

Experts Review the Key Current Issues Affecting HNW and UHNW Clients in Malaysia

What are the current trends and concerns affecting wealthy international families in Malaysia? Is CRS a major issue or a significant worry? How do you approach changes around ultimate beneficial ownership rules and practices? How are wealth managers evolving their offering beyond traditional wealth management to offer a wider range of financial solutions? What role should life insurance structures and solutions play in robust estate and legacy planning? Are trusts still in vogue and what are the key issues to consider when setting up a trust and hiring a trustee? These and other issues were debated in the first panel discussion of the Malaysia Wealth Management Forum on April 12 in Kuala Lumpur. One of the experts was Tan Woon Hum, Partner and Head of the Trust, Asset & Wealth Management Practice at leading local law firm Shook Lin & Bok. We have distilled his insights in this short report.

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TAN WOON HUM
Shook Lin & Bok

Tan first addressed the question of whether a trust is an appropriate vehicle in today's environment. The simple answer is 'yes' he said, but that it should be aligned with the client's family constitution and suit their overall objectives.

He told delegates: "The trend has been building for some years - people confronted the pandemic; they saw that taxes were going to rise; inflation was a challenge; and there were other concerns around the world. These add up to the impetus to formulate a plan B, and possibly even a plan C."

Onshore and offshore

He said clients see the need to diversify their asset holdings and jurisdictions, and also to consider re-domiciling wealth through onshoring.

"This is a key trend," he reported, "and involves bringing back assets and structures onshore from offshore, where clients previously thought it was all safe or confidential or low tax, but those advantages are either already not viable or soon might not be, due to BEPS 2 and BEPS 3, maybe later BEPS 4, with the US' FATCA regime



Chair:

- » **CheeMee Ho**
Director - Private Clients
Henley & Partners

Panel Members:

- » **Nor Fazlina Binti Mohd Ghouse**
Chief Executive Officer
Maybank Trustees
- » **Zac Lucas**
Partner - International Private Wealth
Spencer West
- » **Lee Woon Shiu**
Managing Director & Group Head of Wealth Planning, Family Office & Insurance Solutions
DBS Private Bank
- » **Tan Woon Hum**
Partner, Head of Trust, Asset & Wealth Management Practice
Shook Lin & Bok
- » **Reuben van Dijk**
Director
Melbourne Capital Group

and the OECD not likely at any time to relax their intensifying grip."

Trusts are part of a bigger solution

The trust is a solution or at least one of the components of an overall solution, he said. "The first steps involve truly understanding the clients, their motivations, their families and their objectives," he explained.

Woon Hum said there is no point in having all the right structures if the family is already at loggerheads or falling apart with in-fighting. But if they have a genuine intention to preserve the family wealth and harmony, if they want an orderly transfer of power and control over the businesses and wealth through one or more generations, then they can talk about a holistic structure, perhaps including the family office, probably including one or two or even three trusts.

"We can devise a holistic and complete structure that will help them overcome many of these issues and to help ensure family connectivity and longevity," Woon Hum explained. "A trust could be part of the solution, but I think it is only one of the components. In a superstructure, you might have the family fund and family office at the top, and other structures such as trusts holding on top or below."

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He then tackled the question as to which jurisdictions are fit for purpose today and likely to build more credibility in the future. "I wish I had a crystal ball, but I will just give my best shot," he quipped.

He said he thinks Singapore is in a very sweet spot in terms of both the pull and push of regulations and incentives and capabilities, and the inflow of global HNW and UHNW wealth attracted by those packages and Singapore's outstanding infrastructure and lifestyle.

Singapore's bright star

"Singapore is doing well and will get better," he told delegates. "In the aftermath of the global financial crisis, many European clients came to Singapore to diversify because they knew that the governments in the European community would have to levy more taxes in one way or another to fund the subsidies and bailouts. Then we saw the same scenario during the global pandemic and people see nowhere to hide."

Even though Singapore's taxes are rising somewhat, the pain is nowhere near levels in the major

developed economies, where taxes and inflation and interest rates are all rising at the same time.

A centre of excellence and stability

He explained that Singapore and Hong Kong had always been the go-to centres in Asia for protection against all these elements, but that Singapore's pre-eminence had been claimed in recent years due to worries over Hong Kong and its political independence, as well as its very strict controls during the pandemic.

"Hong Kong is still very viable as a jurisdiction and improving again now," he said, "but in practice, Singapore's star has become brighter and brighter in recent years, drawing in more and more experts to cater to the rising number of family offices and very wealthy people and families using Singapore as their core or secondary centres. And remember, that in Singapore, you can feel comfortable with your children taking public transport late at night, which is something you can't enjoy in many places around the globe." ■

