trust, integrity and loyalty leads to strong bond and intimacy experienced by a ‘professional friendship’. Results in mutual benevolence, increased share of wallet and private client referrals
- Strength and level of the private client/private wealth professional relationship is determined by complexity of the private client wealth requirements
- Older, retired private clients are more trusting and loyal to their private wealth professionals compared to younger entrepreneurs
- Performance on investment products is critical for younger entrepreneurs

Private clients

The findings of the research study revealed that the ‘private client relationship’ is between the private client and the individual private wealth professional, rather than with the private wealth service provider itself. Further, private clients want the private wealth professional to be compatible, ‘like-minded’ and similar in terms of age, in order to build a close trusted relationship. “I have been in business for 40 years and I don’t want some 20 year old being my private wealth professional.” Jersey private wealth professionals

tend to agree, “absolutely paramount,” “it is important to have like-minded people between private client and wealth professional.”

The model of ‘one’ central contact at the wealth service provider creates a stronger relationship with the private client through mutual trust and loyalty. However, should the relationship deteriorate, then there is the potential for a single point of service failure and the private client will switch the private wealth service provider.

The Jersey private client/private wealth professional relationship is a ‘partnership’ which consists of “open communication,” “honesty,” “integrity,” “trust,” “understanding,” “care” and “empathy.” Private clients and their private wealth professional need to have ‘chemistry’ to enable a successful partnership, similar to a marriage. The ‘co-pilot approach’ creates a long-term collaborative partnership which is ‘two-way’ and involves mutual respect, mutual benevolence and mutual trust.

The incremental increase over time of shared trust, integrity and loyalty leads to a strong bond and intimacy experienced by a ‘professional friendship’ and results in a mutual benevolence such as increased share of wallet, single banking (in private banking) and client referrals for the private wealth service provider and a more ‘personalised’ service for the private client.

The strength and level of the private client/private wealth service provider relationship is determined by the complexity of the private client wealth portfolio requirements.

Private client relational behaviour is determined by type or segment of the private client; a) source of wealth - acquired wealth/inheritors, wealth creator/entrepreneur, professionals/ executives, retired; and b) age - young or old. Older ‘retired’ private clients are more trusting and loyal to their private wealth professional compared to younger ‘wealth creators/entrepreneurs’ indicating challenges for private wealth service providers to develop future relationship building processes with younger private clients. Performance on investment products is a critical factor for younger entrepreneurs when evaluating the private wealth providers service quality, as they go for riskier investments.

Private wealth professionals

The research revealed that private wealth professionals believe there is an instant attraction between the private wealth professional and private client, which develops over time. Further, private wealth professionals consider trust and mutual respect to be critical in their relationship with private clients, which they hold in the same professional regard as doctors. One private client explained, “you would tell your wealth manager more than you would tell a lot of other people and the only other person you are going to talk to is your doctor. It is important that you actually speak to your wealth manager and tell him what your assets are, what your liabilities and fears are etc., so you can work in partnership together.”

Private wealth professionals in Jersey believe their relationship with a private client is a friendship but a ‘business’ or ‘professional’ friendship. Further, private wealth professionals consider it is essential and absolutely

paramount to ensure the private client and the private wealth professionals are like minded individuals. Such anecdotal evidence includes “try grey hair with grey hair, it helps.”

This research revealed private wealth professionals believe that the private client is looking for one person at the wealth service provider to take ownership of the relationship, a single relationship backed up with a team who bring the expertise in and drive with it. Further, private wealth professionals suggest that there is an analogy between family relationships and private wealth relationships.

The private wealth professional/ private client relationship is a partnership which consists of communication, trust, understanding, care and empathy. In addition, personal traits such as perseverance and flexibility are needed. Further, private wealth professionals believe that the long-term relationship allows trust to build, as the private clients create and preserve their wealth with the assistance of private wealth professionals. Jersey private wealth professionals agree that “the ultimate goal of a long-term relationship with the private client is to take it to the next generation.”

Private wealth professionals see the private client as a gatekeeper to untapped potential, where the private client might be an influence within a circle of friends and it is the challenge of the private wealth professional to pro-actively mine that network.

The level of relationship the private client experiences is dependent on the private client’s status and the personal skills of private wealth professionals are critical in the private wealth relationship.

Private banks are driven by balance sheets and income imposing budgets. Furthermore, they incentivise private bankers on business generation, which might be to the detriment of the private client.

Private wealth professionals believe that the components of value to private clients are: the ability to predict their requirements, giving expert advice on the things that the client didn’t even ask about; quick response times to telephone calls, information requests or resolution of conflicts, open communication, interaction and accessibility 24/7. One wealth professional summarised, “Exceed their expectations, try and pre-empt requirements, make them feel special.”

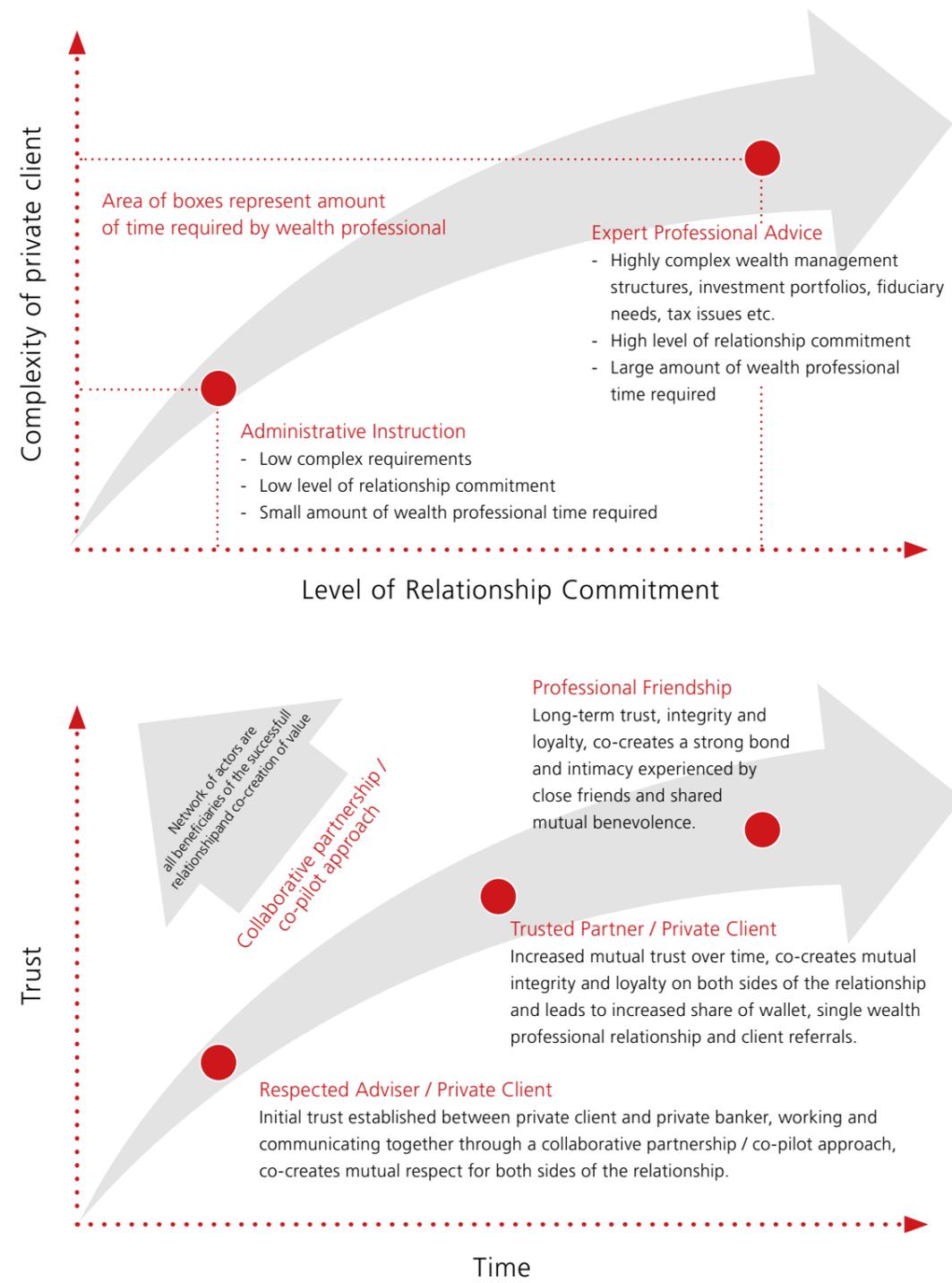


Figure 22: Private client/private wealth professional relationship over time.

Sources: The Author



3.4 Private Client Value

The study found that the antecedents of private client value in Jersey private wealth consist of: co-creation of value, mutual benevolence, quick response, quick resolution of conflict, co-pilot approach, openness, two-way communication, interaction, accessible and anticipation, as shown in Figure 23.

“You have got the relationship, but you have to add value.”



Figure 23.

■ Theme ⚙️ Inputs ⬜ Components ⦿ Outcomes

The perceived value in a Jersey private wealth relationship consists of:

- giving and receiving of expert professional advice on the 'things' that the private client didn't even ask about;
- quick response on an information request;
- quick resolution of a conflict; one person's concept of 'quick' not same as everyone else's
- open communication;
- interaction;
- accessibility 24/7; and
- the ability for private wealth providers to predict the requirements of the private client.

Further, Jersey private wealth professionals believe they need to interact with the private client and identify areas to add value as soon as possible, "you have got the relationship, but you have to add value", "you have to add value, it takes time." Going the (unanticipated) extra mile. The value that is co-created between the two parties (private clients and their private wealth provider) will

have a positive outcome on satisfaction and thus greater behavioural trust and loyalty will be experienced in the relationship; as opposed to the private wealth provider creating value for the private client, which will have a less positive outcome on the satisfaction and subsequent trust and loyalty.

The positive interaction of 'like-minded' people co-creates value (mutual trust, commitment and loyalty in the relationship) and in time, co-creates a mutually beneficial friendship. The private client gains from the shared experiences of the private wealth provider of other benefits to private clients and learns from mistakes of other private clients in the private wealth provider's client base and therefore benefits from what works well and what does not.

Value creation, therefore, is mutual and reciprocal (that is, service is exchanged for service) and viewed from a value-creating orientation, value emerges and unfolds over time, rather than being a discrete, production-consumption event. Indeed, 'the purpose of interaction, and thus of relationship, is value creation through mutual service exchange'.

Key Findings: Private client value

- The components of private client value are: giving expert advice on things that the private client didn't even ask about; quick response on information requests or conflict resolution; open communication; interaction; accessibility 24/7 and ability to predict the private wealth providers requirements.
- The positive interaction of 'like-minded' people co-creates the value (shared trust, commitment and loyalty in the relationship) and co-creates a mutually benevolent friendship.
- The private client is a co-creator of value and the private wealth professional can only offer a value proposition. Only once the private client accepts the value-in-use is it determined that value is co-created.
- The value that is co-created between the parties (private client, private wealth provider and wealth service provider) will have a positive outcome on satisfaction and thus a greater behavioural trust and loyalty will be experienced in the relationship; as opposed to the private wealth provider creating value for the private client, which will have a less positive outcome on the satisfaction and subsequent trust and loyalty.

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3.5 Private Client Service Quality

The antecedents of private client service quality in Jersey private wealth are categorised by person related, offer related and value related, as shown in Figure 24.

The factors in each category are identified below:

1. Person related - Accessible, expert knowledge, understands private client needs, empathy, competence, pro-active, responsive and credible.
2. Offer related - 'Personally' serviced, customised/bespoke, delivers high level/outstanding service, integrated service, product performance, reliable and differentiated
3. Value related - Anticipation of needs, goes 'extra mile', service exchanged for service, co-pilot approach, co-creation of value and innovative.

"...private clients want 'expert professional advice' rather than 'financial planning'."

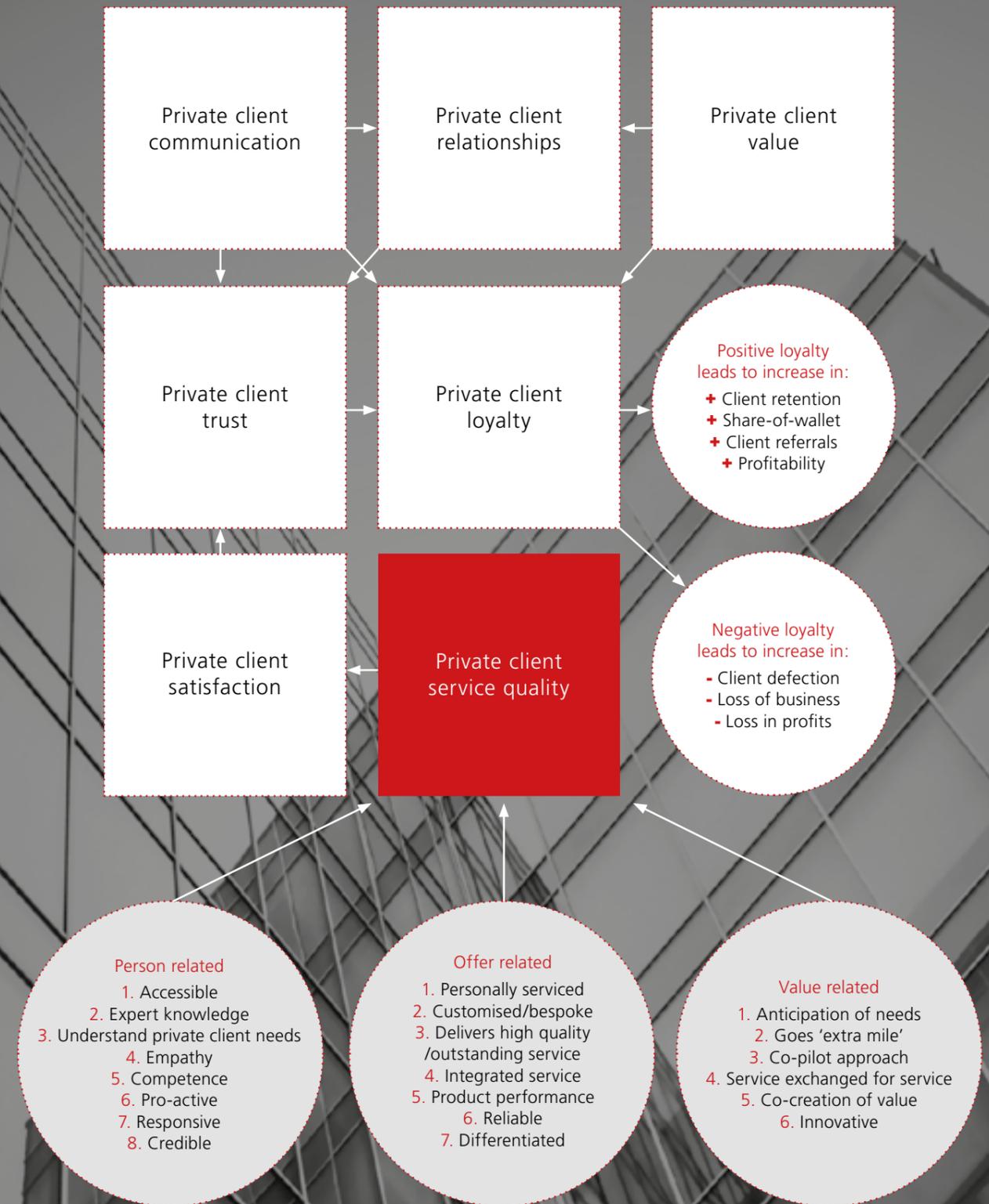


Figure 24.

■ Theme ● Inputs □ Components ○ Outcomes

Key Findings: Private client service quality

- Personalised 'expert professional advice' where service is 'customised' to private client requirements
- Private clients want 'great' service and want private wealth professionals to exceed expectation
- The interpersonal aspects of 'client service quality' are higher in private wealth than in retail financial services
- As the private clients' wealth grows they become more sophisticated and demanding
- Important to differentiate whole private client 'private wealth' experience
- Product failure is more of a concern than service failure
- Digital private client service is so significant, private clients will move bank if not receiving satisfactory service
- Online banking extremely useful for 'information', however face-to-face still critical for expert advice
- Physical face-to-face meetings are preferred communication channel for the private client /private wealth professional service
- Private clients want 'expert professional advice' rather than 'financial planning'
- Private clients benefit from co-pilot approach, where there is co-operation, services that are exchanged for services and where there is mutual benevolence
- Communication is critical; private clients want to 'park' their concerns with private wealth professionals

Jersey private clients want personalised 'expert professional advice' where the service is 'customised' to their requirements. Private clients want both great 'service' and 'product' and demand a high level of service and quality of work from their private wealth professional. The research found that private clients consider a 'great service' to be when the private wealth professional anticipates the needs of the private client, goes the 'extra mile' and gives them 'excellent' professional advice on something they never asked for, again exceeding expectation. One wealth professional described it as "exceeding those clients expectations, their priorities and their needs and it is only as good as what the client says it is."

The human/interpersonal aspects of the 'client service quality'

is higher in private wealth than in retail financial services. Several private clients commented on this, "I can phone [the private wealth professional] any time in 24 hours and get a service back, whatever the requirement is"; "on the service side you want accessibility and response"; "I think it is fair to demand higher service"; "the stakes are high and therefore I would be demanding a higher level of service." Product failure is more of a concern to private clients than service failure. While an investment portfolio might perform well or a 'family trust structure' be executed efficiently, they are only the distribution mechanism for the client service the private wealth service provider provides to the private client, which is long-term wealth creation and preservation.

Findings revealed during the research tell us that digital

private client service is so significant, that if the private bank did not provide an acceptable digital private banking service, the private client would move bank or prevent the bank being selected in the first place. However, physical face-to-face meetings are the preferred communication channel for the private client/private wealth professional private client service, i.e., "two human faces looking at each other", where body language is essential to understand the needs of the private client.

There is a considerable difference between a private banking service and the retail banking service. In private banking the private banker looks after a relatively small client portfolio of 60 to 100 clients where they personally know each private client and each one is a priority. Further, private bankers believe that as the private clients' wealth grows they become more sophisticated and more demanding, wanting better products and better prices.

It is important to differentiate the whole private clients' private banking experience, in that "they feel serviced by a private bank"- in their physical environment, their service, their products, their pricing, their physical merchandise - in terms of being more personal, professional, expensive and exclusive. Jersey private wealth professionals we spoke to feel that private clients consider the perceived higher level of service that they receive with a private bank becomes their expected standard service. Further, the biggest difference between retail and private banking is the advice received, the service and the skills on offer. Jersey private clients have instant access to exceptional skills in various areas of banking and wealth management.

Private clients are high maintenance and their expectations are higher, demanding one-to-one focused attention. Private wealth professionals provide 'peace of mind' that "things are going to be resolved." The brand, loyalty, cost, value proposition and qualities all play a role but much is inbred into 'service' and the service needs to be maintained. Private wealth professionals believe that private clients are looking at the management of risk and this is what the private wealth professional considers their job to be, to manage risk. The most important aspect of private client service is the 'sleep at night' factor, and consistency of their relationship contact, "I would think first and foremost they want to sleep well, so in other words, they want a level of comfort that someone responsible and efficient is looking after their well-being." The research revealed that private wealth professionals state that private clients want 'expert professional advice' rather than 'financial planning'. Further, private wealth professionals

stated that the private client is looking for a single point of contact, a personal relationship, consistency and continuity. Moreover, private wealth professionals believe that they need to add value to the client service quality, they cannot just rely on the relationship itself. Private wealth professionals provide peace of mind that 'things are going to be resolved.' A private client service is exceeding clients' expectations and the ability to connect with people. Further, word-of-mouth (WOM) is extremely important; if the private client is satisfied with the private client service quality he receives, then he will tell another one or two friends or colleagues. Further, the private wealth professionals interviewed believe that private clients benefit from communications and a co-pilot approach, where there is co-operation, services that are exchanged for services and where there is mutual benevolence. Communication is critical, private clients want to "park their concerns" with the private wealth professionals.

Jersey private clients receive a different level of service depending on how much revenue they produce for the private wealth professional. Private clients are more forgiving of service failure when they have a strong relationship. However, the private wealth professional needs to be honest, sharing any failings before they are identified by the private client.

3.6 Private Client Satisfaction

The study found that the antecedents of private client satisfaction in Jersey private wealth are categorised by “person related” and “offer/value related” factors, as outlined in Figure 25.

The factors in each category are identified below:

1. Person Related - Accessibility, expertise, competence, open communication, expectations exceeded and responsiveness.
2. Offer/Value Related - High service quality, integrity of information, product performance, reliability, ease-of-use and personalisation of service.

“Positive private client satisfaction leads to greater trust in the private wealth professional...”

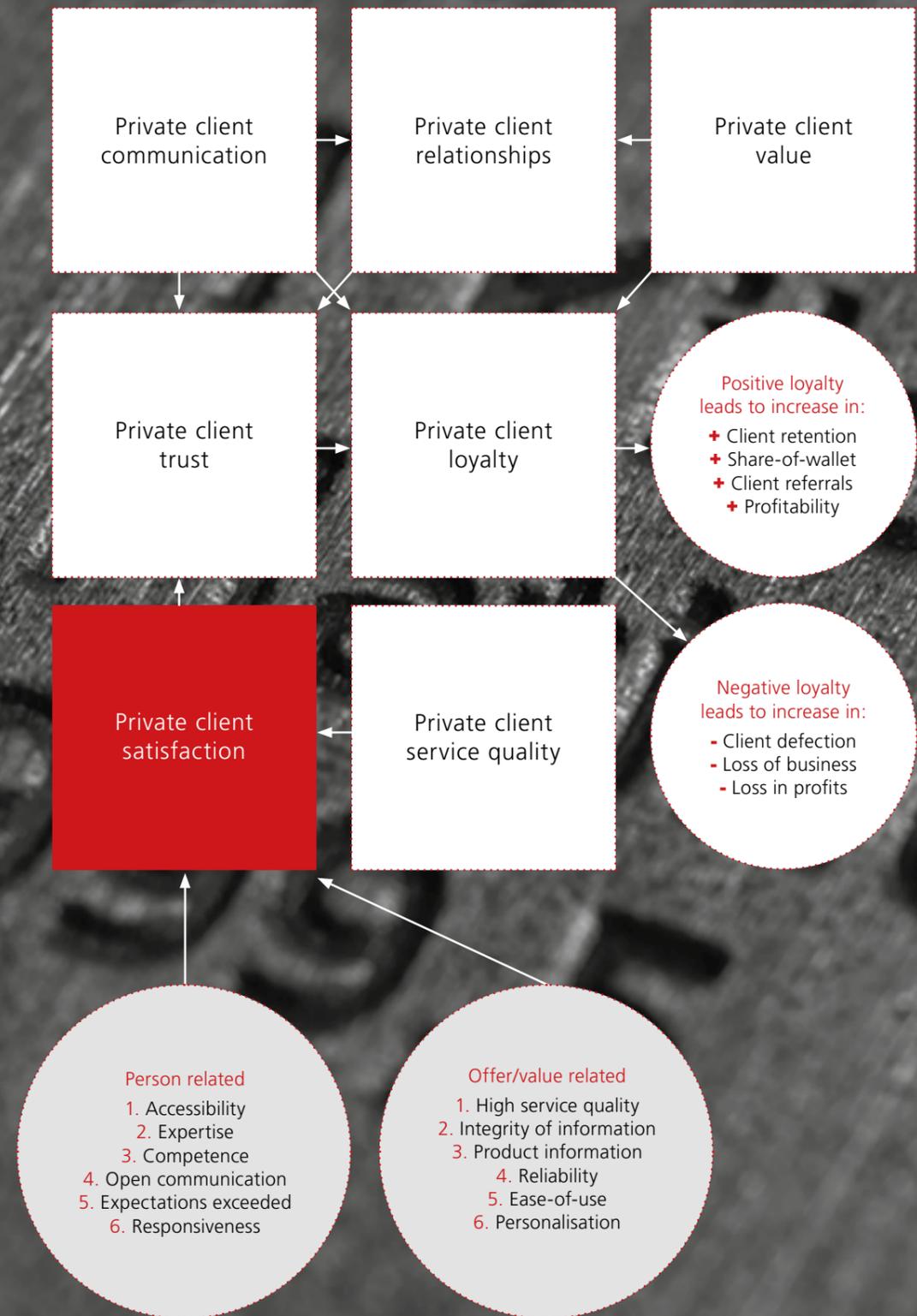


Figure 25.

“Accessibility and expertise is not only critical in my satisfaction, but critical in my ability to manage my affairs and in the service provider’s ability to serve me.”

Key Findings: Private client satisfaction

- Determined by accessibility and expertise of the private wealth professional
- Private clients satisfied when expectations are exceeded, feeling special
- Private clients need to have satisfaction and confidence, in order to have trust and the ‘sleep at night factor’
- Satisfaction leads to greater trust in the private wealth professional and greater loyalty to private wealth service provider
- Willingness of private wealth professionals to help private clients has positive effect on the private client satisfaction and behavioural outcomes
- Satisfied private clients increase their business with the private wealth service provider and give client referrals
- Private wealth professionals assume private clients are satisfied if they don’t hear from them, as they have open and trusting relationship

Anecdotal findings concluded that private client satisfaction is determined by the accessibility and expertise of the private wealth professional and is critical to the private client. However, private clients have different perceptions and expectations of private client service levels, which determine their satisfaction levels. Private clients are satisfied when their expectations are ‘exceeded’ and they feel ‘special’. Private clients need to have satisfaction and confidence, in order to have trust, and the ‘sleep at night factor’. “To sleep at night and therefore know they are doing the most sensible and best things for my particular needs, that is important for me.” Another private client similarly said “For me satisfaction is knowing that my investment portfolio is balanced and I can sleep at night.” Positive private client satisfaction leads to greater trust in

the private wealth professional and greater loyalty to the private wealth service provider. The willingness of private wealth professionals to help private clients has a positive effect on the private client satisfaction and behavioural outcomes. Satisfied private clients increase their business with the private wealth service provider, their share-of-wallet and give client referrals. “I needed a specific document and it happened to be around 10 o’clock on a Sunday night and I just couldn’t find it. I rang the my adviser, my call was answered and the document was emailed to me within 10 minutes. On a Sunday night – that is great service.”

Private wealth professionals assume private clients are satisfied if they don’t hear from them, as they believe they have an open and trusting relationship.



Alfie Buoy anchored in St. Brelades Bay

3.7 Private Client Trust

Jersey private clients build long-standing relationships with their private wealth service providers, in many cases staying with the same private wealth service provider for a number of years or even decades. Trust is a vital component for a successful and profitable long-term private client relationship. Without trust, this relationship is likely to fail.

The factors in each category are identified below:

1. Person related - Empathy, caring, honesty, integrity, openness, responsiveness, dependability, credibility and knowledge.
2. Offer related – Personalisation, performance, reliability, competence, commitment, communication and conflict handling.

3. Value related - Co-creation of value, consistency, keep promises, quick resolution of conflict, mutual confidence, mutual benevolence, mutual respect and shared values

“A private client’s trust in the private wealth provider doesn’t just happen, it is built up over time.”



Figure 26.

Key Findings: Private client trust

- Trust is essential for successful and profitable long-term private client relationships
- Greater trust is required when private clients require complex advice such as investments, succession planning or tax, compared to simpler functions such as transactional banking
- Private clients want to trust the private wealth professional is not working independently, that expert professional advice given is the 'house view' of the investment manager or private bank
- Private clients' trust in their private wealth service provider is built up over time, through personal relationships and social interactions that form a bond
- Trust is a 'two-way street'. Private clients need to trust that their private wealth service provider is looking after their interests, not the interests of the private wealth service provider
- Relationships are initially formed on personal recommendations and trust develops over time
- Effective communication is a vital step in developing a trusted relationship
- Without trust the private client/private wealth professional relationship will fail
- Determinants of trust erosion are service failure, lack of confidentiality, failure to resolve conflicts and/or mistakes, leading to negative loyalty and ultimate loss of private client business.

A relationship for now and the future

The study clearly shows that trust is one of the essential criteria for a long-term relationship between a private client and their private wealth service provider. Anecdotal feedback from the interviews confirmed this: "You buy from someone because you trust them, they're going to look after your money. They're going to make the right decisions for your money."

The investigations found that this is true to an even greater extent when private clients require complex advice such as investments, succession planning or tax, compared to simpler functions such as transactional banking. Where private clients see their relationship with their private bank as purely transactional, it does not require the same level of relationship as it's perceived as 'a commodity'.

Trust in the individual, backed by the brand

The findings also reveal the importance to the private clients that their investment manager or private banker is not working independently. They want confidence that the expert professional advice provided is the 'house view' of the investment manager or private bank. Private wealth professionals are "... well trained, experienced and qualified individuals. And the relationship with the customer is often more with the individual than with the actual institution."

A Jersey private wealth professional respondent confirmed: "So, we would put a lot of emphasis on the relationship side and we have built a business where we've tried to bring people on board that would stay with the private client for their life, and hopefully get to meet the next generation and be able to pass that on."

The private wealth service provider's integrity plays a vital part in building lasting relationships and Jersey private wealth service providers are trying to position themselves in the best light: "Everyone says they operate with integrity, but I think living and breathing and showing it, is what hopefully makes a difference."

Building relationships

A private client's trust in the private wealth service provider 'doesn't just happen', it is built up over time, through personal relationships and social interactions, which in turn form a 'bond' and 'trust'. "I think this all comes down to relationships. I had a guy I would trust with my life who was my financial advisor in the UK."

Transparency and honesty are perceived as vital attributes within a trusted relationship, and these develop over a protracted period, as confirmed by Jersey private client respondents: "Over time we've built up a friendship and then I have trusted him with my money." Private clients want the continuity of a relationship and a 'safe pair of hands': "Because that's the other really important thing now – having someone to deal with for a prolonged period of time."

It is widely acknowledged in the report, by both the wealthy Jersey families and Jersey private wealth professionals, that good professional relationships are vital, "I think this all comes down to relationships." These will develop and evolve over time: "You've got to get used to working with them for a while. Then once you get to know them and they know you, it's just a matter of building a relationship really."

This study finds that in many instances what also develops is friendships, which are built on a shared understanding, and time and effort spent together: "We've become part of their life and to some extent we live their life with them. We become friends with them." This is also about matching the right person with the client, as one Jersey private wealth professional explains, "We've won more mandates by finding the right person to pitch."

A two-way street

Trust is a 'two-way street' where the private clients and their private wealth service providers trust each other and collaborate together. Private clients need to trust that their private wealth professional is looking after their interests, not the interests of the private wealth service provider.

It's not just about developing relationships, its also about doing a good job: "It's a combination of both really."

The results from Jersey private wealth professionals interviewed in the study confirmed this, "It's not just one thing, it's building that relationship with the private client and looking at their needs rather than the needs of the firm."

"I think it's based around the service and looking after the private client's needs rather than the needs of the firm and that's the key to it."

Highly recommended

The findings from the report support the belief that some UHNW families have remained with their private wealth service providers from the start and grown together. When looking for a new private wealth service provider, the findings also show that Jersey wealthy families and individuals will go on recommendations: "I get recommendations and then if somebody does a good job, I use them again and if they don't, I don't." With so many businesses out there offering a similar service, respondents agree that there is a strong incentive to use a business that is already providing a good service to someone you like or respect: "Personal recommendation is the best way to come across the right advisor or consultant. If you have a friend or a person you already trust [...] That is certainly what I would try to find out first."

Communication is key

The investigation supports the theory that underpinning all the relationships – professional and personal – is the importance of good communication between the private clients and Jersey private wealth professionals and service providers. Usually when there is a problem with a relationship, it is due to the communication not being properly in place: "Often people really feel that they are not being listened to." Ultimately, it's all "...about understanding right at the beginning, what the needs and wants are on both sides, so that they match up [...] I think communication is absolutely key."

"We understand them, because the more we understand about them, the more we understand about what they are trying to achieve from a lifestyle in Jersey and internationally."

When the trust is lost

The study reveals that without trust the private client/private wealth professional relationship will ultimately fail. Determinants of trust erosion are service failure, lack of confidentiality, failure to resolve conflicts and/or mistakes, which lead to negative loyalty and ultimate loss of private client business. The results demonstrate that confidentiality is considered extremely important, and, "...if it's meant to be confidential, it is confidential. If they don't respect that, then I would certainly find that very unacceptable." However, where there is a strong, trusted relationship in place, even some of these service failures can be turned-around: "... you hope that the individual you are dealing with will espouse the same principles that you look to for your investment criteria, or wealth preservation."

"If you have underperformed, in whatever guise, you've got to be brave enough to have the integrity to put your client first [...] You have to go there with the issue and a solution. The more you have a personal connection, the easier those difficult conversations are."

Attributes of trust

According to the research, the components of trust required by Jersey's private clients from their private wealth service providers are:

1. Empathy – private clients expect a level of understanding of their individual challenges, be that succession planning or philanthropy, from their private wealth service provider
2. Promptness and reliability – a timely and consistent response to any issues is a basic trust requirement from Jersey wealthy individuals
3. Competence – the private wealth service provider must have the skills and experience needed to meet the private client's requirements, whether this is in investment advice or succession planning structures, and this is often gained through experience and shared values
4. Integrity – private clients need to be able to identify the ethical and moral principles of their private wealth service provider, and be assured of their confidentiality and openness in all their dealings
5. Commitment – private clients also require loyalty and allegiance from their private wealth service providers, meeting and delivering on any promises they make regardless as to whether they are financial or personal
6. Conflict handling – mistakes and issues can arise, but how the wealth service provider deals with them will impact on a private client's level of trust. Trust can also be built by recognising, admitting and accepting responsibility for a mistake
7. Credibility – the credibility of the private wealth service provider plays a big part in this. A private client needs to be able to believe what they are being told – good or bad
8. Mutual benevolence – as well as an understanding of the needs of their client, there needs to be a mutual liking and goodwill between the private client and their private wealth service provider.



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3.8 Private Client Loyalty

Jersey private clients develop long-term loyal relationships with their wealth professionals and service providers. The report shows that these loyal relationships are developed over time and are ultimately an outcome of trust.

"...brand loyalty comes from the strength of the company name and the private wealth service provider's team."

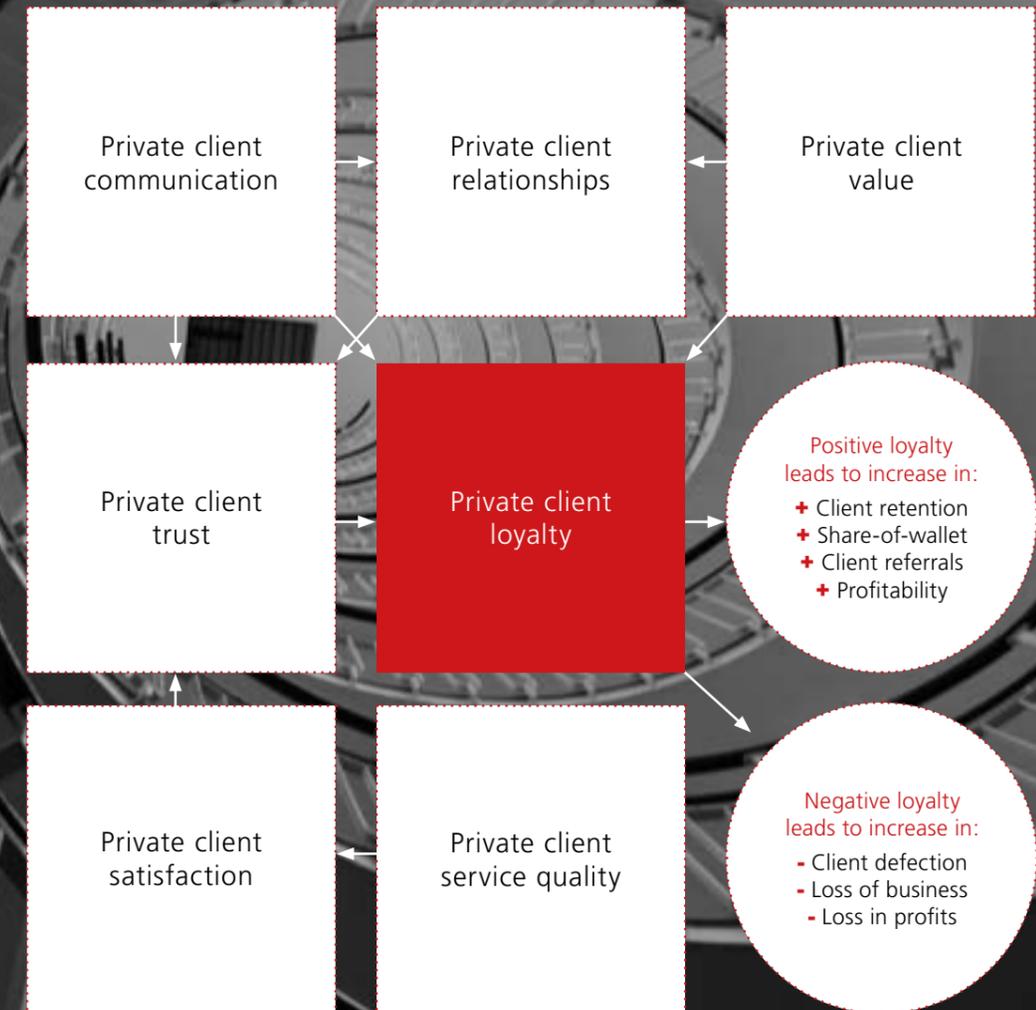


Figure 27.

■ Theme ⚙️ Inputs ⬜ Components ⦿ Outcomes

Key Findings: Private client loyalty

- The private client relationship is between the private client and the Jersey private wealth service provider, mutual trust and loyalty are built over time through a strong personal relationship, high service quality and satisfaction, which in turn leads to the loyalty with the wealth service provider
- Private client loyalty is a 'loyalty built by relationships' whereas a 'loyalty by inertia', is not demonstrated by Jersey private clients, as they multi-bank and can easily switch between private banks or move 'share-of-wallet' to another private wealth service provider
- Private clients' loyalty is influenced by private client service quality, client satisfaction, client trust, client communication, relationship commitment and client value
- Private clients develop trusted relationships with the individuals that they deal with within a business, but the ultimate loyalty remains with the company.

Building a bond

The 'client relationship' in Jersey private wealth is between the private client and their private wealth professional. 'Mutual trust' and loyalty is built over a period of time through the strong personal relationship, high service quality and satisfaction, which in turn leads to loyalty with the Jersey wealth service provider.

The results from the study confirm that mutual trust is imperative in a business relationship, and other factors contribute. "Chemistry is very important and having things in common." Jersey private wealth professionals need to demonstrate honesty and transparency, speed and responsiveness to their Jersey private clients to enable them to develop trusted relationships that lead to loyalty.

The findings obtained support the theory that loyalty does not come about overnight, and the advice – financial or personal – needs to be "proven to be true over a period of time..." Respondents confirm that when this type of relationship works well, it works really well. One private client explained his loyalty to his private bank: "Yes, they have been tremendous, they've really understood the concept of an entrepreneur and our cash flows."

"It's good to have open dialogue and communication with them. My view has always been, be completely transparent."

Banking on engagement

The research clearly demonstrates that private client loyalty is a 'loyalty built by relationships'. Jersey UHNW families need trust to be in place first for a relationship to grow and ultimately for loyalty to develop. However, once in place and once there is engagement, the relationship will go from strength to strength.

A 'loyalty by inertia' is not demonstrated by Jersey private clients. The findings obtained support the theory that Jersey wealthy families are confident in multi-banking and can easily switch between private banks or move more 'share-of-wallet' to another private bank if the right investment or financial planning opportunity presents itself.

The feeling is mutual

The report's findings clearly show that there are a number of factors influencing private client loyalty including client service quality, satisfaction, trust, communication, relationship commitment and value. The study found that satisfaction with performance was, "the best way to breed loyalty." The research also showed that Jersey private wealth service providers recognise the importance of service levels.

"I did it by delivery [...] speed and response. They have an expectation of how you present yourself and your business. It's down to performance."

The report also shows that loyal relationships need to be two-way. UHNW individuals expect loyalty from their private wealth service providers and in return, are loyal to them. The findings show that Jersey private clients want loyalty from the person they are dealing with ("For us it's all been about personal relationships") for them to be loyal in return. "You've got to get on with the person – you've got to trust them, you've got to feel like they've got your best interests at heart." Private client respondents support this view: "... we have a very loyal cohort of service providers who have literally worked with us from day one, and in turn we have shown them loyalty, as long as they have been able to adapt as we have grown."

These findings are reinforced by the view that if there isn't an initial connection with the private wealth service provider, then the business relationship won't be right and an allegiance will not be forged: "We sit down with investment managers and it's about getting on with them. If you don't get on with them, there is no point going with them."

The loyalty aspect of a relationship is very important, particularly when something hasn't gone well or an investment has underperformed, as summed up by one of the respondents:

"If you've not met them before, it's a lot easier for the client just to say [...] 'I'm not very happy with this period of underperformance, I'm off'. But if you've actually met them and you've discussed your aims, they start to understand how the wealth portfolio works and you build a bit of trust there, then they're much more like to stay with you."

A safe pair of hands

The study found that private client loyalty is with the business or institution that they have selected to employ. Despite close and trusted relationships with individuals within the company, the 'name over the door' retains the loyalty.

The findings reveal that this brand loyalty comes from the strength of the company name and the private wealth service provider's team, developed to work on the private client's account. One Jersey private wealth professional explains it as: "Your key relationship would be with me as the investment manager, but you would know my assistant and you would know my colleagues. You would know my boss and you'd know my subordinates."

The study also showed that Jersey private wealth service providers recognise that, although the personal relationship is key, it will only work if there's synergy between the brand and the individual, "The institution needs to operate by a set of values and principles that attracts the client to the business. And hopefully, all the individuals in the business follow those values and live by those values."

Positive outcome of private client loyalty leads to an increase in:

- Private client retention
- Share-of-wallet via greater investment or cross-selling opportunities
- Private client referrals
- Profitability for the private wealth service provider through increased fee generation.

Negative outcomes of private client loyalty leads to increase in:

- Client defection
- Loss of private client business
- Loss of profits for the private wealth service provider.

3.9 Private Client Retention

Key Findings: Private client retention

- Influenced by, 1) relationship; 2) trust; 3) satisfaction; 4) differentiation; 5) high service quality; 6) reliability; 7) innovation; 8) the 'added value'; 9) understanding private client needs; and 10) regular contact; creates client loyalty and increases client retention
- Relationship and trust create client loyalty - helps retain private clients
- Decision to switch private wealth professionals is not taken lightly. Signs when the 'fuse starts burning', private wealth professionals should identify the 'clues'
- Cross-selling of services extremely important to retain the private client long-term
- Trust/fiduciary sector – price sensitive and high turnover of staff for private equity backed firms
- Wealthy families are growing in numbers and complexity, more sophisticated, more demanding of expert advice, face-to-face availability of skilled specialist resources and less tolerant of poor service.

The research found that factors influencing private client retention are: 1) relationship; 2) trust; 3) satisfaction; 4) differentiation; 5) high service quality; 6) reliability; 7) innovation; 8) the 'added value'; 9) understanding the private needs and requirements; and 10) regular contact; which in turn creates private client loyalty and increases the client retention of private clients with their private wealth professional.

The value that is co-created between the parties (private client, private wealth professional and private wealth service provider) will have a positive outcome on satisfaction and thus a greater behavioural trust and loyalty will be experienced in the relationship; as opposed to the private wealth service provider creating value for the private client, which will have a less positive outcome on satisfaction and subsequent trust and loyalty.

UHNW families are growing in numbers and complexity, they are changing and they are becoming more sophisticated, more demanding of expert advice, personal one-to-one availability of skilled specialist resources and less tolerant of poor service, poor investment performance, unnecessary risks and high rates/fees.

The research found that the decision for a private client to switch private wealth professionals is not a decision taken lightly, like a divorce, but there will be signs when the 'fuse starts burning' and private wealth professionals should identify those 'clues'. Private wealth service providers do not always want to retain 'private clients'; private wealth service providers are keen to keep 'profitable' private clients and are happy to lose their 'non-profitable' private clients. Jersey private clients are looking for innovative ideas to either protect or grow their wealth and are less tolerant of private wealth professionals that do not give them great service.

Private wealth professionals firmly believe that the relationship, differentiation of service, innovation, the added value, understanding the private client requirements and regular contact all tie the private client to the private wealth service provider. Further, private wealth professionals believe that having a relationship and trust will create client loyalty which in turn helps retain the private client.

While moving private banks and opening new bank accounts is a mission, if no 'relationship' exists and the

private client is unhappy with their existing service, the private bank has not met their expectations, then the private client will move quickly. "If the private wealth professional changed and the new person came in and it was someone who I had no confidence in and I just really felt I am not getting the proper 'house view' here, I would be tempted to go elsewhere." Cross-selling of private client services is extremely important

in retaining the private client long-term as it creates a 'lock-in' switching barrier in the form of the 'hassle' factor in disengaging from the private wealth service provider. [They stay] "because of the service they get and the product offering", "for them to move is more hassle." However, private wealth professionals consider that the main factors influencing private client defection are the breakdown of trust and continual bad service.

"The service creates the loyalty."

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3.10 Family Offices

Nearly a decade ago, Geoff Cook, CEO of Jersey Finance, wrote an article stating that, “Regulatory and legislative frameworks are vital in developing an attractive and appropriate family office environment.” The study found that, today ‘family offices’ in Jersey exist in many forms. Long-term residential private clients and newer UHNW families, who have relocated to Jersey, have both set up family offices in Jersey. In addition, global wealthy families have chosen Jersey as the preferred jurisdiction to set up their family office; they all utilise the expertise of local family office service providers.

In every jurisdiction, the term ‘family office’ means different things to different people in the private wealth industry. The research study discovered three distinctive models:

- 1) Single-family offices - where a single wealthy family employs their own in-house team of experts to serve their own family requirements – as a result the set-up costs are high
- 2) Multi-family offices - where a number of wealthy families have teamed together in order to gain efficiencies – the multi-family office serves the needs of the different families
- 3) Family office service providers - where wealthy families outsource the family office functions to a third-party specialist provider.

However, within each category there lie subtle differences. Each and every UHNW family is absolutely unique with its own nuances, complexities, specific requirements, goals and strategies. The research study found that Jersey family offices range from small, simple single-family offices to extremely wealthy families involving several

generations, numerous businesses located in a manifold of jurisdictions and involving complex multiple holding structures and asset types; where legal and tax advice are critical to multi-generational families, who are truly global and extremely mobile. However, as a family office service provider pointed out, “the higher up the wealth chain you go, the more inevitable it is that family members will need to be advised that they cannot spend more than a certain number of days in any one jurisdiction.”

Asked why they seek specialist third party family office service providers in Jersey, most of the participating family offices listed expertise in succession planning, investments and governance. They offer confidentiality, discretion, integrity; family offices are looking for long-term trusted advisers that can be an extension of their single-family office and add value to their in-house team of experts – and for them to be extremely responsive.

One of the key determinants given by family offices interviewed is absolute confidentiality and making certain that only a select few know about the affairs of the family and the structuring of how it all works. As explained by family office service providers in Jersey, “we provide trustees and directors, providing the support for the management and administration of structures that are there for individuals and for families; including professional day-to-day administration, investment management, corporate governance - we ensure that structures are run properly and give single family offices the support they might need; with the provision of meeting minutes; making sure the company’s other structures are in good standing; we provide vehicles for succession planning, trust

and company structures together with legal, tax and accounting professionals, property, insurance, philanthropy and next-generation education.”

Furthermore, family office service providers interviewed confirmed that they are involved in facilitating the lifestyle of their beneficiaries; they will be “booking the holidays, managing the luxury yachts, private jets, luxury properties in multiple jurisdictions.” However, the concierge service is usually conducted in the country of residence of the main patriarch/ matriarch.

In addition, family offices employ internal or external investment managers to manage their bank assets and investment portfolios such as cash, private equities, hedge funds, ETFs, real estate or collectibles, i.e. fine art, fine wine, super cars, watches, precious stones and jewellery.

Trust and loyalty grow as the relationship between the outsourced family office service provider, the single-family office and UHNW family builds over time.

What triggers a wealthy family to create a family office?

The study demonstrated that this depends on many factors;

- 1) The amount of wealth – a UHNW of £100-500 million - to make it economically worthwhile
- 2) The needs of different branches or generations of the family who might have their wealth management and/or philanthropic requirements
- 3) A question of overall efficiency of the family’s wealth
- 4) The complexity of the family’s affairs – international cross-border issues and a mix of different assets in complex structures

5) An opportunity to engage with the next generation and for children of UHNW individuals to be involved in the family office and the family’s philanthropic causes

6) To achieve privacy for the wealthy family – employing a small team of trusted people.

Anecdotal feedback extracted from the interviews exposed that wealthy families up to £100 million do not have a dedicated family office due to the large set up costs and maintenance.

“To build a team of five or six people, they’re going to spend £1 million and it’s not affordable or efficient; people don’t necessarily want to jump into a full-on single-family office set up, which is where family office service providers facilitate an incubator service.”

Single family offices interviewed shared that their transition came with scale, starting with using family office service providers initially, then joining a multi-family office and eventually creating their own single-family office. However, as one single-family office pointed out, “whilst we had the option to join a multi-family office set up, we are extremely private, we didn’t want to share our wealth strategy with another wealthy family.” Subsequently, as the single-family office grows, it becomes more cost effective for them to bring certain skills, such as legal counsel, accountants and investment managers, in-house, rather than engaging a number of external experts. However, one of the biggest risks of setting up a single-family office is the

human resources risk, “we need to get the right people onboard with the right skills.”

The study found that family offices employ trust, legal, tax and accounting specialists in order to manage their complex structures in multiple jurisdictions in the areas of compliance and reporting requirements to FATCA and CRS. As one family office service provider expressed, “You’re really good at being an entrepreneur, so you crack on with that, and we’ll help you consolidate everything you’ve got and give you a coherent strategy, which you feel comfortable with and we’ll offer you active advice on how to implement it.”

Further, the study discovered that Jersey family offices are extremely philanthropic. It is increasingly demonstrated that UHNW families want to ensure that their philanthropic wishes are followed through their single-family office, setting up their own charitable foundations and giving back to society. “We have sufficient capital assets set aside and our children are involved in the investment and philanthropic decisions.”

However, with international patriarchs/ matriarchs living so far away, it is unlikely they have their full-on family office functions in Jersey. “They tend to want to have it closer to home, then use the Jersey professionals to support them on areas that they can’t provide themselves.” In contrast, for those wealthy families living in Jersey, they do build a family office network around them.

Substance

Asked about the key factors that are most likely to impact the growth of family offices in Jersey, participants mentioned ‘substance’. “There is a consistent theme for jurisdictions wanting to tax where the ‘substance’ of the operation is; therefore, if we have a family office in Jersey, in order to be taxed here, the substance of the operation needs to be here, actually employing staff on island.” As a family office service provider pointed out, “there is work to be done with regards to value chain analysis and understanding where the value of the transaction is.” There are great opportunities for Jersey based single-family offices, multi-family offices and family office service providers, due to the abundance of high calibre, qualified, private wealth professionals based in Jersey.

Jersey as a jurisdiction

Jersey is a well-regulated international finance centre with vehicles such as companies, trusts, limited partnerships, foundations and private trust companies (PTCs). PTCs are companies that only set up to act as a trustee for trusts established by a specific family. Family members or their trusted advisers can sit on the board of the private trust company. Jersey also has a highly regarded, long-established Jersey Trust Law (1984) which, together with a strong court system and a well-regulated jurisdiction; have been major determinants for attracting international family offices.

“Jersey’s reputation is so good, I don’t know why you’d have a trustee anywhere else.”

3.11 Succession Planning

Key Findings: Succession planning

- Wealth erosion is a major concern for Jersey wealth creators, as is providing a secure environment for future generations
- Transfer or sale of a business is extremely important and a variety of Jersey structures are used for the efficient and effective transfer of wealth
- Preparing and educating the next generation about family wealth is a big responsibility and parents are divided about how much to tell children and when
- Entrepreneurs, who are still creating the wealth, find it difficult to hand over control, while a number of patriarchs want to maintain control 'from the grave' as part of their legacy
- Divorce, remarriages and blended families are making families increasingly complex, leading to conflicts arising from fair distribution of wealth, while transfer of a family home can be emotionally challenging
- Philanthropy plays a critical role in succession planning and is a way of engaging children in investment and governance issues.

Chief concerns of UHNW families

The report's findings support the theory that tax, particularly inheritance tax and capital gains tax, is one of the biggest concerns for private clients and is one of the reasons for them to relocate to Jersey. Tax efficient transfer of wealth using a variety of structures, including wills, trusts and foundations is of paramount importance. The impact of wealth on the next generation is also a major consideration for Jersey private clients. 54% of the respondents confirmed that they do not want their wealth to have a detrimental effect on their children's career, either as a lack of motivation in school or by forcing them to take over the family business if their true interests lie elsewhere, "You really don't want your children to be ruined by money."

"I think there are too many trust babies around who have no motivation to get out of bed in the morning, and I don't want my children to fall into that trap, so they absolutely have no idea what our wealth is."

UHNW parents are also keen to ensure that their children's wealth should be protected in the event of future marriage so anecdotal evidence from the interviews shows that prenuptial arrangements are often required.

It was also found that wealth erosion, whereby a family can go from 'rags to riches' and back to rags again within three generations, along with the impact of divorce settlements and poor investment returns, is of pressing concern to Jersey private clients and family offices.

The study found that a third of Jersey UHNW families interviewed have not yet fully addressed the impact of succession planning, whether this is handing down family wealth or passing on the family business. The results from the investigation confirmed that for private clients, succession planning involves one or more of the following; the transfer of wealth in terms of money and assets; the transfer of the family business; setting up philanthropic structures; education on wealth.

Interestingly, it was also revealed that entrepreneurs, who have created the wealth themselves, feel less pressure to maintain the wealth for future generations in comparison with those who have inherited the wealth as a first generation. These respondents expressed feeling a great deal of pressure to hand over wealth to the next generation and are deeply concerned at the thought of being the one to lose the family wealth. There was also a common consensus among respondents to make life 'as simple as possible' for the next generation.

"There will be those that will want to look after their little ones and hand them everything on a plate, there will be others who will say that I made it from the start, you're getting nothing, and maybe something in between."

A family affair

The results from the study confirm that the primary purpose of succession planning is to provide a secure financial environment for the next generation, or even the next two or three generations and that this kind of planning is an emotional rollercoaster. Different family members have very different views about it and creating a shared vision is hard, while the findings confirm that "everyone is different, there is no one size fits all."

Added to this, the findings support the fact that UHNW families are increasingly more complex and extended than ever before. Divorces, re-marriages, children, step-children, step-grandchildren, half-brothers and sisters, often far flung geographically, create a complicated and sophisticated scenario. Respondents confirmed that they struggle to ensure all children or step-children, male or female, regardless of position in the family, are treated equally.

"I don't want to have warring factions between my family, and the way it's structured...it's a fifth for everyone...it's only fair that they all get the same."

Communication is key

The research discovered that communication with younger generations is important when it comes to the successful transfer of wealth in succession planning. However, respondents confirmed that they are split as to when the succession plan should be shared. Some respondents have chosen to communicate everything about the family's wealth in its entirety to the next generation at an early age, while others choose to let their children lead their own lives

and not let them know the true extent of the family wealth. Some interviews revealed that sharing the vision and values of the family was felt to be sufficient, without sharing the amount of wealth. Others communicate on a strict need to know basis with some deliberately withholding information.

An even split?

Succession planning for wealthy families can be very challenging. The old tradition of primogeniture, where the oldest male heir is set to inherit, has now changed. The study found that age and gender does not affect parental decisions when passing on their wealth to the next generation. However, discussions do involve whether different children want to be involved in the family business or not and this does affect the decisions on succession planning.

"There's an old concept that succession planning is a business handed down from father to son and so forth. Today, I think it very much depends on the abilities of the children and what they want to do."

The research discovered that when not all beneficiaries are directly involved in the family business, planning becomes more complicated. One child might be working to grow the business, while another might not be involved at all. One interviewee explained, "I think it very much depends on the abilities of the children and what they want to do....If they don't have that interest and they don't have that ability, if they had the interest but not the ability, I wouldn't want them to run the business."

Some respondents said they had decided to turn to company shareholding to manage distribution, while others plan to sell the business in order to split the wealth. Where a family has a lot of sentimental value bound up in a particular property, the study confirmed that this can be a real issue.

Getting the timing right

The investigation found that wealth creators really struggle with when to pass on their wealth, with a concern that it may be either too soon or too late, as one respondent put it, "I just don't think you know whether you've planned properly until it's too late." The findings also reveal that with people living longer, parents pass on their wealth much later in life which means that inheritors themselves are likely to have children, making the need for effective succession planning even more pressing.

Education, education, education

The report found that financial education was of huge significance for future generations and this was voiced by 40% of the private clients interviewed. It is not uncommon for UHNW individuals to encourage one to one training sessions or longer courses when the younger generation are teenagers to make sure they are armed "with some of the universal facts about preservation of wealth and growing wealth." The investigation found that philanthropic ventures provide parents with the opportunity to educate their children on wealth in a positive way with investment decisions.

"It's to try and get them to understand the difference between capital and income and if they live off a reasonable two or three per cent return from your capital then you can carry on doing that forever. Whereas, if you start taking out eight per cent a year you will have no capital left very quickly."

Educating everyone

The report finds respondents to be united in their belief that it is vitally important to educate the family as a whole about money to avoid the erosion of wealth and safeguard the financial future of the next one, two or even three generations.

"They might see a Trust Fund that has got five hundred million pounds in and think, brilliant I don't have to worry about money again and they each go and buy themselves a private jet and then the money is gone. It requires good stewardship alongside education of those family members."

The findings reveal a widespread belief among private wealth professionals that it is essential to get the next generation to understand what the business is all about and it also helps the advisors build trust with them, which is important for the future. "People are keen to be more responsible in terms of getting the next generation to understand what is coming their way."

"On our death, there are small sizeable gifts to the children and then the rest goes into the trust, it's then split into separate trusts depending on the tax situation of the children and there are controls on what they can get, but they're now sufficiently old enough that they can get whatever the trustees want to give them."

Encouraging young investors

The research discovered a positive response, among those interviewed, to academy or young investor days for children of clients, who are encouraged to take up longer term placements and internships if they want to learn more about family wealth. One Jersey private wealth professional says, "We would often encourage the education of the next generation at an earlier stage and that might be through a more structured course, through a one to one training session or coaching session", while some take it even further, "Sometimes we allow teenage sons and daughters, while they are at school or university, to spend a week or fortnight here, for their CV, but also, it's part of their own education because of the family money. So we take that very, very seriously."

"When Trusts don't work very well, it is usually when not enough attention has been paid either by the patriarch, matriarch or by the sort of group of advisors as a whole to educating their younger generation and I don't mean having been to University. I mean educating them about the family wealth, about the Trusts and about how they operate and from my point of view I think bringing in the younger generation at an earlier age to teach them about what the wealth is in the family, how it operates, how it's looked after, I think is really important."

Encouraging the next generation – a wealth professional's view

"Recently, a principal brought his son to meet us and he said to his son, "I need you to understand the extent of this wealth and the complexity around managing this. I don't expect you to understand it immediately, but I want you to start becoming involved. Over time it will start to feel more natural."

Horses for courses

The study found that UHNW families are becoming much more systematic in how they approach financial education and appreciate that different methods are required for everyone. One interviewee explains, "My children are split down the middle, so my eldest and my youngest are useless, can't hold on to money and my second and third can't spend money... we talk to them about the importance of budgeting, we talk to them about the importance of managing their means."

Family charters

According to the report's findings, wealthy Jersey families are increasingly setting out a family constitution or charter, stating that their aim of increasing the family wealth is to ensure that sons and daughters and their children have a good start in life. These family charters operate much like a trust structure but keep it within the confines of the family.

"It's crucial that the next generations and the generations after that understand the wealth of the family, understand what the family stands for, what it's trying to achieve long-term and that there is some kind of family plan. More and more people see family charters as the way forward, and that makes a lot of sense because with great wealth comes great responsibility and you need to manage that properly and you need to have people's buy-in."

The report finds that a large proportion of respondents and their advisers agree that many children of western first world economies do not necessarily recognise the extent of what their wealth can achieve, so educating them about philanthropy can be a good place to start. Children can become involved in a philanthropic foundation by managing the assets, preserving the wealth, growing it, distributing it and disbursing it.

3.12 Philanthropy

For many UHNW wealthy families philanthropy is a dedicated part of their spending. The study found that Jersey private clients and family offices are extremely philanthropic.

As it is globally, philanthropy in Jersey is driven by each individual's passions, values or concerns. It provides a sense of purpose and importance, whilst being a personally fulfilling and rewarding experience for wealthy individuals and their families.

As one private wealth professional stated, "It is not just UHNW individuals with £100 million plus, but those with £20-50 million, who are setting up their own charitable trusts. They want to make sure that they're actively involved in supporting causes that are important to them." This was also cited by many other respondents.

Key Findings: Philanthropy

- Wealthy individuals in Jersey want to give back to the local community
- Most private clients in Jersey wish to remain anonymous, as philanthropy is personal and private
- Philanthropic causes are driven by personal frustrations or concerns regarding important issues that are not being dealt with by an established charity
- Philanthropy is a deliberate strategic vision for wealthy families in Jersey
- One concern for UHNW individuals is the large administration costs of large charities
- Wealthy individuals/families want to create their own structure, whether it's a trust or foundation, and want to be involved and retain control
- Patriarchs/matriarchs want the flexibility to include their children in the family's philanthropic structure
- Philanthropy is more important once an individual/family has created their wealth, rather than compared to an individual/family still creating wealth
- Some Jersey-based private clients and family offices use their own wealth to invest in a philanthropic cause, however some will seek to collaborate with other like-minded UHNW individuals to co-invest together on larger philanthropic projects
- Wealthy families employ the services of local philanthropic advisers to set up structures and provide good governance.

Motivations and benefits

The research study found that Jersey private clients are extremely generous and want to create benefit, both to the local Jersey community and also to international projects. In return, they receive a rewarding sense of fulfilment and of giving back to local society and the world. The most popular areas include health/children in the community, environmental conservation schemes (such as rainforest or building a school in an underdeveloped country), creative projects (such as art or music) and education. Jersey philanthropists seek to:

- Make a difference to society and to give back
- Create a better environment in which we live
- Help to educate the next generation to understand that their wealth can help others and they have a responsibility to do so
- Create a legacy for future generations
- Usually have a connection with the cause in one way or another, e.g. specific illness of a family member or friend, a tragedy that has affected the family or friend
- In some circumstances, while motives are genuine, there is a great deal of kudos attached too.

Successful entrepreneurs have created large amounts of wealth. They're focused, intelligent and some make a great deal of money while they're relatively young. As conveyed by one professional service provider, "perhaps their [UHNW] successful careers span 10-15 years, rather than the 30-40 years other people might experience. There comes a point where they take a step back, look at themselves and think, I've worked hard, but I've made some extraordinarily large amounts of money being able to do what I do. How can I give some of that back?"

Jersey entrepreneurs are inquisitive and they naturally find causes that resonate with them and look to be as involved as much as they possibly can, because it's part of their nature. Attention to detail and control is important to them.

The study found that recently relocated high-value Jersey residents usually have their own philanthropic causes and so take some time to support the local community. The wealthier are getting wealthier and they reach a stage in their lives where they'd like to be seen to be giving something back. When they start to do that, it motivates and enthuses them, and gives another meaning to their lives.

A philanthropic journey

Jersey private clients interviewed are concerned that large UK charities have high administration costs and a large percentage of their donations contribute to the management of the charity, rather than to the direct benefit of the cause itself; this is one of the reasons given by the respondents to why wealthy families want to invest directly in philanthropic causes through their own foundation.

The study found that most wealthy families become involved in a philanthropic strategy following a major event, such as the sale of their business or acquiring a substantial amount of wealth. However, a number of younger entrepreneurs are involved in philanthropic structures, "as I feel it is part of my social responsibility to give back."

Another UHNW individual shared, "To me, philanthropy is not just the giving of wealth, but the ability to make a change through the provision of skills and education ... even the most cutthroat businessperson finds a conscience later in life and thinks about philanthropic causes." This has always been the case, but it has been accelerated by the way the world is currently evolving.

A very private affair

Private clients in Jersey want to remain anonymous when donating to good causes.

"We like to stay under the radar when it comes to our philanthropic causes, we keep it very quiet, it's a very private affair."

The study found that when private clients seek to create philanthropic strategies that help give back to society, they do not want to attract attention or publicity. Jersey trusts and foundations provide excellent structures to facilitate their requirements, "Donations as a family or personally have been generally anonymous through our foundation. I think it's where there are scenarios, where if you can help to make a difference, or make something happen, it's worth doing. It's not a case of doing something because it makes you feel good. It's about trying to change things for the better."

"It's a very private thing ... and sentiment driven ... philanthropy is part of our inter-generational wealth strategy."

The research study found that while Jersey philanthropists are discreet, they are nevertheless influenced by the cultural philanthropic strategies in the US, where American billionaires, such as the Rockefellers, Bill Gates, Jeff Bezos, Mark Zuckerberg, and a number of seminars held on the subject, demonstrate significant amounts of wealth being handed over. However, private clients also see the scandals in the charitable sector, "the reputation of Oxfam, for example, has had its image tarnished as a result of negative news." As a result wealthy families are bringing philanthropy in-house, as part of their family office, to actually supply the philanthropic effort and direct it themselves, as opposed to outsourcing it.

Family and next-generation

Private clients that were interviewed found that "family philanthropy is extremely rewarding for me, my wife and our children; discussing our individual passions and interests, agreeing [and sometimes disagreeing] but sharing a family focus, it's important, we have created a family charter with the help of our wealth adviser."

The study found that private clients and family offices use trusts and foundations as a way of raising the next generation's involvement in philanthropic projects. This can include getting their children to see what happens practically in the process, as well as understanding decision-making when it comes to investment and seeing the successful consequences.

One of the main concerns private clients shared, was, “the sense of responsibility and sometimes burden that great wealth brings, we see philanthropic work as not only something that’s good, but something for our children to be involved in, they are not interested in the family business but share our philanthropic values.” In this way, the next-generation is involved in managing family assets, and, still very much part of the family ethos, involved in what’s going on. Wealthy Jersey families are spending a great deal of time dedicated to philanthropy:

“I’ve worked in situations where the whole trust that we were administering was set up for philanthropic purposes and the family was making bequests in some of the poorest countries in the world, to make sure that children and families were educated.”

Philanthropic structures

Private clients and family offices based in Jersey and globally use a number of different structures to facilitate their philanthropic strategy:

Jersey Trusts	Jersey Foundations
Trusts (Jersey) Law 1984	Foundations (Jersey) Law 2009
Jersey has £400 billion worth of assets for private individuals and families. 836 regulated trust company businesses	Jersey has 365 Jersey Foundations set up since 2009
Both set up for the benefit of beneficiaries	
A trust is a legal relationship between people (a settlor and a trustee)	Treated as a ‘legal person’ under Jersey Law, like a company. It can transact in its own name and own property but it does not have an owner or shares
Can combine assets of two or more trusts, change its place of incorporation from one country to another or wind up the trust company business	Treated like a company. They can merge, move to another country or wind up its business. They must notify the Register of Companies to do this.
Both can be used for charitable or philanthropic purpose for an unlimited period of time	
Trustee responsible for controlling trust	A council is responsible for controlling a foundation
Often uses professional trustees, but not essential	A foundation’s council can include family members and others; not just professionals
Ownership divided between trustee (legal ownership) and beneficial owners	Foundation owns the assets
Questions about, or transfers of, assets are determined by Jersey Law; not International Law	
Both have the ability to adapt in terms and conditions to meet particular goals	
Both can be used as a legal entity – to hold assets – for complex high value borrowing or investments aimed at large corporations	

Source: Jersey Finance

As a Jersey private wealth provider reinforced, “Jersey trusts and foundations can be set up on a bespoke basis for global philanthropists tailored to the philanthropic cause they are passionate about.”

Furthermore, as one respondent quoted, “The introduction of the Charities Register in May 2018 under the Charities (Jersey) Law 2014 will help Jersey as a centre of philanthropic structures.” Jersey provides a stable, independent judicial system and robust regulatory jurisdiction, as an island of specialist private wealth professionals, with many years of experience of setting up complex structures, in helping wealthy families with their philanthropic strategies.

Social and environmental impact investing

The study found that a third of Jersey private clients and family offices interviewed are involved in social and environmental impact investing either directly or through funds. They want to invest in solutions that provide a positive impact on environmental or social issues, but also investing efficiently and effectively, receiving in some circumstances no financial return. Jersey private clients and family offices interviewed confirmed that “this trend will certainly remain, if not increase in the future, as part of our philanthropic strategy.”

“You can get involved in impact funds now, rather than having to find £50 million to do it yourself. You see it percolating down through the value chain and we have clients of £2-5 million saying, ‘I want to make a difference, how can I do it? Can you align my portfolio in companies? I want to cure cancer!’ or ‘Glaxo-Smith-Kline are having a really good go at that, or the Wellcome Foundation.’ ‘Can you buy those in my portfolio, so I know that some of my money is working to have an impact on my objectives?’”

Global philanthropists and Jersey

Jersey private wealth professionals have been successful in setting up and managing philanthropic structures for global philanthropists. As part of the British Crown Dependency, Jersey is a stable, tax-neutral and highly-regulated jurisdiction. In addition, the Jersey’s Trusts Law and Foundations Law are flexible and can be tailored to the particular philanthropic requirements of the wealthy individual/family.

Jersey philanthropic advisers help develop a philanthropic strategy for the private clients and family offices. They help to engage with the next-generation, establishing efficient and effective vehicles for global private clients and family offices, providing advice and good governance.

Forward-thinking offshore investment management

For further information, please contact **Jonathan Giles** locally on **01534 740 550** or email jonathan.giles@rathbones.com

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3.13 Private Client Privacy

As part of the research study into Jersey private wealth, we asked Jersey private clients and their private wealth service providers for their opinion on private client privacy and transparency with regard to public registers of beneficial owners.

The Jersey government, like the governments of other Crown Dependencies of Guernsey and the Isle of Man, together with Overseas Territories, have come under increasing pressure from the UK government and certain MPs to adopt a public register of beneficial ownership.

The right to privacy

Jersey has long maintained a register of beneficial owners; this is upheld by corporate service providers, who established wealth structures for UHNW individuals and will be a regulated law firm, accountancy firm or trust company, whose responsibility it is to carry out the appropriate customer due diligence on the directors and shareholders. Subject to the usual safeguards, this information can be available to law enforcement, tax authorities and other regulatory bodies, should there be a criminal investigation.

Jersey private clients interviewed expressed a strong view that they have a legitimate right to privacy, as with any other individual in Jersey or the UK. The fact that a private client has created a large amount of wealth does not mean it gives the public the right to know how much they have and what they do with it. As one wealthy individual expressed, "I have the right to privacy in order to keep my affairs private for the safety of my family – like anyone else."

Private client concerns

This research revealed that wealthy families in Jersey and globally are greatly concerned that the public information could be used to target them in terms of identity theft or even worse, criminals could use the information for kidnapping and ransom. UHNW individuals want to protect their family, their children and feel that they have a right to privacy.

Jersey UHNW individuals also expressed confusion in the opposing regulation, as expressed by one respondent, "on the one hand we have GDPR (General Data Protection

Regulations) which is supposed to minimise the amount of data processing and availability of personal data held, and on the other they want a register of beneficial owners made available to the public – it contradicts itself."

Privacy versus transparency

A Jersey private wealth provider stated that, "the public interest argument is only strong if we do not have sufficient procedures in place for law enforcement agencies to gain the relevant information, and in Jersey we do have that".

While transparency is extremely important in knowing who is behind a trust, company or bank account in the fight against money laundering, economic crime and the financing of terrorism, the dilemma is to have transparency and traceability without compromising the individual's right to privacy.

Jersey private clients are happy to provide personal and financial information to the authorities in order to comply with the law, but are extremely concerned if this data fell into the wrong hands. Confidentiality and safeguarding of their personal and financial information is critical for their 'peace of mind' and the safety of their family; it is a matter of privacy not secrecy.

Jersey does have a register of beneficial ownership and the Jersey private clients interviewed are happy with this arrangement. They are not happy to share the information on a public register, "What ... so everyone can see our family wealth, how much we are worth, how safe would we feel then?"

Private client security

The study also found that Jersey UHNW individuals are concerned about:

- 1) the personal security of themselves and their family, and
- 2) the security of their personal data, in particular cybersecurity.

One of the key reasons for moving to Jersey is the enhanced personal safety of their family, as expressed by one respondent, "Living in a safe and friendly environment was the main reason we moved to Jersey, first and foremost for the safety of our children."



4.1 Private Client Investments

Key Findings: Private client investments

- Hedge Funds – in line with global trends, Jersey private clients have significantly decreased their exposure to hedge funds
- Impact Investing - Jersey private clients are involved in sustainable investing via direct investment through foundations or impact investment funds – the most common are education, healthcare, children, gender equality and clean energy
- Alternative investments - Jersey private clients are investing in higher risk alternative investments in order to seek greater returns
- Real Estate – the number of Jersey UHNW families directly investing in residential and commercial real estate has significantly increased
- Private Equity and Co-Investing – allocations to private equity and co-investing are creating opportunities for Jersey UHNW families
- Liquidity – Jersey family offices are happy to sacrifice liquidity for greater possible yields in alternative investments
- Old Money vs New Money – Older wealthy families invest in bonds, index linked equities and futures, while younger money UHNW individuals are more inclined to invest in alternatives. Old family money has established traditional investment managers while new money has an alternative investment manager
- Local Investment Managers - Jersey private clients and family offices use a combination of investment managers in Jersey and London. The challenge for Jersey-based investment managers is to retain the loyalty of the next generation of wealth

“Back in 2008, I held about 90% of my portfolio in cash because interest rates were then 8%, inflation was running at 4% so you’re making 4% without any risk, so that was a no-brainer. It’s getting a bit more difficult now.”

Private client risk is relative

The study found that Jersey private clients see equities as a relative 'safe-haven', compared to the risks they take with their private equity strategies. However, if they are lending directly then they take first charges on everything and don't over leverage themselves.

Family offices are interested in absolute return mandates, private equity return mandates and alternatives such as hedge funds, where a more absolute return with less volatility is probably acceptable or is desired. These family offices are happier to look at a five or 10 year investment, they want to be diversified across geography and asset class and are happy to be locked in, having less liquidity but paying the fees for that.

According to the research, wealthy entrepreneurs, who are still actively involved in growing their business, have less liquidity where the business is capital intensive and, as such, have less wealth for traditional investments. As one UHNW individual stated, "If you take Warren Buffet's concept, that if you understand your business, you work out the fundamentals. And, if you believe something is right, you basically invest in that and stick to it. Otherwise you can be chasing markets all the time."

Cash

Our research found that some Jersey private clients are holding 25% cash with some dollar and euro exposure; "Personally, I've always liked cash, even though it's not high yielding, it's an opportunistic thing." As one private wealth professional expressed, "Long term, say over 50 years, there is no question that cash has not been a particularly well performing asset class. Bonds are better performers and the stock markets being the best performing and then you factor in alternatives, like fine wines and cars, they have been great performers. That's all very well in the long term but at some point, you've got to say, markets don't only go in one direction. We've had mini crashes but the long-term bull trend has been there for a long time. The financial crisis sparked quantitative easing 10 years ago and for 10 years assets have been inflated and the economy has been corrected because the central banks have pumped money into the economy, which is now stopping. That's a change in a long-term trend and means that you should be reassessing where your investments are now because it is being drip fed into the market with this turning off of the tap, but it is a trend and it will mean that there is less money available and therefore people will re-evaluate the quality of the assets that they are invested in."

Uncertainty

However, some private clients interviewed are unsure where to get a reasonable return. "Less than 5% of our net worth is invested in fixed income or equities. At the moment it's difficult to find things in this environment where I think we'll get paid a reasonable return ... I worked extremely hard to earn the money I've got and I'm not going to see it eroded away."

Private clients manage their own wealth

According to the research, Jersey wealth creators want to manage their own investments, as one respondent stated, "I invest myself, make my own decisions. So, I have an execution only account because my background was investments, I like to make my own decisions." Another entrepreneur pointed out, "For me, it was building a business and selling a business that is where my wealth was generated. I like doing deals and making money.... I'm always looking for opportunities to get involved with other businesses. Most entrepreneurs, like myself, have an entrepreneurial spirit. I'm hungry. That's what entrepreneurs moving to Jersey do."

Control

Our research found that Jersey private clients want to be in control of their investments, "I did make a couple of investments in stocks and shares. I'm really uncomfortable with it because I'm not in control of it and I'm not in control of the stock market, of course, so that's quite difficult."

A diverse portfolio

The research discovered that wealthy Jersey individuals diversify their wealth portfolio as much as possible, in terms of assets, geography and liquidity. They will have traditional investments – cash, bonds and equities; they will have real estate, whether residential or commercial, in different countries; they will have collectibles depending on their passion; art, cars, wine, gold or platinum; and then they will invest directly in private equity or co-invest in a business opportunity.

When asked what Jersey private clients want from an investment portfolio, a private client professional pointed out that, "Our investment portfolios are diversified, clients don't come to us and say, "I just want you to invest in one asset class." A common feature of most investors is that while equities give you a much better return than inflation, a better return than cash, probably a better return than

fixed income over the long-term, generally investors don't like the volatility associated with equities and therefore they want a diversified portfolio, they want something in the portfolio that is going to give them protection from equities or diversification away from equities. And so, the majority of our clients will have a balanced portfolio, so that could be half the portfolio is equities and half the portfolio is non-equities, or something more 60/40, 60 per cent equities, 40 per cent not equities, it depends on the personal circumstances or risk profile of the private client." This diversification was confirmed by another wealth professional, "Jersey UHNW individuals want cash, bonds and equities, we don't do alternatives, we don't do hedge funds, that's a matter of policy, we're very traditional in that sense. So the vast majority of our private clients are looking for a satisfactory long term total return, growth in real terms, our portfolios at the moment because it is our policy, are heavily equity orientated, rightly or wrongly, we believe that bonds are very expensive ... in terms of their risk appetite; we don't buy speculative shares, it's not to say there's a few don't go wrong, that happens in any portfolio, but we emphasise high quality shares and largely individual shares, although we do increasingly use exchange trading funds (ETFs) for the market positioning. In terms of risk, I think with quantitative easing and very low interest rates, which we've obviously had for some time, the traditional definitions or perceptions of risk really haven't caught up with the modern times, so older private clients will regard equities as risky, bonds as safe; in the real world if we're right, bonds are highly risky, not necessarily from a qualitative sense but because the yields are so far away from where they were before, and the longer you go out in the market."

Another similar story, "Some wealth managers look at traditional asset classes in making up a portfolio, there will be an element of cash because there needs to be a working balance. Depending on the risk profile then we might include assets along that risk spectrum; so it goes from cash to fixed income to equities, some alternatives, which might include property and some commodity exposure, whatever might be appropriate. Hedge funds, that term has gone, it's alternatives. Some clients might even want an option or currency overlay, which means they're looking at particular risk in a portfolio, which might be a currency risk, or they might want to protect some of that equity exposure by using options."

Private equity

The research found that business owners are more inclined to go for private equity investments as one UHNW entrepreneur stated, "I sold my business, I understand a balance sheet, I understand how to quantify the risk in those investments rather than in an equity market, which is fairly opaque, it can go up and down based on sentiment rather than the balance sheet."

The study discovered that not all private clients want an investment manager, "I take my risk in my business and that's where I make my money ... I'm on a discretionary portfolio and the returns aren't going to be the same as the returns I make in my business." Other private clients are more adventurous and say, "Yes, I make my money in my business but that is separate, this is my money, I want to maximise the opportunity here as well. Let's talk about what we can invest in."

Investment led private office

The study found that local private wealth service providers have set up 'private offices' for those individuals with £10m to £20m to invest. The private offices are an active advisory advice service for UHNW individuals who find themselves requiring some oversight, finding that if they build their own inter-family team of five or six people, they're going to spend £1 million and it's not affordable or efficient, and/or for private clients who don't necessarily want to jump into a multi-family office set up.

As one wealth professional shared, "an investment-led private office service consolidates the whole of their [UHNW individuals'] wealth, their balance sheet, and offers through the transparency that brings across liquid assets, financial real assets, whether it's wine, cars, objects d'arts, properties, commercial real estate, their entrepreneurial business, their family business as well as investments, across all of those types of classic investments; we will describe a risk and look at how the risk and reward of how their balance sheet is set up against their objectives, a consolidation across different custodians and banks allows that clarity."

The cautious or 'rainy day' fund

Within our research, Jersey UHNW individuals invest with local investment managers to keep their wealth safe, as a private wealth professional mentioned, "the money they allocate to us is their more cautious money, they give money to us as professional investment managers to get on with and the riskier stuff they'll probably do themselves

as in investing in businesses, in family businesses, in property; there are lots of other things out there that are more attractive, that are more tangible, but they're probably riskier, they're probably more isolated, specialist investments. So, what we're doing is we are investing in asset classes that are easily accessible."

Another wealth professional interviewed stated that, "The majority of UHNW individuals look at giving a discretionary mandate to one or more wealth managers when they create a trust structure in particular, it's creating a rainy-day fund. Particularly if the funds are there for the next generation or the generation thereafter. So, it's a long-term, low-risk, the challenge is choosing which managers are best positioned for that."

Impact investing

The study found that the next generation of younger entrepreneurial investors is actively involved in impact investing because they are entrepreneurs and always looking ten, twenty years ahead and it is the ethical investing driving them.

The research discovered that not only private clients with £100 million plus are involved in impact investing but also those with £30m or £40m; they will set their own charities up and they want to make sure that they're actively involved in supporting the causes that are important to them. It is something that crosses people's minds. When they realise that they've got everything that they need, and they've been very fortunate, then they'll often say, okay, what's important to me? I want to fund that, and I want to be involved."

Real estate

The research found that Jersey private clients still invest in their passions, "If an investment manager looked at my balance sheet they'd be absolutely horrified because we are grossly overweight in property, that's just because I have a passion for real estate, so when I have spare cash we'll go and buy another property and do a buy-to-let; it's just because that ticks my box, I don't want a more balanced portfolio".

Within our research, Jersey wealth professionals stated, "We are seeing that London properties, being where everybody wanted to be, is now coming off and the turnover in the London property market has diminished by 50%, people are not buying or selling. People are sitting on properties in the hope that they go back up again but

if there are no buyers they are not going back up, they will have to auto correct to a level where people see value." The research found that family offices continue to show a keen interest in real estate.

Diversity in alternatives

The research discovered that Jersey private clients diversify their alternative investments, as one UHNW individual stated, "Alternatives is a large category, so we diversify our exposure, we invest in the traditional hedge funds, property and private equity investing. Then we have our investments in cars and fine art but we haven't ventured into cryptocurrencies and bitcoins." Another private client shared, "We invest in real estate, both residential and commercial. We invest in direct private equity opportunities and co-invest with others. I don't know much about cars, art or wine, so we don't invest in it." However private clients continue to invest in their passion, "We invest in both classic cars and supercars, it's a passion, always has been, always will be."

Co-investing

The research found that significant number of Jersey private clients simplify their investments and co-invest with their wealthy friends. They are looking at using a long-term strategy, which is built around less liquid investments, much more property, private equity, and they're looking at opportunities that are less correlated to the economic cycle. One private client professional stated, "I am seeing far more interest in self-investing. Gone are the days when you simply phoned up your broker and said, here's £10m, go and play with it. Some people still do that. More of the wealthier families take a lot of that investing in-house, this is part of the drive for the family office, they make the investment decisions themselves and they are far more likely to invest in things that they decide to invest in. There is far more private equity, private lending and investing in private companies and it is going to be fascinating seeing where it all goes. Traditionally, the 1(1)(K) made his money, came over to Jersey, invested it through local or international brokers or advisors and retired. That doesn't happen today."



4.2 Private Client Collectibles

Key Findings: Collectibles

- The top four reasons given by Jersey UHNW individuals for investing in collectibles: 1) personal enjoyment, 2) diversifying their wealth portfolio, 3) an appreciating asset and 4) kudos amongst peers
- 80% of Jersey private clients invest in collectibles as an alternative asset
- The value of collectibles (art, cars, wine, watches, antiques etc) is driven by fashion and taste – when fashion is high the price is high, however when it is out of fashion the price could go spiralling down
- Art collections are the highest rated investment with cars, wine, watches and stamps following close behind
- 90% of the UHNWs in Jersey collect as a passion rather than a long-term investment
- Younger UHNWs are looking to invest in alternative collectibles involving the latest technologies
- Celebrity status continues to drive up sales of high-end alternative investments
- Many of the investments of passion are long-term generational wealth assets, due to their lack of liquidity

Jersey private client investors have not let prolonged global economic uncertainty cool their appetite for luxury and our research found that it depends very much on the passion of the individual when contemplating in which asset to invest. Private clients interviewed referred to their luxury collections as “investments of passion”, “objects of desire”, “emotional assets,” and “treasure assets” and are not an insignificant portion of their net-worth. One Jersey private wealth professional interviewed stated “It is where your passions lie, most people have seen significant returns from art, wine and cars... and I think they will continue to be the more affordable luxuries... I think those types of objets d’arts or collectibles are passion items.”

The research found that there is a very broad range of alternative investments for the private clients in Jersey, from fine art, cars, wine to rare watches, and UHNW individuals have the liquidity at the end of their portfolios to invest in these luxury items. From our research, 80% of UHNW individuals in Jersey invest in alternative collectibles. Overwhelmingly, the majority of investments are in art, with investments in cars at 27%, followed by wine investments by 7% of the UHNW individuals interviewed and watches at 3%. Other luxury investments included precious metals, jewellery, antique furniture, stamps and even rare musical instruments. One private wealth professional stated that “It is an asset class and a way in which [UHNW individuals] can diversify their investment portfolio; once again I guess the opportunity that the private client has is to invest in goods that are... seen as a luxury piece but at the same time if you look at the returns that have been seen on motor vehicles, fine wine and art over the last 15 to 20 years, it’s inevitable that...a high-net-worth... should and almost certainly will have some form of diversification in those goods.” Over 90% of Jersey UHNW individuals within our research stated that their collectibles were for a passion or interest rather than to make a return. One UHNW individual explained that “It’s been a hobby, it’s done for the enjoyment, rather than for the investment.” Another individual stated that, “I’ve had some cars, valuable cars but that’s more because I enjoy them rather than I want to make a return out of them, we’ve got art, we’ve got wine... but they’re all because they’re things that we want to enjoy, not as investments.”

The value of collectibles (art, cars, wine, watches, antiques etc) is driven by fashion and taste – when fashion is high the price is high, however when it is out of fashion the price could go spiralling down. However, when the demand is high and the desirable item is scarce, then the price is at a premium.

Art

Top works of art by artists such as Picasso regularly reach sales of tens and hundreds of millions, the sale of *Salvator Mundi* by Leonardo da Vinci was bought by the Abu Dhabi Ministry of Culture and Tourism for a staggering US\$450 million.

According to our research, 53% of Jersey UHNW individuals collect art as an alternative investment. However, the movement in the art market is driven primarily by fashion, which in turn dictates demand. One private wealth professional explained that “Most UHNWs are sensible enough to know when you are acquiring art, you buy it because you like it; you never buy anything in the art world simply for investment purposes because it’s a cyclical industry and what’s fashionable today can be out of fashion next week. However, I think there’s no doubt that nobody buys a £1 million plus piece of art work without thinking it’s going up in value.”

“Probably several of the paintings we have bought in the past are probably worth less today than when we bought them because tastes have changed.”

The findings of our report clarify that the overwhelming majority of the UHNW individuals interviewed in Jersey stated that they had purchased art work due to the pleasure it brought. “I’ve never bought art for investment, I only ever just bought a piece because I like it.” And “I buy it because I like it rather than because it’s going to be an appreciation asset.”

When investing in the art market, Jersey UHNW individuals find a status that comes with purchasing certain pieces. One private wealth professional explains that, “It’s a kudos aspect... because people love to meet collectors of contemporary art and the chances are they’ll get to meet the artist. They’ll meet like-minded individuals and it’s social as much as it is collecting...”.

“I’ve never bought art for investment, I only ever just bought a piece because I like it.”

Classic cars and supercars

Classic cars continue to be one of the top performing alternative asset class, while in recent market conditions a reversal in gains has been seen, the market continued to grow by eight per cent in 2017. The top price paid for a car at public auction thus far in 2018 was US\$48,405,000 for a 1962 Ferrari 250 GTO, which became the most expensive car ever sold at auction. In Jersey there are certain makes of pre-war cars, like Bugatti and Bentley, that still attract the private clients' attention and, as an asset, continue to perform financially very well.

Within the supercar range, most high-end manufacturers have spent the last decade assembling and promoting their "bespoke" divisions as a luxury car can be an emotional purchase and at first sight can play on the heart strings of the UHNW individual. For example, when the Porsche 911 R came out in 2016, its original list price was around £170,000. In 2017 it was selling on the market for between £350,000 and £400,000. The Ferrari LaFerrari carried a list price of £1m when it came on the market in 2014, but in 2017 it was selling for a whopping £2.8m. Our research finds that UHNW individuals in Jersey are buying a classic or super car because it's a desire, they've got a passion for it; although a third of the wealthy individuals interviewed considered the cars as a long-term investment.

According to our research, private clients in Jersey continue to buy the classic or supercar and this is the second most popular alternative investment. As one wealthy individual stated "I've got [many cars]. There are some cars to enjoy now, the 'use and lose', and there are the others that we invest in. We still use a couple of them, but sparingly. They are appreciating assets because of their rarity. They will almost never be used." Further, one respondent stated "... there are in fact 260 Ferraris on Jersey".

'Super cool' celebrities add value

Celebrity status continues to drive up sales in this scarcity driven market. As one of our private wealth professionals explained, "In the car world, Steve McQueen's cars sold at auction... for four to five times as much as a regular example of that car. Paul Newman, his cars will sell for at least double what a regular one would sell for. Paul McCartney sold a DB5... 10 days ago in London and that went for £1.25 million whereas, a regular car would go for £850,000." A 1956 Aston Martin DBR1, raced by legendary driver Stirling Moss, has been sold at auction for £17.5 million – becoming the most expensive British car ever sold.

Wine

Fine wine makes a sound investment as there is always a finite supply. In 2017, out of the top value twenty-four wines sold at auction, twenty were French. Ten were from Bordeaux and ten were from Burgundy. Wine can give immense pleasure, in a way that other luxury investments can't. Our research shows that Jersey UHNW individuals will invest in fine wines, with support from expert professional advice regarding the best vintages, packaging of the wines, storage conditions and how to buy from the most elite wine makers – this was absolutely critical in their minds. In addition, Jersey private clients interviewed considered their alternative asset of fine wine "as a private collection rather than an investment."

Watches

Watches are very much part of the luxury goods market and rank alongside jewellery and contemporary and modern art at the top of the value chain at auction. A rare Rolex watch that was owned by the late movie star Paul Newman sold for almost \$17.8m (£13.5m), making it the most expensive watch ever auctioned. One wealth professional explained that, "The Rolex Cosmograph Daytona, which was made of stainless steel [and on sale between 1963 and 1970], became known as the "Paul Newman watch". The watch, which Newman wore every day for 15 years, was given to him by his wife Joanne Woodward and was inscribed, "Drive carefully". One Jersey private wealth professional interviewed stated that, "We have seen watches being quite popular, around the sort of £50 to £150 thousand mark where collectors or people building up their collections will invest in this alternative asset."

Similar to other investments of passion, Jersey private clients have built up their 'private collection' of watches around their favourite make, whether that is Patek Philippe, Rolex, Vacheron Constantin or Omega. Apart from the condition, originality, rarity of the watch; it is the story surrounding each scarce timepiece that the private client is passionate about.

"Not as investments, we've got art, we've got wine and we've got cars...they're things that we want."



4.3 Private Equity and Lending

Key Findings: Private equity and private lending

- Private equity and private lending opportunities are driven by the desire for Jersey private clients to diversify their investment portfolio and seek higher yields
- Family offices continue to invest directly into private equity opportunities
- Private equity investments by family offices are a long-term investment strategy, sometimes a multi-generational timeframe, whereby their money is illiquid
- Jersey private clients invest in private equities, through direct investing or co-investing

The research study found that Jersey private clients have a significant involvement in private equity, co-investing and private lending (or peer-to-peer lending).

These opportunities provide an alternative investment for the UHNW individual to generate possible higher yields than money invested with a bank, investment manager or other alternative investments, such as real estate or collectibles, such as art, cars, wine, watches etc.

Private equity

Jersey UHNW individuals and family offices are investing directly in private equity opportunities to increase their investment yield. A number of the interviewees are co-invested in large private equity deals.

The research confirmed that many family offices continue to invest directly into private equity opportunities. They are looking for long-term investments with low volatility and

capital preservation. The ultra-wealthy entrepreneurs feel that they have the business acumen to make a successful investment decision. Private equity investments by family offices are a long-term investment strategy, sometimes a multi-generational timeframe, whereby their money is illiquid.

Private lending

Private lending is also known as alternative lending or peer-to-peer lending.

The research found that many Jersey private clients, who are cautious of directly investing in private equity and receiving low interest rates from their bank, are opting to co-fund loans through peer-to-peer firms. The borrower pays a higher interest rate than with a bank and accordingly, the investor (lender) can also receive a higher interest than that offered by a bank.

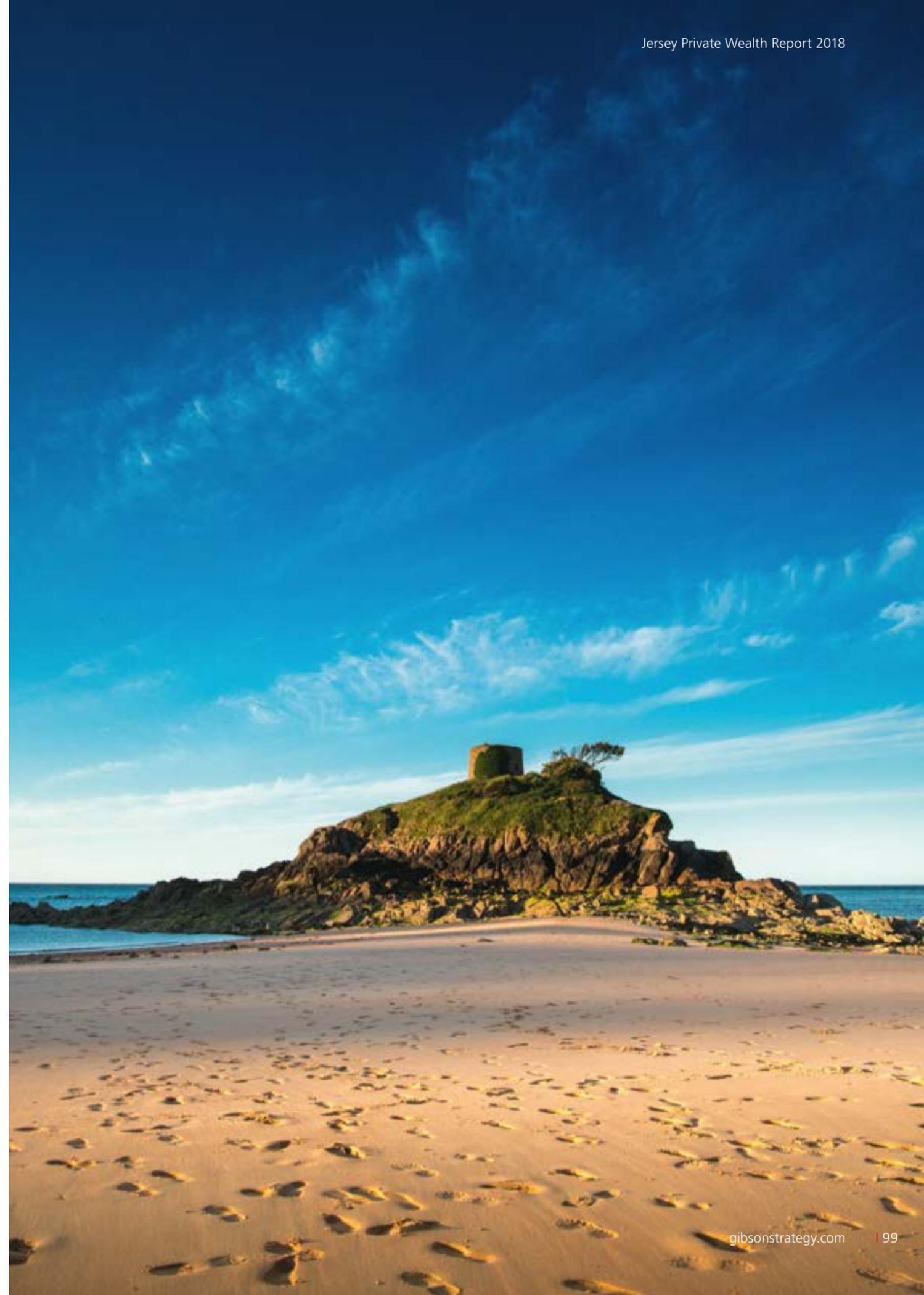
Peer-to-peer lending is not regulated in Jersey, however peer-to-peer firms

do have to comply with anti-money laundering regulations. Jersey private clients lend (or invest) their money on a short-term co-funding basis with the peer-to-peer firm, who secure the loan against the borrowers' assets.

As mentioned by one respondent, "the availability of alternative finance was created by the banks retracting after the 2008 financial crisis ... which has led to an overreaction to protectionism and risk tolerance".

"Our borrowers [of the alternative finance service provider] are usually asset rich and cash poor and therefore we secure the loan against an asset... we charge a higher rate. Our syndicate of co-funders receive a higher rate". The private clients invest in short-term loans, approximately 6-8 months, but often keep the investment available for other lending opportunities.

The study found that whether private equity or private lending, Jersey private clients will continue to diversify their investment portfolio in this opportunity.



4.4 Focus: Cryptocurrency and Blockchain

The study found that many wealthy individuals in Jersey are looking for the next exciting investment opportunity that will provide them with further future income and wealth. There is an element of risk with all types of investment, but in some, such as cryptocurrency, the inherent risk is much greater. Cryptocurrencies such as bitcoin have received a lot of attention in recent times, but many Jersey private clients feel certain that the bubble is about to burst on this currency.

What is less certain is what will be left behind and how it will be regulated.

Further, the study revealed that not all UHNW families are averse to a small level of investment in this arena of alternative investments. However, it is perceived as an investment opportunity favoured by the younger investors in Jersey, rather than the more traditional portfolios of the older generation.

Key Findings: Cryptocurrency and blockchain

- There is a great deal of interest, but very little actual understanding, of cryptocurrency such as bitcoin, and blockchain, the technology behind it
- Jersey private client investors and private wealth professionals are predicting that the bitcoin 'bubble' will burst soon
- Until the government, regulators and global central banks work out how to regulate it, it will continue to be viewed with suspicion by Jersey private clients
- UHNW investors are wary of cryptocurrency, because it is not tangible and is not perceived to have an intrinsic actual value
- There is a widely held belief that the darker side of society – criminals – are using bitcoin to finance activity or hide money. This leads to some ethical questions about its use
- While cryptocurrency is likely to be a short-term craze, it is recognised that blockchain, the technology behind it, offers more interesting long-term possibilities for Jersey UHNW individuals
- Investment into cryptocurrency is perceived to be a gamble, as the market is so volatile and there is a threat that Jersey investors could lose everything
- The younger generation of private clients, with more understanding of digital technology, are more likely to invest in this type of currency.

The difference between interest and understanding

Despite the high levels of interest, due to the extensive media coverage and discussion around the subject of cryptocurrency and blockchain technology, it is widely acknowledged that there is not the equivalent level of understanding by Jersey-based wealthy families. The general consensus is that, "If you don't understand why you are investing in it, don't invest in it."

Jersey private clients interviewed likened it to the Tulip mania of the 1600s and without a greater insight into what it is and how it works, many Jersey private client investors are steering clear: "For me, it would form no part of any portfolio at all until somebody could explain it to me and I could actually understand."

"My dad always told us to invest in stuff we understand."

When the bubble bursts

Perceived as the 'next new thing', wealthy individuals interviewed in Jersey are fully expecting the bitcoin bubble to burst. "Every new thing has a bubble that bursts and then it's in the second wave where the real money is made." There is also an overriding sense of not wanting to be caught out when the bubble 'pops', with analogies being made to the Tech bubble, which burst in 2000: "People had made 300% returns but when they wanted the money back they'd lost 80% of the money."

Taking back control

The study found that private client investors appreciate a level of certainty in their transactions and until Government and regulators have found a way to control cryptocurrency, it will remain unregulated and insubstantial. "When regulators start getting involved [...] it becomes more interesting, because it is then it becomes something which has to have substance." There is a view that it won't be easy to regulate, but once regulation is in place, it will provide a more attractive investment opportunity. "So the answer is you don't invest now, but in five or 10 years' time there will be proper regulations around it."

"There are no security for the investor, there's no market, there are no rules or regulations."

Understanding the value

The research found that the lack of tangibility to cryptocurrency is one the reasons many Jersey private clients are not embracing this investment opportunity. They describe

the difference between investing in a company, where "It might be over-valued and it might be worth virtually nothing, but there is something you can attach some intrinsic value to" and "As soon as the confidence goes, the question is, you have something on the computer, what is its value?" Jersey private wealth professionals are also supporting this view: "For us to make an investment decision, we have to understand exactly what is going on. There has to be something tangible there in terms of a business."

The ethics of the investment

Jersey wealthy families also cited ethical issues that are preventing them from investing in cryptocurrency, with there being a commonly-held view that cryptocurrencies are widely used by criminals: "I think [its] future is going to be from money laundering." This is largely caused by the issue of a lack of transparency and where the funds have originated from. "If you take the fight against terrorism and in relation to crime and corruption, that transparency, related to tax systems and the way in which our democracy is built, is a very significant part of trying to eradicate – or control – crime going forward."

The technology behind the hype

Jersey private wealth professionals have a mixed view on cryptocurrency, although overwhelmingly they are reflecting the views of Jersey private clients who took part in the study, in that they don't necessarily understand cryptocurrencies, so avoid them. However, many of them recognise the importance of blockchain, which is the technology that sits behind things like bitcoin: "I think cryptocurrency is something the bank is very wary of and investors are very wary of. I think blockchain technology, that's the side where there is a lot more interest."

"Blockchain is the technology, it is a game-changer for all of us."

Only the brave

The volatility of the cryptocurrency is apparent in the way in which the currency has had such dramatic rises and falls, and this has led to some Jersey UHNW individuals investing in it purely as a speculative gamble. The Jersey investment managers and private banks are echoing this approach, explaining that people are making small £5,000-10,000 investments, to find out what it's all about. "They're doing it just as a test and if they write it all off, it means nothing to them. If they lose five, 10 or 15 grand, it doesn't matter."

Traditional v digital portfolios

Overall traditional, tangible investment portfolios are still the preferred route for most Jersey private clients. One UHNW individual explains, "I can understand the concept of alternative currency, but I personally think those portfolios should have some sort of investment involved". Jersey private wealth professionals have also seen this demonstrated, although there is a tendency for some younger, tech-savvy individuals to incorporate this type of investment. "My personal experience has been that old money hasn't gone near it, while newer money has embraced it enthusiastically."

What is cryptocurrency?

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions, control the creation of additional units and verify the transfer of assets. Cryptocurrencies are a kind of alternative, digital currency (of which virtual currency is a subset). Using decentralised control, each cryptocurrency works through distributed ledger technology, typically a blockchain, that serves as a public financial transaction database. Bitcoin, first released as open-source software in 2009, is generally considered the first decentralised cryptocurrency. Since the release of Bitcoin, over 4,000 altcoins (alternative variants of Bitcoin, or other cryptocurrencies) have been created.

What is blockchain technology?

Blockchain was invented to serve as the public transaction ledger of the cryptocurrency bitcoin. The bitcoin design has inspired other applications and blockchains which are readable by the public, are widely used by cryptocurrencies. Blockchain is a growing list of records, called blocks, which are linked. Once recorded, the data in any given block cannot be altered retroactively without alteration of all subsequent blocks, which requires consensus of the network majority. Although blockchain records are not entirely unalterable, blockchains may be considered secure by design.

"Nearly \$13 billion wiped off of cryptocurrency market as major coins plunge... the move comes after the International Monetary Fund warned that cryptocurrencies "could create new vulnerabilities in the international financial system."

CNBC 11th October 2018



4.5 Focus: Private Jets

The research found that Jersey wealthy individuals and families use private jets extensively; they either:

- 1) own an aircraft;
- 2) share direct ownership of an aircraft;
- 3) fractionally own an aircraft (e.g. NetJets); or
- 4) charter an aircraft (e.g. Gama Aviation, Ortac, VistaJets)

For the majority of the private clients interviewed that relocated to Jersey (under the HVR 2(1)(e) regulation), their first visit was by private jet and they arrived on the island via the Gama Aviation building. Being able to arrive and depart from the island with ease is extremely important to private clients, whether it's for business or for other reasons; for them, knowing there is an efficient private jet facility is important.

Private jet owners

Our research found that many Jersey UHNW individuals own their own jets and use local aviation service providers to either manage and/or maintain their aircraft.

Jersey private clients interviewed told us the decision to either buy, fractionally own or charter an aircraft depends on how many hours they fly. The trigger is usually 250 hours per year; if they are consistently flying over 250 hours per year it's time well spent to consider investing in their own aircraft.

A number of Jersey private clients buy their own aircraft and charter it out directly or via Gama or Ortac in order to provide an income, therefore reducing the overall cost of ownership; however, this can reduce the number of hours available for personal/family use, so needs careful thought.

Pilots – anecdotal evidence from the research found that

while some Jersey wealthy families employ their own pilots, others are happy to utilise pilots provided by Gama Aviation or Ortac.

Maintenance - the cost of maintenance depends on the size of the jet, how new it is, whether it is part of a maintenance programme from point of purchase, e.g. one option is where an engine programme fee is paid for every hour the aircraft flies, if anything goes wrong with the engines, a maintenance technician will repair it and every part that they strap on to that aircraft is provided/added free of charge.

Private jet fractional ownership

Instead of owning a jet outright, Jersey private clients use fractional ownership of a jet through companies such as NetJets. NetJets provide guaranteed access to a large fleet of private jets, meaning wealthy families can enjoy the benefits of owning a private jet whilst only paying for the hours they fly; they are in control of the cost of flying and can take off with as little as 10 hours' notice.

Private jet charter

Jersey private clients charter jets from local service providers Gama Aviation or Ortac and other UK firms on an individual basis.

Which option?

The research found that in the main, private clients relocating from the UK will maintain their status quo, i.e. if they previously had NetJets contracts, leased or chartered, after re-evaluation, they will often continue to do the same.

Private Jets

Direct Ownership

Fractional Ownership

Charter

Comments

- High cost of aircraft when not in use
 - Can be leased on a charter basis and therefore provide an income
 - High cost of management
 - High cost of maintenance
-
- No commitment to owning a single jet, no management and maintenance fees
 - Large array of different sized aircraft available for a wide variety of flight destinations
 - Higher cost of per hour flight
-
- Lower cost of per hour flight
 - No management and maintenance fees
 - Choice between on-island or off-island service provider



The study found that some private clients use a private jet card allowing them to access the services such as NetJets for up to 50 hours per year without the long-term commitment of fractional ownership. Flexibility is the key factor.

Younger private clients with family

Findings obtained during this research reveal that the private clients moving to Jersey are younger than those historically and so they are arriving with younger families. Jersey is no longer considered as purely a retirement option, entrepreneurs and company employees are now moving to Jersey, therefore bringing down the average age of the Jersey private clients. Many more UHNW families in Jersey fly with young children.

Fog – a local issue

Jersey is an island with one airfield, built in a location known as being susceptible to fog, thus frequently creating issues throughout the year; occasionally flights may be delayed for over 24 hours. This can be particularly frustrating for the Jersey private clients when using NetJets and VistaJets as their inbound flight can be delayed, whereas owning their own aircraft or chartering from a local service provider, i.e. a jet already based in Jersey, negates this issue.

Why use a private jet?

The dominant reason Jersey UHNW individuals use private jets is the ease of arriving on and departing from the island and the simplicity of travel. Arriving at Gama Aviation is much more efficient than through Jersey Airport Arrivals Terminal. It is a more personal, bespoke service and time effective which private clients value immensely. Wealthy families arrive for departure, with their aircraft running outside; it takes five minutes to move through the building and they can arrive in London in less than an hour which is not possible commercially.

Feedback from participants was that flexibility and autonomy is particularly important to wealthy individuals who are relocating to Jersey; as confirmed by one respondent “for a working principal with a business in the UK, where they need to be on any given day in time for a 8:30am meeting which is tricky to do if you haven’t got access to an aircraft. The UHNWs who are not working, appreciate more the hassle free mode of travel.”

Onboard catering

Catering is usually provided and can range from breakfast with croissants, pastries and juice to brunch, or lunch with sandwiches, hummus dips, raw vegetables, fruit etc., to a full bespoke catering service including hot meals.

Types of private jets available

Private jets from Jersey have a range of under 2,000 miles therefore destinations are mainly to the UK and Europe. If private clients want to fly further afield then they fly to the UK and board a larger jet first class to anywhere across the rest of the world.

Which is the perfect jet for Jersey?

Research found that there isn’t a perfect jet for Jersey private clients. A UHNW family will need a different jet to fly from Jersey to Southampton for a business meeting from the jet they need to fly from Jersey to Majorca, this again would be completely different from the jet needed for a skiing trip where lots more luggage space is required. There are a number of possibilities.

Gama Aviation’s Jersey fleet consists of five jets - two Cessna Citation Mustangs and three Cessna Citation XLS. Ortac uses two jets, a Cessna Citation M2 and a Cessna Citation CJ3+. These cover most requirements for Jersey private clients.

Costs

Prices for private aviation are unlikely to reduce; the research found that the recession has already squeezed prices. However, there is growing opinion that there is an opportunity of replacing ultra-light jets with a lower cost ‘taxi service’ using twin prop aircraft for short haul flights, e.g. the King Air 350i.

Growth market

Private aviation and private jets are a growing business in Jersey, as identified by the Ports of Jersey. New hangars are being built to facilitate this demand. The landscape is changing with a private jet ‘taxi service’ such as the USA’s model ‘Wheels Up’; this model is transferring into Europe, which may be attractive to Jersey and its wealthy families.



4.6 Focus: Private Client Insurance

Jersey wealthy individuals and families own millions of pounds of assets that need insuring, therefore they require a bespoke and personalised service by local providers. Examples include:

- 1) Home insurance – multiple homes in multiple countries, each with its own extremely valuable contents, including furniture, antique collections, art collections, wine collections etc.
- 2) Car fleet insurance – multiple cars in multiple countries
- 3) Marine insurance – multiple boats and yachts in multiple countries
- 4) Aviation insurance – own or shared ownership of an aircraft
- 5) Travel insurance – travel the world with expensive items – watches, jewellery etc.
- 6) Kidnap and ransom insurance – extremely important in today's environment
- 7) Business insurance – entrepreneurs have multiple businesses in multiple countries

Travel insurance

The study discovered that Jersey private clients have bespoke insurance products; they have unique needs for different types of travel policies for travelling all over the world, which can sometimes be included within their home policy. Private medical insurance is also of great importance when travelling abroad, as families will be anxious to know if they can be repatriated, and if not, where they can receive the best private and personalised care, wherever and whenever it is needed.

Home insurance

The home policy will need to cover not only often exceptional, high value properties in multiple locations, but also cover the extremely expensive and unusual contents, e.g. art collections, antique collections and high value wine collections. One example, highlighted in the study, found that some Jersey private clients have collections of unusual and delicate lamps, which have a very high value and so the insurance broker would need to find specialist insurance. One wealth professional gave an example where a specialist, private client surveyor from the UK was needed to appraise the property and contents to calculate the risk; they will value it to make sure it's correct for rebuild and replacement costs.

Car insurance

Some Jersey private clients have a fleet of motor cars. Our research found that they may have a classic car and supercar collection held in different countries; therefore they will require specialist and expert advice regarding insurance. Private clients invest and collect cars worth millions of pounds which, unlike in the more domestic vehicle market, where values traditionally decrease, collectible motors escalate in value over time. Due to the worth and sometimes, uniqueness of the collections, very careful consideration and risk calculation is given to which drivers can be covered on the insurance. For example, some drivers are considered to be of very high and almost uninsurable risk; a personal assistant driving the boss' car often poses less of a risk factor than a world class footballer, who has the income to replace the car with a week's salary.

Marine insurance

The study found that while a number of Jersey private clients have a yacht in Jersey, they may also keep a superyacht in the Mediterranean, worth upwards of £10 million. The contents of these yachts are also likely to be of a very high and collectible nature.

Aviation insurance

The research found that Jersey wealthy families own or share planes and will fly to the UK regularly, or anywhere across Europe. Again, the insurer requires specialist knowledge when offering advice about insuring such high value assets.

Kidnap and ransom

Within the study, Jersey wealth professionals stated that private clients have expressed their worries regarding kidnap and ransom, particularly within the last 18 months and especially with so many of the families travelling all over the world. One wealth professional stated that a specific aspect to this insurance was the cover for crisis management and explained, "When the clients have a crisis, they need to know it's being dealt with properly."

Another wealth professional stated that private clients are increasingly requiring cyber protection cover and stated that clients are extremely concerned and anxious about their personal details being leaked into the public domain.

Sourcing the market

Our research found that it can be challenging for professionals to be able to source the market, which can be limited regarding such specialist advice, for what is right for a client's individual needs. There are no easy access, online 'grab and go' comparable insurance websites available; a very personalised, expert service is required.

Multiple policies

According to the research, Jersey private clients will require multiple policies to cover all their insurance needs adequately. However, one wealth professional explained that some insurers will make huge losses when providing this service for private clients, with some losing billions of pounds.

Up to date valuations

One wealth professional explained the importance of private clients having their assets valued annually so that valuations are up to date. For example, Rolex watches have increased substantially in value over the last ten years. However, some items, such as antique furniture, may have decreased in value. One professional explained, "Normally, it's replacement cost on the purchase price, or the current market value. But, that's why we do encourage people to get repeat valuations all the time."

Due diligence

Our research found that private client insurers will conduct due diligence on wealthy families before providing the service. For example, the insurers will want to know how private clients have made their money; how many companies they are involved in; where they go on holiday; which supercars they drive and if those cars are used for racing on a track. Our research found that there are niche markets for some private clients, such as footballers, with premiums being higher for certain clients depending on their income stream.

A safe place

Within our research, many private clients and professionals stated that Jersey is considered a safe place; a key factor in wealthy families moving to the island. Private clients felt that expensive jewellery was safe to be worn when out and about on the island. However, safety became an important consideration when travelling abroad and the wearing or storage of precious items influenced a wealthy family's travel plans.

Duplication of precious collections

Our findings highlighted that many Jersey private clients, who have substantial jewellery collections, may duplicate certain pieces and put them into different safes. Insurance companies encourage their clients to use multiple safes, with three or four items in each safe, thus diversifying the risk.

Trust and loyalty with an individual or firm

Jersey private clients want to deal with brokers/insurance consultants who have both expert knowledge and a good reputation. As one private client explained, "At the end of the day, people deal with people, it's all about trust and loyalty with my insurance adviser, it's not the name above the door, it's the individual I'm dealing with."

One wealth professional reiterated this by stating that it's the relationship with the clients, as well as the relationship built with the insurance company, that ensures all parties involved are happy with the final resolution. Our research also found that privacy and confidentiality is of utmost importance to private clients.

5.1 Jersey Private Wealth - The Future

Within our research private wealth professionals expressed their desire for Jersey to continue to be one of the most successful international finance centres in the world, adapting to the changing global environment. Our findings show that there is an overwhelming positivity regarding the maintenance of this status in the future. A summary of the main themes discussed about by Jersey private clients and private wealth professionals on the future of Jersey private wealth were:

UK politics – One of the biggest future themes discussed by Jersey private clients and Jersey private wealth professionals interviewed is the UK's future political situation with regards to a possible change of government, which would be hostile to Jersey and the crown dependencies. Generally known as the 'Corbyn effect' this would have both negative and positive implications. However, the general feeling amongst respondents is that Jersey will still be a very attractive and successful jurisdiction for wealthy families globally.

Brexit – Brexit is still a massive issue. There is uncertainty as to how it will pan out, it will have a big impact on Jersey's success going forward. However, the general feeling amongst respondents, is that the EU has indicated that Jersey will maintain its current status with it, even after Brexit, so there may be opportunities.

Stable regime – Jersey needs to maintain a stable government, a robust regulatory framework, a stable tax regime and a local supply of private wealth professionals.

Jersey Substance Law – New proposed requirements for an economic substance test for Jersey tax-resident entities were published on 23rd October 2018, to meet the requirements of the EU Code of Conduct Group, are set to come into force on 1st January 2019, subject to the States of Jersey approval. The reforms establish new tests for certain tax resident companies carrying on 'relevant activities' in respect of demonstrating that they are 'directed and managed' in Jersey, and that their 'core income generating activities' are undertaken in Jersey.

The Draft Law is seen as a positive step forward and a welcome development by Jersey wealth professionals who await the publication of the guidance notes which will provide more detail around the operation of the substance in practice.

Privacy – The Jersey government has come under increasing pressure from the UK government to adopt a public register of beneficial ownership. However, Jersey has long maintained a register of beneficial owners; this is upheld by corporate service providers. Jersey private clients feel they have a 'right to privacy' and want to protect their family.

Expertise – Jersey has a significant base of private wealth professionals dealing with many other countries and jurisdictions, with the knowledge and expertise in terms of trust/fiduciary, banking, accountancy and legal structures, which is second-to-none.

Family offices – There will be a significant increase in global wealthy families establishing their family office in Jersey.

Succession planning – The knowledge and expertise of Jersey-based private client professionals will be used in assisting wealthy families, both in Jersey and globally, in their increased succession planning requirements, in handing over wealth to the next generation.

Philanthropy – Both Jersey and global UHNW individuals and families will substantially increase their philanthropic causes, with many UHNW individuals and family offices setting up Jersey-based structures, such as trusts, foundations and personal trust companies.

Moral compass – Jersey's moral compass and high reputation needs to be upheld in the future with transparent policies, albeit balanced with compliant confidentiality.

Middle East and Asia – Jersey will see an increase in demand for private wealth services from the Middle East and Asia.

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Appendix I: About the Author



Dr Stuart Gibson, PhD MSc DipM FCIM FCMI F IDM, is an expert in private wealth research, business strategy and marketing strategy within the private client, private banking, wealth management, family office, fiduciary, asset management, insurance, legal and professional services sectors.

His business consulting firm, Gibson Strategy, provides private wealth research, due diligence, strategy and business consulting services to wealth management professionals and private clients, globally.

His unique expertise, in-depth knowledge and insight into the private client, private banking and wealth management industry has been gained through empirical research studies of HNW and UHNW individuals, entrepreneurs, family businesses, family offices, wealth managers, private banks, asset managers, fiduciary firms, insurance firms, legal firms and other wealth management service providers.

Dr Gibson (56) has spent over 35 years working and collaborating with global financial organisations in Europe,

Middle East, Asia, Africa and USA. After several years working in the Middle East, he moved to Jersey in 1998 and started working for Maurant Ozannes, followed by over 10 years with South African banking group FirstRand (Ashburton Investments, FNB Private Wealth and RMB Private Bank). He founded his research and business consulting firm Gibson Strategy in 2011, focusing on the private clients and private wealth service providers.

Dr Stuart Gibson holds a PhD in Private Banking and Wealth Management and an MSc and Postgraduate Diploma in Marketing. He is a Fellow of The Chartered Institute of Marketing (FCIM), a Fellow of the Chartered Management Institute (FCMI) and a Fellow of The Institute of Direct and Digital Marketing (F IDM). Dr Gibson is also a Visiting University Lecturer, a Governor of the Jersey Brain Tumour Charity and has been a Parent Governor at Victoria College Jersey for the last three years.

Dr Stuart Gibson

Email: stuart@gibsonstrategy.com

Appendix II: Research Methodology

Research methodology

This research study employed qualitative research, framed within an interpretive phenomenological analysis, using face-to-face, in-depth interviews, with 40 Jersey private clients and 42 private wealth professionals, based in Jersey.

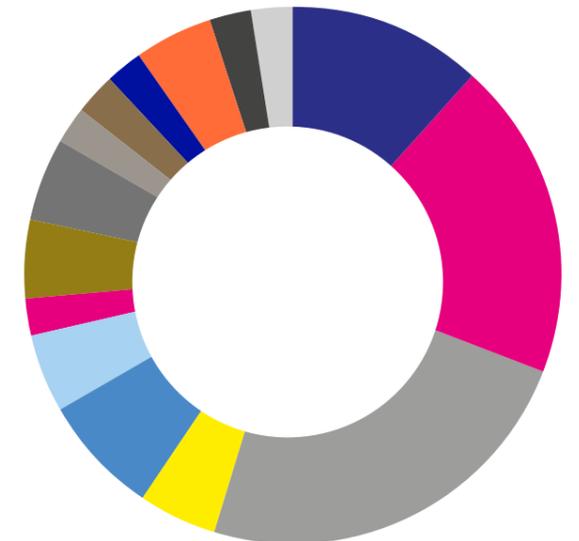
The research population

Jersey private clients and family offices

40 Jersey private clients were interviewed, including high net worth (HNW) individuals and families, ultra high net worth (UHNW) individuals and families, high-value residents (HVRs) and family offices. The research population included a cross section of Jersey's wealthy individuals and families including old Jersey families, land owners, local business owners, retired executives and high-value residents relocated under the 1(1)(k) regulation and 2(1)(e) regulation.

Private wealth service providers

42 private wealth professionals were interviewed across most private wealth categories including banking, trust/fiduciary, family office, investment management, accountancy/tax, law, treasury, FX/global payments, government, real estate, insurance, relocation, aviation, alternative finance and luxury goods.



Private Wealth Service Providers

- Bank
- Accountancy/Tax
- Real Estate
- Citizen Consultant
- Luxury Goods
- Trust/Family office
- Investment Manager
- Law Firm
- Insurance
- Aviation
- Treasury
- Government
- Relocation Consultant
- Alternative Finance
- FX/Global Payments

Private wealth service provider participants included:

- | | | | |
|-----------------------|------------------|-------------------|---------------------------|
| Accuro | Crestbridge | Jersey Finance* | Ravencroft* |
| ACPI | EFG Private Bank | JTC Group | Sancus* |
| AFEX* | Fine & Country* | Kleinwort Hambros | Smith & Williamson |
| Ashburton Investments | First Names | KPMG | Standard Bank |
| Ashore Relocation | Gama Aviation | Latitude | Standard Life Wealth* |
| Baccata Trustees | Hatstone | Locate Jersey | Stenham Wealth Management |
| Carey Olsen | Highvern | Melville Douglas | Sunseeker |
| Catherine Best | Integritas | Meridian | Vantage Group* |
| Cazenove Capital* | Investec Bank | Quilter Cheviot | Walkers Global |
| Citco | Islands* | Quintessential | <i>*Sponsor</i> |
| Coutts | JCAP* | Rathbones* | |

Appendix III: Jersey – Useful Websites

The Government of Jersey
gov.je

Jersey Financial Services Commission
jerseyfsc.org

Jersey Finance Member Directory
jerseyfinance.je/member-directory

Locate Jersey
locatejersey.com

Digital Jersey
digital.je

Jersey Chamber of Commerce
jerseychamber.com

Jersey Association of
Trust Companies
jatco.org

Jersey Bankers' Association
jerseybankersassociation.com

Jersey Funds Association
jerseyfunds.org

Jersey International Insurance
Association
jerseyiia.org

Jersey Pensions Association
jerseypensions.org

Jersey Society of Chartered and
Certified Accountants
jscca.org

Law Society of Jersey
jerseylawsociety.je

The International Stock Exchange
tisegroup.com

Jersey International Business School
jerseyibs.com

Institute of Directors Jersey
iod.je

Chartered Institute of Marketing
cim.co.uk

Gibson Strategy
gibsonstrategy.com

Appendix IV: Disclaimer

**This document has been prepared by
Gibson Strategy Limited.**

A number of private clients and private wealth professionals in Jersey were interviewed to explore their various experiences and insights gained in the context of Jersey Private Wealth.

Gibson Strategy Limited have conducted extensive modelling and analysis of the findings in order to produce this report. The information and data included is Gibson Strategy Limited's proprietary data and analytics structures and are non-commercial in nature and specifically non-attributable regarding the identity of any underlying individual or service provider.

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Contact: Dr Stuart Gibson
Email: stuart@gibsonstrategy.com
Website: www.gibsonstrategy.com



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