

Equiom's Trust Services Director on the Role of Trusts in Devising Smart Succession & Legacy Planning

What is succession planning and why is it so important for Asia's wealthy clients and families? Lucia Luchetti, Trust Services Director at Singapore-based Equiom Group, gave her views on this matter and offered delegates at the Hubbis HNW Insurance event some insights into the benefits of using trusts for succession planning, the use of trusts to hold insurance policies amongst other assets, and the role of trustees in the insurance ecosystem.

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Lucia Luchetti
Equiom Group

Lucia explained that Equiom is a well-established, international professional services provider offering a range of innovative and effective business partnering solutions. “We are a truly global business with a strong presence across Europe, Asia, the Middle East and the Americas, and headquartered in Jersey,” she explained. “We have more than 600 people globally and currently administer more than 9000 structures representing more than USD150 billion of assets. Our diverse team ranges from trust and estate practitioners to accountants, lawyers, tax specialists and consultants, in 18 jurisdictions globally.”

She advised that Equiom has been in Singapore for many years having acquired the Singapore-based firm Heritage in 2016.

She then explained that a trust is an effective tool for succession planning, asset protection, the avoidance of probate and confidentiality. “A trust is a legal arrangement by which the assets are passed by the settlor to professional trustees like Equiom, who become the legal owner of the assets. That detachment from

the individual to the professional trustees is very useful because, upon the demise of the settlor, all the assets that are within the trust structure need not go through probate. Sometimes, for very global families who have assets across the world, this is significant and it really facilitates the transition of the wealth to the next generation.”

Lucia cited the case of one of Equiom’s clients, a successful business owner with operations across the world. “He passed away suddenly, and his wife was incredibly grateful to avoid the multi-jurisdictional probate; it gave her peace of mind at a very difficult time, and she was in a much better position to deal with her own personal life and circumstances.”

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Lucia explained that other clients use a trust for asset protection needs, for example if they worry about creditors that may come after personal assets. “Accordingly, these business owners at some point decide to carve out a portion of the assets, and to set up a trust for protecting these assets from creditors, because again, the detachment and the change of beneficial ownership of those assets gives them a safety net.”

Some clients use trusts for confidentiality reasons. For

example, she reported that it is quite common in Asia in the private equity space for investors to want to avoid showing their personal interest in some deals.

But she said the main reason for setting up a trust is succession planning. “Insurance aligned with a trust is an ever more complete and robust solution,” she explained. “For many of our clients, who tend to be in their 60s and really now focusing on how to pass on their wealth, the trust is ideal. But clients are also getting younger, as wealth is created at an earlier stage, perhaps through IPOs or M&A, and rising numbers in Asia are inheriting vast wealth.

Lucia explained that trusts are

also useful for the disbursement of wealth to children and grandchildren over time. A concern for wealthy families is that the children get too much wealth too soon, so trusts help in that they offer a vehicle with trustees that can be instructed via a ‘letter of wishes’ to disburse wealth at points in time, perhaps when the offspring are over 30 or settled in their lives, or perhaps when certain milestones are met, like getting a degree, getting married, and so forth. “The trustees can be

empowered to be flexible in their interpretation,” she explained.

She added that the trustee’s role also helps prevent children and grandchildren being cheated. “We are professionals who safeguard and who act as a layer of protection,” she said. “Additional benefits include bypassing hefty inheritance tax as assets can be disbursed during the lifetimes of the settlors. And increasingly, Asian families are looking for trusts as well for business succession planning and as trustees, we can help identify the best party, especially as we are an independent and professional specialist acting on behalf of the client.”

Lucia then offered some examples. The first is a businessman from Malaysia who is concerned about potential future creditors and wants to carve out some of his offshore assets to ensure that it is protected for his family and provides for succession planning.

The solution is for Equiom to help organise an irrevocable discretionary trust with an underlying company with his assets transferred to it. The client does not reserve powers for investment to himself. He can appoint an Investment Manager to look after his investment portfolio. His family will be the beneficiaries of the trust and that can also help the transition of the business of the client in the future.

Another example is an elderly Chinese lady living in Hong Kong with a daughter that has special needs. The client is concerned about the daughter’s ability to manage the assets upon her demise and worried that her daughter may also be cheated by strangers.

In this case, Equiom sets up a discretionary trust with reserved powers with an underlying company. The client is the settlor and her assets are parked in the structure. There is a letter of wishes provided for her daughter’s medical and living expenses upon her demise. And a protector is also appointed to oversee her daughter’s needs and a point of contact for the trustee following the client’s demise.

She also offered three further examples to highlight other challenges and missions. One relating to a US beneficiary, another to incentivising well-regarded employees of a business, and finally a family who put their family office into a trust structure.

“Today,” she reported, “we find about a third of our trust structures are connected to a family office structure. Traditionally, we might have a Singapore trust with an offshore entity underneath. With the family office schemes, we have seen clients increasingly setting up a Singapore company as a holding company and with a fund

company underneath the family office. The outcome is essentially the onshoring of the offshore structures that people used to employ so often but that nowadays are shunned for compliance and transparency reasons.”

She noted that with Equiom’s strong corporate services expertise, they are able to cover the particular needs of these corporate and family office requirements and allied to trusts, the solutions are very comprehensive. “We also offer outsourced services from payroll to general administration,” she explained. “Moreover, we even offer a concierge service for family office clients.”

Lucia closed her talk by explaining that Equiom works closely with the wealth management industry in identifying and then expediting solutions in many such cases.

“You might introduce clients to Equiom after relevant conversations around succession planning, and we will provide the fee proposals and liaise for the necessary due diligence,” she told delegates. “If there is an insurance solution involved, we help transfer the issue of policy into the trust, and then we would distribute the assets during the lifetime of the trust according to the letter of wishes. We work collaboratively with the wealth industry to achieve optimal outcomes for our clients.” ■

