How Wealthy are the Chinese?

Scott MacDonald

Key points

- The number of family offices are growing in Asia, but the concept is in its infancy in China since much current wealth is still first generation.
- The data on the number, characteristics and geographical distribution of China's most wealthy individuals and families is limited and contradictory.
- The available data estimates that there are between 1 to 2 million dollar millionaires and 152 to 314 billionaires.
- The steady liberalisation of the Chinese currency is likely to lead to a large rise in money invested out of China with a consequent need for family office advice.

Background

On 13 September 2013 the International Family Offices Association (IFOA) held a Family Wealth Management Forum at the Sofitel Wanda Hotel in Beijing. The event's objective was to introduce the family office concept to an invited selection of several hundred high net worth (HNW) and ultra high net worth (UHNW) Chinese individuals, in order to explain its potential importance to them. One result of the event, which was attended by 250 delegates, was that there was a great deal of interest, but a scarcity of concrete knowledge among many of China's wealthy about the issues dealt with by family offices in other countries.

The relatively recent liberalisation of the Chinese economy from the late 1980s means that many of those HNW and UHNW individuals in control of family-run enterprises are still of the first generation. They

Scott MacDonald is co-founder and Chairman of IFOA, established in 2010 to provide objective information and collaboration for the needs and interests of family members and those establishing, managing or servicing Family Offices globally.

represent an age cohort that experienced political turmoil in their youth and have since learned much about creating wealth from their own hands-on experience, but they often know far less about investment allocation, wealth preservation and family succession. This provides an enormous opportunity for investment advisers, but the lack of knowledge is two-sided. Outside of some headline names and stories there is a great deal of uncertainty about the number, location and asset holdings of the wealthy individuals and families existing in China. Little is known about the volume and investment preferences of what could be a Great Wall of money should investment by Chinese individuals outside China be further liberalised. This paper attempts to set some of the existing data and reports in context.

Family offices

This paper also focuses on the growing need for family offices in China given the rapid growth in wealth and the sharp rise in the number of HNW individuals in the past decade. Despite the recent slowdown in real economic growth, the existing wealth levels and the number of rich families have created a large unrealised potential need for the establishment of family offices in the country.

A family office is not a specifically defined institution, but a body that covers all the financial needs of one or more wealthy families. The first family offices were established in the 19th century in the United States, but the family office concept has recently been growing in emerging markets around the globe due to the increasing number of ultra-wealthy individuals and families in those regions. Nowadays, family offices are set up all over the world in response to the growth in the importance of family firms.

Family firms dominate economic activity across the world and as a result are one of the main generators of sustainable wealth. Research into the characteristics, behaviour and performance of family firms has been growing, but given their importance in national economies there has not been enough attention given to them in business schools. A recent

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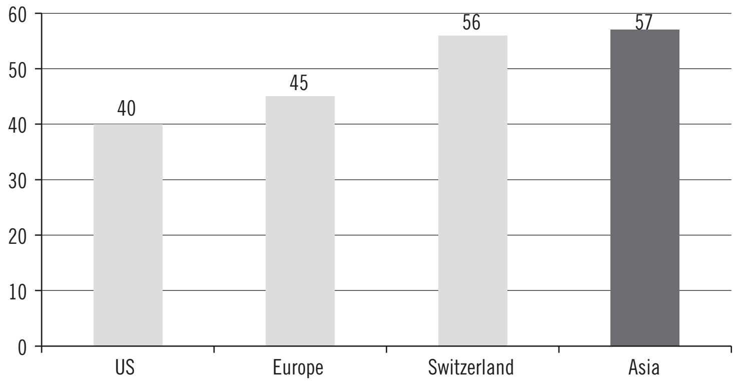
large-scale study based on a survey of more than 700,000 private family and non-family firms in the UK also found that family firms are significantly less likely to fail than their non-family counterparts (Wilson *et al.* 2012). This statistic alone should be a signal to governments of the importance to a country's economic well-being of family businesses. It also suggests policies that will create an environment where family firms can grow and flourish. Despite the aggregate importance to wealth creation, there is a substantial geographical variation in the development and role of family firms across the world. One study found that the average fraction of family firms in the largest 20 companies across 27 countries was 30%, but the proportion ranged from a low of 5% to a high of 70% (La Porta *et al.* 1999).

Furthermore, despite the superior survival rates of family firms within a generation, the evidence also shows that intergenerational survival is less assured. Research by the Family Business Institute shows that, while 88% of current family business owners believe the same family or families will control their business in five years, in reality only about 30% of family businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond.[1] The main reason why family companies fail to survive through the generations is generally due to poor family business succession planning.

The minimum efficient size for a single family office (SFO), an office serving one family only, has been estimated as one disposing of investable assets of around US$50 million (Curtis 2001), but an international survey by Eigenheer (2014), which also included information about multi-family offices (MFOs), institutions serving more than one family, asset managers and other types of family office providers, found a high proportion of clients with average wealth levels had less than that threshold in some countries. In his sample, he discovered that a majority of the participants in each region serve clients with assets of less than US$100 million on average, but in Asia 57% of clients had assets of less than US$50 million (see Figure 1). In contrast, the figure for the US was only 40%. In general, in both the literature and in his sample, there is a tendency for ultra-wealthy families with more than a billion US dollars in assets to have their family offices in Switzerland or in the rest of Europe.

[1] See www.familybusinessinstitute.com/index.php/Succession-Planning/.

Figure 1: Clients' wealth managed: % of clients with under US$50 million of assets



Source: Eigenheer (2014)

A regional evolution from the US via Europe to Asia has made the family office concept a global one. There are varying estimates for the number of family offices globally, and there are between 6,000 and 9,000 single family offices (SFOs) in the US alone. Gorman *et al.* (2007) estimate the total number of family offices worldwide at approximately 11,000 institutions. Asia, however, is still at an early stage of development in terms of wealth management activities. Hoffmann and Morkoetter (2008) find that the family office concept in Asia is barely known and even more seldom implemented. Bain and Murray (2012) estimate the current number of SFOs in the Asia-Pacific region at slightly more than 100, but this is increasing rapidly on the back of the region's rising wealth. MacDonald (2012) concurs with the observation that family offices in Asia are flourishing, and predicts 250 new family offices to be established in Hong Kong and Singapore by 2015.

China's wealthy

The need for family offices in China is a direct result of the rapid expansion in the number of Chinese who have joined the top tier of the global wealth pyramid. But there still remains much uncertainty about the precise number of people who would meet the threshold as defined above for requiring the services of a full service family office or other forms of investment advice.

What is known about China's rich?

> **Little is known about China's most wealthy individuals and families.**

Little is known about the exact number, characteristics and geographical distribution of China's most wealthy individuals and families. The current data available, based on existing published reports, are surveyed below. Unfortunately, these sources differ both in their definitions of who are high net worth (HNW) and ultra high net worth (UHNW) individuals, in terms of the definitions of wealth used and in terms of the methodology used to estimate their numbers. Furthermore, not only is there a problem with the absolute numbers of people falling into these categories, little is known about their current allocation of assets, their degree of investment knowledge and their investment preferences.

However, all sources demonstrate that the combination of market reforms, privatisation and entrepreneurial activity has led to a rapid growth in income and an accumulation of wealth in China. GDP per capita rose at market exchange rates from US$308 in 1989 to US$6,091 in 2012. Converted at purchasing power parity exchange rates, taking account of differences in relative prices between countries, China has attained a GDP per capita of US$9,055 in international dollars the same year. While GDP growth is now slowing, this has little impact on the rate of growth of the value of assets held by China's super wealthy.

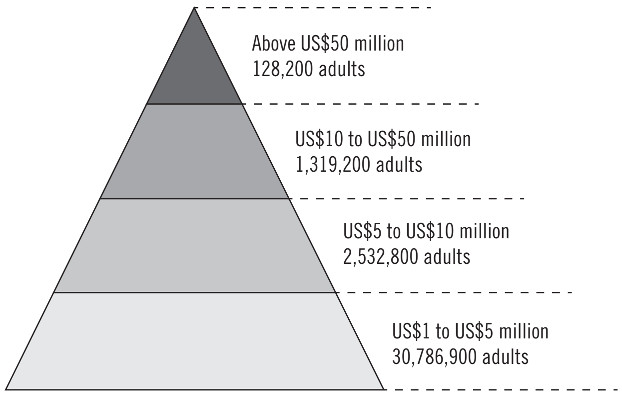
HNW individuals

There are a number of estimates of the number of HNW individuals in China, few of which agree. A domestically produced report, the Hurun Rich List of China's richest entrepreneurs has been published annually since 1999. The report uses a broad definition of wealth, taking into account holdings of both fixed assets and current assets. The fixed assets include self-owned listed or unlisted stock rights, owner-occupied real estate and investment real estate. Current assets consist of shares, funds, debenture shares, deposits, insurance, etc. The 2014 edition reported that, by the end of 2013, the number of millionaires in China (defined as individuals with personal wealth of Yuan 10 million, equivalent to US$1.6 million) in the country's 31 provinces, municipalities and autonomous regions, apart from Hong Kong, Macao and Taiwan, had reached 1,090,000 – an increase of 40,000 from the previous year, an increase of 3.8%.

A different estimate is provided by the Credit Suisse *Global Wealth Databook* (2014) (CS2014), which estimates that there were 34.8 million HNW people globally, defined as individuals with wealth in excess of US$1 million in assets. 'Wealth' is defined as the value of financial assets plus real assets (principally housing) owned by households, less their debts. Private pension fund assets are included, but not any entitlements to state pensions. Human capital is excluded altogether, along with assets and debts owned by the state (which cannot easily be assigned to individuals). Children are excluded, so the results are framed in terms of the global adult population, which totalled 4.7 billion in 2014.

The total wealth held by these individuals was estimated at US$115.9 trillion, while their size distribution by amount of wealth, like the total wealth of the global population, follows a pyramidal structure as shown in Figure 2. At the base of the pyramid, the vast majority of people who qualified as being at least dollar millionaires, 88.4% of the total, or 3.08 million individuals, were estimated to have a wealth in the range of US$1 to US$5 million. Above this threshold are estimated to lie 2.53 million individuals, or 7.2% of dollar millionaires, with wealth in the range of US$5 to US$10 million. On top of this layer, CS2014 estimates that another 4.0% of the 'at least millionaire' club, or 1.39 individuals across the world, have assets in

Figure 2: Top of global wealth pyramid



Source: Credit Suisse (2014)

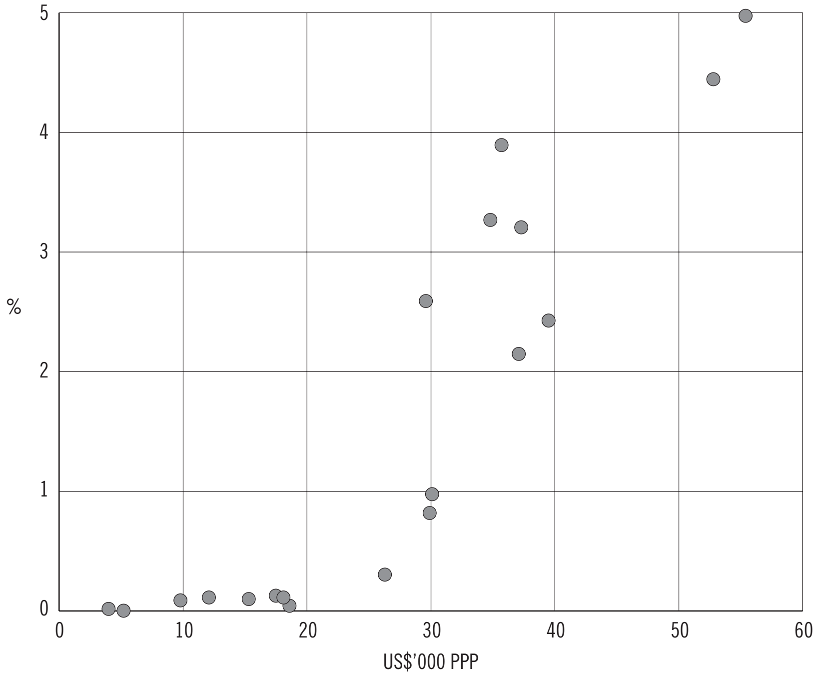
the range of US$10 million to US$50 million. Finally, at the apex of the pyramid CS2014 estimates that there are 128,200 individuals with assets in excess of US$50 million, which they define as UHNW individuals.

The bulk of what CS2014 defines as HNW individuals live in either North America (4%) or Europe (34%), while most of the remainder (16%) live in the Asia-Pacific region, excluding India and China. China had an estimated 3.4% of the global population of millionaires, or 1.18 million individuals, which is slightly less than Australia with 3.6% of the global total, or 1.25 million individuals, according to the CS2014 report. This is close to the Hurun Report estimate, but the latter excludes those individuals whose wealth holdings lie within the US$1 million to US$1.6 million range.

The CS2014 data indicate that the US, as a country, generates the most millionaires in the world, with an estimated 14.2 million individuals possessing net assets in excess of US$1 million, or 4.4% of the country's total population. The US was followed in second place by Japan with 2.7 million individuals, 2.1% of the total population, and by France in third place with 2.4 million millionaires, or 3.9% of the French population. China was ranked in ninth place with a population of 1.18 millionaires representing 0.09% of the Chinese population. The latter figure indicates how far China has come on its capitalist road since 1989, but also how far it has still to go to unshackle its population from remaining restraints to generate wealth.

Of course, it is not only the size of population that differentiates the number of millionaires a country generates. The ratio of millionaires per capita is not a constant and it is also dependent on a host of other factors such as the size of total national income, the business, legal and taxation environment and the structure of the economy. Taking one factor into account it is almost self-evident that richer economies create more business opportunities than poorer ones, which suggests a relationship between the rate of millionaires per capita and GDP per capita. Rich countries, holding population size and adjusting for differences in GDP per capita, *ceteris paribus*, should generate more millionaires than poorer ones, therefore. The evidence suggests that they do. This is illustrated in Figure 3, which graphs the proportion of millionaires as a percentage of a country's population using CS2014 data against GDP per capita in thousands of US dollars measured in terms of purchasing power parity

Figure 3: Percentage of millionaires in population and GDP per capita



Source: CS2014, *CIA World Factbook*

(PPP)[2] for 19 countries, ranging from India with a GDP per capita (PPP) of US$4,000 and a rate of millionaires of 0.01%,[3] to Norway with figures of US$55, 400 and of 5% respectively.[4]

This relationship between millionaires in the population and GDP per capita appears to have a kink around the US$20,000 per capita level, suggesting that the rate of millionaire creation accelerates after this level of income per head. Alternatively, there may be a problem with the data as a result of the CS2014 report estimating the number of millionaires in poorer countries using a flawed methodology. There appear to be two separate relationships between these variables. Nevertheless, the implication

2 Purchasing power parity data compares national income data between countries not at current exchange rates, but at rates which reflect differences in the relative price structures of economies. A haircut in China, for example, is relatively cheaper than one in Germany, but these differences are not reflected in the Yuan to € market exchange rate. PPP adjustments usually raise upwards GDP per capita estimates in emerging markets.
3 Equivalent to 147 dollar millionaires per million inhabitants.
4 Equivalent to 49,730 dollar millionaires per million inhabitants.

of Figure 3 is clear, the number of millionaires created in China will continue to rise rapidly as GDP per capita increases, albeit at a slowing rate, but more accurate data are required on the number of wealthy individuals in China. This is one of the aims of the IFOA, in partnership with Chinese universities.

In terms of a country as vast as China, the proportion of millionaires in the country is a subject of more than academic interest, but the absolute number is of vital importance given the flood of money for investment or consumption that could flow out of China if its markets were more fully liberalised. Unfortunately, little trust can be placed in the Credit Suisse data for China, which are based on modelling techniques that are themselves based on an assumed distribution rather than on properly created surveys or tax returns. As a result it is possible that the CS2014 estimate of 1.2 million Chinese dollar millionaires is far too low, but there is little consensus among commentators. For example, a recent edition of *The Economist* considering the potential impact of wealthy Chinese on the market for English-language schools, stated that, 'China watchers are always alert to any hint of liberalization. The country has 2.5 million dollar millionaires, many of whom would pounce at an international schooling for their offspring if they were allowed to.'[5] This figure is more than double the Credit Suisse estimate of Chinese dollar millionaires, although *The Economist* did not provide a source for its estimate.

There are a number of other published sources of data on the aggregate wealth of the richest individuals and families in the world and in China, and the results often differ significantly from the Credit Suisse estimates. The Boston Consulting Group (BCG) *Global Wealth* report (2014) (BCG2014) estimated that, in 2013, there were 16.3 million dollar millionaire households across the world. This figure is half the 34.8 million recorded by Credit Suisse, but some discrepancy would be expected since the number of households rather than individual wealth is recorded as the basic unit. Furthermore the report's definition of wealth is more restricted, excluding assets more difficult to monetise such as real estate (primary residence as well as real estate investments), business ownerships, and any kind of collectibles, consumables or consumer durables such as luxury goods.

[5] *The Economist*, 20 December 2014, p. 91.

If CS2014 and BCG2014 were sampling from the same data pool or using a similar methodology, then the main differences between them should be related to the average number of HNW individuals per household, which should be divided in to the CS2014 estimates. However, no simple relationship exists since the definition of wealth used in the two studies differs as well as the basic unit of analysis. Furthermore, the discrepancy between results is odd for China since the expected difference between BCG2014 and CS2014 is in the other direction to that which would have been expected. The BCG2014 report estimated there were 2.4 million HNW households in China with private financial wealth of at least US$1 million, up by 0.9 million from the year before. This is 103% higher than the CS2014 individual millionaire estimate, but the number of households should be fewer.

Other discrepancies between the two reports exist when it comes to estimating the number of households with at least a million dollars in assets in the US and other OECD countries. In the US, the BCG2014 estimate is lower, with 7.1 million households compared to CS2014's estimate of 14.2 million individuals. Furthermore, while Credit Suisse places China in ninth place in terms of the global ranking of the number of millionaires, the BCG estimate ranks China in second place ahead of Japan with 1.2 million millionaire households.

In sharp contrast to these two reports, the Capgemini and RBC *World Wealth Report* (2014) (CGRBC2014) is more downbeat, estimating that the global population of HNW individuals expanded by 2 million to reach 13.73 million holding assets of US$52.62 trillion in 2013. HNW individuals are defined as those having investable assets of over US$1 million excluding primary residence, collectibles, consumables and consumer durables. This contrasts markedly with CS2014 estimate of 34.8 million HNW individuals with total wealth of US$115.9 trillion. The exclusion of the value of principal housing assets explains part of the difference and this definitional issue obviously extends down to inter-country differences. For example, CGRBC 2014 estimated that there were only 758,000 HNWI in China in 2013 with total investable wealth of US$3.8 trillion considerably below the CS2014 and BCG2014 estimates. Nevertheless, the report still indicates that the number of millionaires in China is increasing rapidly even on the restricted definition, having risen by 69% since 2009.

Another picture is provided by the China Private Wealth Report 2013, published by Bain China Merchants Bank (CMB2013). This report estimated that, in 2012, there were at least 700,000 HNW Chinese with investable assets, not net worth or total wealth, of a minimum of 10 million Yuan (US$1.6 million), which had more than doubled since the end of 2008 and is expected by Bain CMB to increase by 20% in 2013. The aggregate value of investable assets owned by China's wealthy was estimated at 15 trillion Yuan (US$2.4 trillion) with the average per HNWI standing at 30 million Yuan (US$4.8 million).

UHNW individuals

At the top of the global wealth pyramid illustrated in Figure 2 stand the UHNW individuals, or the super-rich, a category that is still quite broad, but one that includes billionaires. Credit Suisse defines UHNW individuals as those with net assets worth in excess of US$50 million. From the perspective of the demand for single family offices based on the minimum efficient scale estimate given above according to CS2014, there were then an estimated 128,200 UHNW individuals globally who are wealthy enough to use these services effectively.

In terms of breakdown by country, this group of very rich people is dominated by the US with 62,800 individuals, or 49% of the global total, a large margin over China in second place with 6% of global UHNW individuals. This compares interestingly with the country's ninth rank for all HNW individuals. According to Credit Suisse the number of UHNW individuals in China in 2014 was 7,600, a stunning rise of 30.4% on the previous year. Germany ranked in third place with 5,500 individuals, ahead of the UK with 4,700 and France with 4,100. The CS2014 data show again the importance of the economic environment in the US as a generator of wealth, with 197 UHNW individuals per million inhabitants compared with 73 in the UK. It also demonstrates the long-term potential of China with still only 6 UHNW individuals per million people. It also suggests that the figures for UHNW individuals in China may be seriously underestimated as seems to be the case with the number of dollar millionaires.

The number of UHNW individuals in China is subject to even more uncertainty than that of the number of HNW people in the country. A direct comparison between the main data sources is not possible since, on top of different definitions of wealth, each study uses a different bar to categorise an UHNW individual. The Hurun Report sets a relatively low threshold of personal wealth valued at Yuan 100 million (US$16 million), a third of the value used by CS2014, and estimates the number of individuals in the category at 67,000. In the CGRBC2014 report, the bar for UHNW individuals is set at US$30 million in investable assets, but no figures are provided for the number of Chinese falling into this category. The BCG2014 definition has a higher wealth threshold – those with wealth in financial assets of at least US$100 million – twice that of Credit Suisse, and in consequence estimated there were only 851 UHNW households in China.

Billionaires

There is also much uncertainty about the number of and the total wealth controlled by China's dollar billionaires. One source of information about the top end of the ultra-wealthy or billionaires can be found by inspecting the rankings in rich lists.

For those with over a billion of dollar assets, the available sources again show discrepancies.

At the level of the ultra-wealthy, those with over a billion of dollar assets, the available sources again show discrepancies. The latest Hurun Rich List (2014)[6] published in September estimated that the range of wealth held by the Chinese individuals included in the list varied from the US$25.0 billion owned by Jack Ma of Alibaba to a tail of 353 individuals and families with a wealth level averaging US$2.4 billion.

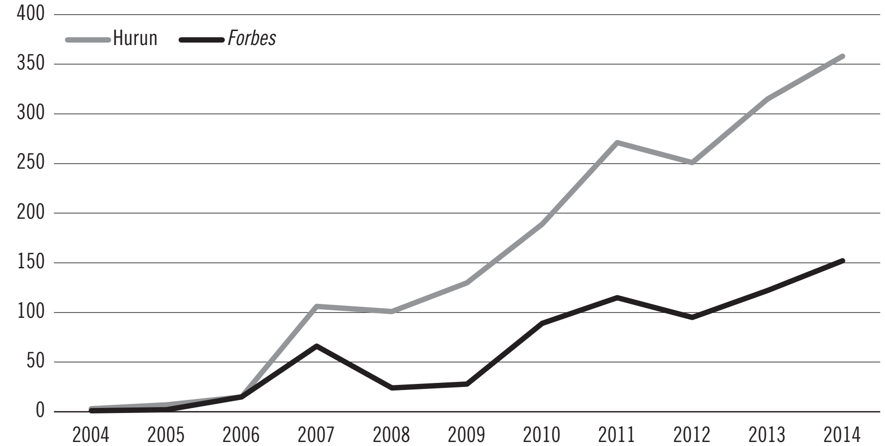
In contrast, *Forbes* data show that China had 1 billionaire in 2000–01 and two by 2005, but there was some mobility in terms of individuals dropping out of the list. The estimated number of billionaires then expanded from 2 to 89 by 2010. This number has since risen to 125 by 2014. This was the highest rate of upward mobility of the ultra-wealthy in the world. Among the other BRICs, excluding China, the number of billionaires rose by 173%, from 48 to 131. By contrast, the number of billionaires in the US expanded over the same period by only 18% to 405.

6 See: www.hurun.net/usen/HRRL.aspx.

However, the *Forbes* figures conflict sharply with those presented in the annual Hurun Report, which in 2010 had already counted 189 dollar billionaires in China, a number that, according to them, has been rising steadily since 2004 to reach 152 last year (see Figure 4). Another perspective with a figure between these estimates comes from the Wealth-X and UBS Billionaire Census (2013), which found that China had a total of 157 billionaires in July 2013 with an estimated total wealth of US$384 billion, up by 7% and 1.1% on the year before (147 with total wealth of US$380 billion).

The Wealth-X and UBS Billionaire Census also estimated that China has the second largest billionaire population, trailing the US at 515. However, the first-generation effect is very evident as China has the highest percentage of self-made billionaires of any country, at 89%. The Wealth-X and UBS Billionaire Census noted that real estate is the second most popular industry for Chinese billionaires. However, it warned that the threat of a real estate bubble in China could have a negative impact on Chinese billionaires in the future.

Figure 4: Growth in Chinese billionaires



Source: Hurun Research Institute, *Forbes*

Where do the Chinese invest?

The vast majority of money invested by rich individuals in China has been into domestic real estate, the domestic or Hong Kong stock markets. The Wealth-X and UBS Billionaire Census also found that, with an average wealth level of US$2.4 billion, China's billionaires kept 10% of their wealth in liquid assets. The main reason is that trusts offer better returns than banks on short-term deposits, while controls on capital outflows restrict the access of Chinese individuals to choose higher-risk higher-return investments. Investment by rich individuals as part of an optimal allocation of assets outside of domestic real estate and equities to preserve and grow wealth is in its infancy, for reasons explored below.

The results of a questionnaire to delegates at the 2013 IFOA Family Wealth Management Forum in Beijing found that nearly a third of respondents already had offshore investments, but more than 60% had some interest in investing overseas. It is anticipated that these investment flows are set to grow significantly, as will the need grow for the type of investment advice traditionally supplied by family offices in other jurisdictions.

However, in order to facilitate these flows, a continuing liberalisation of the exchange rate is required. The Chinese central bank carefully monitors capital flows into and out of China, although the main concern has traditionally been fears that excessive capital inflows would lead to currency appreciation. In order to combat this problem the central bank has accommodated capital inflows by accumulating vast reserves in foreign currency, but there are a number of restrictions on capital outflows.

Outward direct investment by wealthy individuals is difficult since citizens have a limit of US$50,000 a year of access to foreign currency for current account transactions. Nevertheless, there are many indirect ways through corporations and some illicit limit of capital account investing. The *Wall Street Journal* has estimated that US$255 million left China over a 12-month period recently.[7] However, the full potential for wealthy individuals to diversify their portfolios will not be realised until the Yuan is made fully convertible or Chinese citizens are granted greater legitimate access to foreign currencies.

[7] See: http://online.wsj.com/news/articles/SB10000872396390443507204578020272862374326?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10000872396390443507204578020272862374326.html.

There have been some moves towards liberalising outward investment. In 2006, the central government launched the QDII (Qualified Domestic Institutional Investor) programme, which allowed citizens to buy securities in overseas market – but not direct, only through the vehicle of asset managers and funds. In 2007, the 'through train' programme provided an opportunity for citizens to invest in Hong Kong stocks, but this was ended in 2010 in favour of the QDII programme, which was expanded in 2008 to allow investment in US stocks. There have also been some setbacks. A pilot overseas investment programme launched in 2011 in Wenzhou and Tianjin, which allowed for direct overseas investment, lasted only two weeks before it was cancelled. The project allowed US$200 million of investments with restrictions such as no investment in property, stocks or in any countries without diplomatic ties to China.

The urgent need for Chinese individuals to diversify their asset portfolios into overseas investments is regularly stressed by many academics, such as Professor David Daokui Li, Director of the Centre for China in the World Economy at Tsinghua University, and a former member of the Monetary Policy Committee of China's Central Bank:

> I've often been asked whether it's better to hold US dollars or RMB. I think it depends where the investment is. If you put dollars into bank deposits, it will be meaningless, as there's almost no interest. I suggest investors diversify their portfolio and have an international vision. I strongly encourage people to directly or indirectly invest in overseas securities markets like stock markets and bond markets if they have the ability. If China's economic transition doesn't go well over these two or three years, then there will be more setbacks. In this case, we need investment in overseas markets, which can form a useful supplement to domestic investments and mitigate risk. For example, people should invest in Apple's shares. Its growth is visible to Chinese people. (Daokui Li 2012)[8]

Further liberalisation is under consideration by the authorities. In November 2013 Zhou Xiao Chuan, governor of the People's Bank of China, speaking at the third Sino-French Financial Forum, remarked that eventually approval procedures for QDII qualification and quotas would be eliminated, but only 'when conditions are ripe'.

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[8] *Economic Observer* (2012): www.eeo.com.cn/ens/2012/0913/233473.shtml.

Conclusion

This article has demonstrated that there is a great deal of uncertainty about the number of wealthy HNW and UHNW individuals in China. The data problems arise from a number of causes: differences in the definition of wealth, differences in the basic unit measured (individuals or households), and sheer lack of information in the absence of corroborating official data from tax returns and property registers. While some country-specific rich lists like the annual Hurun survey make an effort to identify individuals at the top of the wealth pyramid, and to provide additional information about the source of their wealth and their geographic location, others, like the CS2014 report and their peers, cut corners in their assessment of wealth in China and in many other emerging markets by applying inappropriate formulas based on the distribution in other markets. The data problems inherent in emerging markets are evident in the shape of the relationship in Figure 3, which exhibits a definite kink with a mild impact of GDP per capita on the creation of millionaires up to US$20,000 per capita and a strong positive relationship thereafter. Far more research work has to be done to understand the dynamics of the millionaire creation process in what is probably the largest economy in the world, and this has to be done internally in China.

Comparing the proportion of dollar millionaires in a country's population compared to the rate of millionaires generated in the US is only a crude indicator of the dynamism of an economy and its business environment. By necessity it also leaves much out of the picture in terms of differences in the legal structures, in the impact of inherited wealth on the distribution of assets over time, and differences in per capita income between countries. Economic growth over time will generate millionaires, as opportunities to create wealth depend on satisficing demand in various markets, which itself depends on the existence of mass markets and a sizeable middle-class of consumers. One thing looks certain: although the creation of family offices to advise the Chinese on the allocation and preservation of their wealth is in its infancy, within a decade there will probably be more family offices in China than in the rest of the world.

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