

PRIVATE BANKER INTERNATIONAL

FAMILY FORTUNES



MAKING A UHNW SUCCESSION PLAN COME TOGETHER

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MAKING A SUCCESS OF SUCCESSION



Saloni Sardana, Correspondent

For any private banker, succession planning is about working with the children of their wealthy clients to ensure a successful and effective intergenerational transfer of wealth.

This makes sense, as the UHNW community is expected to transfer about £4trn over the next decade, and since a lot of this wealth is self-made, this is leading to many dealing UHNW clients with succession issues for the first time.

But succession planning is not just about transferring money. It is also about preserving and continuing each family's unique culture and values.

As Mark McMullen from family office Stonehage Fleming points out, succession planning best practice begins by identifying these values. McMullen comments: "Despite all family cultures being different, there is a common theme that rests on the belief that culture brings the family together to identify common values."

Wealth managers should engage the next generation by specifically devising programmes intended to capture a family's unique culture from generation to generation. What is the point of wealth flowing in the right direction with no remnant of the values unique to the family business that created the wealth? That would amount to a poor succession, where the money has continued but the strategy ceased to exist.

Aside from succession planning, this month's issue profiles the multimillionaire founder of UK-based peer-to-peer lender Kuflink, to gain an insight into the world of private banking through the eyes of a millionaire.

Despite being an UHNWI, Binning chooses to manage his wealth internally within the family, as he considers private banking fees to be unnecessarily high for the services on offer.

Binning argues: "With private banking and execution only, the bank was taking a huge percentage of the trade. Since you can now pay approximately \$16 or \$20 online on a simple platform to get the same trade, why not just do it yourself?"

This successful UHNWI makes an important point. With the growth of digital wealth platforms and DIY investing, private banks and wealth managers need to ask themselves what value they are adding?

In today's financial environment, savvy customers will quickly dispense of wealth managers for an alternative solution.

Finally, this month also profiles the Australian wealth management sector. This shows that demand among Australian HNW investors is particularly pronounced for pension and tax planning thanks to the government's changes to the superannuation system, which came into effect in mid-2017. ■

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PRIVATE BANKING: FROM THE EYES OF A MULTI-MILLIONAIRE

Multi-millionaire and co-founder of UK-based peer-to-peer lender Kufflink, Rawinder Binning tells *Saloni Sardana* why he stopped using private banking – and why his family prefer to manage their wealth internally. Binning also explains the challenges of being an UHNWI, and why he is learning more about family offices

P *Private Banker International (PBI):* When did you use a private bank?
Rawinder Binning (RB): I used a private bank between 2008 and 2010. This was on an execution-only basis as we were interested in buying certain shares, and the bank would execute those trades for us.

PBI: What made you close your account? Would you open another one?

RB: With private banking and execution only, the bank was taking a huge percentage of the trade.

Since you can now pay approximately \$16 or \$20 online on a simple platform to get the same trade, why not just do it yourself?

This is why we set up the bridging side and the peer-to-peer side with Kufflink. In the fintech world, entrepreneurs are now coming up with models that bypass banks.

For example, if you are saving £10,000 in your bank account, then you can invest that money directly in a peer-to-peer platform and earn up to 7.2%.

This is compared to leaving the money in a bank account and letting the bank earn as much as they want on the money.

Banks normally take the £10,000 and are allowed to borrow 10 times from that money – I believe.

PBI: Were the bank fees you paid a factor in you leaving?

RB: Yes definitely. When you do a deal online, whether it is £10,000, £100,000 or £1m, [it makes sense] when the fee is as low as \$8. But with private banks, each trade, be it buying or

selling, a percentage fee was involved.

PBI: What would encourage you to use private banking again?

RB: The trading cost would have to be lower. I would also like to see the bank having a history of doing trades. Has the bank experienced a recession and actually come through it?

PBI: How did you source your wealth?

RB: We are a strong family network. At the top, there are three brothers and a nephew. We

Kufflink, and I own 21%.

PBI: How and when did you become an UHNWI?

RB: I became an UHNW in 2016-2017. To put that into context, after the property market shrank in 2008-2009, property values then started to increase again in 2013-2014. We have endured a lot during that time.

Our asset allocation was mainly made up of property. We then decided we needed to go into other businesses, and that is when we started to think of business models. Eventually, after trying a few, we ended up with bridging finance, fintech and apps.

That then expanded into a peer-to-peer platform. We are major shareholders in that group, so the wealth has increased year on year because the business is expanding. We also have interests in an app company.

PBI: Have you used any other forms of wealth management advice?

RB: We actually manage our wealth internally within the family. We have increased our skill set to manage our own wealth.

If we wish to invest in property, we make sure there is somebody in the family to make the investment, as well as get good advice from professionals in the sector.

I have a legal background, and I am doing the Legal Practice Course and a masters degree. Hence, my legal skill set is increasing. I understand more about leases, litigation and banking.

My brother is very good in the building trade; he will go out and oversee the developments. My elder brother is also very



ENTREPRENEURS ARE NOW COMING UP WITH MODELS THAT BYPASS BANKS

all work together.

Having bought property in 2000, we have learnt skills regarding planning, development, and management. We have built apartments and industrial units, for example.

At the moment only 20% of our wealth lies in property. Most of my wealth is in the actual Kufflink business, with some in shares in other businesses. Our family owns about 71% of

savvy on finding property deals.

In terms of stock trading, we are not very good at that, we have tried and gotten burnt quite heavily.

One of the main criteria for our investments is security. We do invest in non-secure assets, but we keep to our risk-allocation system.

PBI: What is your relationship with family offices?

RB: We are exploring the prospects of becoming a family office, and I am beginning to learn about family offices.

Are we ready to be a family office now? I would say no, not until we have [substantial] wealth. I am getting family advice just to understand it, as it is something we could do in the future.

PBI: What are the biggest challenges of being an UHNWI?

RB: You are constantly looking at cash asset allocations. When cash comes back you have to put that money to work.

If a big surplus comes back from property, the question is, do we put it all back into property? We never knew that you should actually spread your money, and we now follow our net cash-allocation system.

The real question is investing in what we feel strong about. We will look at returns, security and diversifying into other businesses where we feel comfortable in regards their management and projections.

We never followed the Bitcoin cycle, as we feel there is nothing tangible there. Hence why the price went up and came down very quickly – which is what we predicted.

A Bitcoin investment, to us, would have been a gambling investment in which we would put a small amount in, and we got out quickly for a profit. We would not have bet the whole bank on it.

PBI: Was the private bank you used helpful with spreading your wealth?

RB: No, the bank was not very engaging. Since we transacted on an execution basis, we are not fans of giving huge fees to people, especially in a new relationship.

That is probably why we thought: ‘Let’s just do some stock trading with these guys on an execution basis.’

Is there a bit of kudos in having a private bank? Was there a bit of an ego trip? Possibly.

PBI: What does Kuflink do differently from private banking?

RB: A private bank should take your net cash and actually put it to work. I have never heard



Rawinder Binning, Kuflink

a private bank say: ‘We can put your money towards a loan basis to this company, and then secure it.’

Looking at Kuflink as a model, we have opened our platform to pretty much anybody. A client can put £100 on our platform and secure it against UK property.

Kuflink is for the average Joe to millionaires. Clients can all put as much of their money on to the platform.

We are going to launch an app very soon where they can earn 7.2%, and there is security on property loans.

Obviously, however, capital is at risk.

family an asset-allocation matrix system.

There are six wallets. Say you have £1,000 a year net cash which does not need to be spent or saved. You could operate the following split, which are called wallets. For example:

Wallet 1: Cash fixed deposits, so the money is secure;

Wallet 2: Low risk, but delivers a higher return, such as peer-to-peer funding;

Wallet 3: Put money in things like trading, running a business yourself;

Wallet 4: You must enjoy yourself today;

Wallet 5: Money for educational training;

Wallet 6: Philanthropy.

“ I HAVE NEVER HEARD A PRIVATE BANK SAY: ‘WE CAN PUT YOUR MONEY TOWARDS A LOAN BASIS TO THIS COMPANY, AND THEN SECURE IT.’ ”

The next product we are coming out with is for people who want to invest in property and ride the capital growth and the rental return. Property investment now is more difficult: there is heavy taxation through new legislation.

PBI: What financial advice do you give your family?

RB: I have designed for our children and

We have also established the Kuflink Foundation, which is a charity that provides support to communities in Kent and Gravesham. The Kuflink Foundation has worked with The Prince’s Trust to deliver education, sport and health initiatives through its Achieve programme.

Kuflink is also a primary sponsor of local football team Ebbsfleet United. ■