



February 2015



Thinking Aloud

A Smarter Way to Manage Family Wealth - Jay

Podium

Interview with **Rajmohan Krishnan** - Founder Partner - Entrust Family Office Investment Advisors

We Recommend

Articles & Links

Standing Ovation

Pradan, New Delhi

Dear Reader,

Globally and in India too, Family Offices have been around, managing the wealth of the ultra-rich class. A Family Office is a one-stop shop that handles wealth by providing a comprehensive package to provide a consolidated view of a family's wealth. This, along with customised investing across asset classes, coordinating with third parties, vetting transactions for tax and legal compliance, estate and succession planning, philanthropy services, and much more, is what encapsulates the array of services that a Family Office can offer high net worth investors and families alike.

A report by WealthInsight, which tracks the world's richest, highlights that India's Dollar-Millionaire numbers have risen from 1,93,000 in 2009 to 2,48,000, and it is expected to increase to 3,58,000 in 2018. This will include around 80 Dollar-Billionaires, up from around 60 currently. With stakes of these billionaires being high and a sharp rise in the wealth of many families, we can expect that the services of a Family Office will continue to play an important role and be in demand in the years to come.

ET this month features the subject of Family Office & Wealth Management.

In **Thinking Aloud**, Jay highlights the fact that the number of billionaires globally has been on the rise and is expected to grow in the coming years. High Net Worth Individuals (HNIs) and Ultra High Net Worth Individuals (UHNIs) are fairly common in India and is projected to rise by two times in 10 years time! While traditional solutions such as private bankers and wealth management firms help to preserve the wealth of HNIs and UHNIs, Family Offices are dedicated teams of finance professionals offering a range of services from tax advisory work to investment planning to other customized services. The role of these Family Offices is gaining importance what with



Indian businesses looking optimistically to the future.

Mr. Rajmohan Krishnan - Founder Partner - Entrust Family Office Investment Advisors is featured on the **Podium** this month. He explains the concept of Family Offices and the gamut of services that they offer compared to traditional wealth management firms. With a flurry of M&A activity and the advent of entrepreneurship, globally and in India too, there is a lot of wealth creation over the last few years and this itself is where Family Offices and their services will see an uptrend. Mr. Krishnan stresses on the importance of wealth management and advises readers about its significance, while describing the services offered to clients by his company.

In the **We Recommend**, section this month, extracted from the plethora of information from the World Wide Web, we take a look at quick links related to the management of wealth by the affluent class, the concept of impact investing and wealth management in India.

In **Standing Ovation**, New Delhi based NGO, Pradan began operations with a view that capable and caring people rather than material resources are most critical for social development. Pradan currently works with the rural poor in seven states across India: Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and West Bengal. The NGO's work reaches out to over 1.5 million poor families across 400 to 600 blocks in some 100 districts. It has initiated development programmes that have paved the way for vast areas of economic vibrancy, creating wealth in the hands of the poor and enhancing the well-being of marginalised families. Over the years, Pradan's development programmes have managed to create a significant impact over large communities while generating greater visibility for the organisation.

In **Figures of Speech**, Vikram's toon certainly needs some tips on wealth management!

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Thinking Aloud

A Smarter Way to Manage Family Wealth - Jay

There exists a world that is open to the privileged few. In a world where High Net Worth Individuals (HNIs) & millionaires are becoming fairly common, there is a category of the seriously rich. These are the Ultra High Net Worth Individuals (UHNIs) and the billionaires - and this club is also on the rise.

A recent report indicated that the global number of billionaires increased in 2014 by 155 people, to 2,325. Even more interesting to note is that this list is expected to rise to about 4,000 by 2020.

Reports also predict that the number of UHNIs in India is also an upward rising curve, projecting to rise by two

times in 10 years time. That would mean that only USA, China & Russia would have more billionaires than India.

The question therefore is who will help this exclusive club to manage their money? While the traditional solution has been that this is the preserve of Private Bankers who have active Wealth Management wings, there is a another option too. While a Family Office is not really a new kid on the block, it is not a common one either.

Broadly of two kinds, the Single-Family Office and the Multiple Family Office, these are dedicated teams of finance professionals who are more than just specialist custodians of wealth. The UHNIs turn to them as earning money (or inheriting money, if you are really fortunate) and making the money grow with wise investments are two very different things. Besides, larger the wealth to be managed, greater the need for wise counsel so that you go beyond merely protecting your funds to leveraging them meaningfully.

Consequently, a Family Office's portfolio of offerings could range from Tax advisory work, to investment planning to many other tasks purely customized to individual family needs.

One such new area is philanthropy. In recent times with the rise of Family wealth, there is also a movement towards a culture of Giving. While philanthropy per se is not new, a new breed of UHNIs with a very active social conscious is keen on creating Foundations and Trusts to channel their philanthropic efforts objectively. A good Family Office can monitor these efforts well to achieve the Family's objectives.

A well networked Family Office – connected to Law Firms, Mutual Funds, Stock Broking Firms, and many investment vehicles, both local & global – can be a powerful arm to any Family Business. And, I believe, with Indian businesses looking optimistically to the future, we will be hearing more of the role of Family Offices in the coming days.

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Podium

Rajmohan Krishnan - Founder Partner - Entrust Family Office Investment Advisors



Mr. Rajmohan Krishnan, the thought leader of Entrust Team, a visionary by nature and an entrepreneur-at-large is recognised as one of the leading private bankers in India.

Till recently he was the Executive Vice President of Kotak Wealth Management heading the North and South India regions and was part of the management committee. He has considerable expertise in developing and managing the growth of organisations and has significant industry experiences spanning more than two decades. He was the founding member of Kotak Private Banking business and was part of the core team that started the Family Office business.

In his two decades of experience in the financial services industry, he has focused his expertise in managing wealth for Ultra High Net Worth families on a wide spectrum of financial and wealth management services including Investment Advisory, Risk Management, Succession planning, Trust services and Philanthropy.

Mr. Krishnan holds a Masters degree from the University of Madras and an executive education certificate from the Indian School of Business and IIM Ahmedabad. He has deftly used his par excellence management skills in mentoring a large team of product specialists and investment advisors.

Mr. Krishnan is an avid golfer. He has a passion for photography, music and loves travelling.

ET: What is a Family Office and is it synonymous with Wealth Management?

RK: Traditional wealth management firms advise on your investments and sometimes they can help you make insurance related or budgeting related decisions. Most wealth management firms are not specialists in taxation or charitable giving, or even multi-generational wealth management. Wealth management firms derive revenue by selling products, whereas a Family Office owes its allegiance to the family and thus earns a fee from the client. Wealth management is one of the aspects that a Family Office provides, amongst various other services.

Family Offices can provide all of these solutions and more under one house so that several diverse experts can speak with each other and create a cohesive plan for preserving and/or growing the wealth of the ultra-high net worth client. All aspects that impact a family's finances such as investing, borrowing, transferring wealth/rights, philanthropic pursuits etc. are handled by the Family Office. At times, the Family Office may also be called upon to mediate in family conflicts especially where there is a multi-generational presence.

ET: With the rise of billionaires and millionaires in India, would it be right to say that the services of Family Offices will see an uptrend?

RK: The world is only getting more complex. With globalisation comes its own set of challenges for UHNIs in handling their overall financial affairs. A UHNI family will need to choose across multiple risks and opportunities. One needs to have an overview of the economic climate, regulatory environment etc., while deciding on any opportunity.

With a flurry of M&A activity and the advent of entrepreneurship, India has seen a lot of wealth creation over the last few years. A lot of these individuals/businesses have a certain amount of exposure to global trends in financial matters. This is where Family Offices have seen an uptrend. A good number of rich families have realised the futility of letting multiple wealth management firms handle their finances. They are now actively looking at setting up their own Single Family Offices or engage with Multiple Family Offices that can guide them in their overall financial affairs. While the Family Office business is still at a nascent stage, over the last 2 – 3 years, there has been a lot of activity in this area. It clearly appears that this trend would gather momentum.

ET: Why is the concept of wealth management planning important?

RK: Most people have heard this statement – “a fool and his money are parted soon”. In a single sentence, this statement sums up the need for planning in wealth management. It is extremely critical to plan ahead in managing wealth as this gives a direction and purpose to the use of wealth.

A plan is a guide to help one identify goals/time lines etc. This enables one to chart a course of action for one's wealth. Based on life goals, appropriate allocations can be made after understanding one's own risk capability and return expectations. This plan would then be set in motion and importantly, needs to be monitored at timely intervals.

Wealth management without a plan is akin to a ship without a destination.

ET: What does your company, Entrust Family Office Investment Advisors, offer its clients?

RK: Entrust is a Multi-Family Office that handles all aspects of a client family's financial affairs. To classify, the broad range of services are:

- a. Investment Advisory – one of India's earliest Registered Investment Advisor with SEBI
- b. Business Services – covers Corporate Finance/PE Advisory, Legal, Taxation etc.
- c. Value Added Services – Realty, Philanthropy, Will & Trust Planning, Family Constitution etc.

Some of these services are offered through associate entities/reputed domain experts. A Family Office Service evolves over time, based on specific requirements of client families.

ET: What is your advice to our readers on financial and wealth management? Please elucidate the factors that are to be considered while taking decisions related to investments.

RK: Please take your finances seriously. Devote some time and attention towards understanding the various financial products. We are in a world where the norm is "Caveat Emptor".

It is important to set out with a clear cut financial plan, whether it's investing or borrowing. Discipline in financial management and constant monitoring is something one should adhere to.

Some of the factors one needs to consider are:

- a. Financial position
- b. Goals/aspirations with clear time lines
- c. Understanding one's own risk taking ability
- d. Type of financial products available in the market

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We Recommend

Articles & Links

This month we look at some quick links to reports extracted from the World Wide Web, the store house of knowledge and information. The links are related to reports connected to the management of wealth by the affluent global class, an upcoming concept of impact investing and wealth management in India.

1. **[Impact Investing: A Primer for Family Offices – World Economic Forum](#)**

Impact investing has become a popular topic of discussion, amongst mainstream investors. What is impact investing? Impact Investing – an investment approach intentionally seeking to create both financial returns and positive social impact that is actively measured – has been lauded as an innovative investment strategy with the potential to reconcile key structural shortcomings in traditional financial markets.

While impact investing continues to gain momentum, the sector remains small in the context of global assets under management and faces systemic challenges, such as lack of standardized metrics for social impact and the long investment horizons often needed to prove the model.

Family Offices can, and are likely to play a significant role in bringing scale to the impact investing sector in the coming years. The reasons for this, is further elucidated in this publication.

Links:

http://www3.weforum.org/docs/WEFUSA_FamilyOfficePrimer_Report.pdf

2. **Perspectives on Founder and Family Owned Businesses – Mckinsey & Company**

In its first issue of Perspectives on Founder- and Family-Owned Businesses, McKinsey's Global Family Business Practice has conducted research on the successes and challenges of family firms. This issue presents some of their findings on the challenges of succession, looks at the hurdles at the second transition, presents ideas of three respected leaders from Asia, Latin America, and the Middle East in wide-ranging interviews and how emerging-market families can make a difference through philanthropy.

Links:

http://www.google.co.in/url?sa=t&rct=j&q=&esrc=s&source=web&cd=5&cad=rja&uact=8&ved=0CDIQFjAE&url=http%3A%2F%2Fwww.mckinsey.com%2F~%2Fmedia%2Fmckinsey%2Fdotcom%2Fclient_service%2FPrivate%2520Equity%2FPDFs%2FPerspectives_on_founder_and_family-owned_businesses.ashx&ei=ENjmVPjiKYSWuASu1YLIaw&usg=AFQjCNE6LYcBxBNURJ3hwXpHUW2ggYr_pQ&bvm=bv.86475890,d.c2E

3. **Hubbis' Guide to Wealth Management in India**

Asia continues to be the key engine of growth for the wealth management industry. With one of the highest growth in the number of high net worth individuals, and continued increase in the affluent segment, India has even more potential. While there continues to be untapped opportunities in the region and market potential thanks to continued economic growth and wealth creation, the challenges we face today are sophisticated than before, with pressure from regulatory bodies, intensified competition from new market entrants of different sizes and formats, high operational costs, and challenges with hiring, training and retaining human capital.

In association with BNP Paribas Wealth Management, Hubbis' Guide to Wealth Management in India takes a look at the Indian wealth management market which consists of both opportunities and challenges.

Links:

<https://www.hubbis.com/book/GuideToWealthManagementInIndia2013/files/assets/downloads/GuideToWealthManagementInIndia2013.pdf>

4. **Billionaire Census - 2014**

Wealth-X in association with UBS presents its this second edition of the Billionaire Census report, which is a comprehensive global study on the composition and dynamics of this top-tier segment of the world's ultra-affluent population. The 2014 edition shows that the world's billionaire population reached a record high of 2,325 billionaires this year, a 7% rise from 2013. The combined wealth of this ultra-affluent tier increased to US\$ 7.3 trillion, a 12% rise from last year. The report provides a snapshot of modern entrepreneurship and the concentration of wealth in many societies around the world.

Links:

<http://www.wcvb.com/blob/view/-/28100080/data/2/-/hrkwry/-/Billionaire-Census-2014-pdf.pdf>

5. **India Wealth Report - 2014**

An initiative by Karvy Private Wealth, this report unravels how India's high GDP growth rate and savings rate will manifest wealth for India's HNIs. Apart from this, the report provides an overall perspective of individual wealth of Indians and the expected pattern of future investments. Based on extensive research, the report provides an annual "financial wealth" update among Indian individuals.

Links:

http://www.karvywealth.com/Uploaded_Files/India-Wealth-Report-2014.pdf

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Standing Ovation

Pradan, New Delhi



Pradan is an NGO registered under the Societies Registration Act of India, established in New Delhi in 1983. Pradan was pioneered by a group of young professionals, inspired by the conviction that individuals with knowledge resources and empathy for the marginalised must work with communities at the grassroots in

order to help them overcome poverty.

Pradan's professionals are divided into 33 teams and work with over 271,921 families in 5,159 villages across 7 states in the country. Pradan has resolved to reach out to 1.5 million poor people in the next 10 years as a part of its vision, Pradan 2017.

Mission/Vision

Impacting Livelihoods to Enable Rural Communities

What they do:

- **Promotion of SHG's:**

PRADAN is one of the pioneers in the promotion of Self-Help Groups (SHG) in India, having formed its first SHG in Alwar, Rajasthan, in 1987. Nurturing SHGs of rural poor women is Pradan's key tool in fulfilling its mission and goals. The SHGs work for women in a number of ways: they provide guidance, they provide support and assistance to women and they identify and promote home-based enterprises among its members. These home-based enterprises, called "honeybee activities", involve a myriad of ventures. The SHG members take loans from the SHGs and set out to begin an enterprise of their own.

- **Forest Based Livelihood:**

Pradan works mostly with Adivasis and poor people who live near forests, for whom forests and trees have traditionally been an important source of livelihood. Dwindling forest resources among other reasons have resulted in decreased incomes for the local communities. Pradan's forest-and tree-based livelihood interventions in Jharkhand and Odisha comprises of Tasar cocoon production, Lac cultivation and production and trading of Siali leaf plates. Farm forestry has also been taken up as part of a programme on integrated natural resource management. In its activities, Pradan is supported by, and works in close association with various government departments such as the Ministry of Rural Development, the Department of Agriculture and the Ministry of Textiles, and a number of resource institutions such as the Central Silk Board and the Indian Lac Research Institute.

- **Natural Resource Management:**

Pradan devotes a significant part of its intervention efforts on developing land and water resources. The aim is to enhance productivity, incomes and sustainable livelihoods. Towards this objective, Pradan promotes the Integrated Natural Resources Management (INRM) of land, water, forest and biological resources to achieve and sustain potential agricultural productivity. Programmes comprises of enhancing productivity in agriculture, diversifying into new crops, setting up irrigation systems and instituting new ways of managing the natural resource base.

- **Livestock Development:**

Pradan works with rural families in the promotion of dairy and goat rearing activities in the project areas of Jharkhand, Odisha and Rajasthan. While livestock populations in these areas are higher than the national average, productivity is low, rearing practices remain poor, breeds are non-descript, veterinary services are non-existent and market infrastructure is often absent. Pradan seeks to help bring in better-quality breeds, veterinary care, while at the same time developing a reliable cadre of village-based service providers and marketing systems. Specifically in Rajasthan and Jharkhand, Pradan is expanding its outreach programmes with support from various quarters like the government, financial institutions and various resource institutions such as the National Dairy Development Board (NDDB) and the Indian Veterinary Research Institute (IVRI).

- **Micro enterprise Promotion:**

In Pradan's project areas, land, water, livestock, and forests remain the main sources of livelihood that are available to the rural poor. Most families depend on agriculture for their meager incomes. But with continually diminishing outputs and declining farm sizes, it has become more urgent for the rural population to diversify their avenues of income. Pradan is promoting home-based microenterprises such as poultry rearing, Tasar yarn production, vermi-composting, mulberry sericulture and cultivation of oyster mushrooms.

PRADAN follows a four-pronged approach to achieve its goals:

- Promoting and nurturing SHGs of poor women and strengthening them as organisations to leverage institutional finances for members' livelihoods
- Developing and introducing locally suitable economic activities to increase productivity and incomes among SHG members; building synergic collaboration with a wide variety of stakeholders
- Mobilising finances for livelihood assets and infrastructure from government bodies, donors, banks, and other financial institutions
- Setting up mechanisms to sustain the livelihood gains made by the poor communities

Here's wishing the very best to Pradan's noble cause!

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